

CONFORMED COPY

LOAN NUMBER 4517 TU

Loan Agreement

(Marmara Earthquake Emergency Reconstruction Project)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated November 23, 1999

LOAN NUMBER 4517 TU

LOAN AGREEMENT

AGREEMENT, dated November 23, 1999, between REPUBLIC OF TURKEY (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through December 2, 1997) (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Agency Agreement" means any of the agreements, the standard form of which shall contain terms and conditions satisfactory to the Bank, to be entered into between TCIP (as hereinafter defined) and companies duly licensed by GDI (as hereinafter defined) to carry on insurance business in the Republic of Turkey and who have satisfied the eligibility criteria established by TCIP, satisfactory to the Bank, for participation in the National Catastrophic Insurance Program (as hereinafter defined), and referred to in paragraph 3(f) of Schedule 6 to this Agreement.

(b) "Charter" means the founding laws, decrees, implementing regulations or other similar instruments of, or relating to, TCIP (as hereinafter defined), in form and substance satisfactory to the Bank, to be adopted by the Borrower, and such term includes the by-laws or other similar instruments to be adopted by TCIP.

(c) "Covered Risks" means the risks specified in Part A.2 of the Project, as each of these risks will be defined in the Standard Form of Earthquake Insurance Policy (as hereinafter defined) and will be included in each Earthquake Insurance Policy (as hereinafter defined) and includes such other catastrophic risks as may be agreed upon by the Bank.

(d) "Development Law" means the Development Law of the Borrower, Law No. 3194 dated May 3, 1985, as amended to the date of this Agreement.

(e) "Disaster Law" means the Law on the Precautions to be Taken and Assistance to be Provided Due to Disasters with Impact on Public Life of the Borrower, Law No.7269 dated May 15, 1959, as amended to the date of this Agreement.

(f) "Earthquake Insurance Holder" means a natural or a juridical person, who is the owner of an immovable property together with one or more private residential dwellings thereon situated within the Republic of Turkey, and whose name appears in respect of such property and dwelling(s) on the real estate tax assessment roll established and maintained by the relevant local authority, or whose obligation to pay real estate taxes is otherwise established in accordance with the laws of the Borrower and to whom an Earthquake Insurance Policy (as hereinafter defined) has been duly issued by TCIP (as hereinafter defined) in accordance with the procedures set forth in paragraph 3(g) of Schedule 6 to this Agreement, in consideration of the payment by such person to TCIP of the premium therefor established by TCIP from time to time.

(g) "Earthquake Insurance Policy" means any of the insurance policies, with terms and conditions acceptable to the Bank, to be issued by TCIP (as hereinafter defined) to Earthquake Insurance Holders pursuant to paragraph 3(g) of Schedule 6 of this Agreement.

(h) "Eligible Categories" means categories (1), (2), (3), (4), (5) and (6), set forth in the table in Part A.1 of Schedule 1 to this Agreement.

(i) "Eligible Claim(s)" means any claim made by an Earthquake Insurance Holder to TCIP in accordance with the terms and conditions of an Earthquake Insurance Policy in respect of the replacement value of the relevant residential dwelling(s) and the contents thereof, damaged or destroyed as a direct result of the occurrence of a Covered Risk.

(j) "Eligibility Criteria" means the criteria agreed by the Borrower and the Bank and set forth in the PIP (as hereinafter defined) for selection for financing from the proceeds of the Loan of investments under Parts B and C of the Project.

(k) "Eligible Expenditures" means the expenditures for goods, works, services, Reinsurance Premiums (as hereinafter defined) and Eligible Claims under the National Catastrophic Insurance Program (as hereinafter defined) referred to in Section 2.02 of this Agreement.

(l) "EMAT" means the Emergency Management Agency of Turkey to be established under Part A.1 of the Project and pursuant to paragraph 5 of Schedule 5 to this

Agreement.

(m) "Financial Management Agreement" means the agreement, in form and substance satisfactory to the Bank, to be entered into by TCIP (as hereinafter defined) pursuant to the provisions of paragraph 3(j) of Schedule 6 to this Agreement, regarding investment management services to be provided to TCIP in respect of its long term financial assets, which management shall be in accordance with the requirements therefor set forth in the Operations Manual (as hereinafter defined).

(n) "GDI" means the General Directorate of Insurance within the Undersecretariat of Treasury of the Borrower.

(o) "GDI-PIU" means the project implementation unit established within the GDI referred to paragraph 2 of Schedule 6 to this Agreement.

(p) "General Directorate of State Land" means the General Directorate of State Land under the Prime Minister's Office of the Borrower.

(q) "Marmara Earthquake" means the earthquake which occurred on August 17, 1999, and which affected the Project Areas (as hereinafter defined).

(r) "MERLIS Committee" means the Marmara Earthquake Region Land Information System Committee to be established under Part A.4 of the Project and in accordance with the provisions of paragraph 7 of Schedule 5 to this Agreement.

(s) "MPWS" means the Ministry of Public Works and Settlement of the Borrower.

(t) "National Catastrophic Insurance Program" means the national mandatory catastrophic insurance program to be established by the Borrower under Part A.2 of the Project.

