

No. 7777

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
TURKEY**

**Development Credit Agreement—*Second Industrial Development Bank Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Industrial Development Bank of Turkey). Signed at Washington, on 31 August 1964**

*Official text: English.*

*Registered by the International Development Association on 14 May 1965.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
TURQUIE**

**Contrat de crédit de développement — *Deuxième Projet relatif à la Banque pour le développement industriel* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement et le Contrat relatif au Projet entre l'Association et la Banque de Turquie pour le développement industriel). Signé à Washington, le 31 août 1964**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 14 mai 1965.*

No. 7777. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*SECOND INDUSTRIAL DEVELOPMENT BANK PROJECT*) BETWEEN THE REPUBLIC OF TURKEY AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 31 AUGUST 1964

AGREEMENT, dated August 31, 1964 between the REPUBLIC OF TURKEY (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower and Turkiye Sinai Kalkinma Bankasi A.S. (the Industrial Development Bank of Turkey, hereinafter called IDB), a company organized under the laws of the Borrower, have requested the Association to assist IDB to provide loans to private enterprises in Turkey by making available to the IDB the proceeds of the development credit provided for herein; and

WHEREAS the Association is willing to make a development credit available on the terms and conditions provided herein and in a project agreement of even date herewith<sup>2</sup> between the IDB and the Association;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

CREDIT REGULATIONS; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,<sup>2</sup> with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations):

(a) Section 3.01 is deleted and the following new section is substituted therefor :

“SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of

<sup>1</sup> Came into force on 1 December 1964, upon notification by the Association to the Government of Turkey.

<sup>2</sup> See p. 130 of this volume.

the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

“(b) The proceeds of the Credit shall be withdrawn from the Credit Account :

“(i) on account of expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select;

“(ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

“(c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made.”

(b) A new Section 3.04 is inserted after Section 3.03 as follows :

“SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03.”

(c) Section 3.04 is renumbered as Section 3.05.

(d) Section 6.02 shall be amended by inserting the words “ or the Project Agreement ” after the words “ the Development Credit Agreement ”.

(e) The first sentence of paragraph 10 of Section 9.01 shall be deleted and the following sentence shall be substituted therefor, namely :

“ 10. The term ‘ goods ’ means equipment, supplies and services required for the Qualified Project financed out of the proceeds of the Credit.”

*Section 1.02.* Wherever used in this Agreement, unless the context otherwise requires, the following terms shall have the following meanings :

(a) The term “ Project Agreement ” shall mean the agreement between the Association and the IDB of even date herewith, providing for the carrying out of the Project.

(b) The term “ first Subsidiary Loan Agreement ” shall mean the loan agreement between the Borrower and the IDB dated February 1, 1963, executed pursuant to the development credit agreement between the Borrower and the Association dated February 1, 1963.<sup>1</sup>

<sup>1</sup> According to the information provided by the International Development Association, the dates cited in this paragraph should be 23 November 1962; see United Nations, *Treaty Series*, Vol. 469, p. 3.

(c) The term “Second Subsidiary Loan Agreement” shall mean the loan agreement between the Borrower and the IDB to be executed pursuant to Section 4.01 of this Agreement.

(d) The term “Qualified Enterprise” shall mean an enterprise to which the IDB shall have made a loan in accordance with, and as provided in, Section 4.01 of this Agreement.

(e) The term “Qualified Project” shall mean a specific development project to be carried out by a Qualified Enterprise.

(f) The term “foreign currency” shall mean any currency other than currency of the Borrower.

(g) The term “Statutes” shall mean the statutes of the IDB adopted on May 12, 1950, as amended from time to time.

## Article II

### THE CREDIT

*Section 2.01.* The Association agrees to make available to the Borrower, for use by the IDB, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to five million dollars (\$5,000,000).

*Section 2.02.* The amount of the Credit shall be credited to, and may be withdrawn from, the Credit Account as provided in Article III of this Agreement.

*Section 2.03.* (a) 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.

(b) Such service charge shall be paid semi-annually on May 15 and November 15 in each year.

