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**Report No. 1454**

PROJECT PERFORMANCE AUDIT REPORT  
TURKEY - TURKIYE SINAI KALKINMA BANKASI S. A. (TSKB)  
(LOANS 713-TU & 873-TU)

February 11, 1977

Operations Evaluation Department

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PROJECT PERFORMANCE AUDIT REPORTTURKIYE SINAI KALKINMA BANKASI S.A. (TSKB)(LOANS 713-TU & 873-TU)TABLE OF CONTENTS

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PROJECT PERFORMANCE AUDIT REPORT

TURKEY-TURKIYE SINAI KALKINMA BANKASI S.A. (TSKB)

(LOANS 713-TU and 873-TU)

PREFACE

This report presents a performance audit of achievement under Turkey-Turkiye Sinai Kalkinma Bankasi S. A. Project, for which loans 713-TU and 873-TU in the amounts of US\$40 million each were approved. Under loan 713-TU an amount of US\$39.9 million was disbursed by June 1975\*; under Loan 873-TU, for which the closing date is December 31, 1976, an amount of US\$39 million had been disbursed by June 1976.

This performance audit is based mainly on a study of reports and documents on the project, supplemented by discussion with Bank staff. A Project Completion Report, prepared by the EMENA Regional Office in December 1975, is attached.

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\* An amount of US\$0.1 million was cancelled.

PROJECT PERFORMANCE AUDIT REPORT

TURKEY-TURKIYE SINAI KALKINMA BANKASI S.A. (TSKB)

(LOANS 713-TU & 873-TU)

BASIC DATA SHEET

Amounts (in US\$ mln)

	<u>Original</u>	<u>Disbursed</u>	<u>Repaid</u>	<u>As of 6/30/76</u> <u>Outstanding</u>
Loan 713-TU	40.0	39.88	4.64	35.24
Loan 873-TU	40.0	39.02	.75	38.27

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Project Data

	<u>Original Plan</u>	<u>Actual or Estimated Actual</u>
Board Approval	(713-TU) 11/24/1970 & (873-TU) 12/12/1972	
Loan Agreement	(713-TU) 11/27/1970 & (873-TU) 12/28/1972	
Effectiveness	(713-TU) 2/9/1971 & (873-TU) 3/21/1973	
Loan Closing	(713-TU) 12/31/1974 & (873-TU) 12/31/1976	(713-TU) 6/30/1975 & (873-TU) 12/31/1976

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Mission Data

		<u>No. of</u> <u>Weeks</u>	<u>No. of</u> <u>Persons</u>	<u>Manweeks</u>	<u>Date of</u> <u>Report</u>
Preappraisal	Oct.1972	2	2	4	12/7/1972
Supervision I	Oct.1973	1	3	3	12/28/1973
Supervision II	May 1974	3	3	5	12/20/1974 (A)
Supervision III	Oct.1975	2	2	4	11/ 7/1975

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Follow-on Project

Loan 1078-TU of US\$ 65 million, signed 12/1974 for the eleventh DFC Project.

PROJECT PERFORMANCE AUDIT REPORT

TURKEY-TURKIYE SINAI KALFINMA BANKASI S.A. (TSKB)

(LOANS 713-TU and 873-TU)

HIGHLIGHTS

These loans marked a major shift in TSKB's operations towards promotional activity and in the geographical distribution of its portfolio, thus realizing major institutional objectives set by the Bank. During the period covered by the audit, TSKB's appraisal and follow-up standards were satisfactory.

TSKB met or exceeded the estimates of resource mobilization set at the time of the appraisals. However, the cost of mobilizing local currency resources exceeded the returns on the on-lending of such funds, owing to the interest rate structure prevailing in the country. A committee is now studying the financial sector in the country.

Other points of interest are:

- undertaking of sector studies by TSKB (para. 12 of the Audit Memorandum and paras. 3.09 and 3.10 of the PCR);
- avoiding potential conflict in objectives of promoting regional industrialization and developing a capital market (paras. 15-17 of Audit Memorandum);
- desirability of defining project objectives clearly and early in project cycle (para. 17, Audit Memorandum, para. 6.01 - 6.03 of PCR);
- long-term viability of TSKB (paras. 18-23 of the Audit Memorandum).

PROJECT PERFORMANCE AUDIT MEMORANDUM

TURKIYE SINAI KALKINMA BANKASI S.A. (TSKB)

(LOAN 713-TU and LOAN 873-TU)

1. This memorandum reports on an audit of Bank Loans 713-TU and 873-TU made to Turkiye Sinai Kalkinma Bankasi S.A.
2. Loan 713-TU, in an amount of US\$40 million, was the ninth loan made by the Bank to TSKB and was approved in November, 1970; Loan 873-TU, for a like amount and the tenth Bank loan to TSKB, was made in December 1972. Since then, the Bank has made one more loan, of US\$65 million to TSKB, in December 1974, and the Bank is considering at present a request from TSKB for a further loan.
3. An audit of the eighth loan (Loan 589-TU) to TSKB was made in August 1975. The present audit is based on a review of the attached Project Completion Report (PCR) prepared by the Bank's EMENA Regional Office and other documents relating to the two loans.
4. The OED found the PCR comprehensive and objective in its findings. In view of the Bank's long association with TSKB and the introduction of an earmarked provision out of the interest spread under Loan 873-TU for specific promotional objective, this memorandum deals mainly with issues relating to institution-building relevant to Bank financing of TSKB.

I. INTRODUCTION

5. The Bank has been associated with TSKB since 1950 as its DFC client; the first investment of IFC in a DFC, made in 1963, was also in TSKB. The relationship between TSKB and the Bank Group is thus old and well-established.
6. No specific objectives, other than the generalized objectives (to help the development of private sector industry and to help make TSKB an efficient and strong institution) were set under Loan 713-TU. However, TSKB was informally informed by the Bank at that time that in view of the progress in its operations and its mature status, further assistance from the Bank would be based on tangible efforts to increase its economic impact on the country, especially in the less developed areas. In addition, TSKB was encouraged to diversify its foreign-exchange resources. A special study of TSKB's role in Turkey's economy by a separate

mission in 1972 helped in shaping up the specific objectives set for TSKB under Loan 873-TU. These related to targets for resource mobilization (and diversification of sources of funds) and for equity investment by TSKB, institutional efforts in the area of promotional work, and expansion of TSKB's role in less developed regions. On the whole, TSKB appears to have made sincere efforts to reach these objectives and considerable progress in doing so. Since, however, the subsequent eleventh loan to TSKB (Loan 1078-TU) in 1974 did not provide for ear-marking of funds for promotional work (mainly because the ear-marked funds under Loan 873-TU had not been utilized fully), it would be desirable, in negotiations for the forthcoming twelfth loan, to probe this aspect fully.

## II. TSKB OPERATIONS

7. Annexure I gives in summary TSKB's use of funds provided under the two Bank loans and its over-all operations from 1970. The following points emerge from an analysis of this data:

- (a) The operations of TSKB over the years 1973 to 1975 were more in line with estimates made at the time of appraising the earlier Loan 713-TU than with the optimistic forecast made under the subsequent Loan 873-TU. The apparently sharp drop in foreign currency loan commitments in 1974 to TL 426.1 million (from TL 830.2 million in 1973) arose as a result of projects being held up pending approval of a new line of credit (Loan 1078-TU) from the Bank. Commitment of foreign currency loan was TL 1109.8 million in 1975, making for an average of TL 768 million per year in the two years, 1974 and 1975. Even allowing for this factor, over-all, TSKB's operations showed a substantial increase over the pre-1971 level.
- (b) Forty-seven projects were financed under each loan; over-all, the projects financed under the two loans are considered satisfactory. The average financing provided was the same under each loan; however, more 'A' projects (projects above the free limit) were financed out of Loan 713-TU than out of Loan 873-TU.
- (c) The free limit for prior Bank approval was set at US\$750,000 under Loan 713-TU and US\$1 million under Loan 873-TU (with an aggregate free limit of US\$12 million under each loan). Eighteen projects under Loan 713-TU (with a total lending of US\$30.895 million) and 13 projects under Loan 873-TU (with a total lending of US\$26.984 million) were above this free limit. The Bank offered comments on more than half the 'A' projects sent to it for prior approval. These comments related to markets and to cost of projects, particularly adequacy of contingencies. TSKB responded appropriately to these comments. All projects were approved under the loans.
- (d) The industrial distribution was more even under Loan 873-TU than under Loan 713-TU; under the latter loan half the funds were given to the textile sector.



- (e) Local currency financing was lower than estimates made at the time of the two appraisals; so also guarantees of bond issues. On the other hand, equity investment was higher. On the whole, the share of foreign currency loans in the total operations of TSKB was larger than originally envisaged.
- (f) Profitability, as measured by the amount of net profit, was higher than forecast at the time of the two appraisals.
- (g) TSKB raised foreign currency resources according to estimates made, though, compared to original expectations, a larger proportion came from official sources (KFW and EIB) than from private.

8. The interest rate charged by TSKB to its borrowers was 12 per cent net of tax on interest (15 per cent gross) till September 1974; in October 1974, with a rise in the ceiling on interest rate, TSKB raised its interest rate to 14 per cent (over 17 per cent gross). This rate permits an adequate margin to TSKB on its foreign currency loan operations; however, it is lower than what TSKB would have to pay on the local market for raising its local currency resources. With wholesale prices rising from 6 to 16 per cent per annum in the seventies (and a substantial easing of inflationary pressures in 1975), the real rate of interest charged by TSKB was positive, except in years of abnormal price rises.\*

9. The low interest rate (low in relation to the rates prevailing in the market) charged by TSKB led to various distortions! Firstly, it was a factor in restricting the local currency operations of TSKB. Secondly, with the low cost of TSKB money (and the ceiling on interest rates preventing TSKB from charging a penal rate on defaults), TSKB clients found it less costly to default on TSKB loans than on their other obligations. TSKB's default experience -- which is in the same range as many other DFC's -- is not a reflection on its portfolio which is sound.

10. On the basis of the above data, TSKB generally met, in relation to its operations, the expectations as regards the use of Bank funds and its overall business trends. The higher profitability of TSKB was a consequence of the level of its foreign currency operations being above the forecast rate.

### III. INSTITUTIONAL DEVELOPMENTS

11. In many other respects, marked changes in the development of TSKB as an institution began to occur during the period, particularly after the appraisal of Loan 873-TU and as a result of the Bank's encouragement. These changes related to a more active promotional role played by TSKB (than in the past), particularly in diversifying the geographical distribution of its portfolio and, as an index

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\* The cost of funds to the borrowers is increased by a 25 per cent tax on interest paid, so that borrowers have almost always had to pay a real rate of interest on their borrowings. A part of the surplus, however, which accrues through the use of the borrowed funds at the going rates of interest, is thus siphoned off by the Government, rather than being allowed to accrue to the lender or the borrower.

of its increased institutional dynamism, TSKB's greater role in equity investments and guaranteeing of bonds.

#### A. Promotional Work

12. (a) Beginning in 1971/72, TSKB commenced a program of decentralising its operations, opening offices in various places to promote industry outside the Marmara Sea region.

(b) Accurate data on the geographical dispersion of industry in Turkey is not available; however, the Marmara Sea region (which includes Istanbul) has been a traditional area of concentration, and TSKB's operations, till the shift in its policy took place, generally followed the same pattern of dispersion. The proportion of loans approved in this region was 82.6 per cent in 1969 and 85.3 per cent in 1970; this declined in subsequent years, to 53.8 per cent in 1971, 60.2 per cent in 1972 and 63.6 per cent in 1973, as a result of conscious efforts by TSKB to decentralise its operations.

(c) TSKB also carried out sub-sector studies in various industries, generally with its own staff, using consultants for pre-feasibility studies. It has so far completed four studies (on woollen yarn and fabrics, flour mills, vegetable oil and leather and garment industries) and has eleven other studies (including castings, energy, electronics and cement) under preparation.

(d) Consequent upon starting regional offices and undertaking sector studies, TSKB has identified and promoted various projects. Promotional work took the form of sending staff (particularly engineers) on field trips to regional offices. As a result, TSKB was able to take new initiatives and give a new direction to its operations by taking up financing of projects identified by itself.

13. TSKB was thus taking a new orientation which resulted in policy, as well as structural changes. The Bank played a significant catalytic role in this process. Apart from encouragement, it provided, under Loan 873-TU, that one-fourth of the interest differential earned on the loan funds be used for promotional work. This ear-marking of funds, by assuring finance needed for promotional work and taking off, from TSKB's budget, the cost of such work, has had a salutary impact on TSKB's promotional operations.\* The pay-off, even when delayed, would be important in the long run.

