Loan Agreement

(Corum-Cankiri Rural Development Project)

BETWEEN

REPUBLIC OF TURKEY

AND

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

DATED JUNE 23, 1975
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AND DEVELOPMENT

DATED JUNE 23, 1975
LOAN AGREEMENT

AGREEMENT, dated June 23, 1975, between the REPUBLIC OF TURKEY (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) The Borrower has requested the Bank to assist in the financing of the Project described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) Parts B, C and D of the Project will be carried out by the Borrower through, or with the assistance of, the Executing Agencies;

(C) By an agreement of even date herewith between the Bank and the Agricultural Bank of the Turkish Republic (hereinafter referred to as TCZB), certain obligations in respect of the carrying out of Part A of the Project have been undertaken by TCZB;

(D) The Borrower is willing to make part of the proceeds of the Loan available to TCZB for the carrying out of Part A of the Project, as hereinafter set forth; and

(E) The Bank is willing to make the Loan available upon the terms and conditions set forth hereinafter and in a project agreement of even date herewith between the Bank and TCZB;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective
meanings therein set forth and the following additional terms have the following meanings:

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

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

(c) "Subsidiary loan" means a loan made by the Borrower to TCZB under the Subsidiary Loan Agreement;

(d) "Project Area" means the area within the provinces of Corum and Cankiri where an integrated rural development project is to be carried out;

(e) "Central Advisory Committee" means the advisory committee to be set up by the Borrower in accordance with Section 3.06(a)(i) of this Agreement;

(f) "Provincial Advisory Committee" means any of the advisory committees to be set up by the Borrower in accordance with Section 3.06(a)(v) of this Agreement;

(g) "DPT" means the State Planning Organization, an agency of the Borrower;

(h) "Project Extension Service" means the agency to be set up by the Borrower in accordance with Section 3.03(a)(i) of this Agreement;

(i) "Veterinary Services" means the General Directory for Veterinary Services, an agency of the Borrower under the Ministry of Food, Agriculture and Livestock of the Borrower;

(j) "DSI" means the State Hydraulic Works, an agency of the Borrower under the Ministry of Energy and Natural Resources of the Borrower;

(k) "TOPRAKSU" means the General Directorate for Soil and Water Conservation, an agency of the Borrower under the Ministry of Village Affairs of the Borrower;

(l) "YSE" means the General Directorate of Village Roads, Water and Electricity Works, an agency of the Borrower under the Ministry of Village Affairs of the Borrower;
(m) "TOPRAK-ISKAN" means the General Directorate of Land and Resettlement Works, an agency of the Borrower under the Ministry of Village Affairs of the Borrower;

(n) "TEK" means the Turkish Electricity Authority, a state economic enterprise of the Borrower established and operating under Law No. 1312, dated July 15, 1970, of the Borrower, as amended;

(o) "Executing Agencies" means collectively the agencies and legal entities referred to in paragraphs (g), (h), (i), (j), (k), (l), (m) and (n) hereof, and such term shall include any other appropriate agencies and legal entities of the Borrower which shall participate in the carrying out of the Project;

(p) "Beneficiary" means a person to which TCZB proposes to make or has made a Sub-loan;

(q) "Sub-loan" means a short- or medium-term loan made by TCZB under Part A of the Project to a Beneficiary for improving farm facilities, infrastructure, pastures, crops and livestock herd and/or increasing their productivity, in accordance with the lending and operating policies and procedures set forth in the Schedule to the Project Agreement, as such Schedule may be amended from time to time by agreement among the Borrower, the Bank and TCZB;

