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Training Workshop on
Industrial Banking Techniques

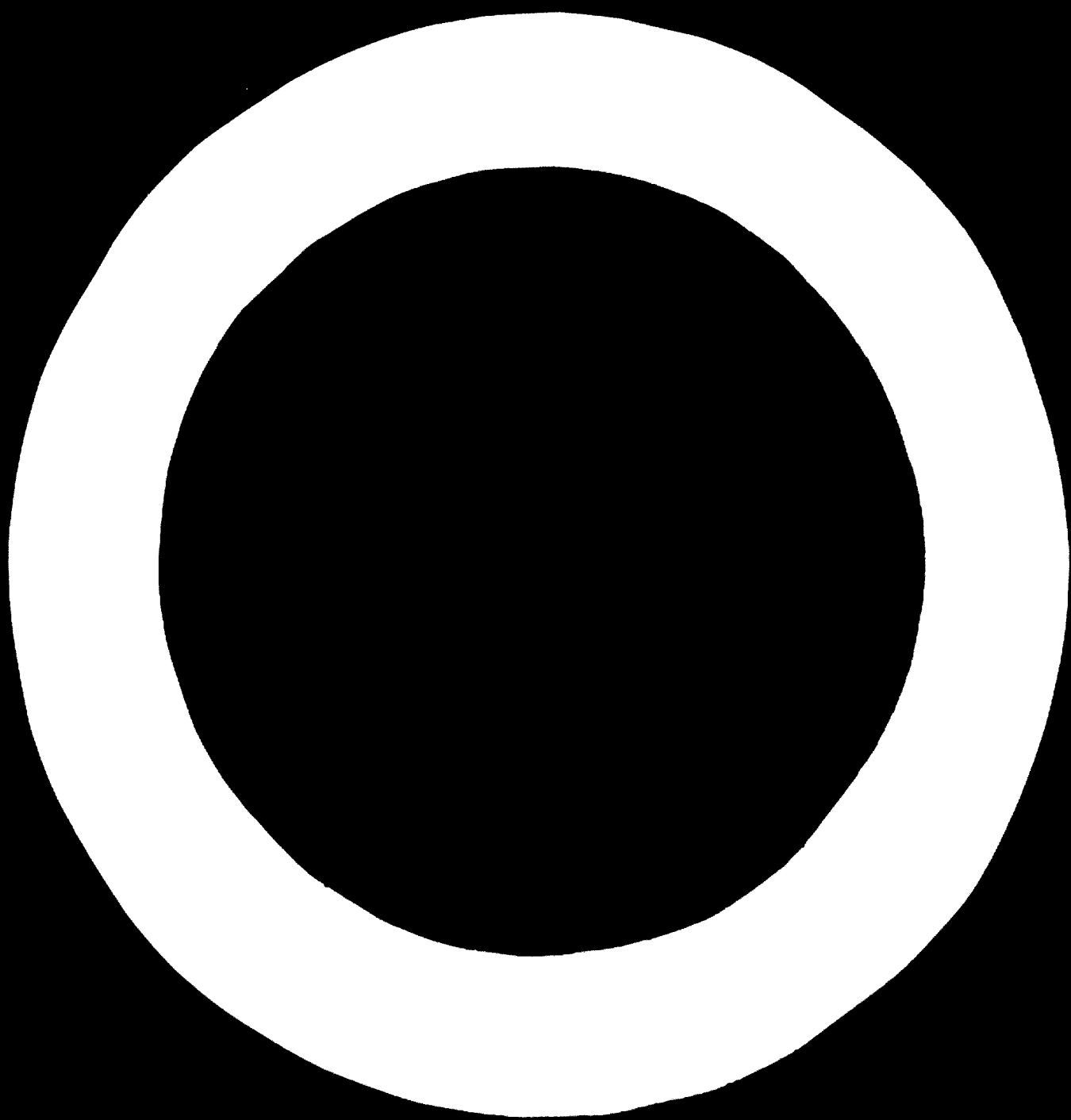
Vienna, Austria, 2 - 23 November 1970

THE STATE INVESTMENT BANK
OF TURKEY^{1/}

^{1/} This material has been prepared as a background paper for the workshop on the basis of information supplied by the Deputy Manager of the State Investment Bank of Turkey, Mr. Ilhan Evliyaoglu. The aim is to present factual information describing Turkey's provisions as a basis for discussion of the subjects to be considered by participants. The views and opinions expressed in this paper are based on the author's original paper and do not necessarily reflect the views of the secretariat of UNIDO. This document has been reproduced without formal editing.

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Some Notes About State Investment Bank

(For... United Nations Development
program)

(Ilhan Evliyaoğlu)

1) Organization of the SIB

The organization chart of the SIB is shown
in annex I.

a) Management

The bank is managed by a General Director
in accordance with decisions to be made by the Managing
board in conformity with the law on the State Investment
Bank.

The Managing Board is responsible for
continuously checking the procedures of the Bank and for
taking the necessary measures.

The General Director represents the Bank
before administrative and judicial authorities and third
parties.

Managing Board of the bank composed of the
General Director, Assistant General Directors and two
members to be appointed by the Council of Ministers.

General Director is at the same time the
chairman of the Managing Board.