#### B. Developing a Capital Market

14. The role of TSKB in developing a capital market in Turkey has been more limited. As mentioned earlier, TSKB increased its underwriting and guarantee operations, and has been selling its investments on the market. Equity participation, however, has remained a small part of its business (about 8 to

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\* It may be mentioned that the funds becoming available under this formula are not yet being fully used, and no similar provision has been made under Loan 1078-TU approved in 1974. This slow use of the funds is, however, inherent in promotional work which is time-consuming and has a long gestation period; OED would expect that the matter will continue to receive special attention of the Bank and of TSKB, and that the momentum already gained will not be lost.

10 per cent of its total operations, though almost one-third to half of its local currency operations). This limited impact is due in part to the scale of industry financed by TSKB, which is of medium size, not always amenable to market issues; moreover, there is a strong tradition of family ownership in Turkey.

15. Moreover, as TSKB moves away from the Marmara Sea region in its operations, there is a risk of a conflict between the objectives of promoting industry outside the Marmara Sea region and of promoting a capital market. If development of backward regions is to be the primary objective, TSKB should be more flexible in its emphasis on equity participation in respect of projects located in such regions.

16. In view of this, it is suggested that - apart from requiring TSKB to do general promotion of the capital market by helping the Government in setting up a proper legal and institutional framework - the objective of developing a capital market might be defined more clearly. In the case of TSKB, the objective may be related to projects above a specified size and to those within the Marmara Sea region. It may also be specified that where it cannot take direct equity participation, TSKB may resort to conversion options on its loans (and particularly in relation to bond issues guaranteed by it), thus both introducing a new form of financial instrument on the market and assuring a larger flow of equity over a longer period.

17. Finally, as in the case of TSKB, it would seem desirable that where new initiatives are taken by the Bank in respect of a DFC (for example, encouraging a DFC to shift the geographical or industrial spread of its operations, undertaking more promotional work or larger financing of an industrial category like small industry), these are taken at a stage much earlier than the project appraisal so that a DFC has adequate notice and sufficient time to do the required groundwork on the subject and so that an innovation does not hold up negotiations of a loan with a DFC. In the case of DFC's generally, and where a repeat operation is planned, the appropriate time to take up the discussion of such issues would be during the supervision of the preceding loan, about a year before the consideration of a new loan. For the first Bank operation with a DFC, the issues are probably best flagged by project reconnaissance and identification missions so that sufficient lead time is available in which to work out the implications of a policy change.

### C. Interest Spread and Long-term Viability

18. While TSKB is not permitted to charge more than 14 per cent on its loans, the cost of Lira funds, raised on the market, is higher.<sup>/1</sup> The Bank has, as a condition of its loans, required TSKB to raise local currency resources on the market. In complying with this condition, TSKB was forced to raise local currency resources which earned it a negative spread.<sup>/2</sup> It did not

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<sup>/1</sup> In 1973, when it was charging a rate of interest of 12 per cent, TSKB had to raise funds on the market at 15 per cent.

<sup>/2</sup> The Region suggests that this was not intended to become a "normal" feature of Bank's requirements in relation to TSKB. It was viewed as a stop-gap measure, pending a national solution to the general interest-rate structure in Turkey.

have a choice to decide now the long-term benefits of offering a package of financial services compared with the immediate financial loss on such services.

19. TSKB has thus been caught between the Bank's requirement to raise local currency resources and the Government's imposition of a ceiling on the rates of interest it can charge. This is a matter which affects both TSKB's developmental functions (which can be taken up only to the extent it remains a profitable organization) and its long-term viability.

20. So far, TSKB has been able to earn a positive spread on its over-all operations because of access to Bank and other foreign currency loans and to low-interest loans from the Government. Foreign currency operations, which constitute two-thirds to three-fourths of its annual operations, have been a main factor in maintaining the viability of TSKB. However, such a state of affairs represents a risk to the long-term viability of TSKB.

21. It is desirable that TSKB remains in all segments of financing business - loans as well as equity and, within the lending business, in both local and foreign currency loan operations - in order to provide a total package of services to its clients. To be viable, it is necessary that TSKB has a net surplus on its over-all activities. It is also desirable that each of its activities, subject to fluctuations inherent in business, earns a surplus so as to justify its being undertaken by the institution.

22. Viewed in this perspective, TSKB's local currency financing operations are a cause of concern. The main problem of TSKB is that a ceiling is set on the rate of interest it can charge, which is lower than (and not related to) the cost at which it can raise the required resources. In such a context, TSKB's ability to compete for, obtain and supply, resources on its own has not been tested. This is a question which must cause concern to the Bank and needs to be given careful consideration by it, both in laying down requirements regarding raising local currency resources and in ensuring the viability of the institution.

23. Interest rates in Turkey are controlled by the Government. The adequacy of the lending rates of TSKB for domestic currency loans, in relation to the cost of raising such funds, was discussed by the Bank with the DFC. The Bank has also been having a dialogue with the Government on the structure of interest rates in Turkey, and recently the Government has appointed a committee to examine the financial sector in the country. It is to be hoped that the Committee will take into account the problem which financial institutions face in fulfilling their developmental role in view of the interest rate structure prevailing in the country.

#### IV. CONCLUSION

24. The Bank's association with TSKB is a long one. TSKB has grown as a capable and profitable institution. In recent years, TSKB has branched out

into a new role -- more promotional and more dynamic than in the past, a development in which the Bank has played an important role.

25. The funds ear-marked for promotional work under loan TU-873 are not yet fully utilized. Though TSKB has made satisfactory progress in promotional work (through sub-sector studies and geographical diversification of operations), it is necessary to examine this aspect of its operations in greater depth. Since negotiations for a new loan for TSKB are expected to take place shortly, it is suggested that this matter be taken up with TSKB at that time.

26. The Bank's supervision of TSKB operations under these loans has been adequate and useful.

TURKIYE SINAI KALKINMA BANKASI S.A. (TSKB)

	<u>LOAN 713-TU</u>		<u>LOAN 873-TU</u>	
Amount (US\$ m/n)	40.0		40.0	
Free Limit (US\$)	750,000		1,000,000	
Total projects financed (no.)	47		47	
Projects above free limit (no.)	18		12	
Average size of sub-loan (TL m/n)	14		13	
Main industry groups (%)				
Textiles	50		31	
Chemicals	11		17	
Metal products	11		-	
Food			12	
Cost per job created (\$):	range	13,000 - 87,000		17,000 - 78,000
	average	20,000		
<u>Commitments:</u>	(TL million)			
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1972-74</u> average
<u>Foreign Currency</u>				
Forecast (713-TU)	713	788	863	701
Forecast (873-TU)	770	910	1050	694
Actual	830	426	1110	553
<u>Local Currency</u>				
Forecast (713-TU)	120	120	120	115
Forecast (873-TU)	350	550	650	346
Actual	156	58	133	134
<u>Equity Investment</u>				
Forecast (713-TU)	45	45	45	45
Forecast (873-TU)	30	35	35	32
Actual	51	57	114	44
<u>Guarantee of Bonds</u>				
Forecast (713-TU)	125	150	175	125
Forecast (873-TU)	60	70	80	60
Actual	43	65	-	51
<u>Total</u>				
Forecast (713-TU)	1003	1103	1203	986
Forecast (873-TU)	1210	1565	1815	1132
Actual	1080	606	1357	782*

\* Excluding guarantees

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1972-74</u> average
<u>Profitability</u>				
Net profit Forecast (713-TU)	64.7	76.5	83.3	63.9
Forecast (873-TU)	53.0	64.9	90.1	56.7
Actual	77.0	85.2	89.3	71.1

Resources Raised 1973-74

	<u>Expectations</u>	<u>Actual</u>
<u>Foreign Currency</u> (US\$ million)		
KFW and EIB	45.6	64.6
Private Banks and IFC	32.4	10.0
<u>Local Currency</u> (LT Million)		
Bond issues or direct borrowing	200	200

CURRENCY EQUIVALENTS

Prior to August 9, 1970

US \$1.00 = LT 9.00  
LT 1.00 = US \$0.11

August 9, 1970 - December 21, 1971

US \$1.00 = LT 15.00  
LT 1.00 = US \$0.067

December 22, 1971 - May 13, 1974

US \$1.00 = LT 14.00  
LT 1.00 = US \$0.07

May 14 - September 19, 1974

US \$1.00 = LT 13.50  
LT 1.00 = US \$0.074

September 20, 1974 - April 16, 1975

US \$1.00 = LT 13.85  
LT 1.00 = US \$0.0722

April 17 - July 7, 1975

US \$1.00 = LT 14.00  
LT 1.00 = US \$0.0714

July 8 - August 13, 1975

US \$1.00 = LT 14.25  
LT 1.00 = US \$0.0702

August 14 - August 27, 1975

US \$1.00 = LT 14.50  
LT 1.00 = US \$0.069

August 28 - October 27, 1975

US \$1.00 = LT 14.75  
LT 1.00 = US \$0.068

After October 28, 1975

US \$1.00 = LT 15.00  
LT 1.00 = US \$0.067



Completion Report on  
Turkiye Sinaî Kalkinma Bankasi S.A. (TSKB)  
Loans Nos. 713-TU and 873-TU

I. Introduction

1.01 This report reviews the major objectives, expectations and issues specifically set or identified under Loan 713-TU and Loan 873-TU and evaluates their outcome. In preparing this report, efforts have been made to clarify the nature of each objective or expectation to the extent possible, i.e., whether it is (i) an objective on which both the Bank and TSKB have agreed formally or informally, (ii) an expectation or recommendation which the Bank expected TSKB to pursue, conditions permitting; or (iii) a target or an objective which TSKB expressed its intention to attain at the time of the appraisal or negotiations of each loan.

1.02 The contributions to the institution-building objectives under the respective loans are discussed together since it is difficult to deal with them separately by loans. For general discussion and analysis regarding the recent status of TSKB's organization, operations, financial position and prospects as well as its economic environment the recent appraisal report, (No. 529a-TU) dated December 20, 1974, the supervision report dated November 7, 1975 and the economic report (No. 711a-TU) dated June 9, 1975 should be referred to.

1.03 Loan 713-TU (the Bank's ninth loan) amounting to US\$40 million was approved by the Board on November 24, 1970, signed on November 27, 1970, and became effective on February 9, 1971. The interest rate was 7-1/4% p.a. and the free limit was set at US\$750,000 with an aggregate free limit of US\$12 million. Debt/equity ratio was set at 4:1, the same as the previous loan (Loan 589-TU). The terminal date for sub-project submission was extended to June 30, 1975 from the original date of December 31, 1972 and the closing date was also extended to

June 30, 1975 from December 31, 1974. On the closing date, a balance of US\$122,494.76 remained uncommitted and undisbursed, and was cancelled. According to TSKB, the unutilized balance was entirely due to wide fluctuations of exchange rates between currencies which occurred during the disbursement period of the loan.

1.04 Loan 873-TU (tenth loan), amounting to US\$40 million, was approved by the Board on December 12, 1972, signed on December 28, 1972 and became effective on March 21, 1973. The interest rate was 7-1/4% p.a. and the free limit was raised to US\$1 million, with an aggregate free limit of US\$12 million. Debt/equity ratio was increased from 4:1 to 5:1. The terminal date for sub-project submission was extended to June 30, 1976 from December 31, 1974, and the closing date was set at December 31, 1976. This loan had an uncommitted balance of US\$267,976 and an undisbursed balance of US\$3,116,279 as of November 30, 1975.

1.05 While the basic objectives of the above two loans are identical (i.e. to help the private industrial development of Turkey through assisting TSKB and to help make TSKB an efficient and strong DFC), the specific features of the respective loans are conspicuously different: in the case of Loan 713-TU, there were not many objectives or expectations set by the Bank, TSKB or both, while, at the time when Loan 873-TU was appraised and negotiated, a number of targets and objectives were agreed upon by the Bank and TSKB. Especially objectives related to promotional work and resource mobilization were established in more pronounced and specific form in the latter loan. It was at the time of Loan 873-TU that the Bank began to encourage specifically (i.e. agreeing on specific targets) TSKB to move into the field

of promotional work, especially in favor of the less developed regions of Turkey, although a dialogue between the Bank and TSKB on this subject had been going on for several years. This came about as the result of the Bank's increased focus on the economic aspect of DFC-financed projects since 1970 and was facilitated by TSKB's high profitability which authorized TSKB to allocate part of the profit to invest in the proposed promotional effort.

