

No. 11447

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
TURKEY**

**Guarantee Agreement—*Power Transmission Project*  
(with annexed General Conditions Applicable to Loan  
and Guarantee Agreements and Loan Agreement  
between the Bank and the Turkiye Elektrik Kurumu). Signed at Washington on 22 June 1971**

*Authentic text: English.*

*Registered by the International Bank for Reconstruction and Development on 16 December 1971.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
TURQUIE**

**Contrat de garantie—*Projet relatif au transport de l'énergie électrique* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat d'emprunt entre la Banque et la Turkiye Elektrik Kurumu). Signé à Washington le 22 juin 1971**

*Texte authentique: anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 16 décembre 1971.*

## GUARANTEE AGREEMENT<sup>1</sup>

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AGREEMENT dated June 22, 1971, between the REPUBLIC OF TURKEY (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith<sup>2</sup> between the Bank and Turkiye Elektrik Kurumu (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty four million dollars (\$24,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agrees to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows:

### *Article I.* GENERAL CONDITIONS; DEFINITIONS

*Section 1.01.* The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,<sup>3</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Section 1.01 of the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

### *Article II.* GUARANTEE; BONDS; PROVISION OF FUNDS

*Section 2.01.* Without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan and the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

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<sup>1</sup> Came into force on 4 October 1971, upon notification by the Bank to the Government of Turkey.

<sup>2</sup> See p. 131 of this volume.

<sup>3</sup> *Ibid.*

*Section 2.02.* The Guarantor shall endorse, in accordance with the provisions of the General Conditions, its guarantee on the Bonds to be executed and delivered by the Borrower. The Minister of Finance of the Guarantor and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

*Section 2.03.* Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

### Article III. OTHER COVENANTS

*Section 3.01. (a)* It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

*(b)* To that end the Guarantor (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Guarantor to the Bank, and (ii) undertakes that if any such lien shall be created on any assets of the Guarantor, or of the T.C. Merkez Bankasi or any other institution performing the functions of a central bank, it will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds and in the creation of any such lien express provision will be made to that effect. The Guarantor shall promptly inform the Bank of the creation of any such lien.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision.

*Section 3.02.* The Guarantor covenants that it will not take, or cause or permit any of its political subdivisions or any of its agencies or any agency of any such political subdivisions to take any action which would prevent or interfere with the performance by the Borrower of its obligations contained in the Loan Agreement and will take or cause to be taken all reasonable action necessary or appropriate to enable the Borrower to obtain the annual return specified in Section 5.05 of the Loan Agreement and to perform its other obligations under the Loan Agreement.

*Section 3.03.* The Guarantor shall take all such measures as shall be necessary in order to facilitate the importation by the Borrower of goods to be financed out of the proceeds of the Loan purchased outside Turkey in accordance with the provisions of the Loan Agreement.

### Article IV. CONSULTATION AND INFORMATION

*Section 4.01.* The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Guarantor and the Bank shall from time to time, at the request of either party: (i)

exchange views through their representatives with regard to the performance of their respective obligations under the Guarantee Agreement, any amendments to the Turkish Electricity Authority Law (No. 1312) that may be under consideration or other matters relating to the purposes of the Loan; and (ii) furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor, including its balance of payments, and the external debt of the Guarantor, of any of its political subdivisions and of any agency of the Guarantor or of any such political subdivision.

*Section 4.02.* (a) The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(b) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

#### Article V. TAXES AND RESTRICTIONS

*Section 5.01.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the foregoing shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

*Section 5.02.* The Guarantee Agreement, the Loan Agreement, any instrument made pursuant to Section 3.01 of this Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Guarantor shall, in respect of any instrument made pursuant to such Section 3.01, pay all such taxes, if any, imposed under the laws of any other country or countries.

*Section 5.03.* The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls or moratoria of any nature imposed under the laws of the Guarantor or laws in effect in its territories.

#### Article VI. REPRESENTATIVE OF THE GUARANTOR; ADDRESSES

*Section 6.01.* The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

*Section 6.02.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Guarantor:

Maliye Bakanligi  
Hazine Genel Mudurlugu ve Milletlerarasi Iktisadi

İsbirligi Teskilati Genel Sekreterligi  
Ankara, Turkey

Cable address:

Maliye  
Hazine  
Ankara

For the Bank:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Intbafrad  
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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 AHMET TUFAN GUL  
Authorized Representative

International Bank for Reconstruction and Development:

By J. BURKE KNAPP  
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*]

#### LOAN AGREEMENT

AGREEMENT, dated June 22, 1971, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and TURKIYE ELEKTRİK KURUMU (the Turkish Electricity Authority hereinafter called the Borrower).