General Director, and two assistant General Directors of the Bank are appointed by the Council of Ministers upon nomination by the Minister of Finance. In order to be eligible for these positions, the nominees must have professional high education and be a specialist in Banking and Business operations of the Ministries or Banks or Similar Financial and Economic Institutions.

b) Staff and Personnel Policy

Personnel Cadres of the Bank are prepared by the managing Board and determined by a decree of the Council of Ministers upon recommendation by the Minister of Finance.

Personnel of the Bank is entitled to benefit the personnel policy which is applicable to the personnel employed in State Economic Enterprises.

By a decree of the Council of Ministers, upon recommendation by the Minister of Finance, the Bank may employ personnel through a contract, on salary or per diem basis for evaluation and check of projects.

2) Appraising request for Industrial Finance
how are request for financing appraised
including factors criteria and Technique
such as credit worthiness

The functions of the Bank are to make available to State Economic Enterprises Credits required for their investments, to furnish guarantees, when necessary.

The statement concerning to Bank's Capital, profits and the distributions of profits according to years 1964-1969 is shown in annex 2..

Portions of financial requirement of the approved Investment projects of the State Economic Enterprises which can not be fulfilled by their own resources, or by other means (from treasury, or budget or

foreign credits) will be financed by State Investment Bank.

In order that an application for credit may be filled with the Bank, it is necessary that a decision of the responsible authorities (State Planning Organisation and Ministry of Finance) have been reached about economic and technological eligibility and also financial requirements to be met through credit of the project to be financed.

Projects for which financing of the Bank is requested and the technical, economic and financial studies on which the project is based, will be reviewed, from financial view of point in principle by the authorized experts of the Bank, within three months, to determine forms and terms of credits. (x)

Projects, returns of which are not adequate to pay the installments within the most favorable terms determined for bank (Maximum 20 years) by the Managing Board, will not benefit from the Bank Credits.

By a decree of Council of Ministers, projects, which are of economic necessity for the underdeveloped regions of the country, may benefit from the Bank credits even though they may not fulfill this requirement. In this case the payment of Installments of such credits on time will be guaranteed by the Treasury.

The forms and terms of credit are determined by the Managing Board considering the findings of the evaluation made on the projects and the resources available for such financing.

The rate of interest to be applied to the credits will be determined, considering the nature of project to be financed, by the Managing Board.

-
- (x) Financial
- Rentability
 - Pay-back period
 - Discounted cash flow
 - Present value
 - Annual equivalent cost

Investments of SEEs and the Share of State Investment Bank finance in these investments, and the ratio of this Share to the total investments are shown in Table A, as compared with previous years.

Table : A
Profitability of Credit Activities By Years
(Million TL. and %)

Years	Investment Loans		Working Capital Loans			Total Loans			
	Amount	Inter- rest received	Pro- fitab- ility	Amount	Inter- rest received	Pro- fitab- ility	Amount	Inter- rest received	Pro- fitab- ility
1964	2673.7	107,8	%6,04	91,3	5,3	%8,71	2765,0	113,1	%6,13
1965	3391,0	194,9	%5,74	116,1	10,1	%8,69	3507,4	205,0	%5,84
1966	4184,8	256,5	%6,17	171,1	14,5	%8,47	4355,9	273,0	%6,26
1967	6749,2	440,3	%6,52	942,0	53,9	%5,72	7691,2	494,2	%6,43
1968	7334,8	474,8	%6,47	1621,6	104,4	%6,44	8956,4	579,2	%6,47
1969	8779,4	564,4	%6,43	1526,6	113,1	%7,41	10306,1	677,5	%6,57

According to the preliminary estimates for 1969, the realized investments of SEEs amounted to 4,246,3 million TL. Based on this figure, the ratio of the share of the Bank finance in the investments of SEE's is 31,6 %. When the sum of 191,2 million TL. which is paid in 1969 for 1968 investments is taken into account, this ratio will rise to 36,1 %.

Credit limits for the State Economic Enterprises and the amounts of loan agreements are given in Table B. As will be observed from the table, the ratio and the amount of loans within the limits recognized, has increased every year. While the amount of loans agreed upon was 1,460,9 million TL. in 1968, it amounted to 1.652,7 million TL. in 1969. In 1969, 96,3 % of the credit limits was agreed upon.

The disbursements from loan agreements are shown by years in Table D.

Economical

- Capital output ratio
- Capital - employment
- The effect on Balance of Payment
 - foreign exchange product to input ratio

An absolute increase, compared to the preceding year, is observed in the amounts actually disbursed from the loan agreements both in amount and ratio. In 1969, this ratio increases to 92,8 % including 191,2 million TL. disbursed for 1968 projects.

Table : B
Investments of SEE's and Share of the Bank
(Million TL.)

Years	Total Investments	SIB Credits	
		Amount	% of Total
1966	3.067,8	1.050,1	34,2
1967	3.083,0	1.187,3	38,6
1968	3.828,6	1.167,6	30,4
1969	4.248,3	1.343,8	31,6

Table : C
Credit Limits For SEE's and Amount of Loan Agreements are Shown in Table C
(Million TL.)

Years	Limit	Amount of Loan Agreements	
		Amount	Ratio %
1966	1.363,0	1.214,5	98,1
1967	1.361,3	1.336,3	89,1
1968	1.533,8	1.490,9	96,5
1969	1.681,2	1.652,7	98,3

- pay-back period as a foreign exchange
- Marginal efficiency in foreign exchange
- Saving of foreign exchange
- Social profitability

(Maximizing Social profit)

Table : D
 Loan Agreements and Disbursements
 (Million TL.)