## II. Objectives and Expectations of the Bank Loans

### Loan 713-TU

2.01 Most of the objectives set under Loan 713-TU are of qualitative nature and on a "conditions permitting" basis. <sup>1/</sup> Thus no specific targets were set as to the amount of resources to be raised by TSKB in local and international private markets. Floating local bond issues by TSKB was not considered feasible because the cost would exceed TSKB's lending rate except for the possible sale of one or two year notes. As for foreign exchange resources, the Bank encouraged TSKB, and TSKB agreed, to seek actively new foreign resources to meet its foreign exchange resource gap estimated at US\$15 million but this understanding was quite informal and not recorded in any loan documents. No specific target were set as to the level of equity investments, though the appraisal report stated that there might be some scope for TSKB to "make a market" in shares.

2.02 On resource allocation side, TSKB committed itself to intensify its efforts in financing export-oriented projects. Also, TSKB agreed to reduce the small ad hoc financing in foreign exchange for spare parts, etc., for which the Government had been making the necessary foreign exchange allocations. Commenting on TSKB's appraisal work, the Bank noted a lack of full coordination of the financial, economic and engineering aspects of the projects. A close review by

the Bank and TSKB

<sup>1/</sup> The key-tone in this respect is found in para 14 of the appraisal report of Loan 713-TU.

of the impact of devaluation of the Turkish Lira in August 1970 was recommended. With respect to the regional allocation of TSKB's funds, although TSKB indicated at the time of loan negotiations several steps to be taken in this regard, the Bank did not envisage any significant shifts in the geographical pattern of operations over the coming two years. No clear objectives or expectations regarding TSKB's promotional work 1/ were suggested under Loan 713-TU.

Loan 873-TU

2.03 By the time the tenth loan was appraised, the Turkish economy and TSKB were under considerable scrutiny in the Bank. During appraisal, a separate mission undertook a special study to assess ex-post TSKB's role in Turkey as well as to evaluate the benefits (especially the economic returns of projects) achieved by TSKB. From this work and our ongoing experience with TSKB, but also as the result of an increased awareness in TSKB that a widening of TSKB's objectives and role was necessary to adapt the institution to the Turkish environment of the next decade, the tenth Bank loan was considered as a timely occasion to bring into focus a number of economic objectives. During negotiations the following specific objectives or targets were agreed upon by TSKB and the Bank:

<u>Items:</u>	<u>Objectives and Targets</u>	<u>Remarks</u>
(1) <u>Promotional Work</u>	- 25% of the spread on Bank Loan 873-TU to be ear-marked to a separate account to finance promotional expenses.	Recorded in the supplemental letter of December 28, 1972.
	- Preparation of a promotional program within nine months after the signing date of Loan Agreement.	Same as above.

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1/ Although it is not recorded in the Minutes of Negotiations, TSKB indicated that the following steps would be taken: (i) to add some appraisal staff to its Adana office (ii) to open a branch office in Izmir and to create a new department in charge of project promotion.

(2) Resource Mobilization

<u>Foreign</u>	- US\$32 million to be raised in international market.	It was reasonably expected that TSKB would be able to raise US\$25 million. The remaining gap which the Bank decided not to meet with Bank funds would serve to put pressure on TSKB to step up its resource mobilization effort.
<u>Local</u>	<ul style="list-style-type: none"> <li>- Necessary steps to be taken by TSKB to mobilize lira resources.</li> <li>- LT 350 million (by direct borrowing or guaranteeing bonds) to be raised over two years.</li> <li>- LT 70 million each year by guaranteeing clients' bonds.</li> </ul>	<p>Section 4.07 of the Loan Agreement.</p> <p>TSKB's commitments made in the above supplemental letter. In the Memorandum of Understanding of December 1, 1972, TSKB estimated that it would raise LT 200 million by direct borrowing over two years even if a negative spread would result. <u>1/</u></p> <p>Expectation mentioned in the appraisal report.</p>
(3) <u>Equity Investments</u>	<ul style="list-style-type: none"> <li>- Growth rate of 7% p.a. reaching LT 40 million by 1977.</li> <li>- Change in basis for equity investments limit from fixed level <u>2/</u> to % of net worth.</li> </ul>	<p>TSKB's projection (the Bank considered this to be low).</p> <p>TSKB's commitment recorded in the above Memorandum of Understanding.</p>

The setting aside of one-fourth of the spread on Bank funds to finance TSKB's promotional activities was a new idea; it was intended to encourage TSKB to accelerate its project promotion work at which it had not made a serious effort in the past. This promotional effort was principally for identifying the investment potential of the less developed areas of Turkey. On the resource mobilization side, the Bank added pressure on TSKB, recommending a smaller amount of Bank loan than the estimated foreign exchange resource gap in addition to the understanding reached on the mobilization of Lira resources. However, the Bank was concerned over the

1/ This suggests that the amount of guaranteeing bonds would be around LT 150 million over two years.

2/ LT 175 million from 1966 to 1973.

Interest rates structure in Turkey which hampered TSKB's resource mobilization efforts, and expressed its intention to pursue the matter with the Government. No specific objectives were agreed upon as to joint financing with other institutions and regional allocation of funds. However, this matter was discussed at length and TSKB indicated that this aspect will be explored intensively. The Bank also did not expect that TSKB would become an important financier of tourism investments, mainly due to unavailability of resources at concessionary rates. This judgment has been proven to be correct.

2.04 Viewed with hindsight these measures, despite shortfalls in actual results, were instrumental in speeding up TSKB's efforts to mobilize resources and to promote projects at the same time. The extent to which the major objectives and targets were attained will be discussed in the following chapter. TSKB's operational and financial results will be discussed in Chapter V.

2.05 During appraisal and negotiations, the Bank made clear to TSKB that continued financial support from IBRD could no longer be addressed to a DFC whose main record had been based over the past on the financing of large and, in general, wealthy enterprises in the most developed centers of Turkey, Istanbul, Izmir and Adana. Thus, the measures which were agreed during negotiations were proposed to TSKB as the basis to test TSKB's ability and willingness to embark on a new development deal. If TSKB was able to demonstrate that it was ready to follow that course of action, it was implicitly assured of the continued support of the Bank.

### III. Attainment of Goals

#### Resource Mobilization

3.01 The following table shows TSKB's achievements in resource mobilization during the 1973-74 period:

	(1) <u>Expectations</u>	(2) <u>Actual</u>	<u>(2)-(1)</u>
<u>Foreign exchange resources</u> (US\$ Million)			
KFW & EIB	45.6	64.6	+19.0
Private Commercial Banks & IFC	32.4	10.0 <u>1/</u>	-22.4
<u>Lira resources</u> (LT million)			
Bond issues or direct borrowing	200	200.0 <u>2/</u>	-100.0
Guaranteeing of bonds	150	107.8	-32.2

3.02 The target to raise foreign exchange resources from public sources other than the Bank was met but the achievement in raising funds in the private market abroad was somewhat disappointing. The reasons for the limited success in tapping international capital markets were: (i) the rising trend in the interest rates in international markets especially since the early spring of 1974 and (ii) the over-riding fact that the Turkish Government did not allow TSKB to borrow abroad during that period except through IFC. Thus, the only borrowing from non-public sources abroad (US\$5,000,000 from the Industrial Bank of Japan) which took place in 1973 became possible mainly because of IFC's participation which acted as a catalyst and provided a moral guarantee about TSKB's credit-worthiness. This was followed in July 1975 when IFC, Libyan Arab Foreign Bank and UBAF extended a loan of US\$25 million to TSKB. Having gained some experience in the field, TSKB has established closer contacts with various sources and is now negotiating a loan of US\$25-35 million with some European Banks and IFC.

1/ Joint financing by IFC and the Industrial Bank of Japan in 1973.

2/ From this amount LT 100 million was issued in January 1975.

TSKB is by now aware that in borrowing from the international capital markets it is important to borrow from a good source, i.e., well-established private banks. In fact, TSKB rejected two offers from some ambiguous sources, which TSKB could have contracted if the amount had been the sole target.

3.0) On lira resource side, with the January 1975 issue, the target agreed upon under Loan 873-TU was attained. TSKB's efforts in this area are commendable considering that the local bond market was very poor in 1974 and only improved from the beginning of 1975, when the Government raised the interest rate on long-term bonds to 18% from 15%. 1/ As for TSKB's guaranteeing bonds issued by its clients, results fell short of the target mainly due to the unfavorable conditions in the bond market in 1974 and the increasing competition from other financial institutions. During the first nine months of 1975, the amount of bonds guaranteed by TSKB was only LT 20 million. Some well-established firms were able to sell bonds without any co-signer. Moreover, commercial banks increased their volume of loans, and borrowers generally preferred such loans to bond issues, which were more costly. As for joint financing, TSKB financed 39 projects jointly with commercial banks in 1975, thereby mobilizing an additional LT 480 million at project's level. 2/

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1/ The discrepancy between bond coupon rate and the ceiling rate on long-term loans became wider.

2/ Under Loan 1078-TU, TSKB committed to raise LT 1,100 million of which 40% would be in the form of joint financing with other financial institutions. This commitment was fulfilled ahead of schedule.



Contribution to the Development of Capital Market

3.04 TSKB's equity investments reached an average level of LT 50 million a year during the 1973-1974 period, which surpassed the projections prepared by TSKB for both Bank loans. TSKB sales from its equity portfolio have been impressive. In the ten-year period 1965-1974, TSKB made equity investments totalling LT 292.4 million and its total sales to the public amounted to LT 186.3 million.

3.05 TSKB was the first financial institution which introduced the guaranteeing of bond issues by industrial enterprises. TSKB's share in guaranteed bonds in Turkey dropped from 50% in 1967 to an average of 34% in 1972-1974. In the first nine months of 1975, of the LT 128 million guaranteed bond issues, TSKB only guaranteed LT 20 million, corresponding to only 15.6%. However, TSKB's share (including its own bond issues) in total bond issues by private companies (14% in 1973, 24% in 1974 and 18% during the period of the first nine months of 1975) was higher than its share in the bond guarantee. The upsurge of the non-guaranteed bonds shows in itself that the Turkish capital market has developed a step further.

3.05 TSKB continues to have an important role to play in developing the capital market in Turkey. It should continue its dialogue with the Government concerning ways to remove or ease restrictions such as the ceiling on the interest coupon; the stipulation that bonds cannot be issued at a price below par; the ban on lottery-type bonds; the requirement that bonds outstanding should not exceed the firm's paid-in capital; the minimum maturity requirement of five years; and the requirement that all bond issues should be sold through banks though not necessarily guaranteed by them. With respect to equity investments, TSKB could increase its share investments and further speed up the turnover of its equity portfolio. Based on its past experience, TSKB could make considerable contribution to the improvement of the draft Capital Market Bill which is being revised.

Promotional Work

3.07 TSKB had been relatively inactive in promotional work before 1974. No projects were promoted and financed under Loan 713-TU and only two projects under Loan 873-TU. The promotional goals introduced by TSKB under Loan 873-TU were very slow to take shape. During most of the first year of the loan, in 1973, TSKB tried unsuccessfully several approaches to establish itself in underdeveloped regions and to launch a work program in this area. TSKB came to the conclusion in the latter part of 1973 that to really meet the objectives agreed upon, it should, in a first stage, undertake a complete reorganization of its structure, management and staff. Perhaps helped by the example of the Bank, TSKB organization was regionalized and specific work and lending programs were designed to permit TSKB to undertake a systematic approach to the promotion of investments in all parts of Turkey. In 1974 TSKB has promoted 12 projects with TSKB's financing reaching LT 148.6 million (16.0% of its total approvals. In 1975, its promotional activities expanded rapidly. During the first nine months of 1975, 18 additional projects were promoted by TSKB with TSKB's financing of LT 302.1 million (31.7% of total approvals) 1/. Most of another 31 TSKB-promoted projects are expected to reach financing stage by the end of 1975 or early in 1976. These results are impressive. TSKB's new policy orientation is now well accepted by the middle to top management as well as most of the Board members 2/.

3.08 Promotional work has been facilitated by: (i) field trips by engineers and investment managers; (ii) detailed sub-sector studies (para 3.09); and (iii) contacts with potential investors (including workers returning from West Germany). So far, most of the projects for promotion are first identified by regional departments and then studied by the Research Department. However,

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1/ Fifteen other projects have been identified but given up later for various reasons

2/ One of the Board members, however, has voiced a certain concern that TSKB might, in his opinion, go too far in this area. (See Annex V of Supervision Report dated November 7, 1975).

as the sub-sector studies go on to cover wider areas of industry, projects will be identified as a by-product. In preparing projects so identified, TSKB has experienced difficulties in drawing up the financial plan of projects in which many investors are involved, making overseas market studies in the case of export-oriented projects, finding commercial banks willing to participate, and bringing skilled workers to the underdeveloped areas where many promotional projects are located. TSKB is fully aware of the additional risk and difficulties involved in promoting and financing projects in the backward regions. To alleviate these risks, TSKB is making increased efforts of associating commercial banks as co-financiers and of having well established firms make substantial equity participations. It is also conscious of the need to build up sufficient provisions and reserves against the special risks involved. The loan term and grace period for promoted projects are also often more generous than for other projects.

