



1. Project Data :
OEDID: L3346
Project ID: P009036
Project Name: Turkey: Private Investment Credit
Country: Turkey
Sector: Other Finance
L/C Number: L3346
Partners involved :
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2. Project Objectives, Financing, Costs and Components :
 The project objectives were: (i) supporting Turkey's export expansion and diversification efforts by providing long term funds for private investment; (ii) to assist Industrial Development Bank of Turkey (TSKB) and Industrial Investment and Credit Bank (SYKB) in their efforts to diversify their business and resources; and (iii) to support development of participating commercial banks (PCBs) into intermediaries capable of mobilizing and allocating long term resources more efficiently .
 Project Cost: US\$200 million
 Project components: Sub-project investments US\$400 million (of which IBRD, \$200 million), Technical assistance \$1million

3. Achievement of Relevant Objectives :
 The project achieved most of the stated objectives . It helped achieve plant modernization and expansion of export industries. It further assisted the TSKB and SYKB in their diversification drive . The exposure of PCBs to the project preparation, appraisal and audit procedures under the loan agreement contributed to improvement in institutional capacity at the PCBs.

4. Significant Achievements :
 The loan stimulated infusion of local private counterpart funds such that the loan financed investment amounted to only 20% of total investment.

5. Significant Shortcomings :
 During the first three and a half years of its operation, the project experienced lack of borrower interest due to the generous availability of subsidized credit from Government sources . A major increase in interest rates and amendments in loan agreements done in 1994 to allow financing of permanent working capital, pre-shipment export finance and leasing and single currency lending, led to an acceleration of loan utilization. Nevertheless, technical assistance available to PCBs for process improvements remained unutilized.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Modest	The ICR does not make a convincing case as to the role of this loan in inducing financial sector reforms undertaken by Turkey to meet EU standards. Further much of the institutional development objectives were to be achieved through the technical assistance component which was not utilized.

Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

The project design must take into existing economic climate and policy environment and be flexible for adaptation if this environment is radically altered . This credit experienced lack of interest by the borrower in the initial years of implementaion as the project design overlooked macroeconomic climate and policy environment in Turkey that favored easy availability of credit and at more attractive terms than available under this loan agreement.

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The ICR is of good quality . It could have provided more details on institutional development associated with this project and performance of export industries financed under this project .