

CONFORMED COPY

LOAN NUMBER 1248 TU

LOAN AGREEMENT

(Agricultural Credit and
Agro-industries Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI

Dated May 5, 1976

LOAN AGREEMENT

AGREEMENT, dated May 5, 1976, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and TÜRKİYE CUMHURİYETİ ZIRAAT BANKASI (hereinafter called the Borrower).

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

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

(a) "1971 Loan Agreement" means the Loan Agreement (Fruit and Vegetable Export Project) dated June 22, 1971, between the Republic of Turkey and the Bank, as amended.

(b) "1971 Development Credit Agreement" means the Development Credit Agreement (Fruit and Vegetable Export Project) dated June 22, 1971, between the Republic of Turkey and the Association, as amended.

(c) "1971 Project Agreement" means the Project Agreement (Fruit and Vegetable Export Project) dated June 22, 1971, between the Bank, the Association and the Borrower, as amended.

(d) "PU" means the project unit established by the Guarantor in accordance with the provisions of the 1971 Loan Agreement and the 1971 Development Credit Agreement.

(e) "Project Coordinating Committee" means the project coordinating committee referred to in Section 3.02 of the Guarantee Agreement.

(f) "Project Coordinator" means the project coordinator referred to in Section 3.05 of this Agreement.

(g) "Agricultural Extension Service" means the General Directorate of Agricultural Services, an agency of the Guarantor under the Ministry of Food, Agriculture and Livestock of the Guarantor.

(h) "TSF" means Türkiye Şeker Fabrikaları AŞ, a state economic enterprise operating under Law No. 440 of the Guarantor, and such term shall include Adapazarı Şeker Fabrikası A.Ş., Amasya Şeker Fabrikası A.Ş., Kayseri Şeker Fabrikası A.Ş., Kütahya Şeker Fabrikası A.Ş. and Konya Şeker Fabrikası A.Ş.

(i) "TCL" means D.B. Deniz Nakliyat T.A.Ş., a state economic enterprise operating under Law No. 440 of the Guarantor.

(j) "Sub-loan" means a loan, to be financed in part out of the proceeds of the Loan, made by (i) the Borrower under Parts A, B and D of the Project or (ii) TSF under Part C of the Project.

(k) "Sub-loan Contract" means the contract for any Sub-loan.

(l) "Beneficiary" means the recipient of a Sub-loan.

(m) "Revolving Fund" means the revolving fund referred to in Section 3.03 of this Agreement.

(n) "liras" and the letters "TL" mean the currency of the Guarantor.

(o) "foreign currency" means any currency other than the currency of the Guarantor.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to sixty three million dollars (\$63,000,000).

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, as such Schedule may be amended from time to time by agreement between the Bank and the Borrower, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, the goods, works and services (other than consultants' services) for the Project to be financed out of the proceeds of the Loan, shall be procured in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be September 30, 1981 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of eight and one-half per cent (8-1/2%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 15 and December 15 in each year.

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall: (i) carry out the Project, with the assistance of PU, TSF and TCL, substantially in accordance with an implementation schedule satisfactory to the Bank and with due diligence and efficiency, and in conformity with appropriate business, financial, administrative, agricultural and industrial practices; (ii) provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose, and (iii) acquire, maintain and renew all rights, powers, privileges and franchises as shall be, from time to time, necessary or useful in the conduct of its business and the carrying out of the Project.

(b) In the carrying out of Parts A, B, C and D of the Project, the Borrower undertakes that it shall at all times follow, or cause to be followed, lending and operating policies and procedures satisfactory to the Bank including those set forth in Schedule 5 to this Agreement, as such Schedule may be amended from time to time by agreement among the Guarantor, the Bank and the Borrower;

(c) The Borrower shall enter into arrangements, satisfactory to the Bank, with the Agricultural Extension Service to define in detail the responsibilities, functions and administrative procedures of the Borrower and the Agricultural Extension Service for the carrying out of Part A (i) of the Project;

(d) The Borrower shall enter into arrangements, satisfactory to the Bank, with PU to define in detail the responsibilities, functions and administrative procedures of the Borrower and PU for the carrying out of Parts B, D and E of the Project; and

(e) The Borrower shall enter into arrangements, satisfactory to the Bank, with TSF to:

- (i) lend to TSF out of the Revolving Fund, under terms and conditions which shall include, inter alia, the terms and conditions set forth in Part D of Schedule 5 to this Agreement, as such Schedule may be amended from time to time, amounts necessary to finance short-term Sub-loans under Part C of the Project made by TSF in accordance with Part C (c) of such Schedule 5;
- (ii) define in detail the responsibilities, functions and administrative procedures of the Borrower and TSF for the carrying out of Part C of the Project; **and**
- (iii) obligate TSF to make available to the Borrower, for payment into the Revolving Fund, all the repayments made by Beneficiaries of Sub-loans under Part C of the Project which correspond to portions of such Sub-loans financed with TSF's own resources.

