

CONFORMED COPY

LOAN NUMBER 4633 TU

Loan Agreement

(Programmatic Financial and Public Sector Special Adjustment Loan)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 12, 2001

LOAN NUMBER 4633 TU

LOAN AGREEMENT

AGREEMENT, dated July 12, 2001, between REPUBLIC OF TURKEY (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated June 18, 2001, from the Borrower: (i) describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's financial and public sectors during the period 2001-2003 (hereinafter called the Program), which Program consists of actions and policies that have already been taken and adopted, in a satisfactory manner, by the Borrower as described in Schedule 3 to this Agreement (hereinafter called the First Phase of the Program) as well as actions and policies that the Borrower intends to take and adopt prior to the subsequent phases of the Program; (ii) declaring the Borrower's commitment to the execution of the Program; and (iii) requesting assistance from the Bank in support of the Program during the execution thereof;

(B) the Borrower has also requested the Bank to provide additional assistance in support of the First Phase of the Program and by an agreement of even date herewith between the Borrower and the Bank (the PFPSAL Loan Agreement), the Bank is agreeing to provide such assistance in an amount equal to seven hundred million Dollars (\$700,000,000) (PFPSAL Loan); and

(C) on the basis, inter alia, of the foregoing, the Bank has decided in support of the First Phase of the Program to provide such assistance to the Borrower by making the Loan as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 18, is modified to read: "'Project' means the program, referred to in the Preamble to the Loan Agreement, in support of which the Loan is made.";

(b) Section 4.01 is modified to read: "Except as the Bank and the Borrower shall otherwise agree, withdrawals from the Loan Account shall be made in the currency of the deposit account specified in Section 2.02 of the Loan Agreement.";

(c) Section 5.01 is modified to read: "The Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in accordance with the provisions of the Loan Agreement and of these General Conditions";

(d) the last sentence of Section 5.03 is deleted;

(e) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."; and

(f) Section 9.05 is deleted and Sections 9.06, 9.07 (as modified above), 9.08 and 9.09 are renumbered, respectively, Sections 9.05, 9.06, 9.07 and 9.08.

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

(a) "Banking Law" means Banking Law of the Borrower No. 4389, dated June 18, 1999, as amended;

(b) "BRSA" means the Bank Regulatory and Supervisory Agency of the Borrower, or any successor thereto acceptable to the Bank;

(c) "Central Bank" or "CBT" means the Central Bank of the Borrower;

(d) "CMB" means the Capital Markets Board of the Borrower;

(e) "Deposit Account" means the account referred to in Section 2.02 (b) of this Agreement;

(f) "EU" means the European Union;

(g) "GFS" means the government financial statistics published by the International Monetary Fund;

(h) "GNP" means gross national product;

(i) "HPC" means the High Planning Council of the Borrower;

(j) "Mass Housing Administration" means the Mass Housing Administration of the Borrower;

(k) "Mass Housing Fund" means the fund established and administered by the Mass Housing Administration;

(l) "MOF" means the Ministry of Finance of the Borrower;

(m) "Privatization Administration" means the Privatization Administration of

the Borrower;

(n) "Public Participation Administration" means the Public Participation Administration of the Borrower;

(o) "SDIF" means the Savings and Deposit Insurance Fund of the Borrower, or any successor thereto acceptable to the Bank;

(p) "SPO" means the State Planning Organization of the Borrower;

(q) "Sworn Bank Auditors" means the Sworn Bank Auditors of the Borrower;

(r) "TCA" means the Turkish Court of Accounts of the Borrower;

(s) "Treasury" means the Undersecretariat of Treasury of the Borrower;

(t) "Turk Telekom" means the telecommunications company of the Borrower; and

(u) "UNCITRAL" means the United Nations Commission on International Trade Law.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to four hundred million Dollars (\$400,000,000).

Section 2.02. (a) Subject to the provisions of paragraphs (b) and (c) of this Section, the Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in support of the Program.

(b) The Borrower shall open, prior to furnishing to the Bank the request for withdrawal from the Loan Account, and thereafter maintain in its Central Bank, a deposit account in Dollars on terms and conditions satisfactory to the Bank. All withdrawals from the Loan Account shall be deposited by the Bank into the Deposit Account.