(u) "Operations Manual" means the operations manual, in form and substance satisfactory to the Bank, to be adopted by TCIP (as hereinafter defined) pursuant to the provisions of paragraph 3(a) of Schedule 6 to this Agreement, which sets out the operating policies and procedures of TCIP.

(v) "PIP" means the Project Implementation Plan for the carrying out of the Project referred to in paragraph 1 of Schedule 5 to this Agreement, as the same may be amended from time to time with the agreement of the Bank.

(w) "PIU" means the project implementation unit established within the Housing Development Administration of the Borrower pursuant to Emergency Flood and Earthquake Recovery Project (Loan No. 4388 TU) and referred to in paragraph 3 of Schedule 5 to this Agreement.

(x) "Pool Management Agreement" means the agreement, with terms and conditions acceptable to the Bank, to be executed between TCIP (as hereinafter defined) and Milli Re pursuant to the provisions of paragraph 3(d) of Schedule 6 to this Agreement for the administration and management of certain aspects of the business, operations and affairs of TCIP.

(y) "Project Areas" means areas affected by the Marmara Earthquake, namely Bolu, Sakarya, Kocaeli, Yalova, Istanbul, Bursa and Eskisehir.

(z) "Project Implementation Agency" means a municipal body or an agency of the Borrower responsible for the carrying out of activities under the Project and the term "Project Implementation Agencies" means collectively, the Project Implementation Agencies.

(aa) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement.

(bb) "Protocol" means any protocol to be entered into between the PIU and a Project Implementation Agency pursuant to Section 3.02(a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Protocol.

(cc) "Reinsurance Premium(s)" means the premium(s) or interest due and payable by TCIP (as hereinafter defined) under a Reinsurance Transaction (as hereinafter defined).

(dd) "Reinsurance Transactions" means any of the risk transfer transactions, upon terms and conditions acceptable to the Bank, to be concluded by TCIP (as hereinafter defined) from time to time pursuant to the provisions of paragraph 3(e) of Schedule 6 to this Agreement with one or more reinsurance companies, capital market investors or other third parties, satisfactory to the Bank, for the efficient transfer by TCIP to such third party(-ies) of part of the catastrophic insurance risk carried by TCIP under Earthquake Insurance Policies. Without limiting the generality of the foregoing, such risk transfer transactions may include reinsurance contracts or treaties, as well as capital market transactions (including the issuance of insurance-linked securities) and the financing of insurance losses by means of the issuance of securities at conditions agreed in advance upon the occurrence of a previously defined event (so-called contingent capital transactions).

(ee) "Risk Management Plan" means, as at any date, the plan, approved by the Bank, and to be prepared from time to time by or on behalf of TCIP (as hereinafter defined) pursuant to the provisions of paragraph 3(b) of Schedule 6 to this Agreement, for the prudent management of the risk exposure carried by TCIP in the conduct of its business, operations and affairs.

(ff) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement.

(gg) "Standard Form of Earthquake Insurance Policy" means the standard form of Earthquake Insurance Policy, in form and substance satisfactory to the Bank, to be adopted by TCIP (as defined hereinafter) pursuant to the provisions of paragraph 3(a) of Schedule 6 to this Agreement, which will contain all of the standard terms and conditions relating to the provision by TCIP to an Earthquake Insurance Holder of earthquake risk insurance including, without limiting the generality of the foregoing, the provision of cover for the replacement or repair of: (i) residential dwellings up to the equivalent in Turkish lira of twenty-five thousand Dollars (\$25,000); and (ii) contents thereof up to the equivalent in Turkish lira of three thousand Dollars (\$3,000).

(hh) "Steering Committee" means the Steering Committee for the Project to be established in accordance with the provisions of paragraph 2 of Schedule 5 to this Agreement.

(ii) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and TCIP pursuant to Section 3.03(a) of this Agreement, as the same may be amended from time to time and such term includes all schedules to the Subsidiary Loan Agreement.

(jj) "TCIP Legal Framework" means the laws, decrees, implementing regulations or other similar instruments, in form and substance satisfactory to the Bank, to be adopted by the Borrower pursuant to the provisions of paragraph 2(a) of Schedule 6 to this Agreement, establishing the TCIP (as hereinafter defined) and governing the conditions of its administration and operation.

(kk) "Tender Law" means the Tender Law of the Borrower, Law No. 2886, dated September 8, 1983, as amended to the date of this Agreement.

(ll) "Turkish Catastrophic Insurance Pool" or "TCIP" means the legal entity to be established by the Borrower, pursuant to the Charter, for the purposes of implementing the National Catastrophic Insurance Program, and includes any successor or successors thereto acceptable to the Bank.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to five

hundred five million Dollars (\$505,000,000).

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 for:

(a) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for Parts A.1, A.2(b), A.3, A.4, B, C and D of the Project and to be financed out of the proceeds of the Loan; and

(b) amounts paid (or if the Bank shall so agree, amounts to be paid) by TCIP for Reinsurance Premiums and Eligible Claims under Part A.2(a) of the Project.

Section 2.03. (a) The Closing Date shall be May 31, 2005, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

(b) Any amount of the proceeds of the Loan allocated from time to time to Category (5) in the table in Schedule 1 to this Agreement which remains unwithdrawn in the Loan Account on the Closing Date may be withdrawn by the Borrower for the purposes of and in accordance with the provisions of paragraph 5 of Schedule 6 to this Agreement.

