

No. 680

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT and
INTERNATIONAL DEVELOPMENT ASSOCIATION,
and**

AGRICULTURAL BANK OF THE TURKISH REPUBLIC

**Project Agreement—*Fruit and Vegetable Export Project*
(with schedules). Signed at Washington on 22 June 1971**

Authentic text : English.

*Filed and recorded by the International Bank for Reconstruction and Development
and the International Development Association on 26 September 1972.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT et
ASSOCIATION INTERNATIONALE DE
DÉVELOPPEMENT,**

et

BANQUE AGRICOLE DE LA RÉPUBLIQUE TURQUE

**Contrat relatif au Projet — *Projet relatif à l'exportation des
fruits et légumes* (avec annexes). Signé à Washington le 22
juin 1971**

Texte authentique : anglais.

*Classé et inscrit au répertoire à la demande de la Banque internationale pour la
reconstruction et le développement et l'Association internationale de dévelop-
pement le 26 septembre 1972.*

PROJECT AGREEMENT¹

AGREEMENT, dated June 22, 1971, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and AGRICULTURE BANK OF THE TURKISH REPUBLIC (hereinafter called ABT).

WHEREAS by a loan agreement and a development credit agreement of even date herewith² between the Republic of Turkey (hereinafter called the Borrower) the Bank and the Association (hereinafter referred to as the Loan Agreement and the Development Credit Agreement), the Bank and the Association have agreed to make available to the Borrower an aggregate amount in various currencies equivalent to twenty-five million dollars (\$25,000,000), on the terms and conditions set forth in the Loan Agreement and the Development Credit Agreement, for the purpose of assisting in the financing of the Project described in Schedule 1 to the Loan Agreement and Schedule 2 to the Development Credit Agreement, Parts C, D and E of which will be carried out by ABT, but only on condition *inter alia* that ABT agrees to undertake certain obligations toward the Bank and the Association as hereinafter set forth; and

WHEREAS by a subsidiary loan agreement to be entered into between the Borrower and ABT, part of the aggregate proceeds of the loan provided for under the Loan Agreement and the credit provided for under the Development Credit Agreement will be made available to ABT on the terms and conditions therein set forth; and

WHEREAS ABT, in consideration of the Bank's entering into the Loan Agreement and 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 Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and the

¹ Came into force on 19 May 1972, the date when the corresponding Loan Agreement and Development Credit Agreement (see footnote 2 below) became effective, in accordance with section 6.01.

² United Nations, *Treaty Series*, vol. 838, Nos. I-11990 and I-11991.

Development Credit Agreement and in the General Conditions applicable to these agreements, as so defined, have the respective meanings therein set forth.

Article II

EXECUTION OF THE PROJECT

Section 2.01. (a) ABT shall (i) carry out Parts C, D and E of the Project with due diligence and efficiency and in conformity with sound administrative, financial and agricultural practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose; and (ii) acquire, maintain and renew all rights, powers, privileges and franchises as shall be, from time to time, necessary or useful in the conduct of its business and the carrying out of the Project.

(b) In the carrying out of Parts C, D and E of the Project, ABT undertakes that, unless the Bank and the Association shall otherwise agree, it shall at all times follow lending and operating policies and procedures satisfactory to the Bank and the Association and including those set forth in Schedule 1 to this Agreement, as such Schedule may be modified from time to time by agreement between the Borrower, the Bank, the Association and ABT.

Section 2.02. Except as the Bank and the Association shall otherwise agree, the goods and services (other than services of consultants) required for carrying out Parts D and E of the Project and to be financed out of the proceeds of the Loan and the Credit 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, and in accordance with, and subject to, the provisions set forth in Schedule 2 to this Agreement.

Section 2.03. (a) ABT undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan and the Credit relented to it by the Borrower 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 ABT to replace or repair such goods.

(b) Except as the Bank or the Association may otherwise agree, ABT shall cause all goods and services financed out of the proceeds of the Loan and the Credit relented to it by the Borrower to be used exclusively for Parts C, D and E of the Project.

Section 2.04. (a) ABT shall furnish to the Bank and the Association

promptly upon their preparation, the plans, reports, specifications, contract documents and construction and procurement schedules for Parts D and E of the Project, and any material modifications thereof or additions thereto, in such detail as the Bank or the Association shall reasonably request.

