No. 658

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and REPUBLIC OF KOREA

Loan Agreement—*Third Railroad Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements). Signed at Seoul on 14 May 1970

Authentic text: English.

Filed and recorded at the request of the International Bank for Reconstruction and Development on 23 November 1970.

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

Contrat d'emprunt — *Troisième projet relatif aux chemins de fer* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie). Signé à Séoul le 14 mai 1970

Texte authentique: anglais.

Classé et inscrit au répertoire à la demande de la Banque internationale pour la reconstruction et le développement le 23 novembre 1970.

LOAN AGREEMENT[1]

AGREEMENT, dated May 14, 1970, between REPUBLIC OF KOREA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the International Development Association (hereinafter called the Association) has previously financed the foreign exchange costs of two projects forming a part of the programs for rehabilitation, modernization, expansion and increase in capacity of the Korean railways and has entered into development credit agreements with the Borrower dated August 17, 1962[2] and December 18, 1967;[3]

WHEREAS the Association has assisted the Borrower in financing the first three years of the Borrower's railroad development program for the years 1967 through 1971;

WHEREAS the Borrower has requested the Bank to assist it in the financing of the project described in Schedule 2 to the development credit agreement mentioned hereunder, such project being the last two years of the aforesaid railroad development program;

WHEREAS the Borrower has also requested the Association to provide additional financing for such project and, by a development credit agreement of even date herewith[4] between the Borrower and the Association, the Association agrees to provide such financing in an aggregate principal amount equivalent to fifteen million dollars ($15,000,000); and

WHEREAS the Borrower and the Bank intend, to the extent practicable, that the proceeds of the credit provided for in such development credit agreement be disbursed on account of expenditures under such project before disbursements of the proceeds of the loan provided for in this Agreement are made;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to the Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the

[1] Came into force on 11 September 1970, upon notification by the Bank to the Government of the Republic of Korea.
[2] United Nations, *Treaty Series*, vol. 468, p. 387.
[3] *Ibid.*, vol. 639, p. 303.
[4] See p. 307 of this volume.

Bank, dated January 31, 1969,[1] with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank as so modified being hereinafter called the General Conditions): Section 2.01 (12) is deleted and the following is substituted therefor:

> "12. The term Project means the project or projects or program or programs for which the Loan is granted, as described in the Development Credit Agreement (as such term is defined in the Loan Agreement) and as the description therof shall be amended from time to time by agreement between the Borrower, the Association and the Bank."

Section 1.02. Wherever used in this Loan 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*) "Government Organization Law" means the Government Organization Law, Law No. 1506 of December 14, 1963, as amended up to July 24, 1967, and as the same may be amended from time to time;

(*b*) "KNR" means the Korean National Railroad and includes the Office of Railroads established by the Government Organization Law;

(*c*) "Development Credit Agreement" means the development credit agreement of even date herewith between the Borrower and the Association, and such term includes the General Conditions Applicable to Development Credit Agreements of the Association dated January 31, 1969[2] as made applicable thereto, all agreements supplemental to such agreement and all schedules thereto, as such agreement, supplemental agreements and schedules may be amended from time to time;

(*d*) "Investment Plan" means the 1967-1971 investment plan of the KNR as described in Schedule 2 to the Development Credit Agreement and as the description thereof may be amended from time to time with the agreement of the Borrower and the Bank;

(*e*) "General Survey" means the General Survey of the Production, Transport and Distribution of Coal and Briquets for the City of Seoul dated August 1968 and prepared by Sofrerail—Sofremines, consultants for the KNR;

(*f*) "Economic Planning Board" means the Economic Planning Board established under Article 19 of the Government Organization Law;

[1] See p. 304 of this volume.
[2] United Nations, *Treaty Series*, vol. 703, p. 244.

(*g*) "Director-General" means the Director-General of the KNR appointed pursuant to Article 34(4) of the Government Organization Law; and

(*h*) "Won" and the letter W mean the currency of the Republic of Korea.

Article II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to forty million dollars ($40,000,000).

Section 2.02. (*a*) The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan.

(*b*) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement and in accordance with the allocation of the proceeds of the Credit and of the Loan set forth in Schedule 1 to the Development Credit Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement among the Borrower, the Association and the Bank.

Section 2.03. The Borrower shall be entitled to withdraw from the Loan Account such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) in respect of the reasonable cost of goods or services required for the Project and to be financed under this Loan Agreement.

Section 2.04. (*a*) It is hereby agreed, pursuant to Section 5.01 of the General Conditions that withdrawals from the Loan Account under Category II of the allocation of the proceeds of the Credit and of the Loan referred to in Section 2.02 of this Agreement may be made on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

(*b*) No withdrawal from the Loan Account shall be made on account of payments for taxes imposed by the Borrower or any of its political subdivisions on, or in connection with the importation or supply of, goods or services included in Categories II and V of the allocation of the proceeds of the Credit and of the Loan referred to in Section 2.02 of this Agreement.

(*c*) Until all amounts under the Development Credit Agreement shall have been withdrawn or committed and except as otherwise agreed between the Borrower and the Bank, no withdrawal shall be made from the Loan Account except under commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($^3/_4$ 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 per cent (7%) 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 March 1 and September 1 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 1 to this Agreement.

Article III

Use of the Proceeds of the Loan

Section 3.01. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Loan Agreement to expenditures on the Project, described in Schedule 2 to the Development Credit Agreement.

Section 3.02. Except as the Bank shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 3 to the Development Credit Agreement or as shall be agreed between the Borrower and the Bank, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Bank.

Section 3.03. Except as the Bank may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Article IV

Bonds

Section 4.01. 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.