
CREDIT NUMBER 75 TU

Development Credit Agreement

(Third Industrial Development Bank Project)

BETWEEN

THE REPUBLIC OF TURKEY

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION

DATED APRIL 1, 1965

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AGREEMENT, dated April 1, 1965 between the **REPUBLIC OF TURKEY** (hereinafter called the Borrower) and **INTERNATIONAL DEVELOPMENT ASSOCIATION** (hereinafter called the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Credit Regulations; Special Definitions

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

(a) The second sentence of Section 2.02 is amended by deleting the words "at the same rate" and substituting therefor the words "at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum".

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

“Section 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.*

(a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

(b) The proceeds of the Credit shall be withdrawn from the Credit Account:

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

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

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

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

“Section 3.04. *Purchase of Currency of Withdrawal with Other Currency.*

If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed

to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03.”

- (d) Section 3.04 is renumbered as Section 3.05.
- (e) Section 6.02 shall be amended by inserting the words “or the Project Agreement” after the words “the Development Credit Agreement”.
- (f) The first sentence of paragraph 10 of Section 9.01 shall be deleted and the following sentence shall be substituted therefor, namely:

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

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

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

(b) The term “first Subsidiary Loan Agreement” shall mean the loan agreement between the Borrower and the IDB dated November 23, 1962, executed pursuant to the development credit agreement between the Borrower and the Association dated November 23, 1962.

(c) The term “Second Subsidiary Loan Agreement” shall mean the loan agreement between the Borrower and the IDB dated August 31, 1964, executed pursuant to the development credit agreement between the Borrower and the Association dated August 31, 1964.

(d) The term “Third Subsidiary Loan Agreement” shall mean the loan agreement between the Borrower and

the IDB to be executed pursuant to Section 4.01 of this Agreement.

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

(f) The term "Qualified Project" shall mean a specific development project to be carried out by a Qualified Enterprise.

(g) The term "foreign currency" shall mean any currency other than currency of the Borrower.

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

ARTICLE II

The Credit

SECTION 2.01. The Association agrees to make available to the Borrower, for use by the IDB, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to ten million dollars (\$10,000,000).

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

SECTION 2.03. (a) The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

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

SECTION 2.04. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments on each May 15 and November 15, commencing May 15, 1975, and ending November 15, 2014, each instalment to and including the instalment payable on November 15, 1984 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each instalment thereafter to be one and one-half per cent ($1\frac{1}{2}\%$) of such principal amount.

ARTICLE III

Credit Account; Withdrawal of Proceeds of Credit

SECTION 3.01. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the right of cancellation and suspension set forth in, this Agreement, the Project Agreement and the Regulations.

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

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

(b) No amount shall be withdrawn from the Credit Account in respect of a Qualified Project unless it shall have been approved in writing by the Association, provided, however, that withdrawals may be made in accordance

with the provisions of Section 2.03 (a)(ii) of the Project Agreement on account of Qualified Projects up to a limit to be agreed from time to time between the Association and the IDB for any one such Qualified Project.

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

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

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

ARTICLE IV

Description of the Project; Use of Proceeds of the Credit

SECTION 4.01. The Project for which the Credit is granted is the provision of funds to the IDB to enable it to make loans for productive purposes to private enterprises in Turkey, all such loans to be for specific development projects, in accordance with the Statutes of the IDB and in furtherance of the corporate purposes of the IDB as therein set forth. Such funds shall be made available to the IDB pursuant to this Agreement and to a loan agreement to be executed between the Republic and the IDB (the Third Subsidiary Loan Agreement).

ARTICLE V**Particular Covenants**

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

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

SECTION 5.03. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to the maintenance of the service of the Credit. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the maintenance of the service of the Credit.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

SECTION 5.04. The principal of, and service charges on, the Credit shall be paid without deduction for, and free

from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

SECTION 5.05. This Agreement and the Project Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

ARTICLE VI

Remedies of the Association

SECTION 6.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations or in paragraph (a), (b), (c), (d) or (e) of Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

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

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

(b) A default shall have occurred in the payment of principal or interest or any other payment required under

any loan agreement between the Bank and the IDB, or any bonds or other obligations issued thereunder.

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

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

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

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

ARTICLE VII

Modification of Prior Development Credit Agreements

SECTION 7.01. Section 6.02 (a) of the development credit agreement (Industrial Development Bank Project) between the Borrower and the Association dated November 23, 1962 as amended by Section 7.01 of the development credit agreement between the Borrower and the Association dated August 31, 1964, and Section 6.02 (a) of the development credit agreement (Second Industrial Development Bank Project) between such parties dated August 31, 1964 are each deleted, and in each such agreement the following is substituted therefor:

“(a) A default shall have occurred in the performance of any covenant or agreement on the part of the IDB under the Project Agreement or under any project agreement between the IDB and the Association.”

ARTICLE VIII

Effective Date; Termination

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

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

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

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

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

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

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

ARTICLE IX

Miscellaneous

SECTION 9.01. The Closing Date shall be June 30, 1968, or such other date as may from time to time be agreed between the Borrower and the Association.

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

For the Borrower:

Maliye Bakanligi
Hazine Genel Mudurlugu
ve Milletlerarasi Iktisadi
Isbirliigi Teskilati Genel Sekreterligi
Ankara, Turkey

Alternative address for cablegrams and radiograms:

**MALIYE
HAZINE
ANKARA**

For the Association:

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

Alternative address for cablegrams and radiograms:

**INDEVAS
WASHINGTON, D. C.**

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

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

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

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

THE REPUBLIC OF TURKEY

By /s/ KEMAL SIBER
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ J. BURKE KNAPP
Vice President