Years	Amounts of Loan Agreements	Disbursements	
		Amount	Ratio %
1966	1.214,5	1.050,1	86,4
1967	1.336,3	1.107,2	82,8
1968	1.480,9	1.167,5	78,6
1969	1.652,7	1.343,8	81,3

The distribution of investment credits extended in 1969, by their types are as follows:

Type	Amount (Million TL.)	Ratio (%)
Advances	93,6	7,0
Against documents	1.230,3	91,6
Letters of Credit	16,5	1,2
Customs	0,6	-
Supplies	2,8	0,2
Total	1.343,8	100,0

The ratio of advances disbursed to total credits is 7 % in 1969. The conditions on the documents supporting advances extended to enterprises must be fulfilled within three months. Therefore, the use of credits for the intended investment is guaranteed.

The distribution of the investment credits both extended during 1969 and outstanding at the end of the year by their rates of interest are as follows.

Rate of interest	Investment credits extended in 1969		Outstanding credits at Dec. 31, 1969	
	Million TL.	Ratio %	Million TL.	Ratio %
% 6	7,9	0,5	115,4	1,8
% 6,5	-	-	140,9	2,1
% 7	495,2	32,3	4.664,2	71,2
% 8	1.031,9	67,2	1.627,0	24,9
Total	1.535,0	100,0	6.547,5	100,0

The average rate of interest charged to the investment credits extended in 1969 was 7,66 % , while the average rate of interest for the credits outstanding on December 31, 1969 was 7,22 %.

The cumulative distribution of investment credits by terms, both extended in 1969, and outstanding at the end of 1969 are shown below :

Term years	1969 investment credits		Outstanding credits at the end of 1969	
	Amount (Million TL.)	Ratio (%)	Amount (Million TL.)	Ratio (%)
5-7	110,3	6,8	699,5	7,4
8-10	351,6	21,8	3.602,1	39,9
11-14	830,1	51,4	2.612,3	26,9
15-20	323,3	20,0	1.776,1	19,7
20 and above	-	-	371,9	4,1
Total	1.615,3	100,0	9.031,9	100,0

51,4 : of 1969 investment credits consist of those maturing in 11-14 years terms. 60 % total credits is termed for 5-14 years.

The projects of the State Economic Enterprises which are included in their annual investment programs are analyzed by the experts of the Bank, from economic, financial and technical standpoints, the profitable ones are financed and the terms of credit are determined. Furthermore, in order to assure proper utilization of the Bank's credits in the investment projects financed, a credit control is implemented, in accordance with Law No. 441.

Projects evaluated by the experts and approved by the Board of Directors in 1969, are presented in Table E, and compared with the preceding year.

Table : E
State Economic Enterprise Projects Evaluated
By the Bank

Enterprises	Number of projects evaluated in 1968	Number of projects evaluated in 1969		Total
		Continuing projects	New projects	
Machine and Chemical Ind.	4	-	-	-
Sumerbank	18	7	-	7
Etibank	9	7	8	15
State Railways	25	12	-	12
Maritime Bank	6	6	1	7
Maritime Transportation Company	6	-	-	-
PTT	1	1	-	1
Cement Industry	3	2	1	3
Coal Enterprise	3	2	2	4
Iron and Steel Industry	1	-	-	-
Sugar Industry	7	3	5	8
Turkish Petroleum	5	3	1	4
Milk Ind. Corp.	2	1	1	2
Nitrogen Industry	4	-	-	-
Turkish Tourism Bank	2	-	-	-
Paper and Pulp Industry	4	3	-	3

Petrochemical Industry	1	1	2	3
Petroleum Office	3	-	3	3
Real Estate and Credit Bank	1	-	-	-
Fodders Industry	11	-	-	-
T O T A L	116	48	24	72

As revealed by the table, in 1969, 72 projects were submitted to the Bank. Of these projects, 24 pertained to new undertakings and 48 to continuing investments. While 71 new projects were submitted to the Bank in 1968, this amount declined to 24 in 1969. The decrease is due to the large investments already initiated by State Economic Enterprises in previous years.

According to Article 12 of Law No. 441, a three month period is allowed for the experts to evaluate the projects submitted to the Bank to be financed. In 1969, of 72 projects submitted to the Bank, 68 were agreed upon. The remaining four projects were returned to the enterprises on the following grounds :

- Lack of credit arrangements for the concerned enterprise
- Inadequacy of profitability

The average period of evaluation was 20 days, in 1969. This period was 25 days in 1968.

The evaluation periods of the projects submitted in 1969 are shown by enterprises in Table F.

Table : F
The Project Evaluation Periods in 1969

Enterprises	Number of projects	Number of projects agreed upon	Average evaluation period(Days)
Machine and Chemical Ind.	-	-	-
Sumerbank	7	7	16
Stirank	15	14	26
State Railways	12	12	24

Maritime Bank	7	7	17
Maritime Transportation Corporation	-	-	-
PTT	1	1	30
Cement Industry	3	3	14
Coal Enterprise	4	2	19
Iron and Steel Ind.	-	-	-
Sugar Industry	8	8	39
Nitrogen Industry	4	3	8
Turkish Petroleum	2	2	10
Milk Industry	-	-	-
Tourism Bank	-	-	-
Paper and Pulp Industry	3	3	31
Petrochemical Industry	3	3	17
Petroleum Office	3	3	12
Real Estate and Credit Bank	-	-	-
Fodder Ind.	-	-	-
T O T A L	72	68	20

Sectoral distribution of the projects evaluated and agreed upon by the Bank ; amounts of credits extended and the disbursements in 1969 are presented in Table G.

