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THE WORLD BANK
Washington, D.C.

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KOREA - Loan 917 KO Vol. XII



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 30213963
 R1980-096 Other #: 78454B
 Port Project - Korea, Republic of - Loan 0917 - P004053 - Correspondence - Volume 12

RETURN TO
 RECORDS CENTER ROOM 68-4
 ARCHIVES / RECORDS CENTER
 ROOM HB1-001
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KD W 917RC

2/19

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
RECEIPTS AND PAYMENTS OPERATIONS DIVISION - CASHIERS DEPARTMENT
STATEMENT OF CURRENCY PURCHASES

RECEIVED UNITED STATES DOLLARS 271,400.00 LOAN NO : 0917-0
DUE : 02/01/87

CURRENCIES PURCHASED	AMOUNT	RATE	COST IN US\$
ANIAN RIALS	19,476,298	72.3140000	269,329.56
		TOTAL COST	269,329.56
RECEIVED	271,400.00		
(-) COST	269,329.56		
BALANCE	2,070.44		

February 19, 1987

Ministry of Finance
Seoul, Republic of Korea

Please be advised that the above unused balance has been paid to Marine Midland Bank, New York, for account of Korea Exchange Bank, New York, in your favor.

COPY

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

M-4-12

LN 917-KO

R/C

August 22, 1985

Director General
Treasury Bureau
Ministry of Finance
Seoul, Republic of Korea

Re: Loan No. 917 KO

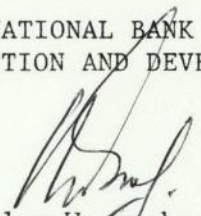
Gentlemen:

With reference to our letter dated June 19, 1985, please be informed that your payment in the amount of U.S. Dollars 12,810.00 has been applied for purchase of currencies as detailed on the attached statement.

The unused balance of U.S. Dollars 697.67, as shown on the statement, will be carried forward on your loan account.

Sincerely yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT


Belay Wegayehu

Chief, Receipts Operations Section
Receipts and Payments Operations Division

Enclosure
/as

cc: Ministry of Finance, Seoul
Chief, Treasury Management, Seoul
Embassy of the Republic of Korea, Washington, D.C.
Ministry of Transportaiton, Seoul

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
 RECEIPTS AND PAYMENTS OPERATIONS DIVISION - CASHIERS DEPARTMENT
 STATEMENT OF CURRENCY PURCHASES

RECEIVED UNITED STATES DOLLARS

12,810.00

LOAN NO. 0917-0

DUE: 08/01/85

CURRENCY	AMOUNT	RATE	US\$ COST
IRANIAN RIALS	1,086,706	89.7190000	12,112.33
		TOTAL COST	12,112.33
RECEIVED	12,810.00		
(-) COST	12,112.33		
BALANCE	697.67		

hw

June 19, 1985

Mr. Shiv S. Kapur, Director-General, DGO

L.Y. Pouliquen, Director, TRP

61667

Project Performance Audit Memo (June 14, 1985) on Korea First and Second
Port Projects (Loans 917 and 1401-KO)

The comments of TRP staff have been taken into account in the preparation of the above report and we have no objection to the report being released to the Executive Directors.

JLethbridge:hf

cc: Messrs. Husain (OPSVP), Kirmani (AEPDR), Turnham (AEPDR), Karaosmanoglu (AENVF)

R/e P 917-KO
R/e P 1401-KO

KO UN 1401
917
R/C

April 26, 1985

Al. Khan

The Director General
Treasury Bureau
Ministry of Finance
Seoul, Korea

Re: Project Performance Audit Report
First and Second Port Projects
(Loans 917 and 1401-KO)

Dear Sir:

Following Mr. Schulz' visit to Busan in September 1983, a Performance Audit Report has been prepared in this Department and I attach a copy for your views and comments. We consider your views of crucial importance in reaching a balanced evaluation of the project's experience and would wish to take them into consideration in formulating our final conclusions. In addition to reflecting your comments in the audit, we also propose to fully reproduce them in the final report to be submitted to the Bank Group's Executive Directors and President. A copy of the final report, as distributed to the Executive Directors, will be sent to you for your information.

I would appreciate receiving any comments you may have on the report by June 7, 1985. However, should you find the report satisfactory and have no comments, I shall be grateful if you could inform me accordingly, preferably by cable.

I am also sending a copy of the present report to the Korea Maritime and Ports Administration; the Director General, Port of Busan; the Director General, Port of Mukho; the Busan Maritime and Port Authority; and to the Busan Container Terminal Operating Co.

Sincerely yours,

Yukinori Watanabe
Director
Operations Evaluation Department

Attachment

cc: Mr. Dean, Executive Director
Mr. Karaosmanoglu, AENVP
✓ Mr. Kaji, AEADR
Mr. Kirmani, AEPDR



OFFICE MEMORANDUM

DATE April 22, 1985

TO Mr. A. Kirk, OEDD3

FROM Curt Caytemark, Chief, AEPTI

EXTENSION 72645

SUBJECT KOREA -April 19, 1985 Draft PPAR for Loans 917 and 1401-KO

1. We have just reviewed the April 19, 1985 version of the PPAR and still think that it needs major revisions before being sent to the Borrower. Clearly, some improvements have been made in the report but there are still some unresolved issues, for example, the container terminal capacity and the ERR, among others.

Container Terminal Capacity

2. In our memo of April 12, 1985, it was clearly pointed out that the terminal's throughput can at best approach 480,000 containers per year. Still the PPAR in para. 24 speculates that it may reach 700,000-800,000 containers per year. This is odd because earlier in the very paragraph the PPAR says that the terminal's capacity is not a specific figure but a range which "can only be determined by complex operational analyses such analyses have not been made." In addition, in the next paragraph the PPAR says "the audit is unable to specify a throughput projection..." Given all of these supposed uncertainties why does the PPAR not accept the throughput estimates in the PCR which are based on "complex operational analyses" as well as performance at similar terminals elsewhere. As stated in the previous memo, the container terminal throughput should not be an issue.

ERR

3. Treatment of the ERR is handled similarly. As the PPAR notes in para. 25, it can not specify a terminal throughput projection and "without such a projection it is impossible to calculate the ERR... the audit therefore is unable to indicate whether the ERRs in the two PCRs are correct". Yet the report goes on "to rateably allocate" traffic (by some non-specific, subjective measures) and by this means arrives at lower rates of return than estimated in the PCRs. Some consistency is required here. If the PPAR cannot specify a throughput projection (actually it did), it has no grounds for raising or lowering PCRs estimates of the rate of return.

Other matters

4. The report still gives an unbalanced treatment to cost overruns and the Bank/Borrower dialogue. In particular, the latter is still branded as fruitless; an appellation that we think will particularly hurt Bank relationships with KMPA since they have taken part with full faith in what they think so far to be a constructive dialogue. Also, there are many other items in the PPAR which seem to have been given short shrift. As mentioned in the telephone

Free File

ln 917-KO/RK

cc ln 1401

conversation (James/Kirk) they are highlighted in the attached, marked up copy of the April 19, 1985 PPAR.

5. Finally, due note is taken of the progress that has been made in rendering this document suitable for Bank/Borrower discussions. The report is now at a stage where a few crucial revisions coupled with a joint OED/OPS/Programs/Projects review could prove to be highly beneficial. We appreciate the OED's desire to adhere to schedules, but it is of paramount importance to ensure that the Bank does not introduce documents to the Borrower which impose views that may in the long run be damaging to the Bank's own objectives. It may therefore be advisable to delay plans for sending the PPAR to the Borrower until such a review can be completed. We would be willing to take part in this review as soon as it can be scheduled.

4
EJames:clr

cc: Messrs. Turnham, Frankel, de Silva, Ballereau, Levy, Yenny,
Mobarek
Asia Files

THE WORLD BANK / INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

*KO hr 1401
917
1/c*

DATE April 26, 1985
TO Mr. A. Kirk, Director, OEPP3
FROM Curt Carlemark, Chief, AEPT1
EXTENSION 72645
SUBJECT KOREA - April 19, 1985 Draft PPAR for Loan 917-KO and 1401-KO

1. I have been informed by my staff that the meeting yesterday resolved the major outstanding issues. I am pleased to see that we will use the PCRs estimates for the container terminal throughput and project economic rate of return in the PPAR.
2. I also understand that you have already started to make changes and you have requested that we assist by putting footnotes on a copy of the April 19, 1985 version of the PPAR. This has been done and it is attached to this memo.
3. I look forward to receiving the revised draft of the PPAR in the form agreed upon.

cc: Messrs. Turnham, Frankel, de Silva, Ballereau, Levy, Yenny, Mobarek
Asia Files

VE.James:clr

THE WORLD BANK INTERNATIONAL FINANCE CORPORATION
OFFICE MEMORANDUM

DATE March 7, 1985

TO Alexander F. Kirk, OEDD3

FROM Curt Cackmark, Chief AEPT1

EXTENSION 72645

SUBJECT KOREA - PPAR for Loans 917-KO and 1401-KO

A.F.
R/e } SO 917-KO
 } Pn 1401-KO

1. We have reviewed the PPAR and found many of the comments to be based either on unsubstantiated personal judgement or on assumptions that are not documented. The PPAR's assertions often contradict findings which have been documented for many years in supervision, consultants, and Government reports. The tone of the PPAR is also inappropriate. It could be easily used to destroy the confidence that the Government has in the Bank's comments and Bank's guidance and also the relations which the Bank has with the various institutions concerned with the ports.

2. Therefore we recommend that steps should be taken by OED to amend the PPAR both in substance and tone so as to render it as a document suitable for discussion with the Borrower. This does not mean that the PPAR should not be critical, but rather it should be so in a positive and more constructive manner.

Main Issues Highlighted by the PPAR

(a) Throughput capacity

3. The PPAR stated in para. 19, page 15 "most experts agree that the practical operating capacity of the container Terminal at Busan is not 510,000 containers a year (720,000 TEUs), but 1,000,000 containers (1,400,000 TEU), perhaps more. If one uses the container throughput of the conventional general cargo berths, where 280,000 boxes are moved a year, as an indication of what the specialized container terminal would be able to produce, the conclusion is also that the figure should be well over one million boxes a year." This statement is not true. Experts both from the Bank and from outside the Bank who have reviewed many container terminals agree on the annual figure of a maximum of 50,000 moves/crane; in the high productivity case of Korea this can be increased to a maximum of 60,000 moves/crane. Assuming an equal number of 20' and 40' containers, the latter figure should be multiplied by 1.5 (actually 1.4 in Busan) to get the maximum TEU i.e. 90,000 TEU/crane/year. Therefore for a terminal of 8 cranes this would give a total of 720,000 TEUs per year. The throughput over the general cargo berths mentioned in the PPAR is done over thousands of meters of berths at various sites in the port, i.e. it is not one berth that handled the 280,000 containers.

(b) Economic Rate of Return

4. The PPAR mentions in para. 15 that due to traffic growth the container terminal yielded results higher than anticipated. Later on, in paras. 18 and 21 it reverses this conclusion. Intuitively, it seems odd that the economic returns on port development at Busan would be lower than expected given the fact that both container traffic and productivity were higher than

forecast and that the container terminal by far was the largest single investment item. Maybe the PPAR should include a detailed calculation of the ERR and not just speculate on why it should be lower than stated in the PCR's. It seems that part of the rationale for the PPAR's "speculation" (para. 21) that the ERR should be lower than calculated in the PCR might be based on the then current 50% occupancy rate of the container berths, which is really normal after one year of operation. Actually, the ERR calculated in the PCR utilized high occupancy rates (79%) in the later years and a 9% p.a. forecast container traffic growth rate; the latter rate is less than one half of the growth achieved in 1984 (19.6%). Hence if present trends continue, terminal capacity will be attained before the forecast year (end 1987) in the PCR and the ERR should be revised upward. Furthermore, there is a limit to the maximum occupancy rate that can be allowed since ship costs increase rapidly with congestion and very high berth occupancy could in fact reduce project unit benefits rather than increase them.

(c) General cargo piers

5. The PPAR stated that the general cargo piers rehabilitated under the second port project are underutilized, because:

- (i) the increase in the containerization has left a comparatively small amount of breakbulk general cargo to be handled;
- (ii) the said piers have an appearance of neatness, cleanliness and perfect order seldom seen in ports in developing countries.

These statements are oversimplifications; e.g. break bulk general cargo traffic exceeded forecast levels in every year up to 1981 before starting to decline. It is also clear from the traffic data that the increase in containerization was accompanied by a very high increase in total general cargo over forecast levels. The general cargo berths at Busan are, as a matter of fact, congested because of their being used to handle containers as well as general cargo. Moreover, to relieve the congestion, they are still using the lightering system despite all of its inadequacies.

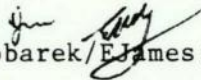
(d) Overall Tone of the PPAR

6. The report seems to be biased and consistently negative, as if dealing with a total loss; one has to force oneself to remember that most of the report pertains to Busan port - a port which in reality is well run, efficient and profitable. The PPAR in para. 19 says that Busan is "still not a model operation as at Singapore," which is a poor comparison considering the much earlier implementation of port modernization at Singapore. Besides, Busan is a good model in itself; most developing country Port Authorities would certainly like to attain Busan-type operating statistics. Also, their respective Governments would be highly pleased at no longer having to subsidize port operations. The PPAR has many other comments which range from those that are in poor taste (e.g. the earlier mentioned comment on port cleanliness) to the completely unjustified (e.g. para. 13: the poor supervision of installation, or para. 15: better use could have been made of the scarce space at Busan). Even the container traffic growth seems to be treated negatively as one reads in para. 16 that it was off by 20% (which really means growth exceeded forecasts by this amount) and also that it was foreseeable; a sustained 17% p.a. traffic growth may indeed have been difficult to foresee.

Furthermore in para. 19 the PPAR states that the terminal has not reached its design capacity - this statement is really uncalled for because it was based on actual throughput reached in a mere nine (9) months after the terminal was opened. Clearly no one expected or wanted it to reach design capacity at opening; if it did, then work should have already commenced on the extension of facilities to handle future growth.

7. Finally the PPAR should not be making improper or unsubstantiated comments such as in para. 27 on the international ferry terminal: "Lack of enough soundings prevented detecting a large formation..." or in para. 33 and 35 on KMPA autonomy issues: "neither the implementation of the first nor of the second port project have given the Bank sufficient leverage..." or again in para. 35 on the "fruitlessness of the dialogue." These comments convey an aura of hostility in addition to being negative and should never be seen by the Government. One should realize that the Government may not have the patience nor the inclination to look beyond the face value of the comments. The Bank has an obligation to present objective reports which will be of help to the Government; it is difficult to see how this report would qualify.

8. There are many other points on which the PCRs and PPAR disagree. These are listed in Annex 1 which has a paragraph by paragraph response.


IMobarek/EJames:clr

cc: G. Kaji, S. Kirmani, K. Ikram, D. Turnham, C.R. de Silva (o/r),
A. Ballereau, E. James, P. Levy, I. Mobarek, J. Yenny
Asia Files

Responses by paragraph to significant items in the PPAR

Para.

Berth Length

12. - 700 meters was just an indicative figure; due to the proximity of the terminal to a river's mouth, a trapezoidal shape with 603 meters of berth turned out to be the best configuration.

Only 52 meters of rehabilitation

- This is wrong since the lighter wharf No. 5 was done as part of the second project (supervision reports and PCR). The 52 meters of rehabilitation really applies only to work completed on a small boat quay.

Unplanned sheds and buildings

- This is again contradictory to documentation available since the demolition and rebuilding of the sheds and also the erection of the other seven buildings were part of the rehabilitation of piers 3 and 4.

Only 2 cranes bought with Bank assistance

- The SAR did not specify that the Bank assistance would cover all the equipment, however, documents in the files show that the 4 cranes were paid for through the Bank loan (supervision reports and PCR). Also the PPAR stated that 7 transtainers were bought but documents show they bought 9 (supervision reports and PCR).

90% cost overrun

- It is difficult to see how this cost overrun of 90% was arrived at. The appraisal estimate was W54.28 billion and the final cost, including additional works and new VAT levied was W81.121 billion - an overrun of 49.5%. When the items that were not originally in the SAR are removed, and VAT deducted, then there was a cost underrun (PCR 3.11). Cost control was excellent when it is remembered that the projects were executed during the inflationary period accompanying the first and second oil crises.

Traffic forecasts

- 15 - It is unfair to label the traffic forecasts as inaccurate. They were made on the basis of the data available at the time; it was not possible to forecast so great a shift in the composition of Korean trade.

Return on terminal

- It is interesting that this paragraph says there was a much higher return than expected on the container terminal; later on (paras. 18, 20) it does not say so.

Foreseeable container growth

- 16. - The staggering growth in container traffic and degree of containerization could not have been foreseeable. If any one at that time had tried to base traffic projections in an SAR on such rapid growth rates (17% p.a.) it may have been rejected.

Mukho coal shipments

- 17. - Coal shipments at Mukho were not constant; they started at 1.04 mt in 1972, peaked at 1.67 mt in 1975, declined to a low of 1.42 mt in 1978, climbed to 1.6 mt by 1980 and then declined again to a new low of 1.4 mt in 1981. The average annual growth rate 1972-81 was 3%, which is close to the SAR's 4%. Basically the coal traffic depends on the amount of the annual output of a single mine which is shipped by rail and sea.

Cement Traffic

- Similarly for cement, at first it grew faster than appraisal (11% vs 9% p.a.) and then declined due to the opening of Bukpyong. At appraisal time, Bukpyong was not known about.

Economic Return

- 18. - Maybe the audit's reasons should be quantified; besides para. 15 says the return on container terminal was higher than expected.

Unqualified success of container terminal

- 19. - The PCR qualified the success by saying the stacking areas etc. are underutilized.

Not as good as Singapore

- Most ports are not model operations "such as Singapore", Busan is a good model in itself.

Throughput figures

- Maybe the experts should be identified. It was consulting "experts" who also determined the maximum throughput figures used in the PCR. The general cargo berths use ship cranes, lighterage etc. and container handling activities are scattered all over the port.

Declining rate of container growth

- Container traffic growth at Busan is certainly not declining, in 1984, vol. was close to 20% greater than 1983 (in tons). Also the absolute level of growth is important; a decline from the current levels would still produce an adequate growth in traffic volume. Forecast traffic growth rate is 9% p.a. over 1984-1991; the proposed expansion is based on the figure. The port will therefore certainly have problems if no new capacity is installed

Maintenance cost ignored

20. - Maintenance cost was not explicitly mentioned in the SAR and hence the PCR (for reasons of a similar basis). Actually it is included when computing the difference in operating costs with/without the project.

ERR Assumptions

- All of the other assumptions on cost saving, break bulk being the alternative to containers, etc. are simply not true.
- It's odd that para. 13 says container terminal yielded higher results.

PPAR's "guestioned" ERR

21. - Maybe the "complex" analysis should be repeated. It stands to reason that if traffic was higher, productivity was greater than estimated at appraisal then the ERR should be higher. Also the under-utilization of the stacking yard was considered.

Efficient private sector solutions

- The existing private sector solutions are actually a problem. This is because the many yards and warehouses all over the city are occupying land that the Busan municipality would like to see utilized otherwise. It also causes congestion due to the movements of large trucks throughout the city.
- It is pure speculation to say that the project duplicates services which the private sector offers efficiently. In any case these private services could not satisfy all demand.

Items not considered

22. - The PCR compared appraisal and actual returns on the same basis; the appraisal ERR was based on the container terminal.

Clean ...unlike most developing countries

25. - It is in poor taste to imply that the terminals are clean etc. because of underutilization. What is wrong with saying they are new and well maintained.

Cost -Overrun

- Again, these cost overrun figures cannot be supported.

Mukho problems

- 28 - Mukho did suffer from the lack of investment coordination. This is why the Bank was correct in insisting on a strong role for KMPA.

Financial Performance

29. - The good financial results are lightly glossed over; to the Government these are the main results as it does not have to subsidize the port.

Fruitlessness of dialogue

35. - The dialogue has not been fruitless, one of the most important objectives - coordination of investment with other agencies - has been largely attained. This could help prevent another Mukho/Bukpyong type investment conflict. As for the autonomy issue, KMPA is delaying it for reasons of self interest but the proposal under review now by the Bank would make a significant step forward.

COPY

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

February 14, 1985

Director General
Treasury Bureau
Ministry of Finance
Seoul, Republic of Korea

RE: Loan No. 917 KO

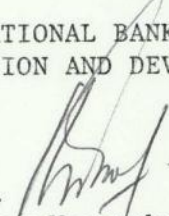
Gentlemen:

With reference to our letter dated December 18, 1984, please be informed that your payment in the amount of U.S. Dollars 12,500.00 has been applied for purchase of currencies as detailed on the attached statement.

The unused balance of U.S. Dollars 991.94, as shown on the statement, will be carried forward on your loan account.

Sincerely yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT


Belay Wegayehu

Chief, Receipts Operations Section
Receipts and Payments Operations Division

Enclosure
/rt

cc: Ministry of Finance, Seoul
Chief, Treasury Management, Seoul
Embassy of the Republic of Korea, Washington, D.C.
Ministry of Transportaiton, Seoul

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
 RECEIPTS AND PAYMENTS OPERATIONS DIVISION - CASHIERS DEPARTMENT
 STATEMENT OF CURRENCY PURCHASES

RECEIVED UNITED STATES DOLLARS

12,500.00

LOAN NO. 0917*0

DUE: 02/01/85

CURRENCY	AMOUNT	RATE	US\$ COST
IRANIAN RIALS	1,086,706	94.4300000	11,508.06
		TOTAL COST	11,508.06

RECEIVED	12,500.00
(-) COST	11,508.06
BALANCE	991.94

cc: Mr. Subramanian
Controller's
Central Files
sl file/o file

m 917-KO
R.C.

BW/as

September 11, 1984

Minister, Economic Planning Board
82-1, Saejong-Ro
Seoul, 110 Korea

Re: Loan No. 917 KO

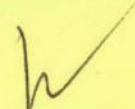
Gentlemen:

With reference to our letter dated June 15, 1984, please be informed that your payment in the amount of U.S. Dollars 13,290.00 has been applied for purchase of Iranian Rials as detailed on the attached statement.

The unused balance of U.S. Dollars 1,284.72, as shown on the statement, has been paid to Marine Midland Bank, New York, for account of Korea Exchange Bank, New York, for account of Ministry of Finance, Seoul.

Sincerely yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT


Belay Wegayehu
Chief, Receipts Operations Section
Receipts and Payments Operations Division

Enclosure
/as

cc: Ministry of Finance, Seoul
Ministry of Finance, Seoul
Embassy of the Republic of Korea, Washington, D.C.
Ministry of Transportation, Seoul

OFFICIAL FILE COPY

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
 RECEIPTS AND PAYMENTS OPERATIONS DIVISION - CASHIERS DEPARTMENT
 STATEMENT OF CURRENCY PURCHASES

RECEIVED UNITED STATES DOLLARS

13,290.00

LOAN NO. 0917-0

DUE: 08/01/84

CURRENCY	AMOUNT	RATE	US\$ COST
IRANIAN RIALS	1,086,706	90.5190000	12,005.28
		TOTAL COST	12,005.28
RECEIVED	13,290.00		
(-) COST	12,005.28		
BALANCE	1,284.72		

✓

WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

URGENT—PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

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Character
Must Fit
Completely in
Box!

PAGE

OF 1

OFFICIAL DEPT/DIV
ABBREVIATION

72393

MESSAGE NUMBER

Grid for message number

TEST NUMBER
(FOR CASHIER'S USE ONLY)

Grid for test number

START
HERE

3

MINISTER OF ECONOMIC PLANNING BOARD, 82, SEJONGRO ZHONGRO/KU,
SEOUL, REPUBLIC OF KOREA

4

ON FEBRUARY 29, 1984 AND MARCH 7, 1984 WE REFUNDED USDOLLARS

5

2,385.83 AND 1,077.51 TO YOU THROUGH MARINE MIDLAND BANK,

6

NEWYORK. THESE FUNDS WERE THE UNUSED BALANCES ON LOANS 1836 KO

7

AND 917 KO AS MENTIONED IN OUR LETTERS TO YOU DATED FEBRUARY

8

28 AND MARCH 6 RESPECTIVELY. MARINE MIDLAND BANK HAS RETURNED

9

BOTH AMOUNTS TO US ADVISING THAT THEY ARE UNABLE TO APPLY.

10

PLEASE INFORM US BY CABLE THE NAME AND ADDRESS OF YOUR BANKERS

11

IN THE U.S.A. SO THAT WE MAY PAY THESE AMOUNTS TO YOU.

12

CASHIER'S DEPARTMENT/INTBAFRAD

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21

END
OF
TEXT

22

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TO BE TRANSMITTED

CLASS OF SERVICE:

TELEX

TELEX NO.:

787-23202

DATE:

3/16/84

SUBJECT:

DRAFTED BY:

PW/nt

EXTENSION:

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

B. W. Gayehu

DEPARTMENT:

Cashier's

SECTION BELOW FOR USE OF CABLE SECTION

Handwritten notes: m1836-100, RC-m917-100

cc: Mr. Subramanian
Controller's
Central file ✓
o file/sl file

E66/

ln 917-KO

BWegayehu/ssk

R.C

March 6, 1984

Minister, Economic Planning Board
82 Sejongro, Zhongro-Ku
Seoul, Republic of Korea

RE: Loan No. 917 KO

Gentlemen:

With reference to our letter dated December 14, 1983, please be informed that your payment in the amount of U.S.Dollars 13,360.00 has been applied for purchase of Iranian Rials as detailed on the attached statement.

The unused balance of U.S.Dollars 1,077.51, as shown on the statement, has been paid to Marine Midland Bank, New York, in your favor.

Sincerely yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT



Belay Wegayehu
Chief, Receipts Operations Section
Receipts and Payments Operations Division

Enc.

cc: Ministry of Finance, Seoul
Chief, Treasury Management, Seoul
Embassy of the Republic of Korea, Washington, D.C.
Ministry of Transportation, Seoul

OFFICIAL FILE COPY

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
RECEIPTS AND PAYMENTS OPERATIONS DIVISION * CASHIERS DEPARTMENT
STATEMENT OF CURRENCY PURCHASES

RECEIVED UNITED STATES DOLLARS

13,360.00

LOAN NO. 0917*0

DUE: 02/01/84

CURRENCY	AMOUNT	RATE	US\$ COST
IRANIAN RIALS	1,086,706	88.4760000	12,282.49
		TOTAL COST	12,282.49

RECEIVED	13,360.00
(*) COST	12,282.49
BALANCE	1,077.51



OFFICIAL
DOCUMENTS

LN 863-KO⁶

~~LN 917-KO⁶~~

LN 1676-KO⁶

LN 1836-KO⁶

MINISTRY OF FINANCE
REPUBLIC OF KOREA
SEOUL , KOREA

January 19, 1984

Mr. Ducksoo Lee
Director, Loan Department
IBRD, 1818 H St., N.W.
Washington, D.C. 20433
U. S. A.

R.C.
M-4-13


Dear Mr. Lee:

We would like to refer to our letter dated September 20, 1983 with regard to your Bank's acquiring Iranian Rials on our behalf.

We wish to accept your offer concerning "Loan Service Payments Due in Various Currencies" and will, in future, furnish U.S. Dollars to your bank so that it may, as our agent, seek to acquire Libyan Dinars on our behalf in addition to Iranian Rials.

Your cooperation in this matter will be highly appreciated. I remain,

Sincerely yours,



Rhee Soo Hyoo
Director-General
Treasury Bureau

WORLD BANK OUTGOING MESSAGE FORM Cable, Telex

URGENT—PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

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KO- 1676 cc 1800 cc 1836
cc 917 (r/c) cc 863 (r/c)

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1 OF 1

OFFICIAL DEPT/DIV
ABBREVIATION
72227

MESSAGE NUMBER

TEST NUMBER
(FOR CASHIER'S USE ONLY)

START
HERE

MR. UHM RAK-YONG, DIRECTOR, GOVERNMENT LOAN MANAGEMENT DIVISION,
TREASURY BUREAU, MINISTRY OF FINANCE, SEOUL, KOREA. REFERENCE
OVERDUE PAYMENTS AND YOUR TELEX OF OCTOBER 28, 1983. AAA WE ARE
PLEASED TO INFORM YOU THAT IRANIAN RIAL PAYMENTS FOR LOANS 1836-KO
AND 917-KO HAVE BEEN RECEIVED. LOAN 1800-KO LYBIAN DINARS 3,971.56
(US DOLLAR 13,415 EQUIVALENT) DUE SEPTEMBER 15 AND LOAN 863-KO
IRANIAN RIALS 1,666,091 (US DOLLAR 19,140 EQUIVALENT) DUE
OCTOBER 1 ARE STILL OUTSTANDING. BBB WE ARE ALSO PLEASED TO INFORM
YOU THAT YOUR AUTHORIZATION FOR THE BANK TO PURCHASE IRANIAN RIALS
ON YOUR BEHALF FOR LOAN NOS. 863-KO, 917-KO, 1676-KO AND 1836-KO
HAS BEEN RECEIVED AND THE BANK WILL ARRANGE FOR THESE PURCHASES ON
YOUR BEHALF BEGINNING WITH THE BILLING PERIOD OF JANUARY 1, 1984.
FOR PAYMENTS DUE DECEMBER 1, 1983, THE BANK WOULD BE PLEASED TO
PURCHASE IRANIAN RIALS ON YOUR BEHALF AND BILL YOU THE US DOLLAR
EQUIVALENT FOR THE ABOVE MENTIONED LOANS. HOWEVER, AS BILLS FOR
THIS PERIOD HAVE ALREADY BEEN SENT OUT, BANK WILL DO SO ONLY UPON
YOUR REQUEST. REGARDS, GERALD F. FLOOD, CHIEF, EAST ASIA AND
PACIFIC COUNTRY PROGRAMS, INTBAFRAD

END
OF
TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW IS TO BE TRANSMITTED

CLASS OF SERVICE: TELEX		TELEX NO: MIOFFI K23243	DATE: 11-3-83
SUBJECT: KOREA: OVERDUE PAYMENTS		DRAFTED BY: <i>Herbots/ape</i>	EXTENSION: 72227
CLEARANCES AND COPY DISTRIBUTION: cc: A. Herbots		AUTHORIZED BY (Name and Title): GERALD F. FLOOD, CHIEF	DEPARTMENT: AEADE
Cleared with and cc: Ms. Pan		SECTION BELOW FOR USE OF CABLE SECTION	
cc: Mr. Escudero and Ms. Nelson		CHECKED FOR DISPATCH	

IMPORTANT—PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

Typewritten Character Must Fall Completely in Box!

1836-KO
cc 1800

cc 917(R/C)
cc 863(R/C)

F

PAGE 1 OF 1

OFFICIAL DEPT/DIV ABBREVIATION 72227

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER'S USE ONLY)

START HERE

MR. RHEE SOO HYOO, DIRECTOR-GENERAL, TREASURY BUREAU, MINISTRY OF FINANCE, SEOUL, KOREA STOP REFERENCE OVERDUE PAYMENTS ON FOUR BANK LOANS STOP THE OVERDUE PAYMENTS ARE AS FOLLOWS COLON (1) LOAN 1836 KO PAYMENT OF IRANIAN RIALS 2,143,184 (US DOLLAR 24,660 EQUIVALENT) DUE JULY 15; (2) LOAN 917-KO PAYMENT OF IRANIAN RIALS 1,086,706 (US DOLLAR 12,505 EQUIVALENT) DUE AUGUST 1; (3) LOAN 1800-KO LYBIAN DINARS 3,971.56 (US DOLLAR 13,415 EQUIVALENT) DUE SEPTEMBER 15; AND (4) LOAN 863-KO IRANIAN RIALS 1,666,091 (US DOLLAR 19,170 EQUIVALENT) DUE OCTOBER 1. LATE PAYMENTS WITH REGARD TO CURRENCIES SUCH AS IRANIAN RIALS AND LYBIAN DINARS HAVE CONSISTENTLY BEEN A PROBLEM WITH THE RESULT THAT KOREA CONTINUALLY APPEARS ON MONTHLY LIST OF DELINQUENT BORROWERS REPORTED TO OUR EXECUTIVE DIRECTORS. WE HAVE SUGGESTED ON VARIOUS OCCASIONS IN PAST THAT, TO AVOID THIS PROBLEM, MOF AUTHORIZE BANK TO PURCHASE THESE CURRENCIES ON YOUR BEHALF. MOF HAS NOT SO FAR ACCEPTED THIS SUGGESTION BUT WE URGE YOUR REEXAMINATION OF THIS POSSIBILITY AND ADVISING US. REGARDS, GERALD F. FLOOD, CHIEF, EAST ASIA AND PACIFIC COUNTRY PROGRAMS, INTBAFRAD

END OF TEXT

PINK AREA TO BE LEFT BLANK AT ALL TIMES

INFORMATION BELOW NOT TRANSMITTED 787-

CLASS OF SERVICE: TELEX		TELEX NO.: K23243	DATE: 10-24-83
SUBJECT: KOREA: OVERDUE PAYMENTS		DRAFTED BY: <i>Herbots</i>	EXTENSION: 72227
CLEARANCES AND COPY DISTRIBUTION: cc: Mr. Weijesinghe, Treasurer's Ms. Pan, Treasurer's		AUTHORIZED BY (Name and Signature): GERALD F. FLOOD, CHIEF	DEPARTMENT: AEADE
SECTION BELOW FOR USE OF CABLE SECTION			
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The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

OFFICIAL
DOCUMENTS

LN 863-KO⁶

~~LN 917-KO⁶~~

LN 1676-KO⁶

LN 1836-KO⁶

Re: Loan(s) No. 863-KO, 917-KO, 1676-KO, 1836-KO
Loan Service Payments Due in Various Currencies

Gentlemen:

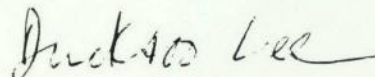
In accordance with Section 4.05 of the General Conditions Applicable to Loan and Guarantee Agreements which applies to the above-mentioned Loan(s) the International Bank for Reconstruction and Development will, until further notice, accept U.S. dollars, French francs or pounds sterling and attempt, as your agent, to acquire any of the currencies which are payable to the Bank under the above Loan(s) and which you specify under the terms of this letter.

In the event that you accept this offer for the above-mentioned Loan(s), our Summary Statement of Amounts Due will, in future, list the amount due in each currency and the estimated U.S. dollar, French franc or pound sterling equivalent of the currencies you have selected. Upon receipt of the dollars, francs or pounds, the Bank will purchase, on your behalf, the currencies selected at the current market rates of exchange. However, since market rates are subject to fluctuation, it will not be possible to determine in advance the exact amount of U.S. dollars, French francs or pounds sterling required to purchase the selected currencies. Any difference between the amount requested and the cost of the selected currencies so purchased by the Bank on your behalf will be subject to adjustment. In the event that the difference is significant, any overpayment will be refunded to you by the Bank. If the amount received by the Bank is insufficient to cover the total cost, an additional amount will be requested. All minor differences will be carried forward on your loan account to the next payment date.

Since payment obligations of the Borrower under the Loan Agreement will be fulfilled only when the Bank has acquired the selected currencies due to the Bank, if you wish to accept this offer you must transmit the dollars, francs or pounds to the Bank at least five working days in advance of the regular payment date of the Loan.

Please indicate whether you wish the Bank to act as your agent in acquiring all or selected currencies and list, in the latter case, the currencies you wish purchased. Please complete and return the enclosed copy (both pages) of this letter signed by your duly authorized representative.

Sincerely yours,



Ducksoo Lee
Director, Loan Department

Enclosure:

Re: Loan(s) No.

International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Attention: Director, Loan Department

Gentlemen:

We wish to accept your offer concerning "Loan Service Payments Due in Various Currencies" and will, in future, furnish U.S. Dollars * to the International Bank for Reconstruction and Development so that it may, as our agent, seek to acquire the currencies under one of the options offered below:

(Please check one of the following)

- [] We wish to have the Bank acquire on our behalf all of the currencies due under the above Loan(s)
- [] We wish to have the Bank acquire on our behalf the following currencies only:
- Iranian Rials

It is understood that we may add to, or delete from, the above list, any currency due, provided we give the Bank notice of our intention three months before the next payment date.

Date: September 20, 1983

By: 

(Authorized Representative)
Rhee Soo Hyoo
Director-General
Treasury Bureau
Ministry of Finance
Seoul, Korea

* Specify one of the following:

U.S. dollars, French francs or pounds sterling

URGENT - PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

1530-KO

1788-KO

1836-KO

917-KO (i/c)

M-4193

TEST NUMBER (FOR CASHIER'S USE ONLY)

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PAGE

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EXTENSION

MESSAGE NUMBER

1 1 OF 1

72227

MESSAGE NUMBER grid

TEST NUMBER grid

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TO: MR. JIN-SAN JUNG, ASSISTANT MANAGER, KOREA

EXCHANGE BANK, SEOUL, KOREA WITH COPY TO MR. RHEE SOO HYOO, DIRECTOR-GENERAL, TREASURY BUREAU, MINISTRY OF FINANCE, SEOUL, KOREA STOP REFERENCE YOUR TELEX 0691-OTT-CBY DATED SEPTEMBER 4 STOP PLEASED TO INFORM YOU THAT NETHERLANDS GUILDERS PAYMENTS OF 1,031,390.93 FOR LOAN 1836-KO AND 483,061.09 FOR LOAN 1530-KO HAVE BEEN RECEIVED STOP HOWEVER IRANIAN RIAL PAYMENTS OF 2,143,184 FOR LOAN 1836-KO DUE JULY 15, 1,086,706 FOR LOAN 917-KO DUE AUGUST ONE, AND 2,716,978 FOR LOAN 1788-KO DUE AUGUST ONE STILL HAVE NOT BEEN RECEIVED STOP BANK HAS CONTINUED ATTEMPT TO CONTACT WITH BANK MARKAZI IRAN TEHRAN AND HAVE RECEIVED RESPONSE TODAY ADVISING US THAT THEY ARE AWAITING BANK MELLI IRAN RESPONSE STOP SINCE PAYMENTS NOT RECEIVED BY TODAY, SEPTEMBER 15, WILL HAVE TO REPORT OVERDUE PAYMENTS AGAIN TO BOARD OF EXECUTIVE DIRECTORS IN REPORT DATED SEPTEMBER 16 STOP WOULD APPRECIATE ALL THAT CAN BE DONE YOUR END TO RESOLVE THIS PROBLEM STOP REGARDS, GERALD F. FLOOD, DIVISION CHIEF, EAST ASIA AND PACIFIC COUNTRY PROGRAMS, INTBAFRAD

END OF TEXT

NOT TO BE TRANSMITTED

CLASS OF SERVICE Telex 787- K-24244 / MOF K-23243 DATE 9/15/83

SUBJECT: Loan 1836-KO and Loan 1530-KO and Loan 1836-KO CLEARANCES AND COPY DISTRIBUTION: Cleared with and cc: Mr. Zenick cc: Mr. Weijesinghe

DRAFTED BY Anne Herbots AUTHORIZED BY Gerald F. Flood DEPARTMENT: AEADE SECTION: LOW FOR USE OF CABLE SECTION CHECKED FOR DISPATCH

1836-KO
1788-KO
917-KO
1530-KO

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PAGE

1 OF 2

EXTENSION

74252

MESSAGE NUMBER

TEST NUMBER (FOR CASHIER USE ONLY)

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TO: TELEX ADDRESSED TO MR. LEE DONG HO,

DIRECTOR-GENERAL, TREASURY BUREAU, MINISTRY OF FINANCE,
 EYE WISH TO BRING TO YOUR ATTENTION FOLLOWING PAYMENTS NOW
 OVERDUE ON FOUR BANK LOANS TO KOREA STOP IN ACCORDANCE WITH
 NORMAL PROCEDURES THE FIRST ONE INDICATED BELOW HAS BEEN
 REPORTED TO BOARD OF EXECUTIVE DIRECTORS COLON (A) LOAN 1836-KO
 PAYMENT OF IRANIAN RIALS 2,143,184 (US\$24,535 EQUIVALENT)
 AND NETHERLANDS GUILDERS 1,031,390.93 (US\$350,635 EQUIVALENT)
 DUE JULY 15; (B) LOAN 917-KO PAYMENT OF IRANIAN RIALS
 1,086,706 (US\$12,440 EQUIVALENT) DUE AUGUST ONE; (C) LOAN 1788-KO
 PAYMENT OF IRANIAN RIALS 2,716,978 (US\$31,105 EQUIVALENT) DUE
 AUGUST ONE AND (D) LOAN 1530-KO PAYMENT NETHERLANDS GUILDERS
 483,061.09 (US\$164,225 EQUIVALENT) DUE AUGUST 15 STOP PLEASE
 NOTE THAT ALL THESE LOANS WILL BE SIMILARLY REPORTED IF PAYMENTS
 STILL OVERDUE AS OF SEPTEMBER ONE STOP AS YOU WILL APPRECIATE,
 FINANCIAL COMMUNITY IS ESPECIALLY SENSITIVE TO LATE PAYMENTS
 ON DEBT, EVEN WHEN AMOUNTS ARE RELATIVELY SMALL AND IN CURRENCIES
 FOR WHICH PAYMENT EXECUTIONS ARE CUMBERSOME STOP IN CASE OF
 LOAN 1530-KO HOWEVER, THE CURRENCY IS WIDELY AVAILABLE STOP
 YOU MAY WISH TO EXAMINE HOW INTERNAL PROCEDURES CAN BE ADJUSTED

NOT TO BE TRANSMITTED

CLASS OF SERVICE

TELEX NO:

787-23243

DATE

SUBJECT

DRAFTED BY

CLEARANCES AND COPY DISTRIBUTION

AUTHORIZED BY (Name and Signature)

DEPARTMENT

SECTION LOW FOR USE OF CABLE SECTION
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WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex

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(FOR CASHIER'S USE ONLY)

1 → 2 OF 2

74252

MESSAGE NUMBER grid

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TO:

TO ASSURE THAT DELAYS ARE AVOIDED IN THE FUTURE STOP AS YOU WILL
RECALL, WE HAVE OFFERED TO ARRANGE TO MAKE CURRENCY PURCHASES
ON KOREA'S BEHALF AND STAND READY TO DO SO SHOULD YOU SO
REQUEST REGARDS ZENICK, ACTING CHIEF, KOREA DIVISION, INTBAFRAD

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CLASS OF SERVICE

TELEX

TELEX NO.

MIOFFI K23243

DATE

8/24/83

SUBJECT

1836, Korea: Late Payments

DRIFTED BY

Herbots/MZenick:ct

CLEARANCES AND COPY DISTRIBUTION

cc: Mr. Karaosmanoglu,
Mr. Weijesinghe, Treasurer's
Ms. Pan, Treasurer's

AUTHORIZED BY

Manuel Zenick, Acting Chief,

DEPARTMENT

AEA

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TO:

3 BOOK OF FOUR

4 MR. DONG HO LEE
5 DIRECTOR GENERAL
6 TREASURY BUREAU
7 MINISTRY OF FINANCE
8 SEOUL, KOREA

787-23243

WITH COPY FOR INFORMATION TO:

9 MR. YUEN SEI CHEUNG
10 DEPUTY ADMINISTRATOR
11 KOREA MARITIME AND PORTS ADMINISTRATION
12 SEOUL, KOREA

26528

13 DIRECTOR GENERAL
14 PORT OF BUSAN
15 BUSAN, KOREA

787-3377

16 DIRECTOR GENERAL
17 PORT OF MUKHO
18 MUKHO, KOREA

LV/WYI

8/19/83

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NOT TO BE TRANSMITTED

CLASS OF SERVICE:	TELEX NO.:	DATE:
SUBJECT:	DRAFTED BY:	
CLEARANCES AND COPY DISTRIBUTION:	AUTHORIZED BY (Name and Signature):	
	DEPARTMENT:	
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IN CONNECTION WITH ^{TO:} AUDIT OF FIRST PORT PROJECT (LOAN 917-K0)
 MR. SCHULZ ASSISTED BY A CONSULTANT MR. WARREN ANDERSON WILL
 ARRIVE SEOUL SEPTEMBER 11, 1983 AND EXPECT TO HOLD MEETINGS WITH
 MINFIN, KMPA, EPB BETWEEN SEPTEMBER 12 AND 15. MR. SCHULZ WHO
 IS TRAVELLING WITH HIS WIFE WOULD EXPECT TO TRAVEL BY ROAD
 FROM SEOUL TO MUKHO SEPTEMBER 16 AND VISIT PORT INSTALLATIONS
 SAME DAY. MR. SCHULZ AND HIS WIFE WOULD PROCEED BY ROAD TO
 PUSAN SEPTEMBER 17, VIA KYONGJU, ARRIVING PUSAN SEPTEMBER 20
 FOR STAY UNTIL SEPTEMBER 22. MR. ANDERSON WOULD REMAIN MUKHO
 LONGER IF NECESSARY AND JOIN MR. SCHULZ IN PUSAN SEPTEMBER 20.
 IN PREPARATION OF MR. SCHULZ' ARRIVAL WOULD APPRECIATE IF
 FOLLOWING INFORMATION COULD BE PREPARED: (A) UPDATED TRAFFIC,
 INCLUDING DATA ON TYPE AND TONNAGE OF VESSELS USING BOTH PORTS,
 (B) UPDATED FINANCIAL, INCOME, BALANCE AND SOURCES AND APPLICA-
 TIONS OF FUNDS, (C) UPDATED PRODUCTIVITY INDICATORS, AS WELL
 AS SHIP WAITING AND SHIP LOADING/UNLOADING TIMES, (D) UPDATED
 HANDLING AND VESSEL IN-PORT COSTS, (E) UPDATED SCHEDULE OF
 LEVEL OF CHARGES, AND (F) UPDATED PORT TRAFFIC FORECASTS, FOR
 EACH OF THE PORTS OF MUKHO AND PUSAN. IF AVAILABLE MR. SCHULZ
 WOULD LIKE TO RECEIVE COPY OF KMPA AUDITED ACCOUNTS. MAIN ISSUE

END
OF
TEXT

c/

NOT TO BE TRANSMITTED

CLASS OF SERVICE: Telex		TELEX NO.:	DATE: 08/19/83
SUBJECT: First Port Project Korea (Loan 917-K0)		DRAFTED BY: RSchulz/jcw	<i>RS</i>
CLEARANCES AND COPY DISTRIBUTION:		AUTHORIZED BY (Name and Signature): A. Kirk, Div. Chief, OEDD3	<i>A. Kirk</i>
		DEPARTMENT: OED	
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WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex

URGENT—PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

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(FOR CASHIER'S USE ONLY)

1 → 2 OF 2

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MISSION WOULD LIKE TO DISCUSS IS PROJECT IMPACT ON PORT OF
MUKHO AND PUSAN. REGARDS, SHIV S. KAPUR, DIRECTOR, OPERATIONS
EVALUATION DEPARTMENT, INTBAFRAD.

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CLASS OF SERVICE:

TELEX NO.:

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DRAFTED BY:

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

DEPARTMENT:

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WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex

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(FOR CASHIER'S USE ONLY)

1 1 OF 1

32897

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TO: MR. DONG HO LEE, DIRECTOR GENERAL, TREASURY
BUREAU, MINISTRY OF FINANCE, SEOUL, KOREA.

*W 917-KO
R.C.*

IN CONNECTION WITH MY LETTER DATED JULY 7, 1983 AND THE PROPOSED
AUDIT OF FIRST PORT PROJECT, KYONGJU TOURISM PROJECT, SECONDARY
CITIES REGIONAL PROJECT AND THIRD HIGHWAY PROJECT, WOULD APPRECIATE
YOUR REPLY, PREFERABLY BY CABLE OR TELEX, ON THE SUITABILITY OF THE
MISSION'S PROPOSED TIMING TENTATIVELY SET FOR SEPTEMBER 11 TO 29,
1983.

REGARDS, SHIV S. KAPUR, DIRECTOR, OPERATIONS EVALUATION DEPARTMENT,
WORLD BANK.

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NOT TO BE TRANSMITTED

CLASS OF SERVICE: **TELEX**

TELEX NO. **787-23243**

DATE: **JULY 25, 1983**

SUBJECT:
EVALUATION FIRST PORT PROJECT

DRAFTED BY:
RENATO SCHULZ *R.S.*

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

ALEXANDER F. KIRK *A.F. Kirk*

DEPARTMENT:

CHIEF, OEDD3

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KOEXBK K22304

1983 APR -2 AM 11: 12

RECORDS AND
COMMUNICATIONS

Mr Herbert
in 117-KO

042-21

TO INTBAFRA WASHINGTON

FM KOREA EXCHANGE BANK SEOUL APR 2 1983

TLX1

ATTN: FLOOD EAST ASIAN PACIFIC COUNTRY PROGRAM

CASHIER'S DEPT

FUTHER TO OUR TLX DTD MAR 24TH 1983 CONCERNING YR TLX DTD
MAR 21TH 1983 TO MINISTRY OF FINANCE SEOUL KOREA REGARDING
LOAN NDR

1936-O KO IR2, 143,184-VAL 1/14

0917-O KO IR1,036,706-VAL 1/31

WE ARE TLX CONFMD BY BANKMELLI TEHERAN (ATTN KHARID) THAT
THEY HAVE EXECUTED ON JAN 24TH AND JAN 31TH F/O IBRD STOP.
YR FURTHER TRACER THRU BANK MARKAZ IRAN TEHERAN MIGHT BE
NEEDED ON YOUR ENDS WE ARE CONTACTING WITH BANK MELLI TEHERAN
FOR DELAYED EXECUTION STOP IF YOU HAVE ANY FURTHER QUESTIONS
FEEL FREE TO CONTACT US STOP EXCUASE FOR ANY INCONVENIENCES
REGARDS JIN-SAN JUNG ASST MGR
CRTD KOEXBANK

COL NOTEST

WORLD BANK OUTGOING MESSAGE FORM Telegram, Cable, Telex

IMPORTANT—PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM

042-21

Korea 1836
KO 917

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(FOR CASHIER'S USE ONLY)

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72227

MESSAGE NUMBER

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12 3/18/83 10

TO: MR. LEE DONG-HO, DIRECTOR-GENERAL, TREASURY

BUREAU, MINISTRY OF FINANCE, SEOUL, KOREA STOP REFERENCE CURRENCY
PAYMENTS ON WORLD BANK LOANS STOP FOLLOWING CURRENCY PAYMENTS ARE
OUTSTANDING: DUE JANUARY 15, 1983 LOAN 1836-KO IRANIAN RIALS
2,143,184.00 (U.S.DOLLARS 25,335.00 EQUIVALENT) STOP DUE FEBRUARY
ONE, 1983 LOAN 917-KO IRANIAN RIALS 1,086,706 (U.S.DOLLARS
12,845.00 EQUIVALENT) STOP HAVE CONTACTED BANK MARKAZI IRAN STOP
THEY HAVE RESPONDED THAT MONEY HAS NOT BEEN RECEIVED STOP WOULD
APPRECIATE WHAT CAN BE DONE TO EXPEDITE PAYMENTS STOP REGARDS,
FLOOD, CHIEF, EAST ASIA AND PACIFIC COUNTRY PROGRAMS, INTBAFRAD

END
OF
TEXT

NOT TO BE IMPROVED

CLASS OF SERVICE **TELEX**

TELEX NO. **K23243**

DATE **3-18-83**

KOREA: 1836-KO/917-KO

CLEARANCE AND COPY DISTRIBUTION

cc: Mr. Wijesinghe

DISPATCHED BY *Herbots/pme*

AUTHORIZED BY *Gerald F. Flood, Chief,*

DEPARTMENT **AEADE**

SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH *AM*

042-21

W 917-KO

Rlc

June 23, 1982

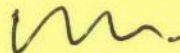
Mr. Choi, Seung-Youl
Director General
Finance and Accounting Bureau
Korea Maritime and Port Administration
263, Yeunju-dong, Jongro-ku
Seoul, Korea

Dear Mr. Choi:

We acknowledge, with thanks, receipt of your letter of June 11, 1982 with attached financial statements and traffic volume BDMPA and DDMPA (MDMPA) for 1981 and projected financial statements for 1982 and 1983.

With best regards,

Sincerely yours,



N. E. Krogh-Poulsen
Acting Chief
Transportation Division 1
Projects Department
East Asia and Pacific Regional Office

NEKrogh-Poulsen/mm

OFFICIAL FILE COPY



6/22/82

KOREA MARITIME AND PORT ADMINISTRATION
263, Yeunji-dong, Jongro-ku,
SEOUL, KOREA

Hi 917-KO
Rlc

Mr. Curt Carnemark
Chief, Transportation Division 1
Projects Department
East Asia and Pacific Regional Office
The World Bank

June 11, 1982

First Ports Project
(Loan No. 917-KO)

Dear Mr. Carnemark :

YFR

In accordance with Section 5.02(a) of the Loan Agreement 917-KO, we are forwarding to you the reports concerning a set of actual financial statements and traffic volume for BDMPA and DDMPA (MDMPA) for 1981 and projected financial statements for 1982 and 1983.

Your continuous cooperation in our port projects would be highly appreciated.

Sincerely yours

Choi Seung-Youl
Director General
Finance and Accounting Bureau
K.M.P.A.

042-91

12/29/81
Copy taken → Mr. Levy to handle

KOREA MARITIME AND PORT ADMINISTRATION
263, Yeunji-dong, Jongro-ku,
SEOUL, KOREA

Messrs. ~~Kobner~~
~~Carnemark~~
~~Mr. Motani~~
1-11-82 → ~~Long~~
Dec. 14, 1981
~~Mr. Young~~
Asia Files

Mr. Curt Carnemark
Chief, Transportation Division
East Asia and Pacific Regional Office
The World Bank

Dear Mr. Carnemark :

Re : IBRD Loan Agreement 917-KO
FIRST PORT Project
Progress Report

In accordance with the section 5.02(a) of the Loan Agreement, we are forwarding to you the required reports concerning finances and earnings of BDMPA and DDMPA of 3rd quarter of 1981.

Your Continuous cooperation for our port Projects would be highly appreciated.

Very truly yours,

Seung Youl Choi

Choi, Seung Youl
Director General
Finance and Accounting Bureau
K.M.P.A.

INCOWING MAIL UNIT
1981 DEC 29 AM 8:08
RECEIVED

TRANSPORTATION DIVISION 1
EAST ASIA & PACIFIC
Log No. 51-12/29/81
Answered by: *Ack. Ltr.*
(DBP)
Date: 12/29/81

KOREA FIRST PROJECT (Loan 917-Ko)
 Financial Report for Quarter Ended Sep. 30, 1981
 Section 4A. Revenue Account.
 (Won Millions)

	<u>BUSAN</u>			<u>DONGHAE</u>			<u>TOTAL</u>		
	<u>This Quarter</u>	<u>This Year to Date</u>	<u>Last Year</u>	<u>This Quarter</u>	<u>This Year to Date</u>	<u>Last Year</u>	<u>This Quarter</u>	<u>This Year to Date</u>	<u>Last Year</u>
<u>1. Operating Revenues</u>									
Port Dues	904	2,261	1,406	76	198	92	980	2,459	1,498
Tuggage	199	532	342	84	225	134	283	757	476
Dockage	1,022	2,415	1,491	295	704	364	1,317	3,119	1,855
Floating Crane	-	1	10	-	-	-	-	1	10
Transit shed Charge	18	60	66	-	1	1	18	61	67
Open Cargo Area Charge	23	98	88	23	80	68	46	178	156
Wharfage	1,113	2,817	4,067	136	370	309	1,249	3,187	4,376
Anchorage	459	1,138	800	61	111	29	520	1,249	829
Rents of Facilities	1,411	4,163	1,738	109	355	208	1,520	4,518	1,946
Water supply	10	21	12	-	-	-	10	21	12
Sundry Income	513	1,454	628	12	46	42	525	1,500	670
Total	5,672	14,960	10,648	796	2,090	1,247	6,468	17,050	11,895
<u>2. Operating Expenses</u>									
Maintenance	290	778	578	134	357	213	424	1,135	791
Administration	270	709	542	145	390	226	415	1,099	768
Depreciation	544	1,639	1,511	77	243	192	621	1,882	1,703
Total	1,104	3,126	2,631	356	990	631	1,460	4,116	3,262
<u>3. Net operating Revenue</u>	4,568	11,834	8,017	440	1,100	616	5,008	12,934	8,633
<u>4. Interest</u>	1,563	4,384	3,536	92	278	263	1,655	4,662	3,799
<u>5. Loss From Revaluation of Foreign Borrowing</u>	438	950	713	25	46	17	463	996	730
<u>6. Net Income</u>	2,567	6,500	3,768	323	776	336	2,890	7,276	4,104

December 29, 1981

Your Reference:

Letter Dated: December 14, 1981

Gentlemen:

Re: KOREA - 917-KO

This is to acknowledge receipt of the Progress Report
on the above Loan/Credit for the month/quarter ending September 1981.

Sincerely yours,

Curt Carnemark
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

Mr. Choi, Seung Youl
Director General
Finance and Accounting Bureau
K.M.P.A.
263, Yeunji-dong, Jongro-Ku
Seoul, Korea

dbp

WORLDBANK440099

KOEXBK K22301

Loan 917-KO
Distribution; fca
Contr.-Mr. Subramanian

1981 DEC -8 AM 7:13

Saita
COMMUNICATIONS

TO INTBAFRAD WASHINGTON

FM-KOREA EXCHANGE BANK SEOUL DEC 8, 1981

ATTN: MR LOOS CONTROLLER DEPT / ACCT DIV.

REUR LOAN NBR 917-KO DUE DATE FEB 1ST INST FOR NTDLRS 15,439,705.06
(PRINCIPAL) WE REMITTED THE EQUIVALENT USDLRS TO IRVING, TAIPEI
FOR CREDIT TO YR ACCT WITH CENTRAL BANK OF CHINA, TAIPEI
ON JAN 31ST STOP DESPITE OF OUR JUST AND PROPER REMITTANCE
PROCEDURE YOU CLAIMED DELAY INTEREST NTDLRS 27,984.47 ELAPSED
FOR 9 DAYS STOP IN ANY CASE WE REMITTED DELAY INTEREST THRU
IRVING, TAIPEI ON AUG 1ST STOP UPON INVESTIGATION THIS MATTER
WE ARE REGRETFUL TO INFORM YOU OF TLX FROM IRVING, TAIPEI
AS BELOW:

QUOTE WE NOTED THAT YR TLX ADVICE OF 1/31/81 WAS RECEIVED
BY US ON 2/2/81 (2/1/81 WAS SUNDAY) AND WE SENT NOTICE
TO PAYEE ON SAME DAY (2/2/81) DUE TO LUNAR NEW YEAR HOLIDAY
(FEB 4-FEB 9) PAYEE DID NOT COME TO OUR COUNTER UNTIL FEB 10 UNQUOTE
UNDER THE CIRCUMSTANCES IT SEEMED UNREASONABLE TO CLAIM DELAY
INTEREST STOP WOULD YOU TLX CONFIRM WHY PAYEE DID NOT COME TO
IRVING, TAIPEI'S COUNTER FROM

IRVING, TAIPEI'S COUNTER FROM FEB 2 TO FEB 3 STOP

REGARDS OUR REF 0691-OTT-CJH-TR

CRTD KOEXBANK

COL 15,439,705.06

L



KOREA MARITIME AND PORT ADMINISTRATION

263, Yeunji-dong, Jongro-ku,

SEOUL, KOREA

10-28-81

Levy

Kohu 917 Imbach

R/C

042-21

Mr. Curt Carnemark
Chief, Transportation Division
East Asia and Pacific Regional Office
The World Bank

Oct. 14, 1981.

