

No. 682

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
REPUBLIC OF KOREA**

Development Credit Agreement—*Yong San Gang Irrigation Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 2 February 1972

Authentic text : English.

Filed and recorded at the request of the International Development Association on 26 September 1972.

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

Contrat de crédit de développement — *Projet relatif à l'irrigation de la région du Yong San Gang* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 2 février 1972

Texte authentique : anglais.

Classé et inscrit au répertoire à la demande de l'Association internationale de développement le 26 septembre 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated February 2, 1972, between REPUBLIC OF KOREA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) 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;

(B) The Project will be carried out by Agricultural Development Corporation, a corporation established under the laws of the Borrower (hereinafter referred to as ADC), with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ADC the proceeds of the Credit as hereinafter provided;

(C) The Borrower has also requested the International Bank for Reconstruction and Development (hereinafter called the Bank) to provide additional financial assistance towards the financing of the Project and by an agreement of even date herewith between the Bank and ADC (hereinafter called the Loan Agreement²) the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to thirty-three million dollars (\$33,000,000) (hereinafter called the Loan) and the Borrower has agreed to guarantee the Loan in accordance with the terms and conditions set forth in an agreement of even date between the Borrower and the Bank (hereinafter called the Guarantee Agreement³);

(D) The Borrower, the Association and ADC intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures on the Project before disbursements of the proceeds of the Loan provided for in the Loan Agreement are made;

WHEREAS the Association has agreed, on the basis *inter alia* of the foregoing, to extend the Credit to the Borrower upon the terms and conditions herein-after set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

¹ Came into force on 15 September 1972, upon notification by the Association to the Government of the Republic of Korea.

² See footnote 3 on p. 234 of this volume.

³ See p. 233 of this volume.

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 deletion of Sections 5.01 and 6.02 (*h*) thereof and to the renumbering of Section 6.02 (*i*) into 6.02 (*h*) thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, 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 and the following additional terms have the following meanings :

(*a*) “ Loan Agreement ” means the agreement of even date herewith between the Bank and ADC for the purpose of the Project, as such agreement may be amended from time to time; and such term includes the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,² as made applicable to such agreement, all agreements supplemental to the Loan Agreement and all schedules to the Loan Agreement;

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

(*c*) “ Act ” means the Rural Development Encouragement Law of 1969 of the Borrower, as the same may be amended from time to time;

(*d*) “ Land Improvement Association ” means an association established pursuant to the Act;

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

(*f*) “ Decree ” means Enforcement Decree of Rural Development Encouragement Law dated January 27, 1970, as the same may be amended from time to time; and

¹ See p. 270 of this volume.

² United Nations, *Treaty Series*, vol. 691, p. 300.

(g) "By-Laws" means By-Laws of the ADC, as the same may be amended from time to time.

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 fifteen million dollars (\$15,000,000).

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 services of consultants) required for the Project and to be financed out of the proceeds of the Credit shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, as revised in May 1971, and in accordance with, and subject to, the provisions set forth in Schedule 2 to the Loan Agreement.

Section 2.04. The Closing Date shall be September 30, 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 March 15 and September 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 March 15 and September 15 commencing March 15, 1982 and ending September 15, 2021, each installment to and including the installment payable on September 15, 1991 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, or such other person or persons he shall designate in writing, are authorized to take, on behalf of the Borrower, 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 ADC to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the proceeds of the Credit to ADC under a subsidiary loan agreement to be entered into between the Borrower and ADC under terms and conditions which shall have been approved by the Association.

(c) The Borrower shall exercise its rights under the 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 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 ADC to perform all of its obligations under the Loan Agreement and the Subsidiary Loan Agreement and shall not take or permit to be taken any action which might interfere with such performance.

Section 3.02. The Borrower accepts that :

(a) Unless the context shall otherwise require, all references to the Bank and the Loan in the provisions of Articles III, IV, and V (except Section 5.04) and Section 6.03 of, and until the Credit shall have been fully disbursed, to the Bank and the Loan Account in the Schedule 2 to, the Loan Agreement shall be deemed to include the Association, the Credit and the Credit Account, respectively, as the case may be.

(b) If and when the Loan Agreement shall terminate prior to the agreed maturity thereof, the provisions of the Loan Agreement referred to in the

preceding paragraph shall be deemed to be in full force and effect for the purposes of the Development Credit Agreement.

Section 3.03. 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 until its completion.

