

Signed at Beijing January 28, 2003  
Entered into force January 28, 2003

**ARRANGEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF KOREA AND THE  
GOVERNMENT OF THE PEOPLE ' S REPUBLIC OF CHINA CONCERNING THE FIRST  
PHASE-SIXTH LOAN FROM THE ECONOMIC DEVELOPMENT COOPERATION FUND**

The Government of the Republic of Korea and the Government of the People ' s Republic of China (hereinafter referred to as "the Contracting Parties"), in accordance with the Article 2 of the Agreement between the Government of the Republic of Korea and the Government of the People ' s Republic of China concerning Loans from the Economic Development Cooperation Fund signed on November 14, 1995, have agreed as follows:

**Article 1**

(1) The Government of the Republic of Korea shall enable the Government of the People ' s Republic of China to obtain two loans (hereinafter referred to as "the Loans" collectively and "the Loan" singularly) from the Export-Import Bank of Korea (hereinafter referred to as "the Bank"), the government agency for the Economic Development Cooperation Fund (hereinafter referred to as "the EDCF"), for the implementation of the following two projects (hereinafter referred to as "the Projects" collectively and "the Project" singularly):

- Project A    Pengshui Highway Project, Chongqing Municipality
- Project B    Water Supply Project, Guangde, Anhui Province

(2) The Government of the People ' s Republic of China, acting through the Ministry of Finance, hereby designates as the Borrowers Bank of Communications for Project A and Agriculture Bank of China for Project B and guarantees the due and punctual repayment of the principal of the Loans and payment of the accrued interest thereon as well as all other amounts due and payable by the relevant Borrower under the Loans. However, any change of such banks may be made by the prior notice of the Ministry of Finance to the Bank.

(3) The Loans shall be denominated in Korean Won. The amount of the Loans denominated in Korean Won shall not exceed the equivalent of four million nine hundred and fifty thousand US dollars (US\$ 4,950,000) for Project A and four million five hundred thousand US dollars (US\$ 4,500,000) for Project B, and shall be fixed at the average of the telegraphic transfer selling rates of Korean Won against US Dollar as quoted by the Bank during the one month period from the 16th day of two months prior to the month when the first procurement contract is signed, to the 15th day of one month prior thereto, in accordance with each of the Loan Agreements to be concluded between the Borrowers and the Bank (hereinafter referred to as "the Loan Agreement").

**Article 2**

The terms and conditions of the Loans, as well as the procedures for their utilization,

shall be governed by the Loan Agreement, which shall contain, inter alia, the following principles:

- (1) The repayment period shall be thirty (30) years including a grace period of ten (10) years;
- (2) The interest rate shall be two point five percent (2.5%) per annum;
- (3) A service charge of one-tenth of one percent (0.1%) of the amount of each disbursement in case of a direct payment procedure, or of the amount specified in the letter of commitment in case of a commitment procedure, shall be collected by the Bank. All banking charges and/or costs for services rendered by commercial banks in connection with disbursements of the proceeds of the Loans, repayment of principal or payment of interest payable to the Bank under the Loan Agreements shall be subject to a banking arrangement to be concluded between the Borrowers and the Korean commercial bank designated by the Bank.
- (4) In the event a Borrower fails to make payment of all or any portion of the principal of the Loan or any other amount when due under the Loan Agreement, the unpaid amount shall bear an overdue charge at the rate to be specified in the Loan Agreement.

### **Article 3**

(1) The eligible source country for the procurement of goods and services required for the Projects shall be the Republic of Korea. Procurement from the People ' s Republic of China and/or any third country for Project B may be allowed, with the prior consent of the Bank, for up to one million three hundred thousand US dollars (US\$ 1,300,000) of the Loan amount for Project B if it is either impossible or uneconomical to purchase goods and services from the eligible source country.

(2) The suppliers of goods and services necessary for the implementation of the Projects shall be selected through limited international bidding among companies of the eligible source country.

(3) Goods which contain materials imported from countries other than the eligible source country may be eligible for financing under the Loans, if the imported portion comprises less than fifty percent (50%) of the contract price of such goods. A formula for calculating the ratio of such imported portion shall be prescribed in the Loan Agreement.

### **Article 4**

In the event the funds available from the proceeds of a Loan are insufficient for the full implementation of the relevant Project, the Government of the People ' s Republic of China shall promptly make arrangements to provide such funds as are needed.

### **Article 5**

The proceeds of the Loans shall be disbursed by the Bank to the relevant Borrower or, to a supplier on behalf of the Borrower in accordance with the progress of the Project, up to the amount of the Loan, and within the disbursement period specified in

the Loan Agreement and in accordance with disbursement procedure under the Loan Agreement.

#### **Article 6**

The other terms and conditions to be specified in the Loan Agreements shall be determined through negotiations between the relevant Borrower and the Bank.

#### **Article 7**

This Arrangement shall enter into force on the date of signature and shall remain effective, unless otherwise agreed upon by the Contracting Parties, until the Borrowers perform all the obligations under the Loan Agreements.

Done in duplicate at Beijing, this 28th day of January, 2003, in the English language, two copies being equally authentic.

FOR THE GOVERNMENT OF  
THE REPUBLIC OF KOREA

FOR THE GOVERNMENT OF  
THE PEOPLE ' S REPUBLIC OF CHINA