

No. 8491

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
TURKEY**

**Development Credit Agreement—*Fourth Industrial Development Bank Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Turkiye Sinai Kalkinma Bankasi A.S.). Signed at Washington, on 10 August 1966**

*Official text: English.*

*Registered by the International Development Association on 28 December 1966.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
TURQUIE**

**Contrat de crédit de développement — *Quatrième projet de la Banque de 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 Turkiye Sinai Kalkinma Bankasi A.S.). Signé à Washington, le 10 août 1966**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 28 décembre 1966.*

No. 8491. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*FOURTH INDUSTRIAL DEVELOPMENT BANK PROJECT*) BETWEEN THE REPUBLIC OF TURKEY AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 10 AUGUST 1966

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AGREEMENT, dated August 10, 1966, 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 TSKB), a company organized under the laws of the Borrower, have requested the Association to assist TSKB to provide loans to private enterprises in Turkey by making available to the TSKB 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 TSKB 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) The second sentence of Section 2.02 is amended by deleting the words "at the same rate" and substituting therefor the words "at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum".

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<sup>1</sup> Came into force on 10 November 1966, upon notification by the Association to the Government of Turkey.

<sup>2</sup> See p. 258 of this volume.

(b) 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 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.”

(c) 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.”

(d) Section 3.04 is renumbered as Section 3.05.

(e) Section 6.02 is amended by inserting the words “or the Project Agreement” after the words “the Development Credit Agreement”.

(f) Section 8.04 is deleted.

(g) The first sentence of paragraph 10 of Section 9.01 is deleted and the following sentence substituted therefor, namely :

“10. The term ‘goods’ means equipment, supplies and services required by Investment Enterprises to carry out Investment Projects 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” means the agreement between the Association and the TSKB of even date herewith, providing for the carrying out of the Project.

(b) The term “first Subsidiary Loan Agreement” means the loan agreement between the Borrower and the TSKB dated November 23, 1962, executed pursuant

to the development credit agreement between the Borrower and the Association dated November 23, 1962.<sup>1</sup>

(c) The term "Second Subsidiary Loan Agreement" means the loan agreement between the Borrower and the TSKB dated August 31, 1964, executed pursuant to the development credit agreement between the Borrower and the Association dated August 31, 1964.<sup>2</sup>

(d) The term "Third Subsidiary Loan Agreement" means the loan agreement between the Borrower and the TSKB dated April 1, 1965, executed pursuant to the development credit agreement between the Borrower and the Association dated April 1, 1965.<sup>3</sup>

(e) The term "Fourth Subsidiary Loan Agreement" means the loan agreement to be executed between the Borrower and the TSKB pursuant to Section 4.01 of this Agreement.

(f) The term "Investment Enterprise" means an enterprise to which the TSKB proposes to grant or shall have granted a loan in accordance with, and as provided in, Section 4.01 of this Agreement.

(g) The term "Investment Project" means a specific investment project to be carried out by an Investment Enterprise as submitted to the Association for approval pursuant to Section 2.03 (a) (i) of the Project Agreement, or in respect of which a description shall have been submitted pursuant to the provisions of Section 2.03 (a) (ii) of the Project Agreement.

(h) The term "Lira" and the letters "TL" mean currency of the Borrower.

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

(j) The term "Statutes" means the statutes of the TSKB adopted on May 12, 1950, as amended from time to time.

(k) The term "Government Loan Agreement" means the agreement between the Ministry of Finance of the Borrower and the TSKB dated February 18, 1966, under which the TSKB was granted a long-term loan of TL 368,086,259.96.

## Article II

### THE CREDIT

*Section 2.01.* The Association agrees to make available to the Borrower, for use by the TSKB, on the terms and conditions in this Agreement set forth or referred

<sup>1</sup> United Nations, *Treaty Series*, Vol. 469, p. 3.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 535, p. 111.

<sup>3</sup> United Nations, *Treaty Series*, Vol. 554, p. 137.

to, a development credit in an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

*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 April 1 and October 1 in each year.

*Section 2.04.* The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual installments on each April 1 and October 1, commencing April 1, 1976, and ending October 1, 2015, each installment to and including the installment payable on October 1, 1985, to be one-half of one per cent ( $\frac{1}{2}$  of 1%) of such principal amount, and each installment 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 right of cancellation and suspension set forth in, the Credit Agreement and the Project Agreement.

