



## Update on Turkish Economy

September 23, 2003

### Financial Agreement between the US and Turkey

- Turkey and the USA yesterday signed an agreement by which the USA is making available \$1 billion in grants for Turkey, which could be used to support up to \$8.5 billion in loans. The joint statement following signing of the agreement are as follows.

“Turkey and the United States signed a Financial Agreement today by which the United States is making available as much as \$8.5 billion in loans to Turkey.

The purpose of the Financial Agreement is to support