

No. 11990

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

**Loan Agreement—*Fruit and Vegetable Export Project* (with
schedules and General Conditions Applicable to Loan and
Guarantee Agreements). Signed at Washington on 22 June
1971**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
26 September 1972.*

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

**Contrat d'emprunt — *Projet relatif à l'exportation des
fruits et légumes* (avec annexes et Conditions générales
applicables aux contrats d'emprunt et de garantie). Signé à
Washington le 22 juin 1971**

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 26 septembre 1972.*

LOAN AGREEMENT¹

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

WHEREAS (A) The Borrower has requested the Bank to assist in the financing of the Project described in Schedule 1 to this Agreement by making the Loan as hereinafter provided;

(B) The Borrower has also requested the International Development Association (hereinafter called the Association) to provide additional financial assistance towards the financing of the Project and by an agreement of even date herewith² between the Borrower and the Association, the latter is agreeing to provide such assistance in an aggregate principal amount equivalent to fifteen million dollars (\$15,000,000) (hereinafter called the Credit);

(C) The Agricultural Bank of the Turkish Republic (hereinafter called ABT), an enterprise of the Borrower, was established to finance agricultural development in the territories of the Borrower;

(D) The Borrower is willing to make funds available to ABT for the carrying out of Parts C, D and E of the Project, as hereinafter provided; and

(E) The Borrower and the Bank intend, to the extent practicable, that the proceeds of the Credit provided for in the Development Credit Agreement be disbursed on account of expenditures on the Project before disbursements on the proceeds of the Loan provided for in this Agreement are made;

(F) The Bank is willing to make the Loan available upon the terms and conditions set forth hereinafter in a project agreement of even date herewith³ between the Bank, the Association and ABT;

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, 1969,⁴ with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof

¹ Came into force on 19 May 1972, upon notification by the Bank to the Government of Turkey.

² See p. 157 of this volume.

³ United Nations, *Treaty Series*, vol. 836, p. 207.

⁴ See p. 154 of this volume.

(said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions) :

(a) The following sub-paragraph is added to Section 2.01 of the General Conditions :

“ 20. The term ‘ Project Agreement ’ has the meaning set forth in Section 1.02 of the Loan Agreement.”

(b) Section 5.01 is deleted.

(c) Section 6.02 (i) is amended to read as follows “ any event specified in paragraph (e) and (f) of Section 7.01 shall have occurred”;

(d) Section 6.06 of the General Conditions is modified by inserting “ the Project Agreement ” after the words “ the Loan Agreement ” and deleting the words “ and the Guarantee Agreement ”; and

(e) Section 9.03 of the General Conditions is modified by inserting the words “ or the Project Agreement ” after the words “ the Loan Agreement ” and deleting the words “ or Guarantee Agreement ”.

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 and the following additional terms have the following meanings :

(a) “ Development Credit Agreement ” means the agreement of even date herewith between the Borrower and the Association for the purpose of the Project, as such agreement may be amended from time to time and such term includes the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969, as made applicable to such agreement, all agreements supplemental to the Development Credit Agreement and all schedules to the Development Credit Agreement.

(b) Project Agreement means the agreement of even date herewith between the Bank, the Association and ABT, as such agreement may be amended from time to time, and such term includes all agreements supplemental to, and all schedules to, the Project Agreement.

(c) Subsidiary Loan Agreement means the agreement to be entered into between the Borrower and ABT pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time and such term includes all agreements supplemental to, and all schedules to the Subsidiary Loan Agreement.

(d) “ Project Unit ” means the co-ordinating unit established by the Ministry of Foreign Economic Relations of the Borrower for the implementation of the Project.

(e) “ Project Area ” means that area of about 8,000 hectares within the Provinces of Adana, Hatay and Icel suitable for citrus development.

(f) "Citrus Extension Unit" means the Division of the Ministry of Agriculture of the Borrower responsible for the supervision of on-farm citrus development within the Project Area.

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 ten million dollars (\$10,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to the Development Credit 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 and to be financed under the Loan Agreement; provided, however, that (i) 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 and (ii) to the extent practicable no withdrawals shall be made from the Loan Account until the whole of the Credit has been withdrawn from the Credit Account provided for in the Development Credit Agreement.

