

CONFORMED COPY

LOAN NUMBER 3728 TU

Project Agreement

(Privatization Implementation Assistance
and Social Safety Net Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

PUBLIC PARTICIPATION ADMINISTRATION

Dated May 5, 1994

LOAN NUMBER 3728 TU

PROJECT AGREEMENT

AGREEMENT, dated May 5, 1994, between INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT (the Bank) and PUBLIC PARTICIPATION
ADMINISTRATION (PPA).

WHEREAS (A) by the Loan Agreement of even date herewith
between Republic of Turkey (the Borrower) and the Bank, the Bank has
agreed to make available to the Borrower an amount in various
currencies equivalent to one hundred million dollars (\$100,000,000),
on the terms and conditions set forth in the Loan Agreement, but
only on condition that the PPA agree to undertake such obligations
toward the Bank as are set forth in this Agreement;

(B) by a Subsidiary Project Agreement to be entered into
between the Borrower and the PPA, a part of the proceeds of the Loan
provided for under the Loan Agreement shall be utilized by the PPA
to carry out Part A of the Project as described in Schedule 2 to the
Loan Agreement; and

(C) the PPA, in consideration of the Bank's entering into
the Loan Agreement with the Borrower, has agreed to undertake the
obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of Part A of the Project

Section 2.01. The PPA declares its commitment to the objectives of the Project as set forth in Schedule 1 to the Loan Agreement, and, to this end, shall carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and commercial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part A of the Project.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Part A of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. The PPA shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part A of the Project.

Section 2.04. The PPA shall duly perform all its obligations under the Subsidiary Project Agreement. Except as the Borrower and the Bank shall otherwise agree, the PPA shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Project Agreement or any provision thereof.

Section 2.05. (a) The PPA shall, at the request of the Bank, exchange views with the Bank with regard to the progress of Part A of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Loan.

(b) The PPA shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Part A of the Project, the accomplishment of the purposes of the Loan, or the performance by the PPA of its obligations under this Agreement.

ARTICLE III

Management and Operations of the PPA

Section 3.01. The PPA shall carry on its operations and conduct its affairs in accordance with its statutes and sound administrative, financial, commercial and business practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. The PPA shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The PPA shall maintain records and accounts adequate to reflect in accordance with sound accounting practices

its operations and financial condition.

(b) The PPA shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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: (A) certified copies of its financial statements for such year as so audited; and (B) 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, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

Section 4.02. The PPA shall:

(a) by October 31 of each year, submit to the Bank for review and comment a proposed work program for the carrying out of Part A of the Project during the following calendar year, including targets and a timetable for privatizing SOEs and affiliated partnerships or bringing said SOEs and partnerships to the point of sale; and

(b) by November 30 of each year, submit evidence to the Bank that said work program, satisfactory to the Bank, has been duly approved by all appropriate action.

Section 4.03. The PPA shall by October 31, 1995, carry out, together with the Borrower, a comprehensive mid-term review of implementation of Part A of the Project on the basis of criteria agreed by the Borrower and the Bank, including, inter alia: (a) the privatization of at least one-half of the number of SOEs and affiliated partnerships in PPA's portfolio as of January 1994, such privatizations to be effected by the sale of not less than fifty-one percent (51%) of PPA ownership of the respective SOEs and affiliated partnerships, the sale of the assets of the respective SOEs and affiliated partnerships or the transfer of management control of the respective SOEs and affiliated partnerships, through contracting or leasing, from the PPA to the private sector; and (b) the sale of at least one-half of the number of share participations in PPA's portfolio as of January 1994.

Section 4.04. The PPA shall prepare and furnish to the Bank detailed quarterly reports on the execution and operation of Part A of the Project and on other matters, pursuant to Section 9.07 of the General Conditions, of a scope and within a timetable satisfactory to the Bank.

ARTICLE V

Effective Date; Termination;
Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of the PPA thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify PPA thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

For the PPA:

T.C. Basbakanlik
Kamu Ortakligi Idaresi Baskanligi
Huseyin Rahmi Gurpinar Sok. No. 2
06680 Cankaya, Ankara
Republic of Turkey

Telex:

4710 Koi

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of the PPA, or by the PPA on behalf of the Borrower under the Loan Agreement, may be taken or executed by the President or such other person or persons as the President shall designate in writing, and the PPA shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ M. Wiehen
Acting Regional Vice President

Europe and Central Asia

PUBLIC PARTICIPATION ADMINISTRATION

By /s/ M. Egilmez
Authorized Representative

SCHEDULE
Procurement and Consultants' Services

Section I: Procurement of Goods

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 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

2. In the procurement of goods in accordance with paragraph 1 of this Section I, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Program. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other international recognized standard forms agreed with the Bank.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 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 or groups of items for goods estimated to cost more than the equivalent of \$100,000 per contract and less than the equivalent of \$300,000 per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Items or groups of items for goods estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

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 the equivalent of \$300,000 or more, 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 Special Account A 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 Special Account A, 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 5 to the Loan Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Loan Account are to be made on the basis of statements of expenditure.

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

Section II: Employment of Consultants

1. In order to assist the PPA in carrying out Part A of the Project, the PPA shall employ financial and management 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.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contract nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to \$100,000 equivalent or above.

