No. 639

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
REPUBLIC OF KOREA

Development Credit Agreement—*Second Railroad Project* (with related letter and annexed Development Credit Regulations No. 1, as amended). Signed at Washington, on 18 December 1967

Official text: English.

Filed and recorded at the request of the International Development Association on 5 July 1968.

ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT
et
RÉPUBLIQUE DE CORÉE

Contrat de crédit de développement—*Deuxième projet relatif aux chemins de fer* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement, tel qu'il a été modifié). Signé à Washington, le 18 décembre 1967

Texte officiel anglais.

Classé et inscrit au répertoire à la demande de l'Association internationale de développement le 5 juillet 1968.

No. 639. DEVELOPMENT CREDIT AGREEMENT[1] *(SECOND RAILROAD PROJECT)* BETWEEN THE REPUBLIC OF KOREA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 18 DECEMBER 1967

AGREEMENT, dated December 18, 1967, between the REPUBLIC OF KOREA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower has undertaken a railroad development program for the years 1967 through 1971 designed to expand the capacity and improve the operations of the Korean National Railroad in order to meet growing traffic needs ;

WHEREAS the Borrower has asked the Association to assist it in the financing of the first three years of such railroad development program ;

WHEREAS the Association has agreed to make a development credit available for such purpose on the terms and conditions provided herein ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

CREDIT REGULATIONS ; SPECIAL DEFINITION

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961 as amended February 9, 1967 [2] (said Development Credit Regulations No. 1 being hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Development Credit Agreement the term " National Railroad " means the Korean National Railroad and

[1] Came into force on 13 March 1968, upon notification by the Association to the Government of the Republic of Korea.
[2] See p. 320 of this volume.

includes any agency, public corporation or other entity established by the Borrower to manage, operate and develop the railroads of the Borrower.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to eleven million dollars ($ 11,000,000).

Section 2.02. The Association shall open a Credit Account in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdraw from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement.

Section 2.03. (*a*) The Borrower shall be entitled to withdraw from the Credit Account such amounts as shall have been paid, or, if the Association shall so agree, as shall be required to meet payments to be made, for the reasonable cost of goods required for carrying out the Project.

(*b*) Except as shall be otherwise agreed between the Borrower and the Association, no withdrawals shall be made on account of (i) expenditures prior to the date of this Agreement or (ii) expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($^3/_4$ of 1 %) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.05. The currency of United States dollars is specified for the purposes of Section 3.02 of the Regulations.

Section 2.06. Services charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each June 1 and December 1 commencing December 1, 1977 and ending June 1, 2017, each installment to and including the installment payable on June 1, 1987 to be one-half of one per cent ($^1/_2$ of 1 %) of such principal amount, and each installment thereafter to be one and one-half per cent (1 $^1/_2$ %) of such principal amount.

Article III

Use of the Proceeds of the Credit

Section 3.01. The Borrower shall apply the proceeds of the Credit in accordance with the provisions of this Agreement to expenditures on the Project described in the Schedule to this Agreement. The specific allocation of the proceeds of the Credit, and the methods and procedures for procurement of the goods to be financed out of such proceeds, shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Article IV

Particular Covenants

Section 4.01. (*a*) The Borrower shall cause the National Railroad to carry out the Project with due diligence and efficiency and in conformity with sound engineering, railroad and financial practices.

(*b*) The Borrower shall make available to the National Railroad the proceeds of the Credit on a reimbursable basis and on such other terms and conditions as shall be agreed between the Borrower and the Association.

(*c*) Whenever there is reasonable cause to believe that the funds available to the National Railroad will be inadequate to meet the estimated expenditures required for carrying out the Project, the Borrower shall promptly provide the National Railroad with, or cause the National Railroad to be promptly provided with, such funds as are required to meet such expenditures on terms and conditions satisfactory to the Association.

(*d*) The Borrower shall cause the National Railroad, in the carrying out of the Project, to employ qualified and experienced consultants acceptable to the Association to an extent and upon terms and conditions satisfactory to the Association.

(*e*) The Borrower shall cause the National Railroad to furnish to the Association upon request, promptly upon their preparation, the plans, specifications, contract documents and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall reasonably request.

(*f*) The Borrower shall cause the National Railroad to maintain records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the National Railroad ; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents, and all facilities, sites, works, properties and equipment of the National Railroad ; and shall furnish or cause the National Railroad to furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the goods to be financed out of the proceeds of the Credit, and the operations and financial condition of the National Railroad.

(*g*) The Borrower shall insure or cause to be insured with responsible insurers all imported goods financed out of the proceeds of the Credit against marine, transit and other hazards incident to the acquisition, transportation and delivery to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely useable by the Borrower to replace or repair such goods.

Section 4.02. The Borrower shall cause the National Railroad to be managed and operated at all times in accordance with sound business, financial and railroad practices under the supervision of qualified and experienced management and shall cause the National Railroad to operate, maintain, renew and repair its equipment and property, including the equipment and property included in the Project, in accordance with sound engineering and railroad practices.

Section 4.03. The Borrower shall cause the National Railroad to establish and maintain tariffs of rates and fares which will provide revenues sufficient to meet all operating expenses, including adequate maintenance and depreciation, and to earn an adequate rate of return on the net fixed assets in use of the National Railroad.

Section 4.04. The Borrower shall have the accounts of the National Railroad regularly audited and its financial statements (balance sheet and related statement of revenues and expenditures), beginning with those relating to the fiscal year ending December 31, 1966, certified annually by an independent auditor acceptable to the Association promptly after the end of the fiscal