

II

Treaties and international agreements

filed and recorded

from 1 August 1970 to 11 August 1970

No. 657

Traités et accords internationaux

classés et inscrits au répertoire

du 1^{er} août 1970 au 11 août 1970

N° 657

No. 657

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
REPUBLIC OF KOREA**

**Development Credit Agreement—*Education Project* (with
annexed General Conditions Applicable to Develop-
ment Credit Agreements). Signed at Washington on
4 June 1969**

Authentic text: English.

*Filed and recorded at the request of the International Development Association
on 11 August 1970.*

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
RÉPUBLIQUE DE CORÉE**

**Contrat de crédit de développement — *Projet relatif à l'en-
seignement* (avec, en annexe, les Conditions générales
applicables aux contrats de crédit de développement).
Signé à Washington le 4 juin 1969**

Texte authentique : anglais.

*Classé et inscrit au répertoire à la demande de l'Association internationale de
développement le 11 août 1970.*

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated June 4, 1969, between REPUBLIC OF KOREA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association dated January 31, 1969,² with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to fourteen million eight hundred thousand dollars (\$14,800,000).

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

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pur-

¹ Came into force on 25 May 1970, upon notification by the Association to the Government of the Republic of Korea.

² See p. 382 of this volume.

suant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement:

- (i) such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Categories I, III and IV of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement; and
- (ii) the equivalent of thirty-five percent (35%) of such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Category II of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, provided, however, that if there shall be an increase in an estimate of such payments for goods or services included in such Category, the Association may by notice to the Borrower adjust the above percentage as required in order that withdrawals of the amount of the Credit then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

Section 2.04. No withdrawals from the Credit Account shall be made:

- (i) under Categories III and IV of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; or
- (ii) on account of payments for taxes imposed by the Borrower or any of its political sub-divisions on, or in connection with the importation or supply of, goods or services included in Category I of said allocation of the proceeds of the Credit.

Section 2.05. 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 2.06. Service charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each June 15 and December 15 commencing June 15, 1979 and ending December 15, 2018, each installment to and including the installment payable on December 15, 1988 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}\%$) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

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 Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, (i) the goods and services (other than consulting services) to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with 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 supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Borrower and the Association, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Association.

Section 3.03. Except as the Association may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall carry out the Project with due diligence and efficiency, in conformity with sound technical, financial and administrative standards and with due regard to economy, and shall at all times make or cause to be made available, promptly as needed, all funds and other resources required for carrying out the Project and for the effective utilization, staffing, equipping, operation and maintenance of the educational institutions included in the Project.

(b) The Borrower shall cause the educational institutions included in the Project to be so operated as to promote the educational objectives of the Borrower and to be provided with qualified teachers and administrators in adequate numbers.

(c) The Borrower shall cause the buildings, furniture and equipment of the educational institutions included in the Project to be adequately maintained and shall cause all necessary repairs and renewals thereof to be made. The Borrower shall establish appropriate administrative and financial procedures for the purposes of such maintenance.

(d) For the purpose of carrying out the Project, the Borrower shall establish in the Borrower's Ministry of Education a special unit headed by a Project Director, acceptable to the Association, who shall be responsible for the proper execution and supervision of the Project. The Borrower shall appoint as members of such unit (i) a full-time assistant to the Project Director, acceptable to the Association, (ii) an experienced architect, acceptable to the Association, (iii) an accountant and (iv) such supporting technical, accounting and secretarial staff as may be necessary for the purposes of such unit.

(e) Except as the Association shall otherwise agree, the Borrower shall cause Parts A, B and C of the Project to be carried out by contractors acceptable to the Borrower and the Association employed under contracts satisfactory to the Borrower and the Association.

(f) Except as the Association shall otherwise agree, the Borrower shall furnish or cause to be furnished to the Association for its approval promptly upon their preparation the plans, specifications, contracts and work schedules for the construction included in the Project and the master lists of instructional equipment and furniture included therein, and any subsequent material modifications thereof, in such detail as the Association shall reasonably request.

Section 4.02. (a) In the carrying out of the Project, the Borrower shall employ qualified and experienced architectural consultants, acceptable to the Borrower and the Association, upon terms and conditions satisfactory to the Borrower and the Association, for the following purposes:

- (i) establishing space, construction and costing standards to be applied to all schools included in the Project, and supervising the implementation of such standards;
- (ii) advising the Borrower on the professional competence of the architectural units of the Borrower's Provincial Boards of Education with respect to the responsibilities assigned to such units in the carrying out of the Project; and

(iii) assisting the Borrower in the selection of Korean architectural firms for the purposes of the Project.

(b) The Borrower shall cause the said architectural units or qualified Korean architectural firms to (i) design the schools included in the Project on the basis of the standards referred to in paragraph (a) (i) of this Section, (ii) prepare appropriate drawings and documents for the purposes of school construction, and (iii) supervise the construction of schools included in the Project.

Section 4.03. (a) The Borrower shall take appropriate steps to develop agricultural, commercial and technical subjects in its teacher training institutions, secondary and post-secondary schools.