Section 3.02. The Borrower shall exercise its rights under the arrangements referred to in paragraphs (c) and (d) of Section

3.01 of this Agreement in such manner as to protect the interests of the Bank and the Borrower and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive such arrangements or any provision thereof.

Section 3.03. The Borrower shall:

- (i) establish and maintain, upon terms and conditions satisfactory to the Bank, a Revolving Fund in liras to be used exclusively for carrying out Part C of the Project;
- (ii) keep within the Revolving Fund separate records and accounts pursuant to Section 5.01 (b) of this Agreement;
- (iii) promptly credit the Revolving Fund with: (1) all amounts repaid by TSF under Section 3.01 (d) (1) of this Agreement which are not needed immediately by the Borrower to make payments of principal, interest and other charges under the Loan and (2) any other amounts in liras which the Guarantor or the Borrower may contribute to the Revolving Fund;
- (iv) utilize the funds in (iii) hereof exclusively for lending to TSF for purposes of making Sub-loans under Part C of the Project;

- (v) pay into the Revolving Fund for the account of TSF all amounts made available by TSF to the Borrower in accordance with Section 3.01 (d) (iii) of this Agreement; and
- (vi) make available to TSF, upon its request, the funds in (v) hereof for purposes of making Sub-loans under Part C of the Project.

Section 3.04. (a) For the carrying out of Part E(a) of the Project, the Borrower shall, by September 30, 1976, or such later date as shall be agreed with the Bank, employ, or cause to be employed, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

(b) Unless the Borrower shall make, within six months from the date of this Agreement, arrangements satisfactory to the Bank with the United Nations Food and Agriculture Organization or the United Nations Industrial Development Organization for the carrying out of the training included in Part F of the Project, the Borrower shall employ, within six months from the date of this Agreement, or such later date as shall be agreed by the Bank, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank, for the carrying out of such training.

Section 3.05. The Borrower shall employ a qualified and experienced Project Coordinator. The Project Coordinator shall report to the Chairman of the Project Coordinating Committee.

Section 3.06. (a) The Borrower shall insure or cause to be insured, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.07. The Borrower shall:

- (i) monitor continuously the progress of the Project, including comparing such progress vis-a-vis the implementation schedule of the Project referred to in Section 3.01 (a) of this Agreement, and evaluate the effects of the Project;
- (ii) prepare for every six-month period, with the assistance, if necessary, of PU and TSF, progress and evaluation reports; and
- (iii) submit, within two months after the end of each such period, the reports in (ii) hereof to the Project Coordinating Committee for prompt transmittal to the Bank.

Section 3.08. (a) The Borrower shall furnish, or cause to be furnished, to the Bank, promptly upon their preparation, the plans, specifications, reports, programs, contract documents and work and

procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain, or cause to be maintained, records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall maintain, or cause to be maintained, such detailed records as shall be necessary to enable the Borrower to monitor the progress, and evaluate the effects, of the Project; (iii) shall enable, or cause to be enabled, the Bank's representatives to see the works, plants, installations and goods financed out of the proceeds of the Loan and any relevant records and documents; and (iv) shall furnish, or cause to be furnished, to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

ARTICLE IV

Management and Operations of the Borrower

Section 4.01. (a) The Borrower shall at all times manage its affairs, maintain its financial position, plan its future expansion and carry on its operations, all in accordance with appropriate business, financial, administrative, agricultural and industrial practices and under the supervision of experienced and qualified management assisted by adequate, experienced and qualified staff.

(b) Without limiting the generality of the foregoing, the Borrower shall employ approximately fifty (or such other number as shall be agreed with the Bank) additional agricultural engineers and/or technicians per annum during the years 1976, 1977 and 1978.

(c) The Borrower shall designate the Project Coordinator to serve as a member of the Project Coordinating Committee.

(d) To assist the Borrower in the studying and carrying out of activities relating to the improvement of the functions covered by the Research and Project Evaluation Divisions of the Borrower, and such other activities as may be agreed between the Borrower and the Bank, the Borrower shall, by December 31, 1976 or such other date as may be agreed with the Bank, employ consultants, whose qualifications and terms and conditions of employment shall be satisfactory to the Bank.