(c) The Borrower undertakes that the proceeds of the Loan shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Bank shall have determined at any time that any proceeds of the Loan shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Bank: (i) deposit into the Deposit Account an amount equal to the amount of said payment; or (ii) if the Bank shall so request, refund such amount to the Bank. Amounts refunded to the Bank upon such request shall be credited to the Loan Account for cancellation.

Section 2.03. The Closing Date shall be December 31, 2001, 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 fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

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

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus 4 (four) percentage points.

(b) For the purposes of this Section:

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

- (ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. Such new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

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

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

(c) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in Schedule 3 to this Agreement.

Section 3.02. Upon the Bank's request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than four months after the date of the Bank's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(c) furnish to the Bank such other information concerning the Deposit Account and the audit thereof as the Bank shall have reasonably requested.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 macroeconomic policy framework of the Borrower is consistent with the objectives of the Program;

(b) all conditions precedent to the effectiveness of the PFPSAL Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement; and

(c) the Borrower has: (i) completed the transfer of construction-related assets on Emlak Bank's balance sheet to the Mass Housing Administration; (ii) merged all Emlak's banking liabilities and performing banking assets with Ziraat Bank and Halk Bank; (iii) revoked Emlak Bank's banking license; and (iv) provided sufficient capital to Ziraat Bank and Halk Bank in the form of marketable Government securities carrying floating rate coupon interest to allow Ziraat Bank and Halk Bank to absorb all losses related with Emlak Bank's merger, including the issuance of Mass Housing Fund securities to Emlak Bank in lieu of the construction-related assets transferred to the Mass Housing Administration on a short-term basis to be exchanged with Treasury securities within 2001.

Section 5.02. The date sixty (60) 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 Treasury 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 Mustesarligi
Inonu Bulvari
Emek - Ankara
Republic of Turkey
06510

Cable address:	Telex:	Facsimile:
HAZINE 44 232 HZM-TR Hazine, Ankara	44 404 HZM-TR	(312) 212-8550

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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/ Ali Ümit Gönülal
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ajay Chhibber
Authorized Representative

SCHEDULE 1

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Loan shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another loan or a credit;
3. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Subgroup	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold,

silver or platinum
group metals (except
watches and watch
cases) and
goldsmiths' or
silversmiths'
wares (including
set gems)

971 - Gold, non-monetary
(excluding gold
ores and concentrates)

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party);

6. expenditures: (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories; or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

7. expenditures under a contract in respect of which the Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation.

SCHEDULE 2

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
On each April 15 and October 15	
beginning October 15, 2004 through April 15, 2006	100,000,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04(d) of the General Conditions.

SCHEDULE 3

Actions Referred to in Recital (A)
of the Preamble to this Agreement

I. Macroeconomic Framework

1. The Borrower has implemented a satisfactory macroeconomic framework for calendar year 2001, consistent with the core objectives, including: (a) positive GNP growth during the second semester; (b) inflation of two percent (2%) per month and nominal interest rates of 50-55% by the end of the calendar year; and (c) primary surplus for the consolidated public sector of five and a half percent (5.5%) of GNP.

2. The Borrower has approved a satisfactory supplementary budget for calendar year 2001 consistent with the macroeconomic objectives set forth in above paragraph 1 which also ensures satisfactory expenditure envelopes for health, education and social protection.

II. Financial Sector Reform

A. Regulatory Framework for Banking Activity

3. The Borrower has amended the Banking Law to: (i) allow for full tax deductibility of all specific loan loss provisions required by BRSA effective for the year beginning January 1, 2001; and (ii) allow application of connected exposure limits on a consolidated basis while retaining the existing phase-in period in the Banking Law for connected exposure to reach EU limits, and introduce separate exposure limits for equity investments in non-financial subsidiaries in line with the applicable EU directive, with a phase-in period.