Section 3.04. (a) The Borrower shall cause to be furnished to the Association, promptly upon their preparation, the plans, specifications, contract documents, work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower shall or shall cause ADC to : (i) maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit and the Loan, and to disclose the use thereof in the Project; (ii) enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and the Loan and any relevant records and documents; and (iii) furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Credit and the Loan and the goods and services financed out of such proceeds.

Section 3.05. The Borrower shall take or cause to be taken all such action as shall be necessary to enable ADC to acquire as and when needed all such land and rights in respect of land as shall be required by ADC for the construction and operation of the facilities included in the Project and shall furnish or cause to be furnished to the Association, promptly after such acquisition, evidence satisfactory to the Association that such land and rights in respect of land are available for purposes related to the Project.

Article IV

OTHER COVENANTS

Section 4.01. The Borrower shall cause the water rights in respect of all lands in the Project area to be recorded in accordance with the Borrower's legislation.

Section 4.02. The Borrower shall take all action as shall be necessary : (i) to ensure that non-Korean bidders for goods and services under the Project are not required to register in Korea as a condition of bidding for any contract; and (ii) to facilitate registration, wherever required, of the non-Korean bidder who shall have been awarded a contract for goods and services under the Project.

Section 4.03. The Borrower shall cause the Office of Rural Development of the Borrower : (i) to take such measures as shall be necessary to increase, not later than January 1, 1976, the number of extension staff to the level of approximately 125 extension workers in the Project area; and (ii) to establish and implement, not later than one year from the date of this Agreement, an agreed program of applied research for irrigated upland crops in the Project area.

Section 4.04. The Borrower shall ensure that the flow of water for the purposes of the Project shall not be depleted below the minimum that is required for the Project as a result of other development works.

Section 4.05. The Borrower shall cause the National Agricultural Co-operative Federation of the Borrower : (i) to ensure that adequate amounts of short-term credit will be available to farmers in the Project area for purposes of the Project; and (ii) to give priority to the implementation in the Project area of any mechanization program that may be established by the Borrower.

Section 4.06. The Borrower shall cause : (i) its Yong San Gang Basin Development Committee to prepare a plan for supporting agricultural services in the Project area, satisfactory to the Association; (ii) such plan to be furnished to the Association for its comments; (iii) such plan to be implemented within one year from the date of this Agreement; and (iv) the said Committee to coordinate the activities of such departments or agencies of the Borrower as may be responsible for the carrying out and the operation of such plan.

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 ADC of its obligations under the Subsidiary Loan Agreement, the administration, operations and financial condition of ADC in respect of the Project, of the departments or agencies of the Borrower associated in the carrying out of 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 ADC, in respect of the Project, of the departments or agencies of the Borrower associated in the carrying out of the Project or any part thereof.

(b) The Borrower and the Association shall promptly inform each other 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 either of them of its obligations under the Development Credit Agreement or the performance by ADC of its obligations under the Subsidiary Loan Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to inspect all plants, installations, sites, works, buildings, property and equipment of ADC and any relevant records and documents and to visit any parts of the territories of the Borrower for purposes related to the Credit.

Section 5.04. The Borrower shall promptly inform the Association of any proposed changes in the Act, decree or the By-Laws.

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 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) the Act or the Decree shall have been amended in such a way as to substantially alter the organization, powers or responsibilities of ADC without the consent of the Association;
- (b) the By-Laws shall have been amended, suspended, abrogated, repealed or waived in such a way as to materially and adversely affect the ability of ADC to carry out the covenants and agreements set forth in the Loan Agreement and the Subsidiary Loan Agreement; and
- (c) the ADC shall have failed to perform any of its obligations under the Loan Agreement or the Subsidiary Loan Agreement.

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

- (a) The event specified in Section 7.02 (c) of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Guarantor and the ADC, or by the Association to the Borrower and ADC, as the case may be.
- (b) Any event specified in Section 7.02 (a) or (b) 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) That all the conditions precedent to the effectiveness of the Loan Agreement and Guarantee Agreement other than the effectiveness of the Development Credit Agreement have been fulfilled.
- (b) That the execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and ADC, respectively, have been duly authorized or ratified by all necessary corporate and governmental action.

Section 8.02. The following is specified as an additional matter, 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, namely, that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and ADC, respectively, and constitutes a valid and binding obligation of the Borrower and ADC in accordance with its terms.