(e) The Borrower shall, within 12 months after the Effective Date, or such other date as may be agreed with the Bank, prepare

and submit to the Bank and thereafter promptly implement, a program of improvement of the Borrower's operations, financial planning and resources.

ARTICLE V

Other Covenants

Section 5.01. (a) The Borrower shall maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition.

(b) The Borrower shall establish and maintain separate accounts on its records to be used exclusively for the Project and shall register in such accounts all receipts and payments for or in connection with the Project, in accordance with sound accounting principles consistently applied.

Section 5.02. (a) The Borrower shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank, in the English language, as soon as available, but in any case not later than seven months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the 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 the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

(b) Notwithstanding the provisions of paragraph (a) of this Section, the Borrower shall furnish to the Bank, in the English language, as soon as available, but in any case not later than four months after the end of each of the Borrower's fiscal years, certified copies of its unaudited financial statements.

Section 5.03. (a) The Borrower represents that at the date of this Agreement no lien exists on any of its assets as security for any debt except as otherwise currently reported to the Bank or stated in writing.

(b) The Borrower undertakes that, except as the Bank shall otherwise agree: (i) if the Borrower shall create any lien on any of its assets as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan, and in the creation of any such lien express provision will be made to that effect, at no cost to the Bank; and (ii) if any statutory lien shall be created on any assets of the Borrower as security for any debt, the Borrower shall grant, at no cost to the Bank, an equivalent lien satisfactory to the Bank to secure the payment of the principal of, and interest and other charges on, the Loan; provided, however, that the foregoing provisions of this paragraph shall not apply to: (A) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (B) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.

Section 5.04. (a) The Borrower shall: (i) maintain and continue to operate the special operational fund referred to in Section 4.03 of the 1971 Project Agreement; (ii) utilize, unless the Bank shall otherwise agree, such fund for the sole purpose of supplementing the funds provided for the operating expenses of PU; and (iii) set aside, for the deposit in such fund, out of each payment to the Borrower of interest on Sub-loans under Part B of the Project, amounts calculated in the same manner and on the same principal amount as such interest, but at the rate of one-half of one per cent (1/2 of 1%) per annum; and

(b) The Borrower shall draw on the resources of the fund in paragraph (a) hereof only for expenditures made by PU, provided that such expenditures have been authorized by the Director of PU, or any other person duly designated by him for such purpose.

ARTICLE VI

Remedies of the Bank

Section 6.01. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified pursuant to paragraph (k) thereof, namely, that any provision governing or applicable to the organization or operations of the Borrower shall have been amended in such a manner, suspended or abrogated, so as to threaten the ability of the Borrower to carry out its obligations under this Agreement or the efficiency of its operations.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified pursuant to paragraph (h) thereof, namely, that the event specified in Section 6.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VII

Amendment of the
1971 Project Agreement

Section 7.01. The 1971 Project Agreement is hereby amended from the Effective Date of this Agreement by the deletion of all the provisions in Schedule 2 (Procurement) regarding the ferryboat included in Part D of the Project described in Schedule 1 to the 1971 Loan Agreement and Schedule 2 to the 1971 Development Credit Agreement and the substitution therefor of the corresponding provisions of Schedule 4 (Procurement) to this Agreement.

Section 7.02. The Borrower shall introduce to the Subsidiary Loan Agreement referred to in Section 1.02 (c) of the 1971 Loan Agreement such amendments as shall be required in accordance with Section 7.01 of this Agreement.

ARTICLE VIII

Effective Date; Termination

Section 8.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the execution and delivery of the arrangements referred to in paragraphs (c), (d), and (e) of Section 3.01 of this Agreement on behalf of the Borrower, the Agricultural Extension Service, PU and TSF, respectively, have been duly authorized or ratified by all necessary administrative and governmental action; and

(b) the Revolving Fund has been established.

Section 8.02. The date September 1, 1976, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE IX

Addresses

Section 9.01. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

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.