Table : G
Sectoral Distribution of 1969 Credits

Sectors	No. of projects	Total of investments Mil. L.	Credits agreed Mil. L.	Ratio to total (%)	Utilized parts of credits Mil. L.	Disbursements Mil. L.
Ford	8	73,5	14,3	0,9	9,2	
Cement	3	258,5	48,9	3,0	-	4
Railways	9	1.714,9	120,6	7,5	33,8	8
Maritime Trans.	6	94,6	29,3	1,8	8,0	21
Chemical Ind.	8	2.418,1	267,9	16,6	12,9	25

Transportation Equip- ment and Repair.	3	238,7	25,5	1,6	7,1	18,4
Textile and Clothing	5	269,3	49,5	3,1	9,7	39,8
Electric Energy	7	3.605,3	368,7	22,8	138,1	230,6
Mining	6	1.141,2	131,4	8,1	23,7	107,7
Crude Oil and Oil Products	4	877,1	110,7	6,9	5,3	105,4
Tourism	1	42,3	12,6	0,8	3,2	9,4
Communication	2	898,1	44,0	2,7	-	44,0
Paper and Pulp	3	1.630,9	275,0	17,0	8,4	266,6
Bricks, Tiles, Etc.	1	44,0	11,4	0,7	-	11,4
Non-Ferrous Metal Ind.	3	2.240,6	105,6	6,5	40,6	65,0
Total	8	15.547,1	1.615,4	100,0	300,0	1.315,4
Credits for 1968 projects deducted from 1969 limits -	-	-	37,3	-	8,9	28,4
T O T A L	68	15.547,1	1.652,7	-	308,9	1.343,8

As will be noticed from the table, 68 projects were accepted in 1969 and their financing was undertaken. Of 1.652,1 million ₺. worth of credits agreed upon, 1.343,8 million ₺. was paid during the year.

The State Railways, food industry and chemical industry were the sectors which had the largest number of projects evaluated in 1969. If the amount of credit extended is taken as the basis, the electric energy sector takes the first place with 22,8 % of the total amount of credits extended, followed by paper with 17 %, and chemical industry with 16,6 %. In 1969, electric energy projects which took the first place, consists of Anbarli (III - IV - V), Seyitomer (I - II), Hopa power plants and energy transmission lines. In the paper industry, second in the list, investments in Caycuma, Dalaman and Aksu paper factories continued. The chemical industry contains the expansion of the Petro-Chemical complex and its various units, Samsun and Ergani Acid Sulphate Installations and the Karadeniz and Alazig Fertilizer Factories.

When credits extended are taken into consideration the paper industry with 266,6 million ₺. takes the first place followed by the chemical industry with 255 million ₺. , electric with 230,6 million ₺. and petroleum products industry with 105,4 million ₺.

The total investments in the projects is 15.547,1 million ₺., including working capital. However, it should not be overlooked that the investments of the continuing projects are included in this total. In a ranking by cost of investments the first place is occupied by the electric, second by chemical industry and third by non-ferrous products industry which includes the aluminum works.

This development indicates the important investments of SEE in basic goods and services sectors. Furthermore, the direction of the Bank's credits to industries, directly and/or indirectly fostering economic developments; such as electric, chemicals, paper and transportation; is quite significant for our underdeveloped country.

3) How is control of utilization of lending operations exercised

Credits are paid out by the bank by settling the bills of actual expenditures to be made for goods and services to be purchased for the project.

In cases where expenditures are to be made directly by the enterprise itself or in cases where it is necessary to carry out the work or the purchases in any other manner, payments may be made not requiring any vouchers for expenditures. However, such advances must be balanced with vouchers within three months.

The Bank is responsible for checking and controlling of the project development and assuring that the investment is carried out according to the program, until the project is completed. If the terms of credit

contract are violated, the enterprise is notified that the payments will be stopped and, if necessary, with the approval of the Ministry of Finance, the payment are stopped.

One of the most important functions assigned to the Bank by the Law. 441 (The law on the State Investment Bank) is the follow-up and control of the projects financed. Contrary to those of similar domestic and foreign finance institutions, the function of follow-up and control of the projects does not end with the utilisation of the credit, but continues until the completion of the project. The follow-up and control of the projects are carried on by the technical and financial experts of the team evaluating the investment projects submitted to the Bank to be financed. Follow-up and control activities (in most cases) begin in autumn due to: priority given to the evaluation of the projects and credits demand on one hand, and the completion on the projects stopped during the year which facilitates controlling on the other.

A) The definition of the accounting system of State Investment Bank

Accounting system of the Bank is essentially based on the principles that permit financial structure analysis and to allow to decide the way of activities for the administration staff.