4. The BRSA has: (a) issued through Decision No. 355, dated June 20, 2001, a Regulation on the existing loan loss provisioning rule, published in the Official Gazette dated June 30, 2001, and has applied the loan loss provisioning rule also for Ziraat Bank and has lifted the exemption from specific provisioning for Ziraat Bank's agricultural support loans; (b) issued, through Decision No. 354, dated June 20, 2001, and Regulation on chartering and operations of banks, published in the Official Gazette dated June 27, 2001: (i) a satisfactory definition of connected exposure in line with the applicable EU directive, this definition and maximum exposure limit to apply on a solo and consolidated basis; and (ii) satisfactory interim steps and timetable for banks to reach compliance with the new Banking Law limits on equity holdings in non-financial subsidiaries; and (c) amended, to be effective as of January 1, 2002: (i) the solo and consolidated capital adequacy regulations to change the reporting frequency for the capital base constituting the denominator of the foreign exchange exposure limit from quarterly to monthly; and (ii) the consolidated foreign exchange position reporting rule to change the reporting frequency from quarterly to monthly.

5. BRSA has agreed to finalize time bound action plans by August 31, 2001, with banks which are out of compliance with the new connected exposure limits for such banks to reach compliance.

6. The Borrower has established a working group comprising members from Treasury, BRSA, CBT, CMB, and MOF to recommend measures to reduce the risks caused by excessive use of retail repos/short term liabilities in the banking sector.

B. Institutional Development of BRSA

7. BRSA has developed, and its Board has approved, a time bound strategic plan with clearly assigned implementation responsibilities to: (a) have a comprehensive human resource policy further assimilating its staff from different sources and strengthening the staff training program; (b) integrate the existing multiple databases into a common database and develop a common platform for analyzing and assessing banking risks; (c) upgrade and develop procedure manuals for all major existing BRSA units; and (d) introduce the concept of relationship supervision with offsite examiners, enforcement staff and Sworn Bank Auditors working in teams on individual banks.

C. Problem Bank/Bank Failure Resolution

8. BRSA has identified all capital deficient banks in the system and agreed upon capital restoration plans with these banks or has initiated appropriate resolution actions for these banks.

9. Treasury, in cooperation with CBT, has injected into SDIF banks, enough:

(a) marketable government securities (in Turkish Lira and foreign exchange) at market terms in a mix of maturities and currency denominations carrying quarterly market-based floating rate coupon interest to ensure that the banks have sufficient liquidity to operate and honor any deposit withdrawals, and to recapitalize the SDIF banks up to 0% capital adequacy; and (b) cash (in lieu of Government securities referred in subparagraph (a) above) to retire at least two-thirds (2/3) of all on and off balance sheet overnight high cost liability funding of the SDIF banks outstanding as of March 16, 2001, (excluding liabilities to CBT) and CBT to subsequently withdraw excess liquidity through open market operations within an overall ceiling on the stock of repurchase agreements of the SDIF and state-owned banks with CBT as of May 31, 2001 of 7 quadrillion Turkish Lira.

10. SDIF has: (a) hired required staff for its collection department; (b) received approval from its Board enabling the transfer of 1166 problem loan files (each above 75 billion Turkish Lira) from Sumerbank to the collection department; and (c) completed the transfer of 150 of the above-mentioned files.

11. SDIF has selected a second transition bank besides Sumerbank, and revoked the license and initiated the merger/liquidation of Turk Ticaret Bank, Es Bank, Inter Bank and Eti Bank with either one of the transition banks.

D. State-bank Restructuring and Privatization

12. Treasury has, in cooperation with CBT, injected into Halk Bank and Ziraat Bank enough: (a) marketable government securities in a mix of maturities and currency denominations and carrying quarterly market-based floating rate coupon interest to ensure that these banks have sufficient liquidity to operate and honor any deposit withdrawals and to write-off all remaining duty loss claims and recapitalize the two banks up to at least eight percent (8%) capital adequacy; and (b) cash (in lieu of Government securities referred in subparagraph (a) above) to retire at least two thirds (2/3) of all on and off balance sheet overnight high cost liability funding of these banks outstanding as of March 16, 2001, (excluding liabilities to CBT) and CBT has subsequently withdrawn excess liquidity through open market operations within the overall maximum ceiling on the stock of repurchase agreements of the SDIF and state-owned banks with CBT as of May 31, 2001 of 7 quadrillion Turkish Lira.

13. The Borrower has appointed an independent professional governing board for Halk Bank and Ziraat Bank with the mandate to manage these banks in accordance with commercial principles and all prudential guidelines under the Banking Law issued by BRSA, and the governing board has initiated operational restructuring of these banks, including closure of unprofitable branches and reduction of redundant staff.

14. The governing board for Halk Bank and Ziraat Bank has appointed a restructuring advisor for Ziraat Bank and a restructuring and privatization advisor for Halk Bank.