For the Borrower:

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

Cable address:

ZERBANK
Ankara

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. A. Wapenhans
Regional Vice President
Europe, Middle East and North Africa

TÜRKİYE CUMHURİYETİ ZİRAAT BANKASI

By /s/ Muammer Akinci
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) <u>Lending program</u>		
(a) <u>Part A of the Project</u> (Agricultural credit)		
(i) Medium- and long- term Sub- loans	9,500,000	47% of amounts disbursed
(ii) Short-term Sub-loans	2,280,000	47% of amounts disbursed in the first year after the date of this Agreement
		47% of amounts disbursed in any subsequent year over and above the ag- gregate amounts disbursed in the preceding year

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(b) <u>Part B of the Project</u> (Agro-industrial credit)		
Medium- and long- term Sub-loans	27,000,000	47% of amounts disbursed
(c) <u>Part C of the Project</u> (Cattle Fatten- ing Program)		
Short-term Sub-loans	10,600,000	42% of amounts disbursed by TSF to Beneficiaries in the first year after the date of this Agreement over and above the amounts dis- bursed by TSF for cattle fat- tening in the year ending De- cember 31, 1975
		42% of amounts disbursed by TSF to Beneficiaries in any subsequent year over and above the aggre- gate amounts dis- bursed in the preceding year

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(d) <u>Part D of the Project</u>		
Purchase of one ferryboat and ancillary equip- ment	6,900,000	100% of foreign expenditures or 100% of the ex- factory cost of locally-manu- factured goods
(2) <u>Technical Services</u> (Part E of the Project)		
(a) Consultants ' services	1,160,000	100%
(b) Vehicles	1,420,000	100% of foreign expenditures or 100% of the ex- factory cost of locally-manufac- tured vehicles
(3) <u>Training</u> (Part F of the Project)		
(a) Consultants ' services to the Borrower	480,000	100%
(b) Consultants ' services to the Project Unit	560,000	100%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) <u>Technical Assis- tance to the Borrower</u>		
Consultants' ser- vices	480,000	100%
(5) Unallocated	2,620,000	
	<hr/>	
	TOTAL	
	63,000,000	
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2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of a country other than the Guarantor and for goods or services supplied from the territory of any country other than the Guarantor.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Guarantor on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of expenditures prior to the date of this Agreement.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures, and

(ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. Notwithstanding the foregoing paragraph 1, if the Borrower shall make arrangements satisfactory to the Bank with the organizations referred to in Section 3.04 (b) of this Agreement to finance the training included in Part F of the Project, Category (3) (a) and Category (3) (b) of the table in such paragraph shall be deleted and \$1,040,000 equivalent of the Loan shall be cancelled upon the Bank's notice to the Borrower to this effect.

7. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

SCHEDULE 2

Description of the Project

The Project is part of the Borrower's 1976-1978 agricultural investment program. The Project consists of the following Parts:

Part A: Agricultural Credit

The provision to farmers by the Borrower of: (i) short-term Sub-loans for working capital and other short-term financial requirements; (ii) medium-term Sub-loans for the purchase of agricultural equipment and livestock; and (iii) long-term Sub-loans for land development and improvement, irrigation development and on-farm building construction.

Part B: Agro-industrial Credit

The provision by the Borrower, acting on the advice of PU, of medium- and long-term Sub-loans to public or private companies, or cooperatives, for the financing of the establishment of new, or the expansion, modernization and vertical integration of existing plants and installations for food processing and other agro-industries, including cooperative-type projects for village-based rural industry investments.

Part C: Cattle Fattening Program

The provision through TSF of short-term Sub-loans to sugar beet growers for the fattening of cattle.

Part D: Purchase of Ferryboat

The provision of a long-term Sub-loan to TCL by the Borrower for the purchase by TCL of one ferryboat capable of carrying both over-the-road trailers and special ship trailers, including ancillary on-shore and on-ship equipment, and the operation by TCL of such ferryboat.

Part E: Technical Services

(a) The provision by the Borrower and PU of technical assistance to the Beneficiaries of Sub-loans under Part B of the Project, including, inter alia, assistance in the preparation of technical and financial plans for the credit applications under such Parts of the Project, and the preparation by the Borrower and PU of a future agricultural credit and agro-industries project in Turkey; and

(b) The support of field services under Part A of the Project.

Part F: Training

Training of staff of the Borrower and PU engaged in services related to the carrying out of the Project, under programs satisfactory to the Bank.

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The Project is expected to be completed by March 31, 1981.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
June 15, 1981	2,060,000
December 15, 1981	2,150,000
June 15, 1982	2,240,000
December 15, 1982	2,335,000
June 15, 1983	2,435,000
December 15, 1983	2,540,000
June 15, 1984	2,645,000
December 15, 1984	2,760,000
June 15, 1985	2,875,000
December 15, 1985	3,000,000
June 15, 1986	3,125,000
December 15, 1986	3,260,000
June 15, 1987	3,395,000
December 15, 1987	3,540,000
June 15, 1988	3,690,000
December 15, 1988	3,850,000
June 15, 1989	4,010,000
December 15, 1989	4,185,000
June 15, 1990	4,360,000
December 15, 1990	4,545,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	1-1/2%
More than three years but not more than six years before maturity	2-3/4%
More than six years but not more than eleven years before maturity	5-3/4%
More than eleven years but not more than thirteen years before maturity	7%
More than thirteen years before maturity.	8-1/2%