Accounting system, as an outline, is organized according to gather a balancesheet as the following manner :

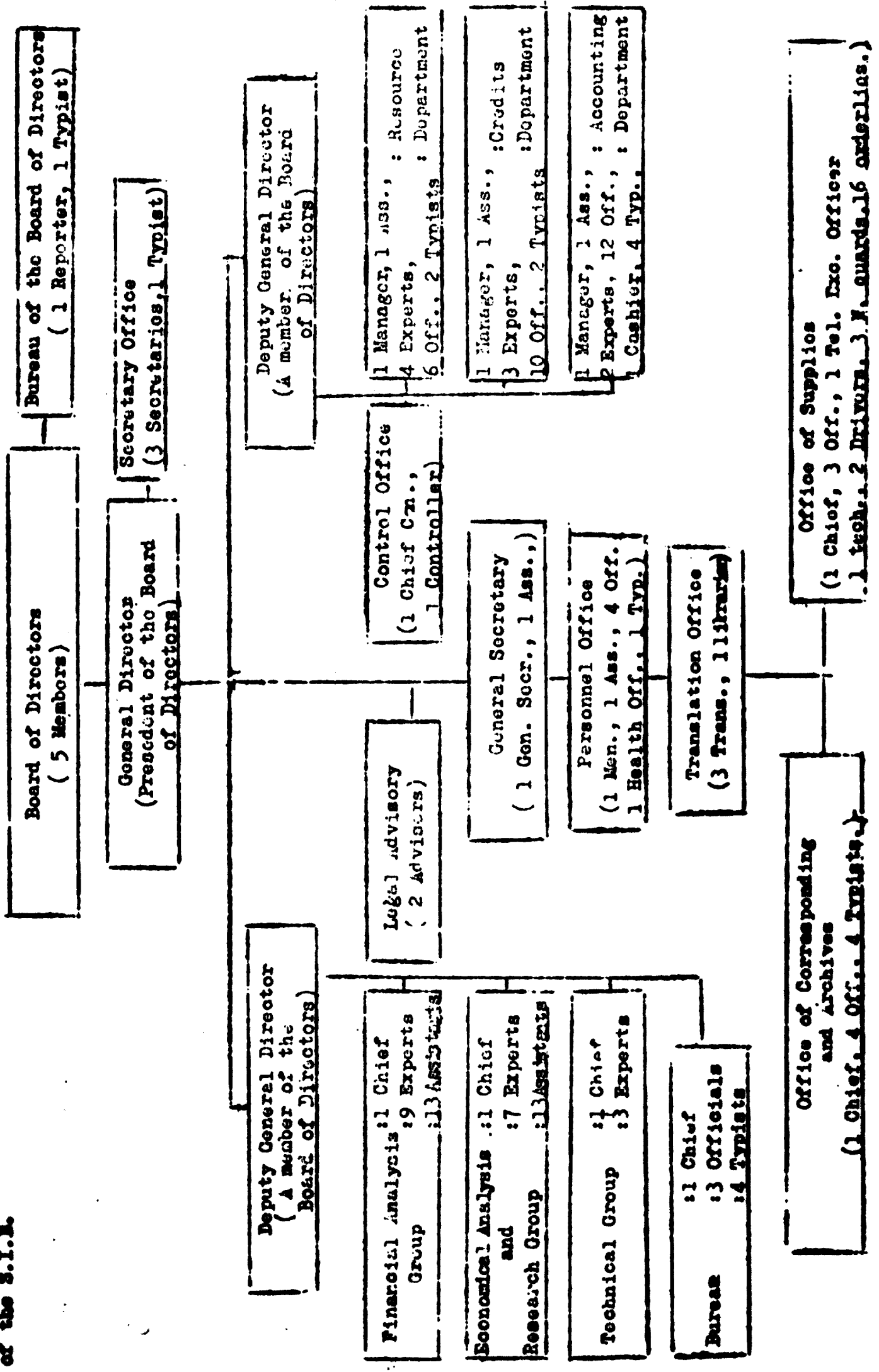
<u>Assets</u>	<u>Balancesheet</u>	<u>Liabilities</u>
I- Current assets		I- Foreign resources
II- Fixed assets		a) Short-term debts
		b) Long-term debts
		II- Own resources

The calculation plan is prepared on the decimal basis and partly accounting machines are used for the records.

5) General conditions of the contract drafts between State Investment Bank and State Economic Enterprises is shown in annex 3.

The Head Office
of the S.I.B.

ORGANIZATION CHART OF THE S.I.B



STATE INVESTMENT BANK

The statement concerning to Bank's Capital, Profits and the distributions of profits according to years 1964-1969

	1964	1965	1966	1967	1968	1969
	Balance Sheet	Balance Sheet	Balance Sheet	Balance Sheet	Balance Sheet	Balance Sheet
CAPITAL and PROVISIONS						
- Nominal Capital	1.000.000,00	1.000.000,00	1.000.000,00	1.000.000,00	1.000.000,00	1.000.000,00
- Paid-up capital	432.750,844,13(1)	482.090,243,78(2)	525.076,746,43	895.571,863,00(3)	969.642,526,22	1.000.000,00
- Provisions (441/7)	-,-	9.145,237,53	24.643,429,02	43.500,444,97	72.428,283,82	103.608,301,43
- Provisions (7129)	-,-	3.043,412,53	6.214,499,68	14.500,148,33	24.142,761,28	34.536,100,50
- Reserves (441/7)	-,-	4.489,160,00	12.221,906,66	21.491,459,67	34.595,029,57	46.605,434,65
PROFIT						
- Program profit	46.235,607,00	103.216,324,05	180.442,263,16	118.552,367,45	187.339,886,78	184.330,981,64
- Actual profit	60.968,250,53	103.321,72,90	125.712,973,01	192.852,258,98	207.866,784,39	221.539,552,84
DISTRIBUTION OF THE PROFIT						
- Annexed to capital	23.339,399,65	42.986,502,65	47.133,345,55	74.070,663,22	30.333,319,00	33.230,932,92
- Provisions (441/7)	9.145,237,58	15.498,261,44	18.656,245,95	28.927,838,85	31.180,017,66	11.076,977,64
- Provisions (7129)	3.043,412,53	5.165,087,15	6.285,648,65	9.642,612,95	10.393,339,22	15.350,387,68
- Reserves (441/7)	4.489,160,00	7.732,746,66	9.272,553,01	13.100,569,90	12.210,405,08	15.350,387,68
Accumulated in the Bank	40.022,209,76	71.383,6597,90	81.546,492,96	125.741,684,92	84.117,080,96	72.523,224,00
- Corporation Tax	18.812,152,00	28.321,884,00	39.764,526,00	60.360,745,00	63.617,752,00	
- Contribution to special funds	2.133,868,77	3.616,261,00	4.399,954,05	6.749,829,06	7.275,337,45	7.753,984,34
- Will be paid to treasury	-,-	-,-	-,-	-,-	52.856,613,98	81.604,146,26