(b) Without limiting the generality of the foregoing paragraph (a), the Borrower shall (i) employ an adequate number of qualified specialists, acceptable to the Association, for such periods as shall be agreed between the Borrower and the Association to assist the Borrower in preparing sound education planning, establishing adequate facilities for training teachers in the above mentioned subjects and in developing agricultural, commercial and technical education in the Borrower's secondary and post-secondary schools, (ii) provide ten fellowships for the purpose of training Koreans overseas as specialists in the said subjects, and (iii) take appropriate measures to ensure that the Koreans so trained as specialists join the public service of the Borrower for at least four years upon the completion of their training overseas.

(c) The Borrower shall promptly take all requisite steps for the acquisition and retention by the Borrower of all such lands, interests in land and properties and all rights, powers and privileges as may be necessary or proper for the construction and operation of the educational institutions included in the Project to ensure that such lands are available immediately as needed for the purposes of said construction.

Section 4.04. (a) For the purpose of strengthening the staff and organization of the Borrower's Ministry of Education, the Borrower undertakes that it will:

- (i) appoint additional staff to the Planning and Management Office of the said Ministry for the purpose of developing agricultural, technical, marine and fishery education; and
- (ii) appoint specialists in agricultural, commercial, industrial marine and fishery subjects to the Directorate of School Supervisors of the said Ministry.

(b) The Borrower undertakes that it will take all action reasonably required on its part to ensure that the schools included in the Project are at all times adequately provided with electricity, water and such other utilities as may be required for the proper functioning of such schools.

Section 4.05. The Borrower shall (i) maintain or cause to be maintained such records as shall be adequate to identify the goods and services financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition, in respect of the Project, of the ministries or departments of the Borrower responsible for the construction, operation and maintenance of the Project or any part thereof; (ii) enable the Association's representatives to inspect the Project, the operation thereof, the goods and any relevant records and documents; and (iii) furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the goods and services financed out of the proceeds of the Credit, the operation of the educational system of the Borrower, the programs for educational development in its territories and the operation and financial condition, in respect of the Project, of the ministries or departments of the Borrower responsible for the construction, administration, operation and maintenance of the Project or any part thereof.

Section 4.06. (a) The Borrower and the Association shall cooperate fully with each other 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 either 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 4.07. 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 4.08. 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, delivery or registration thereof.

Section 4.09. The Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incidents to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, 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 this Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions, namely: that the architectural consultants referred to in Section 4.02 (a) of this Development Credit Agreement shall have been employed.

Section 6.02. The date of September 30, 1969, is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Sections 4.01 (b) and (c), 4.03 (a), 4.04 and 4.05 of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date twenty years after the date of this Development Credit Agreement, whichever shall be the earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1974 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The Minister, Economic Planning Board, of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

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.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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 J. BURKE KNAPP

Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF THE CREDIT

<i>Category</i>	<i>Amount expressed in Dollar Equivalent</i>
I. Furniture and equipment	8,490,000
II. Civil works	4,330,000
III. Professional fees and administration	250,000
IV. Technical assistance and fellowships	460,000
V. Unallocated	1,270,000
TOTAL	<u>14,800,000</u>

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 (or, in the case of Category II, an amount equal to 35% of such increase) 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.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of the following:

A. Construction and equipment of:

(i) replacements for 3 technical high schools and expansion of 6 others;

- (ii) extensions to 2 comprehensive high schools;
 - (iii) extensions to 5 agricultural-technical high schools;
 - (iv) extensions to 4 commercial high schools; and
 - (v) extensions to 7 agricultural high schools.
- B. Construction and equipment of:
- (i) extensions to 4 higher technical schools; and
 - (ii) extensions to one higher agricultural school.
- C. Construction and equipment of an extension to the Department of Agricultural Education at the Seoul National University.
- D. Provision of science equipment for the science teacher training departments at the three national universities of Seoul, Kyungbuk and Kongju.
- E. Consulting Services for the works included in Parts A, B and C above.
- F. The provision of 26 man-years of technical assistance and 20 man-years of overseas fellowships to promote the development of agricultural and technical education and to assist educational planning.

The specific educational institutions to be included in the Project, the specific locations thereof, enrollment levels thereat and the approximate areas of construction shall be those shown in Schedule 3 to this Agreement, subject to modification by further agreement between the Borrower and the Association.

The Project is expected to be completed by June 30, 1974.

