Loan Agreement

(Privatization Implementation Assistance and Social Safety Net Project)

between

REPUBLIC OF TURKEY

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated May 5, 1994
AGREEMENT, dated May 5, 1994, between REPUBLIC OF TURKEY (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) Part A of the Project will be carried out by the Public Participation Administration (PPA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PPA a portion of the proceeds of the Loan as provided in this Agreement;

(C) Parts B, C, and E of the Project will be carried out by the Borrower through its Undersecretariat of the Treasury and Foreign Trade (the Treasury);

(D) Part D of the Project will be carried out by the Borrower through its Undersecretariat of the State Planning Organization (the SPO); and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Bank and PPA;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.
(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement 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 the Public Participation Administration (the PPA) of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "PPA" means the Public Participation Administration of the Borrower, established and operating pursuant to Law No. 2983 (1984), Law No. 3291 (1986) and Decree Law No. 414 (1990) (Statutes), as the same may have been amended to the date of this Agreement;

(c) "Subsidiary Project Agreement" means the agreement to be entered into by the Borrower and the PPA pursuant to Section 3.03 of this Agreement, including any amendments to such agreement as may be made from time to time;

(d) "Project Preparation Advance" means the project preparation advance granted by the Bank to the Borrower pursuant to an exchange of letters dated December 6, 1993 and January 3, 1994 between the Borrower and the Bank;

(e) "SOE" means an enterprise established, owned and operated by the Borrower pursuant to Decree Law No. 233 (1984), as the same may have been amended to the date of this Agreement;

(f) "IIBK" means the Turkish Employment Organization of the Borrower's Ministry of Labor and Social Security;

(g) "KOSGEB" means the Small and Medium Industry Development Organization of the Borrower's Ministry of Industry and Commerce;
(h) "Zonguldak Region" means the geographic area of the Borrower's territory delimited by the boundaries of the provinces of Bartin and Zonguldak;

(i) "Fiscal Year" means the Borrower's fiscal year beginning January 1 and ending December 31; and

(j) "Special Account" means any account referred to in Section 2.02 (b) and (c) of this Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of one hundred million dollars ($100,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of Part A of the Project, cause the PPA to open and maintain in a freely convertible currency satisfactory to the Bank a special account (Special Account A) in a commercial bank or the Central Bank of the Borrower on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, Special Account A shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(c) The Borrower shall, for the purposes of Parts B, C, D and E of the Project, open and maintain in a freely convertible currency satisfactory to the Bank a special account (Special Account B) in a commercial bank or its Central Bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, Special Account B shall be made in accordance with the provisions of Schedule 6 to this Agreement.
(d) Promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1998 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to
fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (e) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.08. The PPA is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 (b) of this Agreement.
ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end shall carry out, through the Treasury, Parts B, C and E of the Project and shall carry out, through the SPO, Part D of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and economic practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project, including annual budgetary provisions in an amount and on a schedule satisfactory to the Bank.

Section 3.02. Without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause the PPA to perform all its obligations set forth in the Project Agreement, the Subsidiary Project Agreement and the Statutes, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable the PPA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

Section 3.03. (a) For purposes of carrying out Part A of the Project, the Borrower shall enter into a subsidiary project agreement, satisfactory to the Bank, with the PPA, whereby the PPA shall be appointed executing agent of the Borrower for carrying out such activities under Part A of the Project as shall have been specified therein, including, inter alia:

(i) the carrying out by the PPA of Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and commercial practices;

(ii) the carrying out by the PPA of the procurement and related accounting for the goods and consultants' services required for Part A of the Project and to be financed out of the proceeds of the Loan; and

(iii) the utilization of funds by the PPA, including the proceeds of the Loan provided by the
Borrower, required for the support of the operation of the PPA undertaken in accordance with subparagraphs (i) and (ii) of this Section.

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

Section 3.04. Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out Parts B, C, D and E of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.05. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Parts B, C, D and E of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.06. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project shall be carried out by the PPA pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial and Other Covenants

Section 4.01. (a) The Borrower shall, through the Treasury and the SPO, maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Parts B, C, D and E of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.
(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for its Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of its Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of
expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall:

(a) by October 31 of each year submit to the Bank for review and comment a proposed work program for the carrying out of Parts B, C, D and E of the Project during the following calendar year; and

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

Section 4.03. The Borrower shall carry out by October 31, 1995, together with the Bank, a comprehensive mid-term review of implementation of the Project on the basis of criteria satisfactory to the Bank.

Section 4.04. The Borrower shall prepare, through the Treasury and the SPO, and furnish to the Bank detailed quarterly reports on the execution and operation of Parts B, C, D and E of the Project and on other matters, pursuant to Section 9.07 of the General Conditions, of a scope and within a timetable satisfactory to the Bank.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) The PPA shall have failed to perform any of its obligations under the Project Agreement or the Subsidiary Project Agreement.