(b) ABT : (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 aggregate proceeds of the Loan and the Credit relented to it by the Borrower, and to disclose the use thereof in the Project; (ii) shall enable the Bank's or the Association's representatives to see the goods financed out of such proceeds and any relevant records and documents; and (iii) shall furnish to the Bank and the Association all such information as the Bank or the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the Credit so relented to it and the goods and services financed out of such proceeds.

(c) Without limitation upon its obligations contained in paragraph (b) of this Section, ABT shall establish and maintain a separate account in respect of Parts C, D and E of the Project, and shall send to the Bank and the Association, in the English language, (i) quarterly statements of such account, authenticated by the Secretary General of ABT within six weeks after the end of each quarter and (ii) promptly upon their preparation but not later than five months after the end of the period covered thereby, annual statements of such account, authenticated by the Secretary General of ABT and certified by auditors acceptable to the Bank and the Association.

Section 2.05. ABT shall (i) duly perform all its obligations under the Subsidiary Loan Agreement and except as the Borrower, the Bank or the Association shall otherwise agree, ABT shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof; (ii) apply all funds received by ABT pursuant to the Subsidiary Loan Agreement to the carrying out of Parts C, D and E of the Project and (iii) exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower, the Bank, the Association and ABT.

Article III

OPERATIONS OF ABT

Section 3.01. ABT shall take out and maintain with responsible insurers, insurance against such risks and in such amounts as shall be consistent with sound practice.

Section 3.02. Without limitation upon its obligations contained in Schedule 2 to this Agreement, ABT shall not permit any contracts to be entered into by sub-borrowers for the construction of the two ferry-ships provided for in Part D of the Project, until (i) arrangements satisfactory to the Bank and the Association have been made by the sub-borrower that is to own the said ferry-ships with port authorities in Italy or Yugoslavia regarding the port facilities that are required; and (ii) arrangements satisfactory to the Bank and the Association have been made with the sub-borrower that is to own the said ferry-ships regarding the manner in which the ferry-ships are to be managed and the ferry service is to be operated.

Article IV

FINANCIAL COVENANTS

Section 4.01. ABT shall maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition.

Section 4.02. ABT 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 auditors acceptable to the Bank and the Association; (ii) furnish to the Bank and the Association as soon as available, but in any case not later than five months after the end of each such year, (A) certified copies in the English language of its provisional financial statements for such year as so audited and (B) the report of such audit by said auditors in the English language and of such scope and in such detail as the Bank and the Association shall have reasonably requested; and (iii) furnish to the Bank and the Association such other information concerning the provisional accounts and financial statements of ABT and the audit thereof as the Bank and the Association shall from time to time reasonably request.

Section 4.03. ABT shall establish and maintain a Special Operational Fund to be utilized, unless the Borrower, ABT, the Bank and the Association shall otherwise agree, for the sole purpose of supplementing the funds provided for the operating expenses of the Project Unit. Such Fund shall be established and maintained by ABT by setting aside out of each payment to ABT of interest on sub-loans under the Project, amounts calculated in the same manner and on the same principal amount as such interest, but at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum. Expenditures out of such Fund shall be authorized by the Director of the Project Unit only, or any other person duly designated by him for such purpose.

Article V

CONSULTATION AND INFORMATION

Section 5.01. The Bank, the Association and ABT shall cooperate fully to assure that the purposes of the Loan and the Credit will be accomplished. To that end, the Borrower, the Bank, the Association and ABT shall from time to time, at the request of any party, exchange views through their representatives with regard to the performance of their respective obligations under this Agreement, and in respect of the Project the administration, operations and financial condition of ABT and other matters relating to the purposes of the Loan and the Credit.

Section 5.02. The Borrower, the Bank, the Association and ABT shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan and the Credit, the performance by any of them of its obligations under this Agreement or the performance by the Borrower and ABT of their respective obligations.

Article VI

EFFECTIVE DATE; TERMINATION, CANCELLATION AND SUSPENSION

Section 6.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement and the Development Credit Agreement become effective.

Section 6.02. (a) This Agreement and all obligations of the Bank, the Association and of ABT thereunder shall terminate on the earlier of the following two dates :

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) a date twenty years after the date of this Agreement.

(b) If the development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify ABT of this event and, upon the giving of such notice, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

Section 6.03. All the provisions of this Agreement shall continue in full force and effect for all parts of the Project which have been implemented notwithstanding any cancellation or suspension under the Loan Agreement or the Development Credit Agreement.

Article VII

MISCELLANEOUS PROVISIONS

Section 7.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this 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, telex, or radiogram to the party to which it is required or permitted to be given or made at such party's 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 Bank :

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

Cable address :

Intbafrad
Washington, D.C.

