

II

Treaties and international agreements

filed and recorded

from 9 October 1972 to 17 October 1972

No. 684

Traités et accords internationaux

classés et inscrits au répertoire

du 9 octobre 1972 au 17 octobre 1972

N° 684

No. 684

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
REPUBLIC OF KOREA**

**Loan Agreement—*Highway Project* (with schedules and
General Conditions Applicable to Loan and Guarantee
Agreements). Signed at Washington on 29 June 1971**

Authentic text: English.

*Filed and recorded at the request of the International Bank for Reconstruction and
Development on 17 October 1972.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
RÉPUBLIQUE DE CORÉE**

**Contrat d'emprunt — *Projet relatif au réseau routier* (avec
annexes et Conditions générales applicables aux contrats
d'emprunt et de garantie). Signé à Washington le 29 juin
1971**

Texte authentique : anglais.

*Classé et inscrit au répertoire à la demande de la Banque internationale pour la
reconstruction et le développement le 17 octobre 1972.*

LOAN AGREEMENT¹

AGREEMENT, dated June 29, 1971, between REPUBLIC OF KOREA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) the Borrower has requested the Bank to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) by a development credit agreement (S-4 KO) dated July 24, 1968² (hereinafter called the Development Credit Agreement) between the Borrower and the Association, the Association granted to the Borrower a credit (hereinafter called the Credit) in various currencies equivalent to three million five hundred thousand dollars (\$3,500,000) to assist in financing the project described in Schedule 2 to the Development Credit Agreement (hereinafter called the Credit Project);

(C) the Association has, pursuant to the terms of the Development Credit Agreement, requested that the Credit be refunded out of the proceeds of the Loan provided for herein, and the Borrower and the Bank agree with such request;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I. GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof and to the amendment of Section 6.02 (i) thereof to read as follows: "Any event specified in paragraph (e) or (f) of Section 7.01 shall have occurred." (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, 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) "MOC" means the Ministry of Construction of the Borrower.

(b) "BPR" means the Bureau of Public Roads of MOC responsible for planning, construction and maintenance of national highways, or any successor thereto.

(c) "Guidelines" means the *Guidelines for Procurement under World Bank Loans and IDA Credits* published by the Bank in August 1969, as revised in May 1971.

Article II. THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to fifty-four million five hundred thousand dollars (\$54,500,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule

¹ Came into force on 7 December 1971, upon notification by the Bank to the Government of the Republic of Korea.

² United Nations, *Treaty Series*, vol. 679, p. 325.

³ See p. 245 of this volume.

shall be amended from time to time, for expenditures made (or, if the Bank 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 Loan Agreement, and for refunding the principal amount of the Credit withdrawn and outstanding together with all charges thereon; provided, however, that, except as the Bank 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. The Bank, on the Effective Date, shall, on behalf of the Borrower, withdraw from the Loan Account and pay to the Association the amount required to refund the principal amount of the Credit withdrawn and outstanding and all charges thereon.

Section 2.04. The Closing Date shall be November 30, 1975 or such other date as shall be agreed between the Borrower and the Bank.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven and one-quarter per cent ($7\frac{1}{4}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.09. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 2.10. The Minister of Finance of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article III. EXECUTION OF THE PROJECT

Section 3.01. The Borrower shall carry out or cause the Project to be carried out through its BPR with due diligence and efficiency and in conformity with sound engineering, administrative, and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. In order to assist the Borrower in the supervision of the construction under Part A of the Project, and in the carrying out of Parts B, C, D and E thereof, the Borrower shall employ consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.03. In carrying out Part A of the Project, the Borrower shall (i) employ contractors acceptable to the Bank upon terms and conditions satisfactory to the Bank, and (ii) unless the Bank shall otherwise agree, use the general design standards set forth in Schedule 5 to this Agreement.

Section 3.04. Except as the Bank shall otherwise agree, the goods and services required for the Project (other than services of consultants) shall be procured on the basis

of international competition under procedures consistent with the Guidelines, and in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

Section 3.05. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the 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.

(b) Except as the Bank shall otherwise agree, all goods and services financed out of the proceeds of the Loan shall be used exclusively for the Project until its completion.

Section 3.06. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents, and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall 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 Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.07. The Borrower shall take all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for carrying out the Project and for the construction of the intra-urban link referred to in Section 3.08 of this Agreement; shall furnish to the Bank, promptly after such acquisition, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to the Project; and shall not award any contract under Part A of the Project until the Bank shall have been furnished such evidence with respect to the sections of the highways to be constructed under said contracts.

