

LOAN AGREEMENT¹ (*KOREA—STANDARDS RESEARCH INSTITUTE PROJECT*) BETWEEN THE REPUBLIC OF KOREA AND THE UNITED STATES OF AMERICA

Dated: September 19, 1975

A.I.D. Loan No. 489-W-093
Project No. 489-22-290-711

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¹ Came into force on 19 September 1975 by signature.

LOAN AGREEMENT

LOAN AGREEMENT, dated September 19, 1975, between the GOVERNMENT OF THE REPUBLIC OF KOREA (hereinafter called the "Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT (hereinafter called "A.I.D.").

Article I. THE LOAN

Section 1.1. THE LOAN. A.I.D. hereby agrees to lend to the Borrower, pursuant to the Foreign Assistance Act of 1961, as amended, an amount of not to exceed Five Million United States Dollars (\$5,000,000), to assist in financing the reasonable foreign exchange costs of certain goods and services required for the Project as defined in Section 1.2 hereof. Goods and services financed hereunder are hereinafter referred to as "Eligible Items," and the aggregate amount disbursed hereunder is hereinafter referred to as "Principal."

Section 1.2. PROJECT. As used in this Agreement, the "Project" shall consist of the procurement of industrial standards equipment, materials and supplies and the provision of technical assistance (including overseas staff recruitment) and training to develop an effective national metrology standards system and to create a Korea Standard Research Institute (KSRI) to head that system. KSRI will insure the reliability of industrial measurements by establishing national measurement standards traceable to international standards; disseminating these standards to measurement laboratories and industrial firms; maintaining these standards and instrument accuracy through a national calibration service and inspection activities; and refining national standards through research, development and advisory services. The Project is more fully described in Annex I attached hereto, which Annex may be modified by mutual agreement in writing. The goods and services to be financed under this Loan shall be listed in the implementation letters referred to in Section 9.2 ("Implementation Letters").

Article II. BORROWER REPAYMENT TERMS AND INTEREST

Section 2.1. INTEREST. The Borrower will pay semi-annually to A.I.D. in dollars, interest on the outstanding balance of the Principal and on any due and unpaid interest. Such interest shall accrue from the dates of the respective disbursements hereunder, the first such interest payment to be due and payable no later than six (6) months after the first such disbursement on a date to be specified by A.I.D. Interest will accrue at a rate of two percent (2%) per annum for ten (10) years after the first disbursement hereunder and at a rate of three percent (3%) per annum thereafter; all interest hereunder shall be computed on the basis of a three hundred sixty-five (365) day year. Disbursements hereunder will be deemed to occur on the date on which payment by A.I.D. is made either directly to the Borrower or its designee or to a banking institution pursuant to a commitment document.

Section 2.2. PRINCIPAL. The Borrower shall repay the Principal to A.I.D. in United States dollars within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semi-annual installments. The first installment of principal shall be payable nine and one-half (9 1/2) years after the date on which the first interest payment is due in accordance with Section 2.1. Upon completion of disbursements, A.I.D. will furnish the Borrower with an amortization schedule in accordance with this Section.

Section 2.3. APPLICATION AND PLACE OF PAYMENT. All payments shall be applied first to the payment of any interest due and unpaid and then to the repayment of Principal. Except as A.I.D. may otherwise agree in writing, all such payments shall be made to the Controller, United States Agency for International Development, Washington, D.C., and shall be deemed to have been paid when there received.

Section 2.4. PREPAYMENT. The Borrower shall have the right to prepay, without penalty, on any date on which interest is due, all or any part of the Principal. Any prepayment shall be applied first to the payment of any accrued and unpaid interest and then to the remaining installments of Principal in the inverse order of their maturity.

