# No. 659

# INTERNATIONAL DEVELOPMENT ASSOCIATION
# and
# REPUBLIC OF KOREA

## Development Credit Agreement—*Third Railroad Project* (with annexed General Conditions Applicable to Development Credit Agreements). Signed at Seoul on 14 May 1970

*Authentic text: English.*

*Filed and recorded at the request of the International Development Association on 23 November 1970.*

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# ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT
# et
# RÉPUBLIQUE DE CORÉE

## Contrat de crédit de développement — *Troisième projet relatif aux chemins de fer* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement). Signé à Séoul le 14 mai 1970

*Texte authentique: anglais.*

*Classé et inscrit au répertoire à la demande de l'Association internationale de développement le 23 novembre 1970.*

# DEVELOPMENT CREDIT AGREEMENT[1]

AGREEMENT, dated May 14, 1970 between the REPUBLIC OF KOREA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS 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 Association to assist in the financing of the project described in Schedule 2 to this Agreement, such project being the last two years of the aforesaid railroad development program;

WHEREAS the Borrower has also requested the International Bank for Reconstruction and Development (hereinafter called the Bank) to provide additional financing for such project and, by a loan agreement of even date herewith[4] between the Borrower and the Bank, the Bank agrees to provide such financing in an aggregate principal amount equivalent to forty million dollars ($40,000,000); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

## *Article I*

### GENERAL CONDITIONS; DEFINITIONS

*Section 1.01.* The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit

[1] Came into force on 11 September 1970, upon notification by the Association 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. 285 of this volume.

Agreements of the Association dated January 31, 1969,[1] with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Development Credit 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 Governments 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*) "Loan Agreement" means the loan agreement of even date herewith between the Borrower and the Bank, and such term includes the General Conditions Applicable to Loan and Guarantee Agreements of the Bank 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 this Agreement and as the description thereof may be amended from time to time with the agreement of the Borrower and the Association;

(*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;

(*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.

[1] See p. 338 of this volume.
[2] United Nations, *Treaty Series*, vol. 691, p. 300.

*Article II*

THE CREDIT

*Section 2.01.* The Association agrees to lend the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars ($15,000,000).

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

(*b*) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit and of the Loan set forth in Schedule 1 to this 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 Credit Account such amounts as shall have been paid (or, if the Association 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 Development Credit Agreement.

*Section 2.04.* No withdrawals from the Credit Account shall be made:

(i) under Categories I, III, IV and V of the allocation of the proceeds of the Credit and of the Loan referred to in Section 2.02 of this Agreement on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; or

(ii) 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 said allocation of the proceeds of the Credit and of the Loan.

*Section 2.05.* The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

*Section 2.06.* 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 2.07.* Service charges shall be payable semi-annually on March 1 and September 1 in each year.

*Section 2.08.* The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each March 1 and September 1 commencing March 1, 1980 and ending September 1, 2019, each installment to and including the installment payable on September 1 1989, 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 cause the proceeds of the Credit to be applied in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Agreement.

*Section 3.02.* Except as the Association shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Credit 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 this Agreement or as shall be agreed between the Borrower and the Association and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Association.

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

## *Article IV*

### Particular Covenants

*Section 4.01.* The Borrower shall cause the KNR to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering and railroad practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

*Section 4.02.* The Borrower shall make available to the KNR the proceeds of the Credit on the following terms:

(i) interest at seven per cent (7 %) per annum on the principal amount outstanding from time to time; and

(ii) amortization in twenty-five years, including four years of grace.