

CONFORMED COPY

LOAN NUMBER 2922 TU

(Second Industrial Training Project)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 8, 1988

LOAN NUMBER 2922 TU

LOAN AGREEMENT

AGREEMENT, dated April 8, 1988, 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, 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" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "YOK" means the Council for Higher Education of the Borrower, established and operating under the Borrower's Law No. 2547 of 1981;

(b) "TTC" means any of the Technician Training Centers referred to in Part B of the Project;

(c) "FTVE" means any of the Faculty for Technical and Vocational Education referred to in Part C of the Project;

(d) "PBIT" means the Policy Board for Industrial Training, to be established within YOK pursuant to Part A of Schedule 5 to this Agreement;

(e) "ITU" means the Industrial Training Unit to be established within YOK pursuant to Part B (1) of Schedule 5 to this Agreement;

(f) "MCT" means the Ministry of Culture and Tourism of the Borrower; and

(g) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

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 in various currencies equivalent to one hundred fifteen million eight hundred thousand dollars (\$115,800,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in its Central Bank on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1996 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. 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 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent (1/2 of 1%) above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. 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 declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts A, B and C of the Project through YOK and Part D of the Project through MCT with due diligence and efficiency and in conformity with appropriate engineering, technical, educational and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(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 the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. 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.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles 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 months after the end of each such year, 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 said records and accounts and the audit thereof as the Bank shall 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 statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one 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 statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, support the related withdrawals.

ARTICLE V

Termination

Section 5.01. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Undersecretary of the Treasury and Foreign Trade of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Basbakanlik
Hazine Ve Dis Ticaret Mustesarligi
Vekaletler Caddesi No. 3
Bakanliklar, Ankara
Republic of Turkey

Cable address:

HAZINE, ANKARA

Telex:

821-42285 (MLYE-TR) or
821-42689 (ANK-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:

440098 (ITT),
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, 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.

REPUBLIC OF TURKEY

By /s/ Hikmet Ulugbay

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Wilfried P. Thalwitz

Regional Vice President
Europe, Middle East and North Africa

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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Equipment		100% of foreign expenditures and 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items pro- cured locally
(a) for Parts A, B and C of the Project	75,200,000	
(b) for Part D of the Project	3,200,000	
(2) Consultants' services and fellowships		100%
(a) for Parts A, B and C of the Project	27,600,000	
(b) for Part D of	2,200,000	

the Project	
(3) Unallocated	7,600,000
	<hr/>
TOTAL	115,800,000

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; and

(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.

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; and (b) expenditures under Categories (1) (b) and (2) (b) until the Borrower and the Bank shall have agreed on a program for the implementation of Part D of the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to strengthen the capacity of YOK to plan and coordinate training programs for technicians and for technical and vocational teachers; (ii) to improve the quality and increase the quantity of trained technicians for the industrial sector; (iii) to increase the supply of trained technical and vocational teachers; and (iv) to improve the quality and increase the quantity of trained hotel, catering and other service personnel for the tourism sector.

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

Part A: Management of Industrial Training

Expansion and strengthening of the existing technician training unit of YOK and its conversion into an industrial training unit (ITU), through:

(a) training fellowships for its staff to enable them to assist in course development at the TTCs, monitor academic standards, assist in student placement in training and employment, monitor the adequacy of staffing at the TTCs and the FTVEs, and carry out their technical responsibilities in Project implementation; and

(b) the provision of experts' services, including the employment of two technical assistance team leaders to assist in supervising the implementation of the activities included in Parts B and C of the Project.

Part B: Industrial Technician Training

Conversion of 20 existing vocational schools of higher education into TTCs through:

(a) improvement of curricula, with the assistance of experts, including the development of 9 new specializations and the expansion of 20 existing ones;

(b) provision of overseas training fellowships for trainers at such TTCs and of short study tours for their directors; and

(c) provision of equipment and furniture and renovations/ extensions to buildings for such TTCs.

Part C: Technical and Vocational Teacher Training

Improvement and expansion, with the assistance of experts, of training programs at 4 FTVEs at Gazi, Marmara and Firat Universities through:

(a) the development of new courses, including courses for a one-year post-graduate program and two-year program for graduates of post-secondary institutions, and for modular in-service teacher training programs;

(b) the establishment of a technology department in each such FTVE to revise the curricula and teaching methods for existing technology courses, and the provision of overseas training fellowships for the staff of such department;

(c) the establishment of a technical/vocational education department in each such FTVE, to be supported through:

(i) overseas fellowships for post-graduate degrees for its teaching staff, and

(ii) the development of teacher education curricula and the provision of instructional materials; and

(d) the establishment of a development and instructional support unit in each such FTVE to be responsible for developing new training materials, establishing training standards, and the provision of fellowships for the staff of such unit in research and development in technical education.