Article III. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 3.1. CONDITIONS PRECEDENT TO FINANCING THE ARCHITECTURAL AND ENGINEERING CONSULTANTS. Unless A.I.D. otherwise agrees in writing, prior to the issuance of the first letter of commitment or other commitment document for the services of the consultants in building design and specifications, the Borrower shall furnish A.I.D., in form and substance satisfactory to A.I.D.:

- (a) an opinion of the Minister of Justice of the Borrower that this Loan Agreement has been duly authorized or ratified by, and executed on behalf of, the Borrower and is a valid and legally binding obligation of the Borrower in accordance with its terms;
- (b) the names of the persons who will act as the representatives of the Borrower pursuant to Section 9.1 hereof, together with evidence of their authority and a specimen signature of each such person, certified as to its authenticity by either the person rendering the legal opinion pursuant to Section 3.1(a) or the person executing this Loan Agreement;
- (c) an executed contract for architectural and engineering services for the construction of the KSRI building at the DaeDuk Science Town; and
- (d) executed contracts for consultant services in building design and specifications.

Section 3.2. CONDITIONS PRECEDENT TO FINANCING OTHER THAN THE ARCHITECTURAL AND ENGINEERING CONSULTANTS. Unless A.I.D. otherwise agrees in writing, prior to the issuance of letters of commitment or other commitment documents for procurement of Eligible Items, other than those in Section 3.1, the Borrower shall have met the conditions precedent in Section 3.1, and in addition the Borrower shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (a) evidence that the KSRI has been legally established as an autonomous institution to be incorporated in the DaeDuk Science Town;
- (b) description of organizational arrangements for executing the Project and carrying out all planning and coordination functions leading to normal KSRI operations no later than January 1978;
- (c) evidence of adequate building design and engineering specifications for KSRI facilities to be constructed at the DaeDuk Science Town;

- (d) an implementation plan to provide staff housing, related social facilities, and technical support services at the DaeDuk Science Town when needed by KSRI, and evidence that the required local currency financing will be available;
- (e) a detailed implementation plan for the Project, including building construction, which provides a schedule of all important events necessary for initiation of full KSRI services by January 1978;
- (f) a financial plan for the Project including a schedule of expenditures by category and a schedule of funding by source from Project inception through the end of 1982;
- (g) evidence that local currency required for the Project during 1975 has been included in the First Supplementary Budget for 1975, and that local currency required during 1976 has been included in the regular Budget of the Borrower for that year;
- (h) a plan which details the procedures to be followed in effecting the procurement of A.I.D.-financed equipment, materials, and related services; and
- (i) a statement of the planned policy of the Borrower, acting through the Industrial Advancement Administration to (i) strengthen other aspects of the national standards system in addition to KSRI, (ii) foster quality control and standardization consciousness and practice in industry, trade and society in general, and (iii) insure that those government entities charged with responsibility for metrology and standardization are responsive to the needs of the Korean public in these areas.

Section 3.3. TERMINAL DATE FOR FULFILLMENT OF CONDITIONS PRECEDENT. Except as A.I.D. may otherwise agree in writing, if the conditions required by Sections 3.1 and 3.2 have not been satisfied within one hundred and twenty (120) days after the date of execution of this Loan Agreement, A.I.D. may at any time thereafter terminate this Agreement by giving notice to the Borrower. Upon such termination, and notwithstanding any other provisions of this Loan Agreement, the Borrower shall repay to A.I.D. the unpaid Principal, if any, and any accrued interest. Upon full payment in accordance with the foregoing, all other obligations of the Borrower and A.I.D. under this Agreement shall cease.

Section 3.4. NOTIFICATION OF MEETING OF CONDITIONS PRECEDENT. A.I.D. shall notify the Borrower upon its determination that the conditions precedent specified in Sections 3.1 and 3.2 have been met.

Article IV. DISBURSEMENTS

Section 4.1. REQUESTS FOR LETTERS OF COMMITMENT. To obtain disbursements, the Borrower may from time to time request A.I.D. to issue, and subject to the provisions of this Loan Agreement, A.I.D. shall issue letters of commitment to one or more banks in the United States designated by the Borrower and satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made, through letters of credit or otherwise, to the Borrower or any designee of the Borrower, pursuant to such documentation or requirements as A.I.D. may specify.

Section 4.2. OTHER FORMS OF DISBURSEMENT. Disbursements may also be made through such other means as the Borrower and A.I.D. may agree in writing.

Section 4.3. TERMINAL DATE FOR REQUESTS FOR COMMITMENT DOCUMENTS AND FOR DISBURSEMENTS. Except as A.I.D. may otherwise agree in writing, no letters of commitment or other commitment documents shall be issued in response to requests received by A.I.D. after twenty-four (24) months, and no disbursements shall be made against documentation received after thirty-six (36) months, from the date of execution of this Loan Agreement.