Dear Mr. Curt Carnemark:

Re: IBRD Loan Agreement 917-KO
First Port Project-
Progress Report

In accordance with the section 5.02(a) of the Loan Agree-
ment, we are forwarding to you the requiring reports concerning
finances and earnings of BDMPA and DDMPA of 2/4 quarter of 1981.

121

Your continuous cooperation on our port projects would
be highly appreciated.

Very truly yours,

TRANSPORTATION DIVISION 1
EAST ASIA & PACIFIC
Log No. 33-10/27.
Answered by: <i>No answer required</i>
Date: 10-29-81

Im you soon
Im, You Soon
Director General
Finance and Accounting Bureau
K.M.P.A.

P. LEVY

RECEIVED

1981 OCT 27 AM 9:45
INCOMING MAIL UNIT

10-27-81
UNCLASSIFIED BY: [illegible]
DATE: 10/27/81
BY: [illegible]
FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE

SEARCHED
SERIALIZED
INDEXED
FILED
OCT 27 1981
FBI - [illegible]
[Handwritten signature]

SEARCHED

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NOTARY PUBLIC AND POST ADMINISTRATION



[Handwritten signature]

Ln 917.40 R/C

Aug 14.81

042-21

Back to office
report

OFFICE MEMORANDUM

TO: Mr. Curt Carnemark (Chief, AEPT1)

DATE: August 14, 1981

FROM: Messrs. P. Levy, E. Karman, I. Mobarek and J. Yenny

SUBJECT: Back-to-Office Report - KOREA - Preparation of the Coal and Cement Distribution Project
Supervision of the First Ports Project
(Loan 917-KO)

1. In accordance with terms of reference dated June 5, 1981 Messrs. Levy and Karman arrived in Korea on June 11, 1981, Mr. Yenny on June 14 and Mr. Mobarek on June 23. They were joined on June 14 by Messrs. Alston (CPS-Railway adviser) for advising on railway electrification and signalling related matters and Prehn (Consultant-Conrail) for advising on coal handling and transportation related matters. Mr. Alston left Korea on June 26 and the rest of the mission between July 1 and 3. You attended the mission's final meetings with Government agencies concerned between June 23 and July 1.

2. In addition to meetings with Government officials concerned with the above project, the mission (except Mr. Mobarek) undertook a four-day field trip to visit the coal ports of Incheon, Mukho and Bugpyeong and the largest coal and cement loading stations in the coal mining and cement production area in North-East Korea. Mr. Mobarek accompanied you during your visit of the Busan Port area. A list of main officials and private sector managerial staff met is attached as Annex 1.

First Ports Project

3. Messrs. Mobarek, Levy and Yenny gathered information for the Project Completion Report (PCR) a first draft of which will be issued in late August 1981.

Coal and Cement Distribution Project

4. Before leaving Korea, the mission submitted to the Government a "Note on the mission's conclusions on the status of project preparation as of June 30, 1981" (the Note) a copy of which is attached as Annex 2. The objective of the Note was to inform the Government of the mission's findings, conclusions and recommendations for completing project preparation and processing by late 1982 in order to start its implementation in early 1983, in line with Government's plans. The Government will inform the Bank of its reaction to the Note in the final version of a position paper, a draft of which was given to the mission upon its arrival in Korea./1

5. A tentative list of possible project components including the mission's main recommendations for policy and institutional measures to be

/1 The position paper was received in the Bank on August 10, 1981.

taken prior to appraisal and/or to be agreed during negotiations for implementation during the project is on pages 2 and 3 of the Note. The Government's response to these recommendations will give an indication of the extent to which the project's objectives, defined in Section 4 of the Project Brief, can be met under the proposed project and consequently provide guidelines for the Bank's course of action during project processing.

Action Taken or to be Taken

6. Upon the mission's return to Washington the Bank (a) confirmed its approval of the mission's Note; (b) requested submission of the Government's Position Paper "as soon as possible"; and (c) made recommendations for early appointment of a Project Coordinator in a letter dated July 15, 1981 to Mr. Choi Soo-Byung, Director General, Economic Cooperation Bureau, EPB, copied to all other Government agencies concerned with the Project (Annex 3).

7. Based on the Note and on the position paper the mission will update the Project Brief dated May 28, 1981.

Additional Work Done by the Mission

8. In addition to the work defined in its terms of reference the mission also:

- (a) reviewed the financial situation of the Korean National Railway (KNR) and discussed action for improving this situation with KNR's management and the Economic Planning Board (EPB) in compliance with headquarter's telexed instructions of July 17, 1981. The mission's findings and recommendations were summarized in Mr. Levy's report to Mr. Wyss dated August 5, 1981 and in a letter to the Director General, Foreign Capital Management Bureau, EPB, dated August 7, 1981; and
- (b) discussed and agreed with the Korea Ports and Maritime Authority (KMPA) the final draft of Terms of Reference for the detailed engineering for the Third Ports Project. The Bank has confirmed this agreement in its telex of July 7, 1981 to KMPA.

Cleared with and cc: Mr. E. Karman

cc: Messrs. Rajagopalan, Hogg, Arpels, Hasan, Jaycox, Kirmani, Wyss,
Fox, Baldwin, Flood, Njomo, Mobarek, Yenny, Alston
Ms. Gunnarsdottir

PLevy:je

KOREA

PREPARATION OF COAL AND CEMENT DISTRIBUTION PROEJCT

Supervision of First Ports Project

Mission to Korea - June 11 - July 3, 1981

Presidency

Mr. Hong Chul

- Transport Advisor

Economic Planning Board (EPB)

Economic Cooperation Bureau

Messrs. Choi Soo-Byung

- Director General

Sohn Myung-Hyun

- Deputy Director General

Kim Joo-Yl.

- Director, First Division

Lee Yong-Hi

- Deputy Director First Division

Lim Jong-Bok

- Staff, First Division

Economic Development Budget Bureau

Mr. Moon Hi-Gab

- Director General

Economic Planning Bureau

Messrs. Lee Hyung-Koo

- Director General

Ahn Byung-Yub

- Director, Third Division

Ponk Dong Jun

- Asst. Director, Third Division

Budget Bureau

Mr. Kim, Mu-Kyong

- Director General

Mr. Lee, Young-Tak

- Director Construction and
Transportation - Budget Division

Foreign Capital Management Bureau

Mr. Kim, Han Gon

- Director General

Ministry of Resource and Energy (MOER)

Messrs. Yoon, Suk-Koo

- Director General, Coal Bureau

Yoon, Soo-Gil

- Director General, Petroleum Bureau

Cho, Ki-Pont

- Director, Coal Supply and
Marketing Division

Lee, Yong-Kyu

- Director, Coal Policy Planning
Division

Ministry of Transportation (MOT)

Messrs. Rhee, Woong-Soo - Vice Minister
Lee, Sang-Keun - Asst. Minister, Transport
Coordination
Choi, Young-Hyu - Director, Economic Cooperation
Division, Transport Coordination
Office

Korean National Railroad (KNR)

Messrs. Ahn, Chang-Hwa - Administrator
Kim, Young-Kwan - Deputy Administrator
Shin, Young-Kook - Director General, Planning and
Management Office
Hwang, Sung-Yeun - Director General, Finance and
Accounting Bureau
Shin, Jin-Boo - Director General, Business Manage-
ment Bureau
Bang, Suk-Ki - Director, Overseas Cooperation Div.
Kim, Yong-Beom - Deputy Director, Overseas Cooperation
Division
Kim, Jae-Keun - Director, Electrification Division
Lee, Wu-Hyeon - Director, Signalling Division

Korea Maritime and Ports Authority (KMPA)

Messrs. Cheung, Yuen-sei - Deputy Administrator
Im, You-Soon - Director General, Finance
and Accounting Bureau
Kang, Sun-Keun - Director General, Port Planning
and Construction Bureau
Hwang, Ho-Yeon - Director, Port Development
Division
Rhee, Kwang-Ho - Asst. Director, Construction Div.
Ahn, Syng-Hyuck - Director, Economic Cooperation Div.

Korea Electric Company

Yoon, Hi Woo - Manager, Planning and Control Dept.
Choi, Dae Yong - Manager, Overseas Materials Dept.

Ssangyong Cement Industrial Company

Messrs. Ahn, Kei-Sang - Plant Manager, Yong Wol Plant
Lee, Dong Baek - Plant Manager, Donghae Plant

Asia Cement Manufacturing Company

Soo, Koo-Young - Plant Managing Director, Jaechum

Tong Yang Cement Manufacturing Company

Min, Chul Ho - Plant Manager
Cho, Suk-Hyun - Managing Director, Production
Control and Engineering Department

Hanil Cement Manufacturing Company

Lee Byung Kook

Kyung Jok Hyun

- Plant Manager, Executive Director
- Vice Plant Manager

Hyundai Cement Company

Han, Kwang Sun

- Vice Plant Manager

Sung Shin Cement Ind. Company

Kim Jang Han

- Manager



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D.C., 20433, U.S.A.

Telephone: (202) 477-1234. Cables: INTBAFRAD

June 15, 1981

MINISTER, ECONOMIC PLANNING BOARD
82 SEJONGRO, ZHONGRO-KU
SEOUL, REPUBLIC OF KOREA

Mr. Flood
c-611
042-21
LU 917-KO
R/C

Re: Loan No. 0917-0 KO

Gentlemen:

Enclosed is a statement of account of the above-mentioned loan showing transactions since the previous statement and a summary statement of amounts due on the next payment date.

The summary statement shows the total amounts due, including any maturing principal installment, the name of our depository bank for each currency concerned, and the date or dates on which payments are requested. Please arrange for the amounts to be credited to our account on or before these dates. Our depository banks should be instructed to credit the account of the **INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**.

If there are further transactions in your account resulting in significant additional charges, we shall shortly after the payment date advise you of the amount and it will then be necessary for you to arrange an early settlement. Otherwise, these additional charges will be carried forward in your account for settlement on the next payment date.

Please address any questions concerning the statements or the amounts due to the attention of the Controller's Department, Accounting Division.

Sincerely yours,

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Enclosures:



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N.W., Washington, D.C., 20433, U.S.A.

Telephone:(202) 477-1234. Cables:INTBAFRAD

CC: MINISTER OF FINANCE
MINISTRY OF FINANCE
SEOUL, REPUBLIC OF KOREA

CHIEF, TREASURY MANAGEMENT
MINISTRY OF FINANCE
SEOUL, REPUBLIC OF KOREA

EMBASSY OF THE REPUBLIC OF KOREA
2370 MASSACHUSETTS AVENUE, N.W.
WASHINGTON, D.C. 20008

MINISTRY OF TRANSPORTATION
SEOUL, REPUBLIC OF KOREA

ATTN: DIRECTOR GENERAL
BUREAU OF MARINE TRANSPORT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N. W., Washington, D.C. 20433, U.S.A.
Area Code 202 - Telephone: 477-1234 - Cable address: INTBAFRAD

SUMMARY STATEMENT OF AMOUNTS DUE

AUGUST 01, 1981

PAGE: 1

BORROWER: REPUBLIC OF KOREA

LOAN NUMBER: 0917-0 KO

GUARANTOR:

CURRENCY PAYABLE	DESCRIPTION	DETAILS OF AMOUNTS PAYABLE	NOTE	VALUE DATE REQUESTED	PAYMENT INSTRUCTION
NEW TAIWAN DOLLARS	INTEREST DUE BANK TOTAL *	27,984.47 27,984.47		AUG. 01, 1981	PLEASE ARRANGE PAYMENT(S) TO OUR DEPOSITORY BANK(S) AS INDICATED BELOW, FOR DEPOSIT TO THE ACCOUNT OF INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT UNDER REFERENCE LOAN NO.0917-0 KO . PAYMENTS MUST BE CREDITED TO OUR ACCOUNT BY THE VALUE DATE(S) REQUESTED. PAY IN: NEW TAIWAN DOLLARS AMOUNT: 27,984.47 CENTRAL BANK OF CHINA PAOCHING ROAD TAIPEI, TAIWAN
INDIAN RUPEES	INTEREST DUE BANK TOTAL *	50,014.41 50,014.41		AUG. 01, 1981	PAY IN: INDIAN RUPEES AMOUNT: 50,014.41 RESERVE BANK OF INDIA THE MANAGER, DEPOSIT ACCOUNTS DEPT. POST BOX 406 BOMBAY 400 001, INDIA
IRANIAN RIALS	INTEREST DUE BANK TOTAL *	1,086,706 1,086,706		AUG. 01, 1981	PAY IN: IRANIAN RIALS AMOUNT: 1,086,706 BANK MARKAZI IRAN P.O. BOX 3362 TEHRAN, IRAN ATT: INT. RELATIONS & STUDIES DEPT.
UNITED STATES DOLLARS	INTEREST DUE BANK PRINCIPAL DUE BANK TOTAL *	541,364.54 788,887.82 1,330,252.36	A	AUG. 03, 1981	PAY IN: UNITED STATES DOLLARS AMOUNT: 1,330,252.36 (PAYABLE IN FEDERAL RESERVE FUNDS) FEDERAL RESERVE BANK OF NEW YORK 33 LIBERTY STREET NEW YORK, NEW YORK 10045 ATTENTION: FOREIGN DEPARTMENT
BELGIAN FRANCS	INTEREST DUE BANK	812,570			

CONTD... 2

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N. W., Washington, D.C. 20433, U.S.A.
Area Code 202 - Telephone: 477-1234 - Cable address: INTBAFRAD

SUMMARY STATEMENT OF AMOUNTS DUE

AUGUST 01, 1981

PAGE: 2

BORROWER: REPUBLIC OF KOREA

LOAN NUMBER: 0917-0 KO

GUARANTOR:

CURRENCY PAYABLE	DESCRIPTION	DETAILS OF AMOUNTS PAYABLE	NOTE	VALUE DATE REQUESTED	PAYMENT INSTRUCTION
		TOTAL *		AUG. 03, 1981	PAY IN: BELGIAN FRANCS AMOUNT: 812,570 BANQUE NATIONALE DE BELGIQUE SERVICE DES COMPTES COURANTS BOULEVARD DE BERLAIMONT, 5 B-1000 BRUXELLES, BELGIUM
NETHERLANDS GUILDERS	INTEREST DUE BANK	152,586.12			
		TOTAL *		AUG. 03, 1981	PAY IN: NETHERLANDS GUILDERS AMOUNT: 152,586.12 ALGEMENE BANK NEDERLAND, N. V. VIJZELSTRAAT 68-78 AMSTERDAM, THE NETHERLANDS ATT: PAYMENTS DEPARTMENT
JAPANESE YEN	INTEREST DUE BANK	156,920,991			
		TOTAL *		AUG. 03, 1981	PAY IN: JAPANESE YEN AMOUNT: 156,920,991 THE BANK OF JAPAN BUSINESS SECTION, FOREIGN DEPT. C.P.O. BOX 203 TOKYO 100-91, JAPAN
DEUTSCHE MARK	INTEREST DUE BANK PRINCIPAL DUE BANK	961,438.12 793,063.01			
		TOTAL *	A	AUG. 03, 1981	PAY IN: DEUTSCHE MARK AMOUNT: 1,754,501.13 DEUTSCHE BUNDESBANK WILHELM-EPSTEIN-STRASSE 14 D6000 FRANKFURT 1 FEDERAL REPUBLIC OF GERMANY
SWISS FRANCS	INTEREST DUE BANK	1,876,657.84			
		TOTAL *		AUG. 03, 1981	PAY IN: SWISS FRANCS AMOUNT: 1,876,657.84 BANQUE NATIONALE SUISSE BORSENSTRASSE 15 ZURICH, SWITZERLAND
MALAYSIAN RINGGIT	INTEREST DUE BANK	11,452.15			
					CONTD... 3

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H Street, N. W., Washington, D.C. 20433, U.S.A.
 Area Code 202 - Telephone: 477-1234 - Cable address: INTBAFRAD

SUMMARY STATEMENT OF AMOUNTS DUE

AUGUST 01, 1981

PAGE: 3

BORROWER: REPUBLIC OF KOREA

LOAN NUMBER: 0917-0 KO

GUARANTOR:

CURRENCY PAYABLE	DESCRIPTION	DETAILS OF AMOUNTS PAYABLE	NOTE	VALUE DATE REQUESTED	PAYMENT INSTRUCTION
	TOTAL *	11,452.15		AUG. 03, 1981	PAY IN: MALAYSIAN RINGGIT AMOUNT: 11,452.15 BANK NEGARA MALAYSIA P.O. BOX 922 KUALA LUMPUR 11-01, MALAYSIA
AUSTRALIAN DOLLARS	INTEREST DUE BANK				
	TOTAL *	6,154.29 6,154.29		AUG. 04, 1981	PAY IN: AUSTRALIAN DOLLARS AMOUNT: 6,154.29 RESERVE BANK OF AUSTRALIA BOX 3947, G. P. O. SYDNEY, N.S.W., 2001 AUSTRALIA
<p>NOTES:</p> <p>A. PRINCIPAL REPAYMENT</p> <p>-----</p> <p>PRINCIPAL INSTALLMENT DUE AUGUST 01, 1981 AS SHOWN ON THE AGREED AMORTIZATION SCHEDULE EXPRESSED IN UNITED STATES DOLLARS EQUIVALENT IS US\$ 1,140,000.00. THE UNITED STATES DOLLARS EQUIVALENT OF THE VARIOUS CURRENCIES IS DETERMINED AT THE AVERAGE EXCHANGE RATES OF AMOUNTS DISBURSED AND OUTSTANDING AT THE DATE OF THE STATEMENT EXCEPT IN CASES WHERE THE AVERAGE RATE HAS BEEN PREVIOUSLY AGREED. THE UNITED STATES DOLLARS EQUIVALENT OF ANY PORTION SOLD IS BASED ON THE EXCHANGE RATE AT THE DATE OF SALE.</p>					

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

STATEMENT OF ACCOUNT AT

MAY 31, 1981

for LOAN NO. 0917-O KO

BORROWER REPUBLIC OF KOREA
 GUARANTOR
 ORIGINAL AMOUNT OF LOAN 80,000,000.00

7.2500 % INTEREST RATE
 % COMMITMENT CHARGE
 % ADDITIONAL CHARGE FOR SPECIAL COMMITMENT

PAGE 1

PAYMENT DATES FEB 1 & AUG 1

REFER ENCE NO.	VALUE DATE			MEMORANDUM	CURRENCY AMOUNT OUTSTANDING		NO. OF DAYS	CURRENCY OF COMMITMENT		US\$ COMMITMENT CHARGE †
	MO	DA	YR		PRINCIPAL	INTEREST †		PRINCIPAL	UNWITHDRAWN † AMOUNT AVAILABLE	
FWD	11	30	80	*				75060000.00		446.92
					UNITED STATES DOLLARS					
JL1598	12	01	80							.08
AO3120	01	29	81							447.00
					UNITED STATES DOLLARS					
FWD	11	30	80	*	15626029.65	567014.85		15626029.65		
JL1597	12	01	80			1.15				
AO3120	01	29	81		691835.35	567016.00		691835.35		
JBO182	02	01	81			541364.54	180			
FWD	05	31	81	*	14934194.30	541364.54		14934194.30		
					BELGIAN FRANCS					
FWD	11	30	80	*	22415732	812570		684554.34		
AO3205	01	30	81			812570				
JBO182	02	01	81			812570	180			
FWD	05	31	81	*	22415732	812570		684554.34		
					NEW TAIWAN DOLLARS					
FWD	11	30	80	*	15439705.06	559688.99		408164.65		
JL1597	12	01	80			.01				
JBO182	02	01	81			559689.31	180			
AO3247	02	01	81		15439705.06	559689.00		408164.65		
AO3247	02	01	81			531704.84	171			
FWD	05	31	81	*		27984.47				
					INDIAN RUPEES					
FWD	11	30	80	*	1379707.97	50014.82		158200.28		
JL1597	12	01	80			.82				
AO3289	01	30	81			50014.00				
JBO182	02	01	81			50014.41	180			
FWD	05	31	81	*	1379707.97	50014.41		158200.28		
					IRANIAN RIALS					
FWD	11	30	80	*	29978095	1086706		436012.00		
JBO182	02	01	81			1086706	180			

CONTD... 2

† ALL CHARGES ARE COMPUTED TO THE NEXT PAYMENT DATE. AMOUNTS SUBJECT TO ADDITIONAL CHARGE FOR SPECIAL COMMITMENT ARE INDICATED BY SYMBOL X AND ALL OTHER AMOUNTS BY SYMBOL N.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

STATEMENT OF ACCOUNT AT

MAY 31, 1981

for LOAN NO. 0917-0 K0

BORROWER REPUBLIC OF KOREA
 GUARANTOR
 ORIGINAL AMOUNT OF LOAN 80,000,000.00

7.2500 % INTEREST RATE
 % COMMITMENT CHARGE
 % ADDITIONAL CHARGE FOR SPECIAL COMMITMENT

PAGE 2

PAYMENT DATES FEB 1 & AUG 1

REFER ENCE NO.	VALUE DATE		MEMORANDUM	CURRENCY AMOUNT OUTSTANDING		NO. OF DAYS	CURRENCY OF COMMITMENT		US\$
	MO	DA		YR	PRINCIPAL		INTEREST †	PRINCIPAL	
AO3301	02	08	1	PAYMENT					
FWD	05	31	81	AVERAGE EXCHANGE RATE 68.7552077	*	29978095	1086706	436012.00	
				NETHERLANDS GUILDERS					
FWD	11	30	80		*	4209272.21	152586.24	1886189.80	
JL1597	12	01	80	ADJUSTMENT TO FORWARD BALANCE			.24		
JBO182	02	01	81	SEMI-ANNUAL CHARGES			152586.12		180
AO3338	02	02	81	PAYMENT			152586.00		
FWD	05	31	81	AVERAGE EXCHANGE RATE 2.2316271	*	4209272.21	152586.12	1886189.80	
				AUSTRALIAN DOLLARS					
FWD	11	30	80		*	169773.50	6154.58	209605.18	
JL1597	12	01	80	ADJUSTMENT TO FORWARD BALANCE			.58		
AO3476	01	30	81	PAYMENT			6154.00		
JBO182	02	01	81	SEMI-ANNUAL CHARGES			6154.29		180
FWD	05	31	81	AVERAGE EXCHANGE RATE 0.8099681	*	169773.50	6154.29	209605.18	
				JAPANESE YEN					
FWD	11	30	80		*	4328854937	156920991	18534826.11	
AO3578	01	30	81	PAYMENT			156920991		
JBO182	02	01	81	SEMI-ANNUAL CHARGES			156920991		180
FWD	05	31	81	AVERAGE EXCHANGE RATE 233.5524979	*	4328854937	156920991	18534826.11	
				DEUTSCHE MARK					
FWD	11	30	80		*	26522430.99	952569.98	11742255.65	
JL1597	12	01	80	ADJUSTMENT TO FORWARD BALANCE			.02		
AO3689	01	30	81	PAYMENT			952570.00		
JBO182	02	01	81	SEMI-ANNUAL CHARGES			961438.12		180
FWD	05	31	81	AVERAGE EXCHANGE RATE 2.2587169	*	26522430.99	961438.12	11742255.65	
				SWISS FRANCS					
FWD	11	30	80		*	51769871.55	1876658.05	25239293.34	
JL1597	12	01	80	ADJUSTMENT TO FORWARD BALANCE			.05		
AO3784	01	30	81	PAYMENT			1876658.00		
JBO182	02	01	81	SEMI-ANNUAL CHARGES			1876657.84		180
FWD	05	31	81	AVERAGE EXCHANGE RATE 2.0511617	*	51769871.55	1876657.84	25239293.34	

CONTD... 3

† ALL CHARGES ARE COMPUTED TO THE NEXT PAYMENT DATE. AMOUNTS SUBJECT TO ADDITIONAL CHARGE FOR SPECIAL COMMITMENT ARE INDICATED BY SYMBOL X AND ALL OTHER AMOUNTS BY SYMBOL N.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

STATEMENT OF ACCOUNT AT

MAY 31, 1981

for LOAN NO. 0917-0 K0

BORROWER REPUBLIC OF KOREA
 GUARANTOR
 ORIGINAL AMOUNT OF LOAN 80,000,000.00

PAGE 3

7.2500 % INTEREST RATE
 % COMMITMENT CHARGE
 % ADDITIONAL CHARGE FOR SPECIAL COMMITMENT

PAYMENT DATES FEB 1 & AUG 1

REFER ENCE NO.	VALUE DATE			MEMORANDUM	CURRENCY AMOUNT OUTSTANDING		NO. OF DAYS	CURRENCY OF COMMITMENT		
	MO	DA	YR		PRINCIPAL	INTEREST †		PRINCIPAL	UNWITHDRAWN † AMOUNT AVAILABLE	COMMITMENT † CHARGE
				MALYSIAN RINGGIT						
FWD	11	30	80	*	315921.44	11452.30		134869.00		
JL1597	12	01	80			.30				
AO3877	01	29	81			11452.00				
JBO182	02	01	81			11452.15	180			
FWD	05	31	81	*	315921.44	11452.15		134869.00		
FWD	05	31	81	*				73960000.00		

† ALL CHARGES ARE COMPUTED TO THE NEXT PAYMENT DATE. AMOUNTS SUBJECT TO ADDITIONAL CHARGE FOR SPECIAL COMMITMENT ARE INDICATED BY SYMBOL X AND ALL OTHER AMOUNTS BY SYMBOL N.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

STATEMENT OF ACCOUNT AT MAY 31, 1981 for LOAN NO. 0917-0 KO

BORROWER REPUBLIC OF KOREA
 GUARANTOR
 ORIGINAL AMOUNT OF LOAN 80,000,000.00

7.2500 % INTEREST RATE
 % COMMITMENT CHARGE
 % ADDITIONAL CHARGE FOR SPECIAL COMMITMENT

PAYMENT DATES FEB 1 & AUG 1

REFER ENCE NO.	VALUE DATE			MEMORANDUM	CURRENCY AMOUNT OUTSTANDING		NO. OF DAYS	CURRENCY OF COMMITMENT US\$		
	MO	DA	YR		PRINCIPAL	INTEREST †		PRINCIPAL	UNWITHDRAWN † AMOUNT AVAILABLE	COMMITMENT † CHARGE
SUMMARY OF LOAN TRANSACTIONS										
				DESCRIPTION				AMOUNT	TOTAL	
				WITHDRAWN						
				REPAID				1369016.81		
				SOLD				4670983.19		
				OUTSTANDING				73960000.00		
				TOTAL WITHDRAWN					80000000.00	
				ORIGINAL AMOUNT OF LOAN					80000000.00	

† ALL CHARGES ARE COMPUTED TO THE NEXT PAYMENT DATE. AMOUNTS SUBJECT TO ADDITIONAL CHARGE FOR SPECIAL COMMITMENT ARE INDICATED BY SYMBOL X AND ALL OTHER AMOUNTS BY SYMBOL N.

OFFICE MEMORANDUM

DATE: June 5, 1981

TO: Messrs. P. Levy, E. Karman, I. Mobarek, J. Yenny,
(AEPTR), L. Alston (CPS) and M. Prehn (Cons.)

FROM: P. Ostenc, (Acting Chief, AEPTR) P.O.

SUBJECT: KOREA: Preparation of Coal and Cement Distribution Project
Supervision of the First Ports Project
Terms of Reference

1. Messrs. Levy and Karman will arrive in Korea on or about June 11 for three weeks; Messrs. Alston, Yenny and Prehn on or about June 14 for two weeks; and Mr. Mobarek on June 23 for ten days. Mr. Levy will lead the mission.

2. The objectives of the mission are:

(a) Coal and Cement Distribution Project

- (i) to continue defining the project components for physical investments, institution building and regulatory changes according to the objectives listed in the project brief dated May 28, 1981;
- (ii) to assess the technical, economic and financial justification of the proposed project components; and
- (iii) to agree with the Government on the project components and schedule for project preparation and processing.

(b) First Ports Project

- (iv) gather information needed for preparing the project completion report.

3. The mission's work plan will be along the following lines:

(a) Railway Engineers (Messrs. Karman and Alston)

- (i) review with EPB and KNR their proposals for increasing capacity on the Su-In, Jung-Ang, and Tae-Baeg lines;
- (ii) discuss alternative methods of increasing line capacity;
- (iii) identify improvements of the existing signalling system and/or investments in signalling aimed at increasing line capacity; and
- (iv) seek information needed for the economic analysis of the electrification, double tracking and signalling investments proposed.

A.F.
No Coal + Cement
✓ No in 9/7 (R/C)

(b) Coal Handling Expert (Mr. Prehn)

- (i) visit terminals in the Seoul area and some of the five largest coal loading stations in the mining area;
- (ii) identify ways to improve terminal operations such as loading, unloading, storage and train operations through improvements of existing facilities or new investments to be included in the proposed project; and
- (iii) assess in broad terms the cost and benefits of proposal.

(c) Port Engineer (Mr. Mobarek)

- (i) gather information on anticipated traffic flows, design, and cost of the new coal terminals; and
- (ii) investigate whether the capacity of these terminals matches that offered by the connecting coal and cement loading/unloading and land transport facilities.

(d) Economist (Mr. Yenny)

- (i) assess the adequacy of traffic forecasts; and
- (ii) gather information required for assessing the economic justification of proposed project components.

(e) Financial Analyst (Mr. Levy)

- (i) review and discuss pricing and tariff policies; and
- (ii) assess the impact of proposed investments on the financial performance and situation of government agencies involved in their construction or procurement.

4. The mission will also review with KNR officials estimates for Bank's total disbursements under the Seventh Railway Project and discuss with them the possible use of any surplus which might appear.

5. Upon its return to headquarters the mission will prepare:

- (i) a back-to-office report summarizing its findings and recommendations;
- (ii) an update of the project brief on the proposed Coal and Cement Distribution Project; and
- (iii) a completion report on the First Ports Project.

cc: Messrs. Rajagopalan (3), Barker, Hogg, Hasan, Jaycox, Hawkins, Flood, Zenick, Njomo, Kirmani, Wyss, Fox; Ms. Arpels, Ms. Gunnarsdottir; Asia Files

PLevy:srm

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)

IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: **TELEX**

Date: **MAY 20, 1981**

Telex No.:

Originators Ext: **74713**

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CITY/COUNTRY
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**BOOK OF TWO
ECONOMIC PLANNING BOARD
SEOUL, KOREA**

787 - 23202

*Ro Um 917
R/L*

**KOREA MARITIME AND PORT AUTHORITY
SEOUL, KOREA**

787 26528

**END
OF
TEXT**

NOT TO BE TRANSMITTED

SUBJECT:	DRAFTED BY:
CLEARANCES AND COPY DISTRIBUTION:	AUTHORIZED BY (Name and Signature):
	DEPARTMENT:
SECTION BELOW FOR USE OF CABLE SECTION	
CHECKED FOR DISPATCH	

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

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CITY/COUNTRY
MESSAGE NO

FOR MESSRS. KIM, HAN-GON DIRECTOR GENERAL, BUREAU OF FOREIGN
CAPITAL MANAGEMENT, EPB AND IM, YOU-SOON DIRECTOR GENERAL, FINANCE
AND ACCOUNTING BUREAU, KMPA RE PROJECT COMPLETION REPORT (PCR)
OF FIRST PORTS PROJECT, LOAN 917-KO. AS YOU KNOW IT IS BANK'S
PRACTICE TO PREPARE, IN COOPERATION WITH THE BORROWER A COMPLETION
REPORT WITHIN SIX MONTHS OF COMPLETING LOAN DISBURSEMENTS. AS
DISBURSEMENTS OF LOAN 917-KO WERE COMPLETED SEPTEMBER 30, 1980 THE
PCR ON THIS PROJECT SHOULD BE PREPARED SOONEST. THE OBJECTIVE OF
PCR'S ARE AAA) TO COMPARE ACTUAL PROJECT IMPLEMENTATION, COST AND
TECHNICAL, ECONOMIC AND FINANCIAL ACHIEVEMENTS WITH APPRAISAL
ESTIMATES AND FORECASTS, BBB) TO ASSESS REASONS FOR POSSIBLE
CHANGES IN PROJECT SCOPE AND/OR COST, CCC) TO INQUIRE INTO
REASONS FOR LESS THAN COMPLETE ACHIEVEMENT OF PROJECT OBJECTIVES
OR COMPLIANCE WITH MAIN TARGETS SET IN LOAN AGREEMENT, DDD) TO
DEFINE CONDITIONS UNDER WHICH SUCH SHORTFALL COULD HAVE BEEN
PREVENTED AND EEE) TO EVALUATE WHETHER IN RETROSPECT THE PROJECT
WAS WORTH DOING OR COULD HAVE BEEN DONE BETTER. TO ALLOW BANK
STAFF TO PREPARE A COMPREHENSIVE PCR KMPA'S COOPERATION IS
REQUESTED IN THE FOLLOWING FIELDS COLON AAA) STATEMENT SHOWING A
COMPARISON BETWEEN APPRAISAL PROJECT COMPOSITION AND COST
ESTIMATES AND ACTUAL PROJECT IMPLEMENTATION AND COSTS BROKEN

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Telex No.: _____ Originators Ext: _____

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DOWN BY SOURCES OF FINANCING, (GOVERNMENT, IBRD, SAUDI FUND), WITH REASONS FOR ANY CHANGES FROM ORIGINAL PLAN, BBB) STATEMENT LISTING LOAN COVENANTS AND FINANCIAL TARGETS, THE DEGREE OF COMPLIANCE REACHED, AND REASONS FOR ANY LESS THAN COMPLETE ACHIEVEMENT AND CCC) STATEMENTS COMPARING APPRAISAL FORECASTS AND ACTUAL PROJECT PORTS' TRAFFIC, OPERATING, AND FINANCIAL PERFORMANCE YEARLY BETWEEN 1972 AND 1980. WE WOULD APPRECIATE IF KMPA COULD PREPARE THIS INFORMATION FOR MID JUNE 1981 FOR DISCUSSIONS WITH MESSRS. P. LEVY, J. YENNY AND I. MOBAREK WHO WILL BE IN KOREA BETWEEN JUNE 11 AND JULY 3 MAINLY FOR CONTINUING PREPARATION OF THE COAL AND CEMENT DISTRIBUTION PROJECT. REGARDS, CARNEMARK, INTBAFRAD

NOT TO BE TRANSMITTED

SUBJECT:
KOREA LOAN 917-KO
CLEARANCES AND COPY DISTRIBUTION:
cc: Messrs. Mobarek, Njomo

DRAFTED BY:
PLEVY/JYENNY/sm
AUTHORIZED BY (Name and Signature):
CURT CARNEMARK

DEPARTMENT:
CHIEF, AEPT

SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH



KOREA MARITIME AND PORT ADMINISTRATION

263, Yeunji-dong, Jongro-ku,

SEOUL, KOREA

Ko-62 917
Plus
Henry
M. L. ...
Yenny

Mr. Curt Carnemark
Chief, Transportation Division
East Asia and Pacific Regional Office
The World Bank

May 6 1981.

Dear Mr. Curt Carnemark

Re: IBRD Loan Agreement 917-Ko
First Port Project Progress Report.

In accordance with the section 5.02(a) of the Loan Agreement we are forwarding to you the requiring reports concerning earnings of BDMPA and DDMPA(MDMPA) of 1/4 quarter of 1981. *QR*

Your continuous cooperation on our port projects would be highly appreciated.

Very truly yours,

Im You Soon

Im, You Soon
Director General
Finance and Accounting Bureau
Korea Maritime and Port
Administration

INCOMING UNIT 0111

1981 MAY 14 10 21 AM

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Administrative
Control Division
Finance and Accounting Bureau
Director General
In: 100-211

For the year

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Administrative
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Control Division
Finance and Accounting Bureau
Director General
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Handwritten notes and signatures in the bottom right corner, including what appears to be a name and some illegible text.

KO Im 917

The World Bank / 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 393-6360 • Cables: INTBAFRAD

April 30, 1981

Mr. Im, You Soon
Director General
Finance and Accounting Bureau
KMPA, Seoul, Korea

Your Reference: IBRD Loan Agreement - 917-KO First Port Project

Letter Dated: April 2, 1981

042-21

Gentlemen:

Re: Loan 9170KO - First Port Project
Monthly Progress Report

This is to acknowledge receipt of the ~~Monthly~~ ^{Project} Progress Report
on the above Loan/Credit for the month/quarter ending Dec. 31, 1980.

Sincerely yours,

Curt Carnemark
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

KO 917



KOREA MARITIME AND PORT ADMINISTRATION

263, Yeunji-dong, Jongro-ku,

SEOUL, KOREA

Mr. Curt Carnemark
Chief, Transportation Division
East Asia and Pacific Regional Office
The World Bank

April 2, 1981

Dear Mr. Curt Carnemark;

Re : IBRD Loan Agreement
917-KO First Port
Project Progress
Report

Y.P.R.

In accordance with the Section 5.02(a) of the Loan Agreement 917-KO, we are forwarding to you the requiring reports concerning the financial statements and traffic report of BDMPA and DDMPA (MDMPA) of 1980.

Your continuous cooperation on our port projects would be highly appreciated.

TRANSPORTATION DIVISION
EAST ASIA & PACIFIC
Log No. *43242*
Answered by:
Date:

Sincerely Yours,

Im You Soon

Im, You Soon
Director General
Finance and Accounting Bureau
K. M. P. A.

WORLDBANK WSH

KOEXBK K23142

042-21

Distribution; fca
Mr. Flood
Contr.-Mr. Perch

① Mr. Hanzel
② fl.

1981 FEB -3 AM 7:07
COMMUNICATIONS

m 917-KO
cc m 1328-KO
cc m 1774-KO

TO INTBAFRAD WASHINGTON

FM KOREA EXCHANGE BANK SEOUL FEB 3 1981

ATTN MR LOOS CONTROLLER DEPARTMENT ACCOUNT DIVISION
PLS BE ADVISED THAT AT REQUEST OF MINISTRY OF FINANCE
REPUBLIC OF KOREA SEOUL WE REMITTED BY CABLE FOLLOWINGS TO YOUR
ACCT WITH EACH DESIGNATED BANK READING AS FOLLOWS

LOAN NBR	AMOUNT	DETAILS	THROUGH BANK	OUR REF
917 KO	NT.DLS15,439,705.06	PRINCIPAL	IRVING TAIPEI	0691-OTT-00646
DITTO	NT.DLS559,689	INTEREST	DITTO	DITTO
DITTO	IRLS1,086,706	DITTO	MARKAZBANK TEHRAN	0691-OTT-00648
DITTO	M.DLS11,452	DITTO	TOHBANK KUALALUMPUR	0691-OTT-00649
DITTO	RS50,014	DITTO	OUR SINGAPORE BR	0691-OTT-00647
DITTO	USDLS691,835.35	PRINCIPAL	OUR NEWYORK BR	0691-OTT-00650
			(VALUE JAN 30)	
DITTO	USDLS567,016	INTEREST	DITTO	DITTO
DITTO	USDLS447	COMMITMENT	DITTO	DITTO
		-CHARGE		
1328 KO	USDLS740,000	PRINCIPAL	DITTO	DITTO
DITTO	USDLS 36,829	INTEREST	DITTO	DITTO
1774 KO	USDLS112,500	COMMITMENT	DITTO	DITTO
		-CHARGE		

917 KO YEN156,920,991 INTEREST OUR TOKYO BR 0691-OTT-00660
(VALUE JAN 30)

1328 KO YEN26,605,407 DITTO DITTO DITTO

917 KO SFR1,876,658 DITTO BANKUNION ZURICH 0691-OTT-00658
(VALUE JAN 30)

1328 KO SFR885,587 DITTO DITTO DITTO

917 KO DM952,570 DITTO NOTENBANK FRANKFURT 0691-OTT-
(VALUE JAN 30) 00657

1328 KO DM352,792 DITTO DITTO DITTO

917 KO A.DLRS 6,154 DITTO WALES SYDNEY 0691-OTT-00656
(VALUE JAN 30)

917 KO DFL152,586 DITTO GENBANK AMSTERDAM 0691-OTT-00655

DITTO BFR812,570 DITTO GENERALE BRUSSELS 0691-OTT-00651

KOEXBANK

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WORLDBANK WSH

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KOREA MARITIME AND PORT ADMINISTRATION

263, Yeunji-dong, Jongro-ku,

SEOUL, KOREA

Antena
Schiffmann
Levy 12-3-80
~~*Schiffmann*~~
AF
In 917-KO
Nov. 17, 1980.

Mr. Curt Carnemark
Chief, Transportation Division
East Asia and Pacific Regional Office
The World Bank

Dear Mr. Curt Carnemark:

Re: IBRD Loan Agreement 917-KO
First Port Project Progress
Report

In accordance with the section 5.02(a) of the Loan Agreement,
we are forwarding to you the requiring reports concerning earnings
of BDMPA and DDMPA(MDMPA) of 3/4 quarter of 1980.

Q.R.

Your continuous cooperation on our port projects would be
highly appreciated.

Very, truly yours

TRANSPORTATION DIVISION
EAST ASIA & PACIFIC
Log No. 18-12/2
Answered by: *No answer required*
Date: 12-3-80

P. LEVY
INCOMING MAIL UNIT
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Im You Soon
Im, You Soon
Director General
Finance and Accounting Bureau
K.M.P.A.

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)

IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: **787 TELEX** Date: **OCTOBER 23, 1980**
Telex No.: **KPA 26528** Originators Ext: **76383**

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cc ln 1401-KO

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KOREA MARITIME AND PORT ADMINISTRATION

SEOUL, KOREA

FOR MR. IM YOU-SOON, DIRECTOR GENERAL FINANCE AND ACCOUNTING BUREAU RE FIRST AND SECOND PORTS PROJECTS LOANS 917 AND 1401-KO AND YOURTEL NO. 153/143 DATED OCTOBER 21, 1980. PRIMO CONFIRM THAT BANK HAS NO OBJECTION TO SGV-AHN KWON DRAFT FINAL REPORT ON PORT OPERATION AND ON CONCLUSIONS RELATIVE TO EXECUTION OF THE PROJECT AS ATTACHED BY SGV-AHN KWON TO THEIR LETTER NO.0580-045 DATED MAY 31, 1980 TO KMPA. SESECUNDO RE SELECTION OF CONSULTING FIRM FOR ADDITIONAL CONSULTING SERVICES BANK HAS NO OBJECTION TO FOUR FIRMS' SHORTLIST PROPOSED IN ABOVE TELEX AND SUGGESTS LETTERS ASKING FOR CONSULTANT'S PROPOSALS BE SENT OUT NO LATER THAN OCTOBER 30. AS AGREED BETWEEN YOU AND MR. LEVY DURING YOUR MEETING OF SEPTEMBER 25, 1980 FIRMS SHOULD BE ASKED TO SUBMIT THEIR PROPOSALS BY DECEMBER 15, 1980 IN ORDER TO ALLOW KMPA TO COMPLETE THEIR EVALUATION BY DECEMBER 31, 1980. REGARDS, CARNEMARK, INTBAFRAD

NOT TO BE TRANSMITTED

SUBJECT: KOREA LOANS 917 & 1401-KO
CLEARANCES AND COPY DISTRIBUTION:
cc: Messrs. Kirmani, Flood, Kalim, Higginbottom, Peters, Parthasarathi

DRAFTED BY: PLEVY/sm
AUTHORIZED BY (Name and Signature): CURT CARNEMARK
DEPARTMENT: CHIEF, AEPTR

SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH

OFFICE MEMORANDUM

19/19 M. ~~Handwritten signature~~
Asia Files
917-KO
10/17 JB
DATE: September 30, 1980
ln 917-KO

TO: Mr. Gerald F. Flood, Jr., Chief, Division E-AEA

FROM: Erla Gunnarsdottir, Disbursements Division

SUBJECT: KOREA - Loan No. 917 KO - Ports Project

With the payment of Won equivalent \$406,130.09 against Application No. 1-1-24-A, Withdrawal Authorization No. 206, value dated September 30, 1980, disbursements under Loan 917 KO were completed.

Disbursements by category are as follows:

Category 1 - Civil Works	\$ 39,453,416.01
" 2 - Mechanical Equipment	32,992,549.07
" 3 - Final design and supervision	5,125,278.00
" 4 - Technical Assistance	2,428,756.92
Total	<u>\$ 80,000,000.00</u>

cc: Messrs. Carnemark-A442
Kalim-C611
Higginbottom-A437
Gholl-C611
Yenny-A441
da Silva-N755
Drake-I4-139
Kapur-N1143

Mrs. Vogel-I4-109
Miss Wongseboonchau
Asia Records-E661
SPS
Section 07

File: 917 KO-Permanent

ERGunnarsdottir/ss

ln 906/or 394 - KD
cc ln 914 - KD

Mr. A. C. Tsantis, Acting Director, AEA

September 19, 1980

Joseph E. Gholi ^{dc} AEAD
(through Mr. Zia Kalin, Acting Chief, AEADE)
KOREA: IBRD/IDA - Undisbursed Loans and Credits

1. Reference is made to Mr. Stern's memo dated September 15, 1980 regarding loans/credits approved prior to FY69, and in FYs 70, 71, 72 and 73 showing undisbursed amounts but actually closed, or loans listed which are still active.

2. Loan KO-906 (Education II) has been fully disbursed and declared closed on August 20, 1980; however, the last payment of Loan KO-917 (Ports I) completing disbursements of the loan is in the process of being paid this week, and as a result the full amount of the loan will be disbursed.

cc: Mr. Edward Jaycox (o/r)

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)

IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

AT - LS W&A
26528

Class of Service: ~~TELEX~~ *787*
Telex No.: ~~BOOTHBUSAN K3380~~

Date: September 17, 1980
Originators Ext: 61143 (61111)

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END OF TEXT

ln 917-KO
cc ln 1401-KO

BUSAN PORT CONSTRUCTION OFFICE, KOREA MARITIME AND PORT
ADMINISTRATION, BUSAN, KOREA
ATTENTION MR. YOON HOA CHEON DIRECTOR **GENERAL** BPCO-KMPA. THANKS
URTEL AUGUST 13 RE LOAN 917 KO. ALPHA APPLICATION KMPA-21 NOW
PAID AND BALANCE LOAN ACCOUNT IS BEING PROCESSED FOR PAYMENT
UNDER ITEMS 1/2 APPLICATION 1-1-24 IN AMOUNT OF WON EQUIVALENT
USDOLLARS 406,130.09 WHICH IS BALANCE OF LOAN ACCOUNT 917 KO.
BETA RE LOAN 1401 KO. YOUR AUTHORIZATION TO SIGN WITHDRAWAL
APPLICATIONS RECEIVED FROM EPB. APPLICATION 24 DOLLARS 37,273
PAYABLE TO LYON ASSOCIATES BEING PROCESSED. APPLICATIONS Q-25/25
ALSO BEING PROCESSED. REGARDS GREGOR DISBURSEMENTS DIVISION
INTBAFRAD

NOT TO BE TRANSMITTED

SUBJECT: File: 917 KO-Loan Agreement
Contr. Bum Wha/Korea Dredging
CLEARANCES AND COPY DISTRIBUTION:
1401 KO-General
Contr. Lyon Associates
cc: Messrs. Loos/Flood, Kalim, Gholl,
Higginbottom, Levy, Gyi,
Miss Wongseboonchau, Section 07

DRAFTED BY:
ERGunnarsdottir/ss
AUTHORIZED BY (Name and Signature):
John Gregor *[Signature]*
DEPARTMENT:
Controller's

SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH

Miss Moudersprochren section of
Miss Moudersprochren section of
cc: Messrs. Moudersprochren, Kellam, Spott,
Control, John Associates
1901 KO-Genelst
Control, BLM Moudersprochren
1901 KO-Genelst

Control, a
John Elliot
Miss Moudersprochren

1980 SEP 18 PM 3:27
1980 SEP 18 PM 3:27
COMMUNICATIONS DIVISION
COMMUNICATIONS DIVISION

INITIALS

URGENT BEING PROCESSED. RECORDS SECTION DISBURSEMENTS DIVISION
PAYABLE TO JOHN ASSOCIATES BEING PROCESSED. APPLICATIONS 6-52452
APPLICATIONS RECEIVED FROM EBB. APPLICATION 54 OCTOBER 21 '52
BEING BE LOAN 1901 KO. LOAN AUTHORIZATION TO SIGN WITHDRAWAL
ORDERS FOR 130.00 WHICH IS BALANCE OF LOAN ACCOUNT 913 KO.
UNDER ITEMS 145 APPLICATION 1-1-54 IN AMOUNT OF \$1000 EQUIVALENT
PAID AND BALANCE LOAN ACCOUNT IS BEING PROCESSED FOR PAYMENT
PRIOR TO 13 BE LOAN 913 KO. URGENT APPLICATION KMBV-54 NOW
ATTENTION MR. JOHN HOV CHEER DIRECTOR GENERAL BSCO-KMBV. THANKS
ADMINISTRATION BLSAN KOBEN
BLSAN PORT CONSTRUCTION OFFICE, KOBEN MARITIME AND PORT

~~BOOTHBY K7700~~
~~TELEX~~

01143 (01111)
September 18, 1980



RECEIVED KOREA MARITIME AND PORT ADMINISTRATION

263, Yeunji-dong, Jongro-ku,

SEOUL, KOREA

Carnemark
Yenny Patharaya
Levy 10-20-80
In 917-KO

1980 OCT -2 PM 2:09

INTERNATIONAL MAIL UNIT

Mr. Curt Carnemark
Chief, Transportation Division
East Asia and Pacific Regional Office
The World Bank

Sep. 15, 1980.

Dear Mr. Curt Carnemark:

Re:IBRD Loan Agreement 917-KO
First Port Project-
Progress Report

In accordance with the section 5.02(a) of the Loan Agreement,
we are forwarding to you the requiring reports concerning finances
and earnings of BDMPA and DDMPA (MDMPA) of 2/4 quarter of 1980.

Your continuous cooperation on our port projects would be
highly appreciated.

Very truly yours,

Im you soon

Im, You Soon

Director General

Finance and Accounting Bureau

K.M.P.A.

TRANSPORTATION DIVISION
EAST ASIA & PACIFIC
Log No. 10-4/2
Answered by:
Date:



ARCHITECTURE
ENGINEERING
PLANNING

LYON ASSOCIATES, INC.

7900 WESTPARK DRIVE, FIFTH FLOOR
MCLEAN, VIRGINIA 22102
TELEPHONE: (703) 893-0852

TELEX 903040
LYONPLAN McLN

ln 917-KO

Hyatt
Aug 9-11-80
Young

September 10, 1980
80V-148

Mr. C. Carnemark
Chief, Transportation Branch
East Asia and Pacific
International Bank for Reconstruction
and Development, Rm. 8402
1818 H St NW
Washington, D.C. 20433.

Dear Mr. Carnemark:

Please find enclosed a signed copy together with attachments of IBRD Form No. 649 reporting on the First Ports Project (Loan #917-KO) at Busan and Mukho Ports in Korea.

- doc # 139,068

If there is any further information you required, please do not hesitate to contact us.

Sincerely yours,

LYON ASSOCIATES, INC.

Arnold J. McKee / p

Arnold J. McKee
Assistant to the President

AJM/pn

Enc.

cc Mr. F. Lyon, President

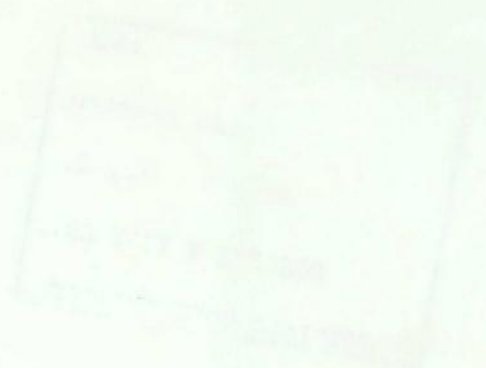
- CALIFORNIA
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- GUAM
- INDONESIA
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- KOREA
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- SYRIA
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RECEIVED

INTERNATIONAL DIVISION
EAST ASIA & PACIFIC
FILE No.
Answered by:
Date:

MAIL ROOM
RECEPTION
GENERAL
SALES
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FINANCE
OPERATIONS
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LEGAL
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1980 SEP 12 PM 12:18
INCOMING MAIL UNIT



TO: Mr. E. G. ...
FROM:
SUBJECT:

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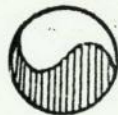
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... ASSOCIATES, INC.



Handwritten notes and signatures in the bottom right corner.



ECONOMIC PLANNING BOARD
REPUBLIC OF KOREA
Seoul, Korea

ln 917-KO
cc ln 1401-KO
orig to Mr DeSilve
cc. controllers.
Mr. Lernermark
Miss Bottom
9-16-80
Long
Yancy
or

September 10, 1980

Mr. Gerald F. Flood Jr.
Chief, Division E
East Asia and Pacific Department
I.B.R.D. 1818 H St., N.W.
Washington, D.C. 20433
U. S. A.

Dear Mr. Flood:

In accordance with Section 5.04 of the General Conditions Applicable to Loan and Guarantee Agreements, I wish to inform you that Mr. Cheon, Yoon Hoa, newly appointed Director General of Busan District Maritime and Port Authority, is duly authorized to sign applications for withdrawal from the loan proceeds under the Loan Nos 917-KO and 1401-KO for port development project. Enclosed herewith is an authenticated specimen of his signature.

Your cooperation in this matter will be greatly appreciated.

Sincerely yours,

S. B. Choi

Soo Byung Choi
Director-General
Bureau of Foreign Capital Management

Encl. : as stated.

AUTHORIZED SIGNATURE SPECIMEN

Signature: Cheon, Yoon Hoa

Name: Cheon, Yoon Hoa

Position: Director General
Busan Port Construction Office
Busan District Maritime and
Port Authority

I.B.R.V

부산 IBRD 지점장

Mr. Zia Kalim-EAE-C611

Erla Gunnarsdottir-CTR ⁹⁶

KOREA - Closing Dates

The present Closing Date for Loan 1466 KO is December 31, 1980. Total disbursed at August 31, 1980, is \$ 56,046,531.10 and undisbursed \$ 23,953,468.90. Except for reimbursements to commercial banks for payments under letters of credit covered by our Agreements to Reimburse, no disbursement has been made under Loan 1466 KO since December 10, 1979.

In view of the present status of this Project and if the undisbursed balance or a portion thereof, will not be used, the Borrower may wish to request cancellation of that amount in order to avoid paying unnecessary commitment charges. The necessity for postponing the Closing Date should also be reviewed with the Borrower.

Final disbursement under Loan 917 KO, with a Closing Date of June 30, 1980, is expected to be made this month. Disbursements under Loan 1070 KO may not be completed by September 30, 1980, the present Closing Date. A mission departing for Korea this week will discuss the matter with the appropriate authorities and request a postponement of the Closing Date if necessary. Disbursements against Loans 1338 KO and 953 KO are expected to be completed by December 31, 1980, the present Closing Date.

cc: Messrs. da Silva-N755
Sud/Iizuka-D451
Greig-D1111
Choll-C611
Hannah-C611
Could-A409

Miss Wongseboonchau
Asia Records-E661
Section 07

Loan 917 KO

File: 953 KO-Loan Agreement
1466 KO-Loan Agreement

ERCunnarsdottir/ss

ln 1466-KO
✓ cc ln 917-KO
cc ln 1070-KO
cc ln 1338-KO
cc ln 953-KO
September 3, 1980

The World Bank / 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 477-1234 • Cables: INTBAFRAD

ln 1070-KO ln 1158-KO
cc ln 1076-KO cc ln 1174-KO
cc ln 1101-KO cc ln 1800-KO
cc ln 1193-KO cc ln 1836-KO
cc ln 1203-KO cc ln 906-KO
cc ln 1401-KO cc ln 917-KO
cc ln 1466-KO cc ln 953-KO
cc ln 1474-KO August 20, 1980
cc ln 1536-KO cc ln 1542-KO
cc ln 1640-KO cc ln 1676-KO

Minister, Economic Planning Board
32 Sejongro, Pongno-ku
Seoul, Republic of Korea

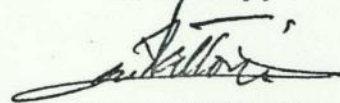
Re: Loan No. 1750, 1774, 1800, 1836,
1896, 8917, 8953, 1070, 1096, 1101,
1193, 1203, 1401, 1466, 1474, 1536, 1542, 1640, 1676 KO

Gentlemen:

The Executive Directors of the Bank recently approved the introduction of the Currency Pooling System, which equalizes among all borrowers under the System the risks pertaining to exchange rate fluctuations on the currencies borrowed and repayable on their loans. The System will be applied to all loans negotiated on or after July 1, 1980. In addition to new loans negotiated after June 30, 1980, the Executive Directors agreed that the undisbursed portions of existing loans should be eligible for inclusion in the Currency Pool at the borrower's option. An advance copy of a pamphlet titled "Currency Pooling System" is enclosed for your information.

We recommend that you study the attached description and give consideration to the transfer of your undisbursed loan balance into the Pooling System. If you have questions, please direct them to us.