Section 8.03. The date June 15, 1972 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.04. If the Development Credit Agreement or the Loan Agreement terminates prior to the agreed maturity thereof, the obligations of the Borrower under Sections 3.01 (c) and (d), 4.05 (ii) and 5.04 and the provisions of Sections 7.02 (a) through (c) and Sections 7.03 (a) and (b) of this Agreement shall cease and determine on the date on which either of such Agreements remaining in effect shall terminate or on the date thirty years after the date of this Agreement.

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
Republic of Korea
Seoul, 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 AND OF THE LOAN

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

<i>Category</i>	<i>Amount of the Credit and of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Civil Works	20,600,000	55% of total expenditures (representing the estimated foreign expenditure component)
II. Equipment Materials and Supply	10,700,000	100% of foreign expenditures, or 100% of local expenditures
III. Consultants Services and Overseas training of Korean personnel	1,600,000	100% of foreign expenditures
IV. Interest and other charges on the Loan accrued on or before September 14, 1977	3,400,000	100% of foreign expenditures
V. Unallocated	11,700,000	
TOTAL	48,000,000	

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 country other than the Borrower;

(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 :

(a) No withdrawals shall be made in respect of :

(i) expenditures prior to the date of this Agreement ;

(ii) 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 in respect of any Category would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit or of the Loan will be withdrawn on account of payments for such taxes; and

(iii) expenditures for freight and insurance within the territories of the Borrower.

(b) Except as the Borrower, the Association and the Bank shall otherwise agree, and until all amounts of the Credit shall have been withdrawn or committed, no withdrawals shall be made from the Loan Account other than under Category IV except under commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions referred to in Section 1.01 of the Loan Agreement.

4. Notwithstanding the allocation of an amount of the proceeds of the Credit and of the Loan 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 proceeds of the Credit and of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Association and by the Bank or, after full withdrawal of all amounts of the Credit, by the Bank, by increasing correspondingly the unallocated amount of the proceeds of the Credit and of the Loan ;

(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 and by the Bank or, after full withdrawal of all amounts of the Credit, by the Bank, at the request of the Borrower and ADC, to such Category from the unallocated amount of the proceeds of the Credit and of the Loan, subject, however, to the requirements for contingencies, as determined by the Association and by the Bank or, after full withdrawal of all amounts of the Credit, by the Bank, in respect of any other expenditures ;

(c) if the Association and the Bank or, after full withdrawal of all amounts of the Credit, the Bank, shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in Section

2.03 of this Agreement, or Section 2.03 of the Loan Agreement, as the case may be, no expenditure for such item shall be financed out of the proceeds of the Credit and the Loan or, after full withdrawal of all amounts of the Credit, of the Loan, and the Association and the Bank, or after full withdrawal of all amounts of the Credit, the Bank, may, without in any way restricting or limiting any other right, power or remedy of the Association or the Bank, by notice to the Borrower and ADC, cancel such amount of the Credit or, after full withdrawal of all amounts of the Credit, of the Loan, as in the reasonable opinion of the Association and the Bank or, after the full withdrawal of all amounts of the Credit, the Bank, represents the amount of such expenditures which would otherwise have been eligible for financing under this Agreement or the Loan Agreement; and

(d) notwithstanding the percentages set forth in the third column of the table set out in paragraph 1 above, if the estimate of total expenditures under Category I shall increase and no proceeds of the Credit and of the Loan are available for reallocation to such Category, the Association and the Bank or, after full withdrawal of all amounts of the Credit, the Bank, may, by notice to the Borrower and ADC, adjust the percentage then applicable to such expenditures in order that further withdrawals under any such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is located in the Yong San Gang Basin in the Jeonla Nam Province. The Project consists of :

- I. Four independent sub-projects : in Dam Yang, Jang Seong, Kwang Ju and Dae Cho; and each such sub-project shall include :
 - (a) construction of dam and reservoir for storage and regulation of the river;
 - (b) construction of a main canal and lateral system to serve the irrigable area;
 - (c) land consolidation and on-farm development (subject to a total of 30,000 ha in sub-projects mentioned above);
 - (d) a main drainage system;
 - (e) relocation of existing roads in the reservoir area and improvement of secondary and farm service roads; and
 - (f) primary lime application on all lands following on-farm development.
- II. Provision of consulting services and training overseas of selected ADC Staff;

- III. Provision of supporting agricultural services and credits for agricultural inputs such as seed and fertilizer; and
- IV. Preparation of a feasibility study for further development of irrigation and drainage in the Yong San Gang Basin.

The Project is expected to be completed by December 31, 1976.

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.*]