#### Subsector Studies

3.09 Since early 1974, TSKB has undertaken special industrial sub-sector studies. Four studies on woolen yarn and fabrics, flour mills, vegetable oil production and leather and garment industries, have so far been completed. Eleven other studies are in progress and were expected to be substantially completed by the end of 1975. The main criteria for selecting subsectors for the study have been mainly three: (i) a subsector in which several projects are under study by TSKB at around the same time; (ii) a subsector where there is a danger of over-capacity (e.g. cotton yarn and tomato paste 1/); and (iii) a subsector which is vigorously expanding such as meat processing. In the course of these studies, TSKB has identified five projects and obtained investment certificates from the Government, and is now trying to find suitable investors.

1/ In the case of these two subsectors overcapacity was mainly caused by generous incentives. TSKB also studies export potentiality. This is an example of an area where TSKB can cooperate with the Government.

One special advantage of preparing comprehensive subsector studies (apart from its contribution to promotional work) is to enable TSKB's financial analysts to assess more readily the economic merits of individual projects; this, in turn, speeds up TSKB's appraisal and lending procedures.

3.10 All these studies were financed under the Special Promotion Fund, agreed under Loan 873-TU. As of the end of November 1975, LT 10.9 million had been accumulated in the Fund, of which LT 6.4 million was committed and LT 3 million actually disbursed. After Loan 873-TU is fully disbursed, for several years the annual allocation to the Fund is expected to reach a level of about US\$475,000 before tapering off gradually as the Bank loan is repaid. Overall TSKB's performance in promotional work since 1974 has been fairly satisfactory, though it should try to make fuller use of the funds at an early stage, to broaden promotion.

#### Policy Statements

3.11 TSKB's policy statements have undergone changes several times since Loan 873-TU was signed at the end of 1972, reflecting new objectives and expectations set under the two loans in question as well as the reorganization which took place in early 1974. These changes include matters related to promotional activities, subsector studies, limit to equity investment financing 1/ in underdeveloped area, joint financing with other institutions, preparation of annual programs and consulting services to potential investors, etc. All the changes are positive developments which the Bank has supported. One aspect of TSKB's policy which still requires special emphasis is the financing of export-oriented projects 2/. TSKB's past achievement in this field has been rather limited. This matter is discussed in Chapter IV.

1/ This has been changed to 100% of paid-in share capital and reserves in 1973.

2/ The existing policy statement related to this matter is that as far as economic criteria to be applied on loans, priority should be given to projects which "have a positive influence on the balance of payments of Turkey."

Other Matters

3.12 A number of ~~secondary~~ matters where the Bank maintained a close dialogue with TSKB during supervision missions and in the correspondence have been reviewed in the appraisal reports for Loan 873-TU as well as in the special study report of October 19, 1973. They mainly concerned the following aspects: financing in foreign exchange of balancing equipment (e.g. spare parts or replacement of existing equipment) has been reduced since 1972. 1/ Coordination among economic, financial and engineering aspects of an appraisal report has improved since the 1971 reorganization. 2/ With respect to the impact of Lira devaluation in 1970 on TSKB's operations, it caused on the one hand a sharp increase in arrears of foreign exchange loans, but on the other hand TSKB financed more export-oriented projects than before. 3/

IV. SUBPROJECTS FINANCEDLoan 713-TU

4.01 Assistance was given to 47 projects out of the proceeds of Loan 713-TU (see Annex 4) including 18 projects above the free limit. None of these projects involved any promotional efforts on the part of TSKB. Only 3 projects were located in the underdeveloped areas. Equity investments were made in eight companies during the period. TSKB's projections of the dates of completion and the investment costs of projects were generally close to reality. 4/ The average size of the subloans under Loan 713-TU was LT 14 million, which was higher than the average of all TSKB's subloans. The average share of TSKB in the total financing of the sub-loans was 30-40% in the case of "A" projects, with wide variations with respect to "B" projects. About 50% of its financing under Loan 713-TU was made to the textile industries. Other sectors which received more

1/ See para 4.09 of the appraisal report of Loan 873-TU

2/ See para 3.08 of the above report.

3/ See paras 4.16 and 4.19 of the above report and para 9.22 of the TSKB Special Study.

4/ This is partly due to the fact that TSKB usually includes custom duties in the cost which are, in many cases, exempted in later stage. This portion functioned as an additional contingency which would be otherwise on the low side.

than 10% of financing were chemicals (11%) and metal products (11%) with remaining proceeds spread over 10 sectors. Bank and TSKB had made a joint study on the textile industry in 1970, and TSKB's high exposure to this industry was not considered excessive.

4.02 Annex 6 lists the 18 sub-projects above the free limit. Most of the projects financed under 713-TU have attained a capacity utilization rate over 70%. As of October 20, 1975 there are 10 sub-projects (including "B" projects) which are in arrears, but none of which are considered to be of serious nature except for one "B" project.<sup>1/</sup> The arrears under 713-TU reflected more or less TSKB's overall arrears position.<sup>2/</sup> The overall economic impact of these sub-projects appears to be less attractive than projects under Loan 873-TU. Cost per job created on new projects ranges widely from US\$13,000 to US\$87,000 but about 50% of the projects have an average cost per job of US\$20,000, which is still higher than the average for 23 projects reviewed in the TSKB Special Study (US\$11,600 on the average for 23 projects) which related to financing under earlier loans to TSKB. Five of the 18 projects were for import substitution and five others were partially export oriented. Actual export performance, compared to the projections, is rather good. More than half of the 15 A-projects for which the data were available

1/ Parson Makine Parcalari (B-2 and B-18) which is engaged in forging steel, has defaulted in the payment of LT 1,332,000 including interest for less than 3 months. TSKB's loan to the company totaled LT 18,976,000 as of October 20, 1975. Forging steel requires relatively high technology and the company has some technological problems. The completion of this project was also delayed for 18 months due to delayed delivery of machine and some technological reasons.

2/ Comparison of arrears position between TSKB's overall portfolio and sub-loans under Loan 713-TU is as follows:

	<u>Principal arrears as % of total loans</u>	<u>Affected loans as % of total loans</u>
TSKB's overall portfolio (as of Sept. 30, 1975)	1.7%	7.1%
Sub-loans under 713-TU (as of Oct. 20, 1975)	0.9%	7.5%

have an effective rate of protection (ERP) ranging from 33% to 89% before adjustments to profits<sup>3/</sup> were made. In evaluating the economic aspect of the projects it has financed, TSKB concluded that the Effective Rate of Protection Methodology was an effective, though imperfect, tool to help TSKB in making more effective resource allocation. Thus it used that tool systematically. A number of projects were modified as the result of this criterion to make them more economically viable. Starting January 1974, TSKB has been calculating the Economic Rate of Return for all projects except very small ones. While it agrees with the view that the Economic Rate of Return is a better methodology, if border prices are readily available, for the past year, it has supplemented it by estimates of new employment created and foreign exchange saved; TSKB has found the addition very useful, because they feel that the economic attractiveness of a project could not be fully reflected by one single rate (ERR). Overall, the present status of the projects assisted under Loan 713-TU can be considered satisfactory.

#### Loan 873-TU

4.03 Projects financed under Loan 873-TU (47 in number) followed a somewhat different pattern and appeared better in terms of overall economic benefit than those under loan 713-TU. The number of projects located in underdeveloped areas increased from 2 to 4; two projects were promoted by TSKB and the number of equity participations increased. At the same time, industrial distribution was more diversified reducing TSKB's exposure to textile industries to 31% from 48% under loan 713-TU. Other sectors which received more than 10% are chemicals (17%), food (12%). The balance of the loan was spread over 13 sub-sectors. The average size of the subloans remained

<sup>3/</sup> TSKB also calculated ERP using shadow values of profits. Whatever the volume of profits projected was subtracted from the calculation and replaced by nominal rate of profit of 15%. ERP of many of the projects thus calculated dropped below 20%.

about the same (LT 13 million) as that of Loan 713-TU which possibly represented a decrease in constant value as a result of inflation. About 20 projects under Loan 873-TU are still at the implementation stage. These projects under construction are making good progress in general; in retrospect, TSKB's projections during appraisal of completion dates and of the costs of projects are considered to have been well made.

4.04 The list of sub-projects above the free limit financed under Loan 873-TU is given in Annex 7 . TSKB's appraisal reports were generally thorough, though the treatment of the marketing aspect was sometimes weak and descriptions on technical aspect on some projects tended to be cursory. There are only four "A" projects which have so far been completed out of 12 projects (net of cancellations) and actual data on fixed assets, rate of return on equity, etc., are / available. Cost per job created on new projects has the same ranges (US\$17,000 - 78,000) as that of Loan 713-TU. TSKB made a greater effort in financing export-oriented projects and half of the twelve "A" projects were intended to export their products<sup>1/</sup>. TSKB calculated the economic rate of return on two sub-projects which were estimated to be 23.5% and 18.2%. More light will be shed on TSKB's promotional work in underdeveloped regions when Loan 1078-TU is fully utilized. There are no principal arrears on sub-loans under Loan 873-TU since most of the sub-loans are still in grace period. However, some borrowers are delinquent in the payment of interest, and the amount of loans affected by arrears on interest as a percentage of total loans outstanding under Loan 873-TU is 15.9%, much higher than that of TSKB's overall arrears position. As mentioned in the supervision report dated November 7, 1975, (Annex V, page 4) TSKB is planning to adopt more effective measures to improve the situation.

<sup>1/</sup> One company (Polylen A-11) set a target that it will try to sell 50% of its products manufactured by the expansion project, although this appears to be too ambitious a target for a company which, so far, has no experience in exports.



## V. Operational and Financial Results

### Level of Operations

5.01 TSKB's actual level of operations as compared with the forecasts made at the time of the appraisal of each loan is summarized as follows: (LT million):

	<u>Forecast</u>				<u>Forecast</u>				<u>Actual</u>			
<u>Commitments</u>	-----(Loan 713)---				-----(Loan 873)---				-----			
	<u>73</u>	<u>74</u>	<u>72-74</u>	<u>75</u>	<u>73</u>	<u>74</u>	<u>72-74</u>	<u>75</u>	<u>73</u>	<u>74</u>	<u>72-74</u>	<u>75</u>
	(Avg.)				(Avg.)				(Avg.) (Jan.-Aug.)			

#### Loans:

Foreign currency	713	788	701	863	770	910	694	1050	830	426	553	789
Local currency	120	120	115	120	350	550	346	650	156	58	134	51
Equity investment	45	45	45	45	30	35	32	35	51	57	44	83
Guarantee of bonds	125	150	125	175	60	70	60	80	43	65	51	-

The upward revision of the forecast for the domestic currency operations made at the time of the appraisal of Loan 873-TU reflects the expectation that TSKB would mobilize more lira resources. However, the actual result turned out to be rather in line with the forecast of Loan 713-TU. Overall level of loan operations during the past few years continued to be a function of resource availability and fell short of the expectations made in both Bank loans. The year 1974 was a year when tight resource position caused a sharp drop in TSKB's loan commitments: actual commitments in foreign currency fell short of the projections made at the time of Loan 713-TU and Loan 873-TU by 46% and 53% respectively and in local currency by 52% and 89%. On the other hand, the objectives to increase equity investments were met from 1972 onward, surpassing both forecasts.<sup>1/</sup> The guarantee of bonds was less than half of what was forecast at the time of Loan 713-TU and slightly lower than that of Loan 873-TU. The reason for this has been given in para 3.03.

<sup>1/</sup> The projection for equity investments made by TSKB at the time of appraisal of Loan 873-TU was considered to be low by the Bank, but TSKB thought it was a realistic forecast.

Profitability

5.02 TSKB's actual profitability reached its peak in 1973 (20.7% on average equity) and started to decrease slightly thereafter, although it continued to maintain a high level (19.4% on average equity) for 1974. Actual results during 1972-74 have fallen between the two projections (slightly lower than Loan 713-TU and higher than Loan 873-TU) reflecting, to a certain extent, the fact that TSKB failed to mobilize resources as early as expected and the promotional work was started one year late. (If TSKB had done these things earlier, financial results in 1973 and 1974 would have been much lower because these activities tended to reduce its profitability.) The main contributing factor to higher income was interest revenue, of which about 23% on average for the period 1971-1972 was due to the increase in the lending rates adopted in 1970 and 1974 with the balance to be attributable to the increase in lending volume. The average interest spread between loans and borrowing was higher than forecast, but showed a declining trend from 1974 onward. Provisions for losses have been much higher than forecast, especially in 1973 and thereafter. General administrative expenses started to exceed the projections in 1974 reflecting the higher level of travel expenses and cost-of-living adjustments of staff salaries.