- (1) 428.750.844,13 TL was taken from Amortization and Credit Fund and 4.000.000,- TL was collected nominally from treasury.
- (2) Except the annexion from the profit 26.000.000,- TL was collected nominally from treasury.
- (3) Except the annexion from the profit 323.361.771,22 TL has taken from the Internal Finance Fund.

State Investment Bank

The Bank's Activities (1964-1969)

	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
The Limit of the Project Credits	757,500,000,-	1,077,000,000,-	1,363,000,000,-	1,361,279,000,-	1,533,800,000,-	1,681,200,000,-
Amount of payment of the Project Credits	696,500,000,-	723,274,665,-	1,050,080,994,-	1,187,231,296,-	1,167,626,594,-	1,535,038,768,-
Ratio of payments	% 87,39	% 67,15	% 77	% 87,2	% 76	% 91,3
Number of projects	72	62	65	50	92	68
Amount of payment of the working capital credits	-	135,000,000,-	125,000,000,-	376,500,000,-	928,600,000,-	1,222,900,000,-
P R O F I T	60,968,250,-	103,321,742,-	125,712,973,-	192,852,259,-	207,866,784,-	221,539,553,-

(x) 191,197,449 is paid in 1970

GENERAL CONDITIONS:

Article 1.

The present credit is subject to the Organizational Law of the Public Investments Bank and to other relative legislation, and to the provisions of the present contract; the commercial usage and customs shall apply with regard to the cases which are not provided for both, in the above mentioned legislation and in the contract.

Article 2.

On the date of the execution of the payment in favour of the recipient of the credit in cash, by opening a bank account, in check or by issuing an order of payment, the bank shall enter as debt the amount of credit so extended, into the account open for this purpose.

Article 3.

The interest will be initiated as of the date mentioned in Article 2 above, and shall include the day on which the payment is executed.

A year of (365) days shall be taken into consideration in the calculation of the interest.

In case when the interests to be paid to the sources of credit or the rates of interest to be applied to the credits extended will be increased by law, by decree, by other legislation or by the decisions of the competent authorities, the Bank shall be authorized to readjust, in parallel to this increase, the rate of interest applied to the present credit as of the date on which such laws, decrees, other legislation or the decisions of the competent authorities are put into force.

Article 4.

The payment of the instalments (the principal + the interest) which the recipient of the credit is obligated in accordance with the present contract, shall be executed on the dates prescribed both, in the section of (Special Conditions) and in the redemption schedule annexed herewith.

Early payments shall be possible in case when the recipient of the credit notifies the bank in written form, one month prior to the expiration date of the relative term, that he intends to make an early payment, and he accepts the conditions which the Bank will set forth in this connection.

The payments to be executed by the recipient of the credit will be counted for:

./..

From the day on which the money is collected, with regard to the payments made in cash,

With regard to the payments made in check, from the same day, provided that the valid check be drawn in favour of the branches of bank included into the Clearing-house, and that the check be produced to the bank two hours prior to the closing time of the Clearing-house; otherwise, from the following working day.

With regard to the payments made by an order of payment, from the day on which this payment is entered into the bank account in the drawn bank,

With regard to the payments made in the form of deduction from credit, from the day on which the process of deduction is completed by the bank (if the bank can not complete the process of deduction within twenty four hours, any interest can not be charged against the recipient of the credit).

Article 3.

In case when the recipient of the credit owes to the Bank more than one overdue instalments, from the point of view of the payments to be executed in connection with such debts, he accepts that the process of deduction be carried out to begin from the first due instalment and following the sequence of terms.

The relative penalty, the interest for default, and the agreed interest shall be applied in the execution of the deduction for each instalment, and the sequence of the principal is followed in doing so.

Article 4.

The recipient of the credit can not transfer his debt ensuing from the present contract, without the agreement of the Bank.

Article 5.

All expenditures, taxes, duties and fees ensuing from the conclusion and the implementation of the present contract, and the increases which will occur due to the default of the recipient of the credit, in accordance with the provisions of the Law No. 6153, on the procedure of the recovery of the public debts, shall completely belong to the recipient of the credit.

The Bank is authorized, moreover, to deduct the due instalments and other relative interests and penalties, from the credits in the account of the recipient in the Bank.

Article 6.

