

No. 6132

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
REPUBLIC OF CHINA**

**Development Credit Agreement—*China Development Corporation Project* (with related letters and annexed Development Credit Regulations No. 1). Signed at Washington, on 1 December 1961**

*Official text: English.*

*Registered by the International Development Association on 23 April 1962.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
RÉPUBLIQUE DE CHINE**

**Contrat de crédit de développement — *Projet relatif à la China Development Corporation* (avec lettres y relatives et, en annexe, le Règlement n<sup>o</sup> 1 sur les crédits de développement). Signé à Washington, le 1<sup>er</sup> décembre 1961**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 23 avril 1962.*

No. 6132. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*CHINA DEVELOPMENT CORPORATION PROJECT*) BETWEEN THE REPUBLIC OF CHINA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 1 DECEMBER 1961

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AGREEMENT, dated December 1, 1961, between THE REPUBLIC OF CHINA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

*Article I*

CREDIT REGULATIONS ; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961<sup>2</sup> (said Development Credit Regulations No. 1 being hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Wherever used in this Agreement or in any schedule thereto, unless the context shall otherwise require, the following terms shall have the following meanings :

1. The term "Corporation" means the China Development Corporation, a company organized under the Company Law of the Borrower in accordance with Articles of Association, dated April 30, 1959, as amended from time to time.

2. The term "Qualified Enterprise" means an enterprise to which the Corporation shall have made a loan in accordance with, and as provided in, Section 3.01 of this Agreement.

3. The term "Qualified Project" shall mean a specific development project to be carried out by a Qualified Enterprise in respect of which amounts shall have been credited to the Credit Account pursuant to Section 2.02 of this Agreement.

4. The term "Subsidiary Loan Agreement" means the loan agreement between the Borrower and the Corporation referred to in Section 4.01 of this Agreement.

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<sup>1</sup> Came into force on 2 February 1962, upon notification by the Association to the Government of the Republic of China.

<sup>2</sup> See p. 126 of this volume.

*Article II*

## THE CREDIT

*Section 2.01.* The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to five million dollars (\$5,000,000).

*Section 2.02.* The Association shall open a Credit Account on its books in the name of the Borrower. The amount of the Credit shall be credited to the Credit Account in instalments as follows :

(a) When any Qualified Project shall have been submitted to, and shall have been approved by, the Association as in Section 3.03 (a) of this Agreement provided, there shall be so credited such amount as the Borrower shall request but not in excess of the estimated foreign currency cost thereof as approved by the Association. Except as the Association and the Borrower shall otherwise agree, no amount shall be credited to the Credit Account pursuant to this paragraph (a) for any Qualified Project in respect of which any amount has been credited pursuant to paragraph (b) of this Section.

(b) There shall be so credited, in respect of the estimated foreign currency cost of any Qualified Project, such amounts as the Borrower shall from time to time request, but not exceeding, with respect to any Qualified Project or in the aggregate, such limits as shall from time to time be agreed by the Association. Each request by the Borrower for credit to the Credit Account pursuant to this paragraph (b) shall identify the Qualified Project for which the amount to be credited is requested. No amount shall be credited to the Credit Account and no withdrawal shall be made therefrom pursuant to this paragraph (b) for any Qualified Project in respect of which any amount has been credited pursuant to paragraph (a) of this Section.

(c) The outstanding balance of the Credit Account may, by agreement between the Association and the Borrower, be reduced by any amount credited thereto pursuant to paragraph (a) or paragraph (b) of this Section. No such reduction shall be deemed *ipso facto* to be a cancellation of any part of the Credit.

*Section 2.03.* (a) Amounts credited to the Credit Account in respect of a Qualified Project may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations and shall be applied exclusively for loans made by the Corporation for the Qualified Project in respect of which such amounts were credited to the Credit Account.

(b) With respect to each Qualified Project the Borrower shall be entitled to withdraw from the Credit Account (i) amounts expended for the reasonable cost of goods financed under the loan made by the Corporation for such Qualified Project pursuant

to paragraph (a) of this Section, and (ii) if the Association shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods.

(c) Notwithstanding the first sentence of Section 4.01 of the Regulations and except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made on account of (i) expenditures made for any Qualified Project more than ninety days prior to the submission of such Qualified Project to the Association for approval or, in the case of credits to the Credit Account pursuant to the provisions of Section 2.02 (b) of this Agreement, more than ninety days prior to the request for credit to the Credit Account, or (ii) expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower.

*Section 2.04.* The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the same rate on the principal amount outstanding from time to time of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

*Section 2.05.* Service charges shall be paid semi-annually on March 15 and September 15 in each year.