Financial Position

5.03 The actual increase in total assets outpaced the projections made in both loans. This is mainly because foreign currency borrowings from KfW and EIB surpassed the projections. Loans in local currency fell far short of the projections made in Loan 873-TU from the year 1974 up to August 1975. At the time of appraisal of Loan 873-TU, a 50% increase of share capital was expected in 1976 with possible advance of it by a year in order to maintain the debt/equity ratio as defined in the Loan Agreement (5:1). In fact, a share capital increase by 120% (from LT 193 million to 425 million) was decided in February 1975, and about LT 45 million (20% of the increase) is expected to be paid in

by the end of this year with the remaining to be paid in by the first half of 1976. At the time of appraisal of Loan 873-TU, TSKB's debt/equity ratio was forecast to reach the contractual limit (5:1) by the end of 1974. However, actual ratio was still 4:1 as of the same date, reflecting TSKB's less successful efforts in mobilizing lira resources which were overestimated in the original projections. The actual level of reserves fell slightly short of the projections made in Loan 713-TU but exceeded those made in the appraisal of Loan 873-TU. TSKB's creditors have reviewed TSKB's reserves carefully and, after adjustments considered necessary by the auditors were made at the end of 1974, the reserves are considered adequate.

## VI. CONCLUSIONS

6.01 Overall, TSKB's past performance in respect of resource mobilization, both domestically and internationally, fell short of the targets set under Loan 873-TU. (No targets were set under Loan 713-TU, although the operational forecast exceeded actual performance.) While, for the most part, conditions leading to such an outcome were beyond TSKB's control (such as high cost of bond issues, controlled lending rates and Government's hesitancy to permit TSKB to go to the international capital market to raise funds freely), it is clear that a more aggressive approach on the part of TSKB to deal with the situation would have yielded much better results. Viewed with hindsight, TSKB's resource mobilization efforts and promotional activities could have expanded at a much quicker pace if more pronounced objectives had been set under Loan 713-TU. Dialogue with the Government was not as frequent as expected, especially during the period when Loan 713-TU was committed, and reliance on public sources for foreign exchange funds was still heavy.

6.02 The objective regarding promotional work in underdeveloped regions of Turkey is of a long-term nature, and the results achieved over the relatively short time elapsed so far do not lend themselves readily to a full assessment. However, the Bank's effort in enhancing TSKB's role in promoting industrial projects in the private sector by earmarking a part of the spread as Promotion Fund under Loan 873-TU has yielded results. Now that TSKB is attaching the same importance to its project promotion work as do the Bank and the Government, the momentum is expected to increase. Coupled with the promotion work, TSKB has been making added effort to increase its role in the regional development of Turkey.

6.03 TSKB's involvement in financing export-oriented projects is expected to continue and to increase. Loan 713-TU only showed the direction but due to lack of a specific target, the progress has not been impressive.

6.04 While TSKB has long been an efficient allocator of funds for industrial investment, Loan 873-TU set the stage for its entering into a new, and more broadly developmental phase, in which it has increased its exposure in projects located in less-developed regions and sponsored by less experienced entrepreneurs. The financing of such projects would result in a likely increase of the cost and the risk of TSKB's loans, and profitability would suffer somewhat. The Board, the Management and staff of TSKB are conscious of this and are strengthening their appraisal and supervision procedures as well as cooperation with the Government and other financial institutions so that TSKB will be able to expand its developmental role while keeping risks at acceptable levels.

6.05 This review of the two Bank loans to TSKB covering a period of about five years of close association between TSKB and the Bank, points out probably to one striking lesson, namely, that important changes such as those which were initiated in 1972 for TSKB took some time to mature into a concrete pattern of results. What the findings of this report indicate is likely to become more evident when Loan 1078-TU comes under completion review. Nevertheless it should be recognized at this stage, that TSKB is finding ways to strike a proper balance between the roles of a financially strong DFC and a real development bank. It is all the more in need of the Bank's continued encouragement and support.

ANHEX 1

TSEB Income Statements: Forecast and Actual (1970-1975)  
(in LT million)

	1970	1971	1972	1972	1973	1974	1975	1975	1970	1971	1972	1972	1973	1974	1975	1975	1974	1975		
	-----Forecast (Loan 713-TU)-----							-----Forecast (Loan 873-TU)-----							-----Actual (Audited)-----				Jan.-Aug. 1975	
	1970	1971	1972	1972	1973	1974	1975	1975	1970	1971	1972	1972	1973	1974	1975	1975	1974	1975		
	-----Forecast (Loan 713-TU)-----							-----Forecast (Loan 873-TU)-----							-----Actual (Audited)-----				Jan.-Aug. 1975	
<b>Income</b>																				
Interest on liquid funds	3.1	2.5	2.7	3-2	3-7	4-0	4-0	14-3	11-5	16-0	16-2	16-0	16-2	16-2	14-3	14-3	11-3	12-4	19-3	15-5
Interest on loan portfolio	115-4	144-3	165-9	205-2	261-2	326-9	326-9	168-0	186-1	232-8	330-9	330-9	330-9	330-9	168-0	168-0	162-2	276-1	354-0	281-1
Dividend income	6-7	6-8	7-3	8-0	8-5	9-0	9-0	13-6	11-6	12-8	12-3	12-3	12-3	12-3	13-6	13-6	7-4	16-7	21-5	15-4
Commissions and other charges	12-2	15-9	19-9	23-5	26-7	29-5	29-5	32-6	15-2	21-1	27-9	27-9	27-9	27-9	32-6	32-6	15-9	24-2	26-2	16-7
Gross capital gains	137-5	169-5	195-8	239-9	300-1	369-4	369-4	528-5	224-4	282-7	387-3	387-3	387-3	387-3	528-5	528-5	196-8	329-4	421-0	328-7
Other extraordinary income	17-6	22-5	22-5	26-3	26-0	26-0	26-0	8-6	6-2	4-3	6-5	6-5	6-5	6-5	8-6	8-6	0-6	18-4	10-0	12-0
	-	-	-	-	-	-	-	1-0	5-5	1-0	1-0	1-0	1-0	1-0	1-0	1-0	13-6	4-7	1-7	3-5
<b>Total</b>	155-1	192-0	218-3	266-2	326-1	395-4	395-4	538-1	236-1	288-0	394-8	394-8	394-8	394-8	538-1	538-1	211-0	352-5	432-7	344-2
<b>Expenses</b>																				
Personnel expenses	12-0	12-9	13-9	14-9	16-0	17-5	17-5	27-4	18-0	20-7	23-3	23-3	23-3	23-3	27-4	27-4	15-1	24-5	34-3	27-3
Director and staff bonus	2-6	3-1	3-4	4-5	5-6	6-6	6-6	6-4	3-7	3-2	4-3	4-3	4-3	4-3	6-4	6-4	2-8	4-7	5-3	-
General administrative expenses	3-5	4-7	4-7	4-7	4-7	4-7	4-7	8-6	7-0	7-5	8-0	8-0	8-0	8-0	8-6	8-6	3-8	4-6	9-2	10-6
Depreciation	0-3	0-9	0-9	0-9	0-9	0-9	0-9	2-2	1-3	1-3	1-3	1-3	1-3	1-3	2-2	2-2	0-4	3-6	3-5	2-1
Provision for retirement	-	-	-	-	-	-	-	2-2	1-6	1-8	2-0	2-0	2-0	2-0	2-2	2-2	10-0	1-8	2-5	1-2
Taxes, dues, fees	18-4	21-6	22-9	25-0	27-2	29-7	29-7	45-9	31-6	34-5	39-4	39-4	39-4	39-4	45-9	45-9	32-1	33-5	41-0	40-0
Interest charges	10-0	13-4	14-2	16-3	16-8	17-3	17-3	7-9	8-4	7-1	7-6	7-6	7-6	7-6	7-9	7-9	6-4	8-6	16-3	13-6
	71-9	89-9	103-5	129-0	162-0	217-7	217-7	327-8	117-6	162-1	235-4	235-4	235-4	235-4	327-8	327-8	103-1	126-1	166-3	222-5
<b>Total</b>	100-3	124-9	140-6	166-3	206-0	264-7	264-7	381-6	157-6	203-7	292-4	292-4	292-4	292-4	381-6	381-6	141-6	223-6	291-7	255-7
Gross earnings	54-8	67-1	77-7	99-9	120-1	130-7	130-7	156-5	78-5	84-3	112-4	112-4	112-4	112-4	156-5	156-5	69-4	128-9	141-0	88-5
Provision for losses	-	2-5	3-0	3-0	4-0	4-0	4-0	7-7	1-7	8-4	14-5	14-5	14-5	14-5	7-7	7-7	11-0	23-5	23-8	-
Taxation	16-5	20-8	24-3	32-2	39-6	43-4	43-4	48-7	24-7	22-9	33-0	33-0	33-0	33-0	48-7	48-7	18-1	33-1	37-3	-
<b>Net profit</b>	38-3	43-8	50-4	64-7	76-5	83-3	83-3	90-1	52-1	53-0	64-9	64-9	64-9	64-9	90-1	90-1	40-3	50-8	79-9	-
<b>Appropriation</b>																				
Dividends	15-0	15-3	17-2	19-7	20-3	20-6	20-6	27-4	18-2	25-4	26-2	26-2	26-2	26-2	27-4	27-4	15-2	22-1	32-1	32-5
Legal reserve	3-5	4-2	4-6	6-0	7-1	7-4	7-4	7-9	4-4	5-1	6-0	6-0	6-0	6-0	7-9	7-9	3-6	4-6	7-0	7-6
Other Reserves	19-8	24-3	28-6	39-0	49-1	55-3	55-3	54-8	29-5	22-5	32-7	32-7	32-7	32-7	54-8	54-8	21-5	24-1	33-2	39-8
	38-3	43-8	50-4	64-7	76-5	83-3	83-3	90-1	52-1	53-0	64-9	64-9	64-9	64-9	90-1	90-1	40-3	50-8	72-3	79-9
<b>Ratios</b>																				
Net profit as % of average net worth	19-4	19-5	18-7	20-1	20-5	19-3	19-3	21-4	18-7	15-7	17-6	17-6	17-6	17-6	21-4	21-4	18-2	18-2	20-7	19-4
Administrative expenses as % of average total assets	1-2	1-1	1-1	1-0	0-9	0-8	0-8	1-1	1-4	1-3	1-2	1-2	1-2	1-2	1-1	1-1	1-6	1-5	1-4	1-4
Dividend as % of par value	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	15	15	15