Section 2.03. Except as the Bank shall otherwise agree, the goods and services (other than services of consultants) required for carrying out Parts A and B of 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; provided, however, that, without in any way restricting or limiting any right, power or remedy of the Bank under the Loan Agreement, expenditures under any contract for the procurement of any such goods or services which the Bank shall reasonably determine to have been awarded according to procedures inconsistent with those hereinabove set forth or referred to, shall not be financed out of the proceeds of the Loan.

Section 2.04. The Closing Date shall be June 30, 1976 or such other date as shall be agreed between the Borrower and the Bank.

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 percent ($7\frac{1}{4}\%$) 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 2 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 Minister of Finance 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.

Section 2.11. The Borrower hereby designates ABT as its representative for the purpose of taking any action required or permitted to be taken in respect of Parts C, D and E of the Project under Section 2.02 of this Agreement and Article V of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall carry out Parts A and B of the Project and shall cause ABT to 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, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend that part of the proceeds of the Loan which is withdrawn on account of expenditures under Parts C, D and E of the Project to ABT on terms and conditions acceptable to the Bank.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable ABT to perform all of its obligations under the Project Agreement and shall not take or permit to be taken any action which might interfere with such performance.

Section 3.02. In order to assist the Borrower and ABT in carrying out the Project, the Borrower shall employ consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.03. Except as the Bank may 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 3.04. (a) The Borrower shall cause to be furnished 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 shall or shall cause ABT to: (i) 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) enable the Bank's representatives to see the goods financed out of the proceeds of the Loan, and any relevant records and documents; and (iii) 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.

(c) The Borrower shall cause ABT to take out and maintain the insurance cover provided for in Sections 2.03(a) and 3.01 of the Project Agreement.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) Sections 4.01, 4.02, 4.03, 4.04, 4.05, 4.06 and Schedule 3 of the Development Credit Agreement are hereby incorporated into this Agreement with the same force and effect as if they were fully set forth herein.

(b) So long as any part of the Loan provided for under this Agreement or the Bonds executed and delivered pursuant to the provisions of Section 2.09 of this Agreement shall remain outstanding and unpaid, all action taken, including approvals given, by the Association pursuant to the Development Credit Agreement and the Project Agreement shall be deemed to be taken or given in the name and on behalf of both the Bank and the Association and all information furnished by the Borrower and ABT to the Association shall be deemed to be furnished to both the Bank and the Association.

Section 4.02. (a) It is the mutual intention of the Borrower 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 Borrower (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 Borrower to the Bank, and (ii) undertakes that if any such lien shall be created on any assets of the Borrower, or of the T.C. Merkez Bankasi or any other institution performing the functions of a central bank, as security for any external debt, 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 Borrower shall promptly inform the Bank of the creation of any such lien.

(c) The foregoing representation and undertaking shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(d) As used in this Section, the term “ governmental assets ” means assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision.

Article V

CONSULTATION AND INFORMATION

Section 5.01. The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the performance by ABT of its obligations under the Project Agreement, the administration and operations of the Project Unit, the Citrus Extension Unit and of any other departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, and other matters relating to the purposes of the Loan; and
- (b) 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 Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the operations, financial condition, resources and expenditures of ABT, the Project Unit, the Citrus Extension Unit and any other departments or

agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) Without limitation upon its obligations contained in sub-paragraph (a) of this Section, the Borrower shall cause the records of the Project Unit to be audited annually, in a manner satisfactory to the Bank, by auditors acceptable to the Bank and promptly after the preparation of the audit, but not later than five months after the end of the Borrower's fiscal year, the Borrower shall transmit to the Bank a signed copy of the auditors report in the English language.

(c) The Borrower and the Bank 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 or the performance by ABT of its obligations under the Project Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. 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 and free from all restrictions imposed under the laws of the Borrower 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 Borrower.

Section 6.02. The Loan Agreement, the Bonds, any instrument made pursuant to Section 4.02 of this Agreement and the Project Agreement shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories and the Borrower shall pay all such taxes, if any, imposed under the laws of any other country or countries.

Section 6.03. 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 and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE BANK

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.02 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 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 7.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

- (a) ABT shall have failed to perform any obligation of ABT under the Project Agreement, and such event shall continue for a period of sixty days after notice thereof shall have been given to the Borrower and ABT by the Bank;
- (b) Before the termination of the Project Agreement any legal provision governing or applicable to the organization or operations of ABT shall have been modified in such a manner as to threaten the ability of ABT to carry out its obligations under the Project Agreement or the efficiency of its operations;
- (c) ABT shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by ABT or by others whereby any of the property of ABT shall or may be distributed among its creditors;
- (d) Before the termination of the Project Agreement the Borrower shall have taken any action for the dissolution or disestablishment of ABT or for the suspension of ABT's operations.