Section 2.04. The Borrower shall pay to the Bank a fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (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 on the principal amount of the Loan withdrawn and outstanding from time to time in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.07. Interest and other charges shall be payable semi-annually in arrears on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. TCIP is designated as representative of the Borrower in respect of Part A.2 of the Project for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02(b) and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

(i) shall carry out Parts A.1, A.3, A.4, B, C and D of the Project through PIU and the Project Implementation Agencies with due diligence and efficiency and in conformity with appropriate engineering, financial, administrative and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts A.1, A.3, A.4, B, C and D of the Project; and

(ii) without any limitation and restriction upon any of its other obligations under this Agreement, shall cause TCIP to carry out Part A.2 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and insurance practices, and shall take or cause to be taken all action,

including the provision of funds, facilities, services and other resources, necessary or appropriate to enable TCIP to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out Parts A.1, A.3, A.4, B, C and D of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement, and shall cause GDI and TCIP to carry out Part A.2 of the Project in accordance with Schedule 6 to this Agreement.

Section 3.02. (a) The Borrower shall, for the purposes of carrying out Parts A.1, A.3, A.4, B, C and D of the Project, make the proceeds of the Loan allocated from time to time to Categories (1), (2), (3)(a) and (6) in the table in Schedule 1 to this Agreement, available to each Project Implementation Agency, except TCIP, under a Protocol to be entered into between the PIU and each Project Implementation Agency, except TCIP, under terms and conditions which shall have been approved by the Borrower and the Bank and which shall include, inter alia, provisions set forth in paragraph 6 of Schedule 5 to this Agreement.

(b) The Borrower shall exercise its rights under each Protocol 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, amend, suspend, abrogate, terminate or waive any Protocol or any provision thereof.

Section 3.03. (a) The Borrower shall, for the purposes of carrying out of Part A.2 of the Project, make available to TCIP the proceeds of the Loan allocated from time to time to Categories (3)(b), (4) and (5) under a Subsidiary Loan Agreement to be entered into between the Borrower and TCIP under terms and conditions which shall have been approved by the Bank.

(b) 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 Part A.2 of the Project, and except as the Bank shall otherwise agree, the Borrower shall not assign, amend, suspend, abrogate, terminate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.04. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.05. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause each of the PIU and TCIP to maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall cause each of the PIU, TCIP and Milli Re to:

(i) have the records, accounts and financial statements referred to in

paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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 six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of Project Management Reports or statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one (1) year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the Project Management Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, to cause the PIU not later than January 31, 2000, and TCIP not later than July 31, 2000, or such later date as the Bank shall agree, to prepare quarterly Project management reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than forty-five (45) days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional events are specified:

(a) TCIP shall have failed to perform any of its obligations under the Subsidiary Loan Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that TCIP will be able to perform its obligations under the Subsidiary Loan Agreement.

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

(d) Any provisions of the Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of TCIP to perform any of its obligations under the Subsidiary Loan Agreement.

(e) Any material provision of the Operations Manual shall have been amended without the prior written consent of the Bank.

(f) Any provision of the Standard Form of Earthquake Insurance Policy shall have been amended without the prior written consent of the Bank.

(g) Any provision of the Subsidiary Loan Agreement, the Pool Management Agreement and the Financial Management Agreement shall have been amended, assigned, suspended, abrogated, terminated or waived without the prior written consent of the Bank.

(h) Milli Re shall have not complied with any of its obligations under the Pool Management Agreement.

(i) The Borrower or any other authority having jurisdiction, other than TCIP, shall have withdrawn any funds from the financial reserves established by TCIP for the payment of claims under the National Catastrophic Insurance Program, or reallocated any part of such reserves to any purpose other than the operation of the National Catastrophic Insurance Program, or otherwise dealt with any part of such reserves in a manner inconsistent with their original purpose.

(j) Any provision of the Disaster Law shall have been amended, suspended, abrogated or repealed, or any law, decree, regulation or other similar instrument adopted, which materially and adversely affects the National Catastrophic Insurance Program or the business, operations or affairs of TCIP.

(k) TCIP shall have failed to implement any part of any Risk Management Plan previously approved by the Bank and in effect at the relevant date.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) and (h) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any of the events specified in paragraphs (c), (d), (e), (f), (g), (i), (j) and (k) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Termination

Section 6.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Undersecretary of Treasury of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Basbakanlik
Hazine Mustesarligi Inonu Bulvari
Emek - Ankara
Republic of Turkey

Cable address:

MALIYE
Hazine, Ankara

Telex:

821-42285
(MLYE- TR)

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.

Telex:

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Ankara, Republic of Turkey, as of the day and year first above written.