WHEREAS (A) By a loan agreement dated October 31, 1968,<sup>1</sup> between the Republic of Turkey (hereinafter called the Guarantor) and the Bank, which said agreement is hereinafter called the 1968 Loan Agreement, the Bank granted a loan to the Guarantor for relending to Etibank, a legal entity established by Law No. 2805 dated June 14, 1935, of the Guarantor, for the development of electric power services in Turkey, upon terms and conditions set forth in the 1968 Loan Agreement and a

<sup>1</sup> United Nations, *Treaty Series*, vol. 676, p. 279.

project agreement also dated October 31, 1968,<sup>1</sup> between the Bank and Etibank, which said agreement is hereinafter called the 1968 Project Agreement.

(B) Reference was made in the 1968 Loan Agreement to the Guarantor's intention to create an autonomous Turkish Electricity Authority and it was provided in Section 1.04 of the 1968 Loan Agreement that such entity would, after its creation, be substituted for Etibank in the 1968 Loan Agreement and the 1968 Project Agreement on terms and conditions set forth in these two agreements.

(C) The Borrower was created by the Turkish Electricity Authority Law No. 1312 dated July 15, 1970, and has taken over the electric power functions and related assets and liabilities of Etibank and assumed the obligations of Etibank under the 1968 Project Agreement.

(D) The Borrower has now requested a loan from the Bank to assist in the financing of a project for the further development of electric power services in Turkey and the Bank has agreed to make such a loan to the Borrower upon the terms and conditions hereinafter set forth.

NOW THEREFORE the parties hereto hereby agree as follows:

#### *Article I. GENERAL CONDITIONS; DEFINITIONS*

*Section 1.01.* The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,<sup>2</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof and to the amendment of Section 6.02 (i) thereof to read as follows: "Any event specified in paragraph (e) or (f) of Section 7.01 shall have occurred." (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth.

#### *Article II. THE LOAN*

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to twenty four million dollars (\$24,000,000).

*Section 2.02.* The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed under the Loan Agreement and in respect of interest and other charges on the Loan; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

*Section 2.03.* Except as the Bank shall otherwise agree, the goods and services (other than services of consultants) required for the project and to be financed out of the proceeds of the Loan, shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, as revised in May 1971,

<sup>1</sup> United Nations, *Treaty Series*, vol. 676, p. 279.

<sup>2</sup> See p. 131 of this volume.

and in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

*Section 2.04.* The Closing Date shall be March 31, 1975, or such other date as shall be agreed between the Bank and the Borrower.

*Section 2.05.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

*Section 2.06.* The Borrower shall pay interest at the rate of seven and one quarter per cent ( $7\frac{1}{4}\%$ ) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

*Section 2.07.* Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

*Section 2.08.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

*Section 2.09.* If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

*Section 2.10.* The General Manager of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

### Article III. EXECUTION OF THE PROJECT

*Section 3.01.* The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and electrical utility standards and practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

*Section 3.02.* In order to assist the Borrower in the preparation of plans and specifications and the supervision of the construction of the works included in Part A (1) of the Project and works related thereto, the Borrower shall employ engineering consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank.

*Section 3.03.* In carrying out the Project, the Borrower shall employ contractors acceptable to, and to the extent and upon terms and conditions satisfactory to the Bank and the Borrower.

*Section 3.04.* (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

*Section 3.05.* (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project: (ii) shall enable the Bank's representatives to visit the Project, and see the goods financed out of

the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

#### Article IV. MANAGEMENT AND OPERATIONS OF THE BORROWER

*Section 4.01.* The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with sound electrical utility practice.

*Section 4.02.* The Borrower shall at all times manage its affairs, plan the development of its properties and facilities, and maintain its financial position all in accordance with sound engineering, public utility, financial and business principles and practices; and shall cause its plant, equipment, properties and facilities to be maintained and all necessary renewals and repairs thereto be made, all in accordance with sound engineering and public utility practices.

