
CREDIT NUMBER 66 TU

Project Agreement

(Second Industrial Development Bank Project)

BETWEEN

INTERNATIONAL DEVELOPMENT ASSOCIATION

AND

TURKIYE SINAI KALKINMA BANKASI A.S.

DATED AUGUST 31, 1964

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AND

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DATED AUGUST 31, 1964

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AGREEMENT, dated August 31, 1964 between the INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and TURKIYE SINAI KALKINMA BANKASI A.S. (the Industrial Development Bank of Turkey, hereinafter called the IDB).

WHEREAS by a development credit agreement of even date herewith (hereinafter called the Development Credit Agreement) between the Republic of Turkey (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the IDB the proceeds of a development credit in various currencies equivalent to five million dollars (\$5,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the IDB agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth; and

WHEREAS the IDB, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement and in the Regulations (as so defined) shall have the respective meanings therein set forth.

ARTICLE II**Particular Covenants of the IDB**

SECTION 2.01. The IDB shall carry out the Project and conduct its operations and affairs in accordance with sound financial and investment standards and practices, under the supervision of qualified and experienced management and in accordance with its Statutes.

SECTION 2.02. The proceeds of any amount withdrawn from the Credit Account shall be applied exclusively to the cost of goods required to carry out the Qualified Project in respect of which such amount was so withdrawn.

SECTION 2.03. (a) In respect of each Qualified Project for which the IDB intends to withdraw amounts from the Credit Account, the IDB shall submit, or cause to be submitted:

- (i) in respect of a Qualified Project which is subject to the approval of the Association pursuant to Section 3.02 (b) of the Development Credit Agreement, a request for approval, in form satisfactory to the Association, containing a description and appraisal of such Qualified Project and such other information as the Association shall reasonably request; or
- (ii) in respect of any other Qualified Project a brief description, in form satisfactory to the Association, of such Qualified Project and of the terms and conditions upon which a loan has been or will be made by the IDB for such Qualified Project.

(b) Except as the Association shall otherwise agree, requests for approval pursuant to paragraph (a) (i) of this Section and descriptions pursuant to paragraph (a) (ii) of this Section shall be submitted on or before June 30, 1966.

(c) When the IDB shall desire to withdraw any amount from the Credit Account or to request the Association to enter into a special commitment pursuant to Section 2.04

of this Agreement, the IDB shall deliver to the Association a written application in such form, and containing such statements and agreements as the Association shall reasonably request.

SECTION 2.04. (a) Upon the IDB's request and upon such terms and conditions as shall be agreed upon between the Association and the IDB, the Association may enter into special commitments in writing to pay amounts to the IDB or others in respect to the cost of goods to be financed under the Development Credit Agreement notwithstanding any subsequent suspension or cancellation.

(b) The IDB shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) on the principal amount outstanding from time to time of any special commitment entered into by the Association pursuant to paragraph (a) of this Section. Such service charge shall be payable, on May 15 and November 15 in each year, in any currency or currencies of members of the Association which the Association from time to time determines to be freely convertible or freely exchangeable by the Association for currencies of other members of the Association for the purposes of its operations. The Association and the IDB may from time to time agree on any specific such currency or currencies in which payment shall be made.

(c) No cancellation or suspension, in whole or in part, by the Association of the Borrower's right to make withdrawals from the Credit Account shall apply to amounts subject to any special commitment entered into by the Association pursuant to paragraph (a) of this Section.

SECTION 2.05. The IDB undertakes to cause that any loan made by it to a Qualified Enterprise for a Qualified Project to be financed wholly or partly out of the proceeds of the Credit will be made on terms whereby the IDB shall obtain, by the written agreement of such Qualified Enterprise or other appropriate legal means, rights adequate to

protect the interests of the Association, the Borrower and the IDB, including the right to require such Qualified Enterprise to carry out and operate the Qualified Project with due diligence and efficiency and in accordance with sound business, engineering and financial standards, including the maintenance of adequate records; the right to require that the goods to be financed with the proceeds of the Credit shall be used exclusively in the carrying out of such Qualified Project; the right of the Association and the IDB to inspect such goods and the sites, works and construction included in such Qualified Project, the operation thereof and any relevant records and documents; the right to require that such Qualified Enterprise shall take out and maintain such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, and that, except as the Association may otherwise agree, insurance covering marine and transit hazards on the goods financed out of the proceeds of the Credit shall be payable in dollars or in the currency in which the cost of the goods insured thereunder shall be payable; and the right to obtain all such information as the Association or the IDB shall reasonably request relating to the foregoing and to the financial condition, administration and operation of such Qualified Enterprise; and all such other rights as a prudent lender would request. Such rights shall include appropriate provision whereby further access by such Qualified Enterprise to the use of the proceeds of the Credit may be suspended or terminated by the IDB upon failure by such Qualified Enterprise to carry out the terms of such loan.