In case when the recipient of the credit fails to pay his debts within the terms prescribed both, in the section of (Special Conditions) and in the schedule of redemption, or he

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fails to perform any other obligation mentioned in the contract, the debt in question becomes automatically due and must be immediately paid without necessitating any further notification or warning by the Bank.

Article 9.

At least one month prior to the dates of payment prescribed by the Bank in the Special Section of the present contract, the recipient of the credit is obliged to notify the Bank in written form, that he will not use these funds on that date, or request the detention of the whole or a part of the portion of the credit which is not yet used.

In case when a portion of the credit is not used, this portion is proportionally reduced from the yearly instalments prescribed in the section of the contract containing the Special Conditions.

In case when the recipient of the credit does not perform these obligations and does not make use of the credit within the terms prescribed in the section of Special Conditions of the present contract, a penalty in the rate of yearly 3% shall begin to be applied from the first working day following the term prescribed for the usage of the credit in question. In this case, the day of payment shall be jointly fixed anew by the Bank and the recipient of the credit.

Article 10.

In connection with the debts unpaid within the respective terms, the Bank shall be authorized to impose provisional remedy on the properties and claims of the recipient of the credit, and to collect the claimed amounts by converting them into cash.

Article 11.

The recipient of the credit can not apply for the novation, for the prorogation, for the conversion or for the arbitration of his debts to the Bank ensuing from the present contract.

Article 12.

In case when it becomes necessary to impose measures of conservation or provisional remedy upon the recipient of the credit, in connection with the present credit, the recipient accepts in advance that the Bank be exempted from producing any guaranty for this purpose.

Article 13.

In case of any difference concerning the accounts, the registers and the books of the Bank shall be valid.

Article 14.

The courts and the execution offices in Ankara shall be

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the competent authorities to settle the differences which could arise from the implementation and the execution of the present contract.

Article 15.

The recipient of the credit undertakes to use the credits extended in accordance with the present contract, in the procurement of the commodities and services which are related to the project forming the subject of the present contract, and the allocation of which is prescribed in the section of (Special Conditions).

Article 16.

If, as an exceptional case, a payment is made in the form of advanced money in accordance with the Article 15 of the Law No. 241, the recipient of the credit shall be obliged to settle this account the latest, within three months, by producing the documents of proof, certifying the procurement of the commodities and services in question.

Article 17.

The recipient of the credit accepts to secure the completion on due time of all preparations, the adjudications, of the construction works, of the imports and of the assembly works, etc. which are needed for the realization of the project forming the subject of the present contract, and to perform all these works first, in accordance with the General Implementation Plan of the Investment which he had submitted to the Bank together with the project; and later in accordance with the detailed Implementation Plan of the Investment which he will submit to the Bank together with the Implementation Project.

Article 18.

The recipient of the credit is obliged to produce to the Bank the following documents related to the project which is financed. (The provision of this article shall not apply in case when these documents are already submitted to the Bank together with the project).

a) The story, the facade and the cross section plans of 1/100 or 1/200 scales of the factory buildings and of the auxiliary and the administrative buildings to be constructed

b) Other documents giving sufficient idea about the investments made for the installations other than buildings (These documents may include the preliminary projects and pictures of convenient scales according to the nature of the works, specifications, etc.)

c) A copy of the estimates of cost prepared according to the above mentioned documents; the estimated total costs, the

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current values and the unit prices of the material and workmanship which were taken as basis in preparing the estimates of cost;

d) The detailed list of the machinery and installations and the relative layout plan and the work flow chart prepared according to the definite form.

Article 19.

In case when in the course of the implementation of the project, it becomes necessary to make a modification in the construction works, and in the machinery and installations as well, which will affect the output from the point of view of both, the quantity and the quality, the agreement of the Bank must be taken by presenting the relative leading motives, before continuing the investments.

The Bank too, is obliged to reply within fifteen days following the submission of all documents related to the modification.

Article 20.

The conditions set forth in the above articles concerning the construction works, the machinery and the installations, apply to all construction works, machinery and installations making part of the project, regardless of whether they may be secured with the credits extended by the Bank, or with the capital invested by recipient of the credit himself, or secured from other sources.

Article 21.

The recipient of the credit is obliged to keep the records and books on the basis of sound principles of accounting, which will clearly reflect the form of usage of the commodities purchased and of the services procured for the realization of the project which forms the subject of the contract, the course of the development of the project, and the transactions related to the project; he must keep the relative documents of proof always ready for any examination by the Bank and he must give, within one month, all the information required by the Bank in connection with these subjects.

Article 22.

The recipient of the credit is obliged to send to the Bank, without any previous request, quarterly reports with regard to the projects to be completed within one year; and semi-annual reports with regard to the projects which will be completed in longer periods, in order to give information on the development of the investment. The forms of these reports shall be fixed by the Bank.

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The recipient of the credit accepts, furthermore, to present to the authorized officials of the Bank, all books and documents of proof, certifying those reports, and to provide every facility for the examinations to be carried out on the spot by the authorized officials of the Bank.

Article 23.

Except in the existence of a force majeure, the recipient of the credit shall complete the project without any delay and in accordance with the implementation plan of the investment.

In case when a force majeure occurs, the recipient of the credit accepts to notify the Bank within fifteen days following occurrence of this force majeure.

Article 24.

The recipient of the credit accepts to give all the information to be requested by the Bank in relation to the project, after its completion, until he will completely refund his obligations to the Bank.

Article 25.