(r) "Sub-loan Contract" means the Contract for any Sub-loan; and

(s) "lira" means the currency of the Borrower.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to seventy-five million dollars ($75,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, the goods, works and services (other than consultants' services) for the Project to be financed out
of the proceeds of the Loan, shall be procured in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1981 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of eight and one-half per cent (8-1/2%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.09. The Borrower hereby designates TCZB for the purposes of taking any action required or permitted to be taken in respect of Part A of the Project under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) the Borrower shall carry out Parts B, C and D of the Project through, or with the assistance of, the appropriate Executing Agencies and shall cause TCZB and the Project Extension Service to carry out Part A of the Project, all with due diligence and efficiency and in conformity with appropriate engineering, agricultural, administrative and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend that part of the proceeds of the Loan which is withdrawn on account of expenditures under Part A of the Project to TCZB under a Subsidiary Loan Agreement to be entered into between the Borrower and TCZB, under terms and conditions satisfactory to the Bank.
(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall:

(i) cause TCZB to perform in accordance with the provisions of the Project Agreement and the Subsidiary Loan Agreement all the obligations therein set forth;

(ii) take and cause all its agencies to take all action which shall be necessary or appropriate on their part to enable TCZB to perform all of such obligations and shall not take or permit to be taken any action which would prevent or interfere with such performance; and

(iii) provide, or cause to be provided, to TCZB, on a basis acceptable to the Bank, such funds in lire, in addition to the proceeds of the Loan and TCZB's own resources, as shall be necessary to enable TCZB to disburse the full amounts of Sub-loans (the funds to be provided by the Borrower and TCZB are now estimated to aggregate the equivalent of not less than six million seven hundred thousand dollars ($6,700,000) for short-term lending and six million eight hundred thousand dollars ($6,800,000) for medium-term lending).

Section 3.02. The lending and operating policies and procedures for carrying out Part A of the Project shall be as set forth in the Schedule to the Project Agreement, as the same may be amended from time to time by agreement among the Borrower, the Bank and TCZB.

Section 3.03. (a) For the purpose of assisting in carrying out of Part B.1 of the Project, the Borrower shall:

(i) establish under the responsibility of its Ministry of Food, Agriculture and Livestock and operate thereafter a Project Extension Service for the Project Area;

(ii) employ in the Project Extension Service the following qualified and experienced staff:
(A) a Director;

(B) a Deputy Director for each of the provinces included in the Project Area; and

(C) promptly as required, such other supporting staff as shall be necessary for the efficient operation of the Project Extension Service; and

(iii) without limiting the generality of the provisions in paragraph (a) of Section 3.01 of this Agreement, provide, or cause to be provided, such Project Extension Service, promptly as needed, with such facilities, funds and other resources as shall be required for the efficient operation thereof.

(b) Without limiting the generality of the provisions in paragraph (a) of Section 3.01 of this Agreement, the Borrower shall, for the purpose of carrying out Part B.2 of the Project, provide, or cause to be provided, the Veterinary Services promptly as required with such facilities, personnel, equipment, funds, and other resources as shall be required for the efficient operation thereof.

Section 3.04. For the purpose of carrying out Part D(1)(2) of the Project, the Borrower shall prepare, or cause to be prepared, annual training programs satisfactory to the Bank.

Section 3.05. (a) For assisting the Project Extension Service in the carrying out of Part B.1 of the Project, the Borrower shall, within three months from the Effective Date, or such later date as shall be agreed with the Bank, employ three internationally-recruited consultants, or such other number as shall be agreed with the Bank, to advise, inter alia, in organization, management and training, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

(b) During the carrying out of the Project, the Borrower shall employ such other consultants, whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank, as shall be required, in the opinion of the Borrower and the Bank, for the carrying out of the Project.

Section 3.06. (a) The Borrower shall, to the satisfaction of the Bank:

(i) within three months from the Effective Date or such later date as shall be agreed with the Bank, establish under the
responsibility of DPT and operate until the date of the completion of the Project, a Central Advisory Committee to, \textit{inter alia} (1) coordinate and integrate all Project activities with the Executing Agencies and TCZB, with any other relevant ministries, authorities and agencies of the Borrower, and with the Bank; and (2) approve the annual programs and review the progress reports prepared by the Executing Agencies and TCZB on the carrying out of the Project, and advise on policy matters;