Section 3.08. The Borrower shall: (i) unless the Bank shall otherwise agree, not award any contract for the construction of the Masan-Pusan section under Part A of the Project until all contracts for an intra-urban link from the termination point of said section at Kupo to Tongnae, in the Pusan area, shall have been awarded; (ii) provide or cause sufficient funds to be provided for the construction of said intra-urban link; and (iii) cause the construction of said intra-urban link to be completed in time to permit efficient use of the Masan-Pusan section promptly after its construction is completed.

Section 3.09. Without limitation or restriction upon the obligations of the Borrower under Section 3.01, the Borrower shall take all action necessary including, in particular, the granting of all licenses, permits, and other approvals required to ensure the prompt importation of the equipment required for purposes of the Project.

Article IV. OTHER COVENANTS

Section 4.01. (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Borrower (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Borrower to the Bank, and (ii) undertakes that, except as the Bank shall otherwise agree, if any such lien shall be created, it will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds and in the creation of any such lien express provision will be made to that effect. The Borrower shall promptly inform the Bank of the creation of any such lien.

(c) The foregoing representation and undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(d) As used in this Section, the term "governmental assets" means assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Bank of Korea or any institution performing the functions of a central bank for the Borrower.

Section 4.02. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 4.03. The Borrower shall (i) review and, if necessary, revise, in the light of the findings of the study under Part E of the Project, the regulations governing vehicle weights and dimensions in effect in its territories not later than June 30, 1973; and (ii) at all times take such steps as shall be required to ensure that the dimensions and axle-loads of vehicles using its highway system shall not exceed the limits prescribed in said regulations.

Section 4.04. The Borrower shall collect, record and analyze in accordance with appropriate statistical methods and procedures such technical, economic and financial information, including traffic data, as shall be reasonably required for proper planning of maintenance, improvements and extensions of its highway system.

Section 4.05. Unless the Bank shall otherwise agree, the Borrower shall, upon completion of the study under Part E of the Project and on the basis, *inter alia*, of the conclusions of said study, and in consultation with the Bank: (i) not later than February 1, 1973, formulate a five-year maintenance program satisfactory to the Bank, and (ii) not later than October 1, 1973, establish a MOC field organization for maintaining its national highways.

Section 4.06. Forthwith after setting up the MOC field organization for maintaining its national highways referred to in Section 4.05 (ii) of this Agreement, the Borrower shall maintain and repair all national highways in accordance with the program referred to in Section 4.05 (i) of this Agreement, and with sound engineering and financial practices, and shall provide promptly as needed the funds, equipment, workshop facilities, labor and other resources required for the purpose; provided, however, that the Borrower shall take such interim measures as shall be necessary to maintain, according to said practices, all highways to be constructed under the Project, as they are completed.

Section 4.07. The Borrower shall only levy tolls on any section of the highways under Part A of the Project with the concurrence of the Bank, and in the event that any

tolls are levied, the levels of such tolls shall be determined in consultation with the Bank.

Article V. CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank 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 Loan Agreement, the administration, operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Loan; and

(b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. 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 Bank all such information as the Bank shall reasonably request concerning the administration, operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower and the Bank shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by either of them of its obligations under the Loan Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.04. The Borrower shall consult with the Bank before carrying out any works other than maintenance or minor improvements on the highways included for studies under Parts B, C and D of the Project.

Article VI. TAXES AND RESTRICTIONS

Section 6.01. The principal of, and interest and other charges on, the Loan and the Bonds 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; provided, however, that the foregoing shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 6.02. The Loan Agreement, any instrument made pursuant to Section 4.01 of this Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories and the Borrower shall pay all such taxes, if any, imposed under the laws of any other country or countries.

Section 6.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds 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 BANK

Section 7.01. 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 Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

Article VIII. EFFECTIVE DATE; TERMINATION

Section 8.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions, namely, that the Borrower shall have cancelled the unwithdrawn amount of the Credit.

Section 8.02. The date November 2, 1971 is hereby specified for the purposes of Section 11.04 of the General Conditions.

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 10.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

Minister, Economic Planning Board
Republic of Korea
Seoul, Korea

Cable address:

EPB
Seoul

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Intbafrad
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 Bank for Reconstruction and Development:

By J. BURKE KNAPP

Vice President

SCHEDULE I

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

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

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Construction	34,200,000	47% of total expenditures
II. Consultants' services	8,200,000	100% of foreign expenditures
III. Equipment and spare parts	900,000	
(a) imported		100% of foreign expenditures
(b) produced locally		90% of local expenditures
IV. Completion of Credit Project; training and consultants' services	300,000	100% of foreign expenditures
V. Credit refunding	3,200,000	
VI. Unallocated	7,700,000	
	<u>TOTAL</u>	
	<u>54,500,000</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 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, no withdrawals shall be made in respect of:

(a) expenditures prior to the date of this Agreement, except that withdrawals may be made in respect of Category IV on account of expenditures eligible for financing under the Credit and which shall not have been financed out of the proceeds of the Credit; 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 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 Loan will be withdrawn on account of payments of such taxes.