In the cases mentioned below, after having notified the recipient of the credit and having obtained the agreement of the Ministry of Finance, the withhold the payment of the credits:

a) The failure in the payment of the instalments, of the relative interests and expenditures, and duration of this situation for (sixty) days;

b) The use of the credit in places other than the project which forms the subject of the present contract, or outside the fields for which allocations were made in the section of (Special Conditions);

c) If the documents of proof relative to the expenditures are not produced within (three) months or if the produced documents prove to be unacceptable, in case when the credit is used in the form of advanced money;

d) If without the existence of a force majeure the recipient of the credit delays the completion of the project and if he does not take the necessary steps within (Sixty) days following the written warning issued by the Bank, in order to complete the project;

e) If the recipient of the credit does not comply with any other provision of the present contract, besides those mentioned in the sub-paragraphs above;

f) If the realization of the project becomes impossible due to any force majeure;

The withholding of the payment continues until the incident which caused it becomes completely eliminated.

Article 26.

Unless extended with a written statement by the Bank, the present contract shall automatically be void after the elapse of (one) month from the date on which the obligation will be completely refunded by the recipient of the credit to the Bank, including the relative interests. The annulment of the contract, however, shall in no way, affect the rights of the Bank emanating from the present contract.

Article 27.

The provisions of the present contract shall still remain in force, even if the credit becomes discontinued or cancelled.

Article 28.

The present contract is prepared and signed by the parties in triplicate, as one original and two copies, on the date of

THE ~~SUBSIDIARY~~ INVESTMENT BANK
General Director

The recipient of the Credit
(.....)

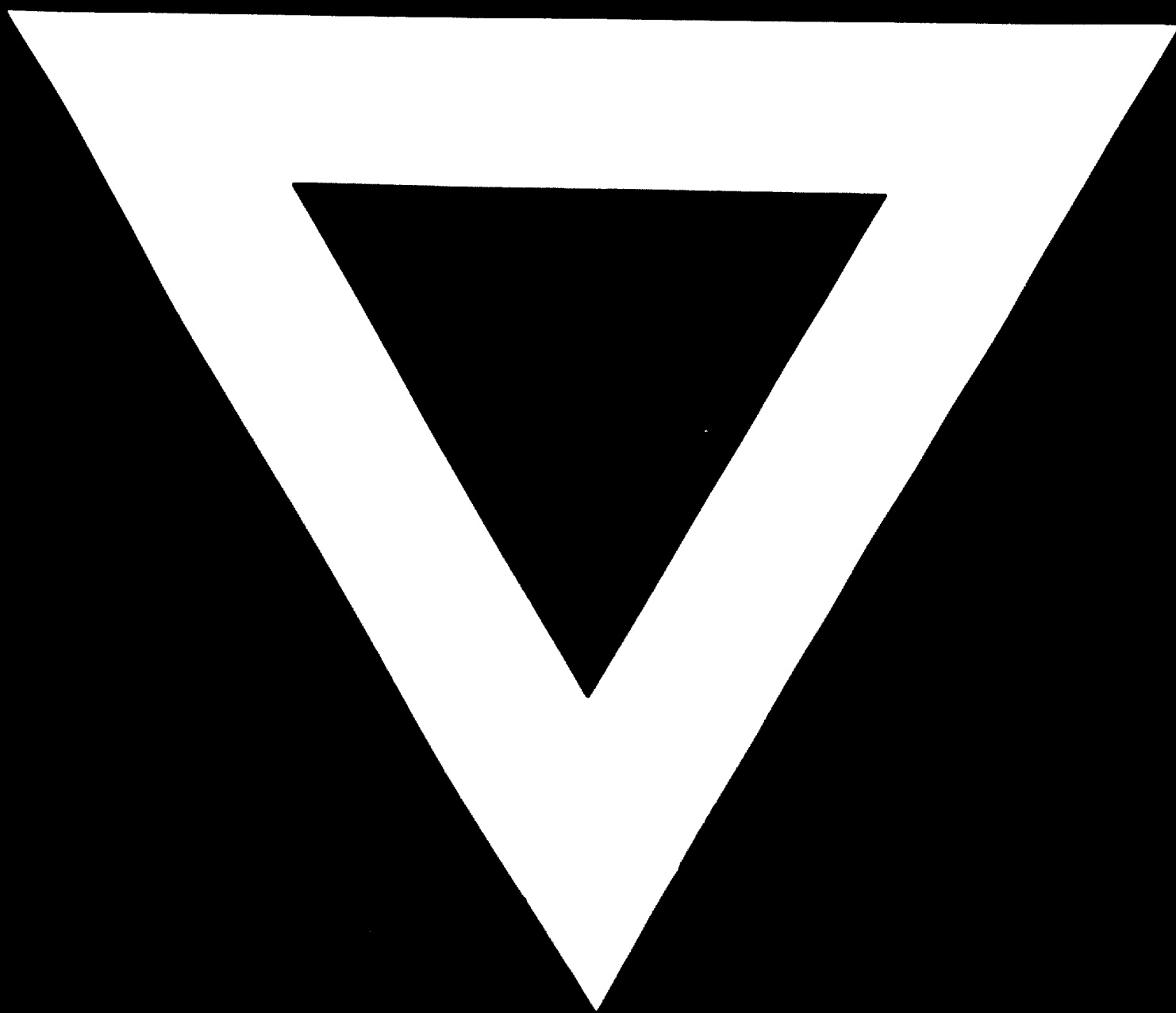
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