SCHEDULE 4

Procurement

A. General Procedures

1. Any contracts for Part B of the Project for investment projects estimated to cost (excluding working capital) the equivalent of: (i) \$2,000,000 or more, shall be let on a turnkey basis under procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in August 1975 (hereinafter called the Guidelines), on the basis of international competitive bidding; and (ii) less than \$2,000,000 will be awarded under local competitive bidding procedures satisfactory to the Bank.

2. (a) Any contracts for vehicles included in Category (2)(b) of the table set forth in paragraph 1 of Schedule 1 to the Loan Agreement shall be let under procedures consistent with those set forth in the Guidelines, on the basis of international competitive bidding.

(b) For bidding purposes, contracts referred to in (a) hereof shall be grouped, to the extent practicable, in such manner so as to ensure that the estimated cost of vehicles under each bid will not be less than the equivalent of \$250,000.

3. The contract for the purchase of the ferryboat and the ancillary equipment included in Part D of the Project shall be let under procedures consistent with those set forth in the Guidelines,

on the basis of international competitive bidding and in accordance with general specifications and procedures agreed among the Guarantor, the Bank, the Borrower and TCL in letter dated July 21, 1975. These procedures will also apply to the purchase of the ferryboat and the ancillary equipment included in Part D of the Project described in Schedule 2 to the 1971 Development Credit Agreement and Schedule 1 to the 1971 Loan Agreement in accordance with Section 7.01 of this Agreement.

4. Procurement of other goods and services shall be carried out through local commercial channels including private traders and dealers, State trading entities and cooperatives.

B. Evaluation and Comparison of Bids for Goods; Preference for Domestic Manufacturers

1. For the purpose of evaluation and comparison of bids for the supply of goods: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically-manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

2. Goods manufactured in Turkey, procured under procedures set forth in Parts A.1, A.2 and A.3 hereof, may be granted a margin of preference in accordance with, and subject to, the following provisions:

(a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

(b) After evaluation, responsive bids will be classified in one of the following three groups:

- (1) Group A: bids offering goods manufactured in Turkey if the bidder shall have established to the satisfaction of the Borrower and the Bank that the manufacturing cost of such goods includes a value added in Turkey equal to at least 20% of the ex-factory bid price of such goods.
- (2) Group B: all other bids offering goods manufactured in Turkey.
- (3) Group C: bids offering any other goods.

(c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

(d) If, as a result of the comparison under paragraph (c) above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the c.i.f. bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group C bid, or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the bid from group C which as a result of the comparison under paragraph (c) is the lowest evaluated bid shall be selected.

C. Review of Procurement Decisions by Bank

1. With respect to all such contracts included in Parts A.1, A.2 and A.3 hereof which cover investments estimated to cost the equivalent of \$1,000,000 or more:

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

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank, or cause the Bank to be informed, of the name of the bidder to which the contract is intended to be awarded and the reasons for the intended award and shall furnish, or cause to be furnished, to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the recommendation for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

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

2. With respect to all such contracts included in Parts A.1, A.2 and A.3 hereof which cover investments estimated to cost the equivalent of less than \$1,000,000, the Borrower shall furnish, or cause to be furnished, to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of bids, recommendations for award and such other infor-

mation as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

SCHEDULE 5

Lending and Operating
Policies and Procedures

A. Eligibility

Sub-loans will be made by the Borrower for Parts A, B and D of the Project and by TSF for Part C of the Project, only to those Beneficiaries who are judged by the Borrower or TSF, as the case may be, in accordance with their normal administrative procedures, to be creditworthy during the periods in which the Sub-loans are outstanding.

The Borrower will accept as security from Beneficiaries, depending on the circumstances, not only real estate mortgages but also: (i) in the case of short-term Sub-loans, guarantees of third parties; and (ii) in the case of medium- and long-term Sub-loans, chattel mortgages on livestock and equipment, plus guarantee of third parties. In evaluating the adequacy of collateral offered to it, the Borrower will take into account the estimated increase in real estate values from any developments to be financed from the proceeds of its Sub-loans.

TSF will accept as security from Beneficiaries, depending on the circumstances, chattel mortgages on cattle or the assignment of proceeds of sales of (i) cattle or (ii) future sugar beet crops.

