

CONFORMED COPY

LOAN NUMBER 1248 TU

GUARANTEE AGREEMENT
(Agricultural Credit and
Agro-industries Project)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 5, 1976

Public Disclosure Authorized

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GUARANTEE AGREEMENT

AGREEMENT, dated May 5, 1976, between REPUBLIC OF TURKEY (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith between the Bank and Türkiye Cumhuriyeti Ziraat Bankasi (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to sixty-three million dollars (\$63,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows:

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 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 and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee; Provision of Funds

Section 2.01. Without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes to:

(a) provide the Borrower or cause the Borrower to be provided, promptly as required, on a basis acceptable to the Bank:

(i) such funds in liras, in addition to the proceeds of the Loan and the Borrower's own resources, as shall be necessary to enable the Borrower to disburse the full amounts of Sub-loans committed under Parts A, B and C of the Project and to carry out Parts E and F of the Project;

(ii) such funds in liras as shall be equivalent to:
(1) 100% of the amounts repaid by the Borrower to the Bank under the Loan for withdrawals made

by the Borrower under Categories 3 and 4 of the table set forth in paragraph 1 of Schedule 1 to the Loan Agreement; and (2) 50% of the amounts repaid by the Borrower to the Bank under the Loan for withdrawals made by the Borrower under Category 2 (a) of the table set forth in paragraph 1 of Schedule 1 to the Loan Agreement; and

(iii) through the annual investment and financial program of the Guarantor, such funds in liras, including capital contributions, in addition to the Borrower's own resources, as shall be necessary to enable the Borrower to maintain a sound financial structure and carry out its other obligations under Section 4.01 of the Loan Agreement; and

(b) provide TSF and TCL or cause TSF and TCL to be provided, promptly as required, on a basis acceptable to the Bank, such funds in liras, in addition to the proceeds of the Loan and the resources of TSF and TCL, as shall be necessary to enable TSF and TCL to carry out Parts C and D of the Project, respectively.

ARTICLE III

Other Covenants

Section 3.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Guarantor, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Guarantor shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property;

and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Guarantor, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Guarantor or any such subdivision, including assets held by the T.C. Merkez Bankasi or any other institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Guarantor.

Section 3.02. (a) The Guarantor shall, to the satisfaction of the Bank:

- (i) under the responsibility of the State Planning Organization of the Guarantor, maintain and operate, until the date of the completion of the Project, a Project Coordinating Committee composed of: (1) one senior representative each from the Ministry of Finance of the Guarantor, the State Planning Organization of the Guarantor, who shall be the Chairman of the Project Coordinating Committee, the Agricultural Extension Service, PU and TSF; and (2) the Project Coordinator, who shall be the Secretary of the Project Coordinating Committee;

- (ii) assign to such Project Coordinating Committee all the responsibilities and functions required for effective coordination and integration of all Project activities by the Borrower, the Agricultural Extension Service, PU, and TSF, with any other relevant ministries, authorities and agencies of the Borrower, and with the Bank, such responsibilities and functions to include, inter alia, (1) the evaluation of the qualifications of the Project Coordinator and the approval of his appointment; (2) the review from time to time of the lending and operating policies and procedures for the Project on the basis of the priorities set by the Guarantor and the making of any proposals to change such policies and procedures with the agreement of the Guarantor, the Bank and the Borrower; (3) the assistance to the Borrower in monitoring the progress of the Project and in solving any problems interfering with the carrying out of the Project; (4) the assistance to the Borrower in evaluating the financial, economic and social effects of the Project; and (5) the review of the semi-annual progress reports prepared by the Borrower on the carrying out of the Project, and the prompt transmittal to the Bank of such reports; and
- (iii) cause the Project Coordinating Committee to hold meetings, at least every three months, to carry out the responsibilities and functions referred to in (ii) hereof.

(b) Provide, or cause to be provided, the Project Coordinating Committee, promptly as needed, with such qualified and experienced supporting staff, facilities, funds and other resources as shall be required for the efficient discharge of its functions and responsibilities.