*Section 4.03.* The Borrower shall not, without the consent of the Bank, sell, lease, transfer, mortgage or otherwise dispose of any of its assets which shall be required for the efficient carrying out of its business and undertakings, including the carrying out of the Project.

*Section 4.04.* The Borrower shall at all times take all steps necessary to acquire, maintain and renew all rights, powers, privileges, licenses, concessions and franchises which are necessary or useful in the conduct of its business.

*Section 4.05.* Except as the Bank shall otherwise agree, the Borrower shall obtain title to all goods financed in whole or in part with the proceeds of the Loan free and clear of all encumbrances.

#### Article V. FINANCIAL COVENANTS

*Section 5.01.* The Borrower shall introduce and maintain records and accounts satisfactory to the Bank to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition.

*Section 5.02.* The Borrower shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than five months after the end of each such year, (A) certified copies of its financial statements for such year as so audited; (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; (C) conformed copies of the said financial statements and auditors report in English and (iii) furnish to the Bank in English such other information concerning the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

*Section 5.03.* (a) The Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt except as otherwise disclosed in writing by the Borrower to the Bank.

(b) The Borrower undertakes that, except as the Bank shall otherwise agree (a) if the Borrower shall create any lien on any of its assets as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; and (b) if any lien shall be created on any assets of the Borrower, other than under paragraph (a) above, as security for any debt, the Borrower shall grant to the Bank an equivalent lien satisfactory to the Bank; provided, however, that the foregoing provisions of this Section shall not apply to: (i)



any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.

*Section 5.04.* Except as the Bank shall otherwise agree, the Borrower shall not with effect from January 1, 1973, incur any debt, other than for money borrowed for financing the Project, unless its net revenues for the fiscal year next preceding such incurrence or for a later twelve-month period ended prior to such incurrence, whichever is the greater, are at least 1.5 times the maximum debt service requirement for any succeeding fiscal year on all debt incurred by it, including the debt to be incurred. For the purposes of this Section:

1. The term "debt" shall mean all indebtedness maturing by its terms more than one year after the date on which it is originally incurred.

2. Debt shall be deemed to be incurred on the date of execution and delivery of a contract, loan agreement or other instrument providing for such debt.

3. The term "net revenues" shall mean gross revenues from all sources, adjusted to take account of the Borrower's electricity tariffs in effect at the time of the incurrence of debt even though they were not in effect during the fiscal year or twelve-month period to which such revenues relate, less all operating and administrative expenses adjusted to reflect the level of employment costs and fuel costs in effect at the time of the incurrence of the debt, including gratuities payable under the Turkish Electricity Authority Law and provision for taxes, if any, but before provision covering depreciation, and interest and other charges on debt.

4. The term "debt service requirement" shall mean the aggregate amount of repayments of principal (including sinking fund payments, if any), interest and other charges on debt.

5. Whenever for the purposes of this Section it shall be necessary to value, in terms of Turkish Lira, debt payable in another currency, such valuation shall be made on the basis of the prevailing rate of exchange as determined by the T.C. Merkez Bankasi.

*Section 5.05.* Except as the Bank shall otherwise agree, the Borrower shall take promptly as needed all such action as shall be required to provide in any fiscal year an annual return on the average of the realistic net value of the fixed assets in service at the beginning and at the end of such fiscal year at a rate of not less than eight per cent (8%) commencing with the fiscal year starting on January 1, 1971. Except as the Bank shall otherwise agree, the said annual return shall be calculated in accordance with the method specified in Schedule 5 to this Agreement and to the extent that this method is inconsistent with the one specified in Schedule 2 to the 1968 Project Agreement, the method specified in Schedule 5 to this Agreement shall govern.

*Section 5.06.* Except as the Bank shall otherwise agree, the Borrower shall continue to include in its electricity supply contracts and enforce a provision that its charges will automatically be adjusted to take account of changes in the Borrowers' fuel costs.

*Section 5.07.* The Borrower shall, as early as possible but not later than December 31, 1972, revise its books in order to reflect the agreed changes in gross values of fixed assets in service and accumulated provisions for depreciation of those assets based on such revised values in accordance with the method specified in Schedule 5 to this Agreement.

#### Article VI. CONSULTATION AND INFORMATION

*Section 6.01.* The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower

shall from time to time, at the request of either party exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the operations and financial condition of the Borrower and other matters relating to the purposes of the Loan.

