

No. 672

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
REPUBLIC OF KOREA**

Development Credit Agreement—*Integrated Dairy Beef Development Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 11 February 1971

Authentic text: English.

Filed and recorded at the request of the International Development Association on 3 February 1972.

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

Contrat de crédit de développement — *Projet relatif au développement de centres intégrés de production laitière et d'élevage des bovins* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 11 février 1971

Texte authentique: anglais.

Classé et inscrit au répertoire à la demande de l'Association internationale de développement le 3 février 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated February 11, 1971, between REPUBLIC OF KOREA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) Korea Dairy Beef Company (hereinafter called KDBC) is a company duly organized on February 14, 1969 under the Commercial Code of the Republic of Korea to carry on and promote livestock and dairy development in Korea;

(B) The authorized capital of KDBC consists of 300,000 shares each of W1,000 and the Agriculture and Fishery Development Corporation (hereinafter called AFDC), a corporation established by the Agriculture and Fishery Development Corporation Act 1968 (Law No. 1960), now holds all the issued share capital of KDBC consisting of 150,000 shares each of W1,000;

(C) KDBC has agreed to increase its authorized capital to six hundred million Won by the issue from time to time of a further 300,000 ordinary shares each of W1,000 and AFDC has agreed to subscribe in cash to such shares and to provide certain further funds to KDBC, all in accordance with the project agreement of even date herewith² between the Association, KDBC and AFDC (hereinafter called Project Agreement);

(D) The Borrower has requested the Association to assist in the financing of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(E) The Project will be carried out by KDBC with the assistance of the Borrower and AFDC and, as part of such assistance, the Borrower will make available to KDBC the proceeds of the Credit as hereinafter provided; and

(F) The Association is willing to make the Credit available upon the terms and conditions set forth hereinafter and in the Project Agreement;

NOW THEREFORE the parties hereto hereby agree as follows :

¹ Came into force on 24 August 1971, upon notification by the Association to the Government of the Republic of Korea.

² The said Agreement entered into force on 24 August 1971. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Association as document CN 234 KO, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for filing and recording of the present Development Credit Agreement.

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, 1969,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

(a) The following subparagraph is added to Section 2.01:

“ 13. The term ‘ Project Agreement ’ shall have the meaning set forth in the Development Credit Agreement. ”

(b) Section 5.01 and paragraph (h) of Section 6.02 are deleted.

(c) Paragraph (i) of Section 6.02 is renumbered as paragraph (h).

(d) Section 6.06 is amended by inserting the words “, the Project Agreement ” after the words “ the Development Credit Agreement ”.

(e) Section 8.02 is amended by inserting the words “ or under the Project Agreement ” after the words “ the Development Credit Agreement ”.

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 and the following additional terms have the following meanings:

(a) “ Project Agreement ” means the agreement between the Association, KDBC and AFDC of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement;

(b) “ First Subsidiary Loan Agreement ” means the agreement to be entered into between the Borrower and KDBC pursuant to Section 3.01 (b) (i) of this Agreement, as the same may be amended from time to time with the agreement of the Association, and such term includes all schedules to the First Subsidiary Loan Agreement;

(c) “ Second Subsidiary Loan Agreement ” means the loan agreement to be entered into between KDBC and AFDC pursuant to Section 3.01 (b) (ii) of this Agreement, as the same may be amended from time to time by the agreement of the Borrower and the Association, and such term includes all schedules to the Second Subsidiary Loan Agreement;

(d) “ Subsidiary Loan Agreements ” means the agreements and schedules thereto referred to in paragraphs (b) and (c) of this Section;

¹ See p. 316 of this volume.

(e) “ Economic Planning Board ” means the Economic Planning Board established under Article 19 of the Government Organization Law, Law No. 1506 of December 14, 1963, as amended up to July 24, 1967, and as the same may be amended from time to time;

(f) “ Articles of Incorporation ” means the Articles of Incorporation of KDBC as of February 14, 1969, as amended up to November 19, 1970, and as the same may be amended from time to time;

(g) “ Regulations ” means the following regulations of KDBC, as the same may be amended from time to time with the consent of the Association :

- (i) Regulations on Organization as of November 19, 1970; and
- (ii) Regulations on Lending Policies and Procedures to be adopted by KDBC pursuant to Section 4.06 of the Project Agreement;

(h) “ Won ” and the letter “ W ” means the currency of the Republic of Korea;

(i) “ Act ” means Agriculture and Fishery Development Corporation Act, of 1968, Law No. 1960, as the same may be amended from time to time;

(j) “ First Subscription ” means the subscription in cash to be made by AFDC to the authorized capital of KDBC as of the date of this Agreement, pursuant to paragraph A of Section 2.02 of the Project Agreement;

(k) “ Subsidiary ” means any company which is owned or effectively controlled by KDBC or by any one or more subsidiaries of KDBC or by KDBC and one or more of its subsidiaries;

(l) “ farm development plan ” means a proposal for investment in land clearing, fencing, stock handling facilities, machinery, watering facilities, pasture establishment, dairy heifers, artificial insemination, stock, pasture and dairy management equipment and tools, farm structures, or other related on-farm items or any combination thereof, and for the provision of working capital and technical services in connection therewith;

(m) “ Government Loan ” means the funds to be made available by the Government pursuant to Section 3.01 (b) (ii) of this Agreement.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to,

an amount in various currencies equivalent to seven million dollars (\$7,000,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed under the Development Credit Agreement; provided, however, that except as the Association shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Association shall otherwise agree, the goods and services (other than consultants' services) to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Section 3.03 (a) of the Project Agreement.