*Article V. PARTICULAR COVENANTS AND WARRANTIES
CONCERNING THE PROJECT*

Section 5.1. BORROWER'S COVENANTS. Except as A.I.D. may otherwise agree in writing, the Borrower covenants and agrees that it shall:

- (a) carry out the Project, or cause the Project to be carried out, with due diligence and efficiency, and in conformity with sound financial, administrative and management practices. The Borrower shall further carry out the Project, or cause the Project to be carried out, in accordance with any contracts and procurement arrangements, and modifications thereto, approved by A.I.D. pursuant to this Agreement;
- (b) except as A.I.D. shall otherwise specify in Implementation Letters, submit to A.I.D. for its approval:
 - 1) all bid documents and documents concerning the solicitation of proposals relating to the goods and services financed under the Loan, and any modifications thereof, prior to their issuance; and
 - 2) all contracts financed under the Loan, and any modifications thereof, prior to their execution;
- (c) adequately maintain, repair and operate, in accordance with sound engineering and operational practices, all equipment financed by the Loan;
- (d) adhere to the plans and other evidence submitted in satisfaction of Section 3.2 of this Agreement;
- (e) provide all other resources, in addition to this Loan and the Korean won requirements, necessary for the punctual and effective carrying out of the Project. Such resources shall specifically include a foreign exchange allocation, as necessary, to replenish stocks of spare parts and standard reference materials that will initially be financed by the Loan and provide any additional funding required to complete staff training (as generally described in Annex I and as later approved in detail by A.I.D.) beyond that training to be financed by the Loan or by other external agencies assisting the Borrower's development program. In no event shall the Borrower's contribution hereunder be less than twenty-five percent (25%) of the funds contributed to the Project;
- (f) amend in timely fashion the Weights and Measures Law to delegate to KSRI the responsibility for maintenance of metrology standards, inspection activities, and regulatory functions under the law.
- (g) arrange in timely fashion for the transfer to KSRI of all suitable equipment now belonging to the Weights and Measures Department of the National

Industrial Standards Research Institute; and the transfer of equipment at other public institutions which is more appropriate for a national metrology standards institution and is not being effectively used at the present time.

- (h) establish an Evaluation Council subordinate to KSRI's Board of Trustees or other satisfactory administrative mechanism with responsibility for continual evaluation of the Project.

Article VI. GENERAL COVENANTS, WARRANTIES AND AGREEMENTS

Section 6.1. UTILIZATION OF ELIGIBLE ITEMS. Except as A.I.D. may agree otherwise in writing, all Eligible Items shall be used exclusively in carrying out the Project. This restriction shall apply only until such time as such goods can no longer be usefully employed for the Project, provided that no goods financed hereunder shall be exported from the Republic of Korea without the prior written approval of A.I.D., and provided further that no Eligible Items shall at any time be used to promote or assist any project or activity associated with or financed by any country not included in Code 935 of the *A.I.D. Geographic Code Book* as in effect at the time of such projected use except with the prior written consent of A.I.D.

Section 6.2. INFORMATION AND MARKING. The Borrower shall give publicity to the Loan provided for herein and the Project as a program of United States aid as prescribed in Implementation Letters.

Section 6.3. NOTICE OF MATERIAL DEVELOPMENT. The Borrower represents and warrants that it has disclosed to A.I.D. all circumstances which may materially affect the Project or the discharge of its obligations under this Loan Agreement, and shall inform A.I.D. of any conditions which may constitute a default hereunder or which interfere, or which it is reasonable to believe may interfere, with the Project or the discharge of any of its obligations hereunder.

Section 6.4. INSPECTIONS. The authorized representatives of A.I.D. shall have the right at all reasonable times, whether prior to completion of the Project or subsequent thereto, to inspect the Project, the utilization of all Eligible Items, the books and records referred to in Section 6.8 and any other documents, correspondence, memoranda, or records relating to the Loan provided for herein or to the Project. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall afford a reasonable opportunity for authorized representatives of A.I.D. to visit any part of the Republic of Korea for any purpose related to the Loan provided for herein.