Part D: Hotel, Catering and Tourism Training

(a) Strengthening of the existing Department of Training in MCT through the provision of language training and overseas training fellowships for its staff to enable them to develop and implement a national training strategy for the tourism sector.

(b) Improvement and expansion of 5 existing Tourism Training Centers (TUREMs) and development of 5 additional such centers through: (i) improvement of curricula, with the assistance of experts; (ii) provision of overseas training fellowships for trainers at such TUREMs and of study tours for their directors and assistant directors; (iii) provision of experts' services for setting up in-country training programs for trainers at such TUREMs; and (iv) provision of equipment and furniture and renovations and/or extensions to buildings for such TUREMs.

* * *

The Project is expected to be completed by December 31, 1995.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 15 and November 15	
beginning November 15, 1992 through November 15, 2004	4,455,000
On May 15, 2005	4,425,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Turkey may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Items of equipment estimated to cost the equivalent of not more than \$100,000 per contract and \$5,000,000 in the aggregate may be procured on the basis of competitive bidding advertised locally in accordance with procedures satisfactory to the Bank.

2. Items of equipment estimated to cost the equivalent of not more than \$25,000 per contract and \$2,000,000 in the aggregate may be procured under contracts awarded on the basis of price quotations obtained from at least three suppliers.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods estimated to cost more than \$100,000 equivalent, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c)(ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in the implementation of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Implementation Program

Part A: Project Management

In order to provide policy directives and guidance on the overall requirements of industrial training and on the implementation of the Project, the Borrower shall:

(a) establish and adequately staff by March 31, 1989, under the chairmanship of the council member of YOK responsible for technician and technical/vocational teacher training, a policy board for industrial training (PBIT), with members representing the entities of the Borrower concerned with the development and management of technical education and training; and

(b) assign the ITU's coordinator, referred to in Part B.1 (b) below, to operate as the secretary of PBIT.

Part B: Responsibilities for Implementation of Parts A, B and C of the Project

1. The responsibility for the implementation of Parts A, B and C of the Project shall be assigned to YOK, acting through ITU. For this purpose, and in order to develop ITU into a permanent structure capable of coordinating technician training programs and liaising with industry, the Borrower shall, by March 31, 1989,

organize, as the ITU, the existing Technician Training Unit so as to include the following sections:

(a) the Technician Training Section: to be responsible for managing the implementation of Part B of the Project and for planning, developing and evaluating similar programs for technician training. The Technician Training Section shall be headed by a person with managerial experience and a background in technical education, and shall include staff responsible for: (i) manpower and employment data, including maintenance of a comprehensive information system on manpower needs and employment opportunities, liaising with chambers of commerce and industry and carrying out of periodic employers' surveys; (ii) training activities, including organization and selection of fellowship candidates and of overseas training programs and institutions, and coordination of the induction of returning trainees; and (iii) curriculum and program development, including identification of local institutions suitable as the focal points for such development and the recruitment of qualified individuals for the carrying out of tasks included in it.

(b) the Vocational and Technical Teacher Training Section: to be headed by a coordinator and to be responsible for coordinating the implementation of Part C of the Project, including assessment of the capacity of required facilities, preparation of plans for introduction of new courses and assessment of teacher qualification requirements.

(c) the Services and Project Implementation Section: to be responsible for the provision of support services for the sections referred to in (a) and (b) above, including the preparation of architectural designs, the implementation of procurement procedures, the maintenance of Project accounts, the preparation of Project progress reports and the handling of other personnel and administrative matters.

2. In order to ensure the relevancy of curricula and training methodologies at the four FTVEs referred to in Part C of the Project to regional needs, the Borrower shall establish, not later than March 31, 1989, an advisory board for each such FTVE which shall include representatives from industry and regional universities, TTCs and technical and vocational schools and which shall be responsible for advising such FTVEs on the requirements for teachers of technical subjects and for teacher training courses in new specializations, and on curriculum development.

Part C: Staffing of TTCs

In order to ensure the proper operation of the TTCs to be established under Part B of the Project, the Borrower shall take all necessary measures, including the allocation of funds, towards the achievement at each such TTC, by December 31, 1995, of a ratio of 12 trainees to 1 instructor.

Part D: Responsibilities for Implementation of Part D of the Project

The responsibility for the implementation of Part D of the Project shall be assigned to MCT, acting through a Management Committee headed by the Deputy Undersecretary for Tourism. The Committee will comprise the General Director of Tourism, the General Director of Marketing and Promotion, the Director of Tourism Investments and the Director of the Training Department. The Deputy Undersecretary for Tourism will nominate a General Secretary who will act as the coordinator of an implementation unit. Other key members of the said unit will include an auditor and a procurement officer.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures 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 allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$10,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

(i) the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible 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.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, deposit into the Special Account (or, if the Bank shall so request, refund to the Bank for crediting to the Loan Account) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount for crediting to the Loan Account.

