

No. 647

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
REPUBLIC OF KOREA

Development Credit Agreement — *Technical Assistance
Project-Transport* (with annexed Credit Regulations
No. 1, as amended). Signed at Washington on
24 July 1968

Authentic text: English.

*Filed and recorded at the request of the International Development Association
on 25 June 1969.*

ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT

et

RÉPUBLIQUE DE CORÉE

Contrat de crédit de développement — *Projet d'assistance
technique-Transport* (avec, en annexe, le Règlement
n° 1 sur les crédits de développement, tel qu'il a
été modifié). Signé à Washington le 24 juillet 1968

Texte authentique: anglais.

*Classé et inscrit au répertoire à la demande de l'Association internationale de
développement le 25 juin 1969.*

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated July 24, 1968, between REPUBLIC OF KOREA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower intends to reorganize its highway administration and to establish a national administration for public roads and an organization for the coordination of transport in Korea and to carry out feasibility studies and engineering of certain high priority roads in Korea ;

WHEREAS the Borrower has requested the Association to assist in financing the studies and other technical assistance required for the purpose ;

WHEREAS any financing so provided by the Association would be refunded, if the Association so requests, out of the proceeds of any credit by the Association or loan by the International Bank for Reconstruction and Development which may later be granted to the Borrower for the construction of the roads so to be engineered ; and

WHEREAS the Association is willing, on the basis of the foregoing, to make a development credit available to the Borrower on the terms and conditions hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

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, as amended February 9, 1967² (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.

¹ Came into force on 8 October 1968, upon notification by the Bank to the Government of the Republic of Korea.

² See p. 342 of this volume.

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Agreement shall have the following meanings :

(a) "Consultants" means the consultants retained to carry out the Project pursuant to Section 4.02 hereof.

(b) "Foreign currency cost" means expenditures in currencies other than the currency of the Borrower.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to three million five hundred thousand dollars (\$3,500,000).

Section 2.02. The Association shall open a Credit Account in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account :

- (a) such amounts as shall have been expended for the reasonable foreign currency cost of goods required for carrying out the Project ; and
- (b) 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.

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.

Section 2.05. Service charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

Section 2.07. The currency of the United States of America is specified for the purposes of Section 3.02 of the Regulations.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall apply the proceeds of the Credit in accordance with the provisions of this Agreement exclusively to expenditures on the Project described in Schedule 2 to this Agreement. The specific allocation of the proceeds of this Credit is set forth in Schedule 3 to this Agreement and shall be subject to modification by agreement between the Borrower and the Association.

Section 3.02. Any contract for consultants' services and any modification thereof, as well as any purchase of equipment under any such contract in excess of the amounts therein specified, to be financed out of the proceeds of the Credit shall be subject to the prior approval of the Association.

Article IV

PARTICULAR COVENANTS

Section 4.01. The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering, financial and administrative practices and shall make available, promptly as needed, all funds, facilities, services and other resources required for the purpose.

Section 4.02. (a) For the purpose of carrying out the Project, the Borrower shall employ competent and experienced consultants acceptable to the Association, under such terms and conditions, including terms of reference, as shall have been approved by the Association.

(b) The Borrower shall cooperate fully with the Consultants in the performance of their services for the Project and make available to them all information relevant to the Project.

(c) The Borrower shall not amend or waive any of the terms and conditions of employment of the Consultants, or grant any material extension of time or any approval of sub-contracts or modifications thereof or substitution of personnel of the Consultants, or suspend payments under, or terminate, any contract with the Consultants without the prior agreement of the Association.

Section 4.03. (a) The Borrower shall cause the Consultants promptly to furnish to the Association copies of the documents prepared by the Consultants for the Project, including reports and drafts thereof, plans, designs, specifications, construction schedules and estimates of costs, in such number as the Association shall reasonably request.

(b) The Borrower and the Association shall from time to time exchange views with respect to the evaluation and implementation of the recommendations and other conclusions contained in the documents referred to in the foregoing paragraph (a).