(b) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that the PPA will be able to perform its obligations under the Project Agreement or the Subsidiary Project Agreement.
(c) The Statutes of the PPA shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the PPA to perform any of its obligations under the Project Agreement or the Subsidiary Project Agreement.

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

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

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any event specified in paragraphs (b), (c) and (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) the Subsidiary Project Agreement has been concluded by the Borrower and the PPA, respectively, by all necessary governmental and corporate action;

(b) the Borrower has appointed consultants for debt management and labor adjustment services;

(c) the PPA has appointed consultants for in-house strategic planning, legal advisory services and the public information program; and

(d) the PPA has concluded contracts for financial advisory services for the privatization of two SOEs.
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 the PPA and is legally binding upon the PPA in accordance with its terms; and

(b) that the Subsidiary Project Agreement has been duly authorized or ratified by the Borrower and the PPA, respectively, and is legally binding upon the Borrower and the PPA in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.08 of this Agreement, the Undersecretariat of the Treasury and Foreign Trade of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

Basbakanlik Hazine Ve Dis Ticaret
Mustesarligi
Inonu Bulvari
Emek-Ankara
Republic of Turkey

Cable address: MALIYE-HAZINE
Telex:
821-42285 (MLYE-TR) or
821-42689 (ANK-TR)
For the Bank:

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

Cable address: INTBAFRAD
Telex:
INTBAFRAD 248423 (RCA)
Washington, D.C. 82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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

REPUBLIC OF TURKEY

By /s/ M. Eşilgen
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ M. Welker
Regional Vice President
Europe and Central Asia
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>(i) Equipment, materials and related services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Part A of the Project (except for plant relocation or reconfiguration)</td>
<td>400,000</td>
<td>100% of local expenditures,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Plant relocation or reconfiguration under the Project</td>
<td>1,600,000</td>
<td>100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Parts B, C and E of the Project</td>
<td>400,000</td>
<td>procured locally</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Part D of the Project</td>
<td>50,000</td>
<td></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>(2) (a) Consultants' services, training and promotion services under Part A of the Project</td>
<td>43,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Consultants' services, training and study tours under Parts B, C and E of the Project</td>
<td>22,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(c) Consultants' services, training and study tours under Part D of the Project</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Media time and space under Part A of the Project</td>
<td>8,750,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(4) Labor adjustment services under Part C.2 of the Project</td>
<td>11,000,000</td>
<td>60%</td>
</tr>
<tr>
<td>(5) Refunding of Project Preparation Advance</td>
<td>2,000,000</td>
<td>Amounts due pursuant to Section 2.02 (d) of this Agreement</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>8,500,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100,000,000</td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule:

   (a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

   (b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

   (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed $7,000,000, may be made in respect of Categories (1), (2), (3) and (4) on account of payments made for expenditures before that date but after October 31, 1993; and

   (b) payments made under Category (4) of this Schedule unless they are in accordance with criteria satisfactory to the Bank.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for goods and services not exceeding $100,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.
SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to promote efficiency and productivity in the economy by facilitating the further development of Turkey's private sector; (ii) to help ensure that privatization is implemented in a transparent and efficient manner, to accelerate the privatization process and to lay the basis for a sustained divestiture and fiscal contraction process; and (iii) to alleviate the adverse impact of SOE downsizing and divestiture on displaced workers and their families by integrating social safety net measures, including labor adjustment programs, into the divestiture process.

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

Part A: Privatization Program

Strengthening the capacity of the PPA to carry out the Borrower's privatization program through the provision of technical assistance for the preparation and implementation of specific privatization transactions, the assessment of environmental liabilities and the assessment of plant relocation or reconfiguration, as necessary; the provision of training and operational support systems; and carrying out a public information campaign to promote the Borrower's privatization program and broaden public support for said program.

Part B: Institutional Strengthening

Strengthening of the capacity of the Borrower to manage the debt liabilities of the SOEs to be privatized and enhancing the financial discipline of the non-privatized SOEs through the provision of technical assistance and training to staff of the Treasury.

Part C: Social Safety Net

1. Support of the social safety net, including labor adjustment services, to assist the Borrower and SOEs to determine the extent of labor displacement and to identify the services needed.
2. Provision of labor adjustment services, through IIBK, KOSGEB and other selected agencies agreed by the Borrower and the Bank.

3. Strengthening the capacity of the Treasury to administer funds for labor adjustment services.

4. Carrying out of studies to analyze options for the reform of the social security/pension systems, and develop a unique identifier system for tax and social purposes.

Part D: Zonguldak Region

Preparation of a regional development plan for the Zonguldak Region and feasibility studies for specific projects.

Part E: Infrastructure Studies

1. Carrying out of a study for the development of the legal and regulatory framework for the telecommunications sector.

2. Carrying out of a study to increase private sector participation in infrastructure sectors agreed by the Borrower and the Bank.