REPUBLIC OF TURKEY

By /s/ Selcuk Demiralp

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Johannes Linn Regional

Vice President
Europe and Central Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Works	210,220,000	90%
(2) Goods	48,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Consultants' services and training		100%
(a) under Parts A.1, A.3, A.4, B, C and D of the Project	70,780,000	
(b) under Part A.2 of the Project	3,300,000	
(4) Reinsurance Premiums	19,700,000	100%
(5) National Catastrophic Insurance Program under Part A.2 of the Project	100,000,000	100% of such part of Eligible Claims which, under Reinsurance Transactions, remain the obligation of TCIP, up to the equivalent of \$17 million, and 40% thereafter, in each case up to the limit of the excess of loss reinsurance cover specified in the Risk Management Plan, and 100% of Eligible Claims in excess of the reinsurance cover specified in the Risk Management Plan
(6) Incremental operating costs	6,600,000	90%
(7) Fee	5,050,000	Amount due under Section 2.04 of this Agreement
(8) Unallocated	41,350,000	
TOTAL	505,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "operating costs" means the costs incurred on account of the Project, as documented by the PIU, for rentals, utilities, vehicles' operations and maintenance and travel.

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

(a) payments made for expenditures prior to the date of this Agreement;

(b) payments on account of Reinsurance Premiums under Category (4) unless a Reinsurance Transaction has been concluded by TCIP; and

(c) (i) payments on account of the National Catastrophic Insurance Program under Category (5) unless:

(aa) the Disaster Law has been amended, in form and substance satisfactory to the Bank, to limit the Borrower's liability thereunder to residential dwellings ineligible for coverage under the National Catastrophic Insurance Program and to provide for benefits to the owners of such ineligible dwellings which is materially less than that which they would have received had such dwellings been insured under the National Catastrophic Insurance Program;

(bb) the TCIP Legal Framework has been adopted in form and substance satisfactory to the Bank and said Legal Framework has entered into effect in accordance with its terms;

(cc) TCIP has been established in form and substance satisfactory to the Bank and the members of its Board of Directors have been appointed;

(dd) the Subsidiary Loan Agreement between the Borrower and TCIP has been executed with terms and conditions satisfactory to the Bank and legal opinions have been furnished to the Bank by the parties thereto stating that such Subsidiary Loan Agreement has been duly authorized or ratified by the parties and is legally binding upon them in accordance with its terms;

(ee) the Operations Manual and the standard form of Agency Agreement have been adopted by TCIP;

(ff) the Pool Management Agreement between TCIP and Milli Re has been executed and legal opinions have been furnished to the Bank by the parties thereto stating that such Pool Management Agreement have been duly authorized or ratified by the parties and is legally binding upon them in accordance with its terms;

(gg) TCIP has entered into a Reinsurance Transaction;

(hh) TCIP has issued Earthquake Insurance Policies to Earthquake Holders, one of the Covered Risks has occurred and the Bank has been provided with satisfactory evidence that Eligible Claims have been filed; and

(ii) the Bank has been provided with a satisfactory certificate from a senior officer of TCIP contemplated in paragraph 3(k)(v) of Schedule 6 to this Agreement in support of the application for withdrawal.

(ii) Notwithstanding the percentage of expenditures to be financed under Category (5) of the table set forth in paragraph 1 above and the provisions of paragraph 3(c)(hh) and 3(c)(ii) above, in the event that the Borrower shall have provided the Bank with the written confirmation and application for withdrawal referred to in paragraph 5 of Schedule 6 to this Agreement, then the Borrower shall be entitled to make withdrawals under Category (5) in the absence of: (x) the occurrence of a Covered Risk; (y) provision to the Bank of evidence of the filing of Eligible Claims, and (z) the certificate referred to in paragraph 3(c)(ii) above.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$1,000,000 equivalent each; (b) works under contracts costing less than \$5,000,000 equivalent each; (c) services under contracts costing less than \$100,000 equivalent each for consulting firms and \$50,000 equivalent each for individual consultants; (d) training costs; and (e) all Reinsurance Premiums and Eligible Claims under the National Catastrophic Insurance Program under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in Dollars a separate special deposit account in its Central Bank, on terms and conditions satisfactory to the Bank.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Bank shall have received: (i) the first Project Management Report referred to in Section 4.02(b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02(b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) if the Borrower shall have failed to furnish to the Bank within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of (A) the records and accounts for the Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

Annex A to SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex:

(a) the term "Authorized Allocation" means an amount equivalent to \$50,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of

the General Conditions in respect of expenditures to be financed out of the proceeds of the Loan allocated to said Categories, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to said Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

Annex B to SCHEDULE 1

Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.
2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a Project Management Report.
3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$50,000,000.

SCHEDULE 2

Description of the Project

The objectives of the Project are to restore living conditions and economic growth in the areas affected by the Marmara Earthquake and develop an institutional framework to allow better disaster mitigation and risk management for future natural disasters.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: Disaster Response System and Risk Mitigation

1. Provision of technical assistance and goods for the development of: (a) a strategic plan to create and establish a comprehensive emergency management agency (EMAT) equipped with an operations center and communications and data networks; (b) a national earthquake mitigation plan; (c) a comprehensive emergency management training and exercise program; (d) a search and rescue capacity building program; (e) pilot activities to enhance the municipal emergency management system; (f) replication of the pilot activities on a regional scale; and (g) a public awareness campaign on measures to be taken before, during and after an earthquake.

2. (a) Establishment and operation of a mandatory National Catastrophic Insurance Program for the provision of Earthquake Insurance Policies to Earthquake Insurance Holders against the following risks: (i) earthquake shaking; and (ii) fire caused by such earthquake.

(b) Establishment and strengthening of TCIP's institutional capacity through the provision of goods, services and operating costs.