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ANNEX 2

**TSEB Balance Sheets: Forecast and Actual (1970 - 1975)**  
(in IT million)

	Dec. 31, 1970		Dec. 31, 1971		Dec. 31, 1972		Dec. 31, 1973		Dec. 31, 1974		Dec. 31, 1975		Dec. 31, 1972		Dec. 31, 1973		Dec. 31, 1974		Aug. 31, 1975			
	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast		
<b>ASSETS</b>																						
Cash	207.6	255.5	278.0	274.0	273.3	269.6	27.0	42.6	34.0	28.7	152.4	180.8	187.2	314.9	233.9	350.2						
Temporary investments	11.4	11.4	11.4	11.4	11.4	11.4	213.4	413.6	312.7	313.7	26.1	22.2	11.5	11.6	46.4	42.5						
Receivables	49.9	52.1	53.6	57.4	61.1	64.8	88.9	88.9	88.9	88.9	74.7	83.0	94.3	129.6	160.4	247.5						
Short-term loans	2.4	-	-	-	-	-	2.3	-	-	-	2.3	2.3	2.2	2.1	2.1	2.1						
Long-term portfolio:																						
Local currency loans	360.3	344.2	368.7	444.1	464.9	519.9	395.5	568.9	891.4	1,350.5	362.1	368.5	449.2	537.8	572.0	553.6						
Foreign currency loans	1,108.3	1,194.2	1,409.8	1,792.6	2,257.3	2,811.7	1,409.8	1,668.1	2,212.2	2,880.7	1,172.4	1,306.1	1,434.3	2,144.0	2,527.4	3,086.9						
Equity participations	119.6	129.1	144.1	154.1	159.1	164.1	144.2	162.8	180.3	195.3	109.8	125.8	156.6	156.8	206.9	243.5						
Provision for losses	(28.4)	(28.5)	(31.5)	(34.5)	(38.5)	(42.5)	(31.3)	(39.7)	(54.2)	(71.9)	(31.8)	(29.6)	(27.1)	(23.1)	(22.2)	(47.2)						
Net fixed assets	31.1	29.7	28.3	26.9	25.0	23.1	50.3	49.0	47.7	46.4	33.4	46.1	54.4	50.3	47.8	45.8						
Government bonds required by law	25.8	30.0	34.6	40.6	47.7	55.1	36.1	40.1	44.9	50.7	25.8	34.6	36.1	46.0	46.6	52.1						
<b>Total</b>	<b>1,888.0</b>	<b>2,017.7</b>	<b>2,297.0</b>	<b>2,736.6</b>	<b>3,261.3</b>	<b>3,877.2</b>	<b>2,366.2</b>	<b>2,994.3</b>	<b>3,787.9</b>	<b>4,883.0</b>	<b>1,927.2</b>	<b>2,139.8</b>	<b>2,398.7</b>	<b>3,367.9</b>	<b>3,821.3</b>	<b>4,531.0</b>						
<b>LIABILITIES &amp; EQUITY</b>																						
Current liabilities	62.0	64.0	66.3	73.3	76.8	75.3	119.0	125.4	142.9	168.2	93.7	117.6	129.9	299.9	244.4	273.1						
Subordinated government loan	368.1	368.1	368.1	368.1	368.1	368.1	368.1	368.1	368.1	368.1	368.1	368.1	368.1	368.1	368.1	368.1						
Other liab. debt	83.2	81.2	77.7	76.6	75.4	74.2	121.4	458.8	656.0	1,508.0	64.7	39.3	114.2	162.6	206.2	391.3						
Foreign currency loans	1,164.7	1,265.9	1,485.6	1,874.3	2,340.5	2,896.4	1,434.8	1,691.5	2,231.8	2,886.9	1,192.2	1,426.4	1,463.8	2,162.0	2,556.9	3,236.3						
Share capital	110.5	110.5	138.1	138.1	138.1	138.1	193.4	193.4	193.4	193.4	110.5	110.5	193.3	193.3	193.3	193.3						
Reserves	99.5	128.0	161.2	206.2	262.4	325.1	129.5	157.1	195.7	258.4	98.0	123.2	129.4	183.0	255.1	236.4						
Income for eight months	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88.5					
<b>Total</b>	<b>1,888.0</b>	<b>2,017.7</b>	<b>2,297.0</b>	<b>2,736.6</b>	<b>3,261.3</b>	<b>3,877.2</b>	<b>2,366.2</b>	<b>2,994.3</b>	<b>3,787.9</b>	<b>4,883.0</b>	<b>1,927.2</b>	<b>2,139.8</b>	<b>2,398.7</b>	<b>3,367.9</b>	<b>3,821.3</b>	<b>4,531.0</b>						
Guarantees of bonds	138.0	213.0	298.0	395.0	500.0	650.0	225.3	292.7	370.1	445.3	110.8	148.0	212.0	243.8	251.4	223.0						
<b>Ratios</b>																						
Long-term debt/equity ratio	8.4	8.1	7.5	7.9	8.2	8.6	6.0	7.2	8.4	9.4	8.3	8.3	6.7	7.8	7.5	7.5						
Debt/equity ratio (as defined in IBRD Loan Agreement)	2.4	2.6	2.3	3.3	3.8	4.4	3.0	4.1	5.0	6.1	2.8	2.1	3.1	4.1	4.0	4.0						
Provisions and reserves as % of portfolio	8.1	9.4	10.0	10.2	10.4	10.5	8.2	8.2	7.6	7.5	7.9	8.5	7.7	7.3	8.4	8.4						

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ANNEX C

**NSB Operations: Forecast and Actual (1970 - 1975)**  
(in Lf million)

	1970	1971	1972	1973	1974	1975	1970	1971	1972	1973	1974	1975	1970	1971	1972	1973	1974	1975	
	Forecast (Loan 713-TI)						Forecast (Loan 813-TI)						Actual						
<b>Approvals</b>																			
Loans: Foreign Currency	259.4	525.0	675.0	750.0	825.0	900.0	500.5	840.0	980.0	980.0	1,120.0	1,120.0	235.4	324.0	497.0	774.2	821.9	821.9	751.5
Local currency	40.0	120.0	120.0	120.0	120.0	120.0	200.0	500.0	600.0	600.0	700.0	700.0	16.7	140.6	222.0	144.3	50.4	50.4	131.8
Sub-Total	299.4	645.0	795.0	870.0	945.0	1,020.0	700.5	1,340.0	1,580.0	1,820.0	1,820.0	1,820.0	252.1	464.6	699.0	918.5	872.3	872.3	883.3
Equity Investment	30.0	15.0	15.0	15.0	15.0	15.0	30.9	30.0	35.0	35.0	35.0	35.0	5.9	24.7	41.2	50.8	56.8	56.8	128.7
Guarantee of bond issues	75.0	90.0	100.0	125.0	150.0	175.0	50.0	60.0	70.0	70.0	80.0	80.0	50.0	35.0	43.0	42.8	65.0	65.0	-
Total	404.4	780.0	940.0	1,045.0	1,140.0	1,240.0	781.4	1,430.0	1,685.0	1,935.0	1,935.0	1,935.0	308.0	524.3	783.2	1,012.1	994.1	994.1	1,012.0
<b>Commitments</b>																			
Loans: Foreign Currency	263.3	330.0	601.5	712.5	787.5	862.5	400.4	770.0	910.0	1,050.0	1,050.0	1,050.0	243.1	222.0	404.6	830.2	426.1	426.1	789.0
Local currency	24.5	90.0	105.0	120.0	120.0	120.0	138.0	350.0	550.0	650.0	650.0	650.0	14.7	106.5	187.4	155.6	57.8	57.8	50.5
Sub-Total	287.8	420.0	706.5	832.5	907.5	982.5	538.4	1,120.0	1,460.0	1,700.0	1,700.0	1,700.0	257.8	328.5	592.0	985.8	483.9	483.9	839.5
Equity Investment	30.0	15.0	15.0	15.0	15.0	15.0	30.9	30.0	35.0	35.0	35.0	35.0	5.9	24.7	41.2	50.8	56.8	56.8	82.9
Guarantee of bond issues	75.0	90.0	100.0	125.0	150.0	175.0	50.0	60.0	70.0	70.0	80.0	80.0	50.0	35.0	43.0	42.8	65.0	65.0	-
Total	392.8	555.0	851.5	1,002.5	1,102.5	1,202.5	619.3	1,210.0	1,565.0	1,815.0	1,815.0	1,815.0	313.7	388.2	676.2	1,079.4	605.1	605.1	922.4
<b>Disbursements</b>																			
Loans: Foreign currency	276.6	255.0	409.5	595.5	706.5	825.0	400.4	463.4	754.6	928.2	928.2	928.2	232.1	327.0	359.8	798.0	494.6	494.6	565.5
Local currency	24.4	60.0	95.0	110.0	120.0	130.0	180.0	244.1	399.8	550.0	550.0	550.0	19.6	79.7	156.8	154.0	95.4	95.4	27.5
Sub-Total	301.0	315.0	504.5	705.5	826.5	955.0	580.4	707.5	1,154.4	1,478.2	1,478.2	1,478.2	251.7	406.7	516.6	952.6	590.0	590.0	593.0
Equity Investment	16.0	12.5	15.0	15.0	15.0	15.2	25.2	28.6	32.5	35.0	35.0	35.0	12.6	22.3	38.2	26.6	37.4	37.4	53.3
Total	317.0	357.5	549.5	750.5	871.5	1,000.2	605.6	736.0	1,186.9	1,513.2	1,513.2	1,513.2	264.3	429.0	554.8	979.2	627.4	627.4	646.3

1/ In converting foreign currency into local currency, the same conversion rates which were used in the respective appraisal reports are used here.

2/ All bond issues guaranteed are disbursed during the year of issue.





TSEB: Loan 713-TU  
List of Subprojects

No.	Name	Activity	Location	Type of Project	Amount allocated to project (adjusted) disbursed (\$'000)	(A) Cost projected (\$'000)	Financial plan (B)		Cost Completion in % (B/A x 100)	Reasons for overruns	Completion date Original Actual	Remarks (Reasons for delay 2/ etc.)
							Other Loans	RDPC Loan				
B.1	Metal Expahisa	Chrome bumper	Istanbul	Modernisation	108	14,610	3,961	8,647	107	-	12.11.1971	3.31.1972
B.2	Parasan Mak.	Forged Parts	Istanbul	Modernisation	126	3,070	1,500	1,570	98	-	-	-
B.3	Mensuot Sent.	Textiles	Istanbul	Expansion	400	19,293	5,152	4,811	98	-	1.1.1973	1.1.1972
B.4	Ege Mircanlik	Malt	Alyon	Expansion	690	54,556	8,518	17,959	106	date enlarged and increase in this cost	12.11.1973	3.1.1974
B.5	Prensiz Metal	Machinery, equipment	Istanbul	New	630	28,174	9,545	12,709	72	increase in this cost	1.1.1973	1.1.1973
B.6	Aker Tic.	Roller Processing	Istanbul	Expansion	106	7,270	1,666	5,604	111	increase in this cost	1.1.1972	1.1.1972
B.7	Elba	Aluminum	Ismir	Expansion	194	15,066	6,660	8,366	95	increase in this cost	1.1.1973	1.1.1972
B.8	Akin Tekstil	Textiles	Istanbul	Expansion	197	14,500	3,955	3,955	102	increase in this cost	1.1.1974	1.1.1973
B.9	Teksture Iplik	Texturised yarn	Istanbul	Expansion	198	6,617	3,015	2,602	71	interest during construction excluded and customs duty partially exempted	3.1.1973	8.1.1972
B.10	Babak	Aluminum cables	Ismit	Expansion	190	8,000	2,989	5,011	68	increase in this cost	1.1.1973	9.1.1973
B.11	Burunt Turin	Trucks paper	Ismit	New	534	2,450	6,025	12,445	85	increase in this cost	6.30.1972	8.15.1972
B.12	Al Cimento	Kraft paper pack	Istanbul	Completion	204	8,650	5,003	3,647	87	increase in this cost	12.11.1972	10.15.1972
B.13	T. Demir Dik.	Bedstead	Istanbul	Expansion	636	29,150	9,939	10,375	86	increase in this cost	12.11.1973	12.11.1973
B.14	Gumusan Halit	Carpets	Istanbul	Expansion	234	12,707	6,732	5,975	117	increase in this cost	12.11.1973	12.11.1973
B.15	Bumak Karaman	Wheat	Konya	New	366	22,401	6,434	10,000	130	additional machine purchased	12.1973	9.1975
B.16	Narin Menes.	Textiles	Istanbul	Expansion	515	18,877	9,439	9,438	60	increase in this cost	1.1.1973	6.30.1973
B.17	Refine Ballur Tus	Salt Production	Ismir	Expansion	242	13,188	2,860	10,328	112	increase in this cost	1.1.1974	9.1.1974
B.18	Parasan Mak.	Forged steel	Istanbul	Expansion	399	8,888	5,720	3,168	164	increase in this cost	6.3.1973	12.31.1974
B.19	Nojat Besenbahar	Ceramics	Istanbul	Expansion	448	20,000	6,272	13,728	88	increase in this cost	12.11.1973	3.31.1974
B.20	Durumun Yasar	Microcrised minerals	Ismir	Expansion	208	8,735	2,117	5,911	66	increase in this cost	1.1.1974	1.1.1974
B.21	Zetip	Knitted goods	Istanbul	Expansion	666	21,977	8,867	8,610	57	increase in this cost	1.1.1974	1.1.1974
B.22	Elmal	Valves	Istanbul	Expansion	166	7,100	3,900	1,900	91	increase in this cost	3.1.1974	6.30.1973
B.23	Pursan	Electric Acid	Istanbul	Expansion	30	-	-	-	-	increase in this cost	-	-
B.24	Profilo	Household durable goods	Istanbul	Expansion	529	23,039	6,507	10,000	100	increase in this cost	1.1.1974	6.30.1974
B.25	Telik Boya	goods for textiles	Istanbul	Expansion	249	6,221	5,766	6,966	101	increase in this cost	12.11.1973	12.11.1973
B.26	Blamak	Textile production	Istanbul	Expansion	486	13,402	2,440	6,963	85	increase in this cost	1.1.1974	1.1.1974
B.27	Viryize Sunayl	Knitted goods	Istanbul	Expansion	103	5,022	1,588	1,731	86	increase in this cost	12.11.1973	1.31.1974
B.28	Meris Kizilirmak	Woolen yarn	Istanbul	Expansion	184	5,135	2,503	2,632	72	increase in this cost	12.11.1973	12.31.1973
B.29	Kiyafet Cim.	Cement	(see Remarks)	Expansion	305	27,936	4,355	23,581	-	increase in this cost	6.30.1974	-

1/ Reasons provided for the cost overruns of over 20% and for the actual costs which were substantially lower than projections.