*Section 6.02.* The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the management, operations and financial condition of the Borrower.

*Section 6.03.* The Bank and the Borrower shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by either of them of its obligations under the Loan Agreement.

*Section 6.04.* The Borrower shall enable the Bank's representatives to visit all plants, installations, sites, works, buildings, property and equipment of the Borrower and see any relevant records and documents.

#### *Article VII. TAXES*

*Section 7.01.* The Borrower shall pay or cause to be paid all taxes, if any, imposed on or in connection with the execution, issue, delivery or registration of the Loan Agreement, any instrument made pursuant to Section 5.03 of this Agreement, the Guarantee Agreement<sup>1</sup> or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation, under the laws of the Guarantor or laws in effect in its territories, of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

#### *Article VIII. REMEDIES OF THE BANK*

*Section 8.01.* If any event specified in Section 7.01 of the General Conditions or in Section 8.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower and the Guarantor declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

*Section 8.02.* For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) The outstanding principal of the loan provided for in the 1968 Loan Agreement shall have been declared, or become, due and payable in advance of the agreed maturity thereof in accordance with its terms;
- (b) A default shall have occurred in the performance of any covenant or agreement assumed by the Borrower under the 1968 Project Agreement.
- (c) The Turkish Electricity Authority Law shall have been amended in a manner which adversely affects the Borrower's ability to carry out the Project.

#### *Article XI.<sup>2</sup> EFFECTIVE DATE; TERMINATION*

*Section 9.01.* The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions, namely, that the Borrower in agreement with the Bank shall have put into effect an increased tariff for electric power.

<sup>1</sup> See p. 128 of this volume.

<sup>2</sup> Should read "Article IX"—Devrait se lire «Article IX».

*Section 9.02.* The following is specified as an additional matter, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the increased tariff for electricity referred to in Section 9.01 of this Agreement is valid and binding in accordance with its terms and that no other authorizations or formalities are required to make it effective.

*Section 9.03.* The date September 15, 1971, is hereby specified for the purposes of Section 11.04 of the General Conditions.

#### *Article X. ADDRESSES*

*Section 10.01.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Bank:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Intbafrad  
Washington, D.C.

For the Borrower:

Türkiye Elektrik Kurumu  
Genel Mudurlugu  
Necatibey Caddesi 36  
Sihhiye-Ankara  
Turkey

Cable address:

Tek  
Ankara

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

International Bank for Reconstruction and Development:

By J. BURKE KNAPP  
Vice President

Türkiye Elektrik Kurumu:

By AHMET TUFAN GUL  
Authorized Representative

#### SCHEDULE 1

##### WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the categories of items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each category:

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>
I. Transmission and Substation equipment, materials and installation (Parts A(1) and A(2) of the Project) . . . . .	18,300,000
II. Distribution capacitors (Part A(3) of the Project) . . . . .	400,000
III. Special vehicles and testing equipment (Part B(1) of the Project) . . . . .	1,900,000
IV. Consultants services and training (Part B(2) of the Project) . . . . .	200,000
V. Interest and other charges on the Loan accrued on or before March 31, 1975 . . . . .	2,000,000
VI. Unallocated . . . . .	1,200,000
	<u>TOTAL 24,000,000</u>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) expenditures prior to the date of this Agreement; and
- (b) payments for taxes imposed under the laws of the Guarantor or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above:

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan;
- (b) if the estimate of the expenditures under any Category shall increase, a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

## SCHEDULE 2

### DESCRIPTION OF THE PROJECT

The Project consists of

- A. (1.) The provision of 380-kV substations at Adapazari and Kayseri, and additions at Umraniye, and the increasing of the capacity of the series-capacitor banks at Kayseri.
- (2.) The provision of about 2,800 km of 154-kV transmission lines and about 1,000 km of 30-kV subtransmission lines, and substations with a capacity of about 1,330 MVA.
- (3.) Provision of about 100 MVAR of low-voltage capacitors to be installed on the distribution system in Istanbul.
- B. (1.) The provision of special vehicles and testing equipment for use by TEK's construction and operations departments in undertaking Part A of the Project and works related thereto.
- (2.) Extra High Voltage studies, training of TEK staff, training aids including computer software and related consultants services.