Section 6.5. TAXES AND DUTIES. This Agreement, the Loan, and any evidences of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect within the country of the Borrower. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transactions relating to such contracts, and (b) any commodity procurement transaction financed hereunder, are not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, pay or reimburse the same under Section 5.1(e) of this Agreement with funds other than those provided under the Loan.

Section 6.6. COMMISSIONS, FEES AND OTHER PAYMENTS. The Borrower warrants and covenants that in connection with obtaining the Loan provided for herein or taking any action under or with respect to this Loan Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid or will there be paid or agreed to be paid by any other person or entity, commissions, fees or other payments of any kind, except as regular compensation to the Borrower's full-time officers and employees or as compensation for bona fide professional, technical or other comparable services. The Borrower shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the party concerned shall cause a reduction satisfactory to A.I.D. to be made therein.

Section 6.7. RENEGOTIATION OF TERMS OF THE LOAN. The Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the country of the Borrower.

Section 6.8. MAINTENANCE AND AUDIT OF RECORDS. The Borrower shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating to the Project and to this Loan Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) the receipt and use made of Eligible Items;
- (b) the progress of the Project; and
- (c) current data covering operations.

Such books and records shall be regularly audited, in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five (5) years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Loan Agreement have been paid, whichever date shall first occur.

Section 6.9. REPORTS. The Borrower will furnish A.I.D. with such information and reports relating to the Project, Eligible Items, and the Loan provided for herein as A.I.D. may reasonably request.

Section 6.10. CONTINUING CONSULTATION. The Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under this Agreement, the performance of the consultants, contractors, and suppliers engaged on the Project, and other matters relating to the Project.

Article VII. COVENANTS CONCERNING PROCUREMENT

Section 7.1. PROCUREMENT SOURCE AND ORIGIN. (a) Except as A.I.D. may otherwise agree in writing and except as provided in Section 7.6 herein for marine insurance, all Eligible Items, including transportation services, shall have

both their source and origin in those countries noted as eligible under Code 941 of the *A.I.D. Geographic Code Book* as in effect at the time orders are placed or contracts are entered into for such Eligible Items. Transportation services shall be deemed to have their source and origin in such countries if procured from a flag carrier registered in any of such countries.

(b) All other goods and services obtained for the Project but not financed by A.I.D., except transportation services, shall have their source and origin in countries included in Code 935 of the *A.I.D. Geographic Code Book* as in effect at the time such goods or services are procured. In addition to the ocean shipment requirement of Section 7.5 hereunder, all Eligible Items shall be transported to Korea on carriers of countries included in the said Code 935 as in effect at the time such transportation is procured. This covenant shall be construed in accordance with A.I.D. regulations as from time to time amended.

Section 7.2. DATE OF PROCUREMENT. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed hereunder which arise out of orders or contracts firmly placed or entered into prior to the date of this Loan Agreement.

Section 7.3. PORT CHARGES. With respect to transportation services that constitute Eligible Items, A.I.D. will finance under the Loan ninety percent (90%) of all ocean freight costs of each shipment, and ninety-eight percent (98%) of such costs on any shipment under freeout terms. The remaining ten percent (10%), or two percent (2%) of freeout shipments, represent port charges in the Republic of Korea and the Borrower covenants that it shall make available foreign exchange to finance said port charges in accordance with such rules and procedures as A.I.D. may prescribe in Implementation Letters.

Section 7.4. SMALL BUSINESS NOTIFICATION. In order that American small business shall have the opportunity to participate in furnishing Eligible Items, unless A.I.D. shall otherwise agree in writing, the Borrower shall, prior to ordering or contracting for any Eligible Item estimated to have a unit cost more than the equivalent of Five Thousand United States dollars (\$5,000) as A.I.D. may specify, cause to be received by A.I.D. such information concerning Eligible Items as A.I.D. may require.