2/ On some projects, the reasons for delays are not yet clear to TSEB

The project itself has been combined with the project located at Balu which has been financed under Loan 873-TU (B-32).

Due to financing shortage (cost overruns financed by capital increase and short-term loan)

Due to delay of machinery delivery and some technical problems.

No.	Name	Activity	Location	Type of Project	Amount allocated (substantiated)	Amount disbursed	Amount projected	Financial Plan		Cost comparison in \$ (B/A x 100)	Reasons for delay etc.	Completion date
								Other loans	Actual cost (B)			
A.1	Mansour Central	Tentiles	Bitine	New	1,738	1,738	-	11,441	3,000	15,000	Not completed	1.1.1974
A.2	Topogon	Platon rings	Irtehal	New	Cancelled (1,150)	-	-	-	-	-	-	-
A.3	Ibn Babak	Telephone cables	Irtehal	New	1,004	1,004	29,441	31,455	57,007	64,228	Not completed	1.1.1974
A.4	Omey Bawadik	Brewery	Mama	New	2,225	916	154,700	33,155	57,007	64,228	Not completed	1.1.1974
A.5	Cam Kiyaf	Pileuplans mts	Irtehal	New	2,400	2,359	84,423	26,570	16,000	32,853	Not completed	1.1.1974
A.6	Finar Set	MLK Dairy	Irtehal	New	2,464	2,464	95,655	29,284	22,776	13,595	Not completed	1.1.1974
A.7	Paklan Frank	Tentiles	Mama	Expansion	3,962	3,962	139,170	57,348	206,994	174,828	Not completed	1.1.1974
A.8	Indir Frank	Tentiles	Indir	Expansion	1,366	1,366	29,402	21,190	7,982	27,528	Not completed	1.1.1974
A.9	Elfaw	Nylon polyester	Buray	Expansion	2,660	2,399	167,921	94,031	7,200	66,690	Not completed	1.1.1974
A.10	Kilman	Bricks	Irtehal	New	2,210	2,123	96,891	31,559	34,608	30,724	Not completed	1.1.1974
A.11	Polyan	Tentiles	Buray	Expansion	3,515	3,380	152,128	94,962	-	57,166	Not completed	1.1.1974
A.12	Onbunak Sm.	Tentiles	Mama	Expansion	1,644	1,644	136,082	21,490	21,931	64,731	Not completed	1.1.1974
A.13	Survey Hall	Carpete	Keyawi	New	1,746	1,759	81,568	23,501	22,100	30,687	Not completed	1.1.1974
B.1	Mery Dag Sm.	Pood	Marsifon	Expansion	342	342	18,762	5,160	-	13,622	Not completed	1.1.1974
B.2	Karmanen	Paper board	Irtehal	Expansion	284	284	7,370	3,169	1,667	2,702	Not completed	1.1.1974
B.3	Omabale Rowalk	Decorated wall tiles	Omabale	Expansion	632	632	30,000	8,568	-	21,432	Not completed	1.1.1974
B.4	Kalip Tekin	Reol manufacture	Irtehal	Expansion	361	361	7,413	4,763	-	2,650	Not completed	1.1.1974
B.5	Vakko Tekin	Printed fabrics	Irtehal	Expansion	1,005	1,005	31,100	13,638	9,600	10,167	Not completed	1.1.1974
B.6	Koyak Tekin	Electronics	Irtehal	New	1,066	1,066	11,822	6,883	-	4,939	Not completed	1.1.1974
B.7	Repr. Onen	Rotator	Irtehal	Expansion	481	481	3,953	2,000	-	1,953	Not completed	1.1.1974
B.8	Chik Buharik	Sheet metal	Irtehal	Expansion	135	135	1,651	8,991	2,325	4,355	Not completed	1.1.1974
B.9	Rehmanek Beklik	Tentiles	Irtehal	Expansion	572	572	15,651	3,998	-	952	Not completed	1.1.1974
B.10	Rahall Koyak	Electronics	Irtehal	Expansion	301	301	4,950	12,113	-	4,299	Not completed	1.1.1974
B.11	Flaviriy Kaya	Polalic sulphate	Irtehal	Expansion	690	690	16,512	8,513	1,420	7,090	Not completed	1.1.1974
B.12	Alidrar	Textile	Alidrar	New	344	344	11,143	17,281	-	11,029	Not completed	1.1.1974
B.13	Alidrar	Textile	Alidrar	Expansion	284	284	20,000	17,281	-	2,719	Not completed	1.1.1974
B.14	Alidrar	Textile	Alidrar	Expansion	771	771	20,000	17,281	-	2,719	Not completed	1.1.1974
B.15	Kaya Makara	Meatwood	Kaya	Expansion	216	216	7,050	3,774	500	2,776	Not completed	1.1.1974
B.16	Yemal Sm.	Redigmenture	Irtehal	Expansion	144	144	8,330	4,428	4,000	3,951	Not completed	1.1.1974
B.17	Buray Vitamoll Im	Vitamin	Buray	Expansion	171	171	16,825	4,428	-	8,197	Not completed	1.1.1974
B.18	Valk Bar	Armature for plumbing	Buray	Expansion	76	76	6,315	1,366	-	4,949	Not completed	1.1.1974
B.19	Kaban Bolding	Leather garments	Kaban	Expansion	395	395	22,500	7,800	4,000	10,600	Not completed	1.1.1974
B.20	Kaban Bolding	Leather garments	Kaban	Expansion	150	150	16,600	4,600	2,900	9,100	Not completed	1.1.1974
B.21	Kaban Bolding	Leather garments	Kaban	Expansion	219	219	18,000	17,800	17,800	17,800	Not completed	1.1.1974
B.22	Elis	Alumina tubes	Elis	Expansion	213	213	10,480	3,127	2,750	4,263	Not completed	1.1.1974
B.23	Unkarral Makara	Resin	Unkarral	Expansion	128	128	10,593	4,400	6,178	10,306	Not completed	1.1.1974
B.24	Unkarral Makara	Resin	Unkarral	Expansion	278	278	17,136	2,824	3,086	13,650	Not completed	1.1.1974
B.25	Unkarral Makara	Resin	Unkarral	Expansion	216	216	19,550	2,824	3,086	13,650	Not completed	1.1.1974
B.26	Koyak Tekin	Chalk	Irtehal	Expansion	281	195	8,119	3,813	-	4,306	Not completed	1.1.1974
B.27	Repr. Onen	Carpet	Irtehal	Expansion	190	190	39,000	2,601	10,925	8,172	Not completed	1.1.1974
B.28	Repr. Onen	Carpet	Irtehal	Expansion	109	109	65,156	1,671	55,034	20,471	Not completed	1.1.1974
B.29	Repr. Onen	Carpet	Irtehal	Expansion	918	889	47,270	22,500	5,500	3,529	Not completed	1.1.1974
B.30	Repr. Onen	Carpet	Irtehal	Expansion	583	539	11,812	8,283	-	3,529	Not completed	1.1.1974
B.31	Alidrar	Valve	Irtehal	Expansion	201	201	19,882	12,710	3,000	4,177	Not completed	1.1.1974
B.32	Kaya Makara	Adhesion cement pipes	Kaya	Expansion	531	531	69,980	7,168	4,827	37,794	Not completed	1.1.1974
B.33	Repr. Onen	Inventory products	Irtehal	Expansion	27	27	6,715	-	-	-	Not completed	1.1.1974
B.34	Repr. Onen	Inventory products	Irtehal	Expansion	433	433	2,926	-	-	-	Not completed	1.1.1974
B.35	Repr. Onen	Inventory products	Irtehal	Expansion	8	8	-	-	-	-	Not completed	1.1.1974

1/ Reasons provided for the cost overruns of over 100% and for the actual costs which were substantially lower than projections.

2/ On some projects, the reasons for delays are not yet clear to TSSB.

3/ On some projects, the reasons for delays are not yet clear to TSSB.

TSEB: Loan 713-70  
Subprojects above the free limit

No.	Name	Activity	Type of Project	Turnover/		Fixed Assets/		Return on Average		Economic Benefits Projected/		Exports	Capacity Utilization	Remarks	
				Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual				Projected
A-1	Sunta Tabta	Chipboard	Expansion	112,965	176,228	53,171	77,905	30	23	-13	18	-	100	For effective rate of protection, see remarks of A-23	
A-2	Latasa Jangol	Chipboard	New	39,000	50,020	26,073	36,073	10	32	-13	116	-	95	Same as above.	
A-3	Eav Bannauri	Matchbox	New	36,723	75,270	15,430	41,530	15	36	-8	105	-	100	High actual return on average equity was due to the increase in price for the products.	
A-4	Polylen Smit.	Polyester yarn	Expansion	61,163	132,163	55,383	54,786	15	21	-3	65	-	100	Same as A-3	
A-5	Supsan Motor	Engine valves	New	20,592	1,108	23,158	32,279	9	operating at a loss	7	210	1,868	low	Accumulated loss up to 1973 was IT 2,375,000. Loss of IT 2,612,000 for 1974. The plant is intended to sell auto parts to Renault and Fiat plants, but they both refused to purchase in spite of existence of the purchase agreement. The reason for this is that they had enough stocks. For 1975 and 1976 the market is expected to improve so the government is projecting an increasingly severe import control. The payment of IT 866,000 for interest is in default.	
A-6	Tonusan Tic.	Plaston rings	New	(cancelled)										This is the financing of the first stage of the project.	
A-7	Puris Hall	Wood board	New	(cancelled)										High actual return on equity is due to sales of imported shafts.	
A-8	Teksa Tekstil	Spinning mill	New	(see A-13 of Loan 713-70)				9	25	34	200	3,529	100	Turnover inclusion such import. Actual fixed assets figure is the figure before completion on second stage.	
A-9	Casa Elyaf	Glass fiber mats	New	(see A-5 of Loan 873-70)										Actual return on equity is the figure for 1974. Capital increase and the delay in the project implementation caused the low return on equity in 1974.	
A-10	Alkardan San.	Propeller shafts	New	37,837	34,210	44,724	32,118							65% of total sales is intended to export. Recent figures are 11%.	
A-11	Devstan Gida	Fruite	Expansion	118,915	91,912	116,936	135,165	22	3	-	-	500	n.a.	Low return on equity is due to the fact that the project is still in the starting period. Now it is improving.	
A-12	Paktas Femak	Textiles	Expansion	209,820	660,105	170,811	162,965	15	26	33	-	9,798	98	The big discrepancy between actual and projected figures of turnover and fixed assets is due to the fact that the company had been proceeding with another project which TSEB did not know at the time of appraisal and that the company can not breakdown these figures for the project in question and the other project.	
A-13	Teksa Femak	Textiles	New	236,921	231,181	153,614	191,228	19	11	36	555	2,200	75	The reason for high actual fixed assets is the same as A-16. Unsatisfactory conditions are still existing to change raw material, which is considered as temporary. It is now improving.	
A-14	Soktas Femak	Spinning mill	New	109,224	106,758	82,804	104,666	16	5	82	258	-		The reason for actual fixed assets is same as A-16.	
A-15	Sasa	Polymer	Expansion	118,115	546,202	155,234	122,616	17	29	13	35	-	n.a.	The company fell into financial difficulty and was merged with TSEB, the parent shareholder of the company.	
A-16	Mannact Sant.	Textiles	New	113,610	828,147	178,918	364,886	35	21	71	138	-		Out of A-1 and A-23 items from the following: in A-23 estimated domestic value added was 20% higher than A-1 and A-2, and estimated value added in the free market condition was 65% lower.	
A-17	Etrik Mens.	Textiles	New	(cancelled)											
A-18	Pisot Teroure	Textiles	Expansion	124,977	91,040	28,970	38,142	20	1.5	-	39	-	678	27	
A-19	Pimas Plastik	Plastic pipes	Expansion	(cancelled)											
A-20	Immir Pemak	Spinning mill	Modernisation	284,058	351,119	98,292	101,046	28	19	89	-	1,500	100		
A-21	Usal Tiscart	Tractor parts	Expansion	64,193	73,144	72,670	152,735	26	n.a.	57	79	1,654	100		
A-22	Inka Kablo	New	expansion project (see A-3 of Loan 873-70)												
A-23	Tever Agas	Chipboard	New	48,000	-	34,060	36,353	32	n.a.	62	102	-	n.a.		
A-24	Tat Tomserve	Tomato paste	Expansion	167,138	-	57,631	56,239	23	31	21	211	1,918	70		

Projected: at the time of appraisal  
Actual: most recent data after project completion

1/ For expansion, the figures are given on the whole company basis.  
2/ Projections that were made at the time of appraisal. For effective rate of protection, figures are given before adjustments to net profits were made.