Sincerely,



Masaya Hattori
Vice President and Controller

Enclosure

cc: Mr. Francis Nayer
Regional Division Chiefs

File: Loan Doc. 8986, 8917, 8953, 1070, 1096, 1101, 1193, 1203, 1401, 1466, 1474, 1530,
1542, 1640, 1676 KO 1750, 1774, 1800, 1836 KO

VIA WUI

WORLDBANK WSH

KOEXBK K23145

Distribution; fca

Mr. Loos

Contr.-Mr. Perch

1980 AUG -1 AM 8 48

RECORDS AND COMMUNICATIONS

ln 917-KO
ln 1774-KO
ln 1328-KO
8/18

TO INTBAFRAD WASHINGTON

FM KOREA EXCHANGE BANK SEOUL AUG 1 1980

WE REPEAT OURS AUG 1ST WHICH HAVE SENT ON YOUR MACHINE
WORLDBANK WAEER WSH WUI 08/01 0426 BECAUSE, WE WERE
DISCONNECTED BEFORE WE FINISHED SENDING MESSAGE STOP

-- P L S A V O I D D U P L I C A T I O N --

ATTN MR LOOS CONTROLLER DEPARTMENT ACCOUNT DIVISION

PLS BE ADVISED THAT AT REQUEST OF MINISTRY OF FINANCE REPUBLIC OF
KOREA SEOUL WE REMITTED BY CABLE FOLLOWINGS TO YOUR ACCT WITH EACH
DESIGNATED BANK READING AS FOLLOWS

LOAN NO AMOUNT DETAILS THROUGH BANK OUR REF

917 KO USDLS 564,105 INTEREST OUR NEW YORK BRANCH 0691-OTT-04876

917 KO USDLS 3,528 COMMITMENT CHARGE DITTO DITTO
1328 KO USDLS 295,389.86 PRINCIPAL DITTO DITTO
1328 KO USDLS 49,974 INTEREST DITTO DITTO
1328 KO (USJLS 901) COMMITMENT CHARGE DITTO DITTO
1774 KO USDLS 97,500 DITTO DITTO(VALUE JUL 31ST) DITTO
917 KO YEN 157,159,504 INTEREST OUR TOKYO BRANCH 0691-OTT-04885
1328 KO YEN 27,490,180 INTEREST DITTO(VALUE JUL 31ST) DITTO
917 KO BFR812,570 INTEREST SOCIETE GENERALE ~~XXXX*XXX*XXXX~~ 0691-OTT
XXXXX FROM THE JUST ABOVE LINE

917 KO BFR812,570 INTEREST SOCIEEE SOCIETE GENERALE 0691-OTT-04883
DE BANQUE S A BRUSSELS

1328 KO BFR9,687,980 PRINCIPAL DITTO DITTO
1328 KO BFR431,115 INTEREST DITTO(VALUE JUL 31ST) DITTO
917 KO DGL152,586 INTEREST ALGEMENE BANK 0691OTT-04884
NEDERLAND N V AMSTERDAM

1328 KO DGL334,913.77 PRINCIPAL DITTO DITTO
1328 KO DGL14,904 INTEREST DITTO(VALUE JUL 31ST) DITTO
917 KO DM2,\$90,000 PRINCIPAL DEUTSCHE 0691-OTT-04748
BUNDESBANK FRANKFURT

917 KO DM96,062.50 INTEREST DITTO(VALUE JUL 24TH) DITTO
917 KO DM922,690 INTEREST DEUTSCHE BUNDESBANK FRANKFURT 0691-OTT-
04887

1328 KO DM364,813 INTEREST DITTO(VALUE JULY 31ST) DITTO
917 KO DLSA 6,154 INTEREST BANK OF NEW SOUTH 0691-OTT-04886
WALES SYDNEY(VALUE JUL 31ST)

917 KO SFR1,857,680 INTEREST UNION BANK OF 0691-OTT-04888

SWITZERLAND ZURICH

1328 KO SFR885,587 INTEREST DITTO (VALUE JUL 31ST) DITTO

917 KO RS50,014 INTEREST OUR SINGAPORE BRANCH 0691-OTT-04774

(VALUE JUL 24TH)

917 KO IRLS1,086,706 INTEREST BANK MARKAZI IRAN TEHRAN 0691-OTT

-04772

917 KO NTDLS695,198.80 INTEREST IRVING TRUST 0691-OTT-04773

COMPANY TAIPEI (VALUE JUL 26TH)

917 KO MDLS 11,452 INTEREST THE BANK OF TOKYO 0691-OTT-04779

KUALALUMPUR (VALUE JUL 29TH)

CRTD KOEXBANK SEOUL

CCL CKD

☐

WORLDBANK WSH



KOREA MARITIME AND PORT ADMINISTRATION

263, Yeunji-dong, Jongro-ku,

SEOUL, KOREA

*ln 917-KO
cc ln 1401-KO*

Aug. 1/80

Mr. Curt Carnemark
Chief, Transportation Division
Project Departments
East Asia and Pacific Regional Office
The World Bank
1818 H Street, N. W., Washington, D. C. 20433
U. S. A.

Dear Mr. Carnemark,

ln 1401-KO & also 917-KO

We wish to thank you and Mr. P. Levy for your approval to the final report in the field of finance and accounting and we are forwarding nine copies of them to you in a separate package.

doc # 132,6770

Expressing our deep regret for the delay in sending you draft final report on port operation and Busan Container Terminal Operations Manual, we are also sending you for your comment two copies of each.

Your close cooperations is always appreciated.

Yours Sincerely,



Im you soon

Im, You Soon

Director General

Finance and Accounting Bureau.

IMCOMB HAVIT
010 210 - 3
RECEIVED



KOREA MARITIME AND PORT ADMINISTRATION

263, Yamsin-dong, Jongno-gu

SEOUL, KOREA

Mr. Carl Garmann
Chief, Transportation Division

East Asia and Pacific Regional Office

The World Bank
1818 H Street, N.W., Washington, D.C. 20433

U. S. A.

Dear Mr. Garmann,

1401-Korea-917-40

We wish to thank you and Mr. E. Levy for your approval to the final report in the field of finance and accounting and we are forwarding nine copies of this to you in a separate package.

Expressed our deep regret for the delay in sending you this final report on port operation and vessel management. In addition, we are also sending you for your own use two copies of our Manual.

Your close cooperation is always appreciated.



RECEIVED

1980 SEP -3 PM 2: 15

INCOMING MAIL UNIT

ln 917-KO

July 29, 1980

Mr. Im You Soon
Director General
Finance and Accounting Bureau
Korea Maritime and Ports Authority
Seoul, Korea

Dear Mr. Im,

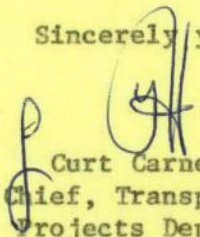
Re: Korea First Ports Project - Loan 917-KO
Contract for Consulting Services for Technical
Assistance and Training in Port Operations and Finance
and Accounting between KMPA and SGV and Co. and Ahn Kwon
and Co.
Final Report Part 1. Finance and Accounting

This is to acknowledge receipt of your letter dated July 18, 1980 informing us of KMPA's agreement with the content of the final report on Finance and Accounting as discussed in July 1980 in Seoul between KMPA's representatives, Messrs. Alto (SGV), Kwon (Ahn Kwon and Co.) and Mr. P. Levy, Financial Analyst, IBRD.

We wish to inform you that we have no objection to the finalization of the consultant's report as agreed during these discussions.

We look forward to receiving the draft final report on the Port Operations component of the SGV - Ahn Kwon contract for comments prior to its finalization.

Sincerely yours,


Curt Carnemark
Division Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

cc: Messrs. Yenny, Gyi (AEPTR), Kalim (AEADE)
Ms. Gunnarsdottir (CTR)

PLevy:dce

C422
In 917-KD

The World Bank / 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 477-1234 • Cables: INTBAFRAD

First Canadian Financial Corporation, Ltd.
Alexandra House, 16th Floor
16-20 Chater Road
Hong Kong

JUL 25 1980

Attention: Managing Director

Re: World Bank Loan/Participation No. 917 KO
Republic of Korea

Gentlemen:

With reference to your participation in the above loan, we have instructed by telex Deutsche Bundesbank, Frankfurt Germany to pay DM 2,746,062.50 to Bank of Montreal, Frankfurt Branch for your account.

This payment represents principal and interest.

<u>Cert. No.</u>	<u>Period</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Amount Payable</u>
GA-1781	2/1/80 to 8/1/80	DM 2,650,000.00	7-1/4%	DM 2,746,062.50

If applicable, please cancel the maturing certificate(s) and return it(them) to us by uninsured mail, using the attached copy of this letter for transmittal.

Sincerely yours,

[Handwritten Signature]
Authorized Signature

KO m 917

June 13, 1980

Mr. A.J. McKee
Lyon Associates, Inc.
7900 Westpark Drive
McLean, Virginia 22101

Dear Mr. McKee:

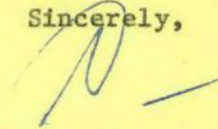
Re: Loan 917-KO
First Ports Project
Consulting Engineer's Summary of Completed Project

Upon completion of all construction work on major civil works financed by the Bank, the Consulting firm responsible for the engineering of the project is normally requested to fill in a form which is herewith attached. The purpose of this form is to:

- (a) add to the consulting firm's file in the Bank a concise record of the firm's services relating to a particular Bank project;
- (b) focus the firm's attention on the importance attached by the Bank to the problem of cost overruns throughout the history of a project; and
- (c) give the firm an opportunity to comment on project cost experience and to make recommendations, based on the lessons learned during the assignment, for use in future projects of similar type.

As Lyon Associates, Inc. were consulting engineers for the "First Ports Project" of Korea, I would appreciate it very much if you would complete and return the form to me as early as possible.


Sincerely,



Curt Carnemark
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

Attachment

cc: Messrs. Higginbottom, Gyi, Dickerson (PAS)


FKMGyi:dce

OFFICIAL FILE COPY



KOREA MARITIME AND PORT ADMINISTRATION

263, Yeunji-dong, Jongro-ku,

SEOUL, KOREA

11 June 1980

Curt Carnemark
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office
International Bank for Reconstruction
and Development
1818 H. Street, N.W.
Washington, D.C. 20433
U.S.A.

*Higginbottom
Lily
Yenny
A.F.
Ln 917-KO
cc/LN 1401-KO
cc/Ports (3)-KO
Lily
Pl attach
May? Cable
JH*

*Mr Yenny
I see no problems
do - by you?
JH*

Dear Mr. Carnemark:

First and Second Ports Projects (Loans 917 and 1401-KO)

We refer to your letter dated May 7, 1980 as follows:

1. Ports III Study

At the discussion with your Mission (January - February), we agreed that the Consultant should submit the Project Contents Report in early August for the review of your mid-August Mission.

We have been informed that if your early July Mission would agree to finalize the review of the Consultant's traffic forecast, allocation of traffic to the various ports, and the alternative plans to handle the traffic, the delay in your Mission's review of the Project Contents Report until mid-September would not affect the completion of the subject study.

The Consultant has informed us that they will submit the necessary data for your early July Mission's review on or about July 1, 1980 and the Project Contents Report on or about September 8, 1980 if you agreed to the above review schedule.

We expect to hear from you concerning this matter.

/cont'd.....

TRANSPORTATION DIVISION
EAST ASIA & PACIFIC REGION
File No. 6-37/20
Reviewed by: Cable
Date: June 23/80 JH

RECEIVED

1980 JUN 19 PM 2:10

INCOMING MAIL UNIT

Cont. 9

We expect to hear from you concerning this matter.

1980 If you agreed to the above review schedule.

July 1, 1980 and the project contents report on or about September 8,

necessarily date for your early July mission, a review on or about

the consultant has informed us that they will submit the

completion of the subject study.

Project contents report until mid-September would not affect the

to handle the traffic, the delay in your mission, a review of the

allocation of traffic to the various ports, and the alternative plans

agree to finalize the review of the consultant's traffic forecast.

We have been informed that if you early July mission would

report in early August for the review of your mid-August mission.

We advise that the consultant should submit the project contents

at the discussion with your mission (January - February).

1. Ports III Study

We refer to your letter dated May 7, 1980 as follows:

First and second ports projects (ports 317 and 100-K0)

Dear Mr. Carlsmark:

U.S.A.
Washington, D.C. 20533
1618 N. Street, N.W.
International Bank for Reconstruction
and Development
1910 Lafayette Blvd. 6th Fl.
Project Department
Chief, Transportation Division
Civil Carlsmark

Handwritten notes and signatures, including "Cont. 9" and "11 June 1980".

11 June 1980

3000 X000

3000 X000

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



11 June 1980

Page 2.

2. Container Yard Operations

We want to have a special discussion with your Mission in early July about reducing container depots established outside the port area and the timing for the proposed closures.

Please be advised that we agree to your other comments.

Yours sincerely,

Im you soon
You Soon Im
Director General
Finance and Accounting Bureau
K.M.P.A.

hm 1401-70
Ref hm 917-KO
hm 1401-KO
cc hm 917-KO

AHN, KWON & CO.

CERTIFIED PUBLIC ACCOUNTANTS

MAILING ADDRESS:
C. P. O. BOX 5928
SEOUL, KOREA
CABLES: AHNKWON
TELEX: K24350

20TH FLOOR
DAEWOO CENTER
CHOONG-KU, SEOUL
286, YANG-DONG
TEL. 23-0215/8

Letter No. OS80-045

May 31, 1980

Korea Maritime and Port Administration
263, Yeongi-dong, Jongro-ku
Seoul, Korea

Attention of Mr. Im, You Soon
Director General of Finance and Accounting Bureau

Gentlemen;

We are pleased to submit our Draft Final Report in compliance with the Contract for Consulting Services for Technical Assistance and Training on Port Operations and Finance and Accounting between Korea Maritime and Port Administration (KMPA) and SGV. Co. and Ahn, Kwon & Co (Consultant).

This report covers Part II - Port Operations of the Consulting Services. Part I - Finance and Accounting was submitted earlier. *doc # 121770*

This report summarizes the Consultant's activities during the 20-month period from September 1, 1978 to April 30, 1980 in accordance with the scope of work detailed in the Consultant's Work Program for Port Operations. This report also reflects the Consultant's evaluation and conclusion relative to execution of the project.

We wish to acknowledge the support and co-operation extended to us by the management and staff of KMPA, BDMPA and BCTOC during the engagement.

Very truly yours,

SGV & CO.

AHN, KWON & CO

Adriano C. Dy
Partner in Charge
Management Services
Division

Young Ro, Kwon
Managing Partner

6m 9/7-100



KOREA MARITIME AND PORT ADMINISTRATION 6-28-80
263, Yeunji-dong, Jongro-ku,
SEOUL, KOREA

C. Carnemark
Yeunji
Seoul
6-28-80

Mr. C. Carnemark
Chief, Transportation Division Project
Departments,
East Asia and Pacific Regional Office
The World Bank
1818 H Street,
N.Y. Washington. D.C. 20433,
U. S. A.

May 27, 1980

Dear Mr. Carnemark:

This refers to your telex message of May 9, 1980.

Inclosed herewith is a copy of Modification to Contract for Services for Technical Assistance and Training on Port Operation and Finance and Accounting which has been signed by KMPA and S.G.V. & CO. and Ahn Kwon & Co. to extend two months in the field of port operations in accordance with Article 7.02 of the Contract.

doc # 132,677n

Your continuous cooperations in this matter will be highly appreciated.

Yours Sincerely,

Am you soon

Im, You Soon
Director General
Finance and Accounting Bureau
K.M.P.A.

TRANSPORTATION DIVISION
EAST ASIA & PACIFIC
Log No. 6-7/5
Answered by:
Date:

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ln 917-KO *80 young*
Q *Hoghotka*
6-28-80 *2 beug dR*

KOREA MARITIME AND PORT ADMINISTRATION
263, Yeunji-Dong, Jongro-Ku,
SEOUL, KOREA

Mr. Curt Camemark
Chief, Transportation Division
East Asia and Pacific Regional Office
The World Bank

May 20, 1980

Dear Mr. Curt Camemark:

Re:IBRD Loan Agreement 917-KO
First Port Project-
Progress Report

In accordance with Section 5.02(a) of ^{Q.R.} the Loan Agreement,
we are forwarding to you the requiring reports concerning earnings
of BDMPA and MDMPA of 1/4 quarter of 1980.

Your continuous cooperation on our port projects would be
highly appreciated.

Very truly yours,

Im you soon
Im, You Soon
Director General
Finance and Accounting Bureau
K.M.P.A.

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INCOMING MAIL UNIT

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WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: CABLE Date: MAY 9, 1980

Telex No.: _____ Originators Ext: 74206 787-26528

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TEXT

KOREA MARITIME AND PORT ADMINISTRATION
SEOUL, KOREA

FOR MR. IM YOU SOON, DIRECTOR GENERAL, FINANCE AND
ACCOUNTING BUREAU RE FIRST PORT PROJECT LOAN 917-KO.
ACKNOWLEDGE RECEIPT YOURTEL DATED MAY 9 AND HAVE NO OBJECTION
TO EXTENSION OF PORT OPERATION COMPONENT OF SGV-AHNKWON
CONTRACT FOR TECHNICAL ASSISTANCE AND TRAINING ON PORT
OPERATION AND FINANCE/ACCOUNTING ALONG DETAILS GIVEN IN
SAME TELEX. TAKE NOTE THAT ADDITIONAL COST OF DOLLARS 19,847
WILL BE FINANCED FROM FUNDS AVAILABLE UNDER LOAN 917-KO.
LOOK FORWARD TO RECEIVING CONTRACT AMENDMENT AS SOON AS
POSSIBLE TO ENABLE US TO HONOUR WITHDRAWAL APPLICATION.
REGARDS CURT CARNEMARK, INTBAFRAD

CONTRACT FOR

NOT TO BE TRANSMITTED

SUBJECT: KOREA 917-KO	DRAFTED BY: PLeyy:prs
CLEARANCES AND COPY DISTRIBUTION: Cleared in substance and cc: Miss Gunnars.	AUTHORIZED BY (Name and Signature): F. Higgins, Acting Chief, AEPTR
cc: Messrs. Kirmani, Gyi, Yenny, Kalim	DEPARTMENT: East Asia & Pacific
SECTION BELOW FOR USE OF CABLE SECTION	
CHECKED FOR DISPATCH	



Record Removal Notice

File Title Port Project - Korea, Republic of - Loan 0917 - P004053 - Correspondence - Volume 12	Barcode No. 30213963
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Document Date May 9, 1980	Document Type Incoming wire
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Correspondents / Participants
To : Mr. C. Carnemark, Chief Transportation Division

Subject / Title
Extending Port Operation Component by two months

Exception No(s).
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Reason for Removal
Personal Information

Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

Withdrawn by Chandra Kumar	Date Apr 18, 2014
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cc Ln 917-KO
Ln 1401-KO

May 8, 1980

Mr. Im You Soon
Director General
Finance and Accounting Bureau
Korean Maritime and Ports Authority (KMPA)
Seoul
Korea

Dear Mr. Im:

Re: Korea - First and Second Ports Projects
Loans 917-KO and 1401-KO
Contract for Consulting Services for Technical Assistance
and Training on Port Operations and Finance and Accounting
between KMPA and S.C. Vand Company and Ahn Kwon and
Company (Consultants), Part I Finance and Accounting -
Draft Final Report

We would like, first of all, to congratulate you on your recent appointment and we look forward to continuing the same cooperative relationship we enjoyed with your predecessor, Mr. Choi, Kyu Young. In our telex dated April 11, 1980 we informed Mr. Choi that we would notify KMPA of our comments on the above report when Mr. P. Levy, who is in charge of looking into the organizational and financial aspects of our Ports Projects in Korea, had returned to Washington. Mr. Levy is now back in his office and this letter conveys to you our comments on the consultant's report.

In general, we consider that the Consultant's report has attained its objectives: it provides a comprehensive basis for keeping to the timetable for implementing KMPA's new financial, budgeting and accounting procedures as detailed in our letter dated March 14, 1980 to Mr. Moon Myung Rhim. Our specific comments are listed in the attachment to this letter. We hope that they are in agreement with your own views, and that you will convey them to your consultants, along with your own comments, as planned under item (b) of the timetable. This would allow the consultants to submit their final Report on the Financial and Accounting part of their contract shortly. KMPA could simultaneously prepare the detailed plan, referred to as item (d) of the timetable, within the agreed date (June 30, 1980) for discussion with a mission we plan to send to Korea in early July 1980. While the main objective of this mission will be to pre-appraise the proposed Coal and Cement Distribution Project (in which KMPA is likely to be involved), Messrs. Levy and Yenny have allowed some time for these discussions, and will contact you for making the necessary arrangements. We would consequently appreciate it if you could make preparations for these discussions to prevent any further slippage in the timetable, as the present target date (January 1, 1983) for implementing the new system already represents a four-year delay from the date set forth under section 3.02 of Loan Agreement 1401-KO.

OFFICIAL FILE COPY

Mr. In

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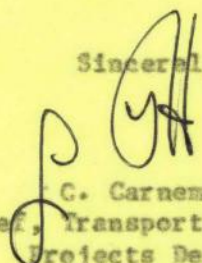
May 8, 1980

Coal and Cement Distribution Project and Proposed Third Port Project

We take this opportunity to confirm our telex dated May 7, 1980 and hope that you will have obtained from KIST a copy of Working Document 7 (Port and Marine Analysis) of their ongoing Coal and Cement Distribution and Comprehensive Transport Study. This document would be useful for the consultants carrying out the detailed engineering study for the proposed Third Port Project and provide the basis for discussion with the above mentioned mission.

We would appreciate receiving your preliminary reactions to this letter at your earliest opportunity. A copy of it is being sent to Messrs. Suh In Soo (Ministry of Transport) and Lee, Kyu Chan (EPB) for information).

Sincerely,



C. Carnemark
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

cc: Mr. Suh In-Soo
Ministry of Transport

Mr. Lee, Kyu Chan
EPB

Cleared with and cc: Mr. Higginbottom

cc: Messrs. Kalin, Giji, Yenny

PLEvy:hp

Attachment

OFFICIAL FILE COPY

Contract for Consulting Services for Technical Assistance and
Training on Port Operations and Financial and Accounting
between KMPA and S.G.V. & Co. and Ahn Kwon and Co. (Consultant)

Comments on the Consultant's draft final report:

Review of Asset Values and Depreciation Rates

Page 25. It should be specified in the last paragraph that KMPA's Finance and Accounting Bureau at Headquarters should be provided with a copy of each DMPA's Financial Asset Card and thereafter be informed of each change in the physical inventory and/or value of DMPA's fixed assets.

Evaluation of Potential Computer Applications for KMPA's Accounting System

Page 27. We are not convinced that KMPA's new accounting system should not be computerized at an early stage, at least partly. Early computerization of the inventory and valuation of Fixed Assets, the stores accounting (physical inventory and values), and perhaps the Payroll would most probably facilitate implementation to the new accounting system. We suggest amending the second para. of page 27 accordingly.

Review KMPA's overall Corporate Planning Function

Page 30. We do not agree with the consultant's statement that the development of a long-term financial plan should follow implementation of the new budgetary and accounting procedures. Such a plan should be prepared before implementation of the new financial procedures for KMPA and each DMPA. It would be prepared along the lines defined in the Consultant's Budgetary Manual. The first five-year period would cover 1982-1986 which coincide with Korea's Fifth five-year Plan.

Construction Cost Accounting

Page 41. The paragraph on the DMPA's needs clarification.

Payroll Accounting

Pages 45-46. The possibility of computerizing payroll accounting should be mentioned together with suggestions for assessing the pros and cons of such an operation.

Review Debt Management System

Pages 51-52. We suggest this section of the report should be merged with "Loan Management Procedures" (page 42).

Delineation of Functions Between the Planning and Management Office and the financial Management Division of the Finance and Accounting Bureau

Pages 71-72. The description of the basic functions of each body should be further classified. We consider that the Planning and Management Office should be responsible for economic evaluation of investments rather than the Financial Management Division, as proposed by the consultant.

Evaluation of Computer Application Potential for KMPA's Accounting System

Page 78. We disagree with the consultant's statement that "concrete steps to computerize KMPA's accounting system should be taken only after the manual system is implemented successfully". See our earlier comments on the subject.

Training for Cadre of Selected Staff

Page 82. We fear that the training program defined by the consultant under his proposed plan of action will not be sufficient to set up a team which would assume responsible posts in KMPA's new financial organization. It is likely that KMPA will have to recruit some qualified and experienced accountants, both for KMPA and for the major DMPA's.

Appendix E - Financial Management Division

As stated earlier, we suggest that the economic analysis of investments should be under the Planning and Management Office. We are not entirely convinced that the Funds Management Section is necessary: its decreased responsibilities should be given to the Financial Analysis Section.

Appendix H - Proposed Schedule and Description of Consultant's Activities

We consider that the proposed consulting services should include assistance in preparing KMPA's and DMPA's initial balance sheets. This task is crucial to keep to the agreed timetable for implementing the new financial system. We suggest that the schedule and description be amended accordingly.

Appendix I - Proposed Staff Assignment Schedule

We consider that the Project managers needs to be present full time during implementation of the Program. In addition, a few more manmonths should be added for the above mentioned assistance for preparing the initial balance sheets.

✓ ln 917-KO
ln 1401-KO

May 7, 1980

Mr. Moon Myung Rhin
Deputy Administrator
Korea Maritime and Port Administration
Seoul, Korea

Dear Mr. Moon:

KOREA: First and Second Ports Projects (loans 917 & 1401-KO)
Supervision Mission - January 1980

Our letter of March 14, 1980 dealt with the above mission's conclusions regarding the financial performance of the Ports of Busan and Mukho and with financial organizational matters. In addition, a separate paragraph of the letter referred to the agreement reached on the utilization of undisbursed funds under Loan 917-KO. We are now writing to inform you of some of the mission's findings as they relate to certain technical matters.

First Port Project (Loan 917-KO)

We have noted that the physical component of the project has now been completed except some minor work to be done under the contractual maintenance clause and some improvements in the dust presentation devices of the coal unloading berth.

Second Port Project (Loan 1401-KO)

We have noted the estimated final cost including price contingencies as Won 93.5 billion including US\$97.4 million calculated on the same basis as that used at the time of appraisal. This total includes Won 1 billion for work financed under the project in the PAC 10 area. We also note the forecast project expenditure on civil works in Won billion as follows:

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
Pier 6 (rough grading)	1.3	29.4	6.1		36.8
Pier 2 & light wharf	0.5	3.7	2.2		6.4
Pier 3 & central wharf			3.8	6.3	10.1
Pier 6 (finishing)			14.1	9.8	23.9
	1.8	33.1	26.2	16.1	77.2

Total expenditure Won 77.2 billion (US\$133.1 million). We confirm our understanding that the cost overrun on these projects will be financed by the Government and that the above timing of the projects is acceptable.

On the question of disbursement we anticipate that the final loan disbursement for each category is expected to be as follows:

	<u>US\$ Million</u>
Cate. I - Civil works	42.5
II - Equipment	18.7
III - Consulting services	4.0
IV - Technical assistance	1.2
V - Ports III study	<u>0.6</u>

We understand that the above disbursement amounts are acceptable to you, but will of course, be subject to review by future missions from time to time. The average disbursement for civil works is about 32% compared to the 55% originally proposed. However, we understand you would prefer that a higher percentage be paid for expenditure during 1979 and 1980 and accordingly propose that the percentage be 35% for expenditure to December 31, 1980 and 24% thereafter.

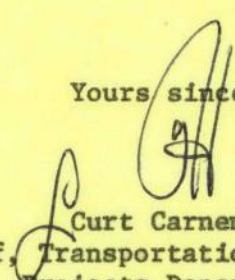
We would also appreciate your advice on the date the Ports III study consultants interim report, on which the choice of ports to be developed will be based, will be available. We are provisionally planning to visit Korea to discuss this report about mid-September 1980.

Finally in the discussion on container yard operations it was mentioned that the container depots established outside the port area would be reduced so that use of the port facilities would increase. We would appreciate receiving your latest information on this subject and the timing for the proposed closures.

The mission has asked me, once again, to thank you and your staff for their courteous reception and the assistance they received.

With best regards,

Yours sincerely,


Curt Carnemark
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

Cleared with and cc: Mr. Kalim

cc: Messrs. Gyi, Yenny
Ms. Gunnarsdottir

FHigginbottom/PLevy/sm

ln 917-KO
May 6, 1980

THE WORLD BANK
IBRD AND IDA - SUPERVISION SUMMARY

This summary is the initial summary
 part of a mission report
 an annual update

For detailed instructions on completion of this form, please see Attachment A to the Annex of OMS 3.50.

THIS FORM IS A STOCKROOM ITEM.

Regional Office: AEP	Project Name: First Port Project	Project Code: 7 KORTPO1	Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> No.: 917-KO	L/C Amount (\$xx.xm): 80.0
Country: Korea	Borrower/Beneficiary: Government of Korea	Board Date: 6/14/73	Signing Date: 6/23/73	Effective Date: 9/18/73
Projects Dept./Div. Name: AEPTR	Org. Code No.: 176/30	Projects Officer: F. Higginbottom	Loan Officer: Z. Kalim	

SECTION 1: SUMMARY PROJECT DESCRIPTION 1. Construction of a composite pier and a bulk handling pier at Busan and necessary dredging. 2. Improvement of general cargo piers and provision of a coastal ferry berth and an international ferry berth at Busan. 3. Construction of a coal pier and breakwater repairs at Mugho. 4. Mechanical equipment for container, bulk cargo and grain handling. Second port study and technical assistance in setting up the Korea Maritime and Port Administration.

SECTION 2: PERFORMANCE RATING

STATUS: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems

TREND: 1 - Improving; 2 - Stationary; 3 - Deteriorating

TYPES OF PROBLEMS: F - Financial; M - Managerial; T - Technical; P - Political; O - Other (Explain in Section 6.)
If more than one type of problem, enter most critical factor first.

	This Summary	Last Summary
STATUS	2	2
TREND	2	2
TYPES OF PROBLEMS	M	F M
IMPLEMENTATION STATUS: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems		
Disbursements	1	1
Estimated Cost	1	1
Anticipated Completion	2	2
Compliance with Loan Conditions	2	1
Project Finances	1	1
Management Performance	2	2
Procurement Progress	1	1
Performance of Consultants	2	1
Reporting	2	2
DEVELOPMENT IMPACT: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems		
Expected Benefits	1	1
Rate of Return	1	1
Institution-Building	2	2

SECTION 3: PROJECT DATA

Estimated/Actual:	Project Completion (Mo./Yr.)	Loan/Credit Closing (Mo./Day/Yr.)	Total Project Cost (\$xx.xm)	of which:		Cumulative Disbursements through most recent Quarter ended (12/31/79) (\$xx.xm)
				Foreign Currency <u>1/</u> (\$xx.xm)	Local Currency (\$xx.xm)	
Appraisal Est.	6,78	6,30,79	118.5	80.0	38.5	80.0 (Est.)
Last Summary (9/11/79)	9,79	6,30,80	143.3	101.2	42.1	78.6
Current	12,79	6,30,80	143.0	101.5	41.5	(Actual)

1/ 1US\$ = Won 485

SECTION 4: MISSION SCHEDULE

	No. of Staff on Mission	No. of Days in Country	Return to HQ (Mo./Day/Yr.)	Final Report Date (Mo./Day/Yr.)
Latest/Present Mission	3	8 *	2, 10, 80	5, 6, 80 (FS)
Previous Mission	2	10	8, 1, 79	9, 11, 79 (FS)
Next Mission Departure (Mo./Yr.)	8, 80	Recommended interval between missions (Months)	6	End of period covered by latest progress report (Mo./Day/Yr.)

* Type of Report: FS = Full Supervision; CS = Combined Full/B-T-O; C = Completion; A = Appraisal; O = Other (explain below)

* Including supervision of Second Ports Project.

Names of Mission Members	Mission Members' Specializations
F. Higginbottom	Port Engineer
P. Levy	Financial Analyst
J. Yenny	Economist

Number of members on both present and previous mission:
None
One
Two or More

J. D. J. May 12 1980

FORM N
(1-7
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Re

SECTION 5: COMMENTS (Clarify, if necessary, data in Sections 3 and 4.)

This report includes a supervision of the Second Ports Project (Loan 1401-KO) for which a separate form 590 is attached. The report's annexes cover both projects.

SECTION 6: SUMMARY OF PROJECT STATUS, TREND AND MAJOR PROBLEMS

6.01 All ten civil work contracts and the equipment procurement contracts have been completed. The contract for technical assistance and training in port operations and finance and accounting will be completed by June 30, 1980.

6.02 Total estimated project cost is US\$143 million including about US\$102 million in foreign cost exchange. The Saudi Fund for Development (SFD) provided US\$35 million equivalent for the financing of the foreign exchange component of the project cost overrun and has agreed that the unspent balance could be used for financing additional works which are now underway.

SECTION 7: MISSION RECOMMENDATIONS AND MANAGEMENT ACTION REQUIRED

7.01 A cable giving details of the final disbursement proposed for Loan 917-KO has been sent to Korea (dated May 6, 1980).

7.02 A mission to gather data for the project completion report is planned for Sept 1980.

NAME OF PREPARING OFFICER:

F. Higginbottom/P. Levy/J. Yenny

INITIALS:

DATE:

May 6, 1980

THE WORLD BANK
IBRD AND IDA - SUPERVISION SUMMARY

This summary is the initial summary
 part of a mission report
 an annual update

For detailed instructions on completion of this form, please see Attachment A to the Annex of OMS 3.50.

THIS FORM IS A STOCKROOM ITEM.

Regional Office: AEP	Project Name: Second Ports Project	Project Code: 7KORTPO2	Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> No.: 1401-K0	L/C Amount (\$xx.xm): 67.0
Country: Korea	Borrower/Beneficiary: Government of Korea	Board Date: 4/12/77	Signing Date: 4/28/77	Effective Date: 7/27/77
Projects Dept./Div. Name: AEPTR	Org. Code No.: 176/30	Projects Officer: F. Higginbottom	Loan Officer: Z. Kalim	

SECTION 1: SUMMARY PROJECT DESCRIPTION To the work already being done under the First Port project, the further expansion of Busan Port provides: (a) 700m extension of container berths, 335,000 sq m expansion of stacking area, dredging to provide an alongside depth of 12.5m, and access road inside port limits, a guard house, an 8,000 sq m container freight station, ancillary works and utilities; (b) rehabilitation of piers 3 and 4, the central wharf, and lighter wharf No.5; (c) container handling equipment and floating craft; (d) engineering consultant services, and (e)

SECTION 2: PERFORMANCE RATING technical assistance and training.

	This Summary	Last Summary
STATUS: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems	<input type="checkbox"/> 2	<input type="checkbox"/> 1
TREND: 1 - Improving; 2 - Stationary; 3 - Deteriorating	<input type="checkbox"/> 1	<input type="checkbox"/> 2
TYPES OF PROBLEMS: F - Financial; M - Managerial; T - Technical; P - Political; O - Other (Explain in Section 6.) If more than one type of problem, enter most critical factor first.	<input type="checkbox"/> F <input type="checkbox"/> M <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<input type="checkbox"/> F <input type="checkbox"/> M <input type="checkbox"/> <input type="checkbox"/>
IMPLEMENTATION STATUS: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems		
Disbursements	<input type="checkbox"/> 1	<input type="checkbox"/> 1
Estimated Cost	<input type="checkbox"/> 2	<input type="checkbox"/> 2
Anticipated Completion	<input type="checkbox"/> 2	<input type="checkbox"/> 2
Compliance with Loan Conditions	<input type="checkbox"/> 2	<input type="checkbox"/> 1
Project Finances	<input type="checkbox"/> 2	<input type="checkbox"/> 1
Management Performance	<input type="checkbox"/> 2	<input type="checkbox"/> 1
Procurement Progress	<input type="checkbox"/> 1	<input type="checkbox"/> 1
Performance of Consultants	<input type="checkbox"/> 1	<input type="checkbox"/> 1
Reporting	<input type="checkbox"/> 1	<input type="checkbox"/> 1
DEVELOPMENT IMPACT: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems		
Expected Benefits	<input type="checkbox"/> 1	<input type="checkbox"/> 1
Rate of Return	<input type="checkbox"/> 1	<input type="checkbox"/> 1
Institution-Building	<input type="checkbox"/> 2	<input type="checkbox"/> 2

SECTION 3: PROJECT DATA

Estimated/Actual:	Project Completion (Mo./Yr.)	Loan/Credit Closing (Mo./Day/Yr.)	Total of which:			Cumulative Disbursements through most recent Quarter ended (3/ 30/ 80) (\$xx.xm)
			Project Cost (\$xx.xm)	Foreign Currency (\$xx.xm)	Local Currency (\$xx.xm)	
Appraisal Est.	12, 81	12, 31, 82	111.9	70.0	41.9/1	30.1 (Est.)
Last Summary (9, 11, 79)	12, 81	12, 31, 82	167.0	95.0	72.0/1	
Current	12, 81	12, 31, 82	161.2	97.7	63.5/1	4.8 (Actual)

/1 Based upon appraisal estimate of foreign exchange percentage

SECTION 4: MISSION SCHEDULE

	No. of Staff on Mission	No. of Days in Country	Return to HQ (Mo./Day/Yr.)	Final Report Date (Mo./Day/Yr.)
Latest/Present Mission	3	8 *	2, 10, 80	5, 6, 80 FS
Previous Mission	2	10	8, 1, 79	9, 11, 79 FS
Next Mission Departure (Mo./Yr.)	8, 80	Recommended interval between missions (Months)	6	End of period covered by latest progress report (Mo./Day/Yr.)
12, 31, 79				

* Type of Report: FS = Full Supervision; CS = Combined Full/B-T-O; C = Completion; A = Appraisal; O = Other (explain below)

Names of Mission Members	Mission Members' Specializations	Number of members on both present and previous mission:
F. Higginbottom	Port Engineer	None <input type="checkbox"/>
P. Levy	Financial Analyst	One <input checked="" type="checkbox"/>
J. Yenny	Economist	Two or More <input type="checkbox"/>
_____	_____	
_____	_____	
_____	_____	
_____	_____	

SECTION 5: COMMENTS (Clarify, if necessary, data in Sections 3 and 4.)

SECTION 6: SUMMARY OF PROJECT STATUS, TREND AND MAJOR PROBLEMS

6.01 Two of the four civil engineering contracts and a contract for procurement of a tug boat have been let. Bids for the container handling equipment have been called for. The last two civil works items cannot commence until the present works are completed. The work of the contractors and the consultant for supervision (Lyon Associates, USA) is satisfactory.

6.02 The estimated cost of the proposed works is Won 93.4 billion (US\$161 million equivalent including US\$97 million foreign exchange so that the overrun compared to the appraisal estimate will be about US\$50 million equivalent in total cost and US\$27 million equivalent in foreign exchange. Disbursement for mechanical equipment and consultant services will remain unaltered but it is proposed that for civil work be reduced to 40% for expenditures incurred up to December 1980 and 24% for expenditure incurred thereafter.

6.03 The study for the Ports III project has commenced with the intention of selecting the ports for development by September 1980 and completing the study by December 1980. The Government appointed Lyon Associates, USA to carry out the study.

6.04 Total traffic in 1979 is estimated to be 28 million revenue tons of which 3.4 million tons were petroleum products and 9.2 million tons was containerized cargo. The number of containers handled in 1979 was 402,000. The installation of the computer for container operations at Busan is completed and training of operators is in hand.

6.05 Busan District Maritime and Port Authority had a net profit of 5.2 billion Won in 1979 and had a financial rate of return of 10.4%; current assets/current liabilities ratio 0.6 times the corresponding figures for Mukho District Maritime and Port Authority were 0.3 billion Won, 5.1% and 1.4 times.

6.06 Following extensive discussions on the implementation of the commercial accounting and budgeting system it was agreed the formal implementation of the system would be January 1, 1983, four years after the date originally agreed. This new date will require appraisal by Parliament in September 1981 of the granting of the necessary powers to KMPA. Training of KMPA staff in the implementation of the commercial accounting system by consultants, Sycip Gorres Velayo & Co. (Philippines) in association with Ahn Kwon & Co. (Korea) is proceeding satisfactorily.

Section 7: Mission Recommendations and Management Action Required

7.01 In addition to the letter sent to KMPA on March 24, 1980 (Annex 1) a further letter is being sent covering (a) revision of the disbursement percentage for civil works and (b) the timing of the interim report forming basis for the agreement of the Ports III project, project content, between the Government and the Bank.

7.02 A mission comprising a port engineer an economist and a financial analyst should visit Korea about September 1980 for supervision of the Second Ports project and review of the interim findings of the Ports III study.

cc: Messrs. Rajagopalan (3), Willoughby (1), Vorkink, Subramanian, Kapur, Jaycox, Husain, Loos, Kalim, Kirmani, Howell, Hasan, Baldwin, Fox, Ruddy, Gyi
Ms. Gunnarsdottir

NAME OF PREPARING OFFICER:

F. Higginbottom/P. Levy/J. Yenny

INITIALS:

DATE:

May 6, 1980

KOREA

FIRST AND SECOND PORTS PROJECTS

SUPERVISION MISSION - JANUARY 1980

Attached Annexes

- Annex 1 - Copies of Action Letter
- 2 - Schedule of Disbursements
- 3 - Project Description
- 4 - Places Visited and Officials Met on the Mission
- 5 - Project Coordination with the Asian Development Bank
- 6 - Execution of the Project
- 7 - Traffic and Operations
- 8 - KMPA's Budgeting and Accounting Procedures and Financial Results
- 9 - Organization, Management and Performance of the Borrower
- 10 - Performance of Consultants
- 11 - Future Developments

March 1980

... of the mission in 1979: ...
... of the port of Busan were in line with ...
... project's operational mission, and no ...
... as they did in previous years. This is ...
... and investment costs ...
... as a result, Busan's short-term financial ...
... in the previous years. The ...
... if Busan's financial performance meets its ...
... of the ...
... working costs ...
... that is ...
... at least partly ...
... of ...

March 14, 1980

Mr. Moon Myung Rhin
Deputy Administrator
Korea Maritime and Ports Authority
Seoul, KOREA

Dear Mr. Moon:

Re: Korea First and Second Port Projects: Loans 917-KO
and 1401-KO
Supervision Mission January 17-February 6, 1980

I wish to thank you and your staff for the assistance given to Messrs. F. Higginbottom, P. Levy and J. Yenny during the above-mentioned mission. As you know, your previously planned travel arrangements precluded the usual meeting for discussion of the mission's findings and preliminary conclusions and recommendations. I am therefore taking this opportunity to convey to you the mission's conclusions regarding the port's financial performance under the Projects, related financial organizational matters, and to confirm the agreement reached for utilizing undisbursed funds under Loan 917-KO. Technical matters will be dealt with in a separate letter in which we will also comment on the revised implementation schedule and financing plan for the Second Project (Loan 1401-KO).

Financial Results

Busan

Based on preliminary data provided to the mission the 1979 financial results and situation of the Port of Busan were in line with forecasts prepared during the Second Project's appraisal mission, and no longer exceeded these forecasts as they did in previous years. This is mainly due to the inflationary increases in working and investment costs Korea suffered during the year. As a result, Busan's short-term financial situation by the end of 1979 has not improved as in the previous years. The improvement would resume in 1980 if Busan's financial performance meets its budgeted targets for this year. This achievement depends mainly on the port's traffic performance and on the impact of inflation on working costs, both matters beyond the control of BMPPA or KMPA. We note however that the 1980 budget does not provide for a tariff increase to, at least partly, offset inflation and would suggest such a measure should be considered if the financial results of the first quarter of the year are below anticipation.

March 14, 1980

Mukho

In contrast to the performance of Busan, Mukho port's financial performance has been steadily below agreed targets, mainly because cement and coal traffic were far below expectations. In 1979 the port handled about 40% less cement and 30% less coal than projected by the appraisal mission of the First Project (Loan 917-KO), leading to a rate of return on net fixed assets of about half the 6% target set forth under Section 4.05 (a) (III) of the Loan Agreement. Based on budgetary projections Mukho port's financial performance is not anticipated to be much better in 1980. Its financial situation has consequently deteriorated steadily and it has not generated enough funds to cover its debt service and finance the renewal of fixed assets required for preventing these assets from deteriorating. As suggested to you in our letter dated August 7, 1979 we think that a special effort should be made to increase Mukho's port traffic, particularly coal, to improve its financial performance. A tariff increase to offset inflation could also help restore EDMPA's financial situation.

KMPA's Budgetary and Accounting Procedures

The mission had extensive discussions with KMPA's financial and technical staff on the usefulness of implementing the commercial budgeting and accounting system; which had been agreed between your Government and the Bank during negotiations of Loans 917-KO and 1401-KO, as stated in both Loan Agreements. As a result of these discussions it was agreed that the date for formal implementation of the system would be set at January 1, 1983. To meet this new deadline, which represents a four year delay from the date set forth under section 3.02 of Loan Agreement 1401-KO, all required legal action including changes in legislation for granting KMPA the powers listed in this section will have to be approved by Parliament in September 1981 at the latest. The program for meeting the new deadline for implementation of the system given in page 2 of our letter dated August 7, 1979 to you was amended as follows:

- (a) March 15, 1980 - Consultants SCV submit their draft final report for comment by KMPA and the Bank. This report would include recommendations for further consulting services and/or technical assistance for helping KMPA to implement the revised timetable and continuing staff training along the lines defined in the attached Draft for Discussion of a Proposed Project Work Plan 1980-83.
- (b) April 30, 1980 - SCV receive the combined KMPA/Bank comments on the draft final report.
- (c) June 30, 1980 - SCV submit their final report for approval by KMPA, the Government and the Bank.
- (d) June 30, 1980 - KMPA submits for approval by the Government and the Bank a detailed plan for implementing the present timetable with the assistance of consultants and/or technical assistants as necessary.

- (e) January 1, 1981 - KMPA submits the new budgetary and accounting plan, along with a draft of the legislation required for its enforcement, for the approval of the Ministries of Transport and Finance, and EPB. The draft legislation would include the provisions required for vesting KMPA with the powers listed under Section 3.02(a) of Loan Agreement 1401-KO.
- (f) September 1, 1981 - The new legislation, budgeting and accounting plans are submitted for Parliament approval.
- (g) January 1, 1982 - KMPA commences implementation of the new accounting procedures on a test basis in parallel with the old system.
- (h) March 1, 1982 - KMPA submits its 1983 budget presented under the new form for Parliament approval.
- (i) January 1, 1983 - KMPA drops the old accounting system and keeps its accounts under the new procedures only.

During meetings on February 5, 1980 with Mr. Suh In-Soo, Assistant Minister, Transport Coordination, Ministry of Transport and Mr. Lee, Kyu Chan Director General, Bureau of Foreign Capital Management, EPB, the mission explained the revised program and the need for additional consulting services and/or technical assistance for helping KMPA to implement it. Both Government representatives agreed in principle on the new date and on the program. It was further agreed that the first eighteen months of the additional consulting services and technical assistance would be financed from a reallocation of funds under Category IV (technical assistance and training) of Loan Agreement 1401-KO, to be submitted for Government and the Bank review on June 30, 1980, at the same time as the detailed implementation plan listed under (d) of the above program.

Utilization of Undisbursed Balance of Loan 917-KO

As a result of the above agreement on the financing of additional consulting services there is no need to postpone the closing date of Loan 917-KO, the balance of which could be utilized following the priorities listed in our letter dated December 21, 1979 to Mr. Cheun Yeun Sei, i.e.:

- (i) Paying retention money under Loan Category II (mechanical equipment);
- (ii) Paying for completion of the SGV/AMNENON contract for consulting services for technical assistance and training on port operations, and finance and accounting; including a possible extension of the port operation component of this contract referred to in the above-mentioned letter and discussed between Mr. Seung, Han Pyo and the mission at their meeting on January 29, 1980; and
- (iii) Utilizing all remaining loan funds to pay for completion of the civil works (Category I) including the retention money.

As stated in our letter to Mr. Cheun we would consider favorably an upward revision of the 3% disbursement percentage applied to disbursements under Category I for the last withdrawal application under the Loan in order to disburse it in full.

Mr. Moon Myung Rhin

- 4 -

March 14, 1980

We would appreciate receiving your reactions to the above points at your earliest opportunity. A copy of this letter is being sent to Messrs. Suh In-Soo (Ministry of Transports) and Lee, Kyu Chan (EPB) for information

Sincerely yours,

C. Carnemark
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

cc: Mr. Suh In-Soo
Ministry of Transports

Mr. Lee, Kyu Chan
EPB

Cleared with and cc: Messrs. Higginbottom, J. Yenny

cc: Messrs. Kalim, Gyi, Vorkink (Legal)
Ms. Gunnarsdottir

PLevy:ph

KOREAFIRST AND SECOND PORTS PROJECTSSUPERVISION MISSION - JANUARY 1980Schedule of DisbursementsSecond Port Project (Loan 401-KO)

<u>Bank fiscal year</u>	<u>Quarter</u>	<u>Appraisal Forecast</u>		<u>Revised Forecast</u>		
		<u>Quarter</u>	<u>Cumulative</u>	<u>Quarter</u>	<u>Cumulative</u>	
1977	4	700	700			
1978	1	750				
	2	750				
	3	1,000				
	4	2,500	5,700			
1979	1	3,200				
	2	3,300				
	3	3,300				
	4	3,300	18,800			
1980	1	3,400				
	2	3,400				
	3	4,500		3,500/a		
	4	6,000	36,100	5,500	9,000	
1981	1	7,500		7,070	16,070	
	Dec 80	2	6,500		7,750	23,820
	3	6,200		4,250	28,070	
	4	5,500	61,800	9,090	37,160	
1982	1	4,800		6,680	43,840	
	2	400	67,000	5,600	49,440	
	3			5,160	54,600	
	4			4,800	59,400	
1983	1			4,180	63,580	
	2			2,100	65,680	
	3			1,320	67,000	

/a Actual March 30, 1980.

Note: Assumes proposal disbursed of 40% civil works total cost to Dec. 31.

April 1980
Bank Staff/KMPA

KOREAFIRST AND SECOND PORTS PROJECTSProject DescriptionA. First Port Project - Loan 917-KO

3.01 The project covers the Government's 1972-76 expansion program for the ports of Busan and Mugho as proposed by the consultants (Lyon Associates, USA) and amended following the Bank's review. It comprises:

(a) At Busan

- (i) a composite pier with two 330 m long container berths and stacking area; and 370 m long grain berth with storage silos of 80,000 tons capacity both with appropriate equipment;
- (ii) a bulk handling pier (No. 7) with one coal import berth, two ore and mineral export berths and one import berth for scrap and heavy steel - total length 585 m; necessary cranes and bulk handling equipment;
- (iii) dredging to provide a 13.5 m deep access channel, 10 m depth alongside at the bulk pier (for 15,000 dwt ships) and 12.5 m depth alongside at the composite pier (for 60,000 dwt ships);
- (iii) dredging to provide a 13.5 m deep access channel, 10 m depth alongside at the bulk pier (for 15,000 dwt ships) and 12.5 m depth alongside at the composite pier (for 60,000 dwt ships);
- (iv) a new international ferry berth on pier No. 1 South with RO/RO /1 and passenger facilities, and rehabilitation of pier No. 1 North for general cargo;
- (v) coastal ferry berth with passenger facilities;
- (vi) rehabilitation of pier No. 2 for general cargo; and
- (vii) a new military berth - pier No. 8 (Government-financed).

(b) At Mugho

- (i) two new coal piers with improvement to the existing conveyor systems and new mechanical loaders;

/1 RO/RO = roll-on/roll-off ramp.

- (ii) a new belt reclaimer system in the existing open storage area for the delivery of coal and limestone to the pier conveyor system;
 - (iii) dredging to 8 m depth alongside the new coal piers (for 8,000 dwt ships);
 - (iv) raising the existing East breakwater to an elevation of 5 m and strengthening the side slopes; and
 - (v) rehabilitation of the existing cement and general cargo berths.
- (c) Consulting Services
- (i) for the detailed design and supervision of the construction of the above works (consultants - Lyon Associates, USA); and
 - (ii) for the preparation of a Phase II Development Plan - KPDS II (consultants - King & Gavaris, Trans Asia and A. D. Little, USA).

(d) Technical Assistance

3.02 To assist in the formulation of policies and procedures for setting up the KMPA and later on-the-job training of personnel - Booz Allen and Hamilton International Inc., USA. For formulating policies and procedures and for on-the-job training of personnel - Sycip, Gorres, and Velayo, Philippines, in association with Ahn Kwon, Korea.

B. Second Port Project - Loan 1401-KO

3.03 The project covers the Government's 1976-81 expansion program for the port of Busan, in accordance with the proposals of consultants and amended following the Bank's review. The proposed wharf extension is the maximum length which can be accommodated in the present port of Busan, and it would meet the port's needs for capacity to handle containerized cargo until about 1985. It comprises:

(a) Civil Works

- (i) a 700 m extension of the common-user container berths being financed under Loan 917-KO and a 335,000 sq m expansion of the stacking area provided under that project;
- (ii) dredging to provide an alongside depth of 12.5 m;

- (iii) an access road, inside the port limits; a guard house; and an 8,000 sq m container freight station;
 - (iv) ancillary works and utilities; and
 - (v) rehabilitation of piers 3 and 4, the central wharf, and a lighter wharf.
- (b) Mechanical Equipment
- Procurement of container cranes and mobile container handling equipment.
- (c) Floating Craft
- Procurement of two tugboats.
- (d) Consultant Services
- (i) For the detailed design and supervision of the construction and procurement of the above (Consultants - Lyon Associates International, USA in association with Korea Engineering Consultants Corporation, Korea).
 - (ii) For the preparation of a Phase III Development Plan (consultants Lyon Associates (USA) in association with the Korean Engineering Consultants Corporation (KECC)).
- (e) Technical Assistance and Training
- To assist in four areas of port operations: cargo handling (including the handling of containers); maintenance; port planning; and accounting.

KOREAFIRST AND SECOND PORTS PROJECTSSUPERVISION MISSION - JANUARY 1980Places Visited and Officials Met on the Mission

4.01 In accordance with the mission's terms of reference, Mr. Higginbottom stay in Korea from January 24 to 30 while Messrs. Levy and Yenny travelled in the country from January 17 to February 6 and shared their time between the supervision of Railways Projects, the preparation of the Coal and Cement Distribution Project and the projects under review. The whole mission took a field trip to Busan on January 27-28.

4.02 Main officials met during the mission were:

Economic Planning Board

Mr. Lee, Kyu Chan - Director General, Bureau of Foreign Capital Management
Mr. Hwang, Jin-Hyun - Director General, Bureau of Cooperation

Ministry of Transport

Mr. Suh, In-Soo Assistant Minister, Transport Coordination
Mr. Lee, Joon-Yeong Director, Transportation Coordination Cooperation

Korea Maritime and Port Administration (KMPA)

Mr. Choi, Kyu Young - Director General, Finance and Accounting Bureau
Mr. Cheung, Yuen Sei - Director General, Ports Construction and Maintenance Bureau
Mr. Seung, Haw Pyo - Director General, Operations
Mr. Youn, Sun Bae - Director, International Economic Cooperation Div.
Mr. Lee, Jong Cheau - Assistant Director, " " " "
Mr. Lee, Sang Choo - Director, Port Construction Division I
Mr. Kim, Sang Jin - Administrator, Busan District Maritime and Port Administration
Mr. Kim, Chul Hui - Director General, Busan Port Construction Office
Mr. Suk, Chau Kang - Director, Port Operation Bureau
Mr. Lee, Soon Jaw - Director, Port Planning

Asian Development Bank

Mr. Aulis J. Makitalo - Project Engineer, Ports, Railways and Telecommunication Division
Mr. Peter Hanton - Financial Analyst
Mr. Gunter Hecker - Project Economist
Mr. Ian Newport - Counsel

Consultants - Lyon Associates, Inc. (LAI)

Mr. J. Otis-Fowler - Vice President
Mr. W.J. Coffron - Project Director
Mr. Alect MacDonald - Project Construction Manager

Consultants - Korea Engineering Consultants Corporation (KECC)

Mr. Chay, Yong Hwan - Executive Vice President
Mr. Kim, Tong Haw - Vice President.
Mr. Han, Chaw Woo - Vice President
Mr. Yang, Won Suck - Director, Business and Planning Department

Consultants - Sycip, Gorres-Velayo & Co. (SGV)/Ahn Kwon & Co. (AHK)

Mr. Rene Alto . . . Project Director (SGV)
Mr. Cho, Yong Hae . . . Director General (AHK)

March 1980

March 1980

KOREA

FIRST AND SECOND PORTS PROJECTS

SUPERVISION MISSION - JANUARY 1980

Project Coordination with the Asian Development Bank

5.01 At the same time as the mission, a four-member (see list in Annex 4) mission of the Asian Development Bank (ADB) visited Korea to discuss and initial a Protocol of Agreement, preliminary to the conclusion of a new Loan Agreement for the financing by ADB of a Second Incheon Port Project. The two missions had several meetings aimed at coordinating ADB's and Bank's action on ports project in Korea. As a result of these discussions the ADB agreed to include in the Protocol most of the financial organizational objectives included in Bank Loan 1401-KO. The Protocol was initialed in early February 1980.

March 1980

Disbursement

6.03 The amount disbursed from the Bank loan at the end of March 1980 was US\$78.64 million. This was distributed by category as follows, with the estimated final disbursement for each category as proposed by KMPA also noted:

<u>Category</u>	Amounts disbursed	Expected final disbursement US\$ million	Outstanding balance
I Civil works	38.52	39.68	1.13
II Mechanical equipment	32.64	32.68	0.04
III Consulting services	5.12	5.12	-0-
IV Technical assistance training	<u>2.36</u>	<u>2.52</u>	<u>0.16</u>
	78.64	80.00	1.36

KMPA has been advised that the Bank has no objection to the proposed disbursement amounts for each category and that it is prepared to increase the percentage of total cost on which the disbursement for civil works is based, to meet these proposals. It is not anticipated that the closing date of the loan, currently June 30, 1980 will need to be extended.

B. Second Port Project (Loan 1401-KO)Progress of the Works

6.04 A contract has been let for Project No. 1 the extension of the container wharf (Pier 6); this contract takes the work to the rough grading stage and covers all works up to ground level except surfacing; it was awarded to Hyundai Construction Co. Ltd, the contractor for the first section of Pier 6 construction under Loan 917-KO. The contract is valued at Won 26.6 billion and is scheduled for completion September 1987. Work completed to date is about 5% of the total contract. A contract for Project No. 2 the rehabilitation of Pier 2 and Lighter Wharf No. 5 has also been let. The successful contractor was Dong Ah Construction Co. Ltd and is valued at 5.3 billion won; completion is scheduled for January 1987. Design and contract documents are completed for Project 3 - Pier 3 and Central Wharf rehabilitation, and Project 4 - Pier 6 completion, but these will not be started until Projects 1 and 2 are completed because (a) they either require completion of the earlier work before commencement (Project 4) or (b) there is a need to minimize the available quay space inoperable at one time (Project 3).

6.05 With regard to mechanical and floating equipment procurement, the position is as follows:

Item

<u>Tug Boat</u>	Bids received and offer from Daewood Ind. Co value \$1,346,634.17 accepted.
Container cranes (4))	
Transtainers (9))	
Fork lifts (4))	Bids received but contract not awarded
Yard tractors (18))	
Yard chassis (50)	Tender documents and specification
Road chassis (20)	appraised. Tender bid advertised

The project is expected to be completed by December 1982. A revised construction schedule is attached (Table 6.02). The work of the contractors and consultants (Lyon Associates (USA)) is satisfactory.

Project Costs

6.06 Total revised estimated project cost is Won 93.5 billion (US\$161 million equivalent) including US\$97.4 million foreign exchange. The appraisal estimate was Won 52.2 billion (US\$108 million) including US\$70 million foreign exchange. Details are as follows:

	Revised Estimate/a			Appraisal Estimate /b		Foreign
	Total Cost		Foreign	Total Cost		exchange
	Won	US\$	exchange	Won	\$US	US\$
	billion	million	US\$ million	billion	million	million
Civil works	77.21	133.11	73.19	22.05	45.46	25.04
Mechanical and floating equipment	10.87	18.75	18.75	9.59	19.77	17.60
Consulting services	3.71	6.40	3.97	2.52	5.20	4.00
Technical assistance	0.85	1.46	1.20	0.73	1.51	1.20
Phase III Port Study	0.84	1.44	0.63	-	-	-
Contingencies physical Price	<-----	included	----->	3.30	6.81	3.75
				<u>13.99</u>	<u>28.84</u>	<u>18.41</u>
	93.48	161.16	97.74	52.18	107.59	70.00

/a At 580 Won = US\$1.00

/b At 485 Won = US\$1.00

Details of the cost for individual items are given at Tables 6.03 and 6.04.

The above revised estimate includes continuation of work on the approach road (PAC-10) to Pier 6 which was intended to be funded by the Saudi Fund under Loan 917-KO but for which sufficient funds were not available under that loan. This additional work amounts to about Won 1 billion (US\$1.7 million); it also includes the cost of the Phase III study, which the Government originally proposed to finance itself, but has not sought funding of the foreign exchange only under the loan. It may also be noted that the total foreign exchange under the appraisal estimate (US\$70 million), but the loan was limited to US\$67 million at the Government's request. The Government has undertaken to finance the cost overrun on the works. A large part of the civil works cost increase is due to (a) higher than anticipated inflation rates equivalent to 19% p.a. from January 1977 to July 1979. This high rate was due to Government removing controls from some equipment and construction materials and to a shortage of labor in Korea, due to the large number of Korean labor working in the Middle East, which increased labor costs; (b) Government policy change permitted the allowance for overheads and profit on civil works to be increased from 23% to 35%. These two items, which occurred after the appraisal estimate was made, resulted in an increase of cost by a factor of 1.7 for civil works.