Section 7.5. OCEAN SHIPMENT. At least fifty percent (50%) of the gross tonnage of all Eligible Items (computed separately for dry bulk carriers, dry cargo liners, and tankers) which shall be transported on ocean vessels shall be transported on privately owned United States-flag commercial vessels, unless A.I.D. shall determine that such vessels are not available at fair and reasonable rates for United States-flag commercial vessels. In addition, at least fifty percent (50%) of the gross freight revenue generated by all shipments financed under the Loan and transported on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. No goods may be financed hereunder which are transported on any ocean vessel or aircraft (a) designated by A.I.D. as ineligible to carry A.I.D.-financed commodities, or (b) which has been chartered for the carriage of A.I.D.-financed commodities unless such charter has been approved in advance by A.I.D.

Section 7.6. MARINE INSURANCE. (a) Marine insurance may be financed under the Loan provided (i) such insurance is placed at the lowest available competitive rate in the Republic of Korea or any country noted as eligible under

Code 941 of the *A.I.D. Geographic Code Book* as in effect at the time of placement, and (ii) claims thereunder are payable in United States dollars or other freely convertible currency.

(b) If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the Republic of Korea, by statute, decree, rule or regulation, favors any insurance company of any country over any marine insurance company authorized to do business in any state of the United States, goods financed hereunder shall during the continuance of such discrimination be so insured in the United States with a company or companies authorized to do a marine insurance business in any state of the United States of America.

Section 7.7. EMPLOYMENT OF CONTRACT PERSONNEL. The employment of personnel to perform services under contracts financed hereunder, in whole or in part, will be subject to all applicable United States legislation and such regulations as A.I.D. may from time to time promulgate or specify, including security clearances and limitations on the employment of nationals of countries other than the Republic of Korea and countries noted as eligible under Code 941 of the *A.I.D. Geographic Code Book*, as in effect at the time orders are placed or contracts are entered into for such personnel; and, except as A.I.D. may otherwise direct, all such contracts shall include provisions necessary to implement such legislation and regulations.

Section 7.8. REASONABLE PRICE. No more than reasonable prices shall be paid for any goods or service financed, in whole or in part, under the Loan, as more fully described in Implementation Letters. Such items shall be procured on a fair and, except for professional services, on a competitive basis.

Article VIII. CANCELLATION AND SUSPENSION

Section 8.1. CANCELLATION BY THE BORROWER. The Borrower may, with the prior written consent of A.I.D., by written notice to A.I.D., cancel any part of the Loan which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse.

Section 8.2. EVENTS OF DEFAULT; ACCELERATION. If any one or more of the following events ("Events of Default") shall occur:

- (a) the Borrower shall fail to pay in full any interest payment or installment of Principal required under this Agreement when the same shall become payable by it;
- (b) the Borrower shall fail to comply with any other provision contained herein applicable to it;
- (c) any representation or warranty made by or on behalf of the Borrower with respect to obtaining the Loan provided for herein or made or required to be made hereunder is incorrect in any material respect;
- (d) a material default shall have occurred after the date hereof, and not been remedied after notice, under any other loan agreement between the Borrower and A.I.D.;

then A.I.D., at its option, may declare all or any part of the unrepaid Principal under the Loan provided for herein to be due and payable immediately, and upon any such declaration, unless the default may be cured and is cured within

sixty (60) days thereafter, such Principal and all interest accrued thereon shall become immediately due and payable.

Section 8.3. TERMINATION OF DISBURSEMENTS. In the event that at any time:

- (a) an Event of Default has occurred and has not been remedied as provided above; or
- (b) an event occurs that A.I.D. determines to be an extraordinary situation which makes it improbable that the purposes of the Loan provided for herein will be attained or that the Borrower will be able to or will perform its obligations hereunder; or
- (c) any disbursement would be in violation of the legislation governing A.I.D.;

then A.I.D., at its option, after notice to the Borrower, may (i) decline to issue further commitment documents, (ii) suspend or cancel outstanding commitment documents to the extent that they have not been utilized, giving notice to the Borrower thereof, and (iii) decline to make other disbursements.

Section 8.4. CANCELLATION BY A.I.D. Following any suspension of disbursements pursuant to Section 8.3, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then disbursed.

Section 8.5. CONTINUED EFFECTIVENESS OF AGREEMENT. Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

Section 8.6. REFUNDS. (a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D. within thirty (30) days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five (5) years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform to specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for

the Project hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

Section 8.7. NON-WAIVER OF REMEDIES. No delay in exercising or omission to exercise any right, power or remedy accruing to A.I.D. under this Loan Agreement shall be construed as a waiver of any such right, power or remedy.