*Section 3.02. (a)* Subject to the provisions of paragraph *(b)* of this Section the TSKB, pursuant to Section 8.05 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 Investment 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 an Investment 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 in respect of the foreign currency costs of Investment Projects up to a limit to be agreed from time to time between the Association and the TSKB for any one such Investment Project in respect of which, except as the Association shall otherwise agree, no credit has theretofore been

made to a loan or credit account under this Agreement or under any other agreement between the Bank and TSKB or the Association and the Borrower.

(c) Notwithstanding the first sentence of Section 4.01 of the Regulations and except as the Association and the TSKB shall otherwise agree, no withdrawals shall be made on account of expenditures made by any Investment Enterprise for any Investment Project subject to the Association's approval more than ninety days prior to the date on which the Association shall have received in respect of such Project the application required under Section 2.03 (a) (i) of the Project Agreement or, in the case of any other Investment Project, more than ninety days prior to the receipt of the description thereof by the Association pursuant to Section 2.03 (a) (ii) of the Project Agreement.

#### *Article IV*

##### DESCRIPTION OF PROJECT

*Section 4.01.* The Project for which the Credit is granted is a program to contribute to the economic development of Turkey through the provision of funds to the TSKB to enable it to make loans for productive purposes to private enterprises in Turkey for specific investment projects, all in accordance with the Statutes of the TSKB and in furtherance of the corporate purposes of the TSKB as therein set forth. Such funds shall be made available to the TSKB pursuant to this Agreement and to a loan agreement to be executed between the Borrower and the TSKB on terms and conditions satisfactory to the Association.

#### *Article V*

##### PARTICULAR COVENANTS

*Section 5.01.* The Borrower shall not assign, amend, abrogate or waive any provision of, the first Subsidiary Loan Agreement, the Second Subsidiary Loan Agreement, the Third Subsidiary Loan Agreement, the Fourth Subsidiary Loan Agreement or the Government Loan Agreement nor permit such actions without the approval of the Association.

*Section 5.02.* The Borrower shall not take any action or permit any of its agencies or instrumentalities to take any action which would prevent or materially interfere with the carrying on by the TSKB of its operations and enterprise in an efficient and businesslike manner, or with the performance by the TSKB of any of its covenants, agreements and 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, 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 or in paragraph (b), or (g) of Section 6.02 of this Agreement shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) or (d) of Section 6.02 of this Agreement shall occur or (iii) if any event specified in paragraph (b) of Section 5.02 of the Regulations or in paragraph (a) or (e) of 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 TSKB under the Project Agreement or under any other project agreement between the TSKB and the Association.

(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 TSKB, or any bonds or other obligations issued thereunder.

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

(d) Any other creditor of the TSKB shall have demanded payment from the TSKB of monies lent to the TSKB, 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 TSKB shall have been amended without the prior approval of the Association.

(f) An extraordinary situation shall have arisen which shall make it improbable that the TSKB will be able to perform its obligations under the Project Agreement or under any other project agreement between the TSKB and the Association.

(g) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the TSKB or for the suspension of its operations.

#### Article VII

##### EFFECTIVE DATE ; TERMINATION

*Section 7.01.* 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 TSKB shall have been duly authorized or ratified by all necessary corporate action ;

(b) The Borrower and the TSKB shall have entered into the Fourth Subsidiary Loan Agreement and the execution and delivery of said Fourth Subsidiary Loan Agreement on behalf of the Borrower and the TSKB shall have been duly authorized or ratified by all necessary governmental and corporate action ; and

(c) All conditions to the effectiveness of the Loan Agreement of even date herewith between the Bank and the TSKB shall have been fulfilled.

*Section 7.02.* 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 TSKB and constitutes a valid and binding obligation of the TSKB in accordance with its terms ;



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

*Section 7.03.* If this Development Credit Agreement shall not have come into force and effect by December 31, 1966, this Development Credit Agreement and all obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay establishes a later date for purposes of this Section. The Association shall promptly notify the Borrower and the TSKB of such later date.

### *Article VIII*

#### MISCELLANEOUS

*Section 8.01.* The Closing Date shall be December 31, 1969, or such other date as may from time to time be agreed between the Borrower and the Association.

