
LOAN NUMBER 669 KO

Loan Agreement

(Third Railroad Project)

BETWEEN

REPUBLIC OF KOREA

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED MAY 14, 1970

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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 and December 18, 1967;

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 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 Bank, dated January 31, 1969, 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 thereof 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, 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;

(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 ($\frac{3}{4}$ 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 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.

SECTION 4.02. 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 V

Particular Covenants

SECTION 5.01. The Borrower accepts all the provisions of Sections 4.01 through 4.21 inclusively of the Development Credit Agreement and of Schedules 1, 2 and 3 thereto, with the same force and effect as if they were fully set forth herein; provided, however, that: (i) all references to the Association in such Sections or in any of them shall be deemed to be references to the Bank, (ii) all references to the Credit in such Sections or in any of them shall be

deemed to be references to the Loan, and (iii) all references to the Development Credit Agreement in such Sections or in any of them shall be deemed to be references to the Loan Agreement.

SECTION 5.02. So long as any part of the Credit provided for under the Development Credit Agreement shall remain outstanding, all actions taken, including approvals given, by the Association pursuant to any of the Sections of, and Schedules to, the Development Credit Agreement enumerated in Section 5.01 of this Agreement, as well as pursuant to Sections 1.02(d), 3.02, 3.03 and 5.02 of the Development Credit Agreement, shall be deemed to be taken or given in the name and on behalf of both the Association and the Bank; and all information or documentation furnished by the Borrower to the Association pursuant to the provisions of any of such Sections of the Development Credit Agreement or Schedules thereto shall be deemed to be furnished to both the Association and the Bank.

SECTION 5.03. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien 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 that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.

The term "assets of the Borrower" as used in this Section includes 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 assets of the Bank of Korea, or of any other institution performing the functions of a central bank.

SECTION 5.04. 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 and shall be free from all restrictions imposed under any such laws; provided, however, that the provisions of this Section 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 5.05. The Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

ARTICLE VI

Remedies of the Bank

SECTION 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Agreement 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 this Loan Agreement or in the Bonds notwithstanding.

SECTION 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified:

Any amendment to the Government Organization Law shall occur or any other action shall be taken so as to substantially affect the organization, functions and operations of the KNR without the Bank having, in advance thereof, notified the Borrower of its concurrence therewith, and such event shall continue for a period of sixty days.

ARTICLE VII

Effective Date; Termination

SECTION 7.01. The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 11.01(c) of the General Conditions:

(a) That the consultants provided for under Sections 4.10(i) and 4.11 of the Development Credit Agreement shall have been employed by the KNR; and

(b) That all the conditions precedent to the effectiveness of the Development Credit Agreement other than the effectiveness of the Loan Agreement shall have been fulfilled.

SECTION 7.02. The date of September 11, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

ARTICLE VIII

Miscellaneous

SECTION 8.01. The Closing Date shall be December 31, 1972 or such other date as shall be agreed between the Borrower and the Bank.

SECTION 8.02. 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 8.03. 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 Loan Agreement to be signed in their respective names and to be delivered in Seoul, Republic of Korea, as of the day and year first above written.

REPUBLIC OF KOREA

By /s/ KIM, HAK-YUL
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ ROBERT S. MCNAMARA
President

SCHEDULE 1**Amortization Schedule**

Date Payment Due	Payment of Principal (expressed in dollars)*
March 1, 1974	415,000
September 1, 1974	425,000
March 1, 1975	440,000
September 1, 1975	460,000
March 1, 1976	475,000
September 1, 1976	490,000
March 1, 1977	510,000
September 1, 1977	525,000
March 1, 1978	545,000
September 1, 1978	565,000
March 1, 1979	585,000
September 1, 1979	605,000
March 1, 1980	625,000
September 1, 1980	645,000
March 1, 1981	670,000
September 1, 1981	690,000
March 1, 1982	715,000
September 1, 1982	740,000
March 1, 1983	765,000
September 1, 1983	795,000
March 1, 1984	820,000
September 1, 1984	850,000
March 1, 1985	880,000
September 1, 1985	910,000
March 1, 1986	945,000
September 1, 1986	975,000
March 1, 1987	1,010,000
September 1, 1987	1,045,000
March 1, 1988	1,080,000
September 1, 1988	1,120,000
March 1, 1989	1,160,000
September 1, 1989	1,200,000
March 1, 1990	1,240,000
September 1, 1990	1,285,000
March 1, 1991	1,330,000
September 1, 1991	1,375,000
March 1, 1992	1,425,000
September 1, 1992	1,475,000
March 1, 1993	1,525,000
September 1, 1993	1,580,000
March 1, 1994	1,635,000
September 1, 1994	1,690,000
March 1, 1995	1,760,000

* 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	$\frac{3}{4}\%$
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	$2\frac{3}{4}\%$
More than eleven years but not more than sixteen years before maturity	$4\frac{1}{4}\%$
More than sixteen years but not more than twenty-one years before maturity	$5\frac{1}{2}\%$
More than twenty-one years but not more than twenty-three years before maturity	$6\frac{1}{2}\%$
More than twenty-three years before maturity	7%