

No. 6966

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
TURKEY**

**Development Credit Agreement—*Seyban Irrigation Project*
(with related letters and annexed Development Credit
Regulations No. 1). Signed at Washington, on 31 May
1963**

Official text: English.

Registered by the International Development Association on 24 October 1963.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
TURQUIE**

**Contrat de crédit de développement — *Projet relatif à l'ir-
rigation du Seyban* (avec lettres connexes et, en an-
nexe, le Règlement n° 1 sur les crédits de développe-
ment). Signé à Washington, le 31 mai 1963**

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 24 octobre 1963.

No. 6966. DEVELOPMENT CREDIT AGREEMENT¹
(SEYHAN IRRIGATION PROJECT) BETWEEN THE
REPUBLIC OF TURKEY AND THE INTERNATIONAL
DEVELOPMENT ASSOCIATION. SIGNED AT WASH-
INGTON, ON 31 MAY 1963

AGREEMENT, dated May 31, 1963, between the REPUBLIC OF TURKEY (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

DEVELOPMENT CREDIT REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961² (hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Except where the context otherwise requires, the following terms shall have the following meanings wherever used in this Agreement or any Schedule thereto :

(a) The term " Plan " shall mean the plan for irrigation, drainage and development in the Adana Plain covering a net irrigable area of 170,000 hectares, consisting of : (i) Stage I, 53,000 hectares; (ii) Stage II, 34,000 hectares; and (iii) Stage III, 83,000 hectares.

(b) The term " remainder of the Plan " shall mean that part of the Plan which is not included in the Project.

(c) The term " Part A " and the term " Part B " shall mean respectively the parts of the Project as described in paragraphs A and B of Schedule 1³ to this Agreement and as the description thereof shall be amended from time to time by agreement between the Borrower and the Association.

(d) The term " foreign currency " means any currency other than currency of the Borrower.

¹ Came into force on 4 September 1963, upon notification by the Association to the Government of Turkey.

² See p. 146 of this volume.

³ See p. 140 of this volume.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to twenty million dollars (\$20,000,000).

Section 2.02. The Association shall open a Credit Account in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations.

Section 2.03. The Borrower shall be entitled, subject to the provisions of this Agreement and the Regulations, to withdraw from the Credit Account : (i) such amounts as shall have been expended for the reasonable foreign currency cost of goods required for carrying out the Project; (ii) such amounts as shall be the equivalent of such percentage or percentages as may from time to time be agreed between the Borrower and the Association of such amounts as shall have been expended for the reasonable cost of goods required for carrying out the Project and not included in the foregoing; and (iii) if the Association shall so agree, such amounts as shall be required to meet payments under (i) and (ii) above.

Provided, however, that no withdrawals shall be made on account of expenditures prior to March 1, 1963.

Section 2.04. Withdrawals from the Credit Account shall be in such freely convertible currency or currencies as the Association shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the same rate on the principal amount outstanding of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

Section 2.06. Service charges shall be paid semi-annually on June 1 and December 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each June 1 and December 1 commencing June 1, 1973, and ending December 1, 2012, each instalment to and including the instalment payable on December 1, 1982, to be one half of one per cent ($\frac{1}{2}$ of 1 %) of such principal amount, and each instalment thereafter to be one and one half of one per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 1 to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out and operated with due diligence and efficiency and in conformity with sound engineering, agricultural and financial practices.

(b) To assist in the carrying out of the Project the Borrower shall employ or cause to be employed competent and experienced consultants satisfactory to the Borrower and the Association upon terms and conditions satisfactory to the Borrower and the Association.

(c) To assist in the carrying out of the Project, the Borrower shall employ or cause to be employed contractors satisfactory to the Borrower and the Association employed under contracts satisfactory to the Borrower and the Association.

(d) The Borrower shall cause to be furnished to the Association, promptly upon their preparation, the plans, specifications, contracts and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

(e) The Borrower shall cause all works and facilities included in the Project to be adequately maintained and repaired in accordance with sound engineering and agricultural practices and standards and shall cause all dams, canals, structures and other works and facilities not included in the Project but necessary to the proper and efficient operation thereof to be operated and adequately maintained and repaired in accordance with such practices and standards.

Section 4.02. (a) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof), to show the results achieved by irrigation of the land included in the Project and to reflect in accordance with consistently maintained sound accounting practices (including the use of separate books and accounts for Part A and Part B of the Project) the operations and financial condition with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof; shall enable the Association's representative to inspect the Project, the goods and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, and the goods, the results achieved by irrigation of the land included in the Project, and the operations and financial condition with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

(b) The Borrower shall at all times make or cause to be made available promptly as needed all sums which shall be required for the carrying out of the Project, including sums required for the provision of adequate credit on reasonable terms for Part B of the Project.

(c) The Borrower shall take all such action for the improvement and expansion of agricultural services and the provision on reasonable terms and in reasonable amounts of credit for seeds, fertilizers, insecticides and other current production expenditures and for the purchase of farm equipment and livestock, the establishment of perennial crops and other farm improvement as shall be required to assure that the land included in the Project and the water made available therefor are fully, effectively and promptly utilized for agricultural purposes to the maximum extent possible.

(d) The Borrower shall take all such action as shall be necessary to provide adequate farm-to-market roads within the Project area, to promote improved arrangements for marketing of crops and livestock and to improve market research services.

Section 4.03. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.04. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.05. This Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Section 4.06. The Borrower shall insure or cause to be insured with responsible insurers all goods to be imported for use in the Project and financed out of the proceeds of the Credit. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territories of the Borrower and delivery thereof to the site of the Project, and shall be for such amounts, as shall be consistent with sound commercial practices. Such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in a freely convertible currency.