SCHEDULE 3

LIST OF EDUCATIONAL INSTITUTIONS

A. *High Schools.* Replacements for 3 and extensions to 24 secondary high schools including 700 student boarding places.

<i>Name of School</i>	<i>Final Total Enrollment</i>	<i>Student Boarding Places</i>	<i>Approx. Total Area to be constructed (sq. meters)</i>
Technical High Schools			
Seoul Puk	960	—	2270
Pusan (rebuilding)	1680	—	11178
Anyang	1080	—	2376
Taiback	960	—	4800
Choongnam	1080	—	4114
Mokpo (rebuilding)	1080	—	7974
Ulsan (rebuilding)	1080	—	7974
Chinju	960	—	4647
Soonchon	1080	—	4736

<i>Name of School</i>	<i>Final Total Enrollment</i>	<i>Student Boarding Places</i>	<i>Approx. Total Area to be constructed (sq. meters)</i>
Comprehensive High Schools			
Youngju	1080	—	4274
Kunsan	3000	—	2883
Agricultural-Technical High Schools			
Sosa	840	—	2743
Kangneung	840	—	3415
Janghang	600	—	2544
Nonsan	840	—	4487
Kimhae	1560	—	7650
Agricultural High Schools			
Yoju	480	100	2941
Boeun	600	100	3312
Jeongeup	960	100	5765
Bosung	480	100	4116
Kimchon	600	100	3148
Kongju	720	100	4060
Suwon	600	100	3167
Commercial High Schools			
Kyunggi	1200	—	2573
Kyungnam	1440	—	4446
Inchon	1200	—	2231
Taegu	1440	—	2353
B. Higher Schools. Extensions to 5 higher schools.			
Higher Technical Schools			
Kyunggi	1400	—	2158
Pusan	1600	—	2188
Chungju	800	—	2715
Taejon	900	—	1054
Higher Agricultural School			
Chinju	1000	—	5433
C. University Teacher Training Departments. Extensions to one Department including 100 student boarding places and equipment for 3 others.			
Seoul, Agricultural Teacher Training Department	320	100	580

Seoul, Department of Science Education and Home Economics	}	Equipment only
Kyungbuk, Department of Science Education		
Kongju, Department of Science Education		

SCHEDULE 4

PROCUREMENT

Pursuant to Section 3.02 of the Development Credit Agreement, international competitive bidding will be used to carry out the Project, and the procedures set forth in the *Guidelines for Procurement under World Bank Loans and IDA Credits*, dated February 1968, shall be applied by the Borrower together with the following supplementary provisions:

1. *Contracts for Civil Works*

(a) The several civil works included in the Project shall be grouped to form one or more economical bid packages, whenever practicable.

(b) Prior to inviting bids the Borrower shall:

- (i) Submit to the Association for approval lists containing the types and groups of works proposed to be let and the estimated costs thereof, together with a description of the method to be used for obtaining bids in respect to each one;
- (ii) Upon obtaining such approval, the Borrower shall submit for the approval of the Association the draft bidding documents, the draft contracts, the list of firms that the Borrower proposes to invite to bid, if any, and the proposed international advertising coverage.

(c) After bids have been received and evaluated, the Borrower shall send to the Association a summary thereof, the analysis of the bids and a brief justification of the Borrower's decision on the award; provided, however, that in the case of any contract, or a group of contracts covered by a single award, involving an amount of US\$100,000 equivalent or more, the Borrower shall obtain the Association's approval before making the award.

(d) As soon as a contract has been awarded, the Borrower shall send a certified copy thereof to Association promptly after execution of such contract and prior to the submission to the Association of the first application for withdrawal in respect of such contract.

(e) The Borrower shall request the Association's approval for any proposed change in a contract involving a price increase of 5 per cent, or more than US\$10,000 equivalent, whichever is less.

2. *Contracts for Equipment and Furniture*

(a) Lists for all items of equipment and furniture required for the Project shall be prepared, showing the specifications and estimated unit and total price of each item. Items will be grouped so as to permit bulk procurement as shall be consistent with sound technical and procurement practices.

(b) Prior to inviting bids the Borrower shall:

- (i) Submit to the Association for its approval the lists mentioned in paragraph 2 (a) above, together with a description of the method to be used for obtaining bids in respect of each one;
- (ii) Submit for the Association's approval the proposed standard bid, tender and contract documents.

(c) In the case of a contract involving an amount of US\$25,000 equivalent or less, the Borrower shall send to the Association, after the bids have been evaluated and awarded (provided the bid amount was within original estimates), a summary and analysis thereof, and a brief justification of the decision on the awarding of the contract.

(d) Foreign bids will be compared on a C.I.F. port of entry, Korean landed price basis exclusive of customs duties and similar taxes incident to importation of the goods.

(e) Where bids are submitted by Korean suppliers of goods substantially manufactured or processed in the territories of the Borrower, the following rules shall be observed for the purposes of comparing any such bid to any competing bid of a foreign bidder:

- (i) All customs duties and similar taxes incident to importation shall first be deducted from the total of such foreign bid;
- (ii) The portion of such foreign bid representing the C.I.F. port of entry, Korean landed price of the goods shall then be increased by 15% thereof or the existing level of such duties and taxes, whichever is lower, and the resulting figure shall be deemed to be the delivered price of the imported goods;
- (iii) If the ex-factory price of the goods offered by the competing Korean supplier is equal to or lower than the delivered price of the imported goods arrived at under sub-paragraph (ii) hereof, and other terms and conditions are satisfactory, the contract shall be awarded to the Korean supplier.

(f) As soon as a contract has been awarded, the Borrower shall send a certified copy thereof to the Association, promptly after the execution of such

contract and prior to the submission to the Association of the first application for withdrawal in respect of such contract.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]