No. 9506

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and MALAYSIA

Loan Agreement—*Kuala Lumpur Water Supply Project* (with annexed Laon Regulations No. 3, as amended, and Project Agreement between the Bank and the State of Selangor). Signed at Washington on 27 September 1968

Authentic text : English.

Registered by the International Bank for Reconstruction and Development on 15 April 1969.

BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT et MALAISIE

Contrat d'emprunt — *Projet relatif à l'approvisionnement en eau de Kuala-Lumpur* (avec, en annexe, le Règlement n° 3 sur les emprunts, tel qu'il a été modifié, et le Contrat relatif au Projet entre la Banque et l'État de Selangor). Signé à Washington le 27 septembre 1968

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 15 avril 1969.

LOAN AGREEMENT [1]

AGREEMENT, dated September 27, 1968, between MALAYSIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower has requested the Bank to provide financial assistance for a water supply project for Kuala Lumpur ;

WHEREAS the State of Selangor, to which such assistance would be made available by the Borrower, agrees to carry out such project under the terms and conditions of this Agreement and of a project agreement [2] of even date herewith between the Bank and the State of Selangor (hereinafter called the Project Agreement) ; and

WHEREAS the Bank is willing to make a loan to the Borrower for the purpose and on the terms and conditions hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS

Section 1.01. The parties to this Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961 as amended February 9, 1967, [3] with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said Loan Regulations No. 3, as so modified, being hereinafter called the Loan Regulations) :

The words " and the Project Agreement " are inserted immediately after the words " the Loan Agreement " wherever the latter occur in Sections 5.06 and 7.02 of the Loan Regulations.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to three million six hundred thousand dollars ($ 3,600,000).

[1] Came into force on 15 January 1969. upon notification by the Bank to the Government of Malaysia.
[2] See p. 210 of this volume.
[3] See p. 210 of this volume.

Section 2.02. (*a*) The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Loan Account the amount of the Loan.

(*b*) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Bank.

(*c*) Withdrawals from the Loan Account shall be limited to the foreign exchange component of the cost of goods or services to be financed out of the proceeds of the Loan, as determined by the Bank after review of the contracts for the procurement of such goods and services and of the analysis, prepared by the consultants of the State of Selangor, of the composition of their price.

(*d*) Where goods produced outside the territories of the Borrower are purchased through local importers for use in the Project and are invoiced and paid for in the currency of the Borrower, 70 % of the total expenditures for such goods will be eligible for withdrawal from the Loan Account, the balance of such expenditure being a reasonable estimate of the local currency costs for such goods.

(*e*) Withdrawals from the Loan Account in respect of expenditures in the currency of the Borrower shall be in such currency or currencies as the Bank shall from time to time reasonably select.

(*f*) Withdrawals from the Loan Account may be made on account of expenditures made before the Effective Date but not before the date of this Agreement.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1 %) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.04. The Borrower shall pay interest at the rate of six and one-half per cent (6 ½ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent (½ of 1 %) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall make the proceeds of the Loan available to the State of Selangor upon terms and conditions satisfactory to the Bank and shall cause such proceeds to be applied exclusively to financing the cost of goods required to carry out the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, the goods to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding as set forth in the *Guidelines for Procurement under World Bank Loans and IDA Credits* published by the Bank in February 1968, and in accordance with such other procedures supplemental thereto as shall be agreed between the Bank and the Borrower.

Section 3.03. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used by the State of Selangor exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 4.02. The Minister of Finance of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations. The Minister of Finance may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. (*a*) The Borrower shall cause the Project to be carried out by the State of Selangor in accordance with the provisions of the Project Agreement.

(*b*) In addition to the proceeds of the Loan, the Borrower shall make available to the State of Selangor, promptly as needed, all other funds, facilities, services and resources which shall be required for carrying out the Project in accordance with paragraph (*a*) above.

Section 5.02. The Borrower shall take all reasonable action which shall be necessary on its part to enable the State of Selangor to perform all its obligations under the Project Agreement and shall not take any action that would interfere with the performance of such obligations by the State of Selangor.

Section 5.03. (*a*) The Borrower and the Bank shall cooperate fully to ensure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(*b*) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof, or the performance by the State of Selangor of its obligations under the Project Agreement.

(*c*) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.04. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term " assets of the Borrower " as used in this Section includes : (i) assets of the Borrower ; (ii) assets of any statutory authority of the Borrower, including assets of any state or political subdivision of the Borrower ;