The Project is expected to be completed by September 30, 1974.

## SCHEDULE 3

## AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
October 1, 1975	250,000	April 1, 1986	530,000
April 1, 1976	260,000	October 1, 1986	550,000
October 1, 1976	270,000	April 1, 1987	570,000
April 1, 1977	280,000	October 1, 1987	590,000
October 1, 1977	290,000	April 1, 1988	610,000
April 1, 1978	300,000	October 1, 1988	635,000
October 1, 1978	310,000	April 1, 1989	655,000
April 1, 1979	325,000	October 1, 1989	680,000
October 1, 1979	335,000	April 1, 1990	705,000
April 1, 1980	345,000	October 1, 1990	730,000
October 1, 1980	360,000	April 1, 1991	760,000
April 1, 1981	370,000	October 1, 1991	785,000
October 1, 1981	385,000	April 1, 1992	815,000
April 1, 1982	400,000	October 1, 1992	845,000
October 1, 1982	415,000	April 1, 1993	875,000
April 1, 1983	430,000	October 1, 1993	905,000
October 1, 1983	445,000	April 1, 1994	940,000
April 1, 1984	460,000	October 1, 1994	970,000
October 1, 1984	475,000	April 1, 1995	1,005,000
April 1, 1985	495,000	October 1, 1995	1,045,000
October 1, 1985	510,000	April 1, 1996	1,090,000

\* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

## PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	$\frac{3}{4}\%$
More than three years but not more than six years before maturity	$2\frac{1}{4}\%$
More than six years but not more than eleven years before maturity	3%
More than eleven years but not more than sixteen years before maturity	$4\frac{1}{2}\%$
More than sixteen years but not more than twenty-one years before maturity	$5\frac{3}{4}\%$
More than twenty-one years but not more than twenty-three years before maturity	$6\frac{3}{4}\%$
More than twenty-three years before maturity	$7\frac{1}{4}\%$

## SCHEDULE 4

## PROCUREMENT

1. With respect to any contract for civil works or equipment estimated to cost US\$50,000 equivalent or more:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedure to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Bank shall reasonably request. Any further modification or addition to the bidding documents shall require the Bank's concurrence before they are issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the reasons for the intended award. The Bank shall promptly inform the Borrower whether it has any objection to the intended award and shall state the reasons for any such objection it may have.

(c) If the contract shall be awarded over the Bank's reasonable objection or if its terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditures thereunder shall be financed out of the proceeds of the Loan.

(d) A conformed copy of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract.

2. For the purpose of evaluating bids for goods and associated services (other than the services of consultants) included in Categories I, II and III of the table set out in paragraph 1 of Schedule 1 to this Agreement, bid prices shall be determined and compared in accordance with the following rules:

(a) the term "Local Bid" means a bid submitted by a manufacturer established in the territories of the Borrower for goods manufactured or processed to a substantial extent in such territories: any other bid shall be deemed to be a "Foreign Bid":

(b) the bid price under a Local Bid shall be the ex-factory price of such goods;

(c) for the purpose of comparing any Foreign Bid with any Local Bid, the bid price under a Foreign Bid shall be the sum of the following amounts:

(i) the c.i.f. (Istanbul) price of such goods; and

(ii) the amount of any taxes on the importation of such goods into the territories of the Borrower which generally apply to non-exempt importers, or 15% of the amount specified in (i) above, whichever shall be the lower.

3. With respect to any other contract, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract, a conformed copy of such contract and details of the procurement procedure followed by the Borrower, including an evaluation of bids. The Bank shall promptly inform the Borrower if it finds that the award of the contract is not consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or with the Loan Agreement and, in such event, no expenditure under such contract shall be financed out of the proceeds of the Loan.

4. Before awarding any contract for goods contained in Category II of Schedule 1 to this Agreement the Borrower shall enter into an agreement satisfactory to the Bank with the authority responsible for electric power distribution in the city of Istanbul providing for the installation of such goods.

## SCHEDULE 5

## METHOD FOR CALCULATING ANNUAL RETURN

(i) For the purposes of this Schedule:

(a) the term “fixed power assets” means all electric power plants, substations, transmission lines and related facilities and assets owned by the Borrower, except those which are financed from the Village Electrification Fund referred to in Article 4 of the Turkish Electricity Authority Law.

