

UNITED STATES GOVERNMENT

Memorandum

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TO : Mr. Dennis P. Barrett, AID/REP

DATE: May 16, 1977

FROM : J. Callway, REO; E. Gales, DLD

SUBJECT: Loan Completion Review, AID Loan No. 489-H-083  
(2nd Feasibility Studies Loan)

REF: AID Manual Order 1264.1, Section IV - "Loan Completion Review and Report"

I. The Loan

The loan agreement dated January 20, 1972 between the Government of the Republic of Korea and the Government of the United States of America, acting through the Agency for International Development, made available an amount up to \$2 million for the performance of feasibility studies and other capital project related services in Korea. The amount of the loan was subsequently reduced to \$1,845,817. Actual disbursement amounted to \$1,845,683 with the balance of \$133.75 to be deobligated. Terms to the borrower are forty (40) years from the date of first disbursement at an interest rate of two percent (2%) per annum for the first ten (10) years grace period and three percent (3%) thereafter. Repayment is to be made in U.S. currency. The original terminal disbursing date (TDD) was 3 years from the signing of the loan, or January 19, 1975. The TDD was subsequently extended to 3/31/77.

II. Purpose of the Loan

The purpose of the loan was to finance the foreign exchange costs of goods and services required for the performance of prefeasibility, feasibility, sectoral, market studies and consulting services directly related to capital projects in Korea. All studies were mutually agreed upon by the borrower and AID in advance of implementation.

Studies actually completed and accepted under the loan include a Tourism Development Study, a Development Study of Nuclear Energy Power (a carryover from First Feasibility Studies), an Industrial Standards Study, and a Feasibility Study for Chungju Multipurpose Dam.

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A. Tourism Development. On April 30, 1973, the ROKG signed a contract with the Boeing Company of Seattle, Washington, for consulting services to develop a master plan for a viable national and international tourist industry in Korea. The study surveyed and identified visitor destination points with the greatest attraction potential. The areas covered included the cities of Seoul and Pusan, and Kyongui, Cheju Island and other selected areas.

The study costing \$433,683 was completed on February 27, 1974, and accepted by ROKG on May 13, 1974. The Mission considered the report excellent and approved the final payment to the contractor on May 18, 1974.

We were informed by the EPB and the Ministry of Transportation (MOT) that the completed study (is being utilized extensively in assigning priorities for development and promotion of tourism in Korea.)

B. Development Study of Nuclear Energy Power. This study is the final segment to the National Electric Power Development study implemented under the First Feasibility Studies loan. The purpose of the Nuclear Power study was to develop requirements for the Atomic Energy Bureau of ROKG for the control, management, construction, fuel supply and operation of nuclear power facilities, and disposal of nuclear waste from nuclear power stations.

The original contract under the prior loan with Harza Overseas Engineering Company of Chicago, Illinois was increased \$262,561 on April 4, 1974 under this loan. The combined National Electric Development report financed under two AID loans was completed and accepted by ROKG on March 15, 1975. The Mission approved final payment to the contractor on March 21, 1975.

According to project files, the Nuclear Energy Power Study contained some information which was already obsolete at the time of completion, due to rapid changes in the field. In addition, while not available in Korea, some data provided could have been obtained from many sources in the United States.

Officials of EPB informed us the National Electric Power Development Sectoral Studies will be utilized for long-range planning purposes. Accordingly, it is not evident at this time what specific impact the loan-financed study may have on Korean development. This essentially long range electric power sectoral study has provided the ROKG with useful knowledge. It may well be many years before it is possible to measure or evaluate the impact of the study on Korean economic goals.

C. National Standards and Testing System. The ROKG signed a contract on October 10, 1974 with General Electric Company Tempo (GE/Tempo) of Santa Barbara, California for consulting services for assistance in making recommendations on ways to strengthen the Korean National Standards System. The study was to be accomplished through the design and plan for implementation of a project with the scale of an institute, including research facilities, staffing, research laboratory equipment, and other accessorial support facilities.

The study costing \$398,073 was completed on August 25, 1975 and accepted by the ROKG on December 17, 1975. The Mission approved the report for final payment on December 18, 1975.

Based on the GE/Tempo studies, AID agreed to finance the development of a National Metrology Standards System through the creation of the Korea Standards Research Institute (K-SRI). On September 19, 1975, the ROKG signed AID Loan Agreement No. 489-W-093 in the amount of \$5 million. The K-SRI project is well underway with trainees studying at the U.S. National Bureau of Standards, construction of facilities progressing at Dae Duk Science town, staff under recruitment, and commodities ordered. Inauguration of the working facility is planned to be held in May 1978.

D. Chungju Multipurpose Project. The objective of this comprehensive feasibility study was an overall review of the Chungju Province for basin-wide development. The work was accomplished in three phases:

1) Phase I - Basin study including a review of existing information, verifying the need and priority of the project, and to present the development scheme of the Chungju Project in coordination with other projects being considered for development by the ROKG.

2) Phase II - Feasibility Study to evaluate the technical, economical, sociological and environmental soundness of the project; and, a financial analysis and payment study.

3) Phase III - Tender design, preparation of specifications and tender documents.

The Industrial Sites and Water Resources Development Corporation (ISWACO), 100 percent ROKG-owned, signed a contract for \$751,500 on November 13, 1975 with Engineering Consultants, Inc. (ECI) of Denver, Colorado to perform the studies.

Phase I - Completed during February 1976 and submitted to the ROKG during March 1976;

Phase II - Completed and submitted to the ROKG during August 1976.

Phase III - Started during June 1976 and the final documents were delivered to ISWACO in March 1977. The ROKG accepted the report and approved final payment. The Loan TDD was extended to March 31, 1977 on a no-additional-dollar cost basis to permit the ROKG to pay for ECI's local currency expenditures after December 31, 1976.

On the basis of the ECI-prepared feasibility study, the ROKG is now proceeding with plans to construct the Chungju Multipurpose Dam.

### III. Review of Existing Covenants

The loan agreement contains the following warranties, agreements, and covenants; all of which are deemed to have been met:

- A. Utilization of Goods and Services.
- B. Information and Marking.
- C. Notice of Material Developments.
- D. Inspections.
- E. Taxes and Duties.
- F. Commissions, Fees, and Other Payments.
- G. Renegotiation of Terms.
- H. Maintenance and Audit of Records.
- I. Reports.
- J. Procurement Source and Origin.
- K. Date of Procurement.
- L. Port Charges.
- M. Small Business Notification.
- N. Ocean Shipment.
- O. Marine Insurance.
- P. Employment of Contract Personnel.
- Q. Plans, Specifications, and Contracts.

### IV. Review of Reporting Requirements

There is no requirement for reports beyond those already received.

### V. Residual Monitoring Responsibilities

It is recommended that active AID monitoring relative to this loan be terminated. This recommendation is based on the fact that the purpose of the loan has been achieved and all covenants have been fulfilled.

### VI. Findings and Recommendations

#### A. Findings

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