(ii) appoint to the Central Advisory Committee a representative of the Ministry of Finance of the Borrower and the highest-rank official, or his representative, of each Executing Agency and TCZB; the highest-rank official, or his representative, of DPT to be the Chairman of the Central Advisory Committee;

(iii) cause DPT to provide secretarial services to the Central Advisory Committee;

(iv) cause the Central Advisory Committee to hold meetings, with full attendance, at least every six months, to perform the functions referred to in (i) hereof;

(v) within three months from the Effective Date or such later date as shall be agreed with the Bank, establish and operate until the date of the completion of the Project, a Provincial Advisory Committee for each of the provinces in the Project Area, under the chairmanship of the corresponding provincial governor, to, \textit{inter alia}, (1) coordinate and integrate all Project activities in each province in the Project Area with the Executing Agencies and TCZB, with any other relevant ministries, authorities and agencies of the Borrower; and (2) review and transmit to the Central Advisory Committee for further transmittal to the Bank, the annual and semi-annual programs and progress reports prepared by the Executing Agencies and TCZB on the carrying out of the Project in each province in the Project Area;

(vi) appoint to each Provincial Advisory Committee the Director of the Project Extension Service referred to in Section 3.03(a)(ii)(A) of this Agreement, who shall be the secretary of each such Provincial Advisory Committee, and the highest-rank official for each such province, or his representative, of each of the Executing Agencies and TCZB; and
(vii) cause each Provincial Advisory Committee to hold meetings, with full attendance, at least every three months, to perform the functions referred to in (v) hereof.

(b) Without limiting the generality of the provisions in paragraph (a) of Section 3.01 of this Agreement, the Borrower shall provide, or cause to be provided, the Central Advisory Committee and the Provincial Advisory Committees, promptly as needed, with such qualified and experienced supporting staff, facilities, funds and other resources as shall be required for the efficient operation thereof.

Section 3.07. (a) The Borrower shall insure or cause to be insured, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.08. (a) The Borrower shall, with respect to the Project, furnish or cause to be furnished, to the Bank, promptly upon their preparation, the plans, specifications, programs and semi-annual reports of the Executing Agencies and TCZB, training programs, contract documents and work and procurement schedules, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall maintain, or cause to be maintained, records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall maintain, or cause to be maintained, until five years after the Closing Date, such detailed records on selected farms and villages in the Project Area as shall be necessary to enable the Borrower to monitor accurately the effects of the Project; (iii) shall enable, or cause to be enabled, the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to see the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iv) shall furnish, or cause to be furnished, to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.09. The Borrower shall take or cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in
respects of land as shall be required for the construction and operation of the facilities included in the Project.

ARTICLE IV

Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

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

Section 4.02. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.
Section 4.03. Without limitation upon its obligations contained in Section 4.02 above, the Borrower shall:

(a) cause each Executing Agency to establish and maintain separate accounts on its records to be used exclusively for the Project and to register in such accounts all its receipts and payments for or in connection with the Project, in accordance with appropriate accounting principles consistently applied; and

(b) cause each Executing Agency to: (i) have the accounts referred to in (a) hereof and related statements for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank, in the English language, as soon as available, but in any case not later than five months after the end of such agency's fiscal year, (A) certified copies of such accounts and related statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning such accounts and related statements of such agency and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.04. (a) The Borrower shall operate and maintain, and renew from time to time as necessary, or cause to be operated, maintained and renewed, the works and facilities included in the Project, in accordance with appropriate agricultural, engineering, economic and financial policies and practices.

(b) Without limiting the generality of the foregoing, the Borrower shall:

(i) cause the villages using the facilities completed under Part C(7) of the Project to operate and maintain, and renew from time to time as necessary, such facilities, at their expense, in accordance with appropriate policies and practices; and

(ii) make periodic inspections of such facilities.