Section 7.03. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified, namely : an extraordinary situation shall have arisen which shall make it improbable that ABT will be able to carry out Parts C, D and E of the Project or its operations or to perform its obligations under the Project Agreement.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 11.01 (c) of the General Conditions :

- (a) the execution and delivery of the Development Credit Agreement on behalf

- of the Borrower shall have been duly authorized or ratified by all necessary administrative and governmental action;
- (b) the execution and delivery of the Project Agreement on behalf of ABT shall have been duly authorized or ratified by all necessary administrative and governmental action;
 - (c) the execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and ABT shall have been duly authorized or ratified by all necessary administrative and governmental action;
 - (d) the Project Unit and the Citrus Extension Unit have been established and the initial appointments to fill the positions described in sub-sections 4.01 (a) and 4.01 (c) of the Development Credit Agreement have been made; and
 - (e) the Borrower has appointed the consultants to undertake the survey of agricultural credit facilities, institutions and policies specified in Section 4.02 of the Development Credit Agreement.

Section 8.02. The following are specified as additional matters, 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 :

- (a) that the Development Credit Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and constitutes a valid and binding obligation of the Borrower in accordance with its terms;
- (b) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, ABT and constitutes a valid and binding obligation of ABT in accordance with its terms;
- (c) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and ABT and constitutes valid and binding obligations of the Borrower and ABT in accordance with its terms.

Section 8.03. The date September 10, 1971, is hereby specified for the purposes of Section 11.04 of the General Conditions.

Section 8.04. The obligations of the Borrower under Section 3.04 (b) of this Agreement shall terminate on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of the Development Credit Agreement, whichever shall be the earlier.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. Subject to the provisions of Section 2.11 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 9 02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Borrower :

Maliye Bakanligi
Hazine Genel Mudurlugu ve Milletlerarasi Iktisadi
Isbirligi 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 Loan 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.

Republic of Turkey :

By AHMET TUFAN GUL
Authorized Representative

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice President

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project represents the first phase in the development of the Borrower's fresh fruit and vegetable export program and consists of

Part A. A comprehensive survey of agricultural credit facilities, institutions and policies in the Republic of Turkey and the provision for the purposes of carrying out the Project of technical advisory services by staff and consultants of the Project Unit and the Citrus Extension Unit.

Part B. The establishment of a citrus budwood propagation farm and citrus research programs.

Part C. The provision through ABT, acting on the advice of the Project Unit and Citrus Extension Unit, of technical services and loans to farmers in the Project Area for the establishment of approximately 8,000 hectares of citrus orchards and approximately 60 hectares of multiplication nurseries.

Part D. The provision through ABT acting on decisions made by the Project Unit of loans to transport companies for the construction of two ferry-ships, refrigerated trailers and towing units (including spare parts).

Part E. The provision through ABT acting on decisions made by the Project Unit of loans to private companies for the construction of packinghouses, cold storage facilities and box manufacturing plants.

The Project is expected to be completed by December 31, 1975.

SCHEDULE 2

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, 1976	190,000	April 1, 1984	325,000
April 1, 1977	195,000	October 1, 1984	335,000
October 1, 1977	205,000	April 1, 1985	350,000
April 1, 1978	210,000	October 1, 1985	360,000
October 1, 1978	220,000	April 1, 1986	375,000
April 1, 1979	225,000	October 1, 1986	385,000
October 1, 1979	235,000	April 1, 1987	400,000
April 1, 1980	245,000	October 1, 1987	415,000
October 1, 1980	250,000	April 1, 1988	430,000
April 1, 1981	260,000	October 1, 1988	445,000
October 1, 1981	270,000	April 1, 1989	460,000
April 1, 1982	280,000	October 1, 1989	480,000
October 1, 1982	290,000	April 1, 1990	495,000
April 1, 1983	300,000	October 1, 1990	515,000
October 1, 1983	310,000	April 1, 1991	545,000

* 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	1½%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than sixteen years before maturity	5½%
More than sixteen years but not more than eighteen years before maturity	6½%
More than eighteen years before maturity	7½%

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.*]