ISIB: Loan 873-TU  
Subprojects above the free limit

No.	Name	Activity	Type of Project	Turnover		Fixed assets		Return on Average Equity		Economic benefits projected/	Foreign Exchange Saved	Capacity Utilization	Remarks
				Projected	Actual	Projected	Actual	Projected	Actual				
A-1	Mannat Snt.	Textiles	New	(see A-16 of Loan 713-TU)									
A-2	Tuputan	Fiston rings	New	Cancelled	W	25,911	W	31	W	35	R1	W	The project was originally planned by Ista Kabilo, which fell into financial difficulty and was taken over by this company.
A-3	Ista Babak	Telephone cable	New	20,559	W			22	operating at a loss	32	137	W	Implemented in March, 1975. Loss for this project amounted to LT 6,910,000 for 1974 and LT 6,600,000 for the first half of 1975.
A-4	Comer Bireccilik	Breweary	New	123,000	W	161,800	W	24		46	86	W	
A-5	Can Eljad	Fiberglass mats	New	43,000	W	59,580	W				1,739	W	
A-6	Pinar Snt	Milk dairy	New	200,000	W	85,000	W	27			325	n.a.	
A-7	Faktas Pamak	Textiles	Expansion	672,000	W	642,710	W	34			804	W	
A-8	Ismir Pamak	Textiles	Expansion	364,876	W	120,610	W	19			1,040	W	
A-9	Sifas	Nylon polyester	Expansion	569,374	W	233,292	W	25		46	474	W	
A-10	Kilisan	Bricks	Expansion	75,000	W	96,870	W	25			164	W	
A-11	Polyten	Textiles	Expansion	186,913	W	174,366	W	23		43	154	W	
A-12	Ostucak Samayil	Textiles	Expansion	277,034	W	111,275	W	55		ERR		n.a.	
A-13	Saray Halli	Carpets	New	109,030	W	100,568	W	32		ERR	262	W	

Projected: at the time of appraisal  
Actual: most recent data after project completion  
W: work in progress

1/ For expansion, the figures are given on the whole company basis.  
2/ Projections that were made at the time of appraisal. For effective rate of protection, figures are given before adjustments to net profits were made.  
3/ Re-estimated figures.

## ANNEX 8

**TSKB Operations: Sectoral, geographical and size distribution;  
type of projects; Projects by promoters**

	-----Loan 713-TU-----			-----Loan 873-TU-----		
	<u>No. of Projects</u>	<u>TSKB Total Fin. (TL '000)</u>	<u>%</u>	<u>No. of Projects</u>	<u>TSKB Total Fin. (TL '000)</u>	<u>%</u>
<b>Sectoral</b>						
Food	3	32,649	4.9	7	72,435	11.8
Beverage	2	32,238	4.9	1	33,475	5.5
Textiles	14	314,969	47.6	10	186,718	30.5
Chemicals	6	70,678	10.7	4	104,503	17.0
Machinery	5	41,102	6.2	4	16,829	2.7
Metal products	5	71,753	10.8	2	25,440	4.1
Electrical machinery	1	7,961	1.2	5	48,706	7.9
Iron and steel	2	8,316	1.3	1	2,024	0.3
Metals other than iron	1	2,862	0.4	2	9,253	1.5
Cement	2	9,630	1.5	3	12,247	2.0
Ceramics	1	6,741	1.0	1	9,512	1.6
Plastics	2	6,635	1.0	-	-	-
Forestry products	3	56,423	8.5	1	403	0.1
Glass	-	-	-	1	36,108	5.9
Hides and footwear	-	-	-	1	7,944	1.3
Non-Metallic mineral	-	-	-	3	42,191	6.9
Pulp and paper	-	-	-	1	5,279	0.9
	<u>47</u>	<u>661,957</u>	<u>100.0</u>	<u>47</u>	<u>613,067</u>	<u>100.0</u>
<b>Geographical</b>						
Developed areas	45	640,540	96.8	43	559,281	91.2
Underdeveloped areas	2	21,417	3.2	4	53,786	8.8
	<u>47</u>	<u>661,957</u>	<u>100.0</u>	<u>47</u>	<u>613,067</u>	<u>100.0</u>
<b>Projects by promoters</b>						
Projects promoted by TSKB	-	-	-	2	12,698	2.1
Projects promoted by sponsors	47	661,957	100.0	45	600,369	97.9
	<u>47</u>	<u>661,957</u>	<u>100.0</u>	<u>47</u>	<u>613,067</u>	<u>100.0</u>
<b>Size (LT '000)</b>						
Under 500	1	454	0.1	2	528	0.1
501 - 1,000	-	-	-	-	-	-
1,001 - 2,000	4	6,669	1.0	3	4,350	0.7
2,001 - 3,000	4	11,566	1.7	2	4,876	0.8
3,001 - 5,000	4	15,305	2.3	10	40,808	6.7
5,001 - 10,000	12	78,019	11.8	13	93,923	15.3
10,001 - 20,000	11	158,321	23.9	6	77,709	12.7
20,001 - 30,000	6	151,486	22.9	4	98,155	16.1
30,001 - and over	5	240,137	36.3	7	292,718	47.6
	<u>47</u>	<u>661,957</u>	<u>100.0</u>	<u>47</u>	<u>613,067</u>	<u>100.0</u>
<b>Type</b>						
New	19	430,631	65.1	18	300,866	49.1
Expansion	28	231,326	34.9	29	312,201	50.9
	<u>47</u>	<u>661,957</u>	<u>100.0</u>	<u>47</u>	<u>613,067</u>	<u>100.0</u>

## TURKIYE SINAI KALKINMA BANKASI A.S.

## PROMOTION PROJECTS THAT WERE COMPLETED BETWEEN 1.1.1974 - 31.12.1974

Project	Province	Foreign Currency Loans	Local Currency Loan LT m	Share Investment LT m	Total Investment LT million
Agin Deri (Leather Products)	Elazig	₺ 410.000	2.0	2.3	21.0
Derkosan (Leather Products)	Konya	DM 1.125.000	-	2.0	37.6
Diyarbakir Deri (Leather Products)	Diyarbakir	DM 1.100.000	3.0	-	19.7
Dersan (Leather Products)	Kayseri	₺ 550.000	14.5	-	32.8
Trutas (Vegetable Dehydration)	Canakkale	DM 2.110.000	-	3.7	29.3
Mopas (Paper Cones)	Malatya	DM 1.000.000	-	-	10.5
Kökçüler (Craft Sacks)	Elazig	DM 1.910.000	-	1.2	19.9
Diyarbakir Cirçir	Diyarbakir	DM 1.119.505	2.0	-	15.0
Van Yapagi (Woolen Yarn)	Van	₺ 1.440.000	-	-	38.0
Sunova (Vegetable oil extraction)	Elazig	DM 1.285.000	5.0	3.7	48.6
Malatya Kayisi Kurutma (Apricot processing Plant)	Malatya	DM 1.850.000	-	5.0	35.0
Suat Kayhan (Flour Mill)	Siirt		5.0	-	10.0

EMENA/IC&DFC  
November, 1975

## TURKIYE SINAI KALKINMA BANKASI A.S.

PROMOTION PROJECTS THAT WERE COMPLETED<sup>/1</sup>Jan. 1 - Sept. 30, 1975

<u>Project</u>	<u>Location</u>	<u>Foreign Currency (US\$)</u>	<u>Local Currency (LT'000)</u>	<u>Share Investment (LT'000)</u>	<u>Total Investment (LT'000)</u>
Sistas Liquorice Juice	Siirt	1,600,000	-	2,650	41,540
Mus Liquorice Juice	Mus	1,600,000	-	2,650	41,450
Caramelek Flour, Macaroni, Biscuits	Tunceli	1,350,000	8,000	5,500	86,000
Kelkitler Flour Mill	Gumushane	-	5,000	-	12,692
Flour Mill	Siirt	-	5,000	-	10,000
Ersan Meat Processing Plant	Erzincan	192,000	7,000	-	33,000
Akcaabat Fodder	Trabzon	142,752	7,500	-	21,000
Aykas Paper Cones	Izmir	329,380	-	-	14,154
Asbestos Pipe Project	Elazig	2,000,000	8,500	4,800	77,000
Asbestos Pipe Project	Erzincan	2,000,000	8,500	4,800	77,000
Pre-stressed Cement Poles	Trabzon	200,000	5,000	-	23,700
Kuzey Holding Furniture	Trabzon	460,000	2,500	1,500	25,000
Saw Gin Plant	Mardin	385,000	-	-	14,900
Macka Sewn Wood and Parquet	Trabzon	258,400	-	-	29,740
Dogu Holding (Hides for shoes)	Erzurum	1,190,000	-	3,000	48,669
Kidas Wool Yarn	Mardin	1,600,000	-	-	48,850
Kiresan Furniture Plant	Malatya	460,000	2,500	1,500	25,000
Nastas Leather Tannery	Nazilli	550,000	5,000	-	27,055

/1 Approved by TSKB's Board.



TURKIYE SINAI KALKINMA BANKASI A.S.DEVELOPMENT PROJECTS TO BE COMPLETED BEFORE THE END OF 1975

<u>Project</u>	<u>Fixed Investment Cost (LT)</u>	<u>Foreign Currency Need ( \$ )</u>
Canned Anchovy Production, Sinop	70.000.000	1.400.000
Canned Anchovy Production, Trabzon	70.000.000	1.400.000
Crugasol, Animal Feed and Production	80.000.000	3.000.000
Biaxially Oriented Polypropylene Film Production	220.000.000	(know-how included) 8.300.000
Men's Shoes Production	19.000.000	550.000
Carbon Rod Production for Dry Cell Batteries	68.000.000	2.338.000
Medium Density Fiber-board Production	73.000.000	3.300.000
Integrated Wood Products Plant for the Utilization of Terme Poplars	121.400.000	6.100.000
Particle-board Production from Cotton Stalks	61.000.000	2.500.000
Çaysan Tea-Box Production	51.082.000	2.283.000
Wall-nut Veneer Production	15.000.000	350.000
Ready-made Men's Outwear Production, Trabzon	54.000.000	1.236.000
Ready-made Men's Outwear Production, Malatya	54.000.000	1.236.000
Ready-made Underwear Production, Trabzon	40.000.000	1.000.000
Ready-made Underwear Production, Diyarbakır	40.000.000	1.000.000
Transformer Production, Malatya	71.000.000	1.953.000
Milk Products Plant, Trabzon	20.000.000	580.000
Corn Starch Production, Burdur	80.000.000	2.100.000
Sunflower Oil Production, Kozaklı	80.000.000	2.350.000
Animal Feed Plants :		
Ağrı	22.000.000	140.000
Van	22.000.000	140.000
Erzurum	22.000.000	140.000
Muş	22.000.000	140.000
Feeding, Slaughtering and Meat Products Plants		
Kars	110.000.000	1.900.000
Van	110.000.000	1.900.000
Elazığ	80.000.000	1.600.000
Diyarbakır	80.000.000	1.600.000
Tokat (Turhal)	80.000.000	1.600.000
Tin Can Production, Elazığ	15.917.000	116.000
Production of Wooden Apple Boxes	20.000.000	630.000
Solid Fuels	10.000.000	225.000

TURKIYE SINAI KALKINMA BANKASI A.S.Research Activities: 1.1.1975 - 31.12.1975

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|---|---|
| 1. Research on woolen yarn and fabrics sector   | (completed)                                     |
| 2. Technical and economic research on flour production and flour mill                         | (completed)                                     |
| 3. Technical and economic sector research on vegetable oil production                         | (completed)                                     |
| 4. Technical and economic sector research on hides, leather production and garment industries | (completed)                                     |
| 5. Inventory and economic research on iron and steel casting industry                         | (to be completed by the end of November)        |
| 6. Raw material, inventory, local and foreign market research on wood processing industries   | (to be completed by the end of December)        |
| 7. Inventory, local and foreign market research in cotton yarn, fabrics industries sectors    | (to be completed by the end of October)         |
| 8. Research on construction industry  | (to be completed by mid-November)               |
| 9. Research on energy requirements  | (to be completed by mid-November)               |
| 10. Research on foreign markets for tomato paste  | (to be completed by the end of October)         |
| 11. Research in electronics industry  | (to be completed by the end of December)        |
| 12. Research on livestock, meat processing  | (to be completed by the end of December)        |
| 13. Research on raw material and demand on animal fodder production                           | (to be completed by the end of December)        |
| 14. Research on cement industry   | (first phase will be completed by mid November) |
| 15. Furniture industry: inventory and local demand analysis                                   | (to be completed by the end of December)        |