Section 4.05. The Borrower shall promptly make arrangements satisfactory to the Bank for the setting of charges levied on farmers using the works included in Part C(1)(2) of the Project at levels which will provide revenues at least sufficient to cover all on-farm development as well as operating and maintenance costs and, in addition, provide for the recovery, on reasonable terms and conditions, of the remaining monies invested in Parts C(1)(2) of the Project together with reasonable interest thereon, taking into account the relationship of the investment recovery rate to farmers' incentives and capacity to pay. Such charges will be subject to periodic reviews at intervals not exceeding five years.
Section 4.06. If any private house connections are installed in relation to the works included in Part C(5) of the Project, the Borrower shall:

(i) take, or cause to be taken, all steps necessary to recover all costs of any such connections as from the date of their completion; and

(ii) provide, or cause YSE to provide, the councils of the villages where any such connections are installed, with the necessary assistance for the establishment of adequate tariff structures and collection practices to recover such costs.

Section 4.07. The Borrower shall take all action, including the granting of all necessary authorizations, import licenses and other approvals required, to ensure the timely procurement of the goods and services required for the Project.

ARTICLE V

Remedies of the Bank

Section 5.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified pursuant to paragraph (k) thereof:

(a) TCZB shall have failed to perform any obligation of TCZB under the Project Agreement;

(b) an extraordinary situation shall have arisen which shall make it improbable that TCZB will be able to perform its obligations under the Project Agreement;

(c) any legal provision governing or applicable to the organization or operations of TCZB shall have been amended in such a manner, suspended or abrogated so as to threaten, in the opinion of the Bank, the ability of TCZB to carry out its obligations under the Project Agreement or the efficiency of its operations;

(d) TCZB shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by TCZB or by others whereby any of the property of TCZB shall or may be distributed among its creditors; and

(e) the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of TCZB or for the suspension of TCZB's operations.
Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof, namely, any of the events specified in paragraphs (a), (c), (d) and (e) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) the execution and delivery of the Project Agreement on behalf of TCZB have been duly authorized or ratified by all necessary administrative and governmental action;

(b) the execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and TCZB, respectively, have been duly authorized or ratified by all necessary administrative and governmental action;

(c) the Project Extension Service referred to in Section 3.03(a)(i) of this Agreement has been established to the satisfaction of the Bank; and

(d) the Director and the Deputy Directors referred to in Section 3.03(a)(ii)(A) and (B) of this Agreement have been appointed by the Borrower.

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

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

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and TCZB, respectively, and is legally binding upon the Borrower and TCZB in accordance with its terms.

Section 6.03. The date September 23, 1975 is hereby specified for the purposes of Section 12.04 of the General Conditions.
ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Subject to the provisions of Section 2.09 of this Agreement, the Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

MALIYE
HAZINE
Ankara

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed
in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF TURKEY

By /s/ Muammar Akinci  
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ W. A. Wapenhans  
Acting Regional Vice President  
Europe, Middle East and North Africa
SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-loans to Beneficiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Part A of the Project)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Medium-term Sub-loans</td>
<td>18,700,000</td>
<td>55% of amounts disbursed</td>
</tr>
<tr>
<td>(b) Short-term Sub-loans</td>
<td>15,700,000</td>
<td>70% of amounts disbursed in the first year after the date of this Agreement</td>
</tr>
<tr>
<td>(2) Project Extension Service and Veterinary Services (Part B of the Project)</td>
<td>6,000,000</td>
<td>50%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>(3) Machinery and equipment (Part C of the Project)</td>
<td>10,200,000</td>
<td>100% of foreign expenditures or 100% of the factory cost of locally produced goods</td>
</tr>
<tr>
<td>(4) Civil works (Part C of the Project)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Part C(1)(2)(3)(4)(5)</td>
<td>18,400,000</td>
<td>38%</td>
</tr>
<tr>
<td>(b) Part C(6)(7)</td>
<td>1,800,000</td>
<td>15%</td>
</tr>
<tr>
<td>(5) Consultants’ services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Part D(3)</td>
<td>50,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Other</td>
<td>450,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Training</td>
<td>300,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>3,400,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>75,000,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower.
3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of expenditures prior to the date of this Agreement, except that withdrawals may be made on account of expenditures incurred after September 1, 1974 for the Corum dam and the Kumbaba pumping projects under Part C(1) of the Project in an aggregate amount not exceeding the equivalent of $1,000,000.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.
SCHEDULE 2

Description of the Project

The Project is part of a program of the Borrower to develop the Project Area by increasing the production of crops and livestock, constructing new irrigation facilities and carrying out on-farm development, providing credit and technical services, and improving social services.