B. Procedures

Procedures for preparing, appraising and supervising Sub-loans will be as follows:

(a) Sub-loans under Part A of the Project

The general objectives of the Borrower in the carrying out of Part A of the Project will be to provide Sub-loans preferably to low-income Beneficiaries whose total family income per capita does not exceed the equivalent of \$285. In accordance with such general objectives, the Borrower will review, by the end of the year 1977, to the satisfaction of the Bank, the eligibility criteria applicable to Beneficiaries under Part A of the Project.

Except as the Bank shall otherwise agree, the Borrower will use 50% of the amounts of the Loan allocated to Category 1(a)(i) of paragraph 1 of Schedule 1 to the Loan Agreement for making medium- and long-term Sub-loans in amounts not exceeding the equivalent of \$6,000 for each such Sub-loan.

The Borrower will require the prior approval of the Bank for making the first Sub-loan for each type of on-farm investment under Part A of the Project, including, inter alia, on-farm investments for fruit, vegetable, beef, dairy, sheep, poultry, land and water resources and farm equipment.

Integrated farm development plans necessary to support medium- and long-term Sub-loan applications will be prepared by the farmer with the assistance of an engineer or technician of

the Borrower. Such plans will include detailed analyses and projections. After approval of the Sub-loan, the engineer or technician will continue to advise the farmer and will supervise progress of the farm development undertaken.

Short-term Sub-loans will be based on crop area and/or number of livestock units, as certified by village agricultural extension agents to be assigned by the Guarantor for the carrying out of Part A (i) of the Project.

The Borrower will approve short-term Sub-loans in accordance with standard guidelines, satisfactory to the Bank, for financing selected crop or livestock inputs.

(b) Sub-loans under Part B of the Project

The Borrower and PU will jointly or separately, in accordance with the definition of their responsibilities contained in the arrangements referred to in Section 3.01 (c) of the Loan Agreement, (i) assist prospective Beneficiaries in preparing development plans for investments in agro-industries which are eligible for financing under the priorities set up by the State Planning Organization of the Guarantor, (ii) make the technical, financial and economic appraisal of Sub-loan applications and (iii) supervise progress of the investment projects.

The appraisals of Sub-loan applications will include evidence of access to raw materials at reasonable prices and analysis of market prospects.

The Borrower will require the prior approval of the Bank for making (i) the first Sub-loan for each type of agro-industry investment under Part B of the Project, including, inter alia, agro-industry investments for cold storage, fruit and vegetable packing, fruit and vegetable processing and feed mills, or (ii) a Sub-loan in an amount exceeding the equivalent of \$1,200,000.

Except as the Bank shall otherwise agree, the Borrower will not make to any single Beneficiary any Sub-loan which by itself or aggregated with any other Sub-loan to any such Beneficiary, exceeds the equivalent of \$3.0 million, or for any investment, which, including working capital, exceeds the equivalent of \$8,000,000.

(c) Sub-loans under Part C of the Project

TSF will make at least 50% of all Sub-loans under Part C of the Project to Beneficiaries who will fatten no more than 20 head of cattle.

TSF will be responsible for the technical implementation and supervision of cattle fattening financed under Part C of the Project.

Disbursements to the Beneficiaries on account of Sub-loans will be made by TSF.

(d) Sub-loan under Part D of the Project

Lending to TCL will be made by the Borrower on the basis of a technical, financial and economic evaluation made by TCL and approved by the Bank.

C. Terms and Conditions of Sub-loans

Sub-loan contracts shall include inter alia the terms and conditions set forth herein below; at such time as the Guarantor, the Borrower, or the Bank may request, the terms and conditions to be applied to future sub-loan contracts under the Project will be reviewed by the Borrower with the Guarantor and the Bank in light of prevailing conditions at the time of such review:

(a) Terms and conditions applicable to Sub-loans under Part A of the Project

- (i) Sub-loans will be made and repayable in liras;
- (ii) interest on the outstanding principal of each Sub-loan will be payable at the rate of not less than 11% per annum inclusive of all commissions, taxes and any other charges, or at such other rates as shall be agreed among the Guarantor, the Bank and the Borrower, provided, however, that the Borrower should be allowed a spread of not less than 2-1/2%;
- (iii) the repayment periods and repayment schedules will reflect the capacity of the Beneficiary to repay and the cash flow position of the investment plan but will not exceed one year for short-term Sub-loans, five years (including grace) for medium-term Sub-loans and ten years (including grace) for long-term Sub-loans;