*Section 8.02.* 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  
Isbirliigi 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 8.03.* The Minister of Finance of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

*Section 8.04.* 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 TSKB.

*Section 8.05.* The Borrower irrevocably designates the TSKB for the purposes of taking any action required or permitted to be taken under the provisions of Section 3.02 of this Agreement and Sections 4.01, 4.03, 4.04 and 4.05 of the Regulations.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereto 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 Zeki TOKER  
Authorized Representative

International Development Association :

By Simon ALDEWERELD  
Vice President

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

TURKISH EMBASSY  
WASHINGTON, D.C.

August 10, 1966

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

*Credit No. 91 TU (Fourth Industrial Development Bank Project)*  
*Currency of Payment*

Dear Sirs,

We refer to the Development Credit Agreement (*Fourth 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 than one theretofore designated pursuant to this clause (ii) or selected pursuant to clause (iv), we shall deliver to the Association, not less than three nor more than four 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) For the 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 Zeki TOKER  
Authorized Representative

*Confirmed :*

International Development Association :

By S. R. COPE

## 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

*(FOURTH INDUSTRIAL DEVELOPMENT BANK PROJECT)*

AGREEMENT, dated August 10, 1966, 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 TSKB).

WHEREAS by a development credit agreement of even date herewith (hereinafter called the Development Credit Agreement<sup>1</sup>) between the Republic of Turkey (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the TSKB the proceeds of a development credit in various currencies equivalent to fifteen million dollars (\$15,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the TSKB agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth; and

WHEREAS the TSKB 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, and the following terms shall have the following meanings unless the context otherwise requires:

(a) The term "sub-loan" means a loan or credit made or proposed to be made out of the proceeds of the Credit to an Investment Enterprise for an Investment Project.

(b) The term "subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest shall be owned, or which shall be effectively

<sup>1</sup> See p. 238 of this volume.

controlled, by the TSKB or by any one or more subsidiaries of the TSKB or by the TSKB and one or more of its subsidiaries.

## Article II

### PARTICULAR COVENANTS OF THE TSKB

*Section 2.01.* The TSKB shall carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices, with qualified and experienced management and personnel 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 Investment Project in respect of which such amount was so withdrawn.

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

- (i) in respect of an Investment Project which is subject to the approval of the Association pursuant to Section 3.02 (b) of the Development Credit Agreement, an application for approval, in form satisfactory to the Association, containing a description and appraisal of such Investment Project, the terms and conditions of TSKB's sub-loan to the Investment Enterprise, including the amortization schedule proposed therefor, and such other information as the Association shall reasonably request ; or
- (ii) in respect of any other Investment Project, a brief description, in form satisfactory to the Association, of such Investment Project and of the terms and conditions of TSKB's sub-loan for such Investment Project, including the schedule of amortization therefor.

(b) Except as the Association shall otherwise agree, applications 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 September 30, 1968.

(c) The amortization schedules of the sub-loans shall provide for appropriate periods of grace, and, except as the Association and the TSKB shall otherwise agree, (i) shall not extend beyond fifteen years from the date when the corresponding amounts are withdrawn from the Credit Account, and (ii) shall provide for approximately equal semi-annual, or more frequent, aggregate payments of principal plus interest, or payments of principal.

(d) When the TSKB 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 TSKB 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 TSKB's request and upon such terms and conditions as shall be agreed upon between the Association and the TSKB the Association may enter into special commitments in writing to pay amounts to the TSKB or others in respect of

the cost of goods to be financed under the Development Credit Agreement notwithstanding any subsequent suspension or cancellation.

(b) The TSKB shall pay to the Association a service charge at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum 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 January 15 and July 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 TSKB 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.* (a) The TSKB shall exercise its rights in relation to each Investment Project financed in whole or in part out of the proceeds of the Credit in such manner as to protect the interests of the Association, the Borrower and the TSKB.