4. Notwithstanding the allocation of an amount 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 Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan; and
- (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 Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, 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 Category I or of local expenditures under Category III (b) shall increase and no proceeds of the Loan are available for reallocation to such Category, the Bank 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 consists of:

- Part A.* construction of a 372 km national highway from Chonju to Pusan, with two-lane bituminous paving, including supervision thereof.
- Part B.* feasibility studies of about 1,400 km of national highways set forth in the annex to this Schedule.
- Part C.* detailed engineering of 100 km of national highways from Wonju (Saemal) to Kangnung and of 100 km of national highways from Mukho to Sokcho.
- Part D.* detailed engineering of about 900 km of national highways to be selected by agreement between the Borrower and the Bank from the highways to be studied under Part B of the Project, if found justified by said studies.
- Part E.* a study of the Borrower's organization of highway maintenance and methods of carrying it out, including the assessment of equipment and financial requirements.
- Part F.* establishment of a pilot organization in the Gyeonggi-do province for the maintenance of the Borrower's national highways in said province, including the procurement of equipment and spare parts.

Part F of the Project is expected to be completed by January 1, 1972; Part E, by June 30, 1973; and the rest of the Project, by June 30, 1975.

ANNEX TO SCHEDULE 2

(Part B of the Project)

	<i>Approximate Length (km)</i>
Taegu-Masan	104
Samchok-Pohang	223
Chonan-Changhang	146

	<i>Approximate Length (km)</i>
Wonju-Taegu	262
Chongju-Jaechon	126
Seoul-Kimchon	253
Wonju-Chongju	55
Mokpo-Sunchon	141
Inchon-Suwon	47
Naju-Shinshiri (Sihinjeongni)	43
TOTAL	<u>1,400</u>

SCHEDULE 3

AMORTIZATION SCHEOLE

<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>
December 15, 1975	625,000	December 15, 1985	1,275,000
June 15, 1976	650,000	June 15, 1986	1,325,000
December 15, 1976	670,000	December 15, 1986	1,370,000
June 15, 1977	695,000	June 15, 1987	1,420,000
December 15, 1977	720,000	December 15, 1987	1,470,000
June 15, 1978	750,000	June 15, 1988	1,525,000
December 15, 1978	775,000	December 15, 1988	1,580,000
June 15, 1979	805,000	June 15, 1989	1,640,000
December 15, 1979	835,000	December 15, 1989	1,695,000
June 15, 1980	865,000	June 15, 1990	1,760,000
December 15, 1980	895,000	December 15, 1990	1,820,000
June 15, 1981	925,000	June 15, 1991	1,890,000
December 15, 1981	960,000	December 15, 1991	1,955,000
June 15, 1982	995,000	June 15, 1992	2,030,000
December 15, 1982	1,030,000	December 15, 1992	2,100,000
June 15, 1983	1,070,000	June 15, 1993	2,175,000
December 15, 1983	1,105,000	December 15, 1993	2,255,000
June 15, 1984	1,145,000	June 15, 1994	2,340,000
December 15, 1984	1,190,000	December 15, 1994	2,425,000
June 15, 1985	1,230,000	June 15, 1995	2,515,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1/4%
More than three years but not more than six years before maturity	2 1/4%
More than six years but not more than eleven years before maturity	3%
More than eleven years but not more than sixteen years before maturity	4 1/2%
More than sixteen years but not more than twenty years before maturity	5 1/4%
More than twenty years but not more than twenty-two years before maturity	6 1/4%
More than twenty-two years before maturity	7 1/4%

SCHEDULE 4

PROCUREMENT

A. *Contracts for Highway Construction*

With respect to any contract under Part A of the Project:

1. Prequalification of bidders, as described in paragraph 1.3 of the Guidelines, will be used for bidding on highway construction under Part A of the Project, and at least 60 days will be allowed for the submission of prequalification documents. The Borrower shall, before qualification is invited, inform the Bank in detail of the procedure to be followed including the text of the notice of invitation to prequalify and shall introduce such modifications in said procedure as the Bank shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Bank together with the recommendations on prequalification made by the consultants referred to in Section 3.02 of this Agreement, for the Bank's comments before the applicants are notified and, from among the applicants, the Borrower shall make such additions to, or deletions from, the said list as the Bank shall reasonably request.

2. Contracts for highway construction will be on a unit price basis. For the purposes of bidding, the highway will be divided into ten bidding sections to be tendered in accordance with a schedule to be agreed with the Bank.

3. Non-Korean contractors will not be required to register in Korea as a condition of bidding for a contract. Where said registration is required of a non-Korean contractor after he has been awarded a contract, the Borrower shall take such action as may be practicable to facilitate his registration.

4. Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedure to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Bank shall reasonably request. Any further modification or addition to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders. A period of at least 60 days will be allowed for submission of proposals from prequalified contractors. Proposals will be accompanied by a bid bond or bank guarantee amounting to 5% of the bid amount.

5. The bidding documents shall make adequate provisions, *inter alia*, for the following:

(a) The successful bidder shall be required to furnish at his option, either a 100% performance bond or a bank guarantee by an acceptable financial institution in an amount of 10% of the contract price, which guarantee or bond shall remain in effect until the works specified in the contract are completed.

(b) The contract with the successful bidder shall contain, *inter alia*, the following provisions:

- (i) the contract shall provide for retention monies of 10% of the cost of works stated in each monthly invoice until 50% of total contract payments have been made, after which the amount of the retention may be reduced or eliminated at the discretion of the Borrower. Any amount of retention monies in excess of 5% of the total cost of contract shall be released when all works have been completed. The balance of the retention monies shall be retained until fifteen days after termination of the contractor's responsibility in respect of defects;
- (ii) at any time during the warranty periods the contractor shall have the option of substituting a satisfactory bank guarantee for such retention money in which case the retention money shall be released to him;
- (iii) the warranty periods during which the contractor remains responsible in respect of defects in the works (fair wear and tear excepted) shall extend for one year after acceptance of the work; and
- (iv) an escalation clause (referred to in paragraph 4.4 of the Guidelines).

6. After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report by the consultants referred to in Section 3.02 of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of said consultants, and the reasons for the intended award. The Bank shall promptly inform the Borrower whether it has any objection to the intended award on the ground that it would be inconsistent with the Guidelines or with the Loan Agreement, and shall state the reasons for any objection it may have.

7. If the contract shall be awarded over the Bank's reasonable objection, or if its terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditures thereunder shall be financed out of the proceeds of the Loan.

8. Two copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawals of funds from the Loan Account in respect of any such contract.

9. Non-Korean contractors shall be entitled to convert into foreign exchange a reasonable portion of the contract payments.

B. *Contracts for Purchases of Equipment and Spare Parts*

With respect to any contract for equipment and spare parts:

1. Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

2. After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report, by the consultants referred to in Section 3.02 of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of the said consultants, and the reasons for the intended award. The Bank shall promptly inform the Borrower whether it has any objection to the intended award on the ground that it would be inconsistent with the Guidelines or with the Loan Agreement, and shall state the reasons for any objections it may have.

3. If the contract shall be awarded over the Bank's reasonable objection, or if its terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the Loan.

4. Two copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract.

5. For the purpose of evaluating bids for goods and associated services included in Category III of the table set out in Schedule 1 to this Agreement, bid prices shall be determined and compared in accordance with the following rules:

(a) The term "Local Bid" means a bid submitted by a manufacturer established in the territories of the Borrower, for goods manufactured or processed to a substantial extent (as reasonably determined by the Bank) in such territories, any other bid shall be deemed to be a "Foreign Bid";

(b) The bid price under a Local Bid shall be the ex-factory price of such goods;

(c) For the purpose of comparing any Foreign Bid with any Local Bid, the bid price under a Foreign Bid shall be the sum of the following amounts:

(i) the c.i.f. (Pusan) price of such goods; and

- (ii) the amount of any taxes on the importation of such goods into the territories of the Borrower which generally apply to non-exempt importers, or 15% of the amount specified in (i) above, whichever shall be the lower.

SCHEDULE 5

DESIGN STANDARDS

<i>Geometric Design Standards</i>	<i>Flat</i>	<i>Rolling</i>	<i>Hilly/Mountainous*</i>
Design speed (km/h)	120	100	70
Minimum radius of curvature (m)	630	390	180
Maximum gradient	4%	5%	6.5%
<i>Roadway Features</i>			
Width of pavement (m)	7.20		
Width of shoulders (m)	3.00 to 1.75		
Width of right-of-way (m)	42 minimum		
<i>Structural Design Features</i>			
Axle-load (pavement)	18,000 lbs**		
Bridge loading	DB-18 equivalent to AASHO H20-S16		
Bridge widths (over 60-100 m length)***	10.70 m		

* Design speeds and widths may be reduced and gradients increased in mountainous/alpine terrain, as appropriate to each case.

** Pavement designed for the projected number of repetitions of "equivalent 18,000 lb axle-loads".

*** Depending on traffic volume.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.]