

CONFORMED COPY

LOAN NUMBER 3090 TU

(Third Agricultural Credit Project)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 28, 1989

LOAN NUMBER 3090 TU

LOAN AGREEMENT

AGREEMENT, dated June 28, 1989, between REPUBLIC OF TURKEY (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) 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;

(B) the Project will be carried out by Turkiye Cumhuriyeti Ziraat Bankasi (TCZB) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to TCZB the proceeds of the Loan as provided in this Agreement; 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 and in the Project Agreement of even date herewith between the Bank and TCZB;

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, in the Preamble to this Agreement and in the Project Agreement referred to in paragraph (a) herein have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement between the Bank and TCZB of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and TCZB pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement; and

(c) "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 two hundred fifty million dollars (\$250,000,000).

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 the Central Bank of Turkey 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 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1993 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 per cent ($3/4$ 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%) per annum 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 March 15 and September 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, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause TCZB to perform in accordance with the provisions of the Project Agreement all the obligations of TCZB therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable TCZB to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the proceeds of the Loan to TCZB under a subsidiary loan agreement to be entered into between the Borrower and TCZB, under terms and conditions which shall have been agreed upon between the Borrower and the Bank.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall provide TCZB with equity contribution at a level which shall enable TCZB to maintain an appropriate ratio of net worth to average total assets.

Section 3.02. The Borrower shall cause MAFRA to conclude the MAFRA Protocol with TCZB, and to assign to the Project area the staff required for the implementation of the monitoring and evaluation activities under the Project.

Section 3.03. The Borrower shall cause MAFRA to: (a) audit, at least once every two fiscal years, the accounts and financial statements of the TKK and the individual cooperatives participating in the provision of credit under Part B of the project in accordance with appropriate auditing principles consistently applied, and (b) furnish to TCZB the report of such audit not later than nine months after the end of the fiscal year in which such audit was undertaken.

Section 3.04. The Borrower shall carry out at least an annual

review of the appropriateness of agricultural interest rates on an agreed basis.

Section 3.05. 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 Section 2.03 of the Project Agreement.

Section 3.06. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06 and 9.07 of the General Conditions (relating to insurance, use of goods and services, plans and schedules and records and reports, respectively) shall be carried out by TCZB pursuant to Section 2.04 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) 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 sound accounting practices, records and accounts reflecting such expenditures;
 - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and
 - (iii) enable the Bank's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and 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, including 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; 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) TCZB have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that TCZB will be able to perform its obligations under the Project Agreement.

(c) The statute of TCZB, published on November 9, 1984 and issued pursuant to Law No. 233 of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of TCZB to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of TCZB or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 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; and

(b) the events specified in paragraphs (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. 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 Subsidiary Loan Agreement has been executed on behalf of the Borrower and TCZB;

(b) the Project Credit Guidelines have been adopted by the TCZB;

(c) the MAFRA Protocol has been concluded between TCZB and MAFRA; and

(d) a directive has been issued establishing a procedure satisfactory to the Bank for the review and adjustment of interest rates on agricultural loans pursuant to Section 3.04 of this Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by TCZB, and is legally binding upon TCZB in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized and executed by the Borrower and TCZB and is legally binding upon the Borrower and TCZB in accordance with its terms.

Section 6.03. The date 120 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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 7.02. 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/ N. K. Kilic

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ W. 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:

Amount of the Loan Allocated (Expressed in	% of Expenditures
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Category	Dollar Equivalent)	to be Financed
(1) Sub-loans under Part B of the Project:		
(a) Short-term sub-loans	23,100,000	35% of the incremental amounts disbursed
(b) Medium- and long-term sub-loans	226,300,000	45% of total amounts disbursed
(2) Consultants' services	300,000	100%
(3) Fellowships	300,000	100% of foreign expenditures
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TOTAL	250,000,000	

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;