Section 8.8. EXPENSES OF COLLECTION. All reasonable costs incurred by A.I.D. (other than salaries of its staff) after an Event of Default has occurred, in connection with the collection of amounts due under this Loan Agreement, may be charged to the Borrower and reimbursed as A.I.D. shall specify.

Article IX. MISCELLANEOUS

Section 9.1. DESIGNATION OF REPRESENTATIVES. (a) All actions required or permitted to be performed or taken under this Loan Agreement by the Borrower or A.I.D. may be performed by their respective duly authorized representatives.

(b) The Borrower hereby designates the Minister, Economic Planning Board, as its respective representative with authority to designate in writing other representatives in their dealings with A.I.D. The representatives designated in or pursuant to the preceding sentence, unless A.I.D. is given notice otherwise, shall have authority to agree, on behalf of the Borrower respectively, to any modification of this Loan Agreement. Until receipt by A.I.D. of written notice of revocation of the authority of any such representative, A.I.D. may accept the signature of such representative on any instrument as conclusive evidence that any action effected by such instrument is authorized by the party on whose behalf such representative purports to act.

Section 9.2. IMPLEMENTATION LETTERS. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Loan Agreement.

Section 9.3. COMMUNICATIONS. Any communication or document given, made or sent by the Borrower or A.I.D. pursuant to this Loan Agreement shall be in writing and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered by hand or by mail, telegram, cable or radiogram to such party at its following address:

To the Borrower:

Mail Address: Minister of Economic Planning Board
Government of the Republic of Korea
Seoul, Korea

To A.I.D.:

Mail Address: Director
United States Agency for International Development
Seoul, Korea

Other addresses may be substituted for the above upon giving of notice as provided herein.

All communications and documents submitted to A.I.D. hereunder shall be in English, and all technical and engineering specifications therein shall be in English except as A.I.D. may otherwise agree in writing.

EXECUTED at Seoul, Korea on the date first above written.

United States of America:

By: MICHAEL H. B. ADLER

Title: Director

The Republic of Korea:

By: NAM DUCK-WOO

Title: Deputy Prime Minister

ANNEX 1

PROJECT DESCRIPTION

I. *Project Purpose and Goal*

The overall Project purpose is to establish a Korean system that will insure reliability of industrial measurements. The immediate purpose of the Project is to create a highly competent and scientific Korea Standards Research Institute (KSRI) which will head and lead an effective national metrology standards system within the Republic of Korea. Achievement of the Project purpose will serve the Project goal, which is to support the expansion of Korean industry, with particular emphasis on heavy and chemical industry.

To carry out the primary responsibility of Korea's national metrology standards system of insuring the reliability of the nation's measurements, KSRI will perform the following major functions:

- a. establishing national measurement standards;
- b. disseminating these standards in useable form to measurement laboratories and industrial firms;
- c. maintaining these standards and instrument accuracy in general through supervision of a national calibration service, inspection activities, and control over the measurement instrument industry;
- d. refining and upgrading national standards through research, development and advisory activities.

While the above list constitutes the primary functions of KSRI, the organization also will in general be responsible for providing leadership for all aspects of standardization within Korea. In order to do so, KSRI will supply the following services:

- a. maintenance of the base units of measurement in Korea, involving procurement and custody of national prototypes of all standards;
- b. maintenance of international traceability of national prototypes to international standards through Bureau International des Poids et Mesures (BIPM);
- c. assisting regulatory agencies by providing measurement expertise to public authorities;
- d. supporting secondary level calibration laboratories;
- e. preparation and/or supply of Standard Reference Materials (SRMs);
- f. maintenance and dissemination of up-to-date Standard Reference Data (SRD);

- g. conducting research on and development of solutions to industrial standardization problems, product testing and other problems in the field of industrial metrology;
- h. offering consultant services and training facilities in metrology, including such aspects as seminars, guest workers, training courses;
- i. dissemination of information on metrology and measurement technique;
- j. design, development, repair and maintenance of instruments and promotion of the measurement instrument industry;
- k. offering consultancy service on transfer of technology from indigenous and foreign sources;
- l. performing product evaluation and product safety inspection and dealing with other problems requiring scientific evaluation;
- m. maintenance of a technical information service on standardization for KSRI and other users.