(b) Each sub-loan granted by the TSKB shall be granted on terms whereby the TSKB shall obtain, by written agreement or by other appropriate means, rights adequate to protect the interests of the Association, the Borrower and TSKB including the right to require the Investment Enterprise to carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical 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 the Investment Project; the right of the Association and the TSKB to inspect such goods and the sites, works and construction included in the Investment Project, the operation thereof and any relevant records and documents; the right to require that the Investment Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound practice, and that, except as the Association shall otherwise agree, such insurance shall cover marine, transit and other hazards incident to acquisition, transportation and delivery of the goods financed out of the proceeds of the Credit to the place of use or installation and that any indemnity thereunder shall be payable in a currency freely usable by the Investment Enterprise to replace or repair such goods; the right to obtain all such information as the Association or the TSKB shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise; and the right of the TSKB to suspend and terminate access by the Investment Enterprise to the use of the proceeds of the Credit upon failure by such Enterprise to carry out the terms of such sub-loan.

*Section 2.06.* (a) The TSKB shall furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the Investment Enterprises, the Investment Projects, the sub-loans and the administration, operations and the financial condition of the TSKB.

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

*Section 2.07.* (a) The TSKB and the Association shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that end, the Association and the TSKB shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the performance by the TSKB of its obligations under the Project Agreement, the administration, operations and financial condition of the TSKB and any other matters relating to the Credit.

(b) The TSKB 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 TSKB of its obligations under this Agreement.

*Section 2.08.* Except as the Association shall otherwise agree, TSKB shall not increase its debt if after such increase the aggregate amount of the debt of the TSKB then outstanding would exceed an amount equal to four times the equity of the TSKB determined in accordance with this Section and with sound accounting practices. For the purposes of this Section :

(a) The term "debt" means any debt incurred by the TSKB including debt assumed or guaranteed by the TSKB, maturing more than one year after the date on which it is originally incurred ;

(b) Debt shall be deemed to be incurred on the date when

- (i) such debt becomes outstanding and repayable in accordance with the agreement providing therefor, or
- (ii) TSKB shall have contracted with a third party to relend the proceeds of such debt, or,
- (iii) in the case of guarantees, TSKB shall have entered into an agreement guaranteeing such debt.

(c) The term "equity" means the sum of unimpaired paid-up share capital, reserves and undistributed earnings, plus the principal amount outstanding and not due for repayment within a year under the Government Loan Agreement, and such other long-term advances or loans as the Association shall determine to be equity for the purposes of this Section, less such amounts as are required to cover adjustments to the stated value of assets ;

(d) Whenever in connection with this Section it shall be necessary to value in terms of Lira debt repayable in a foreign currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such foreign currency is, at the time of such valuation, obtainable for the purposes of servicing such debt.

*Section 2.09.* Except as the Association shall otherwise agree, the TSKB 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 purchase thereof, solely as security for the payment of the purchase price of such property or (ii) 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 2.10.* The TSKB 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 TSKB 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 2.11.* Except as the Association and the TSKB shall otherwise agree, the TSKB shall not establish any subsidiary or sell, transfer, lease or otherwise dispose of all or substantially all of its assets. In the event that the TSKB establishes or acquires any subsidiary, the TSKB shall cause such subsidiary to observe and perform the obligations of the TSKB hereunder to the extent to which the same are, or can be applied thereto, as though such obligations were binding upon such subsidiary.

*Section 2.12.* The TSKB shall duly perform all its obligations under the Fourth Subsidiary Loan Agreement and under the Government Loan Agreement. Except as the Association and the TSKB shall otherwise agree, the TSKB shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving any provision of, the Fourth Subsidiary Loan Agreement or of the Government Loan Agreement.

*Section 2.13.* Without the prior approval of the Association, no repayment in advance of maturity shall be made in respect of the Government Loan Agreement.

*Section 2.14.* The TSKB shall furnish to the Association, as soon as available, but in any event within 120 days after the end of each fiscal year of the TSKB, a report audited and certified by an independent auditor satisfactory to the Association stating accurately, in accordance with consistently maintained sound accounting standards, the financial condition of the TSKB.

### *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 the provisions thereof the Development Credit Agreement shall terminate, the Association shall promptly notify the TSKB 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 Fourth 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 :

For the TSKB :

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

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 TSKB shall be taken or executed by the duly authorized representatives of the TSKB or such other person or persons as the TSKB shall designate in writing.

*Section 4.03.* The TSKB shall furnish to the Association sufficient evidence of the authority of the person or persons who will on behalf of the TSKB, take action or execute any documents required or permitted to be taken or executed by the TSKB 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 SIMON ALDEWERELD  
Vice President

Turkiye Sinai Kalkinma Bankasi A.S. :

By Zeki TOKER  
Authorized Representative