Section 4.07. (a) The Borrower and the Association shall from time to time exchange views with regard to the progress of the Plan.

(b) Construction work on the remainder of the Plan shall be started only when progress satisfactory to the Borrower and the Association shall have been made in the carrying out of Part A of the Project.

Section 4.08. (a) The Borrower shall make arrangements or cause arrangements to be made for the setting and maintaining of irrigation charges levied from beneficiaries of the Project at levels which will provide revenues at least sufficient to cover all operating and maintenance costs of the Project.

(b) The Borrower shall, in addition, make arrangements or cause arrangements to be made providing for the recovery, on reasonable terms and conditions, from the beneficiaries of the Project of as much as practicable of the moneys invested in the Project together with reasonable interest thereon. Such arrangements shall be subject to periodic review at intervals not exceeding five years.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

Article VI

MISCELLANEOUS

Section 6.01. The Closing Date shall be February 28, 1968 or such other date as may from time to time be agreed between the Borrower and the Association.

Section 6.02. A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

Section 6.03. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Maliye Bakanligi
Hazine Genel Müdürlüğü
ve Milletlerarasi Iktisadi
Isbirligi Teskilati Genel Sekreterligi
Ankara, Turkey

Alternative address for cablegrams and radiograms :

Maliye
Hazine
Ankara

For the Association :

International Development Association
1818 H Street, N.W.
Washington 25, D.C.
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D.C.

Section 6.04. The Minister of Finance of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Turkey :

By K. SIBER

Authorized Representative

International Development Association :

By J. Burke KNAPP

Vice President

SCHEDULE 1

DESCRIPTION OF PROJECT

The Project is part of the Plan for irrigation, drainage and development in the Adana Plain and consists of the irrigation, drainage and development of about 53,000 irrigable hectares in those parts of the Plain known as Units 1TP, 1YP, 3YP and 4YP and the design of works for Stage II and investigations and feasibility studies for Stage III. It includes :

A. *Irrigation and Drainage*

- I. The completion of : 1) modification to the irrigation and drainage system for about 16,500 hectares in Unit 1TP; 2) irrigation and drainage works already started to serve about 36,500 hectares in Units 1YP, 3YP and 4YP; 3) construction of the easternmost main drain to the sea; and 4) reshaping and lining the 40 km right and 19 km left bank conveyance canals.
- II. Construction of the remaining tertiary laterals, drains and operating roads to make a completed irrigation and drainage system for the area included in the Project.
- III. Design of works for Stage II on Units known as 1TP, 2TP and 5YP and investigations and feasibility studies for Stage III on Units known as 3TP, 4TP, 5TP, 2YP, 3YP, 6YP, 7YP and 8YP.

B. *On-Farm Development*

On-farm development by individual land owners or farmers, carried out either directly or by the use of contractors, and consisting of 1) land leveling, 2) installation of on-farm drainage systems, 3) installation of on-farm irrigation systems, and 4) reclamation of saline and alkaline lands.

C. *Technical Assistance and Services*

The provision of necessary technical assistance and extension service to farmers to assist them in the effective use of the irrigation water made available by the Project including the operation of demonstration farms and a research station.

RELATED LETTERS

I

TURKISH EMBASSY
BOARD OF COUNSELORS FOR ECONOMIC AFFAIRS
WASHINGTON 8, D.C.

May 31, 1963

International Development Association
1818 H Street, N.W.
Washington 25, D.C.

Re : *Currency of Payment*

Gentlemen :

We refer to the Development Credit Agreement (*Seyhan Irrigation Project*) of even date¹ between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United States of America.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) (or other than one designated under this clause (ii)) we shall deliver to the Association, not less than 3 nor more than 4 months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made,

¹ See p. 128 of this volume.

failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty day period, be payable in the currency so selected.

- (v) Any designation or selection of a currency pursuant to the foregoing provisions shall be subject, in turn, to the provisions of this letter.
- (vi) For purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Republic of Turkey :
By K. SIBER
Authorized Representative

Confirmed:
International Development
Association :
By Raymond COPE

II

TURKISH EMBASSY
BOARD OF COUNSELORS FOR ECONOMIC AFFAIRS
WASHINGTON 8, D.C.

May 31, 1963

International Development Association
1818 H Street, N.W.
Washington 25, D.C.

Re : *On-Farm Development Loans*

Gentlemen :

We refer to Section 4.02 (b) of the Credit Agreement (*Seyhan Irrigation Project*) of even date between us. This is to confirm that loans to farmers in the area of the Project for the purpose of on-farm development will be on terms which provide for repayment over periods varying from 5 to 20 years depending on the nature of the work to be carried out and the ability of the borrower to repay. The loans will bear interest at the current rate for loans of this type, which is at present 5% per annum. If we propose any change in these terms we shall inform the Association in sufficient time to enable it to express its views.

The loans will be extended by the T. C. Ziraat Bankasi which will establish a special account for loans made to farmers in the area of the Project and will keep separate records and accounts showing the use and status of the loans. It will allocate sufficient staff and make adequate arrangements for the prompt processing of credit application for the efficient supervision of loans made under the Project and for the due collection of payments from the borrowers.

Loans to farmers will be made only on the basis of the farm plans prepared and approved by Topraksu and will be disbursed in tranches by T. C. Ziraat Bankasi only upon certification by Topraksu that works have been executed or expenditure incurred or that an advance of funds is needed to enable approved work to be carried out.

Very truly yours,

Republic of Turkey :
By K. SIBER
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER
GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415, p. 68.*]