Forecasts Project Expenditure - Civil Works

6.07 The anticipated annual expenditure on civil works based upon the revised estimate is in Won billion.

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Total</u>
Pier 6 rough grading	1.3	29.4	6.1		36.8
Pier 2 & lighter wharf 5	0.5	3.7	2.2		6.4
Pier 3 & central wharf			3.8	6.3	10.1
Pier 6 (completion)			<u>14.1</u>	<u>9.8</u>	<u>23.9</u>
Total	<u>1.8</u>	<u>33.1</u>	<u>26.2</u>	<u>16.1</u>	<u>77.2</u>
Equivalent US\$ million	3.1	57.1	45.2	27.7	133.1

Disbursement

6.08 Disbursement to March 31, 1980 of Loan 1401-KO totaled US\$4.77 million, under the categories noted below. Also noted are the expected disbursements by category of the full loan amount:

	<u>Appraisal</u>	<u>To March 31, 80</u>	<u>Revised expected/total</u>
Category I Civil works	25.0	3.03	42.45
II Equipment	17.6	0	18.75
III Consulting services	4.0	1.54	3.97
IV Technical assistance	1.2	0.20	1.20
V Unallocated			-
VI Parts III Study			<u>0.63</u>
	<u>67.0</u>	<u>4.77</u>	<u>67.00</u>

6.09 The above disbursement amounts for each category have been agreed with the Government subject to further checks by future supervision missions and any revisions of overall costs. The average disbursement percentage for civil works will be about 32% compared to 55% originally proposed. However,

the Government has requested, and the mission recommends, that a somewhat higher percentage of disbursement be paid for expenditures during 1979 and 1980 calendar years which are difficult years for additional budget payment to KMPA by the Government. A disbursement percentage of 35% has been requested for 1979 and 1980 and this is recommended. Based upon the estimated expenditure during the project (para. 6.06) a 40% disbursement rate for the remainder of expenditures during 1979/80 after deducting the US\$5.05 million on which disbursement has already been made, would involve disbursement of some US\$21.0 million for civil works. Adding the US\$3.03 million already disbursed will give a total up to December 1980 of about US\$24 million; there would thus be an undisbursed amount of about US\$18 million for the remainder of the civil works on which the anticipated expenditure from January 1981 to December 1982 will be some US\$73 million; the disbursement percentage will thus be about 24%. Disbursement on this basis is recommended and a revised disbursement schedule, assuming these percentage disbursements, is attached.

Item Description	Quantity	Unit	Origin	Delivery Date	Estimated Cost (US\$)
Grain facility equipment	12	sets	Sweden/USA	10 Dec 78	
Mobile container and minerals handling equipment:					
(A) 10 yard tractors	10	Aug 77	Osaka/Japan	10 Feb 78	
(B) 3 tractors	3	Aug 77	Korea/Seoul	10 Feb 78	
(C) 3 forklifts	3	Aug 77	Gaza/Bury	10 Feb 78	
(D) 2 mobile cranes	2	Aug 77	Senkei	10 Feb 78	917
(E) 2 front-end loaders	2	Aug 77	Nisano-Tsai	10 Feb 78	
(F) 120 chassis	120	Aug 77	Eastern Bankoo Tokyo Bankoo	27 Mar 78	13,000
(G) 6 hopper loaders	6	Aug 77	Eastern Bankoo Tokyo Bankoo	1 Apr 78	
(H) 6 trailers	6	Aug 77	Eastern Bankoo Tokyo Bankoo	1 Apr 78	
Subtotal					
Consulting services					
Technical assistance and training					
Total					

Table 6.01

KOREA
FIRST AND SECOND PORTS PROJECTS
SUPERVISION MISSION - JANUARY 1980
917-KO PROJECT ITEMS

Description <u>civil works</u>	Date of <u>award</u>	Contractor	Completion <u>date</u>	Contract	Estimated	Foreign
				<u>amount</u>	<u>final cost</u>	<u>exchange</u>
				--- Won	million ---	SUS '000
✓ Dredging	8 Nov 74	Korea dredging corp- oration	30 Nov 78	2,389	4,146	5,236
✓ Composite pier rough grading	8 Nov 74	Hyundai	30 Nov 77	15,404	18,177	22,956 ✓
✓ Pier No. 7 rough grading	8 Nov 74	Dong Ah	25 Apr 77	4,741	5,773	7,291 ✓
✓ International ferry (Pier No. 1)	27 Nov 75	Hyundai	30 May 78	6,030	6,868	8,674
✓ Coastal ferry pier	31 Aug 76	Hyundai	30 Mar 78	980	1,419	1,792
✓ Pier 7 complete	8 Apr 77	Dong Ah	29 Aug 78	1,133	1,201	1,517 ✓
✓ Composite pier complete	8 Apr 77	Hyundai	25 Sep 78	3,562	3,911	4,939 ✓
✓ Pier 2	7 Apr 77	Nam Kwang/Sum Hwa	3 Aug 79	940	2,033	2,917
✓ Mukho port	28 Jan 76	Kuk Dong	11 Aug 78	1,982	2,310	2,917
✓ Grain silos civil works	13 Mar 76	Hyundai/IHI	8 Dec 78	<u>1,935</u>	<u>2,408</u>	<u>3,041</u>
Subtotal				39,096	48,246	60,931
Mechanical						
Mukho coal handling exp.	15 Oct 75	Mitsubishi	31 Dec 77	2,316	2,561 ✓	5,503
Busan coal handling exp.	1 Jun 76	Toyo Menka	30 Oct 78	2,251	2,921 ✓	6,048
* container	26 Nov 76	Mitsui	13 Sep 78	3,770	4,792 ✓	
1 rail transfer crane						9,921
2 scrap handling cranes	26 Nov 76	Mitsubishi	31 Aug 78	3,676	4,393 ✓	
10 scaddle carriers						
Grain facility equipment	13 Mar 76	Hyundai/IHI	30 Dec 78			9,096
Mobile container and minerals Handling equipment:						
(a) 16 yard tractors ³⁰⁰	29 Aug 77	Daejin-LESA	13 Feb 78			
(b) 2 tractors	29 Aug 77	Korea Dayton	12 Jan 78			
(c) 2 forklifts	29 Aug 77	Catz Bros.	19 Apr 78			
(d) 2 mobile cranes	29 Aug 77	Sankei	3 Dec 77	967	1,121	2,312
(e) 2 front-end loaders	29 Aug 77	Nissho-Iwai	5 Nov 77			
(f) 120 chassis	29 Aug 77	Eastern Bamboo- Tokyo Sangyo	27 Mar 78	39,096	48,246	60,931
(g) 6 hopper loaders	29 Aug 77	Eastern Bamboo- Tokyo Sangyo	2 Apr 78			
(h) 6 trailers	29 Aug 77	Eastern Bamboo- Tokyo Sangyo	2 Apr 78			
Subtotal				12,980	15,788	32,880
Consulting services				3,277	3,320	5,119
Technical assistance and training				<u>1,857</u>	<u>1,857</u>	<u>2,515</u>
Total				<u>57,210</u>	<u>69,211</u>	<u>101,245</u> 101,244

61280
280

32880

32880
5503

27377

101.2

27000
1792
1583
800
500
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732
1880
300
250
7480
4792
2800
1680
9272

KOREA

FIRST AND SECOND PORTS PROJECT

SUPERVISION MISSION - JANUARY 1980

Design and Construction Schedule

<u>Items of Works</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
<u>I. Civil Work</u>					
Pier No. 6 (dredging and rough grading)		-----			
Pier No. 4 and Lighter Wharf No. 5		-----			
Pier No.3 and Central Wharf			-----		
Pier No. 6 (complete)			-----		
<u>II. Equipment Procurement and Installation</u>					
Container Cranes and Transtainers		-----			
Mobile Container Equipment			-----		
Tug Boats		-----			

KOREAFIRST AND SECOND PORTS PROJECTSUPERVISION MISSION - JANUARY 1980Estimated Project Costs (Second Ports)

	Expected Completed Date	Won Billion	US\$ Million	Foreign exchange US\$ Million
1. Pier 6 (Rough grading) /a	Dec 81	36.85	63.53	34.94
2. Pier 2 & Ligher Wharf No. 5	5 June 81	6.44	11.10	6.10
3. Pier 3 & Central Wharf /b	Dec 82	10.09	17.39	9.56
4. Pier 6 (complete) /c	June 82	23.83	41.09	22.59
Subtotal		<u>77.21</u>	<u>133.11</u>	<u>73.19</u>
5. Tug boat	Sept 80	0.85	1.46	1.46
6. Container equipment	June 82	10.02	17.29	17.29
Subtotal		<u>10.87</u>	<u>18.75</u>	<u>18.75</u>
7. Consulting services		3.71	6.40	3.97
8. Phase III Ports Study	Dec 80	0.84	1.44	0.63
9. Technical assistance		0.85	1.46	1.20
<u>Total</u>		<u>93.38</u>	<u>161.16</u>	<u>97.74</u>

/a Includes PAC 10 works.

/b Commences end of 2nd Quarter 1981 (on completion of Item 2).

/c Commences end of 1st Quarter 1981 (on completion of Item 1).

April 1980

KOREAFIRST AND SECOND PORTS PROJECTSUPERVISION MISSION - JANUARY 1980Equipment (Second Phase Project)

Unit: \$1,000

Equipment		Quantity	Remark
Container	30 Ton	2	\$ 6.548
	40 Ton	2	
Transtainer	Rubber type		
	30 Ton	7	\$ 7.650
	40 Ton	2	
Yard tractor	175 HP	18	\$ 1.818
Fork lift	40 Ton	4	\$ 568
Yard chassis	-	50	\$ 390
Road chassis	-	20	\$ 312
Tug boat	3,200 hp	1	\$ 1,460
<u>Total</u>			<u>\$18,746</u>

KOREAFIRST AND SECOND PORTS PROJECTSUPERVISION MISSION - JANUARY 1980Traffic and OperationsTrafficBusan

7.01 The following table summarizes appraisal estimates of Busan port traffic for 1978-80, actuals for 1978, a close estimate for 1979 and budget projections for 1980. Details by commodities for 1979-80 are in Table 7.1.

Revenue tons millions

	1978		1979		1980	
	Appraisal	Actuals	Appraisal	Actuals	Appraisal	Actual
Ocean in		12.9		13.2		14.7
Ocean out		9.4		9.6		10.3
Coastal in		4.8		5.1		6.3
Coastal out		0.1		0.1		0.1
Total in	13.9	17.7	14.8	18.3	15.7	20.9
Total out	6.7	9.5	7.0	9.7	7.2	10.4
<u>Grand total</u>	<u>20.6</u>	<u>27.2</u>	<u>21.8</u>	<u>28.0</u>	<u>22.9</u>	<u>31.3</u>
of which						
containerized	3.8	7.9	4.2	9.2	4.6	10.3

The table shows that total traffic exceeded appraisal forecasts by about 30% in 1978 and 1979 and is expected to be close to 20% above those forecast for 1980. As can be seen from Table 7.1, petroleum products traffic was in line with appraisal projections in 1979 and will remain so in 1980 while noncontainerized ocean cargo is slightly below forecasts for both 1979 and 1980. The bulk of the increase over forecasts is attributable to containerized general cargo traffic which was about double the forecasts in 1978 and 1979 and is expected to be 2.3 times higher than projected in 1980, expressed in million revenue tons. Busan port handled about 347,000 TEU's in 1978

and 402,000 in 1979 against forecasts of 233,000 and 275,000. Cargo handled by lighters continues and according to the project's revised implementation plan (para. 6.04), will do so until the rehabilitation of the general cargo berths under the second project is completed by the end of 1981.

Incheon

7.02 An estimate of Incheon port traffic for 1979 and budget projection for 1980 are detailed in Table 7.02 and summarized below:

Revenue tons million			
	1978	1979	1980
Ocean in	14.2	16.6	18.6
Ocean out	2.1	2.0	2.3
Coastal in	(4.0	4.2	4.6
Coastal out	(0.1	0.1
<u>Total</u>	<u>20.3</u>	<u>22.9</u>	<u>25.6</u>
of which containerized	0.5	0.3	0.4

Incheon port traffic increases by about 12% p.a. with coastal traffic representing 20% of total traffic of which about 70% is in petroleum products. Ocean traffic mainly carries grain, timber and petroleum products (20% of total traffic each) and general cargo (25% of total traffic). Containerized traffic was about 445,000 tons in 1978, 302,000 tons in 1979, and is expected to reach 400,000 tons in 1980. This is about 10% of the general cargo for each year. Incheon's container traffic has not increased due to the reluctance of container vessels to call at Incheon.

Mukho

7.03 An estimate of Mukho's port traffic for 1979 and budgetary projections for 1980 are detailed in Table 7.3 which also shows appraisal forecasts (First Project). The following table gives a summary of Table 7.3 along with appraisal forecasts and actuals for Mukho's 1978 traffic.

Revenue (Tons million)

	<u>1978</u>		<u>1979</u>		<u>1980</u>	
	<u>Appraisal</u>	<u>Actuals</u>	<u>Appraisal</u>	<u>Actuals</u>	<u>Appraisal</u>	<u>Actual</u>
Cement - ocean	1.8	1.0	2.0	0.7	2.1	0.8
- coastal	1.8	1.8	1.9	1.8	2.0	1.5
Coal - ocean	0.3	-	0.3	-	0.3	0.1
- coastal	2.0	1.5	2.0	1.6	2.1	1.7
Other dry cargo	0.6	0.3	0.8	0.2	0.9	0.3
Oil	-	0.5	-	0.7	-	0.7
<u>Total</u>	<u>6.5</u>	<u>5.1</u>	<u>7.0</u>	<u>4.8</u>	<u>7.4</u>	<u>5.3</u>

Contrary to Busan, Mukho's port traffic does not exceed appraisal forecasts because cement and coal traffic lagged 40% and 25% respectively behind these forecasts. The fall in cement ocean traffic is explained by the continuing decline in exports while the deterioration of coastal traffic is due to a diversion of cement transports to road and railway routes. Coal coastal traffic forecasts were based on a domestic production of 24 million tons by 1981, i.e. about 22/23 million tons in 1980. Korea's actual production is now expected to reach a ceiling of 18 million tons and Mukho's traffic has been declining accordingly.

OperationsTerminal Operating Companies (TOCs)

7.04 There has been no change in the number and the activity of TOCs operating at Busan, Incheon and Mukho since the August 1979 supervision mission (supervision report dated 11-9-79). As mentioned in this report rentals charged to the TOCs will not change in 1980 except for the contractual application of the escalation clause.

Computerization of Container Port Operations

7.05 Delivery of the computer and terminals rented by the Busan Container TOC for the computerization of container port operations has been completed. Consultants Sycip, Gorres and Velayo and Co. (Philippines) in association with Ahn Kwon (Korea), (SGV) completed the relevant program which

provides for a simple but efficient system for keeping track of containers from arrival to departure to/from the terminal. SGV are now training BDMPA and TOC staff who are to apply the programs. Because the computer was delivered about two months behind the original schedule, the consultants requested in their draft interim report (August 1979) that the completion date of the Port operations part of their contract be extended from April 30 to June 30, 1980 to enable them to complete the training of staff and assist KMPA and the TOC during the system testing period and the first month of live operations. In letters dated October 17 and December 12, 1979 the Bank recommended that KMPA agree to this request which, under KMPA management's pressure was deleted from the final version of SGVs interim report. KMPA and the mission discussed the matter during a meeting with M. Seung, Han Pyo, Director General, Operations, KMPA on January 29, 1980. During this meeting the mission set out its arguments for complying with the consultant's requests and recommended that at least the services of the consultant's expert in port operation who had devised and programmed the system be extended. Mr. Seung promised to review the matter and to inform the Bank of KMPA's final decision. As the Bank did not receive this information on March 3, 1980, a cable reminding Mr. Seung of his promise was sent (copy attached).

NO 77 OCT
11-78)

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, T
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

ANNEX 7
Attachment 1

Class of Service: TELEX Date: MARCH 3, 1980
Telex No.: K26523 Originators Ext.: 74206 12

START
HERE

TO KOREAN MARITIME AND PORT ADMINISTRATION

Y/COUNTRY SEOUL, KOREA

MESSAGE NO FOR MR. SEUNG, HAN PYO, DIRECTOR GENERAL. RE KOREA FIRST PORT
PROJECT LOAN 917-KO COMPUTERIZATION OF BUSAN CONTAINER TERMINAL
OPERATIONS. DURING MEETING OF JANUARY 29, 1980 YOU AGREED FOLLOWING
OUR MISSION'S EXPLANATIONS, TO CONSIDER POSSIBLE EXTENSION OF
WORK OF OPERATION EXPERT HAVING ASSISTED IN DESIGNING AND PROGRAMMING
NEW SYSTEM UNDER S.G.V.-AHN KWON CONTRACT. WOULD APPRECIATE BEING
INFORMED OF YOUR DECISION. REGARDS, CARNEMARK, DIV. CHIEF, INTBAFRAD

END
OF
TEXT

NOT TO BE TRANSMITTED

SUBJECT: KOREA LOAN 917-KO

DRAFTED BY: PLEVY/sm

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED SIGNATURE: [Signature]

Cleared with and cc: Mr. Higginbottom

DEPARTMENT: Curt Carnemark

cc: Messrs. Gyi, Yenny, Loos

Division Chief, AEPTR

SECTION BELOW FOR USE BY MESSAGE SECTION
CHECKED FOR DISPATCH

KOREA

SUPERVISION OF FIRST AND SECOND PORTS PROJECTS

PORT OF ULSAN

Traffic Details 1979-80
(Freight tons '000)

		1979						1980						Grand total	
		Ocean		Coastal		Total		Ocean		Coastal		Total			
		In	Out	In	Out	In	Out	In	Out	In	Out	In	Out		
Dry Cargo															
Cement	A					1,477.0	200.0	1,677.0					1,614.0	200.0	1,814.0
	B	72.8	195.9	1,386.0	1.5	1,458.8	197.4	1,656.2		209.1	1,721.1	2.3	1,721.1	211.4	1,932.5
Coal	A					1,142.0		1,142.0					1,202.0		1,202.0
	B	345.8		731.0		1,076.8		1,076.8	383.8		907.4	3.3	1,291.2	3.3	1,294.5
Ore-minerals	A						347.0	347.0						358.0	358.0
	B	39.9	441.9		5.4	39.9	447.3	487.2	44.3	471.7		6.2	44.3	477.9	522.2
Scrap metal & steel	A					1,319.0	697.0	2,016.0					1,305.0	742.0	2,047.0
	B	2,167.5	1,191.0			2,167.5	1,191.0	3,358.5	2,406.0	1,271.3			2,406.0	1,271.3	3,677.3
Grain	A					1,127.0		1,127.0					1,172.0		1,172.0
	B	1,651.0				1,651.0		1,651.0	1,832.6		32.3		1,864.9		1,864.9
Timber	A					2,602.0		2,602.0					2,706.0		2,706.0
	B	2,782.1				2,782.1		2,782.1	3,088.1		1.2		3,088.1	1.2	3,089.3
Plywood	A						1,006.0	1,006.0						1,026.0	1,026.0
	B		618.0				618.0	618.0		659.6				659.6	659.0
Fertilizer	A					16.0		16.0					8.0		8.0
	B														
Containerized general cargo	A					1,765.0	2,408.0	4,173.0					1,937.0	2,614.0	4,551.0
	B	3,158.7	6,083.8			3,158.7	6,083.8	9,242.5	3,506.1	6,830.1			3,506.1	6,830.1	10,336.2
Other general cargo	A					1,828.0	2,319.0	4,147.0					1,860.0	2,302.0	4,162.0
	B	2,389.7	1,101.1	96.4	30.6	2,486.1	1,131.7	3,617.8	2,751.3	839.5	87.7	25.1	2,839.0	864.6	3,703.6
Subtotal Dry Cargo	A	-	-	-	-	11,276.0	6,977.0	18,253.0	-	-	-	-	11,804.0	7,242.0	19,046.0
	B	12,607.5	9,631.7	2,213.4	37.5	14,820.9	9,669.2	24,490.1	14,012.2	10,281.3	2,748.5	38.1	16,760.7	10,319.4	27,080.1
Liquid cargo															
Petroleum products	A					3,264.0		3,264.0					3,641.0		3,641.0
	B	607.6		2,842.6	23.1	3,450.2	23.1	3,473.3	656.4		3,529.8	34.3	4,186.2	34.3	4,220.5
Other bulk liquid	A					260.0		260.0					287.0		287.0
	B														
Subtotal Liquid Cargo	A	-	-	-	-	3,524.0	-	3,524.0	-	-	-	-	3,928.0	-	3,928.0
	B	607.6	-	2,842.6	23.1	3,450.2	23.1	3,473.3	656.4	-	3,529.8	34.3	4,186.2	34.3	4,220.5
Total cargo	A					14,800.0	6,977.0	21,777.0					15,732.0	7,242.0	22,974.0
	B	13,215.1	9,631.7	5,056.0	60.6	18,277.1	9,692.3	27,963.4	14,668.6	10,281.3	6,278.3	72.4	20,946.9	10,353.7	31,300.6

Line A: Appraisal forecasts (2nd Ports Project)
Line B: Close estimate for 1979, budget for 1980.

KOREA

Supervision Mission

FIRST AND SECOND PORTS PROJECTS

-SUPERVISION MISSION--JANUARY 1980.

Port of Incheon

Traffic Details 1979-80

(Freight tons '000)

	----- 1979 (close estimate) -----					----- 1980 (budget) -----				
	<u>Ocean</u>		<u>Coastal</u>		<u>Total</u>	<u>Ocean</u>		<u>Coastal</u>		<u>Total</u>
	<u>In</u>	<u>Out</u>	<u>In</u>	<u>Out</u>		<u>In</u>	<u>Out</u>	<u>In</u>	<u>Out</u>	
<u>Dry Cargo</u>										
Cement		10.0		1.0	11.0			11.2		12.2
Coal	1,184.7			0.7	1,185.4	1,326.9				1,326.9
Ore-minerals	131.8				131.8	147.6				147.6
Scrap metal & steel	1,121.4	252.2			1,373.6	1,255.9	279.9			1,535.8
Grain	3,472.0		0.2		3,472.2	3,888.7		0.1	5.0	3,889.3
Timber	3,486.6				3,486.6	3,905.1				3,905.1
Plywood		657.7			657.7		756.4			756.4
Fertilizer		13.1		1.4	14.5		14.5		1.6	16.1
Containerized general cargo	213.6	88.8			302.4	295.4	102.1			397.5
Other general cargo	3,075.2	993.9	200.6	30.3	4,300.0	3,588.0	1,154.0	572.0	34.6	5,348.6
Subtotal Dry Cargo	<u>12,685.3</u>	<u>2,015.7</u>	<u>200.8</u>	<u>33.4</u>	<u>14,935.2</u>	<u>14,407.6</u>	<u>2,318.1</u>	<u>572.1</u>	<u>37.7</u>	<u>17,335.5</u>
Oil	3,888.8		3,974.4	38.0	7,901.2	4,155.5		4,062.3	42.2	8,260.0
<u>Total Cargo</u>	<u>16,574.1</u>	<u>2,015.7</u>	<u>4,175.2</u>	<u>71.4</u>	<u>22,836.4</u>	<u>18,563.1</u>	<u>2,318.1</u>	<u>4,634.4</u>	<u>79.9</u>	<u>25,595.5</u>

Table 7.02

KOREA

Supervision of

FIRST AND SECOND PORTS PROJECTS

SUPERVISION MISSION---JANUARY 1980.

Port of Incheon

Traffic Details 1979-80
(Freight tons '000)

	----- 1979 (close estimate) -----					----- 1980 (budget) -----				
	Ocean		Coastal		Total	Ocean		Coastal		Total
	In	Out	In	Out		In	Out	In	Out	
<u>Dry Cargo</u>										
Cement		10.0		1.0	11.0		11.2			12.2
Coal	1,184.7			0.7	1,185.4	1,326.9				1,326.9
Ore-minerals	131.8				131.8	147.6				147.6
Scrap metal & steel	1,121.4	252.2			1,373.6	1,255.9	279.9			1,535.8
Grain	3,472.0		0.2		3,472.2	3,888.7		0.1	5.0	3,889.3
Timber	3,486.6				3,486.6	3,905.1				3,905.1
Plywood		657.7			657.7		756.4			756.4
Fertilizer		13.1		1.4	14.5		14.5		1.6	16.1
Containerized general cargo	213.6	88.8			302.4	295.4	102.1			397.5
Other general cargo	3,075.2	993.9	200.6	30.3	4,300.0	3,588.0	1,154.0	572.0	34.6	5,348.6
Subtotal Dry Cargo	<u>12,685.3</u>	<u>2,015.7</u>	<u>200.8</u>	<u>33.4</u>	<u>14,935.2</u>	<u>14,407.6</u>	<u>2,318.1</u>	<u>572.1</u>	<u>37.7</u>	<u>17,335.5</u>
Oil	3,888.8		3,974.4	38.0	7,901.2	4,155.5		4,062.3	42.2	8,260.0
<u>Total Cargo</u>	<u>16,574.1</u>	<u>2,015.7</u>	<u>4,175.2</u>	<u>71.4</u>	<u>22,836.4</u>	<u>18,563.1</u>	<u>2,318.1</u>	<u>4,634.4</u>	<u>79.9</u>	<u>25,595.5</u>

KOREA
FIRST AND SECOND PORTS PROJECTS
SUPERVISION MISSION - JANUARY 1980

Port of Mukho

Traffic Details 1979-80
 (Freight tons '000)

		1979				1980			
		Ocean		Coastal	Total	Ocean		Coastal	Total
		In	Out	In/Out		In	Out	In/Out	
<u>Dry Cargo</u>									
Cement	A		2,000.0	1,850.0	3,850.0		2,150.0	1,950.0	4,100.0
	B		706.1	1,538.7	2,244.8		783.8	1,707.9	2,491.7
Coal	A		300.0	2,040.0	2,340.0		300.0	2,120.0	2,420.0
	B	55.1		1,572.3	1,627.4	61.2		1,745.3	1,806.5
Ore-minerals	A	97.0		445.0	542.0	107.0		505.0	612.0
	B	102.5	1.5		104.0	113.8	1.7		115.5
Scrap metal & steel	A								
	B	5.8			5.8	6.0			6.0
Grain	A								
	B	11.0			11.0	11.5			11.5
Timber	A								
	B								
Plywood	A								
	B								
Fertilizer	A								
	B								
Containerized general cargo	A								
	B								
Other general cargo	A	13.0	5.0	210.0	228.0	14.0	5.0	220.0	239.0
	B	136.3	1.4	12.4	150.1	133.7	1.4	17.9	153.0
Subtotal Dry Cargo	A	<u>110.0</u>	<u>2,305.0</u>	<u>4,545.0</u>	<u>6,960.0</u>	<u>121.0</u>	<u>2,455.0</u>	<u>4,795.0</u>	<u>7,371.0</u>
	B	<u>310.7</u>	<u>709.0</u>	<u>3,123.4</u>	<u>4,143.1</u>	<u>326.2</u>	<u>786.9</u>	<u>3,471.1</u>	<u>4,584.2</u>
Oil	A			-	-			-	-
	B			682.9	682.9			753.9	753.9
<u>Total Cargo</u>	A	<u>110.0</u>	<u>2,305.0</u>	<u>4,545.0</u>	<u>6,960.0</u>	<u>121.0</u>	<u>2,455.0</u>	<u>4,795.0</u>	<u>7,371.0</u>
	B	<u>310.7</u>	<u>709.0</u>	<u>3,806.3</u>	<u>4,826.0</u>	<u>326.2</u>	<u>786.9</u>	<u>4,225.0</u>	<u>5,338.1</u>

Line A: Appraisal forecasts (1st Ports Project)
 Line B: Close estimate for 1979, budget for 1980.

KOREAFIRST AND SECOND PORTS PROJECTSSUPERVISION MISSION - JANUARY 1980KMPA's Budgeting and Accounting Procedures and Financial ResultsA. Budgetary and Accounting Procedures

8.01 Under the "Plan of Action for the Establishment of KPA" provided for under Schedule 5 of Loan Agreement 917-KO, E.P.B. was expected to review and approve the financial consultants' proposals for financial policies and procedures, to be implemented by June 1975. This target date could not be met mainly because KPA (named now KMPA) was only established in March 1976. In addition, by the time KMPA was in full operation the manuals for accounting procedures prepared in 1974-75 by consultants Booz, Allen and Hamilton required updating and a training program was needed for KMPA's accounting staff. After long selection procedures, consultants Sycip-Gorres-Velayo and Company in association with AHN-KWON and Company (SGV) were appointed and started work in August 1978. The SGV contract provides for a 20-month work program, with the draft final report due by April 30, 1980 and the Final Report within two months of the receipt of the KMPA's and Bank's comments on the draft final report. Meanwhile KMPA operates on the Government budgeting system and keeps its accounts accordingly on a cash basis, although Section 3.02 of Loan Agreement 1401-KO (Second Project) requires that KMPA be invested with autonomous powers including, inter alia, the adoption of commercial and accounting procedures to be implemented starting January 1, 1979. As this target date could not be met due to the late start of the SGV contract, the November 1978 supervision mission agreed to postpone the date of formal implementation of KMPA's commercial and accounting system to January 1, 1981. The June 1979 mission found that the lack of qualified accounting staff within KMPA and the inadequacy of the training program included in the SGV contract would not allow KMPA to meet the January 1981 target. In addition, legal action required for implementation of the new system should be completed at least 15 months before the start of the system, to allow for appropriate Budget preparation for the first year and for testing the new accounting system in parallel with the ongoing system for a full year. The formal date for implementing the system was therefore established as January 1, 1982, with legal action, including Parliament approval of the new law, to be completed by November 1, 1980. The Bank confirmed this agreement and the relevant timetable in a letter dated August 7, 1979 to Mr. Moon Myung Rhin, Deputy Administrator, KMPA, copied to EPB.

8.02 Despite EPB's and KMPA's agreement in principle with the revised target date and timetable, KMPA's management did not take any action toward implementation. Instead, Mr. Moon suggested in a letter dated November 24, 1979 that a new timetable be formulated based on SGV's recommendations in its final report to be submitted by June 30, 1980. Mr. Moon's suggestion reflected KMPA's management fear that KMPA may encounter difficulties in implementing the system because most ports under KMPA's control operate at an operating loss; and implementation of the new system would jeopardize KMPA's chances of obtaining Government funds for financing operating deficits and capital investments required for developing KMPA's port system. In its letter dated December 13, 1979 the Bank argued that, in its understanding, an early development of the new system would provide KMPA and the Government with detailed operational and capital investments cost accounting which would justify the Government's financial assistance to KMPA and consequently increase KMPA's chances to obtain this assistance.

8.03 The mission discussed these matters at length with KMPA's Director General of Finance and Accounting, the Director of the International Economic Cooperation Division and their staff and convinced them of the merits of the agreements reached during negotiations of Loans 917-KO and 1401-KO. As a result of these discussions, agreement was reached on the following revised timetable for implementing the new budgeting and accounting system and the other provisions of Section 3.02 of Loan Agreement 1401-KO:

- (a) March 15, 1980 - Consultants SGV submit their draft final report for comment by KMPA and the Bank. This report would include recommendations for further consulting services and/or technical assistance for helping KMPA to implement the revised timetable and continuing staff training along the lines defined in the attached Draft for Discussion of a Proposed Project Work Plan 1980-83.
- (b) April 30, 1980 - SGV receive the combined KMPA/Bank comments on the draft final report.
- (c) June 30, 1980 - SGV submit their final report for approval by KMPA, the Government and the Bank.
- (d) June 30, 1980 - KMPA submits for approval by the Government and the Bank a detailed plan for implementing the present timetable with the assistance of consultants and/or technical assistants as necessary (para. 8.04).
- (e) January 1, 1981 - KMPA submits the new budgetary and accounting plan, along with a draft of the legislation required for its to enforcement, for the approval of the Ministries of Transport and Finance, and EPB. The draft legislation would include the provisions required for vesting KMPA with the powers listed under Section 3.02(a) of Loan Agreement 1401-KO.

- (f) September 1, 1981 - The new legislation, budgeting and accounting plans are submitted for Parliament approval.
- (g) January 1, 1982 - KMPA commences implementation of the new accounting procedures on a test basis in parallel with the old system.
- (h) March 1, 1982 - KMPA submits its 1982 Budget presented under the new form for Parliament approval.
- (i) January 1, 1983 - KMPA drops the old accounting system and keeps its accounts under the new procedures only.

The mission explained the revised plan and the need for additional consulting services and/or technical assistance for helping KMPA to implement it in meetings on February 5, 1980 with Mr. Suh In-Soo, Assistant Minister, Transport Coordination, Ministry of Transport and Mr. Lee, Kyu Chang Director General, Bureau of Foreign Capital Management, EPB. Both Government representatives agreed in principle on the plan which has been confirmed in the mission's action letter to KMPA dated March 14, 1980, copies to the representatives.

Additional consulting services

8.04 The additional consulting services and/or technical assistance proposed by SGV would:

- (a) review organizational changes required within KMPA for implementing the new system. Most changes would be within the Finance and Accounting Bureau at headquarters and in the DMPA. It is however likely that some changes will also be required within the technical departments to ensure that adequate financial data is transmitted on time to the Finance and Accounting bureaus;
- (b) continue training of KMPA's staff;
- (c) revalue KMPA's fixed assets;
- (d) draft required legislation and internal regulations and help KMPA in their implementation;
- (e) assist KMPA during parallel systems run and in preparing KMPA's initial balance sheet;
- (f) assist KMPA in preparing the 1983 Budget under the new form;
- (g) assist KMPA in developing long-range financial planning;

- (h) assist KMPA during the first year of formal implementation of the new system; and
- (i) develop a cost-based tariff system.

In addition to the above, the consultants will have to look into a possible computerization of KMPA's accounts. It is also likely that KMPA will need technical assistants to fill key accounting staff positions until it is able to fix salaries high enough to attract qualified and experienced accountants.

Financing of the additional consulting services

8.05 In its letter dated December 21, 1979 to Mr. Cheung, Yeun-Sei, Director General, Bureau of Ports Construction and Maintenance (copy to Mr. Choi Kyu Young, Director General, Finance and Accounting Bureau) on the utilization of the undisbursed balance of Loan 917-KO, the Bank suggested that available loan funds should be primarily for the financing of a possible extension of the SGV contract. This matter was discussed between KMPA and the mission, and, because only the foreign component of funds earmarked for consulting services could be financed from Loan 917-KO, it was agreed that the additional consulting services could partly be financed from funds allocated to Category IV (technical assistance and training) of Loan 1401-KO which gives the possibility to finance 80% of the cost of local consultants. To this effect, KMPA agreed to prepare a revision of the allocation of funds under this category given in Annex 1 of the Appraisal Report of the Second Project (Report No. 1354a-KO) by June 30, 1980. The rest of the Services could be financed under the proposed Third Project, appraisal of which is tentatively planned for April 1981.

B. Project Ports Financial Results

8.06 The Busan-District Maritime and Port Authority's (BDMPA's) and the Mukho District Maritime and Port Authority's (MDMPA's) income accounts, sources and application of funds, balance sheets and selected financial ratios are shown in the attached Tables 8.01 to 8.08. Busan related tables (8.01 to 8.04) show appraisal forecasts (Second Project) from 1974 through 1982, actual results for 1974-1978, a first estimate of the 1979 results and the budget estimates for 1980. Mukho related tables (8.05 to 8.08) give the First Project's appraisal forecasts from 1973 through 1981, actuals for 1973 through 1978, a first estimate for the port's 1979 results and the budget estimates for 1980. As figures showing actuals or estimated results were based on KMPA's present cash accounting system with noncash related figures calculated without reliable accounting based data, these statements should be regarded as approximations rather than as bookkeeping based documents.

BDMPA

8.07 The following table summarizes BDMPA's income account (Table 8.01), sources and applications of funds (Table 8.02); balance sheets (Table 8.03) and selected financial ratios (Table 8.04) for 1978 through 1980. Traffic figures are shown at the top of the income summary.

	1978		1979		1980	
	Appraisal Estimate	Appraisal Estimate	Appraisal Estimate	Appraisal Estimate	Appraisal	Budget
<u>Income Account</u>						
Traffic (million revenues tons)	20.7	27.2	21.8	28.0	23.0	31.3
	----- (Won billion) -----					
Operating revenue	8.7	7.4	13.3	11.8	14.2	15.3
Working expenses	1.1	0.6	1.4	1.0	1.9	1.6
Depreciation	2.9	0.4	4.5	1.7	4.9	4.9
Net operating revenue	4.7	6.4	7.4	9.1	7.4	8.8
Interest charges	3.2	2.4	3.8	3.2	4.4	3.1
Exceptional losses (profits)	-	-	-	0.7	-	0.5
Net profit (loss)	1.5	4.0	3.6	5.2	3.0	5.2
<u>Source and Application of Funds</u>						
Own cash generation	7.7	6.8	11.9	10.8	12.3	13.7
Subsidies	4.7	7.5	-	(2.7)	-	(2.4)
Loan mobilization	14.1	13.6	7.1	17.7	9.7	15.6
<u>Total Sources</u>	<u>26.5</u>	<u>27.9</u>	<u>19.0</u>	<u>25.8</u>	<u>22.0</u>	<u>26.9</u>
Capital investments	20.1	25.1	12.2	27.7	17.1	20.3
Debt service	3.5	2.4	4.6	-	6.4	5.9
<u>Total Applications</u>	<u>23.6</u>	<u>27.5</u>	<u>16.8</u>	<u>27.7</u>	<u>23.5</u>	<u>26.2</u>
Annual variation in working capital	2.9	0.4	2.2	(1.9)	(1.5)	0.7
<u>Balance Sheet</u>						
Net working capital	(0.4)	0.5	0.8	(1.4)	(0.7)	(0.7)
Net fixed assets	103.0	96.0	112.5	116.0	124.8	131.5
<u>Total Assets</u>	<u>103.4</u>	<u>96.5</u>	<u>113.3</u>	<u>114.6</u>	<u>124.1</u>	<u>130.8</u>
Loan capital	50.7	37.0	57.0	51.9	64.7	64.7
Equity equivalent	52.7	59.5	56.3	62.7	59.4	66.1
<u>Total Liabilities</u>	<u>103.4</u>	<u>96.5</u>	<u>113.3</u>	<u>114.6</u>	<u>124.1</u>	<u>130.8</u>
<u>Ratios</u>						
Rate of return on net fixed assets in use %	7.8	15.0	7.6	10.4	7.7	8.1
Current assets/current liabilities (times)	1.1	1.5	1.6	0.6	1.2	0.8
Debt/Equity	49/51	38/62	50/50	45/55	52/48	49/51

Income account and rate of return on average net fixed assets in use, 1979

8.08 As in 1978, BDMPA's 1979 gross operating revenue did not reach appraisal forecasts, although the traffic was close to 30% above forecasts and tariffs, which had been raised by 25% as of July 1, 1978 were increased by another 15% on July 1, 1979. This lower operational revenue is mainly due to the fact that charges paid by the different TOCs in 1979 only amounted to about Won 3 billion instead of the Won 7.1 forecasted at appraisal. BDMPA's working costs were about 58% of appraisal forecasts in 1978. This differential narrowed to 72% due to the upsurge of inflation during 1979. Despite the consequent Won 1.1 billion decrease in cash generation, in 1979 BDMPA would achieve a 10.4% rate of return on average net fixed assets in use (against an appraisal projection of 7.6%), assuming that the depreciation provision (Won 1.7 billion) shown in the above table for 1979 was adequate. However, this figure represents only 1.8% of the gross value of depreciable assets by the end of 1979, against 5% used in the appraisal forecast. The latter figure is high and the mission thinks that it should be limited to 2.5%, which would lead to a Won 2.7 billion depreciation provision in 1979, decrease the net operating revenue to Won 8.1 billion and the rate of return on nonrevalued fixed assets to 9.1%. As BDMPA's fixed assets have not been revalued since 1974, a revaluation is necessary. Assuming that fixed assets in use would be increased by 30%, the 1979 depreciation provision would reach about Won 3.4 billion, the net operating revenue Won 7.4 billion and the rate of return about 7%. This rate of return complies with the provision of para. 4.0(b) of Loan Agreement 1401 KO and is only slightly less than appraisal projections which did not provide for a revaluation of fixed assets, but compensated for it by using the above-mentioned 5% of the gross value of depreciable assets for calculating annual depreciation provisions. Even if the full depreciation provision (Won 3.4 billion) were to be applied, BDMPA's income account would show a high (Won 3.6 billion) book profit after deducting interest charges and exchange losses. This profit represents about 30% of gross operating revenue and is in line with appraisal forecasts.

1980

8.09 Under BDMPA's budget, the cash generated from operations is expected to be broadly in line with appraisal forecasts. As the budget does not provide for depreciation provision, the appraisal estimate was used under the assumption that the high 5% applied to the gross value of depreciable assets for calculating the annual depreciation would compensate for the lack of revaluation of these assets. Under this assumption the rate of return on nonrevalued fixed assets in use would be 8.1% against a 7.7% appraisal forecast. Assuming that net fixed assets in use were revalued by 30%, the rate of return would drop to 6%, which is 1.5% below forecasts, and reflects the adverse effect on working costs of the high inflation anticipated for 1980 and the fact that the Government has not agreed to increase KMPA's tariffs in 1980. As in 1979, BDMPA's profits

after charging interest charges and exchange losses will represent a high 30% of gross operating revenue. KMPA is carrying out a revaluation of its fixed assets, the results of which will be reflected in the 1980 accounts.

Sources and applications of funds and balance sheet

8.10 The table in para. 8.07 shows that BDMPA's short and long term financial position by the end of 1978 was even better than that anticipated at appraisal. The short term current ratio was 1.5 instead of 1.1, with the long-term debt to equity ratio 38/62 against a 49/51 forecast. With these anticipated profits, BDMPA's financial position will weaken only marginally in the next two years as a result of the financing of the local component of the Second Project the completion of which will further increase the Port's profitability.

MDMPA

8.11 The following table summarizes MDMPA's income account (Table 8.05), sources and applications of funds (Table 8.06), balance sheets (Table 8.07) and selected financial ratios (Table 8.08) for 1978 through 1980. Traffic figures are shown on the top of the income summary.

	1978		1979		1980	
	Appraisal	Actual	Appraisal	Estimate	Appraisal	Budget
<u>Income Account</u>						
Traffic (million revenue tons)	6.5	5.1	7.0	4.8	7.4	5.3
----- (Won billion) -----						
Operating revenue	0.9	0.8	1.0	1.0	1.0	1.4
Working expenses	0.2	0.2	0.3	0.2	0.3	0.4
Depreciation	0.2	0.1	0.2	0.2	0.2	0.2
Net operating revenue	0.5	0.5	0.5	0.6	0.5	0.8
Interest charges	0.2	0.2	0.2	0.3	0.2	0.3
Net profit (loss)	0.3	0.2	0.3	0.3	0.3	0.5
<u>Source & Application of Funds</u>						
Own cash generation	0.7	0.6	0.7	0.7	0.8	1.0
Subsidies	-	0.3	-	(0.3)	-	(0.6)
Loan mobilization	0.2	0.6	-	-	-	-
<u>Total Sources</u>	<u>0.9</u>	<u>1.5</u>	<u>0.7</u>	<u>0.4</u>	<u>0.8</u>	<u>0.4</u>
Capital investments	0.6	1.6	0.4	0.1	0.4	0.1
Debt service	0.2	0.2	0.2	0.3	0.3	0.3
<u>Total Applications</u>	<u>0.8</u>	<u>1.8</u>	<u>0.6</u>	<u>0.4</u>	<u>0.7</u>	<u>0.4</u>
Annual variation in working capital	0.1	(0.3)	0.1	-	0.1	-
<u>Balance Sheet</u>						
Net working capital	0.4	0.1	0.5	0.1	0.6	0.1
Net fixed assets	7.1	11.5	7.3	11.4	7.5	11.3
<u>Total Assets</u>	<u>7.5</u>	<u>11.6</u>	<u>7.8</u>	<u>11.5</u>	<u>8.1</u>	<u>11.4</u>
Loan capital	2.8	3.2	2.8	3.1	2.7	3.0
Equipment equivalent	4.7	8.4	5.0	8.4	5.4	8.4
<u>Total Liabilities</u>	<u>7.5</u>	<u>11.6</u>	<u>7.8</u>	<u>11.5</u>	<u>8.1</u>	<u>11.4</u>
<u>Ratios</u>						
Rate of return on net fixed assets in use %	8.6	5.5	7.8	5.1	7.9	8.0
Current assets/current liabilities (times)	6.1	1.2	7.3	1.4	8.9	2.8
Debt/Equity	37.63	28/72	35/65	27/73	33/67	26/74

Income account and rate of return on average net fiscal assets in use

8.12 Contrary to BDMPA, the financial performance of MDMPA has been steadily below appraisal forecasts due to lower than anticipated traffic performances (-20% in 1978; -32% in 1979 and -29% anticipated for 1980) explained in Annex 7, para. 7.03, and late implementation of tariff increases. This is reflected in the rates of return on net fixed assets in use shown at the bottom of Table 8.08, particularly since these rates of return are based on nonrevalued fixed assets in use, and that provisions used for the forecasts represented only 2% of the gross value of depreciable assets against 5% for Busan. Assuming, as for Busan, that fixed assets in use were to be revalued by 30%, the estimated 1979 depreciation provision would reach Won 0.4 billion in 1979 and 1980. This would reduce the net operating revenue to Won 0.4 billion in 1979 and Won 0.6 billion in 1980 and the respective rates of return on net fixed assets in use to 2.7% and 4.3% instead of the 6% target shown under Section 4.05(a)(iii) of Loan Agreement 917-KO. A more accurate assessment of BDMPA's fixed assets and depreciation provisions will be possible in early 1981 when the ongoing revaluation of KMPA's fixed assets is completed and its result charged to the 1980 accounts.

Services and application of funds and balance sheet

8.13 Because of BDMPA's disappointing traffic and related financial performance, its short term financial situation is precarious, all the more so since the Won 0.1 billion net working capital, which has not improved since 1978, has been based on an unsatisfactory Won 0.1 billion spending in both 1979 and 1980 for capital investments. This is well below the minimum required for financing annual renewals of BDMPA's fixed assets. The next supervision mission will have to discuss BDMPA's financial situation with KMPA's management in order to make sure that it generates enough funds to finance these renewals and its debt service which includes the repayment of Loan 917-KO. The 1980 debt to equity ratio is expected to be better than the 26/74 shown in Table 8.08, as the equity will be increased by the revaluation reserve and no additional borrowing is assumed in the foreseeable future.

DRAFT FOR DISCUSSION

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KOREA MARITIME AND PORT ADMINISTRATION
FINANCE AND ACCOUNTING
PROPOSED PROJECT WORK PLAN
1980 - 1983

DESCRIPTION OF ACTIVITIES

A. Organization Study

The study will be undertaken in two phases:

Phase I - General Review of Existing Organization

A general study of the existing organization structure of the Headquarters and of the DMPAs will be undertaken to identify areas where improvements can be made in terms of redefining bureau and divisional functions and reassessment of personnel requirements, consistent with the objectives and programs of KMPA. The study aims to identify problem areas for detailed study.

Phase II - Detailed Organization Study

A detailed review of the component organizational units will be undertaken in phases. Priority will be given to the reorganization of finance and accounting units of the Headquarters and the DMPAs and other offices performing finance and accounting related functions. Thereafter, other organizational units will be scheduled for review, following a timetable to be set by KMPA and the Consultant.

B. Extension of Classroom Training on Basic Accounting, Commercial Accounting and Budgeting, and Internal Audit

Aware of the limited time spent for staff training, extension of training period is deemed necessary to further reinforce the knowledge and skills of the finance and accounting staff of the Headquarters and the DMPAs.

Given additional time, topics discussed previously will be expanded and explained in greater detail to ensure full understanding of concepts as well as their practical application.

C. Revaluation of Fixed Assets

KMPA's fixed assets, consisting of land, buildings, wharves and piers, cargo-handling equipment, and other port facilities and equipment, will be inventoried and their appraised value setup in the books and reflected in the Initial Balance Sheet.

This task will be undertaken by KMPA's asset valuation team, to be assisted by the Consultant, taking into account the MO's asset valuation guidelines.

D. Drafting and Approval of Enabling Legislation and Implementing Regulations

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The Consultant will assist KMPA in drafting a legislation and the implementing regulations which will define the functions and authorities of KMPA as envisaged in the Loan Agreement. The legislation will include provision for adoption of operational systems based on commercial practices.

The Consultant will work in liaison with a Korean legal expert to be assigned by KMPA to provide advice on the full extent of the effects of legislative changes on all existing laws and subsidiary legislation and who could assist in all phases of the legislative process until Parliament approval and issuance of implementing ordinances.

E. Systems Implementation (Parallel Systems Run)

The Consultant will assist KMPA in the implementation of the new systems in the Headquarters and the DMPAs. Assistance will consist basically of the following activities:

1. Establishment of initial Balance Sheet
2. Implementation of study on reorganization of finance and accounting units
3. Parallel systems run
4. Updating of systems manuals

F. Preparation of 1983 Budget in Commercial Form

In 1982, KMPA, in coordination with the Consultant, shall prepare its budget for 1983 in commercial form to be submitted to Parliament for approval. KMPA's finance and accounting staff, who will have been trained at that time, shall perform this task with assistance from the Consultant.

G. Development of Long-Range Financial Plan

In the course of implementing the new systems, the Consultant will assist KMPA develop a long term financial plan to be used, among others, as a tool for determining long term financing requirements for capital projects and as a basis for cost-based tariff studies.

This activity will involve development and analysis of projected operating results, sources of financing and utilization of funds, based on economic, technical and financial data gathered and analyzed by the organizational units concerned.

H. Official Implementation of the New System

In 1983, the old system will be discontinued and only the new system will come into effect. Assistance from the Consultant on a limited scale will be necessary to ensure smooth transition to the new system.

I. Development of Cost-Based Tariff System

In accordance with Sections 4.03 and 4.04 of the Loan Agreement No. 1401-KO, a cost-based tariff system shall be implemented in the DMPAs. The Consultant will assist KMPA in the conduct of the study which will cover a representative number of ports to provide an indication of a range of costs as basis for restructuring existing tariff rates.

KMPA MARITIME AND PORT ADMINISTRATION
FINANCE AND ACCOUNTING
PROPOSED PROJECT WORK PLAN
1980 - 1983

Activities	1980	1981	1982	1983
A. Organization Study				
Phase I - General Review of Existing Organization	_____			
Phase II - Detailed Organization Study:				
1. Finance and Accounting Units - Headquarters and KMPAs	_____			
2. Organizational units performing finance and accounting related functions	_____			
3. Other bureaus/ divisions/ sections		-----		
B. Extension of Classroom Training on Basic Accounting, Commercial Accounting and Budgeting, and Internal Audit	_____			
C. Revaluation of Fixed Assets		_____		
D. Drafting and Approval of Enabling Legislation and Implementing Regulations		_____		
E. Systems Implementation (Parallel Systems Run), including preparation of Initial Balance Sheet			_____	
F. Preparation of 1983 Budget in Commercial Form			_____	
G. Development of Long-Range Financial Plan			_____	
H. Official Implementation of the New System (the old system will be discontinued)				_____
I. Development of Cost-Based Tariff System				_____

KOREA
FIRST AND SECOND PORTS PROJECTS
SUPERVISION MISSION - JANUARY 1980

Port of Busan
Income Account
(Non million)

	1973	1974	1975		1976		1977		1978		1979		1980		1981		1982	
	Actual	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Budget	Appraisal	Forecast	Appraisal	Forecast
Operative Revenue																		
Light dues	47.8	65.1	71.0	70.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Port dues	239.0	227.7	240.0	240.0	555	575	672	846	792	1,238	899	1,771	-	-	1,121	-	1,284	
Tugage	122.0	179.9	216.0	216.0	220	228	254	277	300	372	339	459	357	-	419	-	480	
Dockage	110.3	436.6	653.0	653.4	716	720	993	133	1,155	1,558	1,285	1,903	1,349	-	1,557	-	1,783	
Concession fees (cargo)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Terminal shed charges	51.6	66.1	50.0	49.6	50	48	52	50	58	71	65	109	69	12,189	82	-	94	
Open cargo area charges	75.9	93.0	132.0	131.9	180	173	189	165	211	556	242	164	253	-	295	-	335	
Revenue from terminal operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wharfage	-	435.2	700.0	700.3	1,218	1,023	1,474	1,453	1,704	1,941	1,932	2,294	7,741	-	9,104	-	10,601	
Anchorage	-	-	42.0	42.1	674	682	818	1,265	946	1,191	1,052	1,390	1,095	-	1,265	-	1,435	
Floating crane	29.2	31.4	41.0	40.9	50	42	60	30	68	59	77	49	82	-	95	-	109	
Rent of facilities	26.3	5.4	6.0	5.8	30	64	30	73	32	199	35	82	35	2,895	38	-	41	
Miscellaneous revenue	47.5	46.1	77.0	77.0	156	168	166	226	189	246	214	621	225	235	264	-	304	
Total	789.4	1,586.2	2,728.0	2,727.7	3,849	3,721	4,708	5,518	8,729	7,432	12,270	11,844	14,149	15,319	16,608		19,204	
Operating Expenses																		
Navigation aids	8.4	119.5	186.0	185.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance dredging	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Port captain's office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General maintenance	89.4	168.0	160.0	159.5	224	246	269	349	663	346	929	574	1,363	874	1,693	-	1,944	
Special services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous dock labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundry dock expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General and administration	104.1	100.7	156.0	156.7	162	163	216	225	399	280	472	434	567	710	658	-	724	
Subtotal working costs	202.1	388.2	502.0	501.7	386	409	485	574	1,062	626	1,401	1,008	1,930	1,586	2,351		2,668	
Depreciation	410.0	410.0	433.0	432.9	443	425	448	433	2,957	444	4,492	1,746	4,849	4,850	5,225	-	5,930	
Total Operating Expenses	612.1	798.2	935.0	934.6	829	834	933	1,007	4,019	1,070	5,893	2,754	6,779	6,436	7,576		8,598	
Net operating revenue	157.5	788.3	1,293.0	1,293.1	3,020	2,889	3,775	4,511	4,710	6,362	7,377	9,090	7,409	8,883	9,032		10,606	
Interest charges	91.7	243.0	394.0	293.0	832	662	2,056	1,330	3,158	2,384	3,775	3,259	4,363	3,058	4,740	-	4,559	
Exceptional loss (revenue)	-	-	-	-	-	-	-	3	-	1	-	16	-	-	-	-	-	-
Net income	65.8	545.3	899.0	1,054.1	2,188	2,227	1,719	3,178	1,552	3,977	3,602	5,815	3,046	5,825	4,292		6,047	
Exchange loss (profit)	-	-	-	-	-	-	-	-	-	-	-	554	-	556	-	-	-	-
Book profit (loss)	-	-	-	-	-	-	-	-	-	-	-	5,261	-	5,269	-	-	-	-

KOREA
FIRST AND SECOND PORTS PROJECTS
Port of Busan
Table of Source and Application of Funds
(Won million)

	1973	1974	1975		1976		1977		1978		1979		1980		1981		1982	
	Actual	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Budget	Appraisal	Forecast	Appraisal	Forecast
SOURCES																		
Internal Cash Generation																		
Gross operating revenue	769.6	1,586.5	2,228	2,227.7	3,849.0	3,723.0	4,708.0	5,518.0	8,729.0	7,432.0	13,270.0	11,844	14,188.0	15,319	16,608.0	-	-	19,204.0
Less: working costs	202.1	382.2	502	501.7	386.0	409.0	485.0	574.0	1,062.0	626.0	1,401.0	1,008	1,930.0	1,586	2,351.0	-	-	2,668.0
Cash generated from operations	567.5	1,204.3	1,726	1,726.6	3,463.0	3,314.0	4,223.0	4,944.0	7,667.0	6,806.0	11,869.0	10,836	12,258.0	13,733	14,257.0	-	-	16,536.0
Other	-	-	-	-	-	-	-	-	-	-	-	(16)	-	-	-	-	-	-
Total Internal Cash Generation	567.5	1,204.3	1,726	1,726.6	3,463.0	3,314.0	4,223.0	4,944.0	7,667.0	6,806.0	11,869.0	10,820	12,258.0	13,733	14,257.0	-	-	16,536.0
Subsidies																		
Government against operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government against investments	-	-	4,507	7,775.0	2,983.0	4,731.0	5,247.0	7,871.0	4,676.0	7,508.0	-	(2,693)	-	(2,412)	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Subsidies	-	-	4,507	7,775.0	2,983.0	4,731.0	5,247.0	7,871.0	4,676.0	7,508.0	-	(2,693)	-	(2,412)	-	-	-	-
Loans																		
IBRD 917-EO	-	665.0	3,229	3,230.0	7,785.0	6,162.0	15,123.0	7,282.0	10,431.0	11,867.0	7,086.0	4,277	-	900	-	-	-	-
IBRD 140-EO	-	-	-	-	-	-	-	-	-	143.0	-	4,100	9,711.0	11,717	10,737.0	-	-	1,160.0
SPD	-	-	-	-	2,431.0	-	7,729.0	6,071.0	3,678.0	1,574.0	65.0	9,330	-	2,952	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Loans	-	665.0	3,229	3,230.0	10,216.0	6,162.0	22,852.0	13,353.0	14,129.0	13,584.0	7,151.0	17,707	9,711.0	15,559	10,737.0	-	-	1,160.0
GRAND TOTAL SOURCES	567.5	1,869.3	9,462	12,731.0	16,667.0	14,207.0	32,322.0	26,170.0	26,472.0	27,898.0	19,020.0	25,834	21,969.0	26,890	24,994.0	-	-	17,696.0
APPLICATIONS																		
Capital Investments																		
IBRD First Project	-	-	9,403	10,531.5	16,917.0	15,306.0	30,380.0	24,594.0	11,610.0	-	582.0	18,000	-	-	-	-	-	-
IBRD Second Project	-	-	-	-	-	-	966.0	-	7,394.0	-	11,132.0	3,700	16,631.0	-	14,820.0	-	-	4,000.0
Other	-	-	345	344.5	-	-	485.0	-	970.0	-	485.0	-	485.0	-	727.0	-	-	970.0
Total Investments	475.8	1,626.3	9,748	10,876.0	16,917.0	15,306.0	31,830.0	24,594.0	20,034.0	23,091.0	12,199.0	21,700	17,116.0	20,389	15,547.0	-	-	4,970.0
Debt Service																		
Interest	91.7	243.0	394	239.0	832.0	662.0	2,056.0	1,330.0	3,158.0	2,384.0	3,775.0	3,259	4,363.0	3,058	4,740.0	-	-	4,559.0
Repayments	-	-	-	-	-	-	-	-	390.0	-	821.0	2,769	2,020.0	2,805	4,490.0	-	-	4,560.0
Total Debt Service	91.7	243.0	394	239.0	832.0	662.0	2,056.0	1,330.0	3,548.0	2,384.0	4,596.0	6,028	6,383.0	5,863	9,230.0	-	-	9,119.0
GRAND TOTAL APPLICATIONS	567.5	1,869.3	10,142	11,115.0	17,749.0	15,968.0	33,887.0	25,924.0	23,582.0	27,475.0	16,795.0	27,728	23,499.0	26,252	24,777.0	-	-	14,089.0
Annual variations in working capital	-	-	-	1,616.0	(1,087.0)	(1,761.0)	(1,565.0)	246.0	2,890.0	423.0	2,225.0	(1,894)	(1,530.0)	618	217.0	-	-	3,607.0
Working capital brought forward	-	-	-	-	(680.0)	1,616.0	1,767.0	(145.0)	(3,332.0)	101.0	(442.0)	524	783.0	(1,370)	(747.0)	(1,370)	(747.0)	(530.0)
Working capital at end of year	-	-	(680)	1,616.0	(1,767.0)	(145.0)	(3,332.0)	101.0	(442.0)	524.0	783.0	(1,370)	(747.0)	(732)	(530.0)	-	-	3,077.0