*Section 2.04.* The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments on each May 15 and November 15, commencing November 15, 1974, and ending May 15, 2014, each instalment to and including the instalment payable on May 15, 1984 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 per cent ( $1\frac{1}{2}$ %) of such principal amount.

## Article III

### CREDIT ACCOUNT; WITHDRAWAL OF PROCEEDS OF CREDIT

*Section 3.01.* The Association shall open a Credit Account on its books 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, the Project Agreement and the Regulations.

*Section 3.02.* (a) Subject to the provisions of paragraph (b) of this Section the IDB, pursuant to Section 9.05 of this Agreement, shall be entitled to withdraw from the Credit Account :

- (i) amounts expended for the reasonable foreign currency cost of goods required for carrying out the Qualified Project in respect of which the withdrawal is requested; and
- (ii) if the Association shall so agree, such amounts as shall be required to meet payments to be made for the reasonable foreign currency cost of such goods.

(b) No amount shall be withdrawn from the Credit Account in respect of a Qualified Project unless it shall have been approved in writing by the Association, provided, however, that withdrawals may be made in accordance with the provisions of Section 2.03 (a) (ii) of the Project Agreement on account of Qualified Projects up to a limit to be agreed from time to time between the Association and the IDB both for any one such Qualified Project and for such Qualified Projects in the aggregate.

(c) Notwithstanding the first sentence of Section 4.01 of the Regulations and except as the Association and the IDB shall otherwise agree, no withdrawals shall be made on account of :

- (i) expenditures made for any Qualified Project subject to the Association's approval more than ninety days prior to the submission of such Qualified Project to the Association for approval or, in the case of any other Qualified Project, more than ninety days prior to the application for withdrawal from the Credit Account; or
- (ii) expenditures in currency of the Borrower for goods produced in (including services supplied from) the territories of the Borrower.

*Section 3.03.* Withdrawals from the Credit Account shall be in such freely convertible currency as the Association shall from time to time reasonably select.

#### *Article IV*

##### DESCRIPTION OF THE PROJECT; USE OF PROCEEDS OF THE CREDIT

*Section 4.01.* The Project for which the Credit is granted is the provision of funds to the IDB to enable it to make loans for productive purposes to private enterprises in Turkey, all such loans to be for specific development projects, in accordance with the Statutes of the IDB and in furtherance of the corporate purposes of the IDB as therein set forth. Such funds shall be made available

to the IDB pursuant to this Agreement and to a loan agreement to be executed between the Republic and the IDB (the Second Subsidiary Loan Agreement).

### *Article V*

#### PARTICULAR COVENANTS

*Section 5.01.* Except as the Association shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive any provision of, the first Subsidiary Loan Agreement or the Second Subsidiary Loan Agreement.

*Section 5.02.* The Borrower shall not take any action that would interfere with the performance of the IDB's obligations under the Project Agreement.

*Section 5.03.* (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 the maintenance of the service of the Credit. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the maintenance of the service of the Credit.

(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 5.04.* 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 5.05.* This Agreement and the Project 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, issue, delivery or registration thereof.

*Article VI*

## REMEDIES OF THE ASSOCIATION

*Section 6.01.* (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 or in Section 6.02 of this Agreement 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.

*Section 6.02.* The following additional events are specified for the purposes of paragraph (j) of Section 5.02 of the Regulations :

(a) a default shall have occurred in the performance of any covenant or agreement on the part of the IDB under the Project Agreement or under the project agreement between the IDB and the Association dated November 23, 1962.

(b) a default shall have occurred in the payment of principal or interest or any other payment required under any loan agreement between the Bank and the IDB, or any bonds or other obligations issued thereunder.

(c) the IDB shall be unable to pay its debts as they mature or any action or proceeding shall have been taken by the IDB or by others whereby any of the property of the IDB shall or may be distributed among its creditors.

(d) any other creditor of the IDB shall have demanded payment from the IDB of monies lent to the IDB, prior to the agreed maturity of any loan having an original maturity of one year or more, in accordance with the terms of such loan.

(e) the Statutes of the IDB shall have been amended without the consent of the Association.