- (iv) the short-term Sub-loans will be in amounts not exceeding the estimated expenses, based on the established standard guidelines as indicated in Part B(a) herein;
- (v) the amount of medium- and long-term Sub-loans will not exceed the equivalent of approximately 80% of the estimated cost of the investments to be financed therewith;
- (vi) the goods and services financed out of the proceeds of the Sub-loan will be used exclusively for the purposes approved by the Borrower;
- (vii) the Bank and the Borrower will have the right to see the premises, the improvement of which is financed by the Sub-loan, any equipment, materials or inputs financed by the Sub-loan, the business of the Beneficiary, the operation thereof, and any relevant records and documents;
- (viii) the Bank and the Borrower will have the right to obtain all such information as they may reasonably request relating to the foregoing and to the operations and financial condition of the Beneficiary;
- (ix) the goods and services to be financed out of the proceeds of the Loan will be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and

efficiency and reliability thereof, and availability of service and spare parts therefor;

(x) the Beneficiary of a medium- and long-term Sub-loan will carry out his development plan, as approved, and will carry on his business, with due diligence and efficiency and in accordance with appropriate technical, agricultural, commercial and financial practices and standards, and will maintain adequate records; and

(xi) the Borrower will have the right to suspend or terminate access by the Beneficiary to the use of the proceeds of the Sub-loan upon failure by him to perform his obligations under the Sub-loan Contract and, in appropriate cases, to premature the Sub-loan.

(b) Terms and conditions applicable to Sub-loans under Part B of the Project.

(i) except as the Guarantor, the Bank and the Borrower shall otherwise agree, the Beneficiary will repay the principal of each Sub-loan in liras, such repayment to be made in the equivalent in liras, as of the respective date of each repayment of principal, of the foreign currency withdrawn by the Borrower from the Loan Account for the purpose of making the Sub-loan in question;

- (ii) interest on the outstanding principal of each Sub-loan will be payable in liras at the rate of not less than 14.4% per annum inclusive of all commissions, taxes and any other charges, or at such other rates as shall be agreed among the Guarantor, the Bank and the Borrower, provided, however, that the Borrower should be allowed a spread of not less than 2-1/2%;
- (iii) the repayment periods will reflect the capacity of the Beneficiary to repay and the cash flow position of the investment plan but will not exceed 12 years, including 3 years of grace;
- (iv) Sub-loans will be repayable in equal annual installments;
- (v) the Beneficiary will pay to the Borrower a fee for any services rendered to such Beneficiary under Part E (a) of the Project, the amount of such fee to be equivalent to 50% of the remuneration of the consultants used for the rendering of such services;
- (vi) the amount of Sub-loans will not exceed 70% of the estimated cost (including initial working capital) of the investments to be financed therewith;
- (vii) the goods and services financed out of the proceeds of the Sub-loan will be used exclusively for the purposes approved by the Borrower;

- (viii) the Bank and the Borrower will have the right to see the premises, the improvement of which is financed by the Sub-loan, any equipment, materials or inputs financed by the Sub-loan, the business of the Beneficiary, the operation thereof, and any relevant records and documents;
- (ix) the Bank and the Borrower will have the right to obtain all such information as they may reasonably request relating to the foregoing and to the operations and financial condition of the Beneficiary;
- (x) the Borrower will have the right to deny the use of the proceeds of the Sub-loan for goods produced in, or services supplied from, any country which is not a member of the Bank (other than Switzerland);
- (xi) the goods, works and services (other than consultants' services) to be financed out of the proceeds of the Sub-loan will be procured in accordance with the provisions of Part A.2 of Schedule 4 to the Loan Agreement;
- (xii) the Beneficiary will carry out his development plan, as approved, and will carry on his business, with due diligence and efficiency and in accordance with appropriate technical, agricultural, industrial, commercial and financial practices and will maintain adequate records; and

(xiii) the Borrower will have the right to suspend or terminate access by the Beneficiary to the use of the proceeds of the Sub-loan upon failure by him to perform his obligations under the Sub-loan Contract and, in appropriate cases, to premature the Sub-loan.