*Section 2.06.* The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each March 15 and September 15, commencing March 15, 1972 and ending September 15, 2011, each instalment to and including the instalment payable on September 15, 1981 to be one-half of one percent ( $\frac{1}{2}$  of 1%) of such principal amount, and each instalment thereafter to be one and one-half percent ( $1\frac{1}{2}\%$ ) of such principal amount.

### Article III

#### DESCRIPTION OF THE PROJECT ; USE OF PROCEEDS OF THE CREDIT

*Section 3.01.* The Project for which the Credit is granted is a program to contribute to the industrial development of Taiwan by providing loans for productive purposes by the Corporation to enterprises in Taiwan which are or will be controlled by private capital, all for specific development projects, in accordance with the Articles of Association of the Corporation, as amended from time to time, and in furtherance of the corporate purposes of the Corporation as therein set forth.

*Section 3.02.* The proceeds of any amount credited to the Credit Account shall be applied exclusively to the cost of goods required to carry out the Qualified Project, in respect of which such amount was so credited.

*Section 3.03.* (a) When submitting a Qualified Project to the Association for approval, the Borrower shall furnish to the Association an application, in form satisfactory to the Association, containing a description of such Qualified Project and such other information as the Association shall reasonably request.

(b) Whenever the Borrower shall have requested an amount to be credited to the Credit Account in respect of a Qualified Project pursuant to the provisions of Section 2.02 (b) of this Agreement, the Borrower shall submit or cause to be submitted to the Association, not later than thirty days from the date on which such amount was credited to the Credit Account, a brief description, in form satisfactory to the Association, of such Qualified Project and of the terms and conditions upon which a loan has been made by the Corporation for such Qualified Project in respect of the amount so credited to the Credit Account.

(c) Except as the Association and the Borrower shall otherwise agree, requests for approval of Qualified Projects pursuant to the provisions of Section 2.02 (a) of this Agreement and for credits to the Credit Account pursuant to the provisions of Section 2.02 (b) of this Agreement shall be submitted on or before December 31, 1963.

#### *Article IV*

##### PARTICULAR COVENANTS

*Section 4.01.* (a) The Borrower shall enter into a Subsidiary Loan Agreement with the Corporation, satisfactory to the Association, providing for the relending of the proceeds of the Credit to the Corporation for the purposes of the Project and containing appropriate provisions with respect to the carrying out of the Project and the conduct of the Corporation's operations and affairs in accordance with sound financial and business standards. Such Subsidiary Loan Agreement shall not be amended, assigned or abrogated, nor shall any material waiver of any provision thereof be given, without the consent of the Association.

(b) The Borrower shall promptly and effectively exercise every power, right and recourse available to it to cause the Corporation punctually to perform all its obligations under the Subsidiary Loan Agreement and shall not take any action that might interfere with the carrying out of the Project or the conduct of the Corporation's affairs and operations in accordance with sound financial and business standards.

*Section 4.02.* The Borrower undertakes to cause that any loan made by the Corporation to a Qualified Enterprise for a Qualified Project to be financed out of the proceeds of the Credit will be made on terms whereby the Corporation shall obtain, by the written agreement of such Qualified Enterprise or other appropriate legal means, rights adequate to protect the interests of the Borrower and the Corporation, including the right to require such Qualified Enterprise to carry out and operate the Qualified Project with due diligence and efficiency and in accordance with sound engineering

and financial standards, including the maintenance of adequate records ; the right to require that the goods to be financed with the proceeds of the Credit shall be used exclusively in the carrying out of such Qualified Project ; the right of the Association, the Borrower and the Corporation to inspect such goods and the sites, works and construction included in such Qualified Project, the operation thereof and any relevant records and documents ; the right to require that such Qualified Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, and that, except as the Association may otherwise agree, insurance covering marine and transit hazards on the goods financed out of the proceeds of the Credit shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable ; and the right to obtain all such information as the Association, the Borrower or the Corporation shall reasonably request relating to the foregoing and to the financial condition and operations of such Qualified Enterprise ; and all such other rights as a prudent lender would request. Such rights shall include appropriate provision whereby further access by such Qualified Enterprise to the use of the proceeds of the Credit may be suspended or terminated by the Borrower upon failure by such Qualified Enterprise to carry out the terms of such loan.

*Section 4.03.* (a) The Borrower shall cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the Qualified Enterprises, the Qualified Projects and the financial condition and operations of the Corporation.

(b) The Borrower shall cause the Corporation to maintain records adequate to record the progress of the Project and of each Qualified Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Corporation. The Borrower shall enable the Association's representatives to examine such records.