15. The Borrower has adopted an amendment to Law No. 6219 to allow the simultaneous sale of A and B shares of Vakif Bank, and has agreed to authorizing the simultaneous sale of the A and B shares.

III. Public Sector Reform

E. Structural Fiscal Policies

16. The Borrower has introduced a satisfactory supplemental fiscal package consistent with the revised fiscal targets for calendar 2001 including:

(a) increase in the petroleum consumption tax by at least 15% in May, following a 20% increase in April, and subsequent full implementation of the indexation regulation for the petroleum consumption tax adopted in 2000;

(b) increase in the standard value added tax rate from 17% to 18% and the luxury rate from 25% to 26%;

(c) increase in the minimum base for social security contributions of 40% and increase in the ceiling from 4 to 5 times the minimum base in line with existing regulations;

(d) full pass through by state-owned enterprises of cost increases due to exchange rate adjustments and the revised inflation targets; and

(e) adjustment of agriculture support prices in line with the agriculture reform program.

17. MOF has issued Regulation No. 2, published in the Official Gazette dated June 19, 2001, to expand the use of tax identification numbers to owners of bank accounts, users of banking services and participants in financial transactions.

18. The Borrower has announced that the number of civil servants will not increase in 2001 and has committed to implement a strict policy of replacing up to a maximum of fifteen percent (15%) of retiring personnel in state-owned enterprises including Turk Telekom and enterprises in the portfolio of the Privatization Administration.

F. Public Expenditure Management

19. The Borrower has established a high-level steering committee consisting of representatives from MOF, Treasury, SPO and TCA, and selected line ministries and agencies as needed, to coordinate the implementation of the public expenditure management reform.

20. The Borrower has adopted Law No. 4684, dated June 20, 2001, Prime Ministry letter No. 2001/817, dated May 17, 2001 and Decree No. 2001/2698, dated July 3, 2001, to close the remaining fifteen budgetary funds and two extra-budgetary funds.

21. The Borrower has completed the new budget classification for consolidated budget agencies in line with new GFS standards for implementation on a pilot basis in calendar year 2002 budget.

22. HPC has issued Decision No. 2001/30, dated June 22, 2001, for the calendar year 2002 budget preparation process which in a satisfactory manner: (a) provides a macro fiscal framework for 2002 budget preparation including overall levels for the recurrent and investment budget; (b) establishes indicative ceilings for both the recurrent and investment budgets for ministries and line agencies; (c) freezes the introduction of new multi-year projects into the public investment program, except for possible emergency projects; and (d) calls for the rationalization of the public investment program in the 2002 budget, including:

- (i) the timetable for rationalization process;
- (ii) the objective of reducing expected average time for completion of public investment program by twenty percent (20%) compared to the 2001 public investment program along with sector specific reductions consistent with this overall objective;
- (iii) global criteria for prioritizing projects; and
- (iv) instruction to line ministries and agencies to prioritize their investment programs in line with the ceilings, objectives and criteria.

23. The Borrower has substantially completed field installations for the say2000i computerized accounting system with the objective of starting full automation for consolidated budget agencies by the end of calendar year 2001.

24. The Borrower has announced that the draft public procurement law to be submitted to the Parliament by October 15, 2001 will be fully compatible with UNCITRAL standards as a first step towards full compliance with EU directives.

25. The Borrower has established a task force to develop an audit reform program encompassing: (a) plan of actions, including necessary legal amendments, to expand scope of TCA audits to cover the entire general government including autonomous agencies, social security institutions, remaining extra-budgetary funds; and (b) preparation of a new law on internal financial control and audit in line with international and EU standards based on a review of current control, inspection and audit process.

G. Public Liability Management

26. The Borrower has adopted Law No. 4684, dated June 20, 2001, and Decree No. 2001/2312, published in the Official Gazette dated April 30, 2001, to eliminate all existing legal provisions authorizing creation of duty losses in the state banks.

27. The Borrower has submitted to the Parliament the Law on Public Finance and Debt Management, in a satisfactory manner, that establishes the Treasury as the single borrowing authority for the central government and has initiated development of a

comprehensive fiscal risk management framework.

28. The Borrower has initiated the preparation of a satisfactory national strategy to combat corruption and improve governance.