3. Provision of technical assistance for: (a) the development of legislation to establish effective disaster mitigation through land use management and building

safety regulations; (b) the strengthening of the municipal capacity, on a pilot basis, to plan, regulate and implement disaster resistant development; and (c) assistance with implementation of land use planning and building codes in Golcuk and Adapazari.

4. Provision of technical assistance and goods for: (a) the establishment of a land information system in the Project Areas; and (b) the strengthening of the capacity of General Directorate of State Land in the Project Areas.

Part B: Trauma Program for Adults

Provision of works, goods, technical assistance and training for: (a) the establishment and operation of one central community mental health center in the Project Area with up to four (4) outreach centers; (b) the development of a treatment program for Marmara Earthquake victims; (c) establishment of a coordination committee for community based mental health service delivery in Project Areas; and (d) the administration of community mental health centers.

Part C: Physical Reconstruction

1. Carrying out of investments identified under the Eligibility Criteria to reconstruct urban household units in Project Areas.

2. Carrying out of investments identified under the Eligibility Criteria to reconstruct rural household units in Project Areas.

3. Provision of technical assistance for design, site investigation, soil investigation and supervision of construction during Project implementation.

Part D: Project Management

Provision of works, goods and technical assistance for: (a) the strengthening of the institutional capacity of the PIU; and (b) the establishment of its local offices in selected Project Areas.

* * *

The Project is expected to be completed by November 30, 2004.

SCHEDULE 3

Interest and Principal Repayment Provisions

A. General Definitions

For purposes of this Schedule, the following terms have the following meanings:

(a) "Disbursed Amount" means, in respect of each Interest Period, the aggregate principal amount of the Loan withdrawn from the Loan Account in such Interest Period.

(b) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment date to, but excluding, the next following Interest Payment Date.

(c) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.

(d) "Rate Fixing Date" means, for each Disbursed Amount, the first day of the Interest Period next following the Interest Period in which such Disbursed Amount is withdrawn.

B. Interest

1. The principal amount of the Loan shall be divided into Disbursed Amounts. Interest shall accrue on each Disbursed Amount outstanding from time to time at a rate based on a floating rate index prior to its Rate Fixing Date and at a fixed rate from

its Rate Fixing Date, as described in paragraph 2 of this Part B.

2. (a) From the date of withdrawal of each amount of each Disbursed Amount withdrawn and outstanding, to but not including the Rate Fixing Date for such Disbursed Amount, interest on each such amount shall accrue at a rate equal to the applicable:

- (i) LIBOR Base Rate; plus
- (ii) LIBOR Total Spread.

(b) From the Rate Fixing Date for each Disbursed Amount until final repayment thereof, interest on such Disbursed Amount shall accrue at a rate equal to the applicable:

- (i) Fixed Base Rate; plus
- (ii) Fixed Total Spread.

3. For purposes of paragraph 2 of this Part B, the following terms have the following meanings:

(a) "LIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount is withdrawn, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the day occurring on the Interest Payment Date preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(b) "LIBOR Total Spread" means, for the Interest Period in which each Disbursed Amount is withdrawn:

- (i) three-fourths of one percent (3/4 of 1%);
- (ii) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include such Disbursed Amount for such Interest Period; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) "Fixed Base Rate" means, for each Disbursed Amount, the equivalent of the London interbank offered rate for six-month deposits in Dollars for value on the Rate Fixing Date for such Disbursed Amount, expressed as a single fixed interest rate based on the fixed interest rates corresponding to the repayment installments of such Disbursed Amount, as reasonably determined by the Bank and expressed as a percentage per annum.

(d) "Fixed Total Spread" means, for each Disbursed Amount:

- (i) three-fourths of one percent (3/4 of 1%);
- (ii) minus (or plus) the cost margin, applicable on the Rate Fixing Date for such Disbursed Amount, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated to fund single currency loans or portions thereof made by it that include such Disbursed Amount; plus
- (iii) the Bank's risk spread applicable on the Rate Fixing Date for such Disbursed Amount; as reasonably determined by the Bank and expressed as a percentage per annum.

4. The Bank shall notify the Borrower of LIBOR Base Rate, LIBOR Total Spread, Fixed Base Rate and Fixed Total Spread applicable to each Disbursed Amount, promptly upon the determination thereof.

5. Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Schedule, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in this Schedule, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

C. Repayment

1. Subject to the provisions of paragraph 2 of this Part C, the Borrower shall repay each Disbursed Amount of the Loan in semiannual installments payable on each April 15 and October 15, the first such installment to be payable on the seventh (7th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount and the last such installment to be payable on the eighteenth (18th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount. Each installment shall be one-twelfth (1/12) of such Disbursed Amount.

2. Notwithstanding the provisions of paragraph 1 of this Part C, if any installment of principal of each Disbursed Amount would, pursuant to the provisions of said paragraph 1, be payable after October, 15, 2014, the Borrower shall also pay on said date the aggregate amount of all such installments.

3. After each Disbursed Amount shall have been withdrawn, the Bank shall promptly notify the Borrower of the amortization schedule for such Disbursed Amount.