*Section 4.04.* (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit 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 Credit. 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 Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly

inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

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

*Section 4.05.* The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

*Section 4.06.* This Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

#### *Article V*

##### REMEDIES OF THE ASSOCIATION

*Section 5.01.* (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations or in paragraph (a) of Section 5.02 of this Agreement shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

*Section 5.02.* The following additional events are specified for the purposes of paragraph (j) of Section 5.02 of the Regulations :

(a) The Corporation has been unable to pay its debts as they mature or any action or proceeding has been taken by the Corporation or by others whereby any of the property of the Corporation shall or may be distributed among its creditors ;

(b) The Corporation's right of withdrawal under any other loan or credit agreement has been suspended ;

(c) Any other creditor of the Corporation has demanded payment from the Corporation of monies lent to the Corporation prior to the agreed maturity of any loan having an original maturity of one year or more in accordance with the terms of such loan.

*Article VI*

## EFFECTIVE DATE ; TERMINATION

*Section 6.01.* The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 8.01 (b) of the Regulations :

Evidence satisfactory to the Association shall have been furnished to the Association

(a) That the execution and delivery of the Subsidiary Loan Agreement have been duly authorized or ratified by all necessary governmental action ;

(b) That the Agency for International Development as successor in interest to the Development Loan Fund has agreed in writing

- (i) to the borrowing by the Corporation from the Borrower of the proceeds from the Credit provided for under this Agreement ; and
- (ii) to the borrowing by the Corporation from the Borrower of one hundred million New Taiwan Dollars in each of the fiscal years 1962-63 and 1963-64 ;

(c) That the Counterpart Fund Loan Agreement between the Bank of Taiwan and the Corporation, dated December 25, 1959, October 13, 1960 and September 29, 1961 have been properly amended, in a manner satisfactory to the Association, to the effect that said Counterpart Fund loans in a winding-up of the Corporation will rank after any other debt of the Corporation, and that all approvals necessary to such amendments have been duly obtained.

*Section 6.02.* The following are specified as additional matters, within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association :

(a) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Corporation respectively and is valid and enforceable in accordance with its terms, and that all necessary approvals thereto have been duly obtained, including the approval referred to in paragraph (b) of Section 6.01 of this Agreement ;

(b) That the amendments of the Counterpart Fund Loan Agreements between the Bank of Taiwan and the Corporation, dated December 25, 1959, October 13, 1960 and September 29, 1961, referred to in paragraph (c) of Section 6.01 of this Agreement, have been duly authorized or ratified by, and executed and delivered on behalf of, the Bank of Taiwan and the Corporation respectively and are valid and enforceable in accordance with their terms.

*Section 6.03.* A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.



*Article VII*

## MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1964, or such other date as may from time to time be agreed between the Borrower and the Association.

*Section 7.02.* The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministry of Finance  
Taipei  
Taiwan, China

Alternative address for cablegrams and radiograms :

Chifinance  
Taipei

For the Association :

International Development Association  
1818 H Street, N.W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Indevas  
Washington, D. C.

*Section 7.03.* The Minister of Finance of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

The Republic of China :

*By* Martin WONG  
Authorized Representative

International Development Association :

*By* Eugene R. BLACK  
President

## LETTERS RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

## I

CHINESE EMBASSY  
OFFICE OF ECONOMIC COUNSELOR  
WASHINGTON 8, D.C.

December 1, 1961

International Development Association  
1818 H Street, N.W.  
Washington 25, D.C.

Dear Sirs :

We refer to the Development Credit Agreement (*China Development Corporation Project*) of even date<sup>1</sup> herewith between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows ;

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United States of America.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) (or other than one designated under this clause (ii)) we shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty day period, be payable in the currency so selected.
- (v) Any designation or selection of a currency pursuant to the foregoing provisions shall be subject, in turn, to the provisions of this letter.

<sup>1</sup> See p. 106 of this volume.

- (vi) For purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

The Republic of China :  
By Martin WONG  
Authorized Representative

*Confirmed :*  
International Development  
Association :  
By I. P. M. CARGILL

## II

CHINESE EMBASSY  
OFFICE OF ECONOMIC COUNSELOR  
WASHINGTON 8, D.C.

December 1, 1961

International Development Association  
1818 H Street, N.W.  
Washington 25, D. C.

Dear Sirs :

We are writing to you with reference to paragraph (b) of Section 2.02 of the Development Credit Agreement (*China Development Corporation Project*) of even date herewith between us.

We wish to confirm our agreement with you that the limit applicable under said paragraph (b) in respect of the estimated foreign currency cost of any one Qualified Project shall be the equivalent of one hundred thousand United States dollars (US\$100,000).

Please indicate your agreement with the foregoing by signing the enclosed copy of this letter and returning it to us.

Very truly yours,

The Republic of China :

By Martin WONG  
Authorized Representative

*Confirmed :*

International Development  
Association :

By I. P. M. CARGILL

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1,  
DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER  
GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415, p. 68.*]