* * *

The Project is expected to be completed by December 31, 1997.
### 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>On each April 1 and October 1</td>
<td></td>
</tr>
<tr>
<td>beginning October 1, 1999</td>
<td>4,165,000</td>
</tr>
<tr>
<td>through October 1, 2010</td>
<td></td>
</tr>
<tr>
<td>On April 1, 2011</td>
<td>4,205,000</td>
</tr>
</tbody>
</table>

*The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.*
Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

<table>
<thead>
<tr>
<th>Time of Prepayment</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:</td>
<td></td>
</tr>
<tr>
<td>Not more than three years before maturity</td>
<td>0.18</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>0.35</td>
</tr>
<tr>
<td>More than six years but not more than 11 years before maturity</td>
<td>0.65</td>
</tr>
<tr>
<td>More than 11 years but not more than 15 years before maturity</td>
<td>0.88</td>
</tr>
<tr>
<td>More than 15 years before maturity</td>
<td>1.00</td>
</tr>
</tbody>
</table>
SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines). For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors, acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

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

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Turkey may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

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

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

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

   (a) With respect to each contract for goods estimated to cost the equivalent of $300,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of Special Account B in respect of such contract.

   (b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of Special Account B, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

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

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

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ financial and management consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than $100,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms, to assignments of a critical nature as reasonably determined by the Bank and to amendments of contracts raising the contract value to $100,000 equivalent or above.
SCHEDULE 5

Implementation Program

1. The Borrower shall, by August 31, 1994, enter into protocols with IIBK and KOSGEB pursuant to which IIBK and KOSGEB shall carry out the labor adjustment services under Part C.2 of the Project on the basis of terms of reference and criteria satisfactory to the Bank, including, inter alia:

   (i) the carrying out by IIBK and KOSGEB of Part C.2 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and commercial practices; and

   (ii) the utilization of funds by IIBK and KOSGEB provided by the Borrower out of the proceeds of the Loan for such Part C.2 of the Project.

2. The Borrower shall:

   (a) (i) by August 31, 1994, employ the consultants referred to in Section II of Schedule 4 to this Agreement to carry out the social security pension study under Part C.4 of the Project on the basis of terms of reference satisfactory to the Bank; carry out the initial phase of such study by March 31, 1995; and carry out the second phase of such study by March 31, 1996;

   (ii) by September 15, 1994, employ the consultants referred to in Section II of Schedule 4 to this Agreement to carry out the study on the unique identifier system under Part C.4 of the Project on the basis of terms of reference satisfactory to the Bank, and carry out such study by December 31, 1994;

   (iii) by December 31, 1995, employ the consultants referred to in Section II of Schedule 4 to this Agreement to carry out the study on the preparation of the Zonguldak Regional Development Plan under Part D of the Project on the basis of
(iv) by August 31, 1994, employ the consultants referred to in Section II of Schedule 4 to this Agreement to carry out the study on the regulatory framework for the telecommunications section under Part E.1 of the Project on the basis of terms of reference satisfactory to the Bank; and by May 31, 1995, carry out such study; and

(v) by September 30, 1994, employ the consultants referred to in Section II of Schedule 4 to this Agreement to carry out the study to increase private sector participation in the infrastructure sectors under Part E.2 of the Project on the basis of terms of reference satisfactory to the Bank; and by March 31, 1995, carry out such study;

(b) not later than two months following the completion of each study referred to in paragraph (a) above, furnish to the Bank for review and comment the results and recommendations of each such study; and

(c) thereafter, put into effect the recommendations of each such study as agreed with the Bank.
SCHEDULE 6

Special Accounts

1. For the purposes of this Schedule:

   (a) The term "eligible Categories" means with respect to Special Account A, Categories (1)(a), (1)(b), (2)(a) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and with respect to Special Account B, Categories (1)(c), (1)(d), (2)(b), (2)(c) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

   (b) The term "Authorized Allocation" means an amount to be withdrawn from the Loan Account and deposited in a Special Account pursuant to paragraph 3 (a) of this Schedule as follows:

   - PPA Special Account A $5,000,000 equivalent;
   - Borrower Special Account B $3,000,000 equivalent.

2. Payments out of each Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish such Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower or the PPA, withdraw from the Loan Account and deposit in the respective Special Account such amount or amounts as the Borrower or the PPA shall have requested.

   (b) (i) For replenishment of a Special Account, the Borrower and the PPA shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

   (ii) Prior to or at the time of each such request, the Borrower or the PPA shall furnish to the
Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower or the PPA, withdraw from the Loan Account and deposit into the respective Special Account such amount as the Borrower or the PPA shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

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

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such
amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide or cause the PPA to provide such additional evidence as the Bank may request; or (B) deposit or cause the PPA to deposit into the Special Account (or, if the Bank shall so request, refund or cause the PPA to refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the respective Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund or cause the PPA to provide such evidence or make such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund or cause the PPA to refund to the Bank such outstanding amount.

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

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

CERTIFICATE

I hereby certify that the foregoing is a true copy of
the original in the archives of the International Bank
for Reconstruction and Development.

[Signature]
FOR SECRETARY