(b) the term “realistic net value” of the fixed power assets in service means the gross value of fixed power assets valued as provided in this Schedule, less accumulated depreciation on such value and the amount of customer contributions.

(c) the term “operating income” shall mean the difference between all revenues from the generation, transmission, distribution or sale of electricity and other services incidental thereto performed by the Borrower and all operating and administrative expenses (including gratuities payable under the Turkish Electricity Authority Law or otherwise, adequate provision for maintenance and repairs, provision for the depreciation of all fixed power assets in service and for taxes). Other revenues or income (e.g. from security interests or from work as a contractor) and the expenses and taxes relating thereto shall be disregarded in determining the operating income.

(ii) The annual return specified in Section 5.05 of this Agreement shall be calculated, in respect of each fiscal year, by using as the denominator the average of the realistic net values of the fixed power assets in service at the beginning and at the end of each such year and as numerator the operating income of the Borrower for the same year. During the period of the construction of Part A of the Project the earnings and rate of return of the Borrower shall be calculated and reviewed at least semi-annually, once in April when the audited actuals of operating results of the completed fiscal year are available and again in September when the budget is in an advanced stage of preparation. The results of such review and the measures proposed, if necessary, to secure the required annual return shall be promptly communicated to the Bank. The calculation in respect of the completed fiscal year shall be based on actual values and income, and in respect of the current and subsequent fiscal years on realistic estimates.

(iii) Except as may otherwise be agreed between the Bank and the Borrower, any overrun in the required annual return for a fiscal year may be carried forward and applied to offset any shortfall in any one or more of the next three fiscal years, and any shortfall in the required annual return for a fiscal year shall be made up within the next two fiscal years. The terms “overrun” and “shortfall” referred to herein mean the monetary value of such overrun or shortfall.

(iv) Until the first fiscal year in respect of which the principles of valuation referred to in paragraph (v) of this Schedule shall be effective, and subject to the provisions of paragraph (vi) of this Schedule, the realistic net value of the fixed power assets in service shall be, at any given date, the gross value of such power assets less accumulated depreciation as recorded at such date, subject to the following adjustments:

(a) The recorded gross value of such of the fixed power assets as were previously owned by Etibank and were in service on December 31, 1969 shall be increased as of that date by 1231 million Turkish Liras and the accumulated provision for depreciation thereof as of that date shall be increased by 547 million Turkish Liras.

(b) The recorded gross value of such of the fixed power assets as were previously owned by Devlet Su Isleri (hereinafter called DSI) and were in service on December 31, 1969 shall be increased as of that date by 1166 million Turkish Liras and the accumulated provision for depreciation thereof as of that date shall be increased by 386 million Turkish Liras and

(c) The provision for depreciation for each fiscal year following 1969 shall be computed on the gross value as increased above and the value of further assets brought in service by applying depreciation rates not lower than those specified in paragraph (vii) of this Schedule.

(d) The work in progress relating to hydroelectric assets as of December 31, 1969 shall also be revalued by applying principles and methods similar to those employed in revaluing the fixed power assets previously owned by Etibank and DSI and such increased gross value shall be reflected in the books of the Borrower when such assets are transferred to it, as agreed with the Bank.

(v) In agreement with the Bank, the Borrower has employed consultants to test the revaluation principles and procedures recommended by the Commission for Reorganization of State Economic Enterprises in Turkey, and to suggest possible modifications thereof and assist the Borrower in the implementation of agreed revaluation principles and procedures. With effect from the fiscal year starting after the final report of the said consultants has been received by the Borrower, the realistic net value of the fixed power assets in service shall be redetermined at such times and in accordance with such methods as are satisfactory to the Bank.

(vi) Depreciation shall be accumulated on a straight-line basis at annual rates not lower than the following:

Transmission Lines . . . . .	3 %
Substations . . . . .	4 %
Thermal Generating Stations . . . . .	4 %
Hydro Generating Stations	
Buildings, Structures and Improvements . . . . .	2 %
Reservoirs, Dams and Water Intake Installations . . . . .	1½ %
Water Wheels, Turbines and Generators . . . . .	3 %
Auxiliary Electric Equipment . . . . .	4 %
Miscellaneous Hydroelectric Production Equipment . . . . .	2½ %
Roads, Bridges and Railroads . . . . .	2 %
General Property . . . . .	6 %

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