The immediate output of the Project will be the establishment of KSRI itself, including construction of its building, provision of the controlled environment required for preservation and use of standards and related equipment, development of a full staff complement, and organization of basic measurement labs and supporting facilities. However, the Project seeks ultimately to provide much more far-reaching outputs which can be summed up as encompassing a much greater awareness of the importance of standards and standardization by both the general public and Korean industry and through this awareness a much greater application of standards and standardization to the economic life (primarily) of the country.

The economic benefits expected as a result of this process are anticipated to flow from greater acceptability of Korean products in foreign and domestic markets, lowering of production costs of Korean manufactured goods and greater ease of adaptation of the results of research and of already developed technology to Korean production processes. While KSRI is expected to play a leading role in this plan to upgrade the entire standards system in Korea through a two-sided attack of providing more and better technical inputs and of raising the level of standards consciousness, it is recognized by involved Borrower officials that the efforts of KSRI alone cannot assure success of the overall Project in these terms and that the Borrower will have to provide strong ancillary support to the Project. Thus, if the Project is to achieve full success, the Borrower must provide not only the financial and other support it is pledging to KSRI itself, but also the generalized support across a broad spectrum of activities and policies which will be required to spread the uses and benefits of improved standardization throughout Korea's economy and society.

II. *Implementation*

The primary responsibility for implementation of the Project will rest with the Industrial Advancement Administration (IAA) of the Ministry of Commerce and Industry (MCI). Shortly after execution of this Loan Agreement, the Minister of MCI will appoint an inter-ministerial Establishment Committee (to be chaired by the Administrator of IAA) and the President of KSRI. The President will in turn appoint a number of KSRI staff members who will form a task force, operating under the guidance of the Establishment Committee, to carry out the task of developing a fully operational KSRI by January, 1978. The MCI Minister will also appoint the Board of Trustees of KSRI shortly after execution of this Loan Agreement and the Board will assume responsibility for overall policy for KSRI as soon as it holds its first meeting in the latter part of 1975.

Directly after its appointment, the Establishment Committee will see that the necessary legal steps are taken to establish KSRI as an autonomous organization of the Borrower with a charter to carry out the actions necessary for achievement of the Project purpose. This will specifically include enactment of KSRI's Articles of Incorpora-

tion and inclusion of KSRI among those institutes governed by the Special Research Institute Promotion Law.

KSRI's task force will then begin actual implementation of the Project. Among its first tasks will be to document the actions taken and plans formulated to satisfy the conditions precedent of this Loan Agreement. A.I.D. will expect all implementation plans, policies and actions to be based on the recommendations found in the various reports to be issued by the General Electric/TEMPO Company as the result of the feasibility study on standardization in Korea which TEMPO undertook between September, 1974, and July, 1975. Any planned deviations from the recommendations made by TEMPO will be explained to A.I.D. in writing, either as part of the submissions to meet the conditions precedent or, after such submissions have been made, in letters to A.I.D., and will not be undertaken prior to receiving approval from A.I.D. in writing. In addition, after A.I.D. approves the submissions for satisfaction of the conditions precedent, A.I.D. will expect any deviations from the plans laid down there to be explained in writing along with an explanation of what steps will be taken to place the Project back on schedule if the changes involved caused any delay in previously agreed upon schedules. Further, any such deviations shall be subject to the prior written approval of A.I.D. in accordance with Section 5.1(d) of this Loan Agreement.

It is expected that the organization of KSRI will also be based upon the guidelines laid down by TEMPO and that any planned deviation from TEMPO's guidelines will be reported in writing to A.I.D. A.I.D. anticipates that the Board of Trustees of KSRI will consist of two groups, *ex-officio* members and appointed members. The *ex-officio* members are expected to include the President of KSRI; the Vice Minister, EPB; IAA Administrator; the Vice Minister, Ministry of Science and Technology; the Vice Minister, Ministry of National Defense; one member appointed by USAID (until Loan funds are disbursed) and one member appointed by the "sister" institution designated by the Minister of MCI. The members to be appointed by the Minister, MCI, are expected to be eminent persons in the fields of science and industry in Korea whose training and experience will enhance the Board of Trustees' ability to formulate effective policy for KSRI in the Korean setting. It is also expected that the President of KSRI will form a Deliberation Committee of appropriate KSRI staff members to aid him in implementing the policy directives of the Board and in determining such other policies as are required to enable KSRI to obtain the Project purpose. It is expected that KSRI will develop and carry through plans to establish a strong and active "sister" relationship with an already developed national organization with a primary purpose of the same nature as KSRI's of fostering standardization within its own country (this organization most likely will be the U.S. National Bureau of Standards).