KOREA
FIRST AND SECOND PORTS PROJECTS
SUPERVISION MISSION - JANUARY 1980

Port of Busan

Balance Sheet
(Won million)

	1974		1975		1976		1977		1978		1979		1980		1981		1982	
	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Budget	Appraisal	Forecast	Appraisal	Forecast
ASSETS																		
Current Assets																		
Cash			-	1,695	-	1,660	-	930	1,600	1,079	3,329	1,073	2,806	1,632	3,383			4,533
Accounts receivable			11	11	18	58	37	101	654	515	674	987	694	1,277	912			930
Stores			-	-	11	12	13	1	31	3	43	168	58	264	74			82
Other			-	-	-	50	-	-	-	5	-	-	-	-	-			-
Subtotal Current Assets	-	-	11	1,706	29	1,780	50	1,032	2,287	1,603	4,046	2,228	3,558	3,173	4,369			5,545
Less: Current Liabilities																		
Accounts payable			464	-	1,272	1,659	2,197	407	1,049	573	1,312	84	2,039	132	2,492			159
Current loan maturities			-	-	-	-	-	-	-	-	-	2,769	-	2,805	-			-
Other			227	90	524	264	1,185	524	1,680	506	1,951	745	2,266	968	2,407			2,309
Subtotal Current Liabilities			691	90	1,796	1,923	3,372	931	2,729	1,079	3,263	3,598	4,305	3,905	4,899			2,468
Total Net Working Capital			(680)	1,616	(1,767)	(143)	(3,322)	101	(442)	524	783	(1,370)	(747)	(732)	(530)			3,077
Fixed Assets																		
Gross value - land	2,673	7,816	7,916	7,916	7,916	8,454	7,916	8,995	7,916	8,995	7,916	8,995	7,916	8,995	7,916			7,916
Gross value - other	10,949	13,431	13,676	13,676	13,676	13,284	14,161	13,869	95,347	56,408	96,414	106,006	100,613	106,395	146,078			151,048
Accumulated depreciation	1,152	-	433	433	876	423	1,324	1,291	4,281	1,735	8,773	3,481	13,622	8,331	18,847			24,777
Net value - other assets in use	9,797	13,431	13,243	13,243	12,800	12,859	12,837	12,578	91,066	54,673	87,641	102,525	86,991	98,064	127,231			126,271
Total Net Fixed Assets in Use	12,470	21,247	21,159	21,159	20,716	21,315	20,753	21,573	98,982	63,668	95,557	111,520	94,907	107,059	135,147			134,187
Works in progress	6,861	2,354	11,758	11,294	28,675	33,679	60,021	49,732	4,869	31,898	17,001	4,000	29,918	24,000	-			-
Total Net Fixed Assets	19,331	23,601	32,917	32,453	49,391	54,994	80,774	71,305	103,851	95,566	112,558	115,520	124,825	131,059	135,147			134,187
Deferred Assets																		
			-	-	-	-	-	71	-	456	-	456	-	456	-			-
GRAND TOTAL ASSETS	19,331	23,601	32,237	34,069	47,624	54,849	77,442	71,477	103,409	96,546	113,341	114,606	124,078	130,783	134,617			137,264
LIABILITIES																		
Long-Term Debt																		
IBRD 917-EO	3,970	665	3,895	3,895	11,680	10,057	26,176	17,339	32,484	29,206	32,636	32,193	31,752	31,767	30,802			29,784
IBRD 1401-EO	-	-	-	-	-	-	627	-	4,180	143	10,493	4,243	20,204	15,960	28,538			27,293
STU	-	-	-	-	2,431	-	10,160	6,071	13,838	7,645	13,903	15,496	12,767	16,969	11,630			10,493
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-
Total Long-Term Debt	3,970	665	3,895	3,895	14,111	10,057	36,963	23,410	50,702	36,994	57,032	51,932	64,723	64,696	70,970			67,570
Equity Equivalent																		
Capital	15,172	22,325	22,936	21,238	22,936	30,174	22,936	21,238	28,936	21,238	28,936	21,238	28,936	21,238	28,936			28,936
Govt. subsidies for investments	-	-	4,507	7,775	7,490	12,506	12,737	20,379	17,413	27,887	17,413	25,194	17,413	22,782	17,413			17,413
Reevaluation of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-
Retained earnings	189	611	899	-1,161	3,007	2,112	4,806	6,450	6,358	10,427	9,960	16,242	13,006	26,067	17,298			23,345
Govt. subsidies against operating loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-
Total Equity Equivalent	15,361	22,936	28,432	20,174	33,513	44,792	40,479	48,067	52,707	59,552	56,309	62,674	59,355	66,087	63,647			69,694
GRAND TOTAL LIABILITIES	19,331	23,601	32,237	34,069	47,624	54,849	77,442	71,477	103,409	96,546	113,341	114,606	124,078	130,783	134,617			137,264

KOREA
FIRST AND SECOND PORTS PROJECTS
SUPERVISION MISSION - JANUARY 1980

Port of Busan
Selected Financial Ratios

	1975		1976		1977		1978		1979		1980		1981		1982	
	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Budget	Appraisal	Forecast	Appraisal	Forecast
Working ratio (I)	22.5	22.5	10.0	11.0	10.0	10.0	12.0	8.0	10.5	9.0	13.6	10.0	14.0		14.0	
Operating ratio (I)	42.0	42.0	21.5	22.0	20.0	18.0	46.0	14.0	46.0	23.0	48.0	42.0	46.0		45.0	
Times interest earned	3.3	5.4	3.6	4.4	1.8	3.4	1.5	2.7	1.9	2.8	1.7	2.9	1.9		2.3	
Debt service coverage	4.4	7.2	4.1	5.0	2.0	3.7	2.1	2.9	2.6	1.8	1.9	2.3	1.5		1.8	
Net fixed assets in use (Won million)	21,159.0	21,203.0	20,937.5	21,237.0	20,734.5	21,444.0	59,867.5	42,620.5	97,269.5	87,594.0	95,232.0	108,289.0	115,027.0		134,667.0	
Rate of return on net fixed assets in use (I)	6.1	6.1	14.4	13.6	18.2	21.0	7.8	15.0	7.6	10.4	7.7	8.1	7.8		7.9	
Current ratio	N/A	1.1	N/A	0.9	N/A	1.1	1.1	1.5	1.6	0.6	1.2	0.8	1.3		2.2	
Debt to equity ratio	12/88	11/89	30/70	18/82	48/52	33/67	49/51	38/62	50/50	45/55	52/48	49/51	53/47		49/51	

KORRA
FIRST AND SECOND PORTS PROJECTS
SUPERVISION MISSION - JANUARY 1980

Port of Mugho

Income Account
(Won million)

	1973		1974		1975		1976		1977		1978		1979		1980		1981	1979
	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Budget	Appraisal	Revised estimate
Operative Revenue																		
Light dues	2.7	3.7	-	2.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Port dues	13.0	13.3	141.0	23.0	150.3	25.0	315.9	24.1	342.6	29.0	365.4	39.0	388.2	52.0	411.0	-	436.2	-
Tollage	-	23.7	-	41.3	-	60.9	-	53.0	-	59.0	-	65.0	-	103.0	-	-	-	-
Dockage	8.1	10.5	95.7	59.5	109.0	97.3	122.7	102.8	169.2	133.0	177.0	156.0	186.9	188.0	196.8	-	204.6	-
Revenue from terminal operations	-	-	-	-	-	-	0.1	-	0.1	-	0.1	-	0.1	-	0.1	-	0.1	-
Transit shed charges	2.4	1.9	-	2.6	-	2.8	-	4.2	-	8.0	-	3.0	-	-	-	-	-	-
Open cargo area charges	2.0	3.1	0.5	3.6	0.5	5.4	0.5	12.0	0.5	39.0	0.5	60.0	0.5	68.0	0.5	1,107.0	0.5	-
Service charge	-	-	-	-	-	-	2.5	-	2.5	-	2.5	-	2.5	-	2.5	-	2.5	-
Wharfage	-	-	77.0	47.9	82.2	87.6	87.4	83.8	124.8	111.0	133.1	119.0	141.5	154.0	149.9	-	159.2	-
Anchorages	-	-	-	-	-	1.3	-	19.9	-	39.0	-	45.0	-	36.0	-	-	-	-
Floating crane	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent of facilities	-	-	-	-	-	3.1	103.0	15.0	225.0	11.0	259.0	240.0	250.0	379.0	250.0	302.0	250.0	-
Miscellaneous revenue	12.6	1.1	12.6	13.2	12.6	1.7	12.6	8.6	12.6	16.0	12.6	66.0	12.6	71.0	12.6	22.0	12.6	-
Total	40.8	57.3	326.8	193.7	355.4	285.1	644.7	323.4	877.3	443.0	941.2	791.0	982.3	1,051.0	1,023.4	1,431.0	1,065.7	
Operating Expenses																		
Demolition aids	1.3	14.5	1.3	16.8	1.3	25.0	1.3	-	1.3	-	1.3	-	1.3	-	1.3	-	1.3	-
Maintenance dredging	-	-	20.0	-	20.0	-	20.0	-	36.0	-	36.0	-	36.0	-	36.0	-	36.0	-
Port captain office	-	-	6.0	-	6.0	-	6.0	-	6.0	-	6.0	-	6.0	-	6.0	-	6.0	-
General maintenance	12.0	16.6	45.3	54.1	47.4	49.5	84.4	57.0	109.9	82.0	122.6	102.0	132.6	147.0	132.6	193.0	132.6	-
Special services	-	-	22.5	-	23.5	-	24.5	-	25.0	-	25.5	-	26.0	-	26.5	-	27.0	-
Miscellaneous dock labor	-	-	-	-	-	-	4.0	-	4.0	-	4.0	-	4.0	-	4.0	-	4.0	-
Sheddy dock expense	-	-	1.0	-	1.0	-	1.0	-	1.0	-	1.0	-	1.0	-	1.0	-	1.0	-
General and administration	55.1	21.7	59.5	26.3	61.9	27.7	59.0	31.8	59.0	101.0	59.0	101.0	59.0	145.0	59.0	190.0	59.0	-
Subtotal working costs	80.4	52.8	155.6	27.2	161.1	102.2	200.2	88.8	242.2	183.0	255.4	203.0	265.9	292.0	266.4	343.0	266.9	
Depreciation	56.0	56.0	56.0	56.0	56.0	93.5	122.2	90.2	175.5	100.0	175.5	100.0	187.5	175.0	199.5	176.0	211.5	-
Total Operating Expenses	124.4	1,08.8	211.6	133.2	217.1	195.7	322.4	179.0	417.7	283.0	430.9	303.0	453.4	467.0	465.9	559.0	478.4	
Net operating revenue	(83.6)	(51.5)	115.2	40.5	138.3	89.4	322.3	144.4	459.6	162.0	510.3	490.0	528.9	584.0	557.5	872.0	587.3	
Interest charges	5.2	9.1	47.3	26.1	106.5	13.4	166.1	40.0	184.3	145.0	196.4	239.0	200.4	251.0	198.5	273.0	194.8	-
Exceptional loss (revenue)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	(88.8)	(40.4)	67.9	14.4	31.8	76.0	156.2	104.4	275.3	17.0	313.9	251.0	328.5	333.0	359.0	599.0	392.5	

KOREA
FIRST AND SECOND PORTS PROJECTS
SUPERVISION MISSION - JANUARY 1980

Port of Mugho.
Table of Source and Application of Funds
(Won million)

	1973		1974		1975		1976		1977		1978		1979		1980		1981	
	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Forecast	Appraisal	Forecast
SOURCES																		
<u>Internal Cash Generation</u>																		
Gross operating revenue	40.8	57.3	326.8	193.7	355.4	285.1	644.7	323.4	877.3	445.0	941.2	793.0	982.3	1,051.0	1,023.4	1,431.0	1,065.7	
Working costs	68.4	52.8	155.6	97.2	161.1	102.2	200.2	88.8	242.2	183.0	255.4	203.0	265.9	292.0	266.4	383.0	266.9	
Cash generated from operations	(27.6)	4.5	171.2	96.5	194.3	182.9	444.5	234.6	635.1	262.0	685.8	590.0	716.4	759.0	757.0	1,048.0	798.8	
Other	-	-	-	-	-	-	-	-	30.0	-	-	-	-	-	-	-	-	
<u>Total Internal Cash Generation</u>	<u>(27.6)</u>	<u>4.5</u>	<u>171.2</u>	<u>96.5</u>	<u>194.3</u>	<u>182.9</u>	<u>444.5</u>	<u>234.6</u>	<u>665.1</u>	<u>262.0</u>	<u>685.8</u>	<u>590.0</u>	<u>716.4</u>	<u>759.0</u>	<u>757.0</u>	<u>1,048.0</u>	<u>798.8</u>	
<u>Subsidies</u>																		
Government against operations	32.8	4.6	326.1	-	481.2	118.0	77.0	339.0	-	771.0	-	314.0	-	(323.0)	-	(581.0)	-	
Government against investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<u>Total Subsidies</u>	<u>32.8</u>	<u>4.6</u>	<u>326.1</u>	<u>-</u>	<u>481.2</u>	<u>118.0</u>	<u>77.0</u>	<u>339.0</u>	<u>-</u>	<u>771.0</u>	<u>-</u>	<u>314.0</u>	<u>-</u>	<u>(323.0)</u>	<u>-</u>	<u>(581.0)</u>	<u>-</u>	
<u>Loans</u>																		
IBRD	-	-	630.0	-	925.0	124.0	880.0	122.0	110.0	2,372.0	210.0	607.0	10.0	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<u>Total Loans</u>	<u>-</u>	<u>-</u>	<u>630.0</u>	<u>-</u>	<u>925.0</u>	<u>124.0</u>	<u>880.0</u>	<u>122.0</u>	<u>110.0</u>	<u>2,372.0</u>	<u>210.0</u>	<u>607.0</u>	<u>10.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>GRAND TOTAL SOURCES</u>	<u>5.2</u>	<u>9.1</u>	<u>1,127.3</u>	<u>96.5</u>	<u>1,600.5</u>	<u>424.9</u>	<u>1,401.5</u>	<u>695.6</u>	<u>775.1</u>	<u>3,405.0</u>	<u>895.8</u>	<u>1,511.0</u>	<u>726.4</u>	<u>436.0</u>	<u>757.0</u>	<u>467.0</u>	<u>-</u>	
APPLICATIONS																		
<u>Capital Investments</u>																		
1980 First Project	-	-	1,080.0	70.4	1,494.0	235.5	1,265.0	818.6	170.0	2,988.0	210.0	1,558.0	10.0	-	-	-	-	
1980 Second Project	-	-	-	-	-	-	-	-	-	-	-	-	400.0	-	400.0	14.0	400.0	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<u>Total Investments</u>	<u>-</u>	<u>-</u>	<u>1,080.0</u>	<u>70.4</u>	<u>1,494.0</u>	<u>235.5</u>	<u>1,265.0</u>	<u>818.6</u>	<u>170.0</u>	<u>2,988.0</u>	<u>610.0</u>	<u>1,558.0</u>	<u>410.0</u>	<u>14.0</u>	<u>400.0</u>	<u>14.0</u>	<u>400.0</u>	
<u>Debt Service</u>																		
Interest	5.2	9.1	47.3	26.1	106.5	13.4	166.1	40.0	184.3	145.0	196.4	221.0	200.4	251.0	198.5	273.0	194.8	
Repayments	-	-	-	-	-	-	-	-	-	-	-	-	21.1	116.0	44.4	144.0	47.8	
<u>Total Debt Service</u>	<u>5.2</u>	<u>9.1</u>	<u>47.3</u>	<u>26.1</u>	<u>106.5</u>	<u>13.4</u>	<u>166.1</u>	<u>40.0</u>	<u>184.3</u>	<u>145.0</u>	<u>196.4</u>	<u>221.0</u>	<u>221.5</u>	<u>367.0</u>	<u>242.9</u>	<u>417.0</u>	<u>242.6</u>	
<u>GRAND TOTAL APPLICATIONS</u>	<u>5.2</u>	<u>-</u>	<u>1,127.3</u>	<u>96.5</u>	<u>1,600.5</u>	<u>248.9</u>	<u>1,531.1</u>	<u>858.6</u>	<u>354.3</u>	<u>3,133.0</u>	<u>806.4</u>	<u>1,779.0</u>	<u>631.5</u>	<u>381.0</u>	<u>642.9</u>	<u>431.0</u>	<u>642.6</u>	
Annual variations in working capital	-	-	-	-	-	176.0	(129.6)	(163.0)	420.8	272.0	69.4	(268.0)	94.9	55.0	114.1	36.0	154.2	
Working capital brought forward	-	-	-	-	-	-	-	176.0	(129.6)	13.0	291.2	285.0	380.6	17.0	475.5	72.0	589.6	
Working capital at end of year	-	-	-	-	-	176.0	(129.6)	13.0	291.2	285.0	380.6	17.0	475.5	72.0	589.6	108.0	745.8	

KORRA

FIRST AND SECOND PONTS PROJECTS

SUPERVISION MISSION - JANUARY 1980

Port of Mugho

Balance Sheet
(Won million)

	1973		1974		1975		1976		1977		1978		1979		1980		1981	
	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Budget	Appraisal	Forecast	
ASSETS																		
Current Assets																		
Cash					181.0	(166.6)	201.0	249.2	490.0	333.6	87.0	423.5	104.0	532.6	149.0	683.8		
Accounts receivable					2.0	64.0	11.0	87.0	12.0	94.0	14.0	98.0	88.0	102.0	20.0	106.0		
Stocks					1.0	20.0	1.0	23.0	3.0	23.0	3.0	23.0	48.0	23.0	4.0	23.0		
Other					-	3.0	1.0	4.0	-	5.0	-	6.0	-	7.0	-	8.0		
Subtotal Current Assets					184.0	(79.6)	214.0	363.2	505.0	455.6	104.0	550.5	240.0	664.6	173.0	820.8		
Less: Current Liabilities																		
Accounts payable						42.0	141.0	62.0	124.0	64.0	87.0	64.0	24.0	64.0	93.0	64.0		
Current loan maturities																		
Other					8.0	8.0	60.0	10.0	96.0	11.0	-	11.0	144.0	11.0	19.0	11.0		
Subtotal Current Liabilities					8.0	50.0	201.0	72.0	220.0	75.0	87.0	75.0	168.0	75.0	112.0	75.0		
Total Net Working Capital					176.0	(129.6)	13.0	291.2	285.0	380.6	17.0	475.5	72.0	589.6	61.0	745.8		
Fixed Assets																		
Gross value - land	427.2	427.2	476.4	427.2	469.0	427.2	546.0	427.2	546.0	427.2	546.0	427.2	546.0	427.2	546.0	427.2	546.0	427.2
Gross value - other	2,248.6	2,248.6	5,938.5	2,248.6	6,035.0	2,248.6	6,044.0	5,172.6	6,070.0	6,938.6	11,683.0	7,348.1	11,697.0	7,745.6	11,711.0	8,148.6		
Accumulated depreciation	112.0	168.0	-	224.0	94.0	346.2	184.0	521.7	284.0	697.2	656.0	884.7	831.0	1,084.2	1,007.0	1,295.7		
Net value - other assets in use	2,134.6	2,080.6	5,938.5	2,024.6	5,941.0	1,902.4	5,860.0	4,650.9	5,786.0	6,241.4	11,027.0	6,463.9	10,866.0	6,664.4	10,704.0	6,852.9		
Total Net Fixed Assets in Use	2,563.8	2,307.8	6,414.9	2,451.8	6,410.0	2,329.6	6,406.0	5,078.1	6,332.0	6,668.6	11,373.0	6,891.1	11,412.0	7,091.6	11,250.0	7,280.1		
Works in progress	370.0	1,450.0	-	2,945.0	124.0	4,310.0	975.0	1,556.0	3,812.0	400.0	-	400.0	-	400.0	-	400.0		
Total Net Fixed Assets	2,933.8	3,957.8	6,414.9	5,396.8	6,534.0	6,639.6	7,381.0	6,634.1	10,144.0	7,068.6	11,373.0	7,291.1	11,412.0	7,491.6	11,250.0	7,680.1		
Deferred Assets									2.0		13.0		13.0		13.0			
GRAND TOTAL ASSETS	2,933.8	3,957.8	6,414.9	5,396.8	6,710.0	6,510.0	7,394.0	6,625.3	10,431.0	7,449.2	11,603.0	7,266.6	11,497.0	8,081.2	11,371.0	8,425.9		
LIABILITIES																		
Long-Term Debt																		
IBRD 917-KO	-	630.0	-	1,555.0	124.0	2,435.0	246.0	2,545.0	2,618.0	2,755.0	3,225.0	2,743.9	3,109.0	2,699.5	2,965.0	2,651.7		
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Long-Term Debt	-	630.0	-	1,555.0	124.0	2,435.0	246.0	2,545.0	2,618.0	2,755.0	3,225.0	2,743.9	3,109.0	2,699.5	2,965.0	2,651.7		
Equity Equivalent																		
Capital	3,022.6	3,259.9	-	3,741.1	6,388.0	3,818.1	6,386.0	3,818.1	6,388.0	3,818.1	6,388.0	3,818.1	6,388.0	3,818.1	6,388.0	3,818.1		
Government subsidies					118.0		457.0		1,228.0		1,542.0		1,219.0		638.0			
Revaluation of fixed assets																		
Retained earnings	(88.8)	67.9	-	100.7	79.0	256.9	105.0	562.2	197.0	876.1	448.0	1,204.6	781.0	1,563.6	1,380.0	1,956.1		
Total Equity Equivalent	2,933.8	3,327.8	6,414.9	2,841.8	6,586.0	4,073.0	7,148.0	4,380.3	7,613.0	4,694.2	8,378.0	5,022.7	8,388.0	5,381.7	8,406.0	5,274.2		
GRAND TOTAL LIABILITIES	2,933.8	3,957.8	6,414.9	5,396.8	6,710.0	6,510.0	7,394.0	6,925.3	10,431.0	7,449.2	11,603.0	7,266.6	11,497.0	8,081.2	11,371.0	8,425.9		

KORRA
FIRST AND SECOND PORTS PROJECTS
SUPERVISION MISSION - JANUARY 1980

Port of Hwaho

Selected Financial Ratios

	1973		1974		1975		1976		1977		1978		1979		1980		1981	
	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Budget	Appraisal	Forecast
Working ratio (X)	168.0	92.0	48.0	50.0	45.0	36.0	31.0	27.5	28.0	41.0	27.0	25.5	27.0	28.0	26.0	27.0		25.0
Operating ratio (X)	305.0	190.0	65.0	79.0	61.0	69.0	50.0	55.0	48.0	64.0	46.0	38.0	46.0	44.0	46.0	39.0		45.0
Times interest earned	N/A	N/A	2.4	1.6	1.3	6.7	2.0	3.6	2.5	1.1	2.6	2.1	2.6	2.3	2.8	3.1		3.0
Debt service coverage	N/A	N/A	3.6	3.7	1.8	13.6	2.7	5.9	3.6	1.8	3.5	2.7	3.2	2.1	3.1	2.5		3.3
Net fixed assets in use (Won million) / ₂	2,563.8	2,563.8	2,335.8	4,502.9	2,479.8	6,412.5	2,390.7	6,408.0	3,703.9	6,369.0	5,873.4	8,952.5	6,779.9	11,492.0	4,991.4	11,431.0		7,185.9
Rate of return on net fixed assets in use (X) / ₂	N/A	N/A	4.5	0.9	5.6	1.4	13.5	2.3	12.4	2.5	8.6	5.5	7.8	5.1	7.9	6.0		8.1
Current ratio	N/A	N/A	N/A	N/A	N/A	2.3	N/A	1.1	5.0	2.3	6.1	1.2	7.3	1.4	8.9	2.8		10.9
Liquid ratio	N/A	N/A	N/A	N/A	N/A	2.2	N/A	1.1	4.7	2.3	5.8	1.1	7.0	1.1	8.6	1.2		10.6
Debt to equity ratio	0/100	0/100	16/84	0/100	29/71	18/82	37/63	33/67	37/63	25/75	37/63	28/72	35/65	27/73	33/67	26/74		31/69

₂ Nonrevalued.

KOREA

FIRST AND SECOND PORTS PROJECTS

SUPERVISION MISSION - JANUARY 1980

Organization, Management and Performance of the Borrower

9.01 There has been no change in KMPA's management and staffing since those reported on in the supervision report dated 9-11-79. KMPA's and the DMPA's managements and staff work efficiently under KMPA's present articles and regulations. However, as implementation of the new budgeting and accounting procedures is expected to increase KMPA managements cost and profit consciousness, the need for organizational changes may appear. The consultants who will assist KMPA in implementing the new budgeting accounting procedures will have to look in this matter.

9.02 There is a need to improve KMPA management's willingness to comply with agreed loan covenants and Bank procedures. To reach this goal the forthcoming Bank's missions will have to explain the merits of these covenants and procedures to KMPA's key personnel.

KOREA

FIRST AND SECOND PORTS PROJECTS

SUPERVISION MISSION - JANUARY 1980

Performance of Consultants

Engineering Services

10.01 The performance of the consultants for the civil works design and supervision (Lyon Associates, USA) has been satisfactory.

Services for Technical Assistance and Training on Port Operations, Finance and Accounting

10.02 Consultants Sycip-Gorres-Velayo and Co (SGV) in association with Ahn Kwon and Co (AHK) are completing the training component of their contract in both Port Operations and Accounting. Because of a two months delay in delivery of the computer for Port Operations SGV has requested that this component of their contract be extended by two months. After having reviewed the situation in the field the mission recommended that KMPA's management agree on the consultant's proposal at least with regard to the expert in charge of designing and programming the new system. KMPA is now looking into the matter.

10.03 While the SGV's team in charge of helping KMPA to devise and implement a commercial budgeting and accounting system has done a good job in drafting a comprehensive manual on the new system the training component of their contract was insufficient to insure a smooth implementation of the system. SGV are aware of this delay and have proposed a new technical assistance program aimed at helping KMPA overcome legal, organizational, staffing and staff training problems through formal commencement of the new system (Annex 8 - Attachment 1). KMPA is discussing the matter with the consultants and has committed itself to submit by June 30, 1980 a plan aimed at ensuring formal implementation of the new system by January 1, 1983. This plan will include proposals for additional consultanting services and/or technical assistance as necessary.

KOREAFIRST AND SECOND PORTS PROJECTSSUPERVISION MISSION - JANUARY 1980Future DevelopmentProposed Third Ports Project

11.01 When the Second Port Project Loan (1401-KO) was negotiated, a Bank proposed to include the financing of a feasibility study for a proposed third port project was rejected by the Korean delegation. This was basically because inclusion of the study would have increased project cost beyond the amount budgeted by Government and already approved by the National Assembly. However, in November 1978, KMPA and EPB requested the Bank to consider financing such a study. In a telex dated December 19, 1978 the Bank informed KMPA of its willingness to include the cost of the study as an item of disbursement under Category Four of Loan Agreement 1401-KO (Schedule 1). Necessary amendments to the loan agreements are being prepared.

11.02 Terms of reference for the study were basically agreed between the Bank and KMPA in early 1979; a short list of consultants was agreed in April and consultants proposals received in May. They were evaluated by KMPA with a recommendation to the Bank in June 1979. The Bank recommendation, communicated to KMPA in July, differed from that of KMPA. KMPA agreed to modify its selection, but negotiations with LAI/EIU/KECC/KIST joint venture took a long time. A contract was finally signed in early February 1980 and the study started immediately.

11.03 An interim report, after six months, will be available in August 1980. It should form the basis for agreement between the Government and the Bank about project components, and a mission is planned in September to this effect. Detailed engineering would start in October-November if budget is available; in any case it should start no later than January 1981, and budget promotion should be made sooner for this work. Appraisal is tentatively scheduled for April 1981 and project negotiations for October-November. The problem will be the financing of detailed engineering giving the tight budget situation this year. Timing of the project may also be affected by Government decision on proposed start of construction, as all ongoing major infrastructure projects have been delayed (including the second port project) due to budgetary constraints.

FORM NO. 80
(5-84)

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KOREA MARITIME AND PORT ADMINISTRATION

SEOUL, KOREA

ATTENTION MR. CHUL HUI KIM DIRECTOR GENERAL BUSAN PORT CONSTRUCTION OFFICE RE LOAN 917-KO FIRST PORT PROJECT. AAA WE HAVE RECEIVED APPLICATION NUMBER 2-1-11 REQUESTING REIMBURSEMENT OF WON 235,723,405 FOR 100 PERCENT EXPENDITURES FOR M&E AND TRAINING UNDER PROJECT 10, CATEGORY 2. ITEM 5 OF THE SUMMARY SHEET INCLUDES VALUE ADDED TAX WHICH IS NOT ELIGIBLE FOR REIMBURSEMENT UNDER OUR LOAN. WE HAVE THEREFORE DEDUCTED 10 PERCENT FROM THIS ITEM AND APPROVED APPLICATION 2-1-11 FOR PAYMENT IN THE REDUCED AMOUNT OF WON 213,594,705. BBB WE HAVE ALSO RECEIVED APPLICATION NUMBER 1-1-25 REQUESTING 100 PERCENT REIMBURSEMENT FOR CIVIL WORKS UNDER PROJECT 8 PIER 2 AND PROJECT 10 THE GRAIN FACILITY. CCC TOTAL AMOUNT DISBURSED UNDER LOAN 917-KO IS NOW DOLLARS 78,637,164 AND UNDISBURSED AMOUNT IS DOLLARS 1,362,836 INCLUDING DOLLARS 27,709 COMMITTED UNDER OUR QUALIFIED AGREEMENT TO REIMBURSE NUMBER 3. APPLICATION 2-1-11 IS BEING PROCESSED FOR PAYMENT FOR WON 213,594,705 EQUIVALENT APPROXIMATELY US DOLLARS 368,267 WHICH LEAVES A BALANCE OF ABOUT DOLLARS 994,569 IN THE LOAN ACCOUNT. WE ARE AWAITING CONFIRMATION FROM THE NEGOTIATING BANK WHETHER THE BALANCE OF THE LETTER OF CREDIT COVERED BY OUR QAR NUMBER 3,

/c

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YEN 4,978,482 WILL BE USED OR CANCELLED. ALSO, ACCORDING TO OUR RECORDS, PAYMENTS ARE NOT YET COMPLETED UNDER THE TECHNICAL ASSISTANCE CONTRACT WITH SYCIP, GORRES, VALAYO/AHN KWON. AS SOON AS THESE TWO ITEMS HAVE BEEN COMPLETED AND WHEN WE HAVE BEEN ADVISED WHETHER ANY FURTHER WITHDRAWAL APPLICATIONS WILL BE SUBMITTED UNDER LOAN 917-KO, WE PROPOSE TO CHANGE THE RATE OF REIMBURSEMENT FOR GENERAL CIVIL WORKS UNDER APPLICATIONS 1-1-24 ITEMS 1 AND 2 AND APPLICATION 1-1-25 ITEM 1 TO A PERCENTAGE NECESSARY TO ALLOW FOR FULL USE OF FUNDS IN THE LOAN ACCOUNT, IN ACCORDANCE WITH OUR LETTER DATED MARCH 4, 1976 COUNTERSIGNED BY THE ECONOMIC PLANNING BOARD ON JUNE 14, 1976, AGREEING TO SUCH UTILIZATION OF FUNDS. CCC PURSUANT TO THE LETTER OF MARCH 4, 1976, AND IN ORDER NOT TO DELAY DISBURSEMENT WE HAVE AGREED TO ARRANGE FOR REIMBURSEMENT AGAINST ITEM 1 OF APPLICATION 1-1-25 AT THE RATE OF 73 PERCENT, WON 271,463,593 AND FOR ITEM 2 AT THE RATE OF 62 PERCENT WON 36,697,173 TOTAL WON 308,160,766 EQUIVALENT APPROXIMATELY US DOLLARS 531,312 WHICH WILL LEAVE APPROXIMATELY DOLLARS 463,257 IN THE LOAN ACCOUNT. WHEN ALL OUTSTANDING ITEMS HAVE BEEN COMPLETED WE COULD ARRANGE FOR ADDITIONAL DISBURSEMENT UNDER APPLICATION 1-1-24 ITEMS 1 AND 2 UP TO 73 PERCENT WHICH WOULD ALLOW FOR FULL UTILIZATION FO FUNDS. REGARDS, CARNEMARK, INTBAFRAD

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SUBJECT:
KOREA LOAN 917-KO
CLEARANCES AND COPY DISTRIBUTION:
Cleared with and cc: Messrs. Kalin
Vork
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cc: Messrs. Kirmani, Loos, Levy, Gyi

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AUTHORIZED BY (Name and Signature):
F. Higginbottom
DEPARTMENT
Acting Chief, AEPTR

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ECONOMIC PLANNING BOARD
REPUBLIC OF KOREA
Seoul, Korea

*In 917-KO
O. G. in 1401-KO
cc: Mr. Higginbottom
V. K. K.*

*Messer
Yenny
Lery 5-2-80*

April 24, 1980

*Gregory
AH*

Mr. David G. Loos
Chief, Division E
East Asia and Pacific Department
I.B.R.D. 1818 H St., N.W.

*Lily
Gopal
Please note new
KMPA address.
my
2/1*

Dear Mr. Loos:

In accordance with Section 5.04 of the General Conditions Applicable to Loan and Guarantee Agreements, I wish to inform you that Mr. Im You Soon, newly appointed Director-General, Finance and Accounting Bureau, KMPA has been duly authorized to sign applications for withdrawal of loan proceeds under the Loan Agreements for Port Projects, Loan Nos 917-KO and 1401-KO. I am enclosing herewith an authenticated specimen of his signature.

Your cooperation in this matter will be greatly appreciated.

Sincerely yours,

Kyu Chan Lee
Kyu Chan Lee
Director-General
Bureau of Foreign Capital Management

Encl. : as stated.

Evidence of the person authorized to sign withdrawal applications under the Loan No. 917-KO and 1401-KO

1. Name of person authorized

Mr. Im You Soon

2. Position and organization of the person authorized

Director General

Finance and Accounting Bureau

Korea Maritime and Port Administration

Republic of Korea.

3. Specimen signature of the person authorized

Im you soon

Note : Address of KMPA

263, Yeunji-Dong, Jongro-Gu,

Seoul 110, Korea

Republic of Korea.

Lily
Gopal
Please
Note.

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: TELEX

Date: April 22, 1980

Telex No.:

Originators Ext: 74230

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Ln 917-KO

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KOREA MARITIME AND PORT ADMINISTRATION

SEOUL, KOREA

FOR MR. SEUNG, HAN PYO, DIRECTOR GENERAL, OPERATIONS. RE LOAN 917-KO
COMPUTERIZATION OF BUSAN CONTAINER TERMINAL AND OUR UNANSWERED
CABLES OF MARCH 3 AND APRIL 2, 1980. WE WOULD APPRECIATE YOUR
INFORMING US SOONEST YOUR DECISION REGARDING POSSIBLE EXTENSION
WORK OF OPERATION EXPERT FOR ABOVE MATTER. REGARDS, CARNEMARK,
INTBAFRAD

NOT TO BE TRANSMITTED

SUBJECT:
KOREA: Loan 917-KO
CLEARANCES AND COPY DISTRIBUTION:
cc: Messrs. Loos, Higginbottom/Gyi,
Levy (o/r)

DRAFTED BY:
Jenny:ito
AUTHORIZED BY (Name and Signature):
Curt Carnemark
DEPARTMENT: Chief, AEPTR

SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH

cc: Messale- Goss- HJdaipurafom\SLJ

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KOBEV: GOSU 815-KO

1980 APR 23 AM 7:21

CABLE SECTION

INITIALS

WORK OF OBSERVATION EXPERT FOR ABOVE MATTER. REQUESTS COMMENCING
INFORMING AS SOONEST YOUR DECISION REGARDING POSSIBLE EXTENSION
CABLES OF MARCH 2 AND APRIL 5 1980. WE WOULD APPRECIATE YOUR
COMPLETION OF BUREAU CONVICTIONS TERMINAL AND ONE DIVISION

FOR RE-SENE-NAV 810 DIRECTOR GENERAL OBSERVATIONS RE GOSU 815-KO

GEORG KOBEV

KOBEV MARITIME AND PORT ADMINISTRATION

TELEX

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Handwritten signatures and initials

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Class of Service: TELEX Date: April 11, 1980

Telex No.: K26528 Originators Ext: 74230

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cc ln 1401-KO*

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KOREA MARITIME AND PORT ADMINISTRATION

SEOUL, KOREA

FOR MR. CHOI KYU YOUNG, DIRECTOR GENERAL FINANCE AND ACCOUNTING
BUREAU. RE LOANS 917-KO AND 1401-KO AND SERVICES FOR TECHNICAL
ASSISTANCE AND TRAINING ON PORT OPERATIONS, FINANCE AND ACCOUNTING.
THANK YOU URLET MARCH 27 TRANSMITTING PART 1 - FINANCE AND ACCOUNTING
OF THE DRAFT FINAL REPORT FOR THE ABOVE STUDY. MR. LEVY IS AWAY
UNTIL END APRIL AND WE WILL COMMENT ON REPORT AFTER HIS RETURN.
REGARDS, CARNEMARK, INTBAFRAD

SUBJECT:
KOREA: Loans 917 & 1401-KO
CLIENTS AND COPY DISTRIBUTION

cc: Messrs. Higginbottom/Gyi

NOT TO BE TRANSMITTED
DRAFT
JYenny: jto
Curt Carnemark,
Chief, AEPTR

SECTION OF LETTERS
CHECKED FOR DISPATCH



KOREA MARITIME AND PORT ADMINISTRATION

263, Yeunji-dong, Jongro-ku,

SEOUL, KOREA

Misses. Sept 27 4123
88 Jenny
5/12/1980
[Signature]
Ln 917-KO
KMPA gen-KO

April 2, 1980

Mr. Curt Carnemark
Chief, Transportation Division
East Asia and Pacific
IBRD

Dear Mr. Curt Carnemark;

Re: IBRD Loan Agreement 917-KO
First Port Project-
Progress Report

In accordance with the Section 5.02(a) of the Loan Agreement 917-KO, we are forwarding to you the requiring reports concerning the financial statements and traffic report of BDMPA and MDMPA of 1979.

Q.R, Y.R. 1978, 1979

Your continuous cooperation on our port projects would be highly appreciated.

Sincerely Yours,

Kyu Young Choi
Kyu Young Choi

Director General
Finance and Accounting Bureau
K.M.P.A.

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: TELEX 787 Date: APRIL 2, 1980
Telex No.: K26528 Originators Ext: 76939

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Korea 917

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KOREA MARITIME AND PORT ADMINISTRATION

SEOUL, KOREA

FOR MR. SEUNG, HAN PYO, DIRECTOR GENERAL, OPERATIONS. ON MARCH 3,
1980 WE SENT YOU THE FOLLOWING TELEX QUOTE RE KOREA FIRST PORT
PROJECT LOAN 917-KO COMPUTERIZATION OF BUSAN CONTAINER TERMINAL
OPERATIONS DURING MEETING OF JANUARY 29, 1980 YOU AGREED FOLLOWING
OUR MISSION'S EXPLANATIONS, TO CONSIDER POSSIBLE EXTENSION OF
WORK OF OPERATION EXPERT HAVING ASSISTED IN DESIGNING AND PROGRAMMING
NEW SYSTEM UNDER S.G.V.-AHN KWON CONTRACT. WOULD APPRECIATE BEING
INFORMED OF YOUR DECISION UNQUOTE WOULD APPRECIATE RECEIVING
REQUESTED INFORMATION AT YOUR EARLIEST OPPORTUNITY. REGARDS,
CARNEMARK, INTBAFRAD

NOT TO BE TRANSMITTED

SUBJECT:
KOREA LOAN 917-KO
CLEARANCES AND COPY DISTRIBUTION:
cc: Messrs. Kirmani, Yenny, Loos
Gyi
Cleared with and cc: Mr. Higginbottom

DRAFTED BY:
P. LEVY sm
AUTHORISED BY (Name and Signature):
[Signature]
Curt Carnemark
DEPARTMENT:

Chief, AEPTR
SECTION BELOW FOR USE OF CABLE SECTION
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[Signature]

KOREA MARITIME AND PORT ADMINISTRATION

263, Yeunji-dong, Jongro-ku,

SEOUL, KOREA

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ASIA FILES

Mr. Curt Carnemark
Chief, Transportation Div.
Project Departments
East Asia and Pacific Regional Office

March 27, 1980

KOREA: Loan 917-KO First Port Project

I kept a copy of
the report and will review
it for comments 5-2-80

Dear Sir ;

In accordance with the article 3.04 of Contract for Service for
Technical Assistance and Training on Port operations and Finance
and Accounting, we are herewith sending two copies of draft final
report for your review.

Doc# 132,677m

Comments in detail on this report are welcome and shall be
highly appreciated.

Yours Sincerely,

Kychoi

Kyu Young Choi
Director General
Finance and Accounting Bureau.

TRANSPORTATION DIVISION
EAST ASIA & PACIFIC
Log No. 4-19/8
Forwarded by:
Date:

acknowledged by
Cable on April 11, 1980
Comments pending Mr. Levy's return

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ASIA FILES

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March 27, 1980

WETA: WETA P17-KO
Project

Mr. Curt Carmentark
Chief, Transportation Div.
Project Departments

East Asia and Pacific Regional Office

Dear Sir:

In accordance with the article 3.04 of Contract for Service for Technical Assistance and Training on Port Operations and Finance and Accounting, we are herewith sending two copies of draft final report for your review.

Doc # 132.677m

Comments in detail on this report are welcome and shall be

highly appreciated.

Yours sincerely,

Kyo Young Choi

Kyo Young Choi
Director General
Finance and Accounting Bureau

TECHNICAL ASSISTANCE DIVISION
EAST ASIA & PACIFIC
Log No. 4-178
Entered by:
Date:

Comment regarding WETA's return
Copies on file in 1980
acknowledged in 1980

KO Wm 1401
KO Wm 917

March 14, 1980

Mr. Moon Myung Rhin
Deputy Administrator
Korea Maritime and Ports Authority
Seoul, KOREA

Dear Mr. Moon:

Re: Korea First and Second Port Projects: Loans 917-KO
and 1401-KO
Supervision Mission January 17-February 6, 1980

I wish to thank you and your staff for the assistance given to Messrs. F. Higginbottom, P. Levy and J. Yenny during the above-mentioned mission. As you know, your previously planned travel arrangements precluded the usual meeting for discussion of the mission's findings and preliminary conclusions and recommendations. I am therefore taking this opportunity to convey to you the mission's conclusions regarding the port's financial performance under the Projects, related financial organizational matters, and to confirm the agreement reached for utilizing undisbursed funds under Loan 917-KO. Technical matters will be dealt with in a separate letter in which we will also comment on the revised implementation schedule and financing plan for the Second Project (Loan 1401-KO).

Financial Results

Busan

Based on preliminary data provided to the mission the 1979 financial results and situation of the Port of Busan were in line with forecasts prepared during the Second Project's appraisal mission, and no longer exceeded these forecasts as they did in previous years. This is mainly due to the inflationary increases in working and investment costs Korea suffered during the year. As a result, Busan's short-term financial situation by the end of 1979 has not improved as in the previous years. The improvement would resume in 1980 if Busan's financial performance meets its budgeted targets for this year. This achievement depends mainly on the port's traffic performance and on the impact of inflation on working costs, both matters beyond the control of EDMPA or KMPA. We note however that the 1980 budget does not provide for a tariff increase to, at least partly, offset inflation and would suggest such a measure should be considered if the financial results of the first quarter of the year are below anticipation.

Mukho

In contrast to the performance of Busan, Mukho port's financial performance has been steadily below agreed targets, mainly because cement and coal traffic were far below expectations. In 1979 the port handled about 40% less cement and 30% less coal than projected by the appraisal mission of the First Project (Loan 917-KO), leading to a rate of return on net fixed assets of about half the 6% target set forth under Section 4.05 (a) (III) of the Loan Agreement. Based on budgetary projections Mukho port's financial performance is not anticipated to be much better in 1980. Its financial situation has consequently deteriorated steadily and it has not generated enough funds to cover its debt service and finance the renewal of fixed assets required for preventing these assets from deteriorating. As suggested to you in our letter dated August 7, 1979 we think that a special effort should be made to increase Mukho's port traffic, particularly coal, to improve its financial performance. A tariff increase to offset inflation could also help restore KMPA's financial situation.

KMPA's Budgetary and Accounting Procedures

The mission had extensive discussions with KMPA's financial and technical staff on the usefulness of implementing the commercial budgeting and accounting system; which had been agreed between your Government and the Bank during negotiations of Loans 917-KO and 1401-KO, as stated in both Loan Agreements. As a result of these discussions it was agreed that the date for formal implementation of the system would be set at January 1, 1983. To meet this new deadline, which represents a four year delay from the date set forth under section 3.02 of Loan Agreement 1401-KO, all required legal action including changes in legislation for granting KMPA the powers listed in this section will have to be approved by Parliament in September 1981 at the latest. The program for meeting the new deadline for implementation of the system given in page 2 of our letter dated August 7, 1979 to you was amended as follows:

- (a) March 15, 1980 - Consultants SGV submit their draft final report for comment by KMPA and the Bank. This report would include recommendations for further consulting services and/or technical assistance for helping KMPA to implement the revised timetable and continuing staff training along the lines defined in the attached Draft for Discussion of a Proposed Project Work Plan 1980-83.
- (b) April 30, 1980 - SGV receive the combined KMPA/Bank comments on the draft final report.
- (c) June 30, 1980 - SGV submit their final report for approval by KMPA, the Government and the Bank.
- (d) June 30, 1980 - KMPA submits for approval by the Government and the Bank a detailed plan for implementing the present timetable with the assistance of consultants and/or technical assistants as necessary.

March 14, 1980

- (e) January 1, 1981 - KPA submits the new budgetary and accounting plan, along with a draft of the legislation required for its enforcement, for the approval of the Ministries of Transport and Finance, and EPB. The draft legislation would include the provisions required for vesting KPA with the powers listed under Section 3.02(a) of Loan Agreement 1401-KO.
- (f) September 1, 1981 - The new legislation, budgeting and accounting plans are submitted for Parliament approval.
- (g) January 1, 1982 - KPA commences implementation of the new accounting procedures on a test basis in parallel with the old system.
- (h) March 1, 1982 - KPA submits its 1983 budget presented under the new form for Parliament approval.
- (i) January 1, 1983 - KPA drops the old accounting system and keeps its accounts under the new procedures only.

During meetings on February 5, 1980 with Mr. Suh In-Soo, Assistant Minister, Transport Coordination, Ministry of Transport and Mr. Lee, Eyu Chan Director General, Bureau of Foreign Capital Management, EPB, the mission explained the revised program and the need for additional consulting services and/or technical assistance for helping KPA to implement it. Both Government representatives agreed in principle on the new date and on the program. It was further agreed that the first eighteen months of the additional consulting services and technical assistance would be financed from a reallocation of funds under Category IV (technical assistance and training) of Loan Agreement 1401-KO, to be submitted for Government and the Bank review on June 30, 1980, at the same time as the detailed implementation plan listed under (d) of the above program.

Utilization of Undisbursed Balance of Loan 917-KO

As a result of the above agreement on the financing of additional consulting services there is no need to postpone the closing date of Loan 917-KO, the balance of which could be utilized following the priorities listed in our letter dated December 21, 1979 to Mr. Cheun Yeun Sei, i.e.:

- (i) Paying retention money under Loan Category II (mechanical equipment);
- (ii) Paying for completion of the SGV/ATKINSON contract for consulting services for technical assistance and training on port operations, and finance and accounting including a possible extension of the port operation component of this contract referred to in the above-mentioned letter and discussed between Mr. Seung, Nan Pyo and the mission at their meeting on January 29, 1980; and
- (iii) Utilizing all remaining Loan funds to pay for completion of the civil works (Category I) including the retention money.

As stated in our letter to Mr. Cheun we would consider favorably an upward revision of the 3% disbursement percentage applied to disbursements under Category I for the last withdrawal application under the Loan in order to disburse it in full.

Mr. Moon Myung Rhin

- 4 -

March 14, 1980

We would appreciate receiving your reactions to the above points at your earliest opportunity. A copy of this letter is being sent to Messrs. Suh In-Soo (Ministry of Transports) and Lee, Kyu Chan (EPB) for information

Sincerely yours,




C. Carnemark
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

cc: Mr. Suh In-Soo
Ministry of Transports

Mr. Lee, Kyu Chan
EPB

Cleared with and cc: Messrs. Higginbottom, J. Yenny

cc: Messrs. Kalim, Gyi, Vorkink (Legal)
Ms. Gunnarsdottir

PLevy:ph


Class of Service: 487 TELEX Date: MARCH 10, 1980
Telex No.: K26528 Originators Ext.: 74206

Handwritten initials/signature

Ln. 1401-ko
✓ Ln 917-ko

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KOREAN MARITIME AND PORT ADMINISTRATION

CITY/COUNTRY

SEOUL, KOREA

MESSAGE NO

FOR MR. CHOI, KYU YOUNG, DIRECTOR GENERAL, FINANCE AND ACCOUNTING

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BUREAU RE KOREA FIRST AND SECOND PORTS PROJECTS LOANS 917-KO AND

5

1401-KO. YOURTEL DATED MARCH 7 TO MR. PAUL LEVY. DUE TO HEAVY

6

WORKLOAD ACTION LETTER ON JANUARY-FEBRUARY SUPERVISION MISSION

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IS STILL UNDER PREPARATION AND WILL BE MAILED LATER THIS WEEK.

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LETTER WILL CONFIRM AGREEMENTS REACHED WITH MISSION. PRIMO THERE IS

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NO NEED TO POSTPONE CLOSING DATE OF LOAN 917-KO AS ONLY THE EXTENSION

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OF THE TECHNICAL ASSISTANCE FOR COMPUTERIZATION OF PORT OPERATION

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UNDER THE ONGOING SGV CONTRACT WILL BE FINANCED FROM THIS LOAN.

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SECONDO UNDISBURSED LOAN FUNDS WOULD THEN BE DISBURSED ALONG

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PRIORITIES LISTED IN OURLET DATED DECEMBER 21, 1979 TO MR. CHEUN,

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YEUN SEI, COPIED TO YOU I.E. (AAA) PAYING RETENTION MONEY UNDER

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CATEGORY II MECHANICAL EQUIPMENT. (BBB) PAYING FOR COMPLETION OF

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THE SGV CONTRACT EXTENDED AS EXPLAINED IN PRIMO. (CCC) UTILIZING

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ALL REMAINING LOAN FUNDS FOR PAYING FOR COMPLETION OF THE CIVIL WORKS

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INCLUDING THE RELEVANT RETENTION MONEY. TERTIO FORMAL DATE FOR IMPLE-

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MENTING COMMERCIAL BUDGETING AND ACCOUNTING SYSTEM WILL NOW BE

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JANUARY 1, 1983. THIS IMPLIES THAT ALL REQUIRED LEGAL ACTION INCLUD-

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NOT TO BE TRANSMITTED

SUBJECT:

DRAFTED BY:

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

DEPARTMENT:

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IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

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ING CHANGES IN LEGISLATION FOR GRANTING KMPA THE POWERS LISTED IN SECTION 3.02 A OF LOAN AGREEMENT 1401-K0 WILL HAVE TO BE APPROVED BY PARLIAMENT BY SEPTEMBER 1981. QUARTO IN ORDER TO MAKE SURE THAT NEW DEADLINE WILL BE MET KMPA WILL SUBMIT FOR APPROVAL BY THE GOVERNMENT AND THE BANK BY JUNE 30, 1980 A DETAILED PLAN FOR IMPLEMENTING THE NEW TIMETABLE AGREED BETWEEN KMPA, THE MINISTRY OF TRANSPORT, EPB AND THE BANK MISSION. THIS PLAN WILL INCLUDE PROPOSALS FOR THE UTILIZATION OF CONSULTING SERVICES AND/OR TECHNICAL ASSISTANTS AS NECESSARY TO ENSURE SUCCESSFUL IMPLEMENTATION OF THE PLAN. QUINTO THE FIRST EIGHTEEN MONTHS OF THESE CONSULTING SERVICES WOULD BE FINANCED FROM FUNDS UNDER CATEGORY FOUR OF LOAN 1401-K0. UNDER A PLAN TO BE SUBMITTED BY KMPA AT THE SAME TIME AS THE PLAN REFERRED TO IN QUARTO ABOVE. OTHER MATTERS CONCERNING LOAN 1401-K0 WILL BE ADVISED SHORTLY IN A SEPARATE LETTER. I TAKE THIS OPPORTUNITY TO INFORM YOU THAT ON MARCH FIRST I TOOK OVER THE POSITION OF CHIEF TRANSPORTATION DIVISION. I LOOK FORWARD TO WORKING WITH YOU AND HOPE THAT THE VERY GOOD RELATIONSHIP BETWEEN KMPA AND OUR DIVISION WILL CONTINUE. REGARDS, CURT CARNEMARK, INTBAFRAD

NOT TO BE TYPED

SUBJECT:
KOREA LOANS 917 & 1401-K0

CLEARANCES AND COPY DISTRIBUTION:
Cleared with and cc: Mr. Higginbottom
cc: Messrs. Kirmani, Loos, Kalim, Gyi,
Yenny, Miss Gunnarsdottir

[Handwritten Signature]
Chief, AEPT

SECTION BELOW FOR USE OF CABLE SECTION
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Ln. 1401 ko
Ln. 917-ko
Distribution:

Mr. Carnemark

Mr. Loos

sd
Carnemark
Levy Ph.
H. J. ...
Young
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MAR - 7 11 45 AM '80
COMMUNICATIONS DIVISION

MR. PAUL LEVY
TRANSPORTATION DIV., PROJECT DEPARTMENT
EAST ASIA AND PACIFIC REGIONAL OFFICE
THE WORLD BANK.

REGARDING YOUR SUPERVISION MISSION FROM JAN 17-FEB. 6,
YOU SAID YOU WOULD WRITE A LETTER CONFIRMING WHAT WE HAVE DISCUSSED
ABOUT THE STATUS OF WORK UNDER FIRST AND SECOND LOAN AND REVISED
UTILIZATION PLAN OF TECHNICAL ASSISTANCE AND TRAINING PROGRAM OF
SECOND LOAN AND THE POSTPONEMENT OF CLOSING DATE OF FIRST LOAN.

BUT I HAVE NOT YET RECEIVED THE LETTER. PLEASE LET ME KNOW IF
YOU HAVE SENT IT OR NOT.

BEST REGARDS.

*Letter will be written early next week upon
completion of John's Commission report P. LEVY*

KYU YOUNG CHOI
DIRECTOR GENERAL
FINANCE AND ACCOUNTING BUREAU
KMPA.

TRANSPORTATION
EAST ASIA & PACIFIC
Doc No. 3-22/7
P. LEVY
Date: 4-10-1980

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WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: TELEX Date: MARCH 3, 1980
Telex No.: K26528 Originators Ext: 74206

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KOREAN MARITIME AND PORT ADMINISTRATION

SEOUL, KOREA

FOR MR. SEUNG, HAN PYO, DIRECTOR GENERAL. RE KOREA FIRST PORT
PROJECT LOAN 917-KO COMPUTERIZATION OF BUSAN CONTAINER TERMINAL
OPERATIONS DURING MEETING OF JANUARY 29, 1980 YOU AGREED FOLLOWING
OUR MISSION'S EXPLANATIONS, TO CONSIDER POSSIBLE EXTENSION OF
WORK OF OPERATION EXPERT HAVING ASSISTED IN DESIGNING AND PROGRAMMING
NEW SYSTEM UNDER S.G.V.-AHN KWON CONTRACT. WOULD APPRECIATE BEING
INFORMED OF YOUR DECISION. REGARDS, CARNEMARK, DIV. CHIEF, INTBAFRAD

NOT TO BE TRANSMITTED

SUBJECT:
KOREA LOAN 917-KO

DRAFTED BY:
PLEVY / sm

CLEARANCES AND COPY DISTRIBUTION:
Cleared with and cc: Mr. Higginbottom
cc: Messrs. Gyi, Yenny, Loos

AUTHORIZED BY (Name and Signature):
[Signature]
Eric Carnemark

DEPARTMENT:
Division Chief, AEPT

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MEN SYSTEM UNDER S.E.A.-VDH KNOW CONTRACT. WOULD APPRECIATE BEING
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OBSERVATIONS DURING MEETING OF JANUARY 20, 1980 AND AGREED FOLLOWING
PROJECT GOVH 213-KO COMPLETIZATION OF BUDGET CONTRACTS TERMINAT
FOR MR. ZENKO, MAN BAO, DIRECTOR GENERAL, BE KOREA FIRST BOA
SEONG, KOREA
KOREAN MARITIME AND PORT ADMINISTRATION

RS2258

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0807, MARCH 3, 1980

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*Letter Head
Korea 917*

February 20, 1980

Mr. Moon Myung Rhin
Deputy Administrator
Korea Maritime and Ports Authority
Seoul, Korea

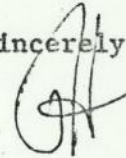
Dear Mr. Moon:

Re: KOREA: First Ports Project Loan 917-KO
Second Ports Project Loan 1401-KO

Please find attached a copy of the Port of Singapore Authority's 1980 timetable for Port Operation, Management and Administration and Safety courses. KMPA might be interested in having selected managerial or supervisory staff taking one or several of these courses which can be financed under the Technical assistance and training categories of either Loan 917-KO or 1401-KO.

With regards,

Sincerely yours,



F. Higginbottom
Chief, Transportation Division (Acting)
Projects Department
East Asia and Pacific Regional Office

Attachment:

cc: Messrs. Gyi, Yenny

PLevy:vs

OFFICIAL FILE COPY

Ln 917-KO

The World Bank / 1818 H Street, N.W., Washington, D.C. 20433, U.S.A. • Telephone: (202) 477-1234 • Cables: INTBAFRAD

First Canadian Financial Corporation, Ltd.
Alexandra House, 16th Floor
16-20 Chater Road
Hong Kong

January 25, 1980

Attention: Managing Director

Re: World Bank Loan/Participation No. 917 KO
Republic of Korea

Gentlemen:

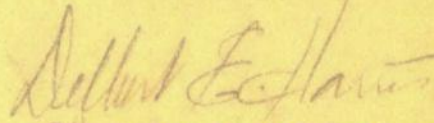
With reference to your participation in the above loan, we have instructed by telex Deutsche Bundesbank, Frankfurt, Germany to pay DM 2,738,500.00 to Bank of Montreal, Frankfurt Branch for your account.

This payment represents principal and interest.