(f) an extraordinary situation shall have arisen which shall make it improbable that the IDB will be able to perform its obligations under the Project Agreement.

*Article VII*

## MODIFICATION OF DEVELOPMENT CREDIT AGREEMENT

DATED NOVEMBER 23, 1962

*Section 7.01.* Article 6.02 (a) of the development credit agreement (*Industrial Development Bank Project*) between the Borrower and the Association

dated November 23, 1962 is hereby amended by the addition after the words " the Project Agreement " of the words " or under the project agreement between the Association and the IDB dated August 31, 1964 ".

### *Article VIII*

#### EFFECTIVE DATE; TERMINATION

*Section 8.01.* The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Regulations :

(a) the execution and delivery of the Project Agreement on behalf of the IDB shall have been duly authorized or ratified by all necessary corporate action;

(b) the Borrower and the IDB shall have entered into the Second Subsidiary Loan Agreement containing terms and conditions satisfactory to the Association and the execution and delivery of said Second Subsidiary Loan Agreement on behalf of the Borrower and the IDB shall have been duly authorized or ratified by all necessary governmental and corporate action.

*Section 8.02.* The following are specified as additional matters, within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association :

(a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the IDB and constitutes a valid and binding obligation of the IDB in accordance with its terms;

(b) that the Second Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower and the IDB and constitutes a valid and binding obligation of the Borrower and the IDB in accordance with its terms.

*Section 8.03.* A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

### *Article IX*

#### MISCELLANEOUS

*Section 9.01.* The Closing Date shall be June 30, 1967, or such other date as may from time to time be agreed between the Borrower and the Association.

*Section 9.02.* The following addresses are specified for the purposes of Section 7.01 of the Regulations :



For the Borrower :

Maliye Bakanligi  
Hazine Genel Mudurlugu  
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, D.C. 20433  
United States of America

Alternative address for cablegrams and radiograms :

Indevas  
Washington, D.C.

*Section 9.03.* The Minister of Finance of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

*Section 9.04.* If any notice is given by the Association to the Borrower under the provisions of Sections 5.02 and 5.03 of the Regulations, copy of the same shall be simultaneously dispatched by the Association to the IDB.

*Section 9.05.* The Borrower irrevocably designates the IDB for the purposes of taking any action required or permitted to be taken under the provisions of Section 3.02 of this Agreement and Section 4.01, 4.03, 4.04 and 4.05 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.

The Republic of Turkey :

By K. SIBER  
Authorized Representative

International Development Association :

By Douglas J. FONTEIN  
Authorized Representative

## LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

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

August 31, 1964

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433

Re : *Credit No. 66 TU; Currency of Payment*

Gentlemen :

We refer to the Development Credit Agreement (*Second Industrial Development Bank Project*) of even date 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, 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 Kemal SIBER  
Authorized Representative

*Confirmed :*  
International Development  
Association :  
By Douglas J. FONTEIN

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.*]

PROJECT AGREEMENT

(*SECOND INDUSTRIAL DEVELOPMENT BANK PROJECT*)

AGREEMENT, dated August 31, 1964 between the INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and TURKIYE SINAI KALKINMA BANKASI A.S. (the Industrial Development Bank of Turkey, hereinafter called the IDB).

WHEREAS by a development credit agreement of even date herewith<sup>1</sup> (hereinafter called the Development Credit Agreement) between the Republic of Turkey (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the IDB the proceeds of a development credit in various currencies equivalent to five million dollars (\$5,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the IDB agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth; and

<sup>1</sup> See p. 112 of this volume.

WHEREAS the IDB, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

### *Article I*

#### DEFINITIONS

*Section 1.01.* Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement and in the Regulations (as so defined) shall have the respective meanings therein set forth.

### *Article II*

#### PARTICULAR COVENANTS OF THE IDB

*Section 2.01.* The IDB shall carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices, under the supervision of qualified and experienced management and in accordance with its Statutes.

*Section 2.02.* The proceeds of any amount withdrawn from the Credit Account shall be applied exclusively to the cost of goods required to carry out the Qualified Project in respect of which such amount was so withdrawn.