SECTION 2.06. The IDB shall exercise its rights in relation to each Qualified Project in such manner as to protect the interests of the Association, the Borrower and the IDB.

SECTION 2.07. (a) The IDB shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expend-

iture of the proceeds of the Credit, the Project, the Qualified Enterprises, the Qualified Projects and the financial condition, administration and operations of the IDB.

(b) The IDB shall maintain records adequate to record the progress of the Project and of each Qualified Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the IDB. The IDB shall enable the Association's representatives to examine such records.

SECTION 2.08. (a) The IDB 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.

(b) The IDB and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and matters covered in this Agreement. The IDB shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the performance by the IDB of its obligations under this Agreement.

SECTION 2.09. (a) Except as the Association shall otherwise agree, IDB shall not incur any long-term debt, if at the time or as a result thereof all long-term debt incurred by the IDB and then outstanding shall exceed an amount equal to four times the equity of the IDB determined in accordance with sound accounting practices.

(b) For the purposes of this Section:

- (i) the term "long-term debt" means any indebtedness of the IDB maturing more than one year after the date on which it is originally incurred;
- (ii) reference to incurring of debt shall include the assumption or guarantee of debt, and debt shall be

deemed to be incurred on the date on which it is contracted;

- (iii) the term "equity" means the sum of unimpaired paid-up share capital, reserves, undistributed earnings, and such long-term advances or loans as the Association shall reasonably determine to be equity for the purposes of this Section, less such amounts as are required to cover specific known or estimated liabilities or adjustments to the stated value of assets;
- (iv) the equivalent in currency of the Borrower of amounts in any other currency shall be determined on the basis of the rate of exchange at which such other currency may be obtained by the IDB on the date of determination.

SECTION 2.10. The IDB shall maintain adequate reserves and, before determining net profit pursuant to Article 58 of the Statutes, the IDB shall set aside provisions for expected losses, all in accordance with sound financial practices.

SECTION 2.11. (a) Except as the Association shall otherwise agree, the IDB shall not cause or permit to be created on any of its property or assets any lien except: (i) liens created on property, at the time of the purchase thereof, solely as security for the payment of the purchase price of such property; (ii) liens on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) liens arising in the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred.

SECTION 2.12. The IDB shall at all times take all steps necessary to maintain its corporate existence and right to

carry on operations and shall, except as the Association and the IDB shall otherwise agree, take all steps possible and necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

SECTION 2.13. Except as the Association and the IDB shall otherwise agree, the IDB shall not establish any subsidiary or sell, transfer, lease or otherwise dispose of all or substantially all of its assets.

SECTION 2.14. The IDB shall duly perform all its obligations under the Second Subsidiary Loan Agreement. Except as the Association and the IDB shall otherwise agree, the IDB shall not take or concur in any action which would have the effect of assigning, or of amending, abrogating or waiving any provision of, the Second Subsidiary Loan Agreement.

SECTION 2.15. The IDB shall continue to have its accounts audited at least once a year by qualified independent accountants satisfactory to the Association.

ARTICLE III

Effective Date; Termination

SECTION 3.01. This Agreement shall come into force and effect on the Effective Date of the Development Credit Agreement. If, pursuant to Section 8.04 of the Credit Regulations, the Association shall terminate the Development Credit Agreement, the Association shall promptly notify the IDB thereof and upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall forthwith terminate.

SECTION 3.02. This Agreement shall terminate and the obligations of the parties hereunder shall cease and determine on the date when the Second Subsidiary Loan Agreement shall terminate in accordance with its terms.

ARTICLE IV

Miscellaneous Provisions

SECTION 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

(a) For the IDB:

Turkiye Sinai Kalkinma Bankasi A.S.
(Industrial Development Bank of Turkey)
Necatibey Caddesi 247, Tophane
Istanbul, Turkey

Alternative address for cablegrams and radiograms:

KALKINMABANK
ISTANBUL

(b) 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 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of the

IDB shall be taken or executed by the duly authorized representatives of the IDB or such other person or persons as the IDB shall designate in writing.

SECTION 4.03. The IDB shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of the IDB, take any action or execute any documents required or permitted to be taken or executed by the IDB pursuant to any of the provisions of this Project Agreement or the Development Credit Agreement and the authenticated specimen signature of each such person.

SECTION 4.04. This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ DOUGLAS J. FONTEIN
Authorized Representative

TURKIYE SINAI KALKINIM BANKASI A.S.

By /s/ K. SIBER
Authorized Representative