The Project consists of:

Part A: Agricultural Credit

The provision through TCZB of short-term loans to project farmers for cultivation expenses, seeds, fertilizers and chemicals, and medium-term loans to project farmers for farm machinery, and construction of buildings for livestock.

Part B: Technical Services

(1) The provision through the Project Extension Service, of technical assistance to increase the production of crops and livestock, including, *inter alia*:

(i) assistance to farmers in crop and animal husbandry, including animal feeding, seed bed preparation, seeding, weed control, pest control, harvesting and processing;

(ii) assistance to farmers in the preparation of technical and financial plans for the credit applications for Part A hereof; and

(iii) cooperation with TCZB in the appraisal and supervision of the short- and medium-term Sub-loans to project farmers under Part A hereof.

(2) The provision through the Veterinary Services of technical assistance to project farmers in animal health, animal disease control and the improvement of livestock through selective breeding and artificial insemination.

Part C: Project Works

(1) Construction by DSI of five irrigation and drainage systems for about 7,500 hectares of land.
(2) Construction by TOPRAKSU of 13 small irrigation schemes for about 5,050 hectares of land and on-farm development for about 7,500 hectares of land, and the construction of about 17 dams under 15 meters in height to provide water for livestock.

(3) Construction by YSE of about 65 kilometers of access roads and rehabilitation of about 164 kilometers of existing access roads.

(4) Maintenance by YSE of about 904 kilometers of new and existing access roads.

(5) Provision by YSE of about 177 units for drinking water supplies and facilities to about 120 villages.

(6) Supply of electricity by TEK to about 233 settlement areas.

(7) Construction by TOPRAK-ISKAN of social facilities, in about 63 villages, consisting of community meeting halls, public laundries and public baths.

Part D: Training and Studies

(1) Training of farmers participating in the operation and maintenance of the works included in Part C of the Project.

(2) Training on the job and abroad of staff engaged in services related to the carrying out of the Project.

(3) Studies on the social and economic conditions in the Project Area, the list and scope of such studies to be determined by agreement between the Borrower and the Bank.

(4) Feasibility studies of future rural development projects.

* * * * * * *

Part C of the Project is expected to be completed by December 31, 1980.
### SCHEDULE 3

**Amortization Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (expressed in dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 15, 1981</td>
<td>825,000</td>
</tr>
<tr>
<td>May 15, 1982</td>
<td>860,000</td>
</tr>
<tr>
<td>November 15, 1982</td>
<td>895,000</td>
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<tr>
<td>May 15, 1983</td>
<td>935,000</td>
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<tr>
<td>November 15, 1983</td>
<td>975,000</td>
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<td>May 15, 1984</td>
<td>1,015,000</td>
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<tr>
<td>November 15, 1984</td>
<td>1,060,000</td>
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<tr>
<td>May 15, 1985</td>
<td>1,105,000</td>
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<tr>
<td>November 15, 1985</td>
<td>1,150,000</td>
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<tr>
<td>May 15, 1986</td>
<td>1,200,000</td>
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<tr>
<td>November 15, 1986</td>
<td>1,250,000</td>
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<tr>
<td>May 15, 1987</td>
<td>1,305,000</td>
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<td>November 15, 1987</td>
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<td>1,540,000</td>
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<td>May 15, 1994</td>
<td>2,335,000</td>
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<tr>
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<td>May 15, 1998</td>
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<td>November 15, 1998</td>
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<td>May 15, 1999</td>
<td>3,540,000</td>
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<tr>
<td>November 15, 1999</td>
<td>3,690,000</td>
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<tr>
<td>May 15, 2000</td>
<td>3,850,000</td>
</tr>
</tbody>
</table>

