No. 7777

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
TURKEY

Development Credit Agreement—*Second Industrial Development Bank Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Industrial Development Bank of Turkey). Signed at Washington, on 31 August 1964

Official text: English.

Registered by the International Development Association on 14 May 1965.

ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT
et
TURQUIE

Contrat de crédit de développement — *Deuxième Projet relatif à la Banque pour le développement industriel* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement et le Contrat relatif au Projet entre l'Association et la Banque de Turquie pour le développement industriel). Signé à Washington, le 31 août 1964

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 14 mai 1965.

No. 7777. DEVELOPMENT CREDIT AGREEMENT[1] (*SECOND INDUSTRIAL DEVELOPMENT BANK PROJECT*) BETWEEN THE REPUBLIC OF TURKEY AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 31 AUGUST 1964

AGREEMENT, dated August 31, 1964 between the REPUBLIC OF TURKEY (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower and Turkiye Sinai Kalkinma Bankasi A.S. (the Industrial Development Bank of Turkey, hereinafter called IDB), a company organized under the laws of the Borrower, have requested the Association to assist IDB to provide loans to private enterprises in Turkey by making available to the IDB the proceeds of the development credit provided for herein; and

WHEREAS the Association is willing to make a development credit available on the terms and conditions provided herein and in a project agreement of even date herewith[2] between the IDB and the Association;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

CREDIT REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,[2] with the same force and effect as if they were fully set forth herein subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

(*a*) Section 3.01 is deleted and the following new section is substituted therefor :

" SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (*a*) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of

[1] Came into force on 1 December 1964, upon notification by the Association to the Government of Turkey.

[2] See p. 130 of this volume.

the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

" (*b*) The proceeds of the Credit shall be withdrawn from the Credit Account :

" (i) on account of expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select;

" (ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

" (*c*) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made. "

(*b*) A new Section 3.04 is inserted after Section 3.03 as follows :

" SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03. "

(*c*) Section 3.04 is renumbered as Section 3.05.

(*d*) Section 6.02 shall be amended by inserting the words " or the Project Agreement " after the words " the Development Credit Agreement ".

(*e*) The first sentence of paragraph 10 of Section 9.01 shall be deleted and the following sentence shall be substituted therefor, namely :

" 10. The term ' goods ' means equipment, supplies and services required for the Qualified Project financed out of the proceeds of the Credit. "

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the following terms shall have the following meanings :

(*a*) The term " Project Agreement " shall mean the agreement between the Association and the IDB of even date herewith, providing for the carrying out of the Project.

(*b*) The term " first Subsidiary Loan Agreement " shall mean the loan agreement between the Borrower and the IDB dated February 1, 1963, executed pursuant to the development credit agreement between the Borrower and the Association dated February 1, 1963.[1]

[1] According to the information provided by the International Development Association, the dates cited in this paragraph should be 23 November 1962; see United Nations, *Treaty Series*, Vol. 469, p. 3.

(*c*) The term " Second Subsidiary Loan Agreement " shall mean the loan agreement between the Borrower and the IDB to be executed pursuant to Section 4.01 of this Agreement.

(*d*) The term " Qualified Enterprise " shall mean an enterprise to which the IDB shall have made a loan in accordance with, and as provided in, Section 4.01 of this Agreement.

(*e*) The term " Qualified Project " shall mean a specific development project to be carried out by a Qualified Enterprise.

(*f*) The term " foreign currency " shall mean any currency other than currency of the Borrower.

(*g*) The term " Statutes " shall mean the statutes of the IDB adopted on May 12, 1950, as amended from time to time.

Article II

The Credit

Section 2.01. The Association agrees to make available to the Borrower, for use by the IDB, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to five million dollars ($5,000,000).

Section 2.02. The amount of the Credit shall be credited to, and may be withdrawn from, the Credit Account as provided in Article III of this Agreement.

Section 2.03. (*a*) The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($^3/_4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

(*b*) Such service charge shall be paid semi-annually on May 15 and November 15 in each year.

Section 2.04. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments on each May 15 and November 15, commencing November 15, 1974, and ending May 15, 2014, each instalment to and including the instalment payable on May 15, 1984 to be one-half of one per cent ($^1/_2$ of 1%) of such principal amount, and each instalment thereafter to be one and one-half per cent ($1^1/_2$%) of such principal amount.

Article III

Credit Account; Withdrawal of Proceeds of Credit

Section 3.01. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit

Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement, the Project Agreement and the Regulations.

Section 3.02. (*a*) Subject to the provisions of paragraph (*b*) of this Section the IDB, pursuant to Section 9.05 of this Agreement, shall be entitled to withdraw from the Credit Account :

(i) amounts expended for the reasonable foreign currency cost of goods required for carrying out the Qualified Project in respect of which the withdrawal is requested; and

(ii) if the Association shall so agree, such amounts as shall be required to meet payments to be made for the reasonable foreign currency cost of such goods.

(*b*) No amount shall be withdrawn from the Credit Account in respect of a Qualified Project unless it shall have been approved in writing by the Association, provided, however, that withdrawals may be made in accordance with the provisions of Section 2.03 (*a*) (ii) of the Project Agreement on account of Qualified Projects up to a limit to be agreed from time to time between the Association and the IDB both for any one such Qualified Project and for such Qualified Projects in the aggregate.

(*c*) Notwithstanding the first sentence of Section 4.01 of the Regulations and except as the Association and the IDB shall otherwise agree, no withdrawals shall be made on account of :

(i) expenditures made for any Qualified Project subject to the Association's approval more than ninety days prior to the submission of such Qualified Project to the Association for approval or, in the case of any other Qualified Project, more than ninety days prior to the application for withdrawal from the Credit Account; or

(ii) expenditures in currency of the Borrower for goods produced in (including services supplied from) the territories of the Borrower.

Section 3.03. Withdrawals from the Credit Account shall be in such freely convertible currency as the Association shall from time to time reasonably select.

Article IV

Description of the Project; Use of Proceeds of the Credit

Section 4.01. The Project for which the Credit is granted is the provision of funds to the IDB to enable it to make loans for productive purposes to private enterprises in Turkey, all such loans to be for specific development projects, in accordance with the Statutes of the IDB and in furtherance of the corporate purposes of the IDB as therein set forth. Such funds shall be made available