

Exchange of Notes at Seoul March 28, 1987  
Entered into force March 28, 1987

**Exchange of Notes between the Government of the Republic of Korea and the  
Government of Japan concerning the Japanese Loan to Korea for the year of 1985**

**The Ambassador of Japan to the Minister of Foreign Affairs**

Seoul, March 28, 1987

Excellency,

I have the honour to confirm the following understanding recently reached between the representatives of the Government of Japan and of the Government of the Republic of Korea concerning a Japanese loan to be extended with a view to promoting the welfare of the people and the economic development efforts of the Republic of Korea.

1. A loan in Japanese yen up to the amount of forty four billion six hundred thirty three million yen (¥ 44,633,000,000) (hereinafter referred to as "the Loan") will be extended, in accordance with the relevant laws and regulations of Japan, to the Government of the Republic of Korea by the Overseas Economic Cooperation Fund (hereinafter referred to as "the Fund") for the implementation of the projects listed in the Project List attached hereto (hereinafter referred to as "the Project List") according to the allocation for each project as specified in the Project List.

2. (1) The Loan will be made available by loan agreements to be concluded between the Government of the Republic of Korea and the Fund. The terms and conditions of the Loan as well as the procedures for its utilization will be governed by the said loan agreements which will contain, inter alia, the following principles:
- (a) The repayment period will be eighteen (18) years with regard to the projects mentioned in 1, 2, 3, 4 and 6 of the Project List and thirteen (13) years with regard to the project mentioned in 5 of the Project List after the grace period of seven (7) years.
  - (b) The rate of interest will be four and a quarter (4.25) per cent per annum. Where, however, a part of the Loan is made available to cover payments to consultants, then the rate of interest on the said part will be three and a quarter (3.25) per cent per annum.
  - (c) The disbursement period will be six (6) years with regard to the project mentioned in 1 of the Project List, and five (5) years with regard to the projects mentioned in 2, 3, 4, 5 and 6 of the Project List from the date of the signing of the relevant loan agreement.
- (2) The loan agreement mentioned in sub-paragraph (1) above for each of the projects listed in the Project List will be concluded after the Fund is satisfied of its feasibility.
- (3) The disbursement period mentioned in subparagraph (1) (c) above may be extended with the consent of the authorities concerned of the two Governments.

3. (1) The Loan will be made available to cover payments to be made by Korean executing agencies to suppliers, contractors and/or consultants of eligible source countries under such contracts as may be entered into between them for purchases of products and/or services required for the implementation of the projects mentioned in paragraph 1 above, provided that such purchases are made in such eligible source countries for products produced in and/or services supplied from those countries.
  - (2) A part of the Loan may be used to cover eligible local currency requirements for the implementation of the projects mentioned in 1, 3 and 4 of the Project List.
  - (3) The scope of eligible source countries mentioned in sub-paragraph (1) above will be agreed upon between the authorities concerned of the two Governments.
4. The Government of the Republic of Korea will ensure that products and/or services mentioned in sub-paragraph (1) of paragraph 3 are procured in accordance with the guidelines for procurement of the Fund, which set forth, inter alia, the procedures of international tendering to be followed except where such procedures are inapplicable or inappropriate.
5. With regard to the shipping and marine insurance of products purchased under the Loan, the Government of the Republic of Korea will refrain from imposing any restrictions that may hinder fair and free competition between the shipping and marine insurance companies of the two countries.
6. Japanese nationals whose services may be required in the Republic of Korea in connection with the supply of products and/or services under the Loan will be accorded, in accordance with the relevant laws and regulations of the Republic of Korea, such facilities as may be necessary for their entry into the Republic of Korea and stay therein for the performance of their work.
7. The Government of the Republic of Korea will exempt the Fund from any fiscal levy or tax imposed in the Republic of Korea on and/or in connection with the Loan and interest accruing therefrom.
8. The Government of the Republic of Korea will take necessary measures to ensure that:
  - (1) the Loan be used properly and exclusively for projects listed in the Project List, and
  - (2) The facilities constructed under the Loan be maintained and used properly and effectively for the purposes prescribed in this understanding.
9. The two Governments will hold joint review on the progress of the implementation of the Loan from time to time and take measures, whenever necessary, to ensure smooth and effective utilization of the Loan.
10. The two Governments will consult with each other with respect to any matter that may arise from or in connection with this understanding.

I should be grateful if Your Excellency would confirm the foregoing understanding on behalf of the Government of the Republic of Korea.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

## PROJECT LIST

(Maximum amount in million yen)

1. Imha Multipurpose Dam Project 6,975
2. Education Facilities Expansion Project (II) 12,911
3. Urban Solid Waste Treatment Facilities Project 5,372
4. Dairy Facilities Improvement Project 3,875
5. Small and Medium Industries Modernization Program 7,750
6. Farm Mechanization Program 7,750

TOTAL 44,633

The Minister of Foreign Affairs to the Ambassador of Japan

Seoul, March 28, 1987

Excellency,

I have the honour to acknowledge the receipt of Your Excellency ' s Note of today ' s date, which reads as follows:

“..... Japanese Note .....“

I have further the honour to confirm on behalf of the Government of the Republic of Korea the understanding set forth in Your Excellency ' s Note.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.