(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; and

(c) the term "incremental amounts disbursed" means the amounts by which total disbursement by TCZB in the Project area in any calendar quarter for short-term sub-loans (whether financed from the Loan or not) exceeds, in real terms, the total of such disbursements in the same calendar quarter in the preceding year. For this purpose, TCZB shall furnish to the Bank, prior to the start of disbursement in any calendar quarter under Category (1) (a), a statement which shall: (a) indicate the total of such disbursement in nominal terms in the calendar quarter for which such statement is furnished and in the same calendar quarter of the preceding year; and (b) show the increase in disbursement in real terms by adjusting total disbursement in the same calendar quarter of the preceding year by the change in the wholesale price index of Turkey over the twelve-month period to the end of the calendar quarter, if available, for which such a statement is furnished or over the most recent available twelve-month period.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$25,000,000 may be made under Category (1) in the table shown in paragraph 1 above on account of payments made for such expenditures before that date but after July 1, 1988; and (b) no withdrawals shall be made under said Category (1) for (i) sub-loans provided through TTK to its member cooperatives before the TTK Agreement is in force and effect; or (ii) sub-loans to any such cooperatives which do not meet the eligibility criteria referred to in Part B (2) (c) of the Schedule to the Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to further strengthen the institutional capabilities of TCZB and the credit operations of the TKK; and (ii) to increase farm productivity and farmers' income through expanded access to agricultural credit and the financing of productive investments at the farm level.

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

Part A: Agricultural Credit Institutions

1. Implementation of TCZB's institutional development program specified in the Action Plan, including: (a) studies concerning the analysis of overdue and non-performing agricultural loans and the valuation of TCZB's portfolio of equity participation; (b) refinement of monitoring and evaluation systems; and (c) improvement of cost accounting and programming and budgeting systems.

2. The adoption and implementation by TKK, with the assistance of TCZB, of institutional development measures specified in the TKK Agreement, including the introduction of new procedures for the appraisal and supervision of short, medium and long-term loans to its members.

3. Provision of about 200 four-wheel drive vehicles for TCZB's field services.

4. Provision of about 40 fellowships for specialized foreign training to supplement TCZB's staff training program related to the improvement of staff skills in banking operations, agricultural lending and data processing.

Part B: Agricultural Credit

The provision to farmers, and to member cooperatives of TKK eligible under the provisions of the TKK Agreement, in the provinces shown in the Annex to this Schedule, of short-term sub-loans for farm production inputs and of medium and long-term sub-loans for productive farm investments in farm mechanization, livestock and horticulture and related activities.

* * * *

The Project is expected to be completed by June 30, 1992.

ANNEX TO SCHEDULE 2

Provinces for the Provision of
Credit Under Part B of the Project

Except as the Bank and the Borrower may otherwise agree, the following are the Regions and Provinces constituting the Project Area:

Region	Province
(a) Marmara	1- Bursa
	2- Edirne
	3- Kırklareli
	4- Tekirdağ
(b) Aegean	5- Balıkesir
	6- Burdur
	7- Canakkale
	8- Denizli
	9- Isparta
	10- İzmir
	11- Manisa
	12- Muğla

(c) North Central	13- Ankara
	14- Cankiri
	15- Corum
	16- Eskisehir
	17- Kutahya
(d) South Central	18- Afyon
	19- Kayseri
	20- Konya
	21- Nevsehir
	22- Nigde
	23- Yozgat
	24- Kirsehir
(e) Mediterranean	25- Adana
	26- Antalya
	27- Icel (Mersin)
Region	Province
(f) East Central	28- Amasya
	29- Sivas
	30- Tokat
(g) Northeast	31- Agri
	32- Erzincan
	33- Kars
	34- Erzurum
(h) Southeast	35- Bitlis
	36- Diyarbakir
	37- Mardin
	38- Siirt
	39- Sanliurfa
	40- Van
	41- Hatay
	42- Gaziantep
	43- Adiyaman
	44- Kahramanmaras
	45- Malatya

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
On each March 15 and September 15	
beginning March 15, 1995	
through March 15, 2006	10,415,000
On September 15, 2006	10,455,000

* 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

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1)(b), (2) and (3) 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 \$30,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. 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 shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, 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) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw

from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been 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 said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, 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

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

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 an expenditure or in an 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: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(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.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