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.
Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05(b) of the General Conditions:

<table>
<thead>
<tr>
<th>Time of Prepayment</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than three years before maturity</td>
<td>1%</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>2-1/4%</td>
</tr>
<tr>
<td>More than six years but not more than eleven years before maturity</td>
<td>4%</td>
</tr>
<tr>
<td>More than eleven years but not more than sixteen years before maturity</td>
<td>5-1/2%</td>
</tr>
<tr>
<td>More than sixteen years but not more than twenty-one years before maturity</td>
<td>7-1/4%</td>
</tr>
<tr>
<td>More than twenty-one years but not more than twenty-three years before maturity</td>
<td>8%</td>
</tr>
<tr>
<td>More than twenty-three years before maturity</td>
<td>8-1/2%</td>
</tr>
</tbody>
</table>
SCHEDULE 4

Procurement

A. General Procedures

1. Contracts for machinery and equipment included in Category 3 of paragraph 1 of Schedule 1 to this Agreement shall be let under procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in April 1972, as revised in October 1972 (hereinafter called the Guidelines), on the basis of international competitive bidding.

2. Contracts for civil works shall be awarded under local competitive bidding procedures, provided, however, that (i) bids are requested through local advertising and, in the case of contracts estimated to cost the equivalent of $100,000 or more, notice is given to all Embassy representatives in Turkey of countries which are members of the Bank and Switzerland; and (ii) bids are permitted on the basis of one single global contract, a grouping of contracts or single contracts for each item to be procured. Notwithstanding the preceding, the Borrower may, at its option, carry out or cause to be carried out, the works included in the Project by force account. In such case the Borrower shall (i) prepare or cause to be prepared, to the extent required, detailed engineering to carry out such works; and (ii) make available such detailed engineering to the Bank for its approval before initiation of the works.

3. Procurement of other goods and services shall be carried out through local commercial channels including private traders and dealers, State trading entities and cooperatives.

B. Evaluation and Comparison of Bids for Goods; Preference for Domestic Manufacturers

1. For the purpose of evaluation and comparison of bids for the supply of goods: (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically-manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

2. Goods manufactured in Turkey may be granted a margin of preference in accordance with, and subject to, the following provisions:
(a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

(b) After evaluation, responsive bids will be classified in one of the following three groups:

1. **Group A**: bids offering goods manufactured in Turkey if the bidder shall have established to the satisfaction of the Borrower and the Bank that the manufacturing cost of such goods includes a value added in Turkey equal to at least 20% of the ex-factory bid price of such goods.

2. **Group B**: all other bids offering goods manufactured in Turkey.

3. **Group C**: bids offering any other goods.

(c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

(d) If, as a result of the comparison under paragraph (c) above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the c.i.f. bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group C bid, or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the bid from group C which as a result of the comparison under paragraph (c) is the lowest evaluated bid shall be selected.

C. **Review of Procurement Decisions by the Bank**

1. With respect to all contracts included in Part A.1 of this Schedule:

   (a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other
bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders. Two copies of the documents and supplements, as issued, shall be furnished to the Bank.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and the reasons for the intended award and shall furnish to the Bank, in sufficient time for its review, a detailed report, on the evaluation and comparison of the bids received and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

2. With respect to all contracts included in Part A.2 of this Schedule, estimated to cost the equivalent of $100,000 or more:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders. Two copies of the documents and supplements, as issued, shall be furnished to the Bank.

(b) After bids have been received and evaluated, the Borrower shall inform the Bank of the name of the bidder to which it has awarded the contract, together with the analysis of bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Schedule, promptly inform the Borrower and state the reasons for such determination.
(c) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

3. With respect to each contract included in Part A.2 of this Schedule, estimated to cost the equivalent of less than $100,000, the Borrower shall furnish to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract.