Loan Agreement

(Agricultural Wholesale Marketing Project)

between

REPUBLIC OF KOREA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 5, 1982
AGREEMENT, dated April 5, 1982, between REPUBLIC OF KOREA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) the Borrower has requested the Bank to assist in the financing of the Project described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) the Project will be carried out partly by the Borrower and partly, with the Borrower's assistance, by the Seoul Metropolitan Government (hereinafter called "SMG") and, as part of such assistance, the Borrower will make available to SMG the proceeds of the Loan as hereinafter provided; and

WHEREAS the Bank has agreed, on the basis inter alia of the foregoing, to make the Loan available to the Borrower upon the terms and conditions set forth hereinafter and in the Project Agreement of even date herewith between the Bank and SMG;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated October 27, 1980, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement between the Bank and SMG of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement and all agreements supplemental to the Project Agreement;
(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and SMG pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time;

(c) "MAF" means the Ministry of Agriculture and Fisheries of the Borrower;

(d) "OCE" means the Office of Construction and Engineering of SMG responsible for carrying out the construction activities of SMG;

(e) "GAMA" means the Garag-dong Agricultural Market Authority to be established by SMG under the Project; and

(f) "Project Account" means an account to be established by SMG under Section 2.07 of the Project Agreement to which amounts required from time to time for the purposes of the Project shall be credited.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to fifty million dollars ($50,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, procurement of the goods and civil works required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to the Project Agreement.

Section 2.04. The Closing Date shall be June 30, 1985 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.
Section 2.05. Not later than the Effective Date, the Borrower shall pay to the Bank a fee equivalent to seven hundred thirty-eight thousand nine hundred and sixteen dollars ($738,916). The fee shall be payable in such currency or currencies as the Bank shall specify. In the event that the Bank shall not have received full payment of the fee by the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required for the full payment of the fee in the currency or currencies specified for the purpose.

Section 2.06. 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 2.07. The Borrower shall pay interest at the rate of eleven and three-fifths per cent (11-3/5%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.09. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall carry out Part B of the Project through MAF with due diligence and efficiency and in conformity with appropriate administrative and agricultural marketing practices, and shall provide to MAF, promptly as needed, the funds, facilities, services and other resources required for the purposes.

(b) Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause SMG to perform in accordance with the provisions of the Project Agreement all the obligations of SMG therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources,
necessary or appropriate to enable SMG to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance. Without limitation on the foregoing, the Borrower shall credit or cause to be credited to the Project Account at the end of each quarter the funds estimated by SMG to be required from the Borrower and SMG for Part A of the Project during the next succeeding quarter. The initial crediting of the Project Account shall be made not later than June 30, 1982.

(c) The Borrower shall relend the proceeds of the Loan required for Part A of the Project to SMG under a subsidiary loan agreement to be entered into between the Borrower and SMG, under terms and conditions which shall have been approved by the Bank and which shall include provisions pursuant to which: (i) SMG shall repay to the Borrower the principal amount of the subsidiary loan in accordance with an amortization schedule, from the date of the Subsidiary Loan Agreement, covering a term of 14 years including a grace period of 3 years; (ii) SMG shall periodically pay to the Borrower interest, at an annual rate equal to the rate specified in Section 2.07 of this Agreement, and an administration charge of 0.05 per cent per annum, on the principal amount of the subsidiary loan withdrawn and outstanding from time to time; and (iii) SMG shall bear the foreign exchange risk, except as the Borrower, the Bank and SMG may otherwise agree.

(d) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02 (a) Before carrying out Part B of the Project, but not later than September 1, 1982, the Borrower shall cause MAF to submit to the Bank for its review and approval a detailed description of the studies to be undertaken thereunder and a plan, including a timetable, for the execution of those studies.

(b) In order to assist MAF in carrying out Part B of the Project, the Borrower shall cause MAF to employ consultants whose selection, qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank in accordance with the principles and procedures described in the "Guidelines for

Section 3.03. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods for the purposes of Part B of the Project to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) The Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the purposes of the Project.

Section 3.04. (a) The Borrower through MAF shall furnish to the Bank, promptly upon their preparation, the plans, reports, contract documents and work and procurement schedules for Part B of the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower through MAF: (i) shall maintain records and procedures adequate to record and monitor the progress of Part B of the Project (including its cost and the benefits to be derived from it), to identify the goods and services for the purposes of Part B of the Project financed out of the proceeds of the Loan, and to disclose their use in the Project; and (ii) shall furnish or cause to be furnished to the Bank from time to time such information as the Bank shall reasonably request concerning institutional arrangements for management of agricultural wholesale markets and concerning Part B of the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

(c) Upon the award by the Borrower of any contract for goods, works or services to be financed out of the proceeds of the Loan, the Bank may publish a description thereof, the name and nationality of the party to whom the contract was awarded and the contract price.

(d) Promptly after completion of Part B of the Project, but in any event not later than six months after the Closing Date or
such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of Part B of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.

Section 3.05. Not later than July 1, 1983, the Borrower shall appoint, and thereafter maintain, an Advisory Committee to be responsible for providing advice to the Board of Directors of GAMA on matters affecting agricultural marketing. The Advisory Committee shall include representatives, inter alia, of the Borrower's Ministry of Finance, Economic Planning Board, MAF, SMG, the National Agricultural Cooperative Federation, the Agriculture and Fishery Development Corporation and the Korea Rural Economics Institute.

ARTICLE IV
Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.
(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

Section 4.02. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall: (i) have the records and separate accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning said separate accounts, records and expenditures and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.03. The Borrower shall not take any action that would adversely affect the financial condition of GAMA. If, notwithstanding paragraph (a) and (b) of Section 3.05 of the Project Agreement, GAMA incurs any deficits in its operations, the Borrower shall cause SMG, in consultation with the Bank, to finance such deficits.
ARTICLE V

Remedies of the Bank

Section 5.01. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (k) thereof:

(a) SMG shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that SMG will be able to perform its obligations under the Project Agreement.

(c) The Local Government Autonomy Law (Law No. 2437 of the Borrower) shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SMG to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action: (i) for the dissolution or disestablishment of SMG, or, after its establishment, GAMA; (ii) for the suspension of the operations of either SMG or GAMA; or (iii) for the transfer of a major portion of SMG's or GAMA's assets to another entity without the prior approval of the Bank.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof:

(a) Any event specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and SMG.

(b) Any event specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement
within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and SMG; and

(b) the establishment of the Project Account by SMG.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by SMG, and is legally binding upon SMG in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and SMG and is legally binding upon the Borrower and SMG in accordance with its terms.

Section 6.03. The date July 7, 1982, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions.

For the Borrower:

Minister of Finance
Republic of Korea
Seoul, Korea

Cable address: Telex:

MOF K23243
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
Telex: 440098 (ITT)
Washington, D.C.
248423 (RCA) or 64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF KOREA

By (Signature)
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By (Signature)
Regional Vice President
East Asia and Pacific
## SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items financed out of the proceeds of the Loan, the allocation of amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works</td>
<td>27,000,000</td>
<td>45%</td>
</tr>
<tr>
<td>(2) Materials and equipment other than ready-mixed concrete and asphaltic concrete</td>
<td>12,000,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory) and 65% of local expenditures for items procured off-the-shelf</td>
</tr>
<tr>
<td>(3) Ready-mixed concrete and asphaltic concrete</td>
<td>8,000,000</td>
<td>85%</td>
</tr>
<tr>
<td>(4) Consultants' Services and Overseas Training</td>
<td>600,000</td>
<td>100% of foreign expenditures or 50% total</td>
</tr>
<tr>
<td>(5) Fee</td>
<td>750,000</td>
<td>Amount due</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>1,650,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>50,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no
expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.
SCHEDULE 2

Description of the Project

The Project consists of the following Parts:

Part A

1. The construction of the Garag-dong agricultural wholesale market in Seoul, consisting of:
   
   (a) a fruit and vegetable market building having a total floor space of about 107,000 sq. m.;
   
   (b) a fish market building having a total floor space of about 40,000 sq. m.;
   
   (c) related item market buildings having a total floor space of about 11,200 sq. m. and a retail market building to accommodate about 215 dealers;
   
   (d) cold storage facilities having a capacity of about 1,830 tons and quick freezing facilities for about 25 tons per day;
   
   (e) an administration building of about 11,500 sq. m., including office facilities for GAMA and for an Agricultural Marketing Information Center; and
   
   (f) utility facilities, including, gas, electricity, water and telecommunications, and disposal facilities for garbage and solid and liquid waste.

2. The construction of about 3.5 km of market-related roads, including an underpass, inter-market streets and parking facilities.

3. The establishment of GAMA.

Part B

1. The provision of technical assistance:

   (a) To prepare a 10-15 year perspective master plan for agricultural marketing improvement, including guidelines for both governmental and private initiatives; and
(b) To prepare feasibility studies for agricultural marketing improvement.

2. The provision of training in agricultural wholesale marketing.

* * *

The Project is expected to be completed by December 31, 1984.
SCHEDULE 3

Amortization Schedule

<table>
<thead>
<tr>
<th>Date of Payment Due</th>
<th>Payment of Principal (Expressed in dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 1 and October 1 beginning October 1, 1985 through October 1, 1995</td>
<td>2,275,000</td>
</tr>
<tr>
<td>On April 1, 1996</td>
<td>2,225,000</td>
</tr>
</tbody>
</table>

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal; see General Conditions, Section 3.04.
Premiums on Prepayment

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 3.04 (b) of the General Conditions:

<table>
<thead>
<tr>
<th>Time of Prepayment</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than three years before maturity</td>
<td>2.50%</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>4.95%</td>
</tr>
<tr>
<td>More than six years but not more than ten years before maturity</td>
<td>8.30%</td>
</tr>
<tr>
<td>More than ten years but not more than twelve years before maturity</td>
<td>9.95%</td>
</tr>
<tr>
<td>More than twelve years before maturity</td>
<td>11.60%</td>
</tr>
</tbody>
</table>
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Bank for Reconstruction and Development.

In witness whereof I have signed this Certificate and affixed the Seal of the Bank thereunto this 5th day of Apr., 1982.

S. N. C.
FOR SECRETARY