KSRI realizes the primary importance of competent and well-trained staff to the success of its efforts. Among the most important of its implementation duties will be detailed design and execution of its staff training program, on the basis of the guidelines laid down by TEMPO in its reports. It is anticipated that many of KSRI's staff—up to 80% of senior staff—will be recruited among those Koreans now living and working abroad, who have been trained in scientific and technical areas important to KSRI. Identification of the staff recruitment required and follow-through with the actual recruitment required will be an important part of successful implementation of the Project.

Through the end of 1978, the Loan will provide \$5.0 million for Project purposes, of which approximately \$3,550,000 will be spent for equipment procurement, \$530,000 for staff training, \$270,000 for overseas recruiting purposes, \$300,000 for technical advisory services (consultants), \$100,000 for library materials and \$250,000 for contingency. During the period until startup (approximately through end of 1977) the Borrower will contribute an estimated \$6.2 million in local currency funds to cover the costs of construction of KSRI facilities (about \$5.2 million equivalent), planning, coordination and staff services \$820,000 and staff training in Korea (\$210,000). For the five years after startup in early 1978, the Borrower is expected to provide a subsidy in the range of an equivalent \$1.5 million

per year (average) for operating costs, and in addition either to supply or to arrange through borrowing about \$250,000 per annum in foreign exchange for spare parts, research equipment, follow-on training, SRM's and other standards-related equipment and materials. While it is expected that it will be necessary for the Borrower's contribution to the Project to remain relatively great throughout the 1980's, the goal will be ultimately to place KSRI on a fully self-sustaining basis.

The Borrower's contributions will go beyond the amounts set out above for financial support for the establishment and operation of KSRI. Additional financial support will be supplied through other ministries in the form of amounts spent by them to establish and equip the DaeDuk Science Town where KSRI will be located. In addition, as is mentioned earlier, the Borrower is expected to furnish materials and moral support for the many aspects of a full standardization system, such as arranging for financing for the Provincial Inspection and Testing Organizations (PITOs) and the Specialized Industrial Testing Laboratories (SITLs), continuing its policies of strong support for industrial expansion, taking steps to improve Korea's market analysis capability and her industrial statistics, providing appropriate support for the precision measurement industry, ensuring maximum use of KSRI facilities and expertise by other Borrower entities and their full cooperation with KSRI, tightening legislation involving standardization (including the Weights and Measures Law and the Industrial Standardization Law), and supporting a comprehensive campaign to increase the awareness of the need for and the uses of standardization within the country.

KSRI will develop and implement a plan for full evaluation of the Project's success in achieving the Project purpose and in supporting the Project goal. To this end, the President of KSRI is expected to appoint a Council for Evaluation within KSRI which will utilize various means suggested in the Project's logical framework matrix (as found in the Project Paper prepared by A.I.D.) or developed by the Council itself to test the "objectively verifiable indicators" of success given in the log frame. KSRI will keep A.I.D. fully informed of its evaluation planning and once a full evaluation plan has been agreed upon between A.I.D. and KSRI, KSRI will keep A.I.D. informed of its evaluation activities and results through regular reports submitted to A.I.D.

[TRADUCTION — TRANSLATION]

ACCORD¹ DE PRÊT (CORÉE — PROJET DE L'INSTITUT DE LA RECHERCHE MÉTÉOROLOGIQUE) ENTRE LA RÉPUBLIQUE DE CORÉE ET LES ÉTATS-UNIS D'AMÉRIQUE

Date : 19 septembre 1975

Prêt de l'AID n° 489-W-093
Projet n° 489-22-290-711

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¹ Entré en vigueur le 19 septembre 1975 par la signature.