*Section 2.03.* (a) In respect of each Qualified Project for which the IDB intends to withdraw amounts from the Credit Account, the IDB shall submit, or cause to be submitted :

- (i) in respect of a Qualified Project which is subject to the approval of the Association pursuant to Section 3.02 (b) of the Development Credit Agreement, a request for approval, in form satisfactory to the Association, containing a description and appraisal of such Qualified Project and such other information as the Association shall reasonably request; or
- (ii) in respect of any other Qualified Project a brief description, in form satisfactory to the Association, of such Qualified Project and of the terms and conditions upon which a loan has been or will be made by the IDB for such Qualified Project.

(b) Except as the Association shall otherwise agree, requests for approval pursuant to paragraph (a) (i) of this Section and descriptions pursuant to paragraph (a) (ii) of this Section shall be submitted on or before June 30, 1966.

(c) When the IDB shall desire to withdraw any amount from the Credit Account or to request the Association to enter into a special commitment pursuant to Section 2.04 of this Agreement, the IDB shall deliver to the Association a written application in such form, and containing such statements and agreements as the Association shall reasonably request.

*Section 2.04.* (a) Upon the IDB's request and upon such terms and conditions as shall be agreed upon between the Association and the IDB, the Association may enter into special commitments in writing to pay amounts to the IDB or others in respect to the cost of goods to be financed under the Development Credit Agreement notwithstanding any subsequent suspension or cancellation.

(b) The IDB shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) on the principal amount outstanding from time to time of any special commitment entered into by the Association pursuant to paragraph (a) of this Section. Such service charge shall be payable, on May 15 and November 15 in each year, in any currency or currencies of members of the Association which the Association from time to time determines to be freely convertible or freely exchangeable by the Association for currencies of other members of the Association for the purposes of its operations. The Association and the IDB may from time to time agree on any specific such currency or currencies in which payment shall be made.

(c) No cancellation or suspension, in whole or in part, by the Association of the Borrower's right to make withdrawals from the Credit Account shall apply to amounts subject to any special commitment entered into by the Association pursuant to paragraph (a) of this Section.

*Section 2.05.* The IDB undertakes to cause that any loan made by it to a Qualified Enterprise for a Qualified Project to be financed wholly or partly out of the proceeds of the Credit will be made on terms whereby the IDB shall obtain, by the written agreement of such Qualified Enterprise or other appropriate legal means, rights adequate to protect the interests of the Association, the Borrower and the IDB, including the right to require such Qualified Enterprise to carry out and operate the Qualified Project with due diligence and efficiency and in accordance with sound business, engineering and financial standards, including the maintenance of adequate records; the right to require that the goods to be financed with the proceeds of the Credit shall be used exclusively in the carrying out of such Qualified Project; the right of the Association and the IDB to inspect such goods and the sites, works and construction included in such Qualified Project, the operation thereof and any relevant records and documents; the right to require that such Qualified Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, and that, except as the Association may otherwise agree, insurance covering marine and transit hazards on the goods financed out of the proceeds of the Credit shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable; and the right to obtain all such information as the Association or the IDB shall reasonably request relating to the foregoing and to the financial condition, administration and operation of such Qualified Enterprise; and all such other rights as a prudent lender would request. Such rights shall include appropriate provision whereby further access by such Qualified Enterprise to the use of the proceeds of the Credit may be suspended or terminated by the IDB upon failure by such Qualified Enterprise to carry out the terms of such loan.

*Section 2.06.* The IDB shall exercise its rights in relation to each Qualified Project in such manner as to protect the interests of the Association, the Borrower and the IDB.

*Section 2.07.* (a) The IDB 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, the Qualified Enterprises, the Qualified Projects and the financial condition, administration and operations of the IDB.

(b) The IDB shall maintain records adequate to record the progress of the Project and of each Qualified Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the IDB. The IDB shall enable the Association's representatives to examine such records.

*Section 2.08.* (a) The IDB 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.