For the Association

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

Cable address :

Indevas
Washington, D.C.

For ABT :

T. C. Ziraat Bankasi
Genel Mudurlugu
Bankalar Caddesi
Ankara, Turkey

Cable address :

Zerbank
Ankara

Section 7.02. Any action required or permitted to be taken and any documents required or permitted to be executed under this Agreement on behalf of ABT, or by ABT on behalf of the Borrower under Section 2.11 of the Loan Agreement or Section 2.09 of the Development Credit Agreement, may be taken or executed by the Secretary General of ABT or such other person or persons as ABT shall designate in writing.

Section 7.03. ABT shall furnish to the Bank and the Association sufficient evidence of the authority of the person or persons who will, for or on behalf of ABT, take any action or execute any documents required or permitted to be executed by ABT pursuant to Section 7.02 above, and the authenticated specimen signature of each such person.

Section 7.04. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 7.05. This Project 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, 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

International Development Association :

By J. BURKE KNAPP
Vice President

Agricultural Bank of the Turkish Republic :

By AHMET TUFAN GUL
Authorized Representative

SCHEDULE 1

PROCEDURES; OPERATING AND LENDING POLICIES OF ABT IN RESPECT OF PARTS C, D AND E OF THE PROJECT

A. Unless the Borrower, the Bank and the Association otherwise agree, the following policies and procedures shall apply to the carrying out of Part C of the Project.

Request for and Approvals of Loans

1.1. Citrus loan applications shall be submitted to ABT branch nearest the location proposed for the citrus development. It is expected that staff and agents of the Citrus Extension Unit (hereinafter called CEU) will assist farmers in drawing up farm plans and preparing applications.

1.2. If the applicant is found to be creditworthy by ABT, a copy of the application shall be forwarded to the CEU for technical appraisal which will be carried out by specialists of CEU or the Seyhan Integrated Extension Unit if the proposed development is in the Seyhan Irrigation Area. Criteria for appraising the application would include :

- (a) availability of property irrigated, leveled and drained land, with soils suitable for citrus development which, to avoid disease problems, have not been planted to citrus within the preceding five years;
- (b) proven competence and experience in general farming practice; and
- (c) availability of an over-all farm plan, including financial projections.

The final approval of all technical appraisal reports will be made by the Director of CEU which will then be forwarded to the appropriate branch of ABT.

1.3. The decision to approve or reject a citrus loan application shall be taken by ABT on the basis of the financial position of the applicant, the information given in the application, the applicants farm plan and the written report on the technical aspects of the proposed investment prepared by the Seyhan Integrated Extension Unit or the CEU (including its estimated net income generation).

Terms and Conditions of Citrus Loans

2.1. *Security.* A mortgage and such other security as may be reasonably available shall normally be taken to cover a citrus loan. However, inability of an applicant to provide adequate security for the whole of the proposed citrus loan shall not in itself be considered a bar to lending. Rather, emphasis shall be placed on the estimated net income generation of the proposed development and the general financial situation and management capability of the applicant.

2.2. *Loan Agreements.* ABT shall enter into a loan agreement or loan agreements with each sub-borrower, the form of which shall be satisfactory to the Bank and the Association and which shall *inter alia* include covenants relating to varieties of citrus to be planted, the use of only certified virus free budwood and proper maintenance of the plantation and in addition provide that any part or all of the principal amount of a sub-loan may be repaid to ABT by the sub-borrower in advance of maturity without premium or penalty.

2.3. *Loan Terms.* Loan terms, grace periods, downpayments, interest and repayment periods to be made by the sub-borrower shall, unless the Borrower, the Bank and the Association otherwise agree, be as specified in the Subsidiary Loan

Agreement. Except as the Bank and the Association shall otherwise agree, interest shall be paid during the grace period and the repayment period for the principal shall be determined in accordance with the projected net income from the development.

2.4. *Supervision.* ABT staff will make on-site inspections sufficiently frequently to ensure that each citrus loan is being used for its intended purpose.

B. Unless the Borrower, the Bank and the Association shall otherwise agree, the following loan policies and procedures shall apply to the carrying out of Parts D and E of the Project :

Request for and Approvals of Loans.

1.1. Loan applications shall be submitted to ABT in Ankara and shall include :

- (a) a technical feasibility study;
- (b) an investment and operational plan;
- (c) complete historical financial data on the applicants operations;
- (d) financial projections for the proposed operations for the next five years;
- (e) details of the applicants' operational arrangements within Turkey and abroad;
- (f) a detailed estimated cashflow statement for the next three to five years; and
- (g) all requirements for long-term and seasonal financing.