(c) The Borrower shall maintain or cause to be maintained records adequate to show the use of the proceeds of the Credit, and to record the progress of the Project (including the cost thereof); shall enable the Association's representatives to inspect the Project and any relevant records and documents, including records and documents to be kept by the Consultants for the Project; and shall furnish or 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 and the operations and administration, with respect to the Project, of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

Section 4.04. The Borrower shall not carry out any work other than maintenance or minor improvements on any of the roads to be studied or engineered as part of the Project without prior consultation with the Association.

Section 4.05. (a) The Borrower and the Association shall cooperate fully to ensure 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 4.06. 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 4.07. This Development Credit 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, delivery or registration thereof.

Article V

REMEDIES

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations 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 during the continuance thereof, the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon such declaration such principal shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Article VI

EFFECTIVE DATE ; TERMINATION

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 8.01 (a) of the Regulations : the Borrower shall have employed the Consultants in accordance with Section 4.02 for Parts I, II, III and IV of the Project.

Section 6.02. If this Development Credit Agreement shall not have come into force and effect by October 24, 1968, this Development Credit Agreement and all the obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Association shall promptly notify the Borrower of such date.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be September 30, 1972 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 :

Minister, Economic Planning Board
Republic of Korea
Seoul, Korea

Alternative address for cables :

EPB
Seoul

For the Association :

International Development Association
1818 H. Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables :

Indevas
Washington, D.C.

Section 7.03. The Minister, Economic Planning Board 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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Korea :

By DONG JO KIM
Authorized Representative

International Development Association :

By S. ALDEWERELD
Vice President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)</i>
November 1, 1972	218,750	November 1, 1976	218,750
May 1, 1973	218,750	May 1, 1977	218,750
November 1, 1973	218,750	November 1, 1977	218,750
May 1, 1974	218,750	May 1, 1978	218,750
November 1, 1974	218,750	November 1, 1978	218,750
May 1, 1975	218,750	May 1, 1979	218,750
November 1, 1975	218,750	November 1, 1979	218,750
May 1, 1976	218,750	May 1, 1980	218,750

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of:

Part I. A study to review the present highway administration of the Borrower and to formulate detailed recommendations for its reorganization and for establishing a national administration for public roads.

Part II. A study to review the present responsibilities of ministries and agencies of the Borrower concerned with transport and to formulate detailed recommendations for changes to be made and for establishing an organization for the coordination of transport.

Part III. The establishment of a national administration for public roads and an organization for transport coordination on the basis of the recommendations resulting from the studies in Parts I and II and in accordance with a program agreed between the Borrower and the Association.

Part IV. Feasibility studies:

(a) Phase I. Traffic forecasts and reconnaissance field surveys, recommendations for design standards and alignment selection and initial economic analysis of the following highways:

- (i) Seoul-Kangnung;
- (ii) Samchok-Kangnung-Sokcho;
- (iii) Pohang-Pusan-Yosu;
- (iv) Suncheon-Kwangju;
- (v) Mokpo-Kwangju-Daejon.

(b) Phase II. Further field survey, preliminary engineering and final economic analysis of about 800 kilometers of the highways listed above to be selected, on the basis of the results of Phase I, by agreement between the Borrower and the Association.

Part V. Detailed engineering of sections of all or some of the highways listed in Part IV to be selected on the basis of the studies under said Part IV, by agreement between the Borrower and the Association.

Part VI. The training overseas, in accordance with a program to be agreed between the Borrower and the Association on the basis of the recommendations of the Consultants engaged for Parts I, II and III hereof, of Korean nationals who will be required to serve, after their period of training, for minimum periods of two years in the national administration for public roads or the organizations for transport coordination of the Borrower.

The Project is expected to be completed by July 31, 1972.

SCHEDULE 3

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Consultants services for Parts I, II and III of the Project . . .	550,000
II. Consultants services for Part IV of the Project	1,100,000
III. Consultants services for Part V of the Project	1,400,000
IV. Foreign costs of fees, travelling expenses and subsistence for training overseas of Korean nationals under Part VI of the Project	100,000
V. Unallocated	350,000
	TOTAL \$3,500,000

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to IV shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category V.

2. If the estimate of the cost of the items included in any of the Categories I to IV shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit will be allocated by the Association, at the request of the Borrower, to such Category from Category V, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961,
AS AMENDED 9 FEBRUARY 1967REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER
GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 617, p. 60.*]