SCHEDULE 4

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods, and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

Bidders for works estimated to cost \$10,000,000 equivalent per contract or more shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures

applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. International Shopping

Goods estimated to cost less than \$1,000,000 equivalent per contract, up to an aggregate amount not to exceed \$7,000,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$250,000 equivalent per contract, up to an aggregate amount not to exceed \$5,600,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement of Small Works

Works estimated to cost less than \$500,000 equivalent per contract, up to an aggregate amount not to exceed \$1,730,000 equivalent, may be procured under lump-sum, fixed-price or unit rate contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a local advertisement. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

4. Purchase of Construction Materials

Construction materials for repairs or rebuilding of damaged houses, estimated to cost up to \$8,500 equivalent for each housing unit and not to exceed \$17,440,000 in the aggregate, shall be procured competitively from domestic sources.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (i) each contract for goods estimated to cost the equivalent of \$1,000,000 or more; and (ii) each contract for works estimated to cost the equivalent of \$5,000,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following

provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for construction of sites, preparation of construction designs, and soil investigations estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services for soil investigation, designs and mapping and site planning which are estimated to cost less than \$50,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000 the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be

awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

Without any limitation or restriction upon any other provision of this Agreement, for the purposes of Section 3.01(b) hereof, the Implementation Program for Parts A.1, A.3, A.4, B, C and D of the Project shall consist of the following provisions:

1. The Borrower shall carry out the Project through the PIU and the Project Implementation Agencies in accordance with the requirements set forth or referred to in the PIP, including the Eligibility Criteria for the selection of financing from the proceeds of the Loan of investments under the Project. The Project Implementation Agencies shall be responsible for carrying out the respective parts of the Project as follows:

Part A of the Project: MOI, GDI-PIU, TCIP, MPWS, General Directorate of Land Registration and Cadastre and General Directorate of State Land.

Part B of the Project: PIU, relevant municipalities and MOH.

Part C of the Project: PIU and relevant municipalities.

Part D of the Project: PIU and local offices.

2. The Borrower shall establish and thereafter maintain, until the completion of the Project, the Steering Committee comprised of the Minister of Public Works and Settlement as chairman, and includes the State Minister responsible for the Housing Development Agency, the State Minister responsible for social services, the Minister of Health, the Minister of Industry and Trade, the Minister of Interior, the Undersecretary of the Prime Minister, the Undersecretary of Treasury, the Undersecretary of the State Planning Organization and the Governors and Mayors of the Project Areas.

3. The Borrower shall transfer the PIU to the Prime Minister's Office and provide all necessary resources to enable such Unit to be operational by November 30, 1999. The Borrower shall thereafter until the completion of the Project, maintain the PIU with resources, staff, facilities and under terms of reference satisfactory to the Bank. PIU shall have the responsibility for Project implementation and coordination including:

(a) preparation of work programs under the Project;

(b) verification of satisfaction of the Eligibility Criteria in respect of all components of the work programs under the Project;

(c) coordination of and assistance to the activities of Project Implementation Agencies under the Project;

(d) management of Project finance, including maintenance of the Special Account and arranging for the audit thereof;

(e) ensuring preparation of bidding and contract documents in accordance with agreed procurement procedures and management of procurement procedures under the Project;

(f) supervision of implementation of work programs under the Project; and

(g) preparation and furnishing to the Bank of quarterly progress reports on

Project implementation prepared in accordance with guidelines satisfactory to the Bank.

4. The Borrower shall, not later than March 31, 2000, establish at least three local offices in selected Project Areas, as agreed between the Borrower and the Bank.

5. The Borrower shall, not later than November 22, 1999, establish and thereafter maintain the EMAT, with resources, staff and facilities and under terms of reference satisfactory to the Bank.

6. The Borrower shall, not later than December 31, 2000 prepare and submit to the Parliament amendments to the Disaster Law, Development Law and Tender Law in form and substance satisfactory to the Bank.

7. The Borrower shall, not later than December 15, 1999, establish and thereafter maintain until completion of the Project, the MERLIS Committee comprised of the General Director of Land Registration and Cadastre as chairman and representatives of the General Directorate of State Land, relevant municipalities in the Project Areas and General Directorate of Technical Research and Implementation within MPWS, to formulate land policy improvements, to advise on Project planning and implementation and ensure availability and transparency of information to users of cadastral data.

8. The Protocol to be entered into between the PIU and each Project Implementation Agency, other than TCIP, shall include, inter alia, provision with respect to:

(a) description of the activity to be financed under the Protocol and the amount of the proceeds of the Loan to be made available to the Project Implementation Agency for the implementation thereof;

(b) the arrangement for implementation of such activity under the overall supervision of the PIU;

(c) undertakings of the Project Implementation Agency to maintain separate records and accounts for such activity and to furnish the PIU with quarterly reports on progress of the implementation thereof;

(d) the obligation of the Project Implementation Agency to undertake, under the overall supervision of the PIU, the procurement of goods, works and services under such activity in accordance with the provisions of Schedule 4 to this Agreement; and

(e) the technical assistance need, if any, to be provided to the Project Implementation Agency for implementation of the activity.

9. The Borrower shall, not later than November 30, 1999, select potential sites in size and location satisfactory to the Bank, for the construction of urban household units in Golcuk, Izmit and Adapazari.

10. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about March 31, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by May 31, 2001, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Implementation Program for the
National Catastrophic Insurance Program

Without any limitation or restriction upon any other provision of this Agreement or the Operations Manual, for the purposes of Section 3.01(b) hereof, the Implementation Program for Part A.2 of the Project shall consist of the following provisions:

1. Responsibility to supervise the activities and performance of TCIP generally, including its compliance with the Subsidiary Loan Agreement and the requirements and procedures set forth in the Operations Manual, shall be vested with GDI, to be maintained by the Borrower throughout the duration of the Project, with membership and terms of reference at all times satisfactory to the Bank.

2. GDI-PIU shall:

(a) prepare the TCIP Legal Framework, including the Charter, the Standard Form of Earthquake Insurance Policy, the Operations Manual and the Pool Management Agreement, as well as the necessary amendments to the Disaster Law;

(b) propose eligibility criteria to the Bank for the participation in the National Catastrophic Insurance Program of domestic insurance companies duly licensed by GDI to carry on business in the Republic of Turkey;

(c) draw up terms of reference and requests for proposals satisfactory to the Bank, conduct evaluations, and make recommendations for appointment to the TCIP Board, regarding the selection of:

(i) a reinsurance intermediary appointed to design a program to achieve the objectives of TCIP and based on modeling, to negotiate with reinsurers and/or capital markets, to evaluate the quotations and products offered by the markets, to report on their cost effectiveness in terms of the cost of reducing risk and to place the program in the market; and

(ii) an investment adviser appointed to ensure that the best return is obtained from TCIP's investment portfolio, subject to risk and liquidity objectives of the TCIP. The investment adviser will: (i) advise on investment strategy; (ii) advise on investment mandate and constraints; (iii) advise on asset allocation; (iv) assist in the competitive selection of asset managers; and (v) monitor the performance of the chosen asset managers against the performance of their peers;

(d) once TCIP is established and the members of its Board of Directors have been appointed:

(i) provide advice to the TCIP Board on technical matters, including insurance nature; of an

(ii) prepare annual budget estimates for Project-related activities (tasks) and submit these to the TCIP Board for approval, as well as provide financial reporting in general;

(iii) monitor, evaluate and report periodically to the TCIP Board on the activities performed by Milli Re pursuant to the Pool Management Agreement; and

(iv) provide substantive leadership for the Project and serve as an interface for relations between the Borrower and the Bank on key issues of Project implementation.

3. Once it has been established following the adoption of the TCIP Legal Framework, TCIP shall:

(a) adopt the Operations Manual, including the Standard Form of Earthquake

Insurance Policy;

(b) prepare or cause to be prepared, on the basis of principles acceptable to the Bank, and furnish to the Bank, a Risk Management Plan prior to issuing any Earthquake Insurance Policies and, thereafter, prepare or cause to be prepared, on the basis of such principles, and furnish to the Bank, new and updated Risk Management Plans whenever and so often as the prudent management of the risk exposure carried by TCIP in the conduct of its business, operations and affairs may warrant, and afford the Bank a reasonable opportunity to exchange views with TCIP on said Plan and said updated Plans;

(c) enter into the Subsidiary Loan Agreement with the Borrower;

(d) enter into the Pool Management Agreement with Milli Re, pursuant to which, inter alia, Milli Re will manage the distribution of Earthquake Insurance Policies and the settlement of Eligible Claims, and TCIP may delegate to Milli Re the power and authority to negotiate and conclude on its behalf Reinsurance Transactions, the Agency Agreements and such other matters, if any, as TCIP may elect;

(e) enter into Reinsurance Transactions, taking into account the advice that shall have been provided by the reinsurance intermediary (see paragraph 2(c)(i) above);

(f) enter into Agency Agreements with domestic insurance companies selected by TCIP on the basis of the eligibility criteria established by GDI-PIU (see paragraph 2(b) above) (Approved Insurers);

(g) issue Earthquake Insurance Policies in the form of the Standard Form of Earthquake Insurance Policy, which Policies shall be distributed to Earthquake Insurance Holders through Approved Insurers, which Insurers shall be responsible to collect from such Holders the premium therefor established from time to time by the Borrower and remit same to TCIP on a monthly basis, together with a report regarding the policies sold and the premiums collected in the previous month;

(h) select a reinsurance intermediary pursuant to the procedure set forth in Part B of Section II of Schedule 4 to this Agreement;

(i) subject to paragraph 3(i) of this Schedule 6, hold accumulated premiums in a segregated escrow or trust account (or in a separate account which, under the laws of the Borrower, would enjoy at least equivalent protection from seizure, set-off or attachment), for the benefit of Earthquake Insurance Holders only, with a commercial bank acceptable to the Bank and, with the assistance of an investment adviser (see paragraph 2(c)(ii) above), invest such funds in accordance with the requirements set forth in the Operations Manual, including the relevant asset allocation criteria. For greater certainty and the avoidance of any doubt, the parties hereto agree that: (i) the Operations Manual shall provide that at least fifty per cent (50%) of such funds shall be invested in foreign assets or foreign investments; and (ii) to the extent permitted by the laws of the Borrower, such foreign assets or foreign investments shall be held offshore, subject to trust arrangements acceptable to the Borrower and to the Bank, governed by the laws of England and Wales;

(j) once its long term assets (those funds not required to finance its working capital requirements) have accumulated to an amount equal to \$50 million, enter into the Financial Management Agreement with a reputable asset manager satisfactory to the Bank to assist in managing such assets;

(k) following the occurrence of a Covered Risk:

(i) nominate and appoint to act on its behalf duly qualified, independent private loss adjusters, who shall report on its behalf to Milli Re regarding Eligible Claims;

(ii) file claims under the Reinsurance Transactions then in force and recover the amounts payable thereunder as promptly as possible;

(iii) in an orderly fashion, so as to preserve the value thereof, liquidate as many of its long term assets as may be necessary under the circumstances;

(iv) ensure that any amounts withdrawn from the Loan Account serve a productive purpose by employing these exclusively to finance, in part, the payment of Eligible Claims;

(v) except in the circumstances contemplated in the final paragraph of 3(c)(i) of Schedule 1 to this Agreement, in support of any application for withdrawal of the proceeds of the Loan allocated from time to time to Category (5) in the table in the Schedule 1 to this Agreement, prepare a certificate, in form and substance satisfactory to the Bank, from a senior officer of TCIP to the effect that; (a) the amount claimed in such application for withdrawal is in respect of such part of Eligible Claims which, under Reinsurance Transactions, remains the obligation of TCIP, as specified in the Risk Management Plan then in effect, or in respect of the excess of the recoveries receivable by TCIP under Reinsurance Transactions as a result of the occurrence of such Covered Risk, or both, in any case as in effect as at the date of such application, together with an indication of the relevant amount in each such case; (b) with respect to any amount claimed for purposes of payment of such part of Eligible Claims which, under Reinsurance Transactions, remains the obligation of TCIP, TCIP either has paid, or has funds available to pay, at least 60% of such amount (with evidence satisfactory to the Bank) and the amount claimed does not exceed 40% thereof; (c) with respect to any amount claimed for purposes of payment of Eligible Claims in excess of amounts received by TCIP under Reinsurance Transactions as a result of the occurrence of such Covered Risk, the amount actually receivable by TCIP under such Reinsurance Transactions then in effect (with evidence satisfactory to the Bank); (d) the amount claimed under the application for withdrawal have not been claimed previously; and (e) such amount requested has not been financed and will not be financed from any other source, and will be used exclusively for purposes of the payment of Eligible Claims. Notwithstanding clause (b) above, the Borrower may request the Bank to fund up to \$17 million toward the payment of such part of Eligible Claims which, under Reinsurance Transactions, remains the obligation of TCIP; and

(vi) on the basis of the Borrower's announcement referred to in Section 4 of this Schedule 6 and on the basis of the reports filed by its loss adjusters, settle promptly all Eligible Claims in accordance with the provisions set forth in the Earthquake Insurance Policies.

(1) maintain records of all Earthquake Insurance Policies issued, all loss adjustment reports and all records relating to the payment of Eligible Claims, for at least one (1) year following receipt by the Bank of the relevant audit report provided for under Section 4.01(b)(ii) of this Agreement; and

(m) commencing 6 months after the establishment of TCIP and semi-annually thereafter, furnish or cause to be furnished to the Bank a report specifying the number of Earthquake Insurance Policies issued, the amount of premium income received, and a description in reasonable detail of the nature and amount of its assets by class.

4. As promptly as possible following the occurrence of a Covered Risk, the Borrower shall make a public announcement in which it shall, among other matters, provide its best reasonable estimate of the extent of the losses suffered by residential dwellings as a result thereof, as well as confirm whether such losses will be within the financial resources of, and available to, TCIP at the relevant date (including accumulated premium reserves and investment income, recoveries under Reinsurance Transactions and any unwithdrawn amount in the Loan Account), in which case Eligible Claims will be paid by TCIP in full, or whether such losses exceed such financial resources, in which case Eligible Claims will be prorated accordingly.

5. Subject to the provisions of paragraphs (a) and (b) of this paragraph 5, the Borrower shall, for the purposes of financing claims under the National Catastrophic Insurance Program, if deemed to be justified by the Bank under the circumstances

existing at the time, be entitled to withdraw on the Closing Date the balance, if any, in the Loan Account allocated at that time to Category (5) in the table in Schedule 1 to this Agreement on such Date, subject to the following provisions:

(a) no later than by November 30, 2004, the Borrower shall have provided the Bank with written confirmation of its intention to withdraw, on the Closing Date, the entire balance so remaining unwithdrawn in the Loan Account for the purposes of financing such claims by supplementing the financial reserves then established by TCIP for such purposes; and

(b) no withdrawal of such balance remaining shall be made unless the Bank is satisfied with the progress achieved by TCIP in the implementation of the National Catastrophic Insurance Program and an agreement is reached among the Bank, the Borrower and TCIP as to the use of such proceeds.

6. (i) Other than for the purposes of paragraph 5 of this Schedule 6 above, if the disbursement out of the Loan Account: (a) was made other than to permit TCIP to pay Eligible Claims; or (b) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) refund to the Bank an amount equal to the amount of such amount withdrawn deposit from the Loan Account or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further disbursement by the Bank from the Loan Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(ii) Refunds to the Bank made pursuant to the above paragraph 6(i) shall be credited to the Loan Account for subsequent withdrawal or cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