1.3. A copy of the application will be sent to the Project Unit which will prepare a written technical appraisal. If the report is favorable, the decision to approve or reject an application shall be taken by ABT provided that all loans for an amount in excess of \$250,000 shall require the prior approval of the Bank and the Association.

Terms and Conditions of Sub-Loans

2.1. *Security on Loans.* Mortgages on the facilities financed shall be taken; and, in normal circumstances, other security would not be required. Emphasis shall be placed on the estimated net income generation of the proposed investment and the general financial situation and management capability of the applicant.

2.2. *Loan Agreements.* ABT shall enter into a loan agreement or loan agreements with each sub-borrower the form of which shall be satisfactory to the Bank and the Association and which shall *inter alia* include covenants restricting the incurring of other debt by the sub-borrower, the proper maintenance and insurance of the security and in addition provide that any part or all of the principal amount of a sub-loan may be repaid to ABT by the sub-borrower in advance of maturity without premium or penalty. All loan agreements between ABT and a sub-borrower for

ferry-ships and for sub-loans in excess of \$250,000 shall require the prior approval of the Bank and the Association.

2.3. *Loan Terms.* Loan terms, grace periods, down-payments, interest and repayment periods to be made by the sub-borrower shall unless the Borrower, the Bank and the Association otherwise agree, be as specified in the Subsidiary Loan Agreement. Except as the Bank and the Association shall otherwise agree, interest shall be paid during the grace period and the repayment period for the principal shall be determined in accordance with the projected net income from the investment.

2.4. *Supervision.* ABT staff shall make on-site inspections sufficiently frequently to ensure that each loan is being used for its intended purpose and that the security is being operated and maintained properly.

SCHEDULE 2

PROCUREMENT

1. With respect to any contract between a sub-borrower and a supplier of goods relating to Parts D and E of the Project :

(a) Bidders are to be prequalified and the Project Unit shall, before qualification is invited, inform the Bank and the Association in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Bank and the Association shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Project Unit to the Bank and the Association for their comments before the applicants are notified and the Project Unit shall make such additions or deletions from the said list as the Bank and the Association shall reasonably request.

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

(c) After bids have been received and evaluated, the Project Unit shall, before a final decision on the award of a contract is made, inform the Bank and the Association of the name of the bidder to whom the sub-borrower intends to award the contract and shall furnish to the Bank and the Association, in sufficient time for their review, a detailed report on the evaluation and comparison of the bids received, and the reasons for the intended award. The Bank and the Association shall promptly inform the Project Unit whether they have any objection to the intended award on the grounds that it would be inconsistent with the *Guidelines for Procurement under World Bank*

Loans and IDA Credits referred to in Section 2.02 of this Agreement and shall state the reasons for any objections they may have.

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

(e) Two conformed copies of the contract shall be furnished to the Bank and the Association promptly after its execution and prior to the submission to the Bank and the Association of the first application for withdrawal of funds from the Loan Account or Credit Account in respect of any such contract.

2. For the purpose of evaluating bids for ferry-ships, machinery, equipment, vehicles or materials for export handling facilities and associated services included in Categories I and II of the table set out in paragraph 1 of Schedule 1 to the Development Credit 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 sum of the following amounts :

- (i) the ex-factory price of such goods; and
- (ii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

(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. price of such goods;
- (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; and
- (iii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

3. All contracts for ferry-ships, machinery, equipment, vehicles or materials for export handling facilities shall, wherever practicable, be bulked so as to facilitate international competition.

4. In addition

- (i) all contracts for packinghouses, box manufacturing plants and cold storage facilities shall include the provision of the technical assistance needed to commence

their operation and shall provide that the aforesaid packinghouses, plants or facilities will not be finally accepted from the contractor until they have operated satisfactorily for one packing season or six months whichever period shall be the longer.

- (ii) all contracts for ferry-ships shall include the provision of the technical assistance needed to commission them and shall provide that the ferry-ships will not be finally accepted from the contractor until they have been operated satisfactorily for six months; and
 - (iii) all contracts for refrigerated trailers and towing units shall include a provision that the contractor will continue to operate or will establish maintenance facilities in Turkey with a stock of all the spare parts needed for the maintenance of the equipment being supplied, for a minimum period of five years after the delivery of the said equipment.
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