No. 680

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and INTERNATIONAL DEVELOPMENT ASSOCIATION,

and

AGRICULTURAL BANK OF THE TURKISH REPUBLIC

Project Agreement—*Fruit and Vegetable Export Project* (with schedules). Signed at Washington on 22 June 1971

Authentic text: English.

Filed and recorded by the International Bank for Reconstruction and Development and the International Development Association on 26 September 1972.

BANQUE INTERNATIONALE POUR LA RECONSTRUCTION ET LE DÉVELOPPEMENT et ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT,

et

BANQUE AGRICOLE DE LA RÉPUBLIQUE TURQUE

Contrat relatif au Projet — *Projet relatif à l'exportation des fruits et légumes* (avec annexes). Signé à Washington le 22 juin 1971

Texte authentique : anglais.

Classé et inscrit au répertoire à la demande de la Banque internationale pour la reconstruction et le développement et l'Association internationale de développement le 26 septembre 1972.

PROJECT AGREEMENT[1]

AGREEMENT, dated June 22, 1971, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and AGRICULTURE BANK OF THE TURKISH REPUBLIC (hereinafter called ABT).

WHEREAS by a loan agreement and a development credit agreement of even date herewith[2] between the Republic of Turkey (hereinafter called the Borrower) the Bank and the Association (hereinafter referred to as the Loan Agreement and the Development Credit Agreement), the Bank and the Association have agreed to make available to the Borrower an aggregate amount in various currencies equivalent to twenty-five million dollars ($25,000,000), on the terms and conditions set forth in the Loan Agreement and the Development Credit Agreement, for the purpose of assisting in the financing of the Project described in Schedule 1 to the Loan Agreement and Schedule 2 to the Development Credit Agreement, Parts C, D and E of which will be carried out by ABT, but only on condition *inter alia* that ABT agrees to undertake certain obligations toward the Bank and the Association as hereinafter set forth; and

WHEREAS by a subsidiary loan agreement to be entered into between the Borrower and ABT, part of the aggregate proceeds of the loan provided for under the Loan Agreement and the credit provided for under the Development Credit Agreement will be made available to ABT on the terms and conditions therein set forth; and

WHEREAS ABT, in consideration of the Bank's entering into the Loan Agreement and the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

DEFINITIONS

SECTION 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and the

[1] Came into force on 19 May 1972, the date when the corresponding Loan Agreement and Development Credit Agreement (see footnote 2 below) became effective, in accordance with section 6.01.

[2] United Nations, *Treaty Series*, vol. 838, Nos. I-11990 and I-11991.

Development Credit Agreement and in the General Conditions applicable to these agreements, as so defined, have the respective meanings therein set forth.

Article II

Execution of the Project

Section 2.01. (*a*) ABT shall (i) carry out Parts C, D and E of the Project with due diligence and efficiency and in conformity with sound administrative, financial and agricultural practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose; and (ii) acquire, maintain and renew all rights, powers, privileges and franchises as shall be, from time to time, necessary or useful in the conduct of its business and the carrying out of the Project.

(*b*) In the carrying out of Parts C, D and E of the Project, ABT undertakes that, unless the Bank and the Association shall otherwise agree, it shall at all times follow lending and operating policies and procedures satisfactory to the Bank and the Association and including those set forth in Schedule 1 to this Agreement, as such Schedule may be modified from time to time by agreement between the Borrower, the Bank, the Association and ABT.

Section 2.02. Except as the Bank and the Association shall otherwise agree, the goods and services (other than services of consultants) required for carrying out Parts D and E of the Project and to be financed out of the proceeds of the Loan and the Credit shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* published by the Bank in August 1969, as revised in May 1971, and in accordance with, and subject to, the provisions set forth in Schedule 2 to this Agreement.

Section 2.03. (*a*) ABT undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan and the Credit relent to it by the Borrower against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by ABT to replace or repair such goods.

(*b*) Except as the Bank or the Association may otherwise agree, ABT shall cause all goods and services financed out of the proceeds of the Loan and the Credit relent to it by the Borrower to be used exclusively for Parts C, D and E of the Project.

Section 2.04. (*a*) ABT shall furnish to the Bank and the Association promptly upon their preparation, the plans, reports, specifications, contract documents and construction and procurement schedules for Parts D and E of the Project, and any material modifications thereof or additions thereto, in such detail as the Bank or the Association shall reasonably request.

(*b*) ABT : (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the aggregate proceeds of the Loan and the Credit relent to it by the Borrower, and to disclose the use thereof in the Project; (ii) shall enable the Bank's or the Association's representatives to see the goods financed out of such proceeds and any relevant records and documents; and (iii) shall furnish to the Bank and the Association all such information as the Bank or the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the Credit so relent to it and the goods and services financed out of such proceeds.

(*c*) Without limitation upon its obligations contained in paragraph (*b*) of this Section, ABT shall establish and maintain a separate account in respect of Parts C, D and E of the Project, and shall send to the Bank and the Association, in the English language, (i) quarterly statements of such account, authenticated by the Secretary General of ABT within six weeks after the end of each quarter and (ii) promptly upon their preparation but not later than five months after the end of the period covered thereby, annual statements of such account, authenticated by the Secretary General of ABT and certified by auditors acceptable to the Bank and the Association.

Section 2.05. ABT shall (i) duly perform all its obligations under the Subsidiary Loan Agreement and except as the Borrower, the Bank or the Association shall otherwise agree, ABT shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof; (ii) apply all funds received by ABT pursuant to the Subsidiary Loan Agreement to the carrying out of Parts C, D and E of the Project and (iii) exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower, the Bank, the Association and ABT.

Article III

OPERATIONS OF ABT

Section 3.01. ABT shall take out and maintain with responsible insurers, insurance against such risks and in such amounts as shall be consistent with sound practice.

Section 3.02. Without limitation upon its obligations contained in Schedule 2 to this Agreement, ABT shall not permit any contracts to be entered into by sub-borrowers for the construction of the two ferry-ships provided for in Part D of the Project, until (i) arrangements satisfactory to the Bank and the Association have been made by the sub-borrower that is to own the said ferry-ships with port authorities in Italy or Yugoslavia regarding the port facilities that are required; and (ii) arrangements satisfactory to the Bank and the Association have been made with the sub-borrower that is to own the said ferry-ships regarding the manner in which the ferry-ships are to be managed and the ferry service is to be operated.

Article IV

Financial Covenants

Section 4.01. ABT shall maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition.

Section 4.02. ABT shall : (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by auditors acceptable to the Bank and the Association; (ii) furnish to the Bank and the Association as soon as available, but in any case not later than five months after the end of each such year, (A) certified copies in the English language of its provisional financial statements for such year as so audited and (B) the report of such audit by said auditors in the English language and of such scope and in such detail as the Bank and the Association shall have reasonably requested; and (iii) furnish to the Bank and the Association such other information concerning the provisional accounts and financial statements of ABT and the audit thereof as the Bank and the Association shall from time to time reasonably request.

Section 4.03. ABT shall establish and maintain a Special Operational Fund to be utilized, unless the Borrower, ABT, the Bank and the Association shall otherwise agree, for the sole purpose of supplementing the funds provided for the operating expenses of the Project Unit. Such Fund shall be established and maintained by ABT by setting aside out of each payment to ABT of interest on sub-loans under the Project, amounts calculated in the same manner and on the same principal amount as such interest, but at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum. Expenditures out of such Fund shall be authorized by the Director of the Project Unit only, or any other person duly designated by him for such purpose.