(c) Terms and conditions applicable to Sub-loans under Part C of the Project

- (i) Sub-loans will be made and repayable in liras;
- (ii) interest on the outstanding principal of each Sub-loan will be payable in liras at the rate of not less than 14.4% per annum inclusive of all commissions, taxes and any other charges, or at such other rates as shall be agreed among the Guarantor, the Bank and the Borrower, provided, however, that the Borrower should be allowed a spread of not less than 3%;
- (iii) the repayment periods will not exceed 4 months;
- (iv) the amount of Sub-loans will not exceed 65% of the estimated cost of the feeder stock and feedstuffs over the fattening period;
- (v) the goods financed out of the proceeds of the Sub-loan will be used exclusively for the purposes approved by the Borrower;

- (vi) the Bank and the Borrower will have the right to see the feeder stock or feedstuffs financed by the Sub-loan, the premises of the Beneficiary and any relevant records and documents;
 - (vii) the Bank and the Borrower will have the right to obtain all such information as they may reasonably request relating to the foregoing;
 - (viii) the goods to be financed out of the proceeds of the Sub-loan will be purchased at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability thereof;
 - (ix) TSF will have the right to market any feeder stock financed out of the proceeds of the Sub-loan; and
 - (x) the Borrower will have the right to suspend or terminate access by the Beneficiary to the use of the proceeds of the Sub-loan upon failure by him to perform his obligations under the Sub-loan Contract.
- (d) Terms and conditions applicable to the Sub-loan under Part D of the Project
- (i) the Sub-loan will be made in liras;

- (ii) the Beneficiary will repay the principal of the Sub-loan in liras, provided, however, that repayment of any portion of the principal of such Sub-loan which is financed out of the proceeds of the Loan will be made in an amount in liras, determined as of the respective date of each repayment of principal, equivalent to the foreign currency withdrawn by the Borrower from the Loan Account for the purpose of making such Sub-loan;
- (iii) interest on the outstanding principal of the Sub-loan will be payable in liras at the rate of not less than 8-1/2% per annum inclusive of all commissions, taxes and any other charges;
- (iv) the repayment term will not exceed 12 years, including 3 years of grace;
- (v) the Sub-loan will be repayable in equal annual installments;
- (vi) the amount of the Sub-loan will not exceed 78% of the estimated cost of the goods to be financed therewith;
- (vii) the goods and services financed out of the proceeds of the Sub-loan will be used exclusively for the purposes approved by the Borrower;

- (viii) the Bank and the Borrower will have the right to see the goods financed by the Sub-loan, the business of the Beneficiary, the operation thereof, and any relevant records and documents;
- (ix) the Bank and the Borrower will have the right to obtain all such information as they may reasonably request related to the foregoing and to the operations and financial condition of the Beneficiary;
- (x) the Borrower will have the right to deny use of the proceeds of the Sub-loan for goods produced in, or services supplied from, any country which is not a member of the Bank (other than Switzerland);
- (xi) the goods to be financed out of the proceeds of the Sub-loan will be procured in accordance with the provisions of Part A.4 of Schedule 4 to the Loan Agreement;
- (xii) the Beneficiary will carry out its development plan, as approved, and will carry on his business, with due diligence and efficiency and in accordance with appropriate technical, maritime, commercial and financial practices and standards, and will maintain adequate records;
- (xiii) without limiting the generality of the foregoing, the Beneficiary will operate, maintain, renew and repair the ferryboats purchased under Part D of

the Project with due diligence and efficiency and in conformity with appropriate technical, maritime, commercial and financial standards and practices and will provide, or take all steps necessary to obtain, promptly as needed, the funds, facilities, services and other resources required for the purpose;

- (xiv) the Beneficiary will enter into arrangements, satisfactory to the Bank, with port authorities in Italy or Yugoslavia regarding the port facilities that are required for the operation of the ferryboats financed out of the proceeds of the Sub-loan;
- (xv) the Beneficiary will employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank, to assist the Beneficiary in the procurement of the ferryboat financed out of the proceeds of the Sub-loan and in establishing the operation system for such ferryboats, including on-shore facilities, training personnel, cargo handling operations, and developing schedules; and
- (xvi) the Borrower will have the right to suspend or terminate access by the Beneficiary to the use of the proceeds of the Sub-loan upon failure

by him to perform his obligations under the Sub-loan Contract and, in appropriate cases, to pre-mature the Sub-loan.

D. Terms and Conditions Applicable to Loans from the Borrower to TSF in accordance with Section 3.01 (d) (i) of the Loan Agreement

All loans from the Borrower to TSF will be made on terms and conditions which will be substantially the same as those of the Sub-loans financed out of the proceeds of such loans.

The contractual arrangements to be entered into between the Borrower and TSF will require TSF to: (a) assume the risk of non-payment for all Sub-loans made by TSF out of the proceeds of such loan and (b) establish and maintain separate accounts to be used exclusively for Part C of the Project and record in such accounts all receipts and payments for or in connection with each Sub-loan made by TSF, all in accordance with sound accounting principles consistently applied.

The Bank and the Borrower will be entitled to see and receive promptly upon their request certified copies of the records maintained pursuant to (b) above.