(b) The IDB 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 matters covered in this Agreement. The IDB 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 performance by the IDB of its obligations under this Agreement.

*Section 2.09.* (a) Except as the Association shall otherwise agree, IDB shall not incur any long-term debt, if at the time or as a result thereof all long-term debt incurred by the IDB and then outstanding shall exceed an amount equal to four times the equity of the IDB determined in accordance with sound accounting practices.

(b) For the purposes of this Section :

- (i) the term "long-term debt" means any indebtedness of the IDB maturing more than one year after the date on which it is originally incurred;
- (ii) reference to incurring of debt shall include the assumption or guarantee of debt, and debt shall be deemed to be incurred on the date on which it is contracted;
- (iii) the term "equity" means the sum of unimpaired paid-up share capital, reserves, undistributed earnings, and such long-term advances or loans as the Association shall reasonably determine to be equity for the purposes of this Section, less such amounts as are required to cover specific known or estimated liabilities or adjustments to the stated value of assets;
- (iv) the equivalent in currency of the Borrower of amounts in any other currency shall be determined on the basis of the rate of exchange at which such other currency may be obtained by the IDB on the date of determination.

*Section 2.10.* The IDB shall maintain adequate reserves and, before determining net profit pursuant to Article 58 of the Statutes, the IDB shall set aside provisions for expected losses, all in accordance with sound financial practices.

*Section 2.11.* (a) Except as the Association shall otherwise agree, the IDB shall not cause or permit to be created on any of its property or assets any lien except : (i) liens

created on property, at the time of the purchase thereof, solely as security for the payment of the purchase price of such property; (ii) liens on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) liens arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred.

*Section 2.12.* The IDB shall at all times take all steps necessary to maintain its corporate existence and right to carry on operations and shall, except as the Association and the IDB shall otherwise agree, take all steps possible and necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

*Section 2.13.* Except as the Association and the IDB shall otherwise agree, the IDB shall not establish any subsidiary or sell, transfer, lease or otherwise dispose of all or substantially all of its assets.

*Section 2.14.* The IDB shall duly perform all its obligations under the Second Subsidiary Loan Agreement. Except as the Association and the IDB shall otherwise agree, the IDB shall not take or concur in any action which would have the effect of assigning, or of amending, abrogating or waiving any provision of, the Second Subsidiary Loan Agreement.

*Section 2.15.* The IDB shall continue to have its accounts audited at least once a year by qualified independent accountants satisfactory to the Association.

### *Article III*

#### EFFECTIVE DATE; TERMINATION

*Section 3.01.* This Agreement shall come into force and effect on the Effective Date of the Development Credit Agreement. If, pursuant to Section 8.04 of the Credit Regulations, the Association shall terminate the Development Credit Agreement, the Association shall promptly notify the IDB thereof and upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall forthwith terminate.

*Section 3.02.* This Agreement shall terminate and the obligations of the parties hereunder shall cease and determine on the date when the Second Subsidiary Loan Agreement shall terminate in accordance with its terms.

### *Article IV*

#### MISCELLANEOUS PROVISIONS

*Section 4.01.* Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram,

cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

(a) For the IDB :

Turkiye Sinai Kalkinma Bankasi A.S.  
(Industrial Development Bank of Turkey)  
Necatibey Caddesi 247, Tophane  
Istanbul, Turkey

Alternative address for cablegrams and radiograms :  
Kalkinmabank  
Istanbul

(b) For the Association :

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Alternative address for cablegrams and radiograms :  
Indevas  
Washington, D.C.

*Section 4.02.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of the IDB shall be taken or executed by the duly authorized representatives of the IDB or such other person or persons as the IDB shall designate in writing.

*Section 4.03.* The IDB shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of the IDB, take any action or execute any documents required or permitted to be taken or executed by the IDB pursuant to any of the provisions of this Project Agreement or the Development Credit Agreement and the authenticated specimen signature of each such person.

*Section 4.04.* This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

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

International Development Association :  
By Douglas J. FONTEIN  
Authorized Representative

Turkiye Sinai Kalkinma Bankasi A.S. :  
By K. SIBER  
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