<u>Cert. No.</u>	<u>Period</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Amount Payable</u>
GA-1779 GA-1781	8/1/79 to 2/1/80	DM 5,200,000.00	7-1/4%	DM 188,500.00
GA-1779	Principal maturing February 1, 1980			<u>2,550,000.00</u>
				<u>DM 2,738,500.00</u>

If applicable, please cancel the maturing certificate(s) and return it(them) to us by uninsured mail, using the attached copy of this letter for transmittal.

Sincerely yours,


Authorized Signature

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

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Class of Service: **TELEX** Date: **JANUARY 16, 1980**
Telex No.: _____ Originators Ext: **74045**
742-40571
722-23103

Lu 1401-KO
Lu 917 KO

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OF
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MR. JAYANTA MADHAB, COUNTRY MANAGER, ASIANBANK, MANILA
PHILIPPINES
REYOURCAB OF JANUARY 15, 1980 STOP MESSRS. HIGGINBOTTOM, LEVY
AND YENNY WILL UNDERTAKE A REVIEW MISSION ON BANK-SUPPORTED
PORTS PROJECTS IN KOREA FROM JANUARY 25 TO JANUARY 30, 1980 STOP
THEY COULD BE REACHED AT THE CHOSUN HOTEL OR THROUGH KMPA
REGARDS LOOS, INTBAFRAD

NOT TO BE TRANSMITTED

SUBJECT: Korea - Ports 1 and 2	DRAFTED BY: JEGholl:ct
CLEARANCES AND COPY DISTRIBUTION: cc: Messrs. Young, Higginbottom, Levy, Yenny, Ms. Gunnarsdottir	AUTHORIZED BY (Name and Signature): David Loos, Chief
	DEPARTMENT: AEADE
SECTION BELOW FOR USE OF CABLE SECTION CHECKED FOR DISPATCH	

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NK

40571 ADB PM N/23/SPI

15 JAN 1980

Distribution; fca
Mr. Loos
Mr. Young

Parts I, II and III

XO. Lu 917
XO. Lu 1401
XO. Port (3)

INT'L. BANK FOR RECONSTRUCTION

AND DEVELOPMENT

INTBAFRAD WASHINGTON DC

FOR DAVID LOOS

FURTHER TO OUR DISCUSSION ON KOREA PORT PROJECTS DURING MY STAY
LAST MONTH IN WASHINGTON OUR BANK INTENDS TO SEND APPRAISAL
MISSION SOON FOR SECOND INCHEON PORT PROJECT. WE FEEL IT WOULD BE
GOOD IDEA TO EXCHANGE VIEWS WITH YOUR FORTHCOMING REVIEW
MISSION ON BUSAN PORT PROJECT AND DEVELOP JOINT APPROACH
TO SEVERAL ASPECTS RELATING TO KMPA. WE WILL THEREFORE APPRECIATE
YOUR INFORMING US TIMING PARTICULARLY WHEN MISSION WILL BE
IN SEOUL AS WELL AS COMPOSITION OF REVIEW MISSION REGARDS

MADHAB

ASIANBANK

EB

440098 WORLO

KO - Lu 1401
KO - Lu 917
KO - Port III

OFFICE MEMORANDUM

TO: Messrs. F. Higginbottom, P. Levy and J. Yenny

DATE: January 10, 1980

FROM: Harold R. Young, Chief, AEPTR

SUBJECT: Terms of Reference - KOREA: Supervision of First and Second Ports Projects
Preparation of Third Ports Project

1. On or about January 17, 1980 Messrs. Levy, Ohlund and Yenny will arrive in Korea for about three weeks to review the status of our railway project per terms of reference dated January 10, 1980. On or about January 24, Mr. Higginbottom will join Messrs. Levy and Yenny for about one week to carry out the above work and attend final meetings with officials of the Korean Maritime and Port Administration (KMPA), the Ministry of Transport (MOT) and the Economic Planning Board (EPB).

2. You will in particular:

(A) First Ports Project (Loan 917-KO)

- i) check whether all civil works undertaken under the Project at Busan and Mugho are satisfactorily completed;
- ii) review the latest cost estimates for civil works and equipment and the division of these costs between the Bank Loan (917-KO) and the Saudi Fund Loan;
- iii) review progress under the technical assistance and training contract for port operations and for finance and accounting and make an estimate of the total cost of the contract.
- iv) review the need for additional technical assistance required for helping KMPA take legal action required for switching to commercial budgeting and accounting procedures, implementing these new procedures and computerizing operations at the Busan container yard and estimate relevant additional costs;
- v) seek agreement with KMPA and EPB on a revised schedule for implementing the new commercial budgeting and accounting procedures;
- vi) seek agreement on the utilization of uncommitted funds under Loan 917-KO for financing the proposed additional technical assistance and on a revision of the allocation of funds among categories of this loan along the lines suggested in our letter of December 21, 1979 to Mr. Cheung, Yeun Sei, Director General, Bureau of Ports Construction and Maintenance, KMPA; and
- vii) gather necessary statistical and financial data and check on compliance with covenants in the Loan Agreements.

(B) Second Ports Project (Loan 1401-KO)

- i) review the state of progress of works, design and document preparation for works under the Project;

January 10, 1980

- ii) review and discuss the revised Project construction schedule attached to KMPA's letter to the Bank dated December 18, 1979;
- iii) obtain a new financing plan for implementation of the physical components of the Project. This financing plan should take into consideration the Government's decision to finance the cost overrun of the civil works' component of the Project, and the proposed financing under the Bank loan of the technical assistance component of the Project and of the feasibility study for a possible Third Ports Project due to start soon;
- iv) check on the result of discussion between KMPA and the Korean National Railroad (KNR) on measures envisaged for increasing the Railway's share in inland transportation of containers arrived at the Busan port's container terminal; and
- v) gather necessary statistical and financial data and check on compliance with covenants in the Loan Agreement.

(C) Proposed Third Ports Project

- i) check on finalization of the contract for the above mentioned feasibility study in accordance with previous correspondence and on commencement of the study;
- ii) revise the time table for preparing the project shown in Annex 11 of the Supervision Report dated September 11, 1979.

3. Upon completion of your mission you should agree on a draft back-to-office report. Mr. Higginbottom will then proceed to Thailand under separate terms of reference while Messrs. Levy and Yenny will return to Washington and submit the back-to-office report on the mission's findings. A full supervision report will be submitted after Mr. Higginbottom returns to Washington.

Cleared with and cc: Mr. Loos

cc: Messrs. Rajagopalan, Willoughby, Jaycox, Beach, Kalim, Vorkink, Fox, Gyi, Hasan, Kirmani, Ruddy, Bussink, Hawkins, Agarwala, Ms. Gunnarsdottir, Asia Files

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: **TELEX**

Date: **JANUARY 8, 1980**

Telex No.:

Originators Ext: **74207**

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LT/IT

Loan 917 KO
Loan 1401 KO

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KOREA MARINE PORTS AUTHORITY

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SEOUL, KOREA

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FOR KYU YOUNG CHOI REURTEL JANUARY 8 RE LOANS 917-KO AND
1401-KO. MR. YENNY WILL ARRIVE SEOUL JANUARY 17 FLIGHT KE
616 AT 16.30 AND WILL BE MET BY KNR. MR. LEVY WILL ARRIVE
THE SAME DAY FLIGHT NW 003 AT 20.15. GRATEFUL IF YOU
COULD MEET HIM AT THE AIRPORT. HOTELROOMS ARE ALREADY
RESERVED. REGARDS YOUNG INTBAFRAD

END
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TEXT

NOT TO BE TRANSMITTED

SUBJECT:
KOREA - Lns. 917 and 1401-KO

CLEARANCES AND COPY DISTRIBUTION:
cc: Messrs. Levy, Yenny, Kalim, Kirmani

DRAFTED BY:
E0hLund:prs

AUTHORIZED BY (Name and Signature):
Harold R. Young, Chief, AEPTR

DEPARTMENT:
East Asia & Pacific

CHECKED FOR DISPATCH

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: TELEX Date: DECEMBER 27, 1979
Telex No.: _____ Originators Ext: 74206

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Loan 917 KO
Loan 1401 KO

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BOOK OF THREE

CITY/COUNTRY

1. KMPA

MESSAGE NO

SEOUL, KOREA

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TELEX NO. ⁷⁸⁷ K26528

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ATTN. MR. KANG, CHANG SUNG

6

COPIED TO:

7

1. LEE, KYU CHANG

787-23202

SEND

DIRECTOR GENERAL BUREAU FOREIGN CAPITAL MANAGEMENT, EPB

W/T

8

SEPARATELY

2. SEOUL, KOREA

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3. SUH, IN SOO E.P.B. PLSE DEL.

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ASST. MINISTER TRANSPORT COORDINATION, MINISTRY OF TRANSPORT

W/T

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NOT TO BE TRANSMITTED

SUBJECT:
Loans 917-KO, 1401-KO

DRAFTED BY:
PLevy:vs

CLEARANCES AND COPY DISTRIBUTION:

AUTHORIZED BY (Name and Signature):

DEPARTMENT:

SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: TELEX Date: DECEMBER 27, 1979
Telex No.: _____ Originators Ext: 74206

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FOR MR. KANG, CHANG SUNG, ADMINISTRATOR, KMPA COPY TO MESSRS. LEE, KYU CHANG, DIRECTOR GENERAL BUREAU FOREIGN CAPITAL MANAGEMENT, EPB, SUH, IN SOO, ASST. MINISTER TRANSPORT COORDINATION, MINISTRY OF TRANSPORT RE KOREA SUPERVISION OF FIRST AND SECOND PORT PROJECTS LOANS 917-KO AND 1401-KO. AS MENTIONED IN OUR LETTERS OF OCTOBER 17, 1979 TO MR. MOON MYUNG RHIN AND TO MR. CHOY, KYU YOUNG OF DECEMBER 13, 1979, A MISSION COMPRISING MESSRS P. LEVY AND J. YENNY WILL VISIT SEOUL FROM JANUARY 17 TO FEB. 6, 1980 TO SUPERVISE BANK'S PORTS AND RAILWAY PROJECTS IN KOREA. MR. HIGGINBOTTOM PLANS TO JOIN THE MISSION FOR A FEW DAYS IN LATE JANUARY. MESSRS. LEVY AND YENNY WILL CONTACT YOU ON JANUARY 18 FOR ESTABLISHING A WORK PROGRAM ACCEPTABLE TO KMPA AND KNR. MAIN PORT RELATED ITEMS TO BE DISCUSSED WITH KMPA AND RELEVANT MINISTRIES ARE AAA STATUS OF WORKS UNDER FIRST AND SECOND PROJECT BBB STATUS OF CONSULTING SERVICES AND TECHNICAL ASSISTANCE COMPONENTS OF FIRST PROJECT WITH SPECIAL ATTENTION BEING PAID TO IMPLEMENTATION OF THE SGV-AHN-KWON CONTRACT AND POSSIBLE EXTENSION OF THE TECHNICAL ASSISTANCE COMPONENT TO HELP KMPA START IMPLEMENTING COMPUTERIZED PORT OPERATIONS AND COMMERCIAL ACCOUNTING SYSTEM. CCC UTILIZATION OF UNDISBURSED BALANCE OF LOAN 917-KO DDD REVISED FINANCING PLAN FOR THE BUSAN PORT SECOND PHASE DEVELOPMENT PROJECT (LOAN 1401-

/c

NOT TO BE TRANSMITTED

SUBJECT:	DRAFTED BY:
CLEARANCES AND COPY DISTRIBUTION:	AUTHORIZED BY (Name and Signature):
	DEPARTMENT:
SECTION BELOW FOR USE OF CABLE SECTION	
CHECKED FOR DISPATCH	

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: TELEX Date: DECEMBER 27, 1979

Telex No.: _____ Originators Ext: 74206

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(LOAN 1401-K0) EEE PROGRESS ON COMMENCEMENT OF PHASE THREE
DEVELOPMENT STUDY FFF STATUS OF COMPLIANCE WITH SIGNIFICANT LOAN
CONDITIONS UNDER LOANS 917-K0 AND 1401-K0 GGG KMPA'S OPERATIONAL
AND FINANCIAL PERFORMANCE DURING SECOND SEMESTER OF 1979. WE WOULD
APPRECIATE KMPA PREPARING DOCUMENTS AND DATA NEEDED FOR DISCUSSING
AAA TO FFF FOR ARRIVAL OF MISSION. WE JUST RECEIVED DRAFT CONTRACT
FOR PHASE THREE DEVELOPMENT STUDY AND WILL COMMENT ON IT SHORTLY.
REGARDS, YOUNG, INTBAFRAD

NOT TO BE TRANSMITTED

SUBJECT:
Loans 917-K0 and 1401-K0
CLEARANCES AND COPY DISTRIBUTION:
Cleared with & cc: Messrs. Higginbottom,
Yenny
cc: Messrs. Gyi, Kalim, Ms.Gunnarsdottir

DRAFTED BY:
Plevy:vs
AUTHORIZED BY (Name and Signature):
Gigmon F. Higginbottom
DEPARTMENT: AEPTR

SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: **TELEX** Date: **DECEMBER 27, 1979**
Track No.: **K26528** Originators Ext: **61159/61112**

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Loan 917 KO

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TO KMPA
CITY/COUNTRY SEOUL, KOREA
MESSAGE NO ATTENTION KYU YOUNG CHOI, DIRECTOR GENERAL FINANCE AND ACCOUNTING
BUREAU, KMPA REURTEL TO SELMA K. HARRIS DECEMBER 26 LOAN 917 KO.
APPLICATION KMPA-15/16 DOLLARS 71,052 PAID DECEMBER 3. HAPPY NEW
YEAR, DISBURSEMENTS DIVISION INTBAFRAD

END OF TEXT

NOT TO BE TRANSMITTED

SUBJECT:	DRAFTED BY: ERGUNNARSDOTTIR, GJ
CLEARANCES AND COPY DISTRIBUTION: cc: SECTION 07 917 KO-GENERAL SYCIP GORRES VELAYO/MANILA	AUTHORIZED BY (Name and Signature): <i>Thomas Mitchell</i> THOMAS MITCHELL
	DEPARTMENT: CONTROLLERS
	SECTION BELOW FOR USE OF CABLE SECTION CHECKED FOR DISPATCH

KO un 917
KO un 1401

December 21, 1979

Mr. Cheung Yeun Sei
Director General
Bureau of Ports Construction and Maintenance
Korea Maritime and Port Administration (KMPA)
Seoul, Korea

Dear Mr. Cheung:

KOREA - First Port Project - Loan 917-KO
Utilization Undisbursed Loan Balance
Second Port Project - Loan 1401-KO
Revised Project Financing Plan

Upon receipt of your letter of November 28, 1979 we have looked into the possibility of revising the allocation of funds under Loan 917-KO, as a transfer of the undisbursed balance to Loan 1401-KO cannot be done. We have reviewed the disbursement schedule of Loan 917-KO, attached to your letter and have the following suggestions:

- (a) Funds undisbursed or uncommitted after payment of retention moneys should be primarily used for financing a possible extension of the ongoing contract with SGV and Company and Ahn Kwon and Company (SGV) for Consulting Services for technical assistance and training on Port Operations and Finance and Accounting. We stressed the need for extending the Port Operation component of this Contract in our letters dated October 17 and December 12, 1979 to Mr. Choi, Kyu Young, Director General of KMPA's Finance and Accounting Bureau. In addition, the need for additional technical assistance for helping KMPA to implement the new SGV designed commercial budgeting and accounting plan and extend the ongoing training program for accounting staff was discussed between Mr. Choi, Kyu Young and Mr. P. Levy, Bank's Financial Analyst during the latter's mission to Korea in June 1979. Based on the June 1979 allocation of funds and on your disbursement schedule, US\$84,000 would be available for these purposes under Category IV (technical assistance) after payment of the retention money. We strongly feel that this is not enough and are prepared to reconsider the June 1979 allocation of funds to increase the appropriation to Category IV. We would appreciate receiving KMPA's proposals on this matter.
- (b) As stated in a telex sent on December 18, 1979 to the Busan District Maritime and Port Authority (BDMPA) by our Disbursement Division we would prefer that the US\$6,314.07 overdrawn by Lyon Associates under Category III (Consultants) of Loan 917-KO be deducted from the next payment due to them under Loan 1401-KO

OFFICIAL FILE COPY

December 21, 1979

rather than having Lyons refunding this amount to us. The final allocation of Loan funds to Category III would thus amount to US\$5,118,963.93.

- (c) Once agreement on the cost of the Technical Assistance component of the Loan (Category IV) is reached the utilization of undisbursed loan funds could be based on the following priorities:
- (i) Paying retention money under Category II (Mechanical Equipment);
 - (ii) Paying for completion of the ongoing SGV-Ahn Kwon Contract and for the agreed additional Technical Assistance (Category IV); and
 - (iii) Utilizing remaining loan funds for paying for completion of the Civil Works (Category I), including the relevant retention money.

We could then favorably consider an upward revision of the 39% disbursement percentage for the last withdrawal application under the latter category. Upon payment of this application the June 1979 allocation of funds among categories in Schedule I of the Loan Agreement would be revised to match actual disbursements.

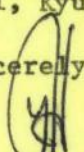
Second Port Project

We would appreciate your keeping us informed of the National Assembly's decision on the financing of the Busan Port Second Phase Development Project as soon as possible.

Although we intend discussing the above matters with you and the Government during our next supervision mission planned to start on January 21, 1979 in Seoul, we would appreciate being informed of your preliminary reactions to our suggestions by telex at your earliest opportunity.

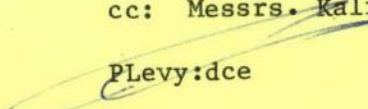
A copy of this letter is sent to Mr. Choi, Kyu Young.

Sincerely yours,


Harold R. Young
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

Cleared with and cc: Mr. Gyi, Ms. Gunnarsdottir

cc: Messrs. Kalim, Yenny

 PLevy:dce

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DECEMBER 18, 1979

Class of Service: **TELEX**

Date:

Telex No.: **737 K3657**

Originators Ext: **61159/61112**

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BUPORTAUTH, BUSAN, KOREA

MESSAGE NO

REURTEL DECEMBER 10 LOAN 907 KO. TO LYON ASSOCIATES INSTEAD OF REFUND-
ING DOLLARS 6,134.27 UNDER LOAN 917 KO THIS AMOUNT SHOULD BE DEDUCTED
FROM THE NEXT USDOLLAR PAYMENT DUE TO LYON ASSOCIATES UNDER **1401** KO.
APPLICATION 15 FOR DOLLARS 89,550 RECEIVED. PLEASE CONFIRM WHETHER
WE MAY DEDUCT DOLLARS **6,134.27** FROM THIS AMOUNT. ALSO PLEASE EXPLAIN
THE REASON FOR THIS REFUND. DISBURSEMENTS DIVISION, INTBAFRAD

END
OF
TEXT

NOT TO BE TRANSMITTED

SUBJECT:

CLEARANCES AND COPY DISTRIBUTION:
cc: MR. GYI/A437 Sec. 07
FILE: 917 KO-GENERAL & LYON ASSOC.
1401 KO-GENERAL & LYON ASSOC.

DRAFTED BY:
[Signature] **ERGUNNARSDOTTIR, GJ**
AUTHORIZED BY (Name and Signature):
[Signature] **THOMAS MITCHELL, CONTROLLER**

DEPARTMENT:
SEC. 07

SECTION BELOW FOR USE OF THE SECTION
CHECKED FOR DISPATCH

Loan 917 KO
w Loan 1401 KO

December 13, 1979

Mr. Moon Myung Rhin
Deputy Administrator
Korea Maritime and Ports Authority (KMPA)
Seoul
Korea

Dear Mr. Moon:

KOREA - Loan 917-KO - First Port Project
- Loan 1401-KO - Second Port Project
KMPA's Planned Shift from Administrative to Commercial
Budgeting and Accounting Procedures

This is to thank you for your letter of November 24, 1979 and to inform you of our reactions on its contents.

We very much appreciate your commitment to continued action toward implementation of the commercial accounting system designed in 1974/75 by the consulting firm Booz, Allen and Hamilton, and updated recently by the consultants Sycip-Gorres-Velayo and Company in association with Ahn-Kwon and Company (SGV). We are, however, disappointed to learn that you are not considering the formulation of a final timetable for the formal introduction of the system prior to receiving SGV's final report in June 1980. We are very concerned that this further delay in planning measures required for implementing the system would postpone its introduction beyond January 1, 1982, which is the date Mr. Levy, financial analyst in charge of supervising the financial aspect of the project, agreed during a meeting with you on June 19, 1979. This date already represents a three-year delay from the one set forth under Section 3.02(a) of Loan Agreement 1401-KO for implementation of the system.

We understand from your letter that you are concerned that implementation of the new budgeting and accounting system would jeopardize KMPA's chances of obtaining government funds for financing operating deficits accrued by some ports and capital investments required for developing Korea's port system. As we stated in our letter of October 17, 1979 to Mr. Choi Kyw Young, we see no reason why a change in KMPA's legal status, which can only be enforced with the Government's agreement and authority, could have an adverse effect on the financing of port development projects by the Government. To the contrary, early implementation of the commercial budgeting and accounting system proposed by SGV would assist the Government in making cost-based decisions on the financing of ports' operating deficits and development projects. The proposed system would provide detailed operational and capital investments cost accounting which would provide KMPA and the Government with data which are not available under the present accounting system.

We therefore strongly recommend that the plan for implementing the new system be finalized and submitted for Government approval as soon as

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Mr. Moon Myung Rhin

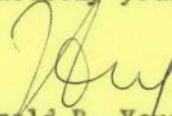
- 2 -

December 13, 1979

possible without waiting for SGV's final report. As mentioned in the above cited letter to Mr. Choi Kyu Young we intend discussing these matters with you and the Government during our next supervision in late January 1980.

A copy of this letter is being sent to Mr. Lee, Kyu Chan of EPB for information.

Sincerely yours,

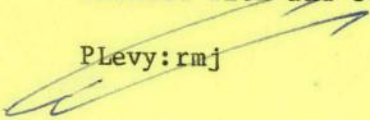


Harold R. Young
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

Copy: Mr. Lee, Kyu Chan
Economic Planning Board

Cleared with ~~and~~ cc: Messrs. Higinbottom, Gyi, Kalim, Yenny

PLEvy:rmj



OFFICIAL FILE COPY

KO un 917
KO un 1401

December 12, 1979

Mr. Kyu Young Choi
Director General
Finance and Accounting Bureau
Korea Maritime and Ports Authority
Seoul, Korea

Dear Mr. Choi:

KOREA : Loan 917-KO - First Ports Project
Loan 1401-KO - Second Ports Project Technical
Assistance and Training for Finances
and Accounting and for Port Operations

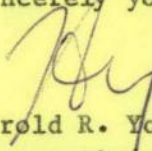
Thank you for your letter of October 29, 1979 enclosing the revised version of the consultant's, SGV-Ahn Kwon (SGV), interim report. Following are our comments on the changes made by SGV in this report.

The revised version gives a much more comprehensive view of the work accomplished by SGV and of their recommendations on and methods for implementing changes in KMPA's financial and accounting procedures and computerized port operations. This is a substantial improvement on the first draft forwarded with your letter of September 13, 1979.

As noted in our letter to you dated October 17, 1979, there is still no change in SGV's evaluation of project status regarding the finance and accounting component of their work. We hope that you have received this letter (copy attached), and again reiterate our concern about the adverse effect of a possible delay in introducing the law on the required changes in KMPA's organization.

In the first version of the report, SGV requested that the Port Operation component of its contract be extended from April 30, 1980 to June 30, 1980. We recommended, in our above mentioned letter, that KMPA consider this request favorably, due to the delay in delivery of the computer and to the numerous unexpected off-standard procedures to be introduced in the system. Although this request has been deleted in the revised version of SGV's report, we would like to confirm our suggestion.

Sincerely yours,


Harold R. Young
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

Attachment

Cleared with and cc: Mr. F. Higginbottom

cc: Messrs. Gyl, Kalim, Yenny

PLevy:dce

OFFICIAL FILE COPY

NO 917
A Side This

December 13, 1979

Mr. Moon Myung Rhin
Deputy Administrator
Korea Maritime and Ports Authority (KMPA)
Seoul
Korea

Dear Mr. Moon:

KOREA - Loan 917-KO - First Port Project
- Loan 1401-KO - Second Port Project
KMPA's Planned Shift from Administrative to Commercial
Budgeting and Accounting Procedures

This is to thank you for your letter of November 24, 1979 and to inform you of our reactions on its contents.

We very much appreciate your commitment to continued action toward implementation of the commercial accounting system designed in 1974/75 by the consulting firm Booz, Allen and Hamilton, and updated recently by the consultants Sycip-Corres-Velayo and Company in association with Ahn-Kwon and Company (SGV). We are, however, disappointed to learn that you are not considering the formulation of a final timetable for the formal introduction of the system prior to receiving SGV's final report in June 1980. We are very concerned that this further delay in planning measures required for implementing the system would postpone its introduction beyond January 1, 1982, which is the date Mr. Levy, financial analyst in charge of supervising the financial aspect of the project, agreed during a meeting with you on June 19, 1979. This date already represents a three-year delay from the one set forth under Section 3.02(a) of Loan Agreement 1401-KO for implementation of the system.

We understand from your letter that you are concerned that implementation of the new budgeting and accounting system would jeopardize KMPA's chances of obtaining government funds for financing operating deficits accrued by some ports and capital investments required for developing Korea's port system. As we stated in our letter of October 17, 1979 to Mr. Choi Kyw Young, we see no reason why a change in KMPA's legal status, which can only be enforced with the Government's agreement and authority, could have an adverse effect on the financing of port development projects by the Government. To the contrary, early implementation of the commercial budgeting and accounting system proposed by SGV would assist the Government in making cost-based decisions on the financing of ports' operating deficits and development projects. The proposed system would provide detailed operational and capital investments cost accounting which would provide KMPA and the Government with data which are not available under the present accounting system.

We therefore strongly recommend that the plan for implementing the new system be finalized and submitted for Government approval as soon as

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Mr. Moon Myung Rhin

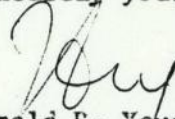
- 2 -

December 13, 1979

possible without waiting for SGV's final report. As mentioned in the above cited letter to Mr. Choi Kyu Young we intend discussing these matters with you and the Government during our next supervision in late January 1980.

A copy of this letter is being sent to Mr. Lee, Kyu Chan of EPB for information.

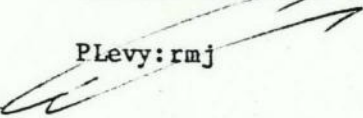
Sincerely yours,



Harold R. Young
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

Copy: Mr. Lee, Kyu Chan
Economic Planning Board

Cleared with and cc: Messrs. Higinbottom, Gyi, Kalim, Yenny


PLevy:rmj

OFFICIAL FILE COPY

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: **TELEX**

Date: **DECEMBER 6, 1979**

Telex No.: **787 - K 26528**

Originators Ext.: **76383**

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Ko Lu 917
Ko Lu 1401

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TO **KMPA**

CITY/COUNTRY

SEOUL, KOREA

MESSAGE NO

FOR MR. MOON MYUNG RHIN, DEPUTY ADMINISTRATOR RE KOREA FIRST PORT PROJECT LOAN 917-KO AND SECOND PORT PROJECT LOAN 1401-KO. WE THANK YOU FOR YOUR LETTER DATED NOVEMBER 24, 1979 AND WILL SHORTLY INFORM YOU OF OUR REACTIONS ON IT. WE WOULD ALSO APPRECIATE RECEIVING SOONEST REPLIES TO OUR TELEXES PRIMO TO DIRECTOR GENERAL CHOI, KYU YOUNG DATED NOVEMBER 15, 1979 REQUESTING KMPA'S PROPOSAL FOR REVISING TERMS OF REFERENCE FOR PHASE THREE DEVELOPMENT STUDY IN VIEW OF URGENCY TO COMMENCE THE STUDY. SECUNDO TO DIRECTOR GENERAL CHEUNG YUEN SEI DATED NOVEMBER 16, 1979 REQUESTING INFORMATION ON AAA STATUS OF DISCUSSIONS BETWEEN KMPA AND GOVERNMENT ON FUNDING COST OVERRUNS OF PROJECT ITEMS NO.2 AND 3 OF SECOND PROJECT AND BBB WHETHER IT IS STILL YOUR INTENTION TO DEFER IMPLEMENTATION OF THESE ITEMS FOR ABOUT TWELVE MONTHS AS MENTIONED IN MR. LOOS' LETTER OF SEPTEMBER 26, 1979 TO ADMINISTRATOR KANG. REGARDS, YOUNG, INTBAFRAD

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END OF TEXT

NOT TO BE TRANSMITTED

SUBJECT: **KOREA LOANS 917 & 1401**
CLEARANCES AND COPY DISTRIBUTION:
Cleared with and cc: Messrs. Yenny, Gyi, Higginbottom
cc: Messrs. Kirmani, Kalim

DRAFTED BY: **PLEVY/sm**
AUTHORIZED BY (Name and Signature): **Harold R. Young**
DEPARTMENT: **AEPTR**

SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH

KO 1401/12/10
KO 1401/12/10
young
Higginsbottom
pe
yeun

KOREA MARITIME AND PORT ADMINISTRATION
 263 Yeunji-dong, Jongro-ku
 SEOUL, KOREA

28 November 1979

Mr. Harold R. Young
 Chief, Transportation Branch
 East Asia and Pacific
 International Bank for Reconstruction
 and Development, Room 8402
 1818 H Street, N.W.
 Washington, D.C. 20433
 U.S.A.

TRANSPORTATION DIVISION
EAST ASIA & PACIFIC
Log No. 12-22/10
Answered by: P. LEVY
Date: 12-21-79

Subject: Loan 917-KO -
 Busan and Mukho Ports Development Project

Dear Sir:

In reference to your letter of 9 October 1979, this is to advise you that in accordance with the attached Disbursement Schedule, and as agreed during the June 1979 supervision mission, the funds allocated to each of the loan Categories I, II, III, and IV need not be revised.

With regard to Category III, the total authorized expenditure for the Design and Supervision is \$5,118,963.93, whereas \$5,125,278 has been disbursed. Thus, the total disbursements exceed expenditures in the amount of \$6,314.07. The Consultant has been informed of this over withdrawal and action is being taken by them to refund this amount to IBRD.

Based upon the above, it is anticipated that all the loan funds for Loan 917-KO will not be expended. Therefore, in order that the Second Loan Project can be successfully implemented, it is suggested that funds not utilized under Loan 917-KO be transferred to Loan 1401-KO. Your cooperation in allowing these funds to be transferred would be highly appreciated.

Further, in response to your cable of 16 November 1979 regarding deferring the implementation of projects under Loan 1401-KO and their funding by the Government, this is to advise you that the revised financing program of the Busan Port Second Phase Development Project, under Loan 1401-KO, is presently being reviewed by the National Assembly of the Republic of Korea. It is expected that a decision on this financing program will be forthcoming in December 1979, at which time you will be advised on the implementation program for projects financed under Loan 1401-KO.

Possible -
No. But
instead of
refunding 6000
it to Phuc
II Wabs.

Very truly yours,

y. s. chung
 Cheung, Yeun Sei
 Director General
 Bureau of Port Construction
 and Maintenance
 Korea Maritime and
 Port Administration

Encl: As stated

RECEIVED
1979 DEC -7 PM 3:03
INCOMING MAIL UNIT

Port Administration
Korea Maritime and
Fisheries
Director General

Very truly yours,

1401-KO
be advised on the implementation program for projects financed under Loan
the program will be forthcoming in December 1979, at which time you will
of the Republic of Korea. It is expected that a decision on this financ-
under Loan 1401-KO is presently being reviewed by the National Assembly
financing program of the Busan Port Second Phase Development Project,
financing by the government. This is to advise you that the revised
deferring the implementation of projects under Loan 1401-KO and that
in order to allow you to take action on 12 November 1979 regarding

cooperation in allowing these funds to be transferred would be highly
not utilized under Loan 817-KO be transferred to Loan 1401-KO. Your
Loan Project can be successfully implemented, it is suggested that funds
Loan 817-KO will not be expended. Therefore, in order that the second
based upon the above, it is anticipated that all the loan funds for

and action is being taken by them to refund this amount to IBRD.
of \$2,314,000. The consultant has been informed of this over withdrawal
purpose. Thus, the total disbursements exceed expenditures in the amount
desired and supervision is \$2,118,283.23, whereas \$2,152,278 has been dis-
with regard to Category III, the total authorized expenditure for the

the loan categories I, II, III, and IV need not be revised.
during the June 1979 supervision mission, the funds allocated to each of
that in accordance with the attached Disbursement Schedule, and as agreed
in reference to your letter of 9 October 1979, this is to advise you

Dear Sir:

subject: Loan 817-KO -

U.S.A.
Washington, D.C. 20543
1818 H Street, N.W.
and Development, Room 8805
International Bank for Reconstruction
East Asia and Pacific
Cities, Transportation Branch
Mr. Harold R. Young

12-51-79
67541
12-20-79
1979-12-20
KOREA MARITIME AND FISHERIES

25 November 1979

GEORGE KOREA
Korea Maritime and Port Administration

Handwritten signatures and initials in blue ink, including a large signature that appears to be "George Korea".

DISBURSEMENT SCHEDULE FOR LOAN 917-KO

(1,000 dollar)

Loan Category	Allocation '79 June	Disbursed 30 Sept '79	Retention Amount	Remarks
I. Civil Works	\$39,637	\$37,760	\$432,096,431 \$899,020 W432,096,431	
II. Mechanical Equipment	32,729	32,295	W6,594,559 \$513,507 W6,860,000	
III. Consultants	5,119	5,125	- \$28,585	\$6,000 which has been excessively withdrawn will be re-funded by Lyon
IV. Technical Assistance	2,515	2,091	340	
Total	80,000	77,271	\$1,223,100 \$1,223,100	

77271.0
 1223.1

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 80,000.0

 1,4559

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

Class of Service: **TELEX**

Date: **NOVEMBER 28, 1979**

Telex No: **787-K 26528**

Originators Ext: **74206**

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KMPA

SEOUL, KOREA

**FOR CHOI, HYU YOUNG, DIRECTOR GENERAL FINANCE AND ACCOUNTING BUREAU
RE KOREA FIRST PORT PROJECT LOAN 917-KO CATEGORY IV TECHNICAL ASSIS-
TANCE CONTRACT FOR CONSULTANCY SERVICES FOR TECHNICAL ASSISTANCE AND
TRAINING ON PORT OPERATIONS AND FINANCE AND ACCOUNTING BETWEEN KMPA
AND S.G.V. AND AHN, KWON AND CO. WE HAVE NO OBJECTION TO THE REVISED
ESTIMATED COST OF SERVICES AMOUNTING TO US\$ SEVEN HUNDRED SIXTY SIX
THOUSAND FOUR HUNDRED FIFTY FOUR IN FOREIGN CURRENCY AND WON SIX
HUNDRED ELEVEN MILLION SEVEN HUNDRED AND THIRTY THOUSAND IN LOCAL
CURRENCY AS LISTED IN THE QUOTE MODIFICATION TO CONTRACT FOR
SERVICES UNQUOTE ENDORSEMENT ATTACHED TO YOUR LETTER DATED **NOVEMBER**
NOVEMBER 9, 1979. REGARDS, YOUNG, INTBAFRAD**

NOT TO BE TRANSMITTED

SUBJECT:
LOAN 917-KO - First Port Project

DRAFTED BY:
PLevy:vs

CLEARANCES AND COPY DISTRIBUTION:
**Cleared with and cc: Mr. Gyi
cc: Messrs. Yenny, Higginbottom,
Ms. Gunnarsdottir**

AUTHORIZED BY (Name and Signature):
Harold R. Young
DEPARTMENT:
AEPTR

SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH
WV

Class of Service: **TELEX**

Date: **October 25, 1979**

787-K3657

Originators Ext: **61159 (61111)**

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BSHOTEL

Ln 1401 - KO
cc Ln 917 - KO

CITY/COUNTRY

BUSAN, KOREA

MESSAGE NO

**FOR KIM, CHUL HUI DIRECTOR GENERAL BPCO REURTEL TO YOUNG OCTOBER 24
LOAN 917 KO APPLICATION 2-1-10 APPROVED FOR WON 145,337,120 AND
APPLICATION 1-1-24 APPROVED FOR REDUCED AMOUNT WON 369,458,323
TOTAL WON 514,795,443 ESTIMATED PAYMENT DATE OCTOBER 29. RE LOAN
1401 KO APPLICATION 1 WON 1,465,073,210 PAID OCTOBER 17.
DISBURSEMENTS DIVISION INTBAFRAD**

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OF
TEXT

NOT TO BE TRANSMITTED

SUBJECT:

APPROVED BY:
[Signature]
AEGunnarsdottir/PGil/ss
[Signature]
Thomas Mitchell

CLEARANCE AND COPY DISTRIBUTION

**cc: Mr. Young/Yenny/AEP-A424
Section 07
File: 917 KO-General
1401 KO-General**

DEPARTMENT

Controller's

SECTION BELOW FOR USE OF CONTROLLER'S SECTION
CHECKED FOR DISPATCH *[Signature]*

BSHOTEL K3657 (tx.no.)

ko mr 917 ^{mc}
Distribution:
Mr. Young
Mr. Loos
Cont. Mr. Mitchell

Hy 10/24

RECEIVED
1979 OCT 24 AM 7
COMMUNICATIONS DIV
Asia File
Loan 917-Ko

ATTENTION : H. YOUNG

23 OCTOBER 1979

Pls follow up
cc. sent to
Mrs Gunnarsdottir
for direct
reply
Oct 24, 1979
Jy.

REFERENCE IS MADE TO FOLLOWING WITHDRAWAL APPLICATIONS FROM
BPCO AAA. FIRST IBRD LOAN BUSAN-MUKHO PORT PROJECT.
APPLICATION NO.24, MAILED 31 AUGUST 1979 AND BBB. SECOND BUSAN
PORT PROJECT APPLICATION NO.1, MAILED 31 AUGUST 79.

CCC BPCO WOULD APPRECIATE INFORMATION ON STATUS OF THESE APPLICATIONS

KIM, CHUL HUI
DIRECTOR GENERAL, BPCO

CC : FILE
RF

TRANSPORTATION DIVISION
EAST ASIA & PACIFIC
Log No. 10-69/24.
Answered by: Mrs Gunnarsdottir (cont.)
Date:

To be

A. S. Lee

October 17, 1979

Mr. Kyu Young Choi
Director General
Finance and Accounting Bureau
Korea Maritime and Ports Authority
Seoul, Korea

KO Lu. 1401
✓ cr KO Lu 917

Dear Mr. Choi:

KOREA - Loan 917-KO First Ports Project
Loan 1401-KO Second Ports Project
Technical Assistance and Training for Finances
and Accounting, and for Port Operations

This is to acknowledge receipt of your letter dated September 13, 1979, and of the enclosed bi-monthly progress report No. 6 prepared by the consultants, SGV-Ahn Kwon (SGV), on work carried out from June 16 to August 15, 1979, and interim report No. 7. We have now reviewed these reports; our comments, presented below, focus on SGV's evaluation of project status in the Interim Report, which summarizes SGV's findings, and preliminary conclusions and recommendations, midway through the study.

Finances and Accounting (pages 11-14 of the interim report)

We share the consultant's concern that two to four weeks' training for each DMPA is too short to prepare financial staff for implementing the new financial system. We also agree that the finance and accounting units at headquarters and at the DMPAs need to be reorganized; for each DMPA, this unit should be a separate division functionally responsible to the Director General of the DMPA and administratively responsible to the headquarters' Finance and Accounting Bureau. We mentioned these points previously in our letter of August 7, 1979 to Mr. Moon Myung Rhin. We would like to confirm our intention of discussing these matters with you during our next supervision, planned for January 1980 and we would appreciate KMPA preparing for these discussions a plan for organizational changes within KMPA, as well as details of additional training and technical assistance required to implement the new financial management and accounting system within the timetable shown in the above-mentioned letter and reproduced in the consultant's progress report No. 6.

With respect to this timetable, we were somewhat disturbed by the consultant's statement in para. C, page 12 of the interim report, that "The decision to introduce the law has been deferred as KMPA foresees difficulties in obtaining funds from the National Government to finance its port development projects if it becomes a corporate body." Under the provision of Section 3.02(a)(vi) of Loan Agreement 1401-KO, KMPA's new budgeting and accounting procedures should have been in operation on January 1, 1979, and

October 17, 1979


consequently legal action was to be taken by that date to vest KMPA with the power to practically transform it into a Public Corporation. Because of the late start of the SGV study and various staffing and administrative problems within KMPA, the Government and the Bank have agreed to defer implementation of the new financial system through January 1, 1982. However, postponement of legal action beyond the dates shown in the timetable would jeopardize KMPA's chances of meeting the agreed deadline. In addition, we see no reason why a change in KMPA's legal status - which can only be enforced with the Government's authority and requires no change in KMPA's ownership - would reduce the likelihood of the Government financing port development projects.

Port Operations (pages 18-19 of the interim report)

The consultant's main concern is that, due to at least a two-month delay in delivery of the BDMPA/BCTOC computer and to the off-standard procedures to be incorporated in the system, SGV will not be able to train staff adequately by April 30, 1980, the specified date for completion of the contract. In addition, the period for phasing in the computer system would be too short to ensure a smooth transition from the existing system, which might disrupt operations of the whole container terminal. We therefore suggest that the completion date for the Port Operation component of the SGV contract be extended to June 30, 1980.

We would appreciate your informing us of your reactions to the above comments and suggestions as early as possible.

Sincerely yours,



Harold R. Young
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

To be cleared with and cc: Mr. F. Higginbottom

cc: Messrs. Gyi, Kalim, Yenny

PLevy:dce

Ln. 917-KO

October 9, 1979

Mr. Moon Myung Rhin
Deputy Administrator
Korea Maritime and Ports Authority
Seoul, Korea

Dear Mr. Moon:

KOREA - Loan 917-KO - First Ports Project

1. With the completion of nine of the ten civil works contracts (Project No. 2 - Pier No. 8 due to complete shortly), and technical assistance provided by the SGV/Ahn Kwon contract due to end April 20, 1980, we are now in a position to assess the final reallocation of the list of goods in the loan categories shown in Schedule 1 of the Loan Agreement, to complete draw down of Loan 917-KO.

2. Because of the more accurate estimate of project costs now available due to the completion of most of the civil works and the completion of mechanical equipment procurement, the last supervision mission was able to discuss and obtain latest project cost estimates from your office and your consultants. Details of the revised cost estimates and allocations by foreign exchange provided by the Saudi Fund and Loan 917-KO are shown in the attachment and summarized below:

Project category of expenditure	Local	Foreign US\$	Total US\$ equivalent	IBRD '000	SFD
Civil works	39,005	60,890	99,895	39,637	21,353
Mechanical equipment	-	32,729	32,729	32,729	-
Design and supervision	1,755	5,119	6,874	5,119	-
Technical assistance	1,330	2,515	3,845	2,515	-
<u>Total</u>	<u>42,090</u>	<u>101,253</u>	<u>143,343</u>	<u>80,000</u>	<u>21,253</u>

US\$1.00 = 483 Won or 3.26 Saudi Rials.

October 9, 1979

3. Disbursements of Loan 917-KO, as of September 30, 1979, are shown below compared with the present allocation and the proposed allocation of the list of goods as agreed during the June 1979 supervision mission:

Loan category	Disbursed Sept. 30, 1979 ----- (US\$ equivalent '000)	Allocation	
		Present	Proposed (June 1979) -----
I Civil works	37,760	39,037	39,637
II Mechanical equipment	32,295	33,347	32,729
III Consultants	5,125	5,107	5,119
IV Technical assistance	2,091	2,515	2,515
<u>Total</u>	<u>77,271</u>	<u>80,000</u>	<u>80,000</u>

The disbursement percentages for categories II, III and IV have been 100% and that for civil works 39% except for project No. 10 which is 61%; the final disbursement of retention money will clear the loan account; this was stated to amount to some \$650,000 on civil works. We would appreciate your confirming the retention amounts (total and foreign exchange) for Categories I and II. You will also note from the above table that for Category III - Consultants, the actual disbursed to date already exceeds that earlier proposed.

4. Before we can finalize with Government what the final allocation of the loan categories should be, we would need your assistance and explanation as to whether you would need to revise the estimates for Categories III and IV relating to final design and supervision, and technical assistance respectively, bearing in mind that costs for all the civil works items (with the exception of Project No. 8 - Pier No. 2) and costs for mechanical equipment represent actual costs to completion.

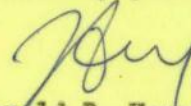
Mr. Moon Myung Rhin

- 3 -

October 9, 1979

5. We would appreciate an early reply. A copy of this letter is being sent to Mr. Lee Kyu Chan of EPB and Mr. Kim Chul Hui of BPCO for information.

Sincerely yours,



Harold R. Young
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

cc: Mr. Kyu Chan Lee
Division: General Bureau of
Foreign Capital Management
Economic Planning Board
Seoul, Korea

Mr. Kim Chul Hui
Director General
Busan Port Construction Office
No. 68, 3-Dong, Chachun-dong, Dong Ku
Busan, Korea

cc: Messrs. Loos, Kalim (o/r), Levy (o/r), Higginbottom, Yenny (o/r),
Ms. Gunnarsdottir

FKMGyi:dce

OFFICIAL FILE COPY

KOREASUPERVISION OF FIRST AND SECOND PORTS PROJECTSJune 1979Revised Cost Estimates and Allocations of Foreign Exchange by Fund
(Loan 917-KO)

	Current estimated cost (June 1979)			Foreign exchange allocation	
	Local	Foreign	Total	IBRD	SFD
	(US\$ '000)				
<u>I. Civil Works</u>					
1 - Dredging	3,395	5,191	8,586		
2 - Composite Pier - Rough Grading	14,677	22,956	37,633		
3 - Pier No. 7 - Rough Grading	4,661	7,291	11,952		
4 - Pier No. 1	5,545	8,674	14,219		
5 - Coastal Ferry	1,146	1,792	2,938		
6 - Pier No. 7 - Complete	969	1,517	2,486		
7 - Composite Pier - Complete	3,158	4,939	8,097		
8 - Pier No. 2	1,641	2,568	4,209		
9 - Mugho Port	1,866	2,917	4,783		
10 - Grain Silos - Civil Works	1,947	3,045	4,992		
Subtotal	<u>39,005</u>	<u>60,890/a</u>	<u>99,895</u>	<u>39,637</u>	<u>21,253</u>
<u>II. Mechanical Equipment</u>					
A. Container equipment & scrap handling cranes	-	9,921	9,921		
B. Busan coal handling equipment	-	6,048	6,048		
C. Mobile ore & minerals handling equipment	-	2,321	2,321		
D. Mugho coal handling equipment	-	5,302	5,302		
E. Grain handling Facility (excluding Silos)	-	9,137	9,137		
Subtotal	-	<u>32,729</u>	<u>32,729</u>	<u>32,729</u>	
<u>III. Final Design and Supervision</u>	<u>1,755</u>	<u>5,119</u>	<u>6,874</u>	<u>5,119</u>	
<u>IV. Technical Assistance</u>					
Technical assistance & training:					
- Bahint financial study	-	749			
- SGV financial study	-	743			
- Computer simulation of container yard	868	108		2,468	
Korea port study - Phase II	462	915	1,377		
Subtotal	<u>1,330</u>	<u>2,515</u>	<u>3,845</u>	<u>2,515</u>	
<u>V. Project Contingency</u>	-	-	-		
<u>Total</u>	<u>42,090</u>	<u>101,253</u>	<u>143,343</u>	<u>80,000</u>	<u>21,253</u>
Surplus Loan Funds					13,747
<u>Total Loan Funds</u>				<u>80,000</u>	<u>35,000/b</u>

Exchange Rate: US\$1.00 = Won 483.

/a Foreign Exchange calculated at 61%.

/b Actual Loan is Saudi Rials 122,500,000.

Source: KMPA, Consultants, and Bank Staff.

WORLD BANK OUTGOING MESSAGE FORM (Telegram, Cable, Telex)
IMPORTANT (PLEASE READ INSTRUCTIONS BELOW BEFORE TYPING FORM.)

WU1
787-23202

Class of Service: **TELEX**

Date: **September 25, 1979**

Telex No.:

Originators Ext: **61769**

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Ln. 917-KO

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1 HERE TO
CITY/COUNTRY

**BUREAU OF FOREIGN CAPITAL MANAGEMENT, ECONOMIC PLANNING BOARD
SEOUL, KOREA**

MESSAGE NO

**FOR MR. KYU CHAN LEE, DIRECTOR GENERAL. AS YOU KNOW, BANK
ENCOURAGES BORROWERS TO PREPARE PROJECT COMPLETION REPORTS
(PCRs) REVIEWING RESULTS OF PROJECTS AND ANALYZING SALIENT
LESSONS LEARNED DURING THEIR PREPARATION AND EXECUTION, OBJECTIVE
BEING TO SECURE MAXIMUM EXPRESSION OF BORROWER'S OWN PERCEPTION
OF THE WAY PROJECTS WERE PREPARED AND SUPERVISED. IN VIEW THAT
PHYSICAL COMPONENTS OF FIRST PORT PROJECT (LOAN 917-KO) HAVE BEEN
COMPLETED, EYE SHOULD LIKE TO DISCUSS, DURING MY FORTHCOMING
VISIT IN OCTOBER, POSSIBILITY OF KMPA, WITH ASSISTANCE OF EPB,
PREPARING A PCR FOR THE PROJECT AND FIND OUT WHAT, IF ANY,
ASSISTANCE FROM BANK IS REQUIRED. IF YOU AGREE WITH THIS IDEA,
EYE SHALL APPRECIATE AN OPPORTUNITY TO MEET WITH KMPA OFFICIALS
AND ALSO YOUR ALERTING THEM BEFOREHAND SO THAT THEY MAY GIVE SOME
THOUGHT TO THE SUBJECT. REGARDS, SEI-YOUNG PARK, INTBAFRAD**

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OF
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NOT TO BE TRANSMITTED

SUBJECT:
Loan 917-KO

CLEARANCES AND COPY DISTRIBUTION:
**Cleared with and cc: Mr. Bohr
Cleared in substance
with and cc: Mr. Higginbottom
cc: Mrs. Valad o/r**

DRAFTED BY *Sei-Young Park*
SYPark:gd

AUTHORIZED BY (Name and Signature):
Sei-Young Park

DEPARTMENT: **Sr. Evaluation Officer
Operations Evaluation**

SECTION BELOW FOR USE OF CABLE SECTION
CHECKED FOR DISPATCH

EAPIC

248423 WORLDBK

INCOMING TELEX

sj

248423 WORLDBK

DE EPI 423000 (Telex nr.) From: Seoul

OFFICIAL DOCUMENTS

CR 917 KA ✓

JUL 20 1979

MR. HAROLD YOUNG
INTERNATIONAL
AND NATION B D

a Hall

YOUR LETTER JULY 20 REFERRED TO EPI AND YOUR COVER NO 007
CONCERNING FIRST PORT PROJECT LOAN NO 917 WE STOP WE
AGREE TO THE PROPOSED AGREEMENT TO SCHEDULE ONE OF THE LOAN
AGREEMENT FOR DISBURSE OF DISBURSEMENT PERCENTAGE STOP
IN THIS CONNECTION WE BELIEVE THAT THE READJUSTMENT OF
DISBURSEMENT PERCENTAGE OF SFD LOAN IS NOT FURTHER NEEDED
IN VIEW OF THE DISCUSSIONS CARRIED OUT BETWEEN KIMFA AND SFD
STOP FOR YOUR INFORMATION WE ARE SENDING COPIES OF LETTERS
EXCHANGED BETWEEN EPI AND SFD REGARDING THE UTILIZATION OF
CURRENCE FUNDS OF SFD REGARDS HUNG KI KIM EPI SEOUL

248423 WORLDBK

DE EPI 423000.....

Ln. 917- KO

Ln. 1401- KO

9-11-79

THE WORLD BANK
IBRD AND IDA - SUPERVISION SUMMARY

This summary is the initial summary
 part of a mission report
 an annual update

Asta Files

For detailed instructions on completion of this form, please see Attachment A to the Annex of OMS 3.50.

THIS FORM IS A STOCKROOM ITEM.

Regional Office: AEP	Project Name: First Port Project	Project Code: 7KORTP01	Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> No.:	L/C Amount (\$xx.xm): 80.0
Country: Korea	Borrower/Beneficiary: Government of Korea	Board Date: 6/14/73	Signing Date: 6/23/73	Effective Date: 9/18/73
Projects Dept./Div. Name: AEPTR	Org. Code No.: 176/30	Projects Officer: F. Higginbottom	Loan Officer: Z. Kalim	

SECTION 1: SUMMARY PROJECT DESCRIPTION 1. Construction of a composite pier and a bulk handling pier at Busan and necessary dredging. 2. Improvement of general cargo piers and provision of a coastal ferry berth and an international ferry berth at Busan. 3. Construction of a coal pier and breakwater repairs at Mugho. 4. Mechanical equipment for container, bulk cargo and grain handling. Second port study and technical assistance in setting up the Korea Maritime and Port Administration.

SECTION 2: PERFORMANCE RATING

	This Summary	Last Summary
STATUS: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems	<input type="text" value="2"/>	<input type="text" value="2"/>
TREND: 1 - Improving; 2 - Stationary; 3 - Deteriorating	<input type="text" value="2"/>	<input type="text" value="2"/>
TYPES OF PROBLEMS: F - Financial; M - Managerial; T - Technical; P - Political; O - Other (Explain in Section 6.) If more than one type of problem, enter most critical factor first.	<input type="text" value="FM"/>	<input type="text" value="FM"/>
IMPLEMENTATION STATUS: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems		
Disbursements	<input type="text" value="1"/>	<input type="text" value="1"/>
Estimated Cost	<input type="text" value="1"/>	<input type="text" value="2"/>
Anticipated Completion	<input type="text" value="2"/>	<input type="text" value="1"/>
Compliance with Loan Conditions	<input type="text" value="1"/>	<input type="text" value="1"/>
Project Finances	<input type="text" value="1"/>	<input type="text" value="1"/>
Management Performance	<input type="text" value="2"/>	<input type="text" value="2"/>
Procurement Progress	<input type="text" value="1"/>	<input type="text" value="1"/>
Performance of Consultants	<input type="text" value="1"/>	<input type="text" value="1"/>
Reporting	<input type="text" value="2"/>	<input type="text" value="2"/>
DEVELOPMENT IMPACT: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems		
Expected Benefits	<input type="text" value="1"/>	<input type="text" value="1"/>
Rate of Return	<input type="text" value="1"/>	<input type="text" value="1"/>
Institution-Building	<input type="text" value="2"/>	<input type="text" value="2"/>

SECTION 3: PROJECT DATA

Estimated/Actual:	Project Completion (Mo./Yr.)	Loan/Credit Closing (Mo./Day/Yr.)	Total Project Cost (\$xx.xm)	of which:		Cumulative Disbursements through most recent Quarter ended (6/30/79) (\$xx.xm)
				Foreign Currency (\$xx.xm)	Local Currency (\$xx.xm)	
Appraisal Est.	6,78	6,30,79	118.5	80.0	38.5	80.0 (Est.)
Last Summary (01/23/79)	6,79	6,30,80	144.0	102.0	42.0	
Current	9,79	6,30,80	143.3	101.2	42.1	77.2 (Actual)

SECTION 4: MISSION SCHEDULE

	No. of Staff on Mission	No. of Days in Country	Return to HQ (Mo./Day/Yr.)	Final Report Date (Mo./Day/Yr.)
Latest/Present Mission	2	10*	8 1 79	9 11 79 (FS)
Previous Mission	1	7	11 23 78	1 23 79 (CS)
Next Mission Departure (Mo./Yr.)	1,80	Recommended interval between missions (Months)	6	End of period covered by latest progress report (Mo./Day/Yr.)
				05, 31, 79

* Type of Report: FS = Full Supervision; CS = Combined Full/B-T-O; C = Completion; A = Appraisal; O = Other (explain below)

Including supervision of Second Port Project

Names of Mission Members	Mission Members' Specializations
F. Khin-Maung-Gyi	Port Engineer
P. Levy	Financial Analyst
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Number of members on both present and previous mission:

None
One
Two or More

SECTION 5: COMMENTS (Clarify, if necessary, data in Sections 3 and 4.)

This report includes a supervision of Loan 1401-KO for which a separate form 590 is attached. Section 6 of that form and the annexes cover both loans.

SECTION 6: SUMMARY OF PROJECT STATUS, TREND AND MAJOR PROBLEMS

is 1 00 is 00000:

SECTION 7: MISSION RECOMMENDATIONS AND MANAGEMENT ACTION REQUIRED

41 3/16/76

NAME OF PREPARING OFFICER:

F. Khin-Maung-Gyi/ P. Levy

INITIALS:

DATE:

THE WORLD BANK
IBRD AND IDA - SUPERVISION SUMMARY

This summary is the initial summary
 part of a mission report
 an annual update

For detailed instructions on completion of this form, please see Attachment A to the Annex of OMS 3.50.

THIS FORM IS A STOCKROOM ITEM.

Regional Office: AEP	Project Name: Second Port Project	Project Code: 7KORTPO2	Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> No.: 1401-KO	L/C Amount (\$xx.xm): 67.0
Country: Korea	Borrower/Beneficiary: Government of Korea	Board Date: 4/12/77	Signing Date: 4/28/77	Effective Date: 7/27/77
Projects Dept./Div. Name: AEPTR	Org. Code No.: 176/30	Projects Officer: F. Higginbottom	Loan Officer: Z. Kalim	

SECTION 1: SUMMARY PROJECT DESCRIPTION To the work already being done under the first port project, the further expansion of Busan Port provides: (a) 700m extension of container berths, 335,000 sq m expansion of stacking area, dredging to provide an alongside depth of 12.5m, and access road inside port limits, a guard house, an 8,000 sq m container freight station, ancillary works and utilities; (b) rehabilitation of piers 3 and 4, the central wharf, and lighter wharf No. 5: (c) container handling equipment and floating craft; (d) engineering consultant services, and (e) **technical assistance and training.**

STATUS: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems

TREND: 1 - Improving; 2 - Stationary; 3 - Deteriorating

TYPES OF PROBLEMS: F - Financial; M - Managerial; T - Technical; P - Political; O - Other (Explain in Section 6.)

If more than one type of problem, enter most critical factor first.