Section 2.04. The Closing Date shall be March 31, 1977 or such other date as shall be agreed between the Borrower and the Association.

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 May 15 and November 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 May 15 and November 15 commencing May 15, 1981 and ending November 15, 2020, each installment to and including the installment payable on November 15, 1990 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.

Section 2.09. The Director, Bureau of Economic Cooperation, Economic Planning Board of the Borrower, and such other person or persons as he shall appoint in writing, are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall cause KDBC to carry out the Project with due diligence and efficiency and in conformity with sound administrative, agricultural, economic, financial and engineering practices, and shall provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without limiting the generality of the provisions of paragraph (a) of this Section, the Borrower shall (i) relend the proceeds of the Credit to KDBC under a subsidiary loan agreement to be entered into between the Borrower and KDBC under terms and conditions which shall have been approved by the Association; (ii) make available to AFDC, except as the Association shall otherwise agree, an amount equivalent to one million five hundred thousand dollars (\$1,500,000) to be lent to KDBC by AFDC pursuant to a loan agreement under terms and conditions satisfactory to the Borrower and the Association; and (iii) make available, whenever necessary, funds to AFDC to subscribe to the increases in KDBC's authorized capital referred to in Section 2.02 of the Project Agreement.

(c) The Borrower shall exercise its rights under the First Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the First Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable (i) KDBC and AFDC to perform all of their obligations under the Project Agreement and the Second Subsidiary Loan Agreement, and (ii) KDBC to perform all of its obligations under the First Subsidiary Loan Agreement, and shall not take or permit to be taken any action which might interfere with such performance.

(e) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Article IV

OTHER COVENANTS

Section 4.01. (a) The Borrower shall cause KDBC to maintain records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of KDBC.

(b) The Borrower shall cause KDBC to : (i) maintain separate accounts in respect of each Part of the Project; (ii) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (iii) furnish to the Association as soon as available, but in any case not later than three months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iv) furnish to the Association such other information concerning the accounts and financial statements of KDBC and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. The Borrower shall cause KDBC to take out and maintain with responsible insurers insurance against such risks and in such amounts as shall be consistent with sound practice.

Section 4.03. The Borrower shall promptly cause its Ministry of Agriculture and Forestry to enter into an agreement with KDBC, on terms and conditions satisfactory to the Borrower and the Association, to assist KDBC in developing and carrying out a program of applied research in livestock production.

Section 4.04. The Borrower shall promptly, after consultation with the Association, prepare and implement or cause to be prepared and implemented a plan offering price incentives to farmers supplying milk to KDBC.

Section 4.05. The Borrower shall take all necessary steps to ensure that KDBC acquires title satisfactory to the Association to the lands on which the dairy processing facilities under the Project are to be established.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the performance by KDBC and AFDC of their respective obligations under the Project Agreement and the Second Subsidiary Loan Agreement, the performance by KDBC of its obligations under the First Subsidiary Loan

Agreement, the administration, operations and financial condition of KDBC and AFDC and of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, and other matters relating to the purposes of the Credit; and

- (b) 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, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the operations and financial condition of KDBC and AFDC and of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) 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, the maintenance of the service thereof, the performance by the Borrower of its other obligations under the Development Credit Agreement, the performance by KDBC and AFDC of their respective obligations under the Project Agreement and the Second Subsidiary Loan Agreement or the performance by KDBC of its obligations under the First Subsidiary Loan Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to inspect all plants, sites, works, property and equipment of KDBC and to visit any part of the territories of the Borrower for purposes related to the Credit.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.02. The Development Credit Agreement and the Project Agree-

ment shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE ASSOCIATION

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 of this Agreement 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 and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified :

(a) A default shall occur in the performance of any obligation on the part of AFDC or KDBC under the Project Agreement or the Second Subsidiary Loan Agreement, or on the part of KDBC under the First Subsidiary Loan Agreement.

(b) KDBC shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by KDBC or by others whereby any of the property of KDBC shall or may be distributed among its creditors.

(c) The Borrower, AFDC or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of KDBC or for the suspension of its operations.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of AFDC or for the suspension of its operations.

(e) The Project Agreement, the First Subsidiary Loan Agreement, the Second Subsidiary Loan Agreement or any material provision thereof shall have been amended, suspended, abrogated or waived without the prior approval of the Association.

(f) Any amendment, suspension or repeal of the Act or of any provisions thereof which materially and adversely affects the operations or financial condition of KDBC or AFDC, the performance by KDBC or AFDC of its obligations under the Project Agreement or the Second Subsidiary Loan Agreement, or the performance by KDBC of its obligations under the First Subsidiary Loan Agreement, shall have been brought into force and effect.

(g) A change shall have been made in the Articles of Incorporation and the Regulations without the Association's consent.

(h) A subsidiary or any other entity shall have been established or acquired or taken over by KDBC, if such establishment, acquisition or taking over would adversely affect the conduct of KDBC's business or its financial position or the efficiency of its management and personnel.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following events are specified :

(a) The event specified in Section 7.02 (a) or (e) of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, KDBC and AFDC.

(b) The event specified in Section 7.02 (h) of this Agreement shall occur and the situation specified therein shall not have been corrected within sixty days after notice thereof shall have been given by the Association to the Borrower, KDBC and AFDC.

(c) Any event specified in Section 7.02 (b), (c), (d), (f) or (g) of this Agreement shall occur.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions :

(a) The execution and delivery of the Project Agreement on behalf of

KDBC and AFDC have been duly authorized or ratified by all necessary corporate and governmental action.

(b) The execution and delivery of the First Subsidiary Loan Agreement on behalf of the Borrower and KDBC have been duly authorized or ratified by all necessary corporate and governmental action.

(c) The execution and delivery of the Second Subsidiary Loan Agreement on behalf of KDBC and AFDC have been duly authorized or ratified by all necessary corporate and governmental action.

(d) KDBC has employed the Dairy Husbandry Specialist referred to in Section 4.05 of the Project Agreement.

(e) The First Subscription referred to in Section 1.02 (j) of this Agreement has been made.

Section 8.02. The following are specified as additional matters, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association :

- (a) That the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, KDBC and AFDC and constitutes a valid and binding obligation of KDBC and AFDC in accordance with its terms;
- (b) That the First Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and KDBC and constitutes a valid and binding obligation of the Borrower and KDBC in accordance with its terms;
- (c) That the Second Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, KDBC and AFDC and constitutes a valid and binding obligation of KDBC and AFDC in accordance with its terms.

Section 8.03. The date June 11, 1971 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.04. The obligations of the Borrower under Sections 4.01 (a), 4.01 (b) (ii), 4.01 (b) (iii), 4.01 (b) (iv), 4.02 and 5.02 (a) of this Agreement and the provisions of paragraphs (b) and (c) of Section 7.03 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date fifteen years after the date of this Agreement, whichever shall be the earlier.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. 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 9.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions :

For the Borrower :

Minister, Economic Planning Board
Seoul
Republic of Korea

Cable address :

EPB
Seoul

For the Association :

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

Cable address :

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

WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the categories of items to be financed out of the proceeds of the Credit, the allocation of amounts of the Credit to each category and the percentage of eligible expenditures so to be financed in each category:

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Loans for farm development (excluding cattle and semen)	1,900,000	56% of total expenditures
II. Cattle and semen	2,500,000	100% of foreign expenditures
III. Dairy processing facilities:		
(a) Machinery and equipment	1,200,000	100% of foreign expenditures or 100% of local expenditures ex-factory
(b) Civil works	600,000	44% of total expenditures
IV. Vehicles for management and technical services	50,000	100% of total expenditures
V. Technical services:		
(a) Specialists specified in Section 4.05 of Project Agreement	475,000	100% of total expenditures
(b) Research materials and equipment, training fellowships	75,000	100% of foreign expenditures
VI. Unallocated	200,000	
	TOTAL	
	<u>7,000,000</u>	

2. For the purposes of this Schedule:

(a) The term “foreign expenditures” means expenditures for goods produced in, or services supplied from the territories, and in the currency, of any member of the Bank (other than the Borrower) or of Switzerland;

(b) The term “local expenditures” means expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; and

(c) The term “total expenditures” means the aggregate of foreign and local expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures prior to the date of this Agreement; and

(b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above:

(a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;

(b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under Categories I and III (b) shall increase and no proceeds of the Credit are available for reallocation to such Category, the Association may, by notice to the Borrower, adjust the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is part of the Borrower's program of livestock and dairy development and consists of the following:

Part A

The extension through KDBC of long-term loans (8–10 years) to farmers for the development of about 700 dairy farms in the Central District and the Honam District;

Part B

The construction of two suitably located dairy product processing facilities;

Part C

The provision of management and technical services, including the employment of specialists in dairy husbandry, animal nutrition, agronomy and dairy processing, assisted by livestock production specialists; and

Part D

The provision of applied research in livestock development, including trials on plant production, nutritional feeding requirements and dairy management, as well as development of information on forage crop production, double-cropping of low-land paddy fields, and pasture development on uplands.

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.*]