Section 3.03. In order to assist the Borrower in the carrying out of Parts B, E and F of the Project, the Guarantor shall:

- (i) maintain and continue to operate PU;
- (ii) continue to employ in PU a qualified and experienced full-time Director;
- (iii) continue to employ in PU such technical staff as shall be necessary for the efficient operation of PU; and
- (iv) continue to provide, or cause to be provided, PU, promptly as needed, with such supporting staff, facilities, funds and other resources as shall be required for the efficient operation thereof.

Section 3.04. The Guarantor shall take all action, including the granting of all necessary authorizations, import licenses and other approvals required, to ensure the timely procurement of the goods and services required for the Project.

Section 3.05. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor shall,

promptly as required, take all action necessary on its part to enable the Borrower to perform its obligations under Sections 3.01 and 4.01 of the Loan Agreement.

Section 3.06. The Guarantor shall cause TCL to employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank, to assist TCL in the procurement of the ferryboats financed under (i) the Loan Agreement and (ii) the 1971 Loan Agreement and 1971 Development Credit Agreement.

Section 3.07. The Guarantor shall, in accordance with its laws, appoint independent auditors acceptable to the Bank for the purposes of Section 5.02 of the Loan Agreement.

Section 3.08. The Guarantor shall compensate or shall cause the Borrower to be compensated for any losses related to the carrying out of Parts A and C of the Project incurred in connection with the payment of interest or other charges on, or the repayment of principal of, the Loan, resulting from change in the rate of exchange between liras and the currency or currencies in which such payments or repayments are to be made.

ARTICLE IV

Amendment of the 1971 Loan Agreement and
the 1971 Development Credit Agreement

Section 4.01. The 1971 Development Credit Agreement is hereby amended as from the Effective Date of this Agreement, as follows:

- (i) By the deletion of Categories I(a) and VI of paragraph 1 of Schedule 1 (Withdrawal of the Proceeds of the Credit and of the Loan) and the substitution therefor of the following new Categories I(a) and VI:

"I. Transportation equipment:
(Part D of the Project)

- | | | |
|---------------------------------------|-----------|---|
| (a) Ferryboat and ancillary equipment | 6,900,000 | 100% of foreign expenditures or 100% of the ex-factory cost of locally manufactured foods |
|---------------------------------------|-----------|---|

VI. Unallocated 1,800,000"; and

- (ii) By the deletion of Part D of Schedule 2 (Description of the Project) and the substitution therefor of the following Part D:

"(a) The provision of a long-term loan to Turkish Cargo Lines by ABT for the purchase by Turkish

Cargo Lines 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 Turkish Cargo Lines of such ferryboat.

(b) The provision of loans to transport companies for the construction of refrigerated trailers and towing units (including spare parts)."

Section 4.02. The 1971 Loan Agreement is hereby amended as from the Effective Date of this Agreement by the deletion of Part D of Schedule 1 (Description of the Project) and the substitution therefor of the following Part D:

"(a) The provision of a long-term loan to Turkish Cargo Lines by ABT for the purchase by Turkish Cargo Lines 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 Turkish Cargo Lines of such ferryboat.

(b) The provision of loans to transport companies for the construction of refrigerated trailers and towing units (including spare parts)."

Section 4.03. The Guarantor shall introduce such amendments to the Subsidiary Loan Agreement referred to in Section 1.02(c) of the 1971 Loan Agreement as shall be required in accordance with Section 7.01 of the Loan Agreement.

ARTICLE V

Representative of the Guarantor; Addresses

Section 5.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Maliye Bakanligi
Hazine Genel Mudurlugu ve
Milletlerarasi Iktisadi
Isbirligi Teskilati Genel
Sekreterligi
Ankara, Turkey

Cable address:

MALIYE
HAZINE
Ankara

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.

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.

REPUBLIC OF TURKEY

By /s/ Muammer Akinci
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

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