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Mr. Michael H. B. Adler, D

August 19, 1975

Francis C. Jones, RD

Loan Completion Review, AID Loan No. 489-H-080
(Agricultural Credit Loan)

REFERENCE: AID Manual Order No. 1264.1, Section IV, "Loan Completion Review and Report"

I. The Loan

The Loan Agreement dated June 24, 1971, between the Republic of Korea ("Borrower") and the United States of America, acting through the Agency for International Development, made available an amount not to exceed \$14,000,000 for the reasonable dollar costs of goods and services required to generate local currency for agricultural credit. Terms to the Borrower are forty years, including a two year grace period, and an annual interest rate of 2 percent during the grace period and 3 percent thereafter. Borrower's repayment to the U.S. is in U.S. currency.

II. Purpose of the Loan

The purpose of the loan was to furnish credit in the equivalent amount of Won currencies generated by the imports under the Loan for (i) Korean farmers wishing to buy farm equipment and (ii) improvement of grain storage facilities.

III. Review of Existing Covenants

The Loan Agreement contains the standard and particular covenants concerning this project.

A. Covenants Concerning Procurement

All of the following covenants have been met.

1. Source of Procurement.
2. Method of Procurement.
3. Date of Procurement.
4. Small Business Notification.
5. Marine Insurance.

B. General Covenants

All of the following covenants have been, and/or are being met.

1. Non-taxation of Loan Agreement.
2. Commissions, Fees and other Payments.
3. Renegotiation of Terms. The interim period before renegotiation has not yet passed.

C. Covenants and Warranties Concerning the Project

1. Execution, Completion and Operation of the Project. This covenant has been and is being met.

2. Utilization of Eligible Items. This covenant has been met.

3. Information and Marking. This covenant has and is being met.

4. Notice of Material Developments. This covenant has and is being met.

D. Particular Covenants

1. The Borrower and MAF/NACF covenant to comply with the comprehensive implementation plan provided to satisfy the conditions precedent. This covenant has been and is being met.

2. The Borrower covenants to increase the official MAF fertilizer usage targets. This covenant has been met.

3. The Borrower covenants to establish arrangements whereby farmers and farmers' organizations may obtain equipment financing through domestic equipment suppliers. This covenant has been met.

4. The Borrower covenants to establish and maintain a commodity accounting system for all imported Eligible Items. This covenant has been met.

5. The Borrower covenants to deposit the proceeds from the sale of imported Eligible Items in a special account. This covenant has been met.

IV. Review of Reporting Requirements

NACF/MAF were required to furnish AID with status reports every six months concerning (i) construction of storage facilities and (ii) farm equipment sales. The first report will continue to be required until all warehouses are completed. (All available credit for the farm equipment has been extended.) However, for the reasons given in the following section, the report will be submitted to EPB rather than to AID for review and monitoring by the ROMG. EPB will in turn provide AID with an annual summary report covering financial viability and covenants compliance for this and other inactive projects.

V. Residual Monitoring Responsibilities

The Loan Committee recommends that all active AID monitoring of this loan be terminated. This recommendation is based on the fact that the major purpose of the loan has been achieved and the project has been successfully completed.

It is also recommended that the Minister, Economic Planning Board, ROMG, be informed that henceforth it will be the responsibility of the EPB, as the designated representative of the Borrower, to ensure that the project remains viable and successful. As part of this responsibility, EPB will prepare and submit to AID an annual composite summary report for all completed projects monitored by AID/W including this project. Such report will confirm that the Beneficiaries under each loan is not in default under any of the terms of the applicable agreements or if in default, a description of the nature thereof and the steps being taken to remedy the situation (see STATE 214240). USAID and AID/W will issue appropriate implementation letters, to accomplish this.

VI. Finding and Recommendations

A. Findings

The Loan Committee believes that the following findings represent an accurate picture of the loan:

1. The objectives of the Loan have been met, and the project has been successfully completed.
2. There are no covenants being violated.
3. All interest and principal payments due under this Loan are current.
4. There are currently no outstanding audit recommendations.

B. Recommendation

Authority to implement the loan is delegated to the Director, USAID/Korea. Under the authority delegated, the Loan Committee recommends that regular monitoring of this Loan be terminated in accordance with the conditions outlined in Section V Residual Monitoring Responsibilities above. The Loan Committee further recommends that this memorandum be accepted as the Loan Completion Report (as required by M. O. 1264.1), and all official files related to this loan be transferred to Washington.

Approved: _____
Michael H. B. Adler
Director

Disapproved: _____

Date: _____

Clearances:
VLDL: COKim _____
CONT: RCHenrich _____
LEG: JWRoxborough _____

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EA/CCD: MMPehl