IMPLEMENTATION STATUS: 1 - Problem-free or Minor Problems; 2 - Moderate Problems; 3 - Major Problems

	This Summary	Last Summary
STATUS:	1	2
TREND:	2	2
TYPES OF PROBLEMS:	F M	F M
IMPLEMENTATION STATUS:	1	1
Disbursements	2	2
Estimated Cost	2	2
Anticipated Completion	1	1
Compliance with Loan Conditions	2	2
Project Finances	1	1
Management Performance	1	1
Procurement Progress	1	1
Performance of Consultants	1	1
Reporting	1	1
DEVELOPMENT IMPACT:	1	1
Expected Benefits	1	1
Rate of Return	1	1
Institution-Building	2	2

SECTION 3: PROJECT DATA

Estimated/Actual:	Project Completion (Mo./Yr.)	Loan/Credit Closing (Mo./Day/Yr.)	Total of which:			Cumulative Disbursements through most recent Quarter ended (06 / 30/ 79) (\$xx.xm)
			Project Cost (\$xx.xm)	Foreign Currency (\$xx.xm)	Local Currency (\$xx.xm)	
Appraisal Est.	12, 81	12, 31, 82	111.9	70.0	41.9	18.8 (Est.)
Last Summary (1 / 23 79)	12, 81	12, 31, 82	111.9	70.0	41.9	
Current	12, 81	12, 31, 82	167.0	95.0	72.0	0.7 (Actual)

SECTION 4: MISSION SCHEDULE

	No. of Staff on Mission	No. of Days in Country	Return to HQ (Mo./Day/Yr.)	Final Report Date (Mo./Day/Yr.)
Latest/Present Mission	2	10*	08 01 79	9 11 79 (FS)*
Previous Mission	1	7	11 23 78	01 23 79 (CS)*
Next Mission Departure (Mo./Yr.)	01 80	Recommended interval between missions (Months)	6	End of period covered by latest progress report (Mo./Day/Yr.)
				05 31 79

* Type of Report: FS = Full Supervision; CS = Combined Full/B-T-O; C = Completion; A = Appraisal; O = Other (explain below)

* Including supervision of First Port project

Names of Mission Members

Mission Members' Specializations

F. Khin-Maung-Gyi

P. Levy

Port Engineer

Financial Analyst

Number of members on both present and previous mission:

None

One

Two or More

SECTION 5: COMMENTS (Clarify, if necessary, data in Sections 3 and 4.)

SECTION 6: SUMMARY OF PROJECT STATUS, TREND AND MAJOR PROBLEMS

SECTION 7: MISSION RECOMMENDATIONS AND MANAGEMENT ACTION REQUIRED

NAME OF PREPARING OFFICER:

F. Khin-Maung-Gyi/ P. Levy

INITIALS:

FL

DATE:

2/11/74

Section 6: Summary of Project Status, Trend and Major Problems

6.01 Nine of the ten civil works contracts for the First Project (Loan 917-KO) and all the equipment procurement contracts have been completed. All physical work is expected to be completed by August 1979. Total estimated cost is US\$143 million including about US\$101 million foreign exchange. The Saudi Fund for Development (SFD) provided US\$35 million equivalent for civil works and had agreed that the unspent balance could be used for additional works, one of which has already started (paras 6.01-6.06).

6.02 The closing date for Loan 917-KO was extended to June 30, 1980 to provide for technical assistance and training in commercial accounting procedures and container operations, including computer programming training in Busan to be satisfactorily completed (paras 6.07, 10.02-10.04).

6.03 One of the four civil works contracts of the Second Project (Loan 1401-KO) has been awarded, design work and bid documents for the procurement of equipment is proceeding satisfactorily. Initial cost estimates prepared by Government total US\$167 million including about US\$95 million foreign exchange. The Korea Maritime and Port Administrative (KMPA) has applied to Government for an increase in its budget to meet the cost overruns (paras 6.08-6.12).

6.04 Traffic in Busan in 1978 totalled about 27.2 million revenue tons compared to 25.7 million in 1977; traffic to April 1979 amounted to 9.6 million tons. In Incheon, the equivalent figures were 20.2 million, 16.9 million and 7.7 million revenue tons respectively (paras 7.01-7.02).

6.05 Terminal operating companies (TOC's) appointed by KMPA, are satisfactorily operating the coal handling facility in Mugho; the container, grain and coal and scrap metal handling terminals in Busan; that for Pier No. 2 in Busan is appointed but not yet operating. Consultants, Sycip, Gorres Velayo & Co. (Philippines) in association with Ahn Kwon & Co. (Korea) (SGV/AHK) are reviewing operations at the Busan container yard and have assisted the TOC in the selection of a computer which is currently due to be installed (paras 7.04, 7.07-7.08).

6.06 KMPA's financial management and accounting procedures are inadequate. KMPA recently created a separate Bureau of Finance and Accounting to strengthen the management's control over KMPA's present and future financial situation. To achieve this goal the management needs to be provided with timely and reliable statistical and financial data to enable the necessary corrective action to be taken and to plan KMPA's short- and long-term financial development. It is therefore important that: (a) consultants now in the field complete the definition of KMPA's new budgeting and accounting plans and procedures; (b) the Government and the Parliament take legal action to enforce those plans and procedures; and (c) management recruit and train staff for their implementation within the time frame described in the Bank's action letter of August 7, 1970 to KMPA.

6.07 Road improvements and widening of city roads serving the Busan Port are under construction by the city authorities, and are scheduled to be completed by August 1980 (para 9.02)

6.08 The performances of the civil engineering consultants (LAI/KECC) and the consultants for the training in port operations, finance and accounting (SGV/AHK) have been satisfactory. The consultancy contract of the latter may have to be extended to provide adequate completion of computer programming and operation training to KMPA personnel (paras 10.01-10.04).

6.09 KMPA has selected consultants for preparing a feasibility study for the next port project, and are currently finalizing negotiations for concluding the award of the necessary contract agreement before work commences. A timetable has tentatively been agreed upon leading to a possible Bank appraisal in 1981 (paras 11.01-11.05).

Section 7: Mission Recommendations and Management Action Required

7.01 In addition to letters and cables already sent, the following actions are pending:

- (a) As was done with the previous supervision, a copy of this report should be sent to SFD advising them of the present total expenditure on the civil works, and that while SFD expenditure now amounts to US\$21.2 million, a surplus of US\$ 13.8 million will now be available for KMPA's "additional works";
- (b) a letter should be sent to KMPA providing:
 - (i) a final reallocation of the schedule of the list of goods in the loan categories to complete draw down of Loan 917-KO
 - (ii) possible extension of SGV/AHK's technical assistance under the Second Port Loan;
 - (iii) revision of the percentage of payment for category 1 - civil works of the Second Port Loan (Loan 1401-KO), to fully draw down the Loan over the increased cost estimates; and
 - (iv) KMPA/EPB's request for revision of list of goods to include the Third Port Study, Bank concurrence on the timetable for the proposed Third Ports project and arrangements for financing final engineering.

7.02 A mission comprising a port engineer and a financial analyst should visit Korea about December 1979/January 1980, an economist should be included if KMPA's preparation of the Third Ports feasibility study requires Bank assistance.

7.03 The following Annexes and Tables are attached:

- Annex 1 Copies of Important Action Letters or Cables
- Annex 2 Compliance with Significant Loan Conditions (Loan 1401-KO)
- Annex 3 Schedule of Disbursements
- Annex 4 Project Description
- Annex 5 Places Visited and Officials Met on the Mission
- Annex 6 Execution of the Project

Annex 7 Traffic and Operations
Annex 8 KMPA's Budgetting and Accounting Procedures and Financial Results
Annex 9 Organization, Management and Performance of the Borrower
Annex 10 Performance of Consultants
Annex 11 Future Development

Table 1 Revised Cost Estimates (Loan 917-KO)
Table 2 Government's Estimated Cost (Loan 1401-KO)
Table 3 Port of Busan - Traffic Details 1977-79
Table 4 Port of Incheon - Traffic Details 1977-79
Table 5 Port of Mugho - Traffic Details 1977-79
Table 6 Details of SGV/AHK's Operation Study
Table 7 Port of Mugho - Income Account
Table 8 Port of Mugho - Source and Application of Funds
Table 9 Port of Mugho - Balance Sheet
Table 10 Port of Mugho - Selected Financial Ratios
Table 11 Port of Busan - Income Account
Table 12 Port of Busan - Source and Application of Funds
Table 13 Port of Busan - Balance Sheet
Table 14 Port of Busan - Selected Financial Ratios

Attachments

FKMGyi/sm

cc: Messrs. Rajagopalan, Willoughby, Vorkink, Subramanian, Kapur, Please, Husain
Loos, Kalim, Kirmani, Howell, Hasan, Brown, Ruddy, Higginbottom,
Yenny

KOREASUPERVISION OF FIRST AND SECOND PORT PROJECTS - June 1979(LOANS 917-KO and 1401-KO)Copies of Important Action Letters or Cables

1.01 The following action letters were sent from the Bank to the Deputy Administrator of KMPA, with copies to the Economic Planning Board (EPB), in Seoul, Korea:

- Attachment A - Letter dated July 24, 1979; and
- Attachment B - Letter dated August 7, 1979.

July 24, 1979

Mr. Moon Myung Rhin
Deputy Administrator
Korea Maritime & Ports Authority
Seoul, Korea

Dear Mr. Moon:

KOREA: Loan 917-KO : First Port Project
Loan 1401-KO: Second Port Project

We wish to thank you and your staff, including your staff in Mugho and Busan, for the great assistance and support given to Messrs. Gyi and Levy during their recent mission in June 1979 and in this letter, to inform you of their main findings.

Loan 917-KO: First Port Project

We are glad to note that with the exception of the civil works Project No. 8 - Pier No. 2, all civil works and equipment procurement contracts have been satisfactorily completed. We are, however, concerned that BPCO has taken steps to terminate the Consultant's engineering supervision as of May 31, 1979 although work still remains for the completion of Pier No. 2. As explained by Mr. Gyi to KMPA during his mission, we feel that the consultants supervision should be continued until work on Pier No. 2 is satisfactorily certified completed. This is particularly necessary if KMPA desires that civil works' expenditures still remaining be paid from Loan 917-KO funds. We trust that you will continue to utilize the supervision of consultants, and await your confirmation on this matter.

Loan 1401-KO: Second Port Project

We understand that KMPA intends to implement the original components of the second project as appraised, and that KMPA has or will seek Government assistance in the financing of the cost overruns, estimated at present to amount to US\$28.0 million in foreign exchange. We would appreciate being advised as to the status of this financing in due course.

Findings on the mission's review on the financial aspects will be conveyed separately.

A copy of this letter is being sent to Mr. Kyu Chan Lee of EPB for information.

Sincerely yours,

Harold R. Young
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

HRYoung:hp

Cleared with and cc: Mr. David Loos

cc: Mr. Kyu Chan Lee, Division-General
Bureau of Foreign Capital Management
Seoul, Korea

Messrs. Gyi and Levy.

August 7, 1979

Mr. Moon Myung Rhin
Deputy Administrator
Korea Maritime and Ports Authority
Seoul, Korea

Dear Mr. Moon:

KOREA - Loan 917-KO : First Port Project
Loan 1401-KO: Second Port Project

Our letter of July 24, 1979 dealt with the mission's technical findings, while this letter deals with the 1978 financial results of the ports of Busan and Mukho and the progress achieved toward implementation of KMPA's commercial budgeting and accounting procedures.

Financial Results

We were pleased to learn that the 1978 financial results of the port of Busan were better than forecast during the Project's appraisal mission, thanks to higher than anticipated traffic and implementation of the July 1, 1973 tariff increase. However, despite this increase, the port of Mukho achieved a 4.6% rate of return on its fixed assets in use instead of the 6% target provided for under Section 4.05 (iii) of Loan Agreement 917-KO. The main reason for this somewhat disappointing performance is that Mukho's 1978 traffic was some 1.4 million tons (mainly coal and cement) short of appraisal expectations. Based on traffic statistics and financial statements covering the first four months of 1979, the two ports' 1979 traffic and financial performance is expected to follow the same trend as in 1978, provided that the July 1979 tariff increase has been implemented on time. A special effort should be made to increase Mukho's port traffic (mainly coal) in order to improve its financial performance.

KMPA's Accounting Procedure

During your conversation of June 19, 1979, Mr. Levy, the mission's financial analyst, reported to you on his detailed discussions on the plan for implementing KMPA's commercial budgeting and accounting procedures with Messrs. Choi Kyu-Young, Director General Finance and Accounting Bureau, Youn Sun-Bae, Director, Economic Cooperation Division, and their staff, and with representatives of the SGV/AHN KWON (SGV/AK) consulting firm. Mr. Levy also submitted his conclusions for your approval and I am pleased to hear that you

agreed with their broad outlines. The main result of these conclusions is that the date of formal implementation of the new budgeting and accounting system should be extended from January 1, 1981 to January 1, 1982, with 1981 being devoted to carrying out a test run of the system. To meet this new target, which represents a three years' delay from the date set forth under Section 3.02 (a) of Loan Agreement 1401-KO, the following deadlines will have to be met:

- March 15, 1980 - Consultants SGV/AK submit their draft final report for comment by KMPA and Bank.
- April 30, 1980 - SGV/AK receive the combined KMPA/Bank comments on the draft final report.
- June 30, 1980 - SGV/AK submit their final report for approval by KMPA and the Bank.
- August 30, 1980 - KMPA submits the new budgeting and accounting plan, along with a draft of the law required to enforce it, for the approval of the Ministries of Transport and Finance and EPB.
- November 1, 1980 - The new law, budgeting and accounting plans are submitted for Parliament approval.
- January 1, 1981 - KMPA starts implementing the new accounting procedures on a test basis in parallel with the old system, under which KMPA is bound to present its 1981 official accounts given that its Budget will have been approved under the old form in early 1980.
- March 1, 1981 - KMPA submits its 1982 Budget presented under the new form for Parliament approval.
- January 1, 1982 - KMPA drops the old accounting system and keeps its accounts under the new procedures only.

To meet these deadlines and ensure smooth implementation of the new budgeting and accounting system and its full reliability by January 1, 1982, KMPA will have to take, between now and the end of 1981, an important set of measures aimed at organizing or reorganizing headquarter's and the District MPA's (DMPA's) accounting bureaus, coordinating the flow of information between these bureaus and adjusting implementation of the new procedures during the test year. This will require the assistance of qualified administrators, experienced accountants and the extension of the training program of KMPA's accounting staff started under the ongoing SGV/AK study. In addition, KMPA's financial department will most probably need external assistance to prepare the required changes in legal documents. We

therefore recommend that the SGV/AK study be followed up by further technical assistance in the above-mentioned fields. Part of this technical assistance could be financed from the W 80 million provided under the Second Project for the training of accountants (see Second Project's Appraisal Report, Annex 1). Details of this additional technical assistance program could be worked out during our next supervision mission planned for January 1980.

A copy of this letter is being sent to Mr. Lee Kyu Chan of EPB for information.

Sincerely yours,

Harold R. Young
Chief, Transportation Division
Projects Department
East Asia and Pacific Regional Office

cc: Mr. Kyu Chan Lee
Division: General Bureau of Foreign
capital Management
Economic Planning Board
Seoul, Korea

Cleared with and cc: Messrs. F. Gyi and Z. Kalim

cc: Messrs. F. Higginbottom, J. Yenny.

PLevy:hp

KOREASUPERVISION OF SECOND PORT PROJECT (June 1979)LOAN NO. 1401-KOCompliance with Significant Loan ConditionsRelevant Loan Agreement SectionsStatusSection 2.04. Loan Closing Date

No change envisaged.

Section 3.02. (a) The Borrower shall, not later than January 1, 1979 or such other date as shall be agreed with the Bank, take all such action as shall be necessary to vest KMPA with autonomous powers including, inter alia, the powers (i) to incur debt, (ii) to fix the emoluments of its staff, (iii) to prepare and submit to MOT and EPB its proposed budgets in a commercial form, (iv) to have reasonable flexibility in adjusting approved operating budgets to meet cost changes arising out of unexpected fluctuations in port traffic, (v) to open and maintain an account with the Bank of Korea for revenue receipts and payments of obligations, and (vi) to maintain its records in accordance with commercial accounting procedures.

The January 1, 1979 target date has passed because of the late start (one year behind schedule) of the technical assistance and training program for assisting KMPA's staff in port planning and commercial accounting, and because KOREA lacks qualified planning and accounting staff. The Government, KMPA and the Bank have agreed that: (a) the required legal actions should be completed by December 31, 1980; (b) KMPA's 1982 budget will be submitted in a commercial form for parliament approval by March 1, 1981; and (c) KMPA will formally keep its accounts under the commercial form starting January 1, 1982.

(b) The Borrower shall, not later than April 1, 1978 or such other date as shall be agreed with the Bank, submit to the Bank, for review, its proposals to meet the Borrower's obligations under paragraph (a) of this Section.

The Bank, in its letter of August 7, 1979 to KMPA, copied to the Economic Planning Board (EPB), summarized the plan for meeting the Government's obligations under Section 3.02(a) agreed during the June 1979 supervision mission.

Section 3.03. (b) Upon the enactment of the legislation required to meet the Borrower's obligations under Section 3.02 (a) of this Agreement, the Borrower shall cause KMPA to undertake to

Legal action required for meeting the Borrower's obligation under Section 3.02 is expected to be completed by December 31, 1980. On-lending Agreements between the Government and KMPA will then be

repay to the Borrower (i) the proceeds of the Loan made available to KMPA under paragraph (a) of this Section and (ii) the proceeds of the Loan made directly to the Borrower under the First Loan Agreement for the purposes of the First Port Project, such repayment to be made pursuant to arrangements satisfactory to the Bank, under terms and conditions which shall have been approved by the Bank, including inter alia, interest at rates identical to those specified in Section 2.06 of this Agreement and of the First Loan Agreement, respectively, and repayment and grace periods identical to those specified in the Amortization Schedules to this Agreement and to the First Loan Agreement, respectively.

Section 3.06. (a) The Borrower shall (i) not later than October 31, 1977 or such other date as shall be agreed with the Bank, submit to the Bank for review the detailed engineering of the road connecting the Busan port to the Busan-Seoul expressway and the Namhae expressway; and (ii) not later than December 31, 1979 or such other date as shall be agreed with the Bank, complete the construction of such road.

(b) The Borrower shall (i) undertake and submit to the Bank for review, not later than June 30, 1978 or such other date as shall be agreed with the Bank, a study, under terms of reference which shall have been approved by the Bank, of city-wide transport and land use in Busan over the period 1978-1983 which shall identify the best medium-term solution to the city's traffic congestion and assess its feasibility; and (ii) implement the recommendations of such study by July 31, 1979 or such other date as shall be agreed with the Bank.

drafted and submitted to the Bank for approval. KMPA's 1982 Budget will include provisions obligating KMPA to repay Loans 917-KO and 1401-KO to the Government following the On-lending Agreement's conditions.

The Borrower provided the Bank with relevant plans and drawings in June 1978. The road is expected to be completed in late 1980.

Consultants, Korea Institute of Science and Technology (KIST) started a study of Busan's city traffic in late 1978. The study's terms of reference call for a survey of Busan's pedestrian and vehicle traffic, a review of the city's land use and traffic flows and for a program to alleviate the city's traffic congestion. The study, to cost about Won 20 million is expected to be completed by late 1979.

Section 4.01. (b) In order to assist KMPA in preparing financial statements in accordance with commercial accounting practices, and in implementing the new accounting, costing and management information systems designed by the consultants employed for the purposes of the First Port Project, the Borrower shall cause KMPA to employ adequately qualified and experienced accountants.

Section 4.02. The Borrower shall cause KMPA to: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements), including BDMPA's accounts, for each fiscal year from 1979 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 copies of its financial statements for such year as so audited and (b) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested.

The ongoing technical assistance and training program carried out by Consultants SGV/AHN-KWON comprises the training of about 50 KMPA staff members in commercial accounting procedures. However, this accelerated program will not provide KMPA with adequately qualified and experienced accountants required for introducing its new accounting procedures. On the other hand, KMPA is not in a position to recruit the needed high standard accountants because of the low level of its salaries. KMPA will consequently require further technical assistance for introducing its new accounting procedures, at least until it is empowered to fix the emoluments of its staff. Part of this additional technical assistance will be financed from a Won 80 million appropriation included in the cost of Part F of the Project (see Appraisal Report, Annex 1, Table 1). Additional funds for accounting technical assistance and staff training will have to be included in the planned Third Port Project.

Under KMPA's present organization the audit of its accounts is the responsibility of the Government's Board of Audit and Inspection the activity of which is regulated by Loan 1495 of December 13, 1963 and relevant amendments. Because of the anticipated change in KMPA's financial organization formal enforcement of the stipulations of Section 4.02 should be postponed through the audit of KMPA's 1982 accounts to be carried out in 1983. The Bank should agree that the Board of Audit and Inspection will in the meantime, carry out valid audits of KMPA's accounts for all previous years.

Section 4.04. Except as the Bank shall otherwise agree, the Borrower shall cause KMPA to establish and maintain port tariffs which shall yield total revenues at least equal to the aggregate amount of operating, maintenance, loan interest and depreciation costs of (a) the ports of Incheon, Mugho, Yeosu and Pohang, respectively, by January 1, 1979 and (b) each of the other major ports (with the exception of Busan), as defined by agreement between the Borrower and the Bank, by a date acceptable to the Bank.

Section 4.05. The Borrower shall cause KMPA to (a) undertake and complete by April 1, 1978 or such other date as shall be agreed with the Bank a study to: (i) recommend measures aimed at encouraging greater use of container facilities at the Incheon port; and (ii) review the level of container charges at the ports of Incheon and Busan in comparison with the levels of such charges in competing foreign ports; and (b) establish by May 1, 1978 or such other date as shall be agreed with the Bank, a uniform tariff for each 20 ft equivalent container unit handled in the Busan port, on the basis of the study referred to in (b) above.

Section 4.07. (a) take all necessary steps (including but not limited to adjustments in its port tariffs and charges) to enable KMPA to earn, in fiscal year 1979 and thereafter, an annual rate of return on its net fixed assets in operation which shall be agreed upon between the Borrower, the Bank and KMPA; and

To comply with the covenant, KMPA has to (a) finalize the Busan cost-based tariff system; (b) submit the system for Bank approval and (c) ensure the timely availability of reliable data on each port. It is unlikely that full compliance with the covenant will be achieved prior to 1982 when KMPA's new accounting organization will be operational.

KIST carried out the study between August and December 1976. Following its conclusions a competitive uniform tariff was established for handling each 20 ft equivalent container unit in the Busan port.

The fiscal year 1979 target date for determining KMPA's consolidated rate of return target should be postponed to 1982 when the new accounting system will be fully operational and reliable data available for each of KMPA's DMPAs.

(b) take all necessary steps (including but not limited to adjustments in the Busan port tariffs and charges) to enable BDMPA to earn, in fiscal year 1978 and thereafter, an annual rate of return of not less than 7% of its net fixed assets in operation.

Section 5.02. The Borrower shall take all such action as shall be required to cause (a) MOC to (i) consult with MOT and KMPA on the need for port facilities forming part of industrial complexes and (ii) make available feasibility studies and designs of Industrial Ports to MOT and KMPA for comments prior to their submission to EPB; (b) MOT and KMPA to advise EPB on the technical soundness and the economic and financial justification of MOC's Industrial Port development proposals; and (c) EPB to take MOT's and KMPA's views into consideration before approving MOC's port investment budget.

In 1978 Busan Port achieved a 15% rate of return on non-revalued fixed assets in use. Assuming that net fixed assets in use would increase by 30% and the annual provision for depreciation double as a result of a revaluation of fixed assets the above rate of return would drop to about 11%, which is 4% above the target. Based on Busan's traffic and financial performance during the first four months of 1979, it should reach about the same result in 1979.

The Government (represented by EPB) confirmed its commitment to comply with the covenant in a letter dated May 11, 1979 to the Bank's Programs division.

KOREASUPERVISION OF FIRST AND SECOND PORT PROJECTSSchedule of Disbursements for the First Port Project (Loan 917-K0)

(As of June 30, 1979)

(US\$ '000)

Fiscal year & quarter	Actual total	Appraisal estimate	Last revised estimate (Dec. 1978)	New estimate	Actual or latest estimated disbursements as % of appraisal estimates
<u>1974</u>					
III		1,500			
IV					
<u>1975</u>					
I					
II					
III					
IV		17,100			
<u>1976</u>					
I	6,600				
II					
III	14,430				
IV	16,597	37,950			
<u>1977</u>					
I					
II	22,872				
III					
IV	34,229	57,700			
<u>1978</u>					
I					
II	42,810				
III	55,804				
IV		74,050			
<u>1979</u>					
I					
II	69,464				
III	72,323		74,000		
IV	77,152	80,000	76,000		
<u>1980</u>					
I			78,000	78,970	99
II			80,000	79,830	
III				79,940	
IV				80,000	100
Closing date		06/30/79	06/30/80	06/30/80	

August 1979.

KOREA

SUPERVISION OF FIRST AND SECOND PORT PROJECTS

Schedule of Disbursements for the Second Port Project (Loan 1401-KO)
(As of June 30, 1979)

Fiscal year & quarter	Accumulated Disbursements (US\$ million)				Actual or latest estimated disbursements as % of appraisal estimates
	Actual total	Appraisal estimate	Last revised estimate	New estimate	
<u>1977</u>					
III					
IV		0.700			
<u>1978</u>					
I		1,450			
II		2,200			
III		3,200			
IV		5,700			
<u>1979</u>					
I		8,900			
II	0.300/a	12,200			2
III	0.475	15,500			3
IV	0.758	18,800			4
<u>1980</u>					
I		22,200			
II		25,600			
III		30,100			
IV		36,100			
<u>1981</u>					
I		43,600			
II		50,100			
III		56,300			
IV		61,800			
<u>1982</u>					
I		66,600			
II		67,000			
<u>Closing date</u>					
		12/31/82	12/31/82	12/31/82	

/a Project only commenced in July 1978. Insufficient work currently done to justify revision of disbursement schedule.

August 1979.

KOREASUPERVISION OF FIRST AND SECOND PORT PROJECTSProject DescriptionA. First Port Project - Loan 917-KO

4.01 The project covers the Government's 1972-76 expansion program for the ports of Busan and Mugho as proposed by the consultants (Lyon Associates, USA) and amended following the Bank's review. It comprises:

(a) At Busan

- (i) a composite pier with two 330 m long container berths and stacking area; and 370 m long grain berth with storage silos of 80,000 tons capacity both with appropriate equipment;
- (ii) a bulk handling pier (No. 7) with one coal import berth, two ore and mineral export berths and one import berth for scrap and heavy steel - total length 585 m; necessary cranes and bulk handling equipment;
- (iii) dredging to provide a 13.5 m deep access channel, 10 m depth alongside at the bulk pier (for 15,000 dwt ships) and 12.5 m depth alongside at the composite pier (for 60,000 dwt ships);
- (iii) dredging to provide a 13.5 m deep access channel, 10 m depth alongside at the bulk pier (for 15,000 dwt ships) and 12.5 m depth alongside at the composite pier (for 60,000 dwt ships);
- (iv) a new international ferry berth on pier No. 1 South with RO/RO /1 and passenger facilities, and rehabilitation of pier No. 1 North for general cargo;
- (v) coastal ferry berth with passenger facilities;
- (vi) rehabilitation of pier No. 2 for general cargo; and
- (vii) a new military berth - pier No. 8 (Government-financed).

(b) At Mugho

- (i) two new coal piers with improvement to the existing conveyor systems and new mechanical loaders;

/1 RO/RO = roll-on/roll-off ramp.

- (ii) a new belt reclaimer system in the existing open storage area for the delivery of coal and limestone to the pier conveyor system;
- (iii) dredging to 8 m depth alongside the new coal piers (for 8,000 dwt ships);
- (iv) raising the existing East breakwater to an elevation of 5 m and strengthening the side slopes; and
- (v) rehabilitation of the existing cement and general cargo berths.

(c) Consulting Services

- (i) for the detailed design and supervision of the construction of the above works (consultants - Lyon Associates, USA); and
- (ii) for the preparation of a Phase II Development Plan - KPDS II (consultants - King & Gavaris, Trans Asia and A. D. Little, USA).

(d) Technical Assistance

4.02 To assist in the formulation of policies and procedures for setting up the KMPA and later on-the-job training of personnel - Booz Allen and Hamilton International Inc., USA. For formulating policies and procedures and for on-the-job training of personnel - Sycip, Gorres, and Velayo, Philippines, in association with Ahn Kwon, Korea.

B. Second Port Project - Loan 1401-KO

4.03 The project covers the Government's 1976-81 expansion program for the port of Busan, in accordance with the proposals of consultants and amended following the Bank's review. The proposed wharf extension is the maximum length which can be accommodated in the present port of Busan, and it would meet the port's needs for capacity to handle containerized cargo until about 1985. It comprises:

(a) Civil Works

- (i) a 700 m extension of the common-user container berths being financed under Loan 917-KO and a 335,000 sq m expansion of the stacking area provided under that project;
- (ii) dredging to provide an alongside depth of 12.5 m;

- (iii) an access road, inside the port limits; a guard house; and an 8,000 sq m container freight station;
- (iv) ancillary works and utilities; and
- (v) rehabilitation of piers 3 and 4, the central wharf, and a lighter wharf.

(b) Mechanical Equipment

Procurement of container cranes and mobile container handling equipment.

(c) Floating Craft

Procurement of two tugboats.

(d) Engineering Consultant Services

For the detailed design and supervision of the construction and procurement of the above (Consultants - Lyon Associates International, USA in association with Korea Engineering Consultants Corporation, Korea).

(e) Technical Assistance and Training

To assist in four areas of port operations: cargo handling (including the handling of containers); maintenance; port planning; and accounting.

KOREASUPERVISION OF FIRST AND SECOND PORT PROJECTS(LOANS 917-KO AND 1401-KO)Places Visited and Officials Met on the Mission (June 1979)

The mission visited Seoul, Mugho and Busan and met the following officials:

Korea Maritime and Port Administration (KMPA)

Moon, Myung Rhin	Deputy Administrator, KMPA
Choi, Kyu Young	Director General, Finance, KMPA
Cheung, Yuen Sei	Director General, Engineering, KMPA
Youn, Sun-Bae	Director, International Economic Cooperation Div., KMPA
Lee, Sang Choo	Director, Port Construction Div. I, KMPA
Kim, Sei Chan	Director, Port Operations Div., KMPA
Mok, Young Ho	Director General, Mugho District Maritime & Port Authority, Mugho
Kim, Sang Jin	Administrator, Busan District Maritime and Port Authority (BDMPA)
Kim, Chul Hui	Director General, Busan Port Construction Office (BPCO), Busan
Choi, Sam Deuk	Director, Administration, BPCO, Busan
Hwan, Ho Young	Director, Construction Division, BPCO, Busan

Economic Planning Board (EPB)

Kim, Hung Ki	Director General, Bureau of Foreign Capital Management
Park, Seung Kun	Director, Bureau of Foreign Capital Management
Yun, Soo Gil	Division Chief, Bureau of Foreign Capital Management

Consultants - Lyon Associates, Inc. (LAI)

J. Otis-Fowler	Executive Vice President
Kim, Yong-Jin	Special Assistant
W.J. Coffron	Project Director - Ports II

Consultant - Korea Engineering Consultants Corporation (KECC)

Chay, Yong Hwan	Executive vice President
Han, Chan Woo	Vice President

Consultant - S.G.V./Ahn Kwon and Co. (SGV/AK)

Alto Rene B.	Project Director, SGV
Basco Ed. F.	Assistant Project Director, SGV
Cho Yong Hae	Director General, AK
Chung Hae Ghun	Division Chief, AK

KOREASUPERVISION OF FIRST AND SECOND PORT PROJECTS (June 1979)Execution of the ProjectA. First Port Project - Loan 917-KOPhysical Execution and Progress

6.01 Details of the project items are given in Annex 4. The status of the civil works projects is as follows:

Subproject No. Title	Contract award date	Contractor	Construction status %	Completion date
1. Dredging	11/08/74	Korea Dredging Corporation	100% completed	11/30/78
2. Composite Pier - Rough Grading	11/08/74	Hyundai	"	11/30/77
3. Pier No. 7 - Rough Grading	11/08/74	Dong Ah	"	04/25/77
4. Int'l Ferry Pier	11/27/75	Hyundai	"	05/30/78
5. Coastal Ferry Pier	08/31/76	Hyundai	"	02/24/78
6. Pier No. 7 - To complete	04/08/77	Dong Ah	"	08/29/78
7. Composite Pier - To complete	04/08/77	Hyundai	"	09/25/78/a
8. Pier No. 2	04/07/77	Nam Kwang/Bum Hwa Joint Venture	96.5/b	-
9. Mugho port	01/28/76	Kuk Dong	100% completed	08/11/78
10. Grain Silos civil works	03/13/76	Hyundai/IHI Joint Venture	"	12/30/78/c

/a Complete except for testing of air conditioning system scheduled to be done in July/August 1979.

/b As of May 30, 1979. Completion now estimated end August 1979.

/c Investigations into the adequacy of the dust prevention and ventilation aspects of the grain silos was completed May 31, 1979.

6.02 The civil works contract for the rehabilitation of Pier No. 2 (Project No. 8), being done by contractor Nam Kwang/Bum Hwa Joint Venture, is still uncompleted. Because of the extensive deterioration of the underbracing and concrete piles broken well below water level necessitating demolition of decking and underwater repair works, Government granted the contractor an extension of time to June 20, 1979. However, the Busan Port Construction Office (BPCO) had terminated supervision by the engineering consultants Lyon Associates (LAI), as of May 31, 1979. The mission explained to KMPA that the Bank required consultant's supervisory services to continue to satisfactory completion of the works, albeit on a reduced scale. This was necessary if KMPA desired that civil works' expenditures still remaining, be paid from Loan 917-KO funds. A letter has already been sent to KMPA on this matter (see Annex 1, Attachment A). The mission estimated that the work is not likely to be completed before August 1979.

6.03 The status of the mechanical equipment projects is as follows:

Subproject	Contract award date	Contractor	Status	Completion date
Mugho coal	10/15/75	Mitsubishi	Completed	12/31/77
Busan coal	06/01/76	Toyo Menka	"	10/31/78
Container and rail transfer cranes	11/26/76	Mitsui	"	09/13/78
Scrap handling cranes and straddle carriers	11/26/76	Mitsubishi	"	08/31/78
Grain facility	03/13/76	Hyundai/IHI	"	05/31/79
Mobile container and minerals handling equipment:				
(a) Yard tractors	08/29/77	Daejin-LESA	Delivered	09/29/78
(b) Tow tractors	"	Korea-Dayton	"	"
(c) Forklifts	"	Getz Bros.	"	"
(d) Mobile cranes	"	Sankei	"	"
(e) Front-end loaders	"	Nissho-Iwai	"	"
(f) Chassis	"	Eastern Bamboo-Tokyo Sangyo	"	"
(g) Hopper containers	"	"	"	"
(h) Trailers	"	"	"	"

The container berth and yard of the composite pier (now designated as Pier No. 5), the bulk cargo handling pier (No. 7), the coastal Ferry piers, the International Ferry (on the South side of Pier No. 1), the North side of Pier No. 1, and the southern side of Pier No. 2, all at Busan; and the installation in Mugho; are in operation.

6.04 All civil works construction contracts (with the exception of Project No. 8 - Pier No. 2), and mechanical equipment procurement contracts, including erection of equipment have been satisfactorily carried out. With regard to the coal-dust problem from the coal unloading cranes and stock-pilers at Busan, water sprinkler systems have been installed to temporarily alleviate the problem. Sam Duk Sa, the Terminal Operating Company (TOC) entrusted with Pier No. 7 facilities, intends to install permanent measures next year. In Mugho, the coal-dust problem has been alleviated by the installation of a water curtain sprinkler system, the control of which is in the hands of Messrs. Hong-I-K, the TOC entrusted with operating the Mugho facilities. The dust suppression and ventilation system was installed on the grain elevators of the grain handling in Busan, and completed on May 31, 1979. The terminal operator is Woo Sung Industrial Company, who was given a two-year lease to operate and maintain the grain facilities.

Project Costs

6.05 Total actual project expenditure, as of May 31, 1979, amounted to Won 69,177 million (US\$143 million). Estimated total cost of the works and source of foreign exchange is:

Project category of expenditure	Local	Foreign US\$	Total equivalent	IBRD '000	SFD
Civil works	39,005	60,890	99,895	39,637	21,253
Mechanical equipment	-	32,729	32,729	32,729	-
Design and supervision	1,755	5,119	6,874	5,119	-
Technical assistance	1,330	2,515	3,845	2,515	-
<u>Total</u>	<u>42,090</u>	<u>101,253</u>	<u>143,343</u>	<u>80,000</u>	<u>21,253</u>

US\$1.00 = 483 Won or 3.26 Saudi Rials.

Details of the revised cost estimates are given in Table 1. Costs for all the civil work items (with the exception of Project No. 8 - Pier No. 2 still ongoing) and costs for mechanical equipment, represent actual costs to completion. As can be seen, the IBRD loan will be fully expended; the foreign exchange requirement, although higher than the original appraisal estimate (\$80 million), is less than the revised estimate (\$115 million) which was made immediately after the original increase in world petroleum prices and upon which SFD agreed to loan \$35 million (SR 122.5 million) for the project civil works. Accordingly there will remain a balance of about SR 45.0 million (\$13.8 million) in the SFD loan.

6.06 SFD has agreed with the Government that the surplus funds could be spent on additional works: (a) the continuation of the access road for the container berth to the west, on land reclaimed under the second port project (the PAC 10 road); and (b) the Dong Sam Dong Sea Wall in the outer harbor (to enable land to be reclaimed). The sea wall is presently under construction.

Loan 917-KO Disbursements

6.07 Disbursement of the loan is as follows:

Loan category	Disbursed	Allocation	
	June 30, 1979	Present	Final
	----- (US\$ equivalent '000) -----		
I Civil works	37,760	39,037	39,637
II Mechanical equipment	32,284	33,347	32,729
III Consultants	5,110	5,107	5,119
IV Technical assistance	1,998	2,515	2,515
<u>Total</u>	<u>77,152</u>	<u>80,000</u>	<u>80,000</u>

The disbursement percentages for categories II, III and IV are 100% and that for civil works is 39% except for project No. 10 which is 61%; the final disbursement of retention money will clear the loan account. Retention money on the civil works amounts to some \$650,000. A revised disbursement schedule is given in Annex 3, and the Loan Closing Date was extended to June 30, 1980. Because of the more accurate estimate of project costs now available due to the completion of most of the civil works and the completion of mechanical equipment procurement, a final reallocation of the schedule of the list of goods in the loan categories will be necessary, and this will be taken up in due course with KMPA and the Government.

B. Second Port Project - Loan 1401-KO

Physical Execution and Progress

6.08 Details of the project items are given in Annex 4. The project is to be undertaken as four civil engineering contracts: (a) Dredging and rough grading of the reclaimed fill for the Container Yard extension together with a new berth; (b) Pier No. 4 and Lighter Wharf No. 5 rehabilitation; (c) Pier No. 3 and Central Wharf rehabilitation; and (d) Completion of Container Yard and new berth; and three equipment procurement contracts: Tugboats; Container Cranes and Transtainers; and Mobile Container Equipment.

6.09 Prequalification of contractors for the first of the civil works project, namely, Project No. 1 - Pier No. 6 (Dredging and Rough Grading) was completed in early April 1979. One Japanese and two Korean contractors were prequalified. When bids were called, one Japanese and one Korean contractor submitted bids by bid closing date, June 5, 1978. Details are given below:

Bidder	Total bid amount in Won million	Bid foreign exchange component
1. Hyundai Construction Co.Ltd. (Korean)	26,637.694	US\$ 3,200,000
2. Rinkai Construction Co.Ltd. (Japanese)	34,650.000	¥ 8,497,337

While in the field, the mission examined the bids with KMPA and their Consultants, and recommended to headquarters by cable that approval be given to the lowest evaluated bid, when the formal request from KMPA was received. The Bank approved the award of the contract to Hyundai.

6.10 As of June 1979, other work accomplished consisted of preparing and completing the various design drawings and documentation required for bids for the remaining civil works and equipment procurement. The tugboat procurement documents are being reviewed by the Office of Supply (OSROK). Mobilization and field works by the Consultants continue, but no physical work has commenced at site.

Project Costs

6.11 The Government's current estimated project costs (see details in Table 2) is Won 80,985 million (US\$167 million equivalent /1) of which US\$ 95.0 million is the estimated foreign exchange cost. Estimated cost at appraisal was Won 54,283 million (US\$112.0 million equivalent), of which US\$70.0 million was foreign exchange; the agreed financing plan was for the Bank to provide a Loan of US\$67.0 million, while the KMPA would provide US\$ 3.0 million. On current estimates, the excess amounts to Won 26,702, including US\$28.0 million in foreign exchange, which now will have to be solely financed by the Korean Government. The Bank has requested KMPA that it be advised on the status of this financing (see Annex 1, Attachment A).

/1 US\$1.00 = Won 485.

6.12 KMPA will implement the Second Port Project in accordance with the originally envisaged schedule. KMPA has applied to the government for the increase in its budget. This will be discussed and decided by EPB and the National Assembly during the forthcoming session due in October 1979. However, should Government not provide the increased project financing required over the present targetted period, the rehabilitation works on Piers 3 and 4, lighter wharf No. 5 and Central wharf will have to be deferred by one year. The Bank would be advised accordingly.

KOREASUPERVISION OF FIRST AND SECOND PORT PROJECTSTraffic and OperationsTraffic

7.01 Details of the traffic handled in the port of Busan in 1978 by commodities are given in Table 3 and summarized below in revenue tons (million) compared to 1977.

	1977	1978
Ocean in	10.04	12.90
Ocean out	10.42	9.45
Coastal in	5.12	4.80
Coastal out	0.08	0.05
<u>Total</u>	<u>25.66</u>	<u>27.20</u>

Of the total 1978 traffic, petroleum products amounted to 3.04 million tons of which 2.41 million tons was coastal. Containerized general cargo in 1978 was 2.59 million tons imported and 5.30 million tons exported, for a total of some 347,000 containers; these were handled by about 20 shipping lines; non-containerized ocean cargo amounted to 4.15 million tons. Total traffic in the first third of 1979 was 9.6 million tons of which about 2.95 million tons was containerized, for a total of some 129,000 containers. Handling by lighters continues, and although lighterage figures for 1978 are not readily available, the need for lighterage continues due to the rehabilitation of the general cargo berths to be done during the Second Port Project.

7.02 Traffic at Incheon for 1978 is given in Table 4. This is summarized below (in millions of revenue tons):

	1977	1978
Ocean in	11.62	14.23
Ocean out	2.05	2.06
Coastal in } Coastal out }	3.21	3.97
<u>Total</u>	<u>16.88</u>	<u>20.26</u>

Of the total 1978 traffic, petroleum products accounted for 6.86 million tons of which 3.76 million tons was coastal traffic. Containerized general cargo in 1978 was 443,000 tons including 340,000 tons imports for a total of some 26,000 containers (TEUs), total general cargo, oceangoing, was only 4.30 million tons. Total traffic in the first four months of 1979 was 7.73 million tons.

7.03 Traffic at Mugho for 1978 is given in Table 5. This is summarized below (in millions of revenue tons):

	1977	1978
Ocean in	0.14	0.30
Ocean out	1.01	0.97
Coastal in }		
Coastal out }	4.30	3.81
<u>Total</u>	<u>5.45</u>	<u>5.08</u>

Of the total 1978 traffic, cement accounted for 2.80 million tons, followed by coal at 1.51 million tons. Total traffic in 1978 declined over 1977, by 0.37 million tons or 7% from 5.45 million tons to 5.08 million tons - reflected mostly in the fall of cement exports (by 0.44 million tons or 13%, from 3.24 million tons in 1977 to 2.80 million tons in 1978); and coal exports (by 0.08 million tons or 5%, from 1.58 million tons in 1977 to 1.50 million tons in 1978). Cement traffic for 1978 is beginning to lag behind appraisal forecasts by 22%, and coal by 33%.

Operations

7.04 TOCs in Busan, appointed by KMPA for the container terminal, the grain terminal, the bulk coal and scrap handling terminal are in operation. The TOC for the Mugho Coal Handling Terminal is also in operation. The TOC for the No. 2 General Cargo Pier in Busan, although appointed by KMPA, has not yet begun fully operating due to construction work still continuing under the First Port Project (Project No. 8, Pier No. 2).

7.05 Rentals for the use of the facilities provided by KMPA are being charged as follows:

Container TOC W 1.5 billion
 Coal and scrap TOCs .. W 304 million and W 282 million, respectively
 Grain TOC W 76 million

These annual charges, based upon a study by KIST, are intended to cover depreciation, interest charges and debt repayment. The amounts will reduce annually over ten years but are also subject to annual review for escalation. The TOCs in each case handle all traffic on behalf of KMPA, recover their costs from the consignees and report tonnages handled to KMPA. The TOCs are also responsible for driving and maintaining equipment supplied by KMPA. KMPA oversees maintenance of the equipment and undertakes regular inspection. It also carries out an independent check on traffic and further checks against the figures reported by customs department.

7.06 In Busan, before the advent of port container terminal and handling facilities, shipping lines had their own inland storage depots for the handling of containers and boxes were offloaded and sent to the respective depots. With the opening of the new container berth last year, and the controlled storage and handling areas now available within the port area for processing, stuffing/unstuffing, and movement of containers, this situation is currently being corrected by joint KMPA/Customs Department action to reduce and close down some of these depots. Customs currently only permits delivery of export containers to the depots. However, some inland depots will still be needed as the number of containers now being handled exceeds the capacity of the first stage development (planned on the basis of forecasts of 204,000 TEUs in 1981 and 400,000 TEUs in 1986). Actually about 312,000 TEUs passed through Busan Port in 1977, and 347,000 in 1978.

7.07 Consultants Sycip, Gorres, and Velayo Co. (Philippines) in association with Ahn Kwon Co. (Korea) (SGV/AHK), have a contract with KMPA to provide technical assistance and training in the field of container operations. They had earlier reported that the container TOC proposed a manual system for operations which they considered adequate, but they anticipated there would be problems in the TOC's ship planning and yard planning departments especially for export. They proposed to devote time to developing the manual system, and documentation plus training in the planning area and agreed that a computerized system would be valueless until all central staff could fully understand and operate the manual system.

7.08 The consultants' program includes the preparation of a computer program; the various stages of the process are shown in Table 6. In February 1979 KMPA requested, and the Bank agreed to provide from Loan 1401-KO, the procurement of a computer system for the Busan Container Terminal. The pre-qualification of seven hardware vendors and tender documents for procurement bidding were also approved by the Bank. The Mission found out that KMPA had changed its mind and had decided not to use Loan funds for the procurement of computer hardware and site preparation for the housing and installation of the computer. With the recommendations of SGV/AHK, KMPA had accepted the selection of the Data General Eclipse M/600 computer for the Busan Container Terminal System. KMPA stated that the computer would be secured by the Busan Container TOC. The TOC signed a contract with the firm of Han Mi Systems (representing Data General) with an agreed schedule to complete delivery and

installation of the computer equipment by October 1979. Site work is in progress; KMPA indicated that it would officially write to the Bank its change in decision.

KOREASUPERVISION OF FIRST AND SECOND PORT PROJECTSLOANS 917-KO AND 1401-KOKMPA's Budgeting and Accounting Procedures and Financial ResultsA. Past and Present Procedures

8.01 When Bank missions started preparing the First Port Project, they found that budgeting and accounting procedures for the ports were inadequate. These procedures were essentially administrative, operating under a rigid budget prepared by the Ministry of Transport (MOT) and the Ministry of Construction (MOC). Port charges were imposed by MOT and were not cost based. Each port was responsible for keeping its accounts under the Government budgeting system on a cash basis, which ignored commercial accounting principles. The Bank recommended, therefore, that the fragmented control of ports be replaced by a Korean Port Authority (KPA). KPA was to be given independence and autonomy in its day-to-day operations, and be responsible for formulating budgets and cost based tariffs subject to Government approval, using accounting procedures recommended by a study to be carried out as part C(ii) of the First Project (Loan Agreement 917-KO, Schedule 2). Under the "Plan of Action for the Establishment of KPA," provided for under Schedule 5 of this Loan Agreement, the Economic Planning Board (EPB) was expected to review and approve proposals of financial consultants for financial policies and procedures which the KPA was to implement in June 1975. The Consultants, Booz, Allen and Hamilton (International), were hired in 1974 and prepared a set of manuals for accounting procedures which were basically satisfactory but needed to be completed by a set of practical instructions and a training program to fit KMPA's needs (see para. 2). After long selection procedures, consultants Sycip-Gorres-Velayo and Company in association with AHN-KWON and Company (SGV-AHK) were appointed for that purpose and started work in August 1978.

8.02 In the meantime the Government established KMPA in March 1976 and the Government and the Bank agreed on the content of the Second Port Project and signed the relevant Loan Agreement 1401-KO. Section 3.02 of this Agreement requires that KMPA be invested with autonomous powers which include, inter alia, the adoption of commercial budgetary and accounting procedures. Under the provision of Section 3.02 (b) of the Loan Agreement, the Government was committed to submit to the Bank no later than April 2, 1978 a plan to meet the provisions of Section 3.02 (a).

8.03 Since it was established, KMPA continues to operate on the Government budgeting system and keeps its accounts accordingly on a cash

basis. It will do so until Government and Parliament have approved the new budgeting and accounting procedures to be recommended by SGV-AHK after Bank review. During the November 1978 supervision it was agreed that the date of formal implementation of KMPA's commercial budgeting and accounting system would be set for January 1, 1981. This implied that legal changes required for introducing the new system and KMPA's 1981 budget presented under the commercial form would be submitted to Parliament in May 1980 at the latest.

B. Future Procedures

8.04 After detailed discussions between the June 1977 mission and KMPA it appeared that the January 1, 1981 target could not be met and that the date of formal implementation of the new budgeting and accounting system should be extended to January 1, 1982, with a test run of the system taking place during 1981. To meet this new target, the following deadlines will have to be met:

- (a) March 15, 1980 - Consultants SGV/AHK submit their draft final report for comment by KMPA and Bank.
- (b) April 30, 1980 - SGV/AHK receive the combined KMPA/Bank comments on the draft final report.
- (c) June 30, 1980 - SGV/AHK submit their final report for approval by KMPA and the Bank.
- (d) August 30, 1980 - KMPA submits the new budgeting and accounting plan, along with a draft of the law required to enforce it, for the approval of the Ministries of Transport and Finance and EPB.
- (e) November 1, 1980 - The new law, budgeting and accounting plans are submitted for Parliament approval.
- (f) January 1, 1981 - KMPA starts implementing the new accounting procedures on a test basis in parallel with the old system, under which KMPA is bound to present its 1981 official accounts given that its Budget will have been approved under the old form in early 1980.
- (g) March 1, 1981 - KMPA submits its 1982 Budget presented under the new form for Parliament approval.
- (h) January 1, 1982 - KMPA drops the old accounting system and keeps its accounts under the new procedures only.

8.05 To meet these deadlines and ensure smooth implementation of the new budgeting and accounting system and its full reliability by January 1, 1982, KMPA will have to take important measures, between now and the end of 1981, aimed at organizing headquarter's and the KMPA's accounting bureaus,

coordinating the flow of information between them and adjusting implementation of the new procedures during the test year. This will require the assistance of qualified administrators, experienced accountants, and the extension of the training program for KMPA's accounting staff started under the ongoing SGV study. In addition, KMPA's financial department will most probably need external assistance to prepare the required changes in legal documents. We therefore recommend that the SGV/AHK study be followed up by further technical assistance in the abovementioned fields. Part of this technical assistance could be financed from the W 80 million provided under the Second Project for the training of accountants (see Second Project's appraisal report, Annex 1). Details of this additional technical assistance program will be worked out during the next supervision mission planned for in January 1980.

C. Project Port's Financial Results and Situation

8.06 The Mugho District Maritime and Port Authority's (MDMPA's) and the Busan District Maritime and Port Authority's (BDMPA's) income accounts, sources and applications of funds, balance sheets and selected financial ratios are shown in the attached Tables 7-14. Mugho related tables (7-10) show appraisal forecasts (First Project) from 1973 through 1981, actuals for 1973 through 1977, a close estimate of the Port's 1978 financial performance and revised budget figures for 1979. Busan's financial statements (Tables 11-14) give Second Project's appraisal forecasts from 1975 through 1982, actual results for 1974-1977, a close estimate of the 1978 results, a revised budget for 1979 and revised forecasts for 1980. The financial results of both ports are generally in line with their traffic performance, i.e., Mugho is slightly below appraisal forecasts, and Busan is doing better than anticipated.

Mugho

8.07 The following table summarizes MDMPA's income account (Table 7), sources and applications of funds (Table 8), and balance sheet (Table 9) for 1977 through 1980. Traffic figures are shown at the top of the income account summary.

	1977		1978		1979		1980	
	Appraisal	Actual	Appraisal	Estimate	Appraisal	Revised budget	Appraisal	Forecasts
<u>Income Account</u>								
Traffic (million revenue tons)	6.1	5.5	6.5	5.1	7.0	6.3	7.4	n.a.
----- (Won million) -----								
Operating revenue	877	445	941	793	982	975	1,023	1,218
Working expenses	242	183	255	203	266	251	266	352
Depreciation	175	100	175	100	188	175	199	176
Net operating revenue	459	162	510	490	529	549	557	690
Interest charges	184	145	196	239	200	230	198	224
Net profit (loss)	275	17	314	211	329	359	359	466
<u>Source and Application of Funds</u>								
Own cash generation	665	262	685	590	716	724	757	866
Subsidies	-	771	-	314	-	(323)	-	(581)
Loan mobilization	110	2,372	210	607	10	-	-	-
<u>Total Sources</u>	<u>775</u>	<u>3,405</u>	<u>895</u>	<u>1,511</u>	<u>726</u>	<u>401</u>	<u>757</u>	<u>285</u>
Capital investments	170	2,988	610	1,558	410	14	400	14
Debt service	184	145	196	221	221	346	243	267
<u>Total Applications</u>	<u>354</u>	<u>3,133</u>	<u>806</u>	<u>1,779</u>	<u>631</u>	<u>360</u>	<u>643</u>	<u>281</u>
Annual variation in working capital	421	272	89	(268)	95	41	114	4
<u>Balance Sheet</u>								
Net working capital	291	285	381	17	475	57	590	61
Net fixed assets	6,634	10,146	7,068	11,586	7,292	11,426	7,491	11,264
<u>Total Assets</u>	<u>6,925</u>	<u>10,431</u>	<u>7,449</u>	<u>11,603</u>	<u>7,767</u>	<u>11,483</u>	<u>8,081</u>	<u>11,325</u>
Loan capital	2,545	2,618	2,755	3,225	2,744	3,109	2,699	3,066
Equipment equivalent	4,380	7,813	4,694	8,378	5,023	8,374	5,382	8,259
<u>Total Liabilities</u>	<u>6,925</u>	<u>10,431</u>	<u>7,449</u>	<u>11,603</u>	<u>7,767</u>	<u>11,483</u>	<u>8,081</u>	<u>11,325</u>

Operating Revenue

8.08 The table shows that MDMPA's operating revenue was about 50% below appraisal anticipations in 1977. This was the result of traffic performance being 10% lower than forecast and a four-month delay in implementing a tariff increase which included a doubling of wharfage dues. Although MDMPA's 1978 traffic was 20% below appraisal forecasts, its operating revenue for that year was only about 16% below the forecast because another tariff increase averaging 25% on in and outbound ocean traffic was implemented by July 1 of that year. MDMPA's 1979 traffic is expected to be 10% below appraisal forecasts for that year, but operating revenues are expected to reach those forecasts due to a new average 15% rate increase in effect since July 1. KMPA forecasts that MDMPA's operating revenue will be about 20% above appraisal expectations in 1980.

Working Expenses

8.09 A stringent control over staff costs enabled MDMPA to keep working costs below forecasts by about 25% in 1977 and 20% in 1978. Despite continuing efforts to lower working costs, they are expected to reach appraisal estimates in 1979 and to exceed these costs by about 30% in 1980 due to the strong inflationary trend of the Korean economy. Because of this pressure the percentage of staff cost to total working costs increased from 70.8% in 1977 to 83.8% in 1979 at Mugho although traffic and the number of staff remained practically steady during these three years.

Depreciation and Net Operating Revenue

8.10 As the facilities provided under the Project were completed about two years behind appraisal forecasts, depreciation provisions shown in MDMPA's accounts were about 50% below appraisal forecasts in 1977 and 1978. However, the 1979 depreciation provision should be higher than shown in the above table for both the appraisal estimate and the revised budget forecast. This increase is necessary to take into account the revaluation of MDMPA's fixed assets which was not planned in appraisal forecasts (which were prepared in late 1972) and is not included in MDMPA's revised budget forecasts. Following the Government's regulations which provide for a revaluation of fixed assets of public enterprises every five years, KMPA is presently carrying out a revaluation of MDMPA's fixed assets as of January 1, 1979. This revaluation will be reflected in MDMPA's 1979 accounts. MDMPA's 1979 and the following years' depreciation provision will consequently be increased and the rates of return on net fixed assets in use shown in Table 10 for 1979, 1980 and 1981 will be reduced accordingly. This will allow the next supervision mission, planned for January 1980, to reassess MDMPA's 1979 and 1980 financial performance and to discuss possible measures to improve the 1980 and 1981 results with the Government and KMPA.

Working Capital

8.11 It is likely that the abovementioned deterioration of the 1979 rate of return on net fixed assets in use, will not adversely affect MDMPA's working capital by the end of that year, because investment expenses will not be increased from the budgeted amount. However, to allow MDMPA to renew its fixed assets as required, its 1980 capital investment spending will have to be substantially increased from the W 14 million amount shown in the above table. Under present assumptions, MDMPA's net working capital by the end of 1980 will amount to a minimal W 61 million. The increase in capital investments operating will consequently have to be financed from an increase in MDMPA's cash generation to be discussed with the Government and KMPA during the next supervision mission.

Balance Sheet

8.12 MDMPA's traffic results were reflected in its short-term financial situation as of December 31, 1978 which showed a 1.2 current ratio and a 1.1 liquid ratio instead of the respective 6.1 and 5.8 appraisal forecasts. This unsatisfactory situation is expected to improve only slightly in 1979 with a 1.5 current and a 1.4 liquid ratio against respective forecasts of 7.3 and 7.0 respectively. It will remain unchanged in 1980 if MDMPA's traffic performance continues to lag behind expectations. The net value of fixed assets as of December 31, for each year under review, reflect the higher than anticipated project costs. The amounts of this item for 1979 and following years will be increased to reflect the ongoing revaluation of fixed assets. While appraisal forecasts did not foresee any Government assistance to MDMPA, its actual balance sheet as of December 31, 1978 showed that the Government provided it with cumulative subsidies of about Won 1.5 billion. As these subsidies were added to the equity-equivalent component of MDMPA's balance sheet they contributed to the improvement of its debt to equity ratio which attained 28/72 instead of the less favorable 37/63 appraisal estimate. The 1979 and 1980 debt to equity ratios are expected to be better than the 27/73 shown in Table 10, as the equity will be increased by the revaluation reserve and no additional borrowing is assumed.

MDMPA's Overall Financial Situation

8.13 MDMPA's financial situation as of December 31, 1978 can be summarized as follows:

- (a) the working capital reached a borderline level;
- (b) fixed assets needed to be revalued; and
- (c) the long-term debt situation did not require any special attention.

Except for the impact of the revaluation of fixed assets, this situation is not expected to vary substantially in 1979. To increase the working capital and generate funds required for financing its renewals during the next two years, MDMPA will have to generate more funds than anticipated under MDMPA's present forecasts.

Busan

8.14 The following tables summarize the Busan District Maritime and Port Authority's (BDMPA's) income account (Table 11), sources and applications of funds (Table 12) and balance sheets (Table 13) for 1977 through 1980. Table 14 gives selected financial rates. Traffic figures are shown at the top of the income account summary.

	1977		1978		1979		1980	
	Appraisal	Actual	Appraisal	Estimate	Appraisal	Revised budget	Appraisal	Forecast
<u>Income Account</u>								
Traffic (million revenues tons)	20.02	25.67	20.67	27.21	21.78	30.59	22.97	n.a.
----- (Won million) -----								
Operating revenue	4,708	5,518	8,729	7,432	13,270	12,085	14,188	19,019
Working expenses	485	574	1,062	626	1,401	858	1,930	1,186
Depreciation	448	433	2,957	444	4,492	1,746	4,849	2,956
Net operating revenue	3,775	4,511	4,710	6,362	7,377	9,481	7,409	14,877
Interest charges	2,056	1,333	3,158	2,385	3,775	3,831	4,363	4,876
Net profit (loss)	1,719	3,178	1,552	3,977	3,602	5,650	3,046	10,001
<u>Source and Application of Funds</u>								
Own cash generation	4,223	4,944	7,667	6,806	11,869	11,227	12,258	17,833
Subsidies	5,247	7,873	4,676	7,508	-	(2,693)	-	(2,412)
Loan mobilization	22,852	13,353	14,129	13,584	7,151	21,305	9,711	13,177
<u>Total Sources</u>	<u>32,322</u>	<u>26,170</u>	<u>26,472</u>	<u>27,898</u>	<u>19,020</u>	<u>29,839</u>	<u>21,969</u>	<u>28,598</u>
Capital investments	31,831	24,594	20,034	25,091	12,199	25,861	17,116	17,973
Debt service	2,056	1,330	3,548	2,384	4,596	3,831	6,383	6,977
<u>Total Applications</u>	<u>33,887</u>	<u>25,924</u>	<u>23,582</u>	<u>27,475</u>	<u>16,795</u>	<u>29,692</u>	<u>23,499</u>	<u>24,950</u>
Annual variation in working capital	(1,565)	246	2,890	423	2,225	147	(1,530)	3,648
<u>Balance Sheet</u>								
Net working capital	(3,332)	101	(442)	524	783	681	(747)	4,329
Net fixed assets	80,774	71,376	103,851	96,022	112,558	120,127	124,825	135,133
<u>Total Assets</u>	<u>77,442</u>	<u>71,477</u>	<u>103,409</u>	<u>96,546</u>	<u>113,341</u>	<u>120,808</u>	<u>124,078</u>	<u>139,462</u>
Loan capital	36,963	23,410	50,702	36,994	57,032	58,299	64,723	69,364
Equipment equivalent	40,479	48,067	52,707	59,552	56,309	62,509	59,355	70,098
<u>Total Liabilities</u>	<u>77,442</u>	<u>71,477</u>	<u>103,409</u>	<u>96,546</u>	<u>113,341</u>	<u>120,808</u>	<u>124,078</u>	<u>139,462</u>

Operating Revenue

8.15 BDMPA's 1977 operating revenue was higher than forecast at appraisal, in line with its traffic performance. Although the 1978 traffic was 30% above forecasts and the 1979 traffic is expected to follow the same trend, operating revenues are below expectation, despite implementation of a 25% tariff increase as of July 1, 1978, and of another one averaging 15% by July 1, 1979. This is because BMDPA's 1978 accounts do not show any port charges paid by the different TOCs while the appraisal forecasts provided for a W 3.3 billion revenue and charges to be paid by TOCs in 1979 represent less than half the amount forecast. Operating revenues for 1980 are expected to be about 30% higher than anticipated. Section 4.06 of Loan Agreement 1401-KO provides that charges paid by the TOCs should allow BDMPA to (a) recover the port's costs of servicing and maintaining the pier and equipment used by each TOC; (b) make adequate provision for depreciation; and (c) allow BDMPA to achieve the 7% rate of return on its net fixed assets in use, provided for under section 4.01 (b) of this loan Agreement. Present rates charged by BDMPA to the TOCs will have to be revised upon finalization of the ongoing tariff study carried out by KIST and completion of the ongoing revaluation of fixed assets which will lead to a substantial increase in BDMPA's depreciation provisions and consequently in its operating costs.

Operating Expenses

8.16 The table shows that BDMPA's working costs which exceeded appraisal forecasts by about 18% in 1977, were well below these forecasts in 1978 and are expected to follow the same trend in 1979 and 1980. Depreciation provisions charged to BDMPA's accounts for each of the years under review are much lower than calculated at appraisal, despite the cost overrun under the First Project. Given the shortness of the mission, the reason behind this difference could not be found and the next mission will look into the matter. Meanwhile consultants SGV/AHK are preparing a new schedule of depreciation for KMPA as a whole and KMPA is carrying out a revaluation of its fixed assets as of January 1, 1979. These concurrent actions will revise BDMPA's provisions for depreciation of fixed assets.

Rate of Return on Net Fixed Assets in Use

8.17 Under appraisal operating revenue, working expenses and depreciation forecasts, BDMPA was expected to achieve rates of return on its fixed assets in use, of 7.8% in 1978, 7.6% in 1979 and 7.7% in 1980. Based on BDMPA's accounts, the rate of return was 15% in 1978 and is expected to reach 10% in 1979 and 14.8% in 1980. Assuming that net fixed assets would be increased by 30% and annual depreciation provisions would double as a result of the above mentioned revaluation of BDMPA's fixed assets, the latter rates of return would drop to 11% in 1978, 7% in 1979 and 9% in 1980, which is above the target for 1978 and 1980 and meets it in 1979.

Balance Sheet

8.18 BDMPA's short- and long-term financial situation is therefore satisfactory and is expected to remain better than anticipated at appraisal. The current ratio is expected to improve from 1.1 by the end of 1977 to 2.4 by the end of 1980, against the 1.2 appraisal forecasts. Debt to equity ratios were 33/17 and 38/62 in 1977 and 1978 respectively and are expected to be 48/52 by the end of 1979 and 50/50 by the end of 1980. Appraisal forecast were less favorable for each of the four years under review.

BDMPA's Overall Financial Situation

8.19 BDMPA's good traffic performance and successful control over working costs, has resulted in a strong financial situation which is expected to remain so. This will prevent BDMPA from having recourse to Government subsidies to finance a reasonable share of its future investments.

KOREASUPERVISION OF FIRST AND SECOND PORT PROJECTSOrganization, Management and Performance of the Borrower

9.01 There has been very little change in KMPA's management and staffing of the various departments since the last reporting period. Under KMPA's Bureau of Finance, an "International Economic Co-Operation Division" headed by a Director, was created for the purpose of examining and making recommendations to management on matters pertaining to aid to KMPA from International Lending Agencies or Foreign Governments (such as the evaluation and selection of Consultants for the Korea Ports III Feasibility Studies - see Annex 11). The performance of all KMPA's main and district organizations is generally satisfactory.

9.02 Construction of the main access road connecting Busan port with the Seoul-Busan expressway is in progress. Widening of the existing city road (paralleling the Port's perimeter fence and handling traffic to and from the port gates) to eight service lanes, is in progress. The city is undertaking this widening and linking to the expressway, and is scheduled to be completed by August 1980.

KOREASUPERVISION OF FIRST AND SECOND PORT PROJECTSPerformance of ConsultantsA. Engineering Services

10.01 For the detailed engineering, design, and supervision of the civil works, and the procurement of equipment under the First Port Project, Lyon Associates, Inc. (LAI) (USA) were the engineering consultants. For the detailed engineering, design, and supervision of the civil works, and the procurement of equipment under the Second Port Project, L.A.I. in association with Korea Engineering Consultants Corporation (KECC) (Korea) are the engineering consultants. Their performance is satisfactory, and their relations with KMPA and BPCO are good.

B. Services for Technical Assistance and Training on Port Operations, Finance and Accounting

10.02 Part C (II) of the First Port Project consists of the "formulation through studies of financial, operation and management procedures and on the job training of staff". Korean Port's financial organization, budgeting and accounting procedures were first studied by consultants Booz Allen and Hamilton International, (USA) who prepared manuals for accounting procedures in 1974 -1975. These manuals were basically satisfactory but needed to be updated for adaptation to KMPA's needs as described in Section 3.02 of Loan Agreement 1401-KO. Furthermore, they needed to be completed by a set of practical instructions and a training program for financial and accounting staff. Consultants Sycip-Gorres-Velayo and Co. (SGV) (Philippines) in association with the Korean accounting firm of AHN-KWON and Co. (AHK) were appointed for that purpose and started work in August 1978. The SGV-AHK contract provides also for technical assistance to assist BDMPA in organizing the operations in the new Busan container terminal and computerizing the control of these operations.

10.03 An outline of SGV-AHK's terms of reference for updating the Booz Allen Hamilton's manuals and assisting KMPA to introduce commercial managerial, budgeting and accounting procedures is given in Attachment 1 of this Annex. SGV/AHK are performing a very good job and their relations with KMPA have been very good. They have already drafted a comprehensive manual on KMPA's commercial accounting system, designed a training program for KMPA's accounting staff and started implementing this program. However, mainly due to the lack of qualified accountants within KMPA's staff, the training program which provides only for short training sessions for trainers is not

sufficient to ensure the smooth and adequate introduction of the new procedures. KMPA will need substantial additional technical assistance to help implement the new procedures and complete the training of its staff.

10.04 A summary of SGV-AHK's terms of reference for organizing and computerizing operations on the Busan Container terminal is already given in Annex 7. Much time was spent in deciding whether a computer should be purchased or rented and thereafter in selecting the firm which would rent it to KMPA. SGV/AHK have recently started to design and program the work to be computerized. Because of the delay in computer selection SGV/AHK will not be able to adequately fulfill its assignment by the contract's completion date of April 30, 1979. The next supervision mission should discuss this matter with KMPA.

KOREA

SUPERVISION OF FIRST AND SECOND PORT PROJECTS

Details of SGV/AHK's Accounting Study

1. Organize system implementation group;
2. Review relevant information materials available;
3. Gain familiarity with the KMPA and regional authorities;
4. Interview key officials;
5. Review pertinent functions, systems and procedures, and documentation requirements of Customs;
6. Assess data gathering and information management capabilities of the KMPA and the regional authorities;
7. Review the KMPA's overall corporate planning functions;
8. Develop insurance coverage schemes for the protection of persons and property of the KMPA;
9. Review the KMPA's asset values and depreciation rates;
10. Review internal audit systems;
11. Study feasibility for merchanzization/computerization of accounting system;
12. Review organization requirements and staffing patterns for the finance function at the KMPA and the regional authorities;
13. Design training program of existing staff involved in the finance function;
14. Review financial and management accounting systems;
15. Review management reporting systems;
16. Review budgetary system;
17. Update existing financial and management systems manuals;
18. Determine organizational build up and training needs of the finance and accounting section;
19. Select finance and accounting staff to be trained;
20. Develop detailed training program;
21. Conduct training programs for finance and accounting staff;
22. Provide on-the-job training assistance to finance and accounting staff;
23. Debug financial and accounting systems and procedures;
24. Review funds management system;
25. Review debt management system; and
26. Prepare draft final report on training and implementation of financial system.

KOREASUPERVISION OF FIRST AND SECOND PORT PROJECTSFuture DevelopmentProposed Third Ports Project

11.01 When the Second Port Project Loan (1401-KO) was negotiated, a Bank proposal to include the financing of a feasibility study for a proposed third ports project was rejected by the Korean delegation. However, during the previous supervision mission (November 1978), both KMPA and EPB requested the Bank to consider financing such a study in early 1979 to be completed in about a year. Government now estimates that the cost of the study will be Won 876 million (US\$1.8 million) of which US\$686,000 would be foreign exchange.

11.02 EPB (by letter dated December 14, 1978) sent draft Terms of Reference for the feasibility study for clearance by the Bank. The Bank approved the financing of the study, and in replying (by letter dated December 27, 1978), requested EPB to send a formal letter asking the Bank to amend the Loan Agreement so that the funding of the proposed third ports feasibility study could be included. This action is pending and should be speedily completed.

11.03 Meanwhile Terms of Reference for the study were cleared in January 1979, short list of consultants agreed to in April 7, 1979, proposals for the feasibility study received from consulting firms in May, and evaluation and recommendations forwarded by KMPA to the Bank in June 1979. The Bank replied in July 1979, and currently KMPA is negotiating with LAI/KIST/KECC/EIU Joint Venture before finalizing the Contract.

11.04 The following timetable was tentatively agreed to by the mission, provided KMPA concludes the award of the contract in August 1979:

September 17, 1979	- Selected Consultants began Feasibility Studies.
November 17, 1979	- Submission of Inception Report.
Nov/Dec 1979	- KMPA requests Bank send a preparation mission to Korea to assist in preparing scope of work and other requirements.
July 15, 1980	- KMPA sends draft final report to Bank (+ 20% contingency)
July 20, 1980	- KMPA completes clearance with Bank on TOR for detailed engineering.
August 20, 1980	- KMPA completes negotiations for detailed engineering contract with approved Consultants.
September 1980	- Completion of Feasibility Study - Draft final report completed (without detailed engineering).
End Sep/Oct 1980	- Bank Pre-appraisal mission.

March 1981	- Detailed Cost Estimates (+ 10 contingency) completed.
April 1981	- Bank Appraisal - Ports III.
October 1981	- Loan Negotiations.
November 1981	- Loan Agreement Signed.
January 1982	- Loan effective - Physical work starts.

11.05 The project should be ready for appraisal about 1981 for presentation in FY 82. Arrangements will have to be made for financing the detailed engineering of the order of US\$3.0 million plus Won 1,250 million, perhaps in the next transport project. Subject to our internal review and/or modifications, we should convey concurrence (or otherwise) of the above timing to KMPA as quickly as possible.

Table 1

KOREA

SUPERVISION OF FIRST AND SECOND PORTS PROJECTS

June 1979

Revised Cost Estimates and Allocations of Foreign Exchange by Fund
(Loan 917-KO)

	Current estimated cost (June 1979)			Foreign exchange allocation	
	Local	Foreign	Total	IBRD	SFD
	(US\$ '000)				
I. <u>Civil Works</u>					
1 - Dredging	3,395	5,191	8,586		
2 - Composite Pier - Rough Grading	14,677	22,956	37,633		
3 - Pier No. 7 - Rough Grading	4,661	7,291	11,952		
4 - Pier No. 1	5,545	8,674	14,219		
5 - Coastal Ferry	1,146	1,792	2,938		
6 - Pier No. 7 - Complete	969	1,517	2,486		
7 - Composite Pier - Complete	3,158	4,939	8,097		
8 - Pier No. 2	1,641	2,568	4,209		
9 - Mugho Port	1,866	2,917	4,783		
10 - Grain Silos - Civil Works	1,947	3,045	4,992		
Subtotal	<u>39,005</u>	<u>60,890/a</u>	<u>99,895</u>	<u>39,637</u>	<u>21,253</u>
II. <u>Mechanical Equipment</u>					
A. Container equipment & scrap handling cranes	-	9,921	9,921		
B. Busan coal handling equipment	-	6,048	6,048		
C. Mobile ore & minerals handling equipment	-	2,321	2,321		
D. Mugho coal handling equipment	-	5,302	5,302		
E. Grain handling Facility (excluding Silos)	-	9,137	9,137		
Subtotal	-	<u>32,729</u>	<u>32,729</u>	<u>32,729</u>	
III. <u>Final Design and Supervision</u>	<u>1,755</u>	<u>5,119</u>	<u>6,874</u>	<u>5,119</u>	
IV. <u>Technical Assistance</u>					
Technical assistance & training:					
- Bahint financial study	-	749			
- SGV financial study	-	743			
- Computer simulation of container yard	868	108	2,468		
Korea port study - Phase II	462	915	1,377		
Subtotal	<u>1,330</u>	<u>2,515</u>	<u>3,845</u>	<u>2,515</u>	
V. <u>Project Contingency</u>	-	-	-		
<u>Total</u>	<u>42,090</u>	<u>101,253</u>	<u>143,343</u>	<u>80,000</u>	<u>21,253</u>
Surplus Loan Funds					13,747
<u>Total Loan Funds</u>				<u>80,000</u>	<u>35,000/b</u>

Exchange Rate: US\$1.00 = Won 483.

/a Foreign Exchange calculated at 61%.

/b Actual Loan is Saudi Rials 122,500,000.

Source: KMPA, Consultants, and Bank Staff.

August 1979

KOREASUPERVISION OF FIRST AND SECOND PORTS PROJECTSGovernment's Estimated Cost of the Second Port Project (Loan 1401-KO)

Item of work by major heads	Government's estimate (1979)		Appraisal estimate (1977)	
	Total costs (Won million)	Foreign costs (US\$ '000 equiv.)	Total costs (Won million)	Foreign costs (US\$ '000 equiv.)
A. Civil works	50,883	57,702	22,046	25,040
B. Mechanical equipment and tugs	9,833/a	18,546/a	9,590	17,600
C. Engineering services	2,734	2,979	2,521	4,000
D. Technical assistance & training	732	1,200	732	1,200
E. Third phase feasibility study	876/b	686/b	-	-
Subtotal	<u>65,058</u>	<u>81,113</u>	<u>34,889</u>	<u>47,840</u>
F. Physical contingencies	3,723	4,222	3,306	3,750
G. Price contingencies	8,523/c	9,665/c	13,988	18,410
H. Customs duty on B.	3,681	-	2,100	-
Total	<u>80,985</u>	<u>95,000</u>	<u>54,283</u>	<u>70,000</u>

/a Government's estimate excludes 10 nos. truck scales; reduces the procurement of 24 tractors and 72 trailers to 18 and 70 respectively, the procurement of tugboats from 2 to 1, and the purchase of transtainers from 10 to 9; and adds the purchase of 4 nos. forklift trucks. Price contingencies are also included in the government figures.

/b Originally included in the project as appraised, but deleted during negotiations at the request of Government, now requested for reinstatement by KMPA.

/c Government's figure represents contingencies for civil works only.

Source: KMPA, Consultants and Bank Staff.

August 1979

KOREA FIRST PORTS PROJECT

PORT OF BUSAN

Traffic Details, 1977-79
(Tons '000)

	1977 (Actual)					1978 (Actual)					1979 (January through April)				
	Ocean		Coastal		Total	Ocean		Coastal		Total	Ocean		Coastal		Total
	In	Out	In	Out		In	Out	In	Out		In	Out			
<u>Dry Cargo</u>															
Cement	-	1,689.5	2,077.5	0.3	3,767.3	164.9	520.1	1,615.7	0.1	2,300.8	61.1	102.9	419.3	0.7	584.0
Coal	22.3	-	762.0	-	784.3	132.6	-	741.8	-	874.4	39.6	-	293.8	-	333.4
Ore-minerals	45.3	603.6	1.5	0.4	650.4	24.2	472.5	0.3	-	497.0	12.6	169.6	0.1	3.2	185.5
Scrap metals & steel	1,631.6	813.9	3.3	-	2,448.8	2,321.2	856.2	-	-	3,177.4	814.2	291.2	-	-	1,105.4
Grain	1,296.2	5.0	0.2	-	1,301.4	1,189.6	10.1	-	-	1,199.7	486.2	-	3.4	-	489.6
Timber	3,088.3	962.2	-	-	4,050.5	3,205.6	785.4	-	-	3,991.0	1,091.4	273.9	-	-	1,365.3
Plywood	-	901.6	-	-	901.6	-	-	-	-	-	-	-	-	-	-
Fertilizers	-	2.0	-	-	2.0	-	-	-	-	-	-	-	-	-	-
Containerized general cargo	2,277.0	4,871.0	-	-	7,148.0	2,589.0	5,303.0	-	-	7,892.0	1,045.0	1,903.0	-	-	2,948.0
Other general cargo	1,323.7	572.9	76.3	19.3	1,992.2	2,638.4	1,507.2	60.7	33.9	4,240.2	888.3	444.2	12.8	13.2	1,358.5
<u>Total Dry Cargo</u>	<u>9,684.4</u>	<u>10,421.7</u>	<u>2,920.8</u>	<u>19.6</u>	<u>23,046.5</u>	<u>12,265.5</u>	<u>9,454.5</u>	<u>2,418.5</u>	<u>34.0</u>	<u>24,172.5</u>	<u>4,438.4</u>	<u>3,184.8</u>	<u>729.4</u>	<u>17.1</u>	<u>8,369.7</u>
Oil	358.1	-	2,204.6	58.7	2,621.4	633.6	-	2,386.3	20.8	3,040.7	233.6	-	1,015.9	8.0	1,257.5
<u>Total Cargo</u>	<u>10,042.5</u>	<u>10,421.7</u>	<u>5,125.4</u>	<u>78.3</u>	<u>25,667.9</u>	<u>12,899.1</u>	<u>9,454.5</u>	<u>4,804.8</u>	<u>54.8</u>	<u>27,213.2</u>	<u>4,672.0</u>	<u>3,184.8</u>	<u>1,745.3</u>	<u>25.1</u>	<u>9,627.2</u>

June 1979

KOREA FIRST PORTS PROJECT

PORT OF INCHEON

Traffic Details, 1977-79
(Tons '000)

	1977 (Actual)					1978 (Actual)					1979 (January through April)				
	Ocean		Coastal		Total	Ocean		Coastal		Total	Ocean		Coastal		Total
	In	Out	In	Out		In	Out	In	Out		In	Out	In	Out	
<u>Dry Cargo</u>															
Cement	5.0	440.9	-	0.3	446.2	87.8	280.5	9.2	4.1	381.6	-	10.0	-	1.0	11.0
Coal	5.0	38.6	-	0.5	44.1	397.7	-	-	1.1	398.8	391.6	-	-	0.3	391.9
Ore-minerals	40.4	-	0.3	-	40.7	97.3	3.0	0.5	-	100.8	58.3	-	-	-	58.3
Scrap metals & steel	1,070.0	231.8	-	-	1,301.8	1,212.3	282.0	-	-	1,494.3	499.0	93.9	-	-	592.9
Grain	2,277.4	4.8	0.2	-	2,282.4	2,309.4	6.0	0.3	0.1	2,315.8	981.1	-	-	-	981.1
Timber	2,905.4	538.6	-	0.2	3,444.2	3,760.4	511.8	-	0.1	4,272.3	1,199.5	201.6	-	-	1,401.1
Plywood	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fertilizers	13.0	27.1	-	0.2	40.3	0.9	37.1	-	3.2	41.2	-	1.0	-	0.7	1.7
Fats	73.3	2.9	-	-	76.2	92.0	3.2	-	-	95.2	48.1	-	-	-	48.1
Containerized general cargo	324.0	171.0	-	-	495.0	340.0	103.0	-	-	443.0	77.0	24.0	-	-	101.0
Other general cargo	1,884.8	523.0	198.1	90.2	2,696.1	2,837.4	822.8	181.9	14.7	3,856.8	1,110.4	296.3	58.0	1.1	1,465.8
<u>Total Dry Cargo</u>	<u>8,598.3</u>	<u>1,978.7</u>	<u>198.6</u>	<u>91.4</u>	<u>10,867.0</u>	<u>11,135.2</u>	<u>2,049.4</u>	<u>191.9</u>	<u>23.3</u>	<u>13,399.8</u>	<u>4,365.0</u>	<u>626.8</u>	<u>58.0</u>	<u>3.1</u>	<u>5,052.9</u>
Oil	3,027.0	79.3	2,920.4	4.3	6,031.0	3,090.3	12.3	3,753.7	4.1	6,860.4	1,306.3	-	1,358.9	10.7	2,675.9
<u>Total Cargo</u>	<u>11,625.3</u>	<u>2,058.0</u>	<u>3,119.0</u>	<u>95.7</u>	<u>16,898.0</u>	<u>14,225.5</u>	<u>2,061.7</u>	<u>3,945.6</u>	<u>27.4</u>	<u>20,260.2</u>	<u>5,671.3</u>	<u>626.8</u>	<u>1,416.9</u>	<u>13.8</u>	<u>7,728.8</u>

June 1979

KOREA FIRST PORTS PROJECT

PORT OF MUGHO

Traffic Details, 1977-79
(Tons '000)

	1977 (Actual)					1978 (Actual)					1979 (January through April)				
	Ocean		Coastal		Total	Ocean		Coastal		Total	Ocean		Coastal		Total
	In	Out	In	Out		In	Out	In	Out		In	Out			
<u>Dry Cargo</u>															
Cement	-	1,002.7	-	2,237.5	3,240.2	-	968.8	-	1,836.1	2,804.9	-	331.3	-	483.6	814.9
Coal	15.3	-	9.8	1,584.5	1,609.6	6.2	-	-	1,506.0	1,512.2	1.8	-	-	574.3	576.1
Ore-minerals	53.5	4.5	8.3	-	66.3	102.7	-	3.0	-	105.7	65.4	-	-	-	65.4
Scrap metals & steel	5.8	-	-	-	5.8	26.5	-	-	-	26.5	3.4	-	-	-	3.4
Grain	17.1	-	10.5	-	27.6	-	-	-	0.1	0.1	-	-	-	-	-
Timber	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plywood	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fertilizers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Containerized general cargo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other general cargo	47.9	0.3	10.7	0.1	59.0	168.6	3.2	6.2	1.1	179.1	40.7	-	5.2	0.2	46.1
<u>Total Dry Cargo</u>	<u>139.6</u>	<u>1,007.5</u>	<u>39.3</u>	<u>3,822.1</u>	<u>5,008.5</u>	<u>304.0</u>	<u>972.0</u>	<u>9.2</u>	<u>3,343.3</u>	<u>4,628.5</u>	<u>111.3</u>	<u>331.3</u>	<u>5.2</u>	<u>1,058.1</u>	<u>1,505.9</u>
Oil	-	-	444.0	0.3	444.3	-	-	452.4	2.0	454.4	-	-	172.5	1.0	173.5
<u>Total Cargo</u>	<u>139.6</u>	<u>1,007.5</u>	<u>483.3</u>	<u>3,822.4</u>	<u>5,452.8</u>	<u>304.0</u>	<u>972.0</u>	<u>461.6</u>	<u>3,345.8</u>	<u>5,082.9</u>	<u>111.3</u>	<u>331.3</u>	<u>177.7</u>	<u>1,059.1</u>	<u>1,679.4</u>

June 1979

KOREA

SUPERVISION OF FIRST AND SECOND PORT PROJECTS

Details of `SGV/AHK's Operation Study

I. Team Mobilization and Work Preparation

1. assemble team and open project office;
2. establish liaison with KMPA;
3. review Phase I data and estimate future container traffic;
4. develop suggested modification to Phase I data; and
5. establish agreed program.

II. Operation System - Busan Container Terminal

1. Develop planning and scheduling methods:
 - a. list and describe main physical movements;
 - b. develop outline of organization;
 - c. develop simulation model;
 - d. develop planning system;
 - e. determine input/output information;
 - f. develop detailed procedures; and
 - g. determine planning equipment requirement.
2. Develop communication and control system
3. Develop receiving/clearance procedures:
 - a. determine nature/source of information;
 - b. develop flow diagram;
 - c. develop documents;
 - d. develop procedures/work instruction; and
 - e. submit final manual specifications.
4. Prepare and initiate training program:
 - a. develop program and review with KMPA;
 - b. initiate the program; and
 - c. submit completed manual specification.
5. Implementation:
 - a. implement documents and system;
 - b. review and modify; and
 - c. upgrade manual specifications.

III. Project Administration

KOREA FIRST AND SECOND PORTS PROJECTS

PORT OF BUKHO

Income Account
(Mon million)

	1971		1974		1975		1976		1977		1978		1979		1980		1981	1979	
	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Revised budget	Appraisal	Forecast	Appraisal	Revised estimate	
Operative Revenue																			
Light dues	2.7	3.7	-	2.6	-	-	-	-	-	-	365.4	39.0	388.2	34.8	411.0	69.0	-	436.2	
Port dues	13.0	13.3	141.0	23.0	150.3	25.0	315.9	24.1	342.6	29.0	-	59.0	-	80.1	-	97.0	-	-	
Tugage	-	23.7	-	41.3	-	60.9	-	53.0	-	59.0	-	65.0	-	80.1	-	97.0	-	-	
Dockage	8.1	10.5	95.7	59.5	109.8	97.3	122.7	102.8	169.2	133.0	177.0	156.0	186.9	217.1	196.8	263.0	204.6	204.6	
Revenue from terminal operations	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	0.1	-	-	0.1	
Transit shed charges	2.4	1.9	-	2.6	-	2.8	-	4.2	-	8.0	-	3.0	-	2.2	-	5.0	-	-	
Open cargo area charges	2.0	3.1	0.5	3.6	0.5	5.4	0.5	12.0	0.5	39.0	0.5	60.0	0.5	88.1	0.5	105.0	-	0.5	
Service charge	-	-	-	-	-	-	2.5	-	2.5	-	2.5	-	2.5	-	2.5	-	-	2.5	
Wharfage	-	-	77.0	47.9	82.2	87.6	87.4	83.8	124.8	111.0	133.1	119.0	141.5	83.4	149.9	193.0	159.2	159.2	
Anchorage	-	-	-	-	-	1.3	-	19.9	-	39.0	-	45.0	-	52.4	-	71.0	-	-	
Floating crane	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Rent of facilities	-	-	-	-	-	3.1	103.0	15.0	225.0	11.0	250.0	240.0	250.0	312.7	250.0	388.0	-	250.0	
Miscellaneous revenue	12.6	1.1	12.6	13.2	12.6	1.7	12.6	8.6	12.6	16.0	12.6	66.0	12.6	6.0	12.6	27.0	-	12.6	
Total	59.8	52.3	326.8	193.7	352.4	285.1	645.7	323.4	877.3	452.0	941.2	793.0	982.3	925.0	1,023.4	1,218.0	1,965.7		
Operating Expenses																			
Navigation aids	1.3	14.5	1.3	16.8	1.3	25.0	1.3	-	1.3	-	1.3	-	1.3	-	1.3	-	-	1.3	
Maintenance dredging	-	-	20.0	-	20.0	-	20.0	-	36.0	-	36.0	-	36.0	-	36.0	-	-	36.0	
Port captain office	-	-	6.0	-	6.0	-	6.0	-	6.0	-	6.0	-	6.0	-	6.0	-	-	6.0	
General maintenance	12.0	16.6	45.3	54.1	47.4	49.5	84.4	57.0	109.9	82.0	122.6	102.0	132.6	126.0	132.6	177.0	132.6	132.6	
Special services	-	-	22.5	-	23.5	-	24.5	-	25.0	-	25.5	-	26.0	-	26.5	-	-	27.0	
Miscellaneous dock labor	-	-	-	-	-	-	4.0	-	4.0	-	4.0	-	4.0	-	4.0	-	-	4.0	
Sundry dock expense	-	-	-	-	-	-	1.0	-	1.0	-	1.0	-	1.0	-	1.0	-	-	1.0	
General and administration	55.1	21.7	59.5	26.3	61.9	27.7	59.0	31.8	59.0	101.0	59.0	101.0	59.0	125.0	59.0	175.0	59.0	59.0	
Subtotal working costs	68.4	52.8	125.6	97.2	161.1	102.2	200.2	88.8	242.2	181.0	255.4	203.0	265.9	221.0	266.4	352.0	266.9	266.9	
Depreciation	56.0	56.0	56.0	56.0	56.0	93.5	122.2	90.2	175.5	100.0	175.5	100.0	187.5	175.0	199.5	176.0	-	211.5	
Total Operating Expenses	124.4	1,08.8	211.6	153.2	217.1	195.7	322.4	179.0	417.7	281.0	430.9	303.0	453.4	426.0	465.9	528.0	478.4	478.4	
Net operating revenue	(64.6)	(56.5)	115.2	40.5	138.3	89.4	323.3	144.4	459.6	162.0	510.3	490.0	528.9	549.0	557.5	690.0	587.3	587.3	
Interest charges	5.2	9.1	47.3	26.1	106.5	13.4	166.1	40.0	184.3	145.0	196.4	239.0	200.4	230.0	198.5	226.0	-	194.8	
Exceptional loss (revenue)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Net Income	(69.8)	(60.6)	67.9	14.4	31.8	76.0	156.2	104.4	275.3	17.0	313.9	251.0	328.5	319.0	359.0	466.0	392.5	392.5	

KOREA FIRST AND SECOND PORTS PROJECTS

PORT OF INCHON

Table of Source and Application of Funds
(Won million)

	1973		1974		1975		1976		1977		1978		1979		1980		1981	
	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Revised budget	Appraisal	Forecast	Appraisal	Forecast
SOURCES																		
Internal Cash Generation																		
Gross operating revenue	40.8	57.3	326.8	193.7	355.4	285.1	644.7	323.4	877.3	445.0	941.2	793.0	982.3	975.0	1,023.4	1,218.0	1,065.7	
Working costs	68.4	52.8	155.6	97.2	161.1	102.2	200.2	88.8	242.2	183.0	255.4	203.0	265.9	251.0	266.4	352.0	266.9	
Cash generated from operations	(27.6)	4.5	171.2	96.5	194.3	182.9	444.5	234.6	635.1	262.0	685.8	590.0	716.4	724.0	757.0	866.0	798.8	
Other	-	-	-	-	-	-	-	-	30.0	-	-	-	-	-	-	-	-	
Total Internal Cash Generation	(27.6)	4.5	171.2	96.5	194.3	182.9	444.5	234.6	665.1	262.0	685.8	590.0	716.4	724.0	757.0	866.0	798.8	
Subsidies																		
Government against operations	32.8	4.6	326.1	-	481.2	118.0	77.0	339.0	-	771.0	-	314.0	-	(323.0)	-	(581.0)	-	
Government against investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Subsidies	32.8	4.6	326.1	-	481.2	118.0	77.0	339.0	-	771.0	-	314.0	-	(323.0)	-	(581.0)	-	
Loans																		
IBRD	-	-	630.0	-	925.0	124.0	880.0	122.0	110.0	2,372.0	210.0	607.0	10.0	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Loans	-	-	630.0	-	925.0	124.0	880.0	122.0	110.0	2,372.0	210.0	607.0	10.0	-	-	-	-	
GRAND TOTAL SOURCES	5.2	9.1	1,127.3	96.5	1,600.5	424.9	1,401.5	695.6	775.1	3,405.0	895.8	1,511.0	726.4	401.0	757.0	285.0	-	
APPLICATIONS																		
Capital Investments																		
IBRD First Project	-	-	1,080.0	70.4	1,494.0	235.5	1,365.0	818.6	170.0	2,988.0	210.0	1,558.0	10.0	-	-	-	-	
IBRD Second Project	-	-	-	-	-	-	-	-	-	-	400.0	-	400.0	14.0	400.0	14.0	400.0	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Investments	-	-	1,080.0	70.4	1,494.0	235.5	1,365.0	818.6	170.0	2,988.0	610.0	1,558.0	410.0	14.0	400.0	15.0	400.0	
Debt Service																		
Interest	5.2	9.1	47.3	26.1	106.5	13.4	166.1	40.0	184.3	145.0	196.4	221.0	200.4	230.0	198.5	224.0	194.8	
Repayments	-	-	-	-	-	-	-	-	-	-	-	-	21.1	116.0	44.4	43.0	47.8	
Total Debt Service	5.2	9.1	47.3	26.1	106.5	13.4	166.1	40.0	184.3	145.0	196.4	221.0	221.5	346.0	242.9	267.0	242.6	
GRAND TOTAL APPLICATIONS	5.2	-	1,127.3	96.5	1,600.5	248.9	1,531.1	858.6	354.3	3,133.0	806.4	1,779.0	631.5	360.0	642.9	281.0	642.6	
Annual variations in working capital	-	-	-	-	-	176.0	(129.6)	(163.0)	420.8	272.0	89.4	(268.0)	94.9	41.0	114.1	4.0	156.2	
Working capital brought forward	-	-	-	-	-	-	-	176.0	(129.6)	13.0	291.2	285.0	380.6	17.0	475.5	57.0	589.6	
Working capital at end of year	-	-	-	-	-	176.0	(129.6)	13.0	291.2	285.0	380.6	17.0	475.5	57.0	589.6	61.0	745.8	

KOREA FIRST AND SECOND PORTS PROJECTS

PORT OF MOKPO

Balance Sheet
(Non million)

	1974		1975		1976		1977		1978		1979		1980		1981	
	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Revised Budget	Appraisal	Forecast	Appraisal	Forecast	
ASSETS																
Current Assets																
Cash					181.0	(166.6)	201.0	249.2	490.0	333.6	87.0	423.5	148.0	532.6	149.0	683.8
Accounts receivable					2.0	64.0	11.0	87.0	12.0	94.0	14.0	98.0	16.0	102.0	20.0	106.0
Stocks					1.0	20.0	1.0	23.0	3.0	23.0	3.0	23.0	4.0	23.0	4.0	23.0
Other					-	3.0	1.0	4.0	-	5.0	-	6.0	-	7.0	-	8.0
Subtotal Current Assets					184.0	(129.6)	214.0	363.2	505.0	455.6	104.0	550.5	168.0	664.6	173.0	820.8
Long-Term Current Liabilities																
Accounts payable						42.0	141.0	62.0	124.0	64.0	87.0	64.0	96.0	64.0	93.0	64.0
Current loan maturities					8.0	8.0	60.0	10.0	96.0	11.0	-	11.0	15.0	11.0	19.0	11.0
Other																
Subtotal Current Liabilities					8.0	50.0	201.0	72.0	220.0	75.0	87.0	75.0	111.0	75.0	112.0	75.0
Total Net Working Capital					176.0	(129.6)	13.0	291.2	285.0	380.6	17.0	475.5	57.0	589.6	61.0	745.8
Fixed Assets																
Gross value - land	427.2	427.2	476.4	427.2	469.0	427.2	566.0	427.2	566.0	427.2	566.0	427.2	566.0	427.2	566.0	427.2
Gross value - other	2,248.6	2,248.6	5,938.5	2,248.6	6,035.0	2,248.6	6,044.0	5,172.4	6,070.0	6,938.6	11,683.0	7,348.1	11,699.0	7,748.6	11,713.0	8,148.6
Accumulated depreciation	112.0	168.0	-	224.0	94.0	346.2	184.0	521.7	284.0	697.2	656.0	884.7	881.0	1,084.2	1,007.0	1,295.7
Net value - other assets in use	2,136.6	2,080.6	5,938.5	2,024.6	5,941.0	1,902.4	5,860.0	4,650.7	5,786.0	6,241.4	11,027.0	6,463.9	10,868.0	6,664.4	10,706.0	6,852.9
Total Net Fixed Assets, In Use	2,563.8	2,307.8	6,415.9	2,451.8	6,510.0	2,329.6	6,406.0	5,078.1	6,332.0	6,688.6	11,373.0	6,891.1	11,414.0	7,091.6	11,252.0	7,280.1
Works in progress	370.0	1,450.0	-	2,945.0	124.0	4,310.0	975.0	1,556.0	3,812.0	400.0	-	400.0	-	400.0	-	600.0
Total Net Fixed Assets	2,933.8	3,757.8	6,415.9	5,396.8	6,634.0	7,301.0	6,384.1	10,144.0	7,068.6	11,573.0	7,291.1	11,414.0	7,491.6	11,252.0	7,880.1	
Deferred Assets								2.0		13.0	-	12.0	-	12.0	-	
GRAND TOTAL ASSETS	2,933.8	3,757.8	6,415.9	5,396.8	6,710.0	7,394.0	6,925.2	10,531.0	7,459.2	11,603.0	7,766.6	11,483.0	8,081.2	11,325.0	8,425.9	
LIABILITIES																
Long-Term Debt																
IBRD 917-90	-	630.0	-	1,555.0	124.0	2,435.0	266.0	2,545.0	2,618.0	2,755.0	3,225.0	2,743.9	3,109.0	2,699.5	3,066.0	2,651.7
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Long-Term Debt	-	630.0	-	1,555.0	124.0	2,435.0	266.0	2,545.0	2,618.0	2,755.0	3,225.0	2,743.9	3,109.0	2,699.5	3,066.0	2,651.7
Equity Equivalent																
Capital	3,022.6	3,259.9	-	3,741.1	6,388.0	3,818.1	6,586.0	3,818.1	6,388.0	3,818.1	6,388.0	3,818.1	6,388.0	3,818.1	6,388.0	3,818.1
Government subsidy					118.0		457.0		1,278.0		1,542.0		1,219.0		638.0	
Reevaluation of fixed assets																
Retained earnings	(88.8)	67.9	-	100.7	79.0	256.9	105.0	562.2	197.0	876.1	448.0	1,204.6	767.0	1,563.6	1,233.0	1,936.1
Total Equity Equivalent	2,933.8	3,327.8	6,415.9	3,851.8	6,786.0	4,025.0	7,148.0	4,380.3	7,813.0	4,694.2	8,379.0	5,022.7	8,374.0	5,381.7	8,258.0	5,774.2
GRAND TOTAL LIABILITIES	2,933.8	3,327.8	6,415.9	3,396.8	6,710.0	7,394.0	6,925.2	10,531.0	7,459.2	11,603.0	7,766.6	11,483.0	8,081.2	11,325.0	8,425.9	

KOREA FIRST AND SECOND PORTS PROJECTS

PORT OF MICHU

Selected Financial Ratios

	1973		1974		1975		1976		1977		1978		1979		1980		1981	
	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Revised budget	Appraisal	Forecast	Appraisal	Forecast
Working ratio (%)	168.0	92.0	48.0	50.0	45.0	36.0	31.0	27.5	28.0	41.0	27.0	25.5	27.0	26.0	26.0	29.0	25.0	
Operating ratio (%)	305.0	190.0	65.0	79.0	61.0	69.0	50.0	55.0	48.0	64.0	46.0	38.0	46.0	44.0	46.0	41.0	45.0	
Times interest earned	N/A	N/A	2.4	1.6	1.3	6.7	2.0	3.6	2.5	1.1	2.6	2.1	2.6	2.4	2.8	3.1	3.0	
Debt service coverage	N/A	N/A	3.4	3.7	1.8	13.6	2.7	5.9	3.6	1.8	3.5	2.7	3.2	2.1	3.1	3.1	3.3	
Net fixed assets in use (Won million)	2,563.8	2,563.8	2,535.8	4,502.9	2,479.8	6,412.5	2,390.7	6,400.0	3,703.9	6,369.0	5,873.4	8,952.5	6,779.9	11,493.5	6,991.4	11,333.0	7,185.9	
Rate of return on net fixed assets in use (%)	N/A	N/A	4.5	0.9	5.6	1.4	13.5	2.3	12.4	2.5	8.6	5.5	7.8	4.8	7.9	6.0	8.1	
Current ratio	N/A	N/A	N/A	N/A	N/A	2.3	N/A	1.1	5.0	2.3	6.1	1.2	7.3	1.5	8.9	1.5	10.9	
Liquid ratio	N/A	N/A	N/A	N/A	N/A	2.2	N/A	1.1	4.7	2.3	5.8	1.1	7.0	1.4	8.6	1.4	10.6	
Debt to equity ratio	0/100	0/100	16/84	0/100	29/71	18/82	37/63	33/67	37/63	25/75	37/63	28/72	35/65	27/73	33/67	27/73	31/69	

KOREA FIRST AND SECOND PORTS PROJECTS

PORT OF BUSAN

Income Account
(Won million)

	1973	1974	1975		1976		1977		1978		1979		1980		1981		1982	
	Actual	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Revised budget	Appraisal	Forecast	Appraisal	Forecast	Appraisal	Forecast
Operative Revenue																		
Light dues	67.8	65.1	71.0	70.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Port dues	239.0	227.7	240.0	240.0	555	575	672	846	792	1,239	899	1,550.2	953	2,570	1,121			1,284
Tugage	122.0	179.9	216.0	216.0	220	228	254	277	300	372	339	452.4	357	774	419			480
Dockage	110.3	436.6	653.0	653.4	716	720	993	133	1,155	1,558	1,285	1,637.8	1,349	3,233	1,557			1,783
Concession fees (cargo)	-	-	-	-	-	-	-	-	-	-	-	44.0	-	-	-	-	-	-
Transit shed charges	51.6	66.1	50.0	49.6	50	48	52	50	58	71	65	81.2	69	148	82			94
Open cargo area charges	75.9	93.0	132.0	131.9	180	173	189	165	211	556	242	634.3	253	1,154	295			338
Revenue from terminal operations	-	-	-	-	-	-	-	-	3,274	-	7,130	3,308.7	7,741	3,593	9,106			10,601
Wharfage	-	435.2	700.0	700.3	1,218	1,023	1,474	1,453	1,704	1,941	1,932	2,670.7	2,029	4,027	2,366			2,735
Anchorage	-	-	42.0	42.1	674	682	818	1,265	946	1,191	1,052	1,360.1	1,095	2,472	1,265			1,435
Floating crane	29.2	31.4	41.0	40.9	50	42	60	30	68	59	77	73.5	82	124	95			109
Rent of facilities	26.3	5.4	6.0	5.8	30	64	30	73	32	199	35	37.7	35	414	38			41
Miscellaneous revenue	47.5	46.1	77.0	77.0	156	168	166	226	109	246	214	234.4	225	510	264			304
Total	769.6	1,586.5	2,228.0	2,227.7	3,849	3,723	4,708	5,518	8,729	7,432	13,270	12,085.0	14,188	19,019	16,608			19,204
Operating Expenses																		
Navigation aids	8.6	119.5	186.0	185.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance dredging	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Port captain office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General maintenance	89.4	168.0	160.0	159.5	224	246	269	349	663	346	929	475.0	1,363	655	1,693			1,944
Special services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous dock labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundry dock expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General and administration	104.1	100.7	156.0	156.7	162	163	216	225	399	280	472	383.0	567	531	658			724
Subtotal working costs	202.1	388.2	502.0	501.7	386	409	485	574	1,062	626	1,401	858.0	1,930	1,186	2,351			2,668
Depreciation	410.0	410.0	433.0	432.9	443	425	448	433	2,957	444	4,492	1,746.0	4,849	2,956	5,225			5,930
Total Operating Expenses	612.1	798.2	935.0	934.6	829	834	933	1,007	4,019	1,070	5,893	2,604.0	6,779	4,142	7,576			8,598
Net operating revenue	157.5	788.3	1,293.0	1,293.1	3,020	2,889	3,775	4,511	4,710	6,362	7,377	9,481.0	7,409	14,877	9,032			10,606
Interest charges	91.7	243.0	394.0	293.0	832	662	2,056	1,330	3,158	2,384	3,775	3,831.0	4,363	4,865	4,740			4,559
Exceptional loss (revenue)	-	-	-	-	-	-	-	3	-	1	-	-	-	11	-			-
Net Income	65.8	545.3	899.0	1,054.1	2,188	2,227	1,719	3,178	1,552	3,977	3,602	5,650.0	3,046	10,001	4,292			6,047

KOREA
FIRST AND SECOND PORTS PROJECTS
PORT OF BUSAN

Table of Source and Application of Funds
(Won million)

	1973	1974	1975		1976		1977		1978		1979		1980		1981		1982	
	Actual	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Budget	Appraisal	Revised budget	Appraisal	Forecast	Appraisal	Forecast
SOURCES																		
Internal Cash Generation																		
Gross operating revenue	769.6	1,586.5	2,228	2,227.7	3,849.0	3,723.0	4,708.0	5,518.0	8,729.0	7,432.0	13,270.0	12,085.0	14,188.0	19,019.0	16,608.0			19,204.0
Less: working costs	202.1	382.2	502	501.7	386.0	409.0	485.0	574.0	1,062.0	626.0	1,401.0	858.0	1,930.0	1,186.0	2,351.0			2,668.0
Cash generated from operations	567.5	1,204.3	1,726	1,726.6	3,463.0	3,314.0	4,223.0	4,944.0	7,667.0	6,806.0	11,869.0	11,227.0	12,258.0	17,833.0	14,257.0			16,536.0
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-
Total Internal Cash Generation	567.5	1,204.3	1,726	1,726.0	3,463.0	3,314.0	4,223.0	4,944.0	7,667.0	6,806.0	11,869.0	11,227.0	12,258.0	17,833.0	14,257.0			16,536.0
Subsidies																		
Government against operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-
Government against investments	-	-	4,507	7,775.0	2,983.0	4,731.0	5,247.0	7,873.0	4,676.0	7,508.0	-	(2,693.0)	-	(2,412.0)	-			-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-
Total Subsidies	-	-	4,507	7,775.0	2,983.0	4,731.0	5,247.0	7,873.0	4,676.0	7,508.0	-	(2,693.0)	-	(2,412.0)	-			-
Loans																		
IBRD 917-KO	-	665.0	3,229	3,230.0	7,785.0	6,162.0	15,123.0	7,282.0	10,451.0	11,867.0	7,086.0	4,277.0	-	-	-			-
IBRD 140-KO	-	-	-	-	-	-	-	-	-	143.0	-	7,698.0	9,711.0	13,177.0	10,737.0			1,160.0
SFD	-	-	-	-	2,431.0	-	7,729.0	6,071.0	3,678.0	1,574.0	65.0	9,330.0	-	-	-			-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			-
Total Loans	-	665.0	3,229	3,230.0	10,216.0	6,162.0	22,852.0	13,353.0	14,129.0	13,584.0	7,151.0	21,305.0	9,711.0	13,177.0	10,737.0			1,160.0
GRAND TOTAL SOURCES	567.5	1,869.3	9,462	12,731.0	16,662.0	14,207.0	32,322.0	26,170.0	26,472.0	27,898.0	19,020.0	29,839.0	21,969.0	28,598.0	24,994.0			17,696.0
APPLICATIONS																		
Capital Investments																		
IBRD First Project	-	-	9,403	10,531.5	16,917.0	15,306.0	30,380.0	24,594.0	11,610.0	-	582.0	-	-	-	-			-
IBRD Second Project	-	-	-	-	-	-	966.0	7,394.0	-	-	11,132.0	-	16,631.0	-	14,820.0			4,000.0
Other	-	-	345	344.5	-	-	485.0	-	970.0	-	485.0	-	485.0	-	727.0			970.0
Total Investments	475.8	1,626.3	9,748	10,876.0	16,917.0	15,306.0	31,830.0	24,594.0	20,034.0	25,091.0	12,199.0	25,861.0	17,116.0	17,973.0	15,547.0			5,970.0
Debt Service																		
Interest	91.7	243.0	394	239.0	832.0	662.0	2,056.0	1,330.0	3,158.0	2,384.0	3,775.0	3,831.0	4,363.0	4,865.0	4,740.0			4,559.0
Repayments	-	-	-	-	-	-	-	-	390.0	-	821.0	-	2,020.0	2,112.0	4,490.0			4,560.0
Total Debt Service	91.7	243.0	394	239.0	832.0	662.0	2,056.0	1,330.0	3,548.0	2,384.0	4,596.0	3,831.0	6,383.0	6,977.0	9,230.0			9,119.0
GRAND TOTAL APPLICATIONS	567.5	1,869.3	10,142	11,115.0	17,749.0	15,968.0	33,887.0	25,924.0	23,582.0	27,475.0	16,795.0	29,692.0	23,499.0	24,950.0	24,777.0			15,089.0
Annual variations in working capital	-	-	-	1,616.0	(1,087.0)	(1,761.0)	(1,565.0)	246.0	2,890.0	423.0	2,225.0	147.0	(1,530.0)	3,648.0	217.0			3,607.0
Working capital brought forward	-	-	-	-	(680.0)	1,616.0	1,767.0	(145.0)	(3,332.0)	101.0	(442.0)	524.0	783.0	681.0	(747.0)			(530.0)
Working capital at end of year	-	-	(680)	1,616.0	(1,767.0)	(145.0)	(3,332.0)	101.0	(442.0)	524.0	783.0	681.0	(747.0)	4,329.0	(530.0)			3,077.0

KOREA FIRST AND SECOND PORTS PROJECTS

PORT OF BUSAN

Balance Sheet
(Won million)

	1974		1975		1976		1977		1978		1979		1980		1981		1982	
	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Revised budget	Appraisal	Forecast	Appraisal	Forecast	Appraisal	Forecast
ASSETS																		
Current Assets																		
Cash	-	-	-	1,695	-	1,660	-	930	1,600	1,079	3,329	2,837	2,806	7,084	3,383	-	-	4,533
Accounts receivable	-	-	11	11	18	58	37	101	656	515	674	176	694	228	912	-	-	930
Stores	-	-	-	-	11	12	13	1	31	3	43	9	58	12	74	-	-	82
Other	-	-	-	-	-	50	-	-	-	5	-	-	-	-	-	-	-	-
Subtotal Current Assets	-	-	11	1,706	29	1,780	50	1,032	2,287	1,603	4,046	3,022	3,558	7,324	4,369	-	-	5,565
Less: Current Liabilities																		
Accounts payable	-	-	464	-	1,272	1,659	2,197	407	1,049	573	1,312	1,596	2,039	2,027	2,492	-	-	159
Current loan maturities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	227	90	524	266	1,185	524	1,680	506	1,951	745	2,266	968	2,407	-	-	2,309
Subtotal Current Liabilities	-	-	691	90	1,796	1,925	3,372	931	2,729	1,079	3,263	2,341	4,305	2,995	4,899	-	-	2,468
Total Net Working Capital	-	-	(680)	1,616	(1,767)	(145)	(3,322)	101	(442)	524	783	681	(747)	4,329	(530)	-	-	3,077
Fixed Assets																		
Gross value - land	2,673	7,816	7,916	7,916	7,916	8,456	7,916	8,995	7,916	8,995	7,916	8,995	7,916	8,995	7,916	-	-	7,916
Gross value - other	10,949	13,431	13,676	13,676	13,676	13,284	14,161	13,869	95,347	56,408	96,414	95,420	100,613	95,509	146,078	-	-	151,048
Accumulated depreciation	1,152	-	433	433	876	425	1,324	1,291	4,281	1,735	8,773	2,191	13,622	5,147	18,847	-	-	24,777
Net value - other assets in use	9,797	13,431	13,243	13,243	12,800	12,859	12,837	12,578	91,066	54,673	87,641	93,229	86,991	90,362	127,231	-	-	126,221
Total Net Fixed Assets in Use	12,470	21,247	21,159	21,159	20,716	21,315	20,753	21,573	98,982	63,668	95,557	102,224	94,907	99,357	135,147	-	-	134,187
Works in progress	6,861	2,354	11,758	11,294	28,675	33,679	60,021	49,732	4,869	31,898	17,001	17,457	29,918	35,341	-	-	-	-
Total Net Fixed Assets	19,331	23,601	32,917	32,453	49,391	54,994	80,774	71,305	102,851	95,566	112,558	119,681	124,825	134,698	135,147	-	-	134,187
Deferred Assets	-	-	-	-	-	-	-	71	-	456	-	446	-	435	-	-	-	-
GRAND TOTAL ASSETS	19,331	23,601	32,237	34,069	47,624	54,849	77,442	71,477	102,409	96,546	113,341	120,808	124,078	139,462	134,617	-	-	137,264
LIABILITIES																		
Long-Term Debt																		
IBRD 917-KO	3,970	665	3,895	3,895	11,680	10,057	26,176	17,339	32,684	29,206	32,636	33,483	31,752	32,578	30,802	-	-	29,784
IBRD 1401-KO	-	-	-	-	-	-	627	-	4,180	143	10,493	7,841	20,204	21,018	28,538	-	-	27,293
SFD	-	-	-	-	2,431	-	10,160	6,071	13,838	7,645	13,903	16,975	12,767	15,768	11,630	-	-	10,493
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Long-Term Debt	3,970	665	3,895	3,895	14,111	10,057	36,963	23,410	50,702	36,994	57,032	58,299	64,723	69,364	70,970	-	-	67,570
Equity Equivalent																		
Capital	15,172	22,325	22,936	21,238	22,936	30,174	22,936	21,238	28,936	21,238	28,936	21,238	28,936	21,238	28,936	-	-	28,936
Govt. subsidies for investments	-	-	4,507	7,775	7,490	12,506	12,737	20,379	17,413	27,887	17,413	25,194	17,413	22,782	17,413	-	-	17,413
Revaluation of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	189	611	899	1,161	3,087	2,112	4,806	6,450	6,358	10,427	9,960	16,077	13,006	26,078	17,298	-	-	23,345
Govt. subsidies against operating loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Equity Equivalent	15,361	22,936	28,432	30,174	33,513	44,792	40,479	48,067	52,707	59,552	56,309	62,509	59,355	70,098	63,647	-	-	69,694
GRAND TOTAL LIABILITIES	19,331	23,601	32,237	34,069	47,624	54,849	77,442	71,477	102,409	96,546	113,341	120,808	124,078	139,462	134,617	-	-	137,264

KOREA FIRST AND SECOND PORTS PROJECTS

PORT OF BUSAN

Selected Financial Ratios

	1975		1976		1977		1978		1979		1980		1981		1982	
	Appraisal	Actual	Appraisal	Actual	Appraisal	Actual	Appraisal	Estimate	Appraisal	Revised budget	Appraisal	Forecast	Appraisal	Forecast	Appraisal	Forecast
Working ratio (X)	22.5	22.5	10.0	11.0	10.0	10.0	12.0	8.0	10.5	7.0	13.6	6.2	14.0		14.0	
Operating ratio (X)	42.0	42.0	21.5	22.0	20.0	18.0	46.0	14.0	44.0	21.5	48.0	22.0	46.0		45.0	
Times interest earned	1.3	5.4	3.6	4.4	1.8	3.4	1.5	2.7	1.9	2.5	1.7	3.0	1.9		2.3	
Debt service coverage	4.4	7.2	4.1	5.0	2.0	3.7	2.1	2.9	2.6	2.8	1.9	2.6	1.5		1.8	
Net fixed assets in use (Won million)	21,159.0	21,203.0	20,937.5	21,237.0	20,734.5	21,444.0	59,867.5	42,620.5	97,269.5	82,946.0	95,232.0	100,790.0	115,027.0		134,667.0	
Rate of return on net fixed assets in use (X)	6.1	6.1	14.4	13.6	18.2	21.0	7.8	15.0	7.6	11.0	7.7	14.8	7.8		7.9	
Current ratio	N/A	1.1	N/A	0.9	N/A	1.1	1.1	1.5	1.6	1.3	1.2	2.4	1.3		2.2	
Debt to equity ratio	12/88	11/89	30/70	18/82	48/52	33/67	49/51	38/62	50/50	48/52	52/48	50/50	53/47		49/51	



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LYON ASSOCIATES, INC.

7900 WESTPARK DRIVE, FIFTH FLOOR
MCLEAN, VIRGINIA 22101

ARCHITECTURE
ENGINEERING
CONSULTING

TELEPHONE: (703) 893-0850

CABLE LYONPLAN BALTIMORE

September 6, 1979
79V-113

PRINCIPALS

FRANK E. LYON
JAMES E. TRAYLOR

CONTROLLER

FREDRICK EVERHARDT

ASSOCIATES

OTTIS FOWLER
THOMPSON S. ARMITAGE
JOE O. SMITH

Mr. Harold R. Young
Chief, Transportation Branch
East Asia and Pacific
International Bank for Reconstruction
and Development, Rm. 8402
1818 H Street, N.W.
Washington, D.C. 20433.

Dear Mr. Young:

Enclosed for your information and records is the May 1979 Construction Supervision Phase Progress Report for the Design and Construction Supervision of Busan and Mukho Ports in Korea.

Sincerely yours,

LYON ASSOCIATES, INC.

Arnold J. McKee
Arnold J. McKee
Assistant to the President

AJM/pn

cc Mr. O. Fowler

Enc.

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BUPORTAUTH

BUSAN, KOREA

**FOR KIM CHUL HUI BPCO. REURLET AUGUST 22 ON KOREA 917-KO
CONSTRUCTION SUPERVISION PROGRESS REPORT FOR MAY, WE REFER TO
OURLET JULY 24 TO DEPUTY ADMINISTRATOR MOON KMPA SEOUL ON SUBJECT
OF CONSULTING SERVICES FOR ONGOING PROJECT NO.8 PIER NO.2 AND
WOULD APPRECIATE KNOWING WHAT THE STATUS IS EARLIEST. REGARDS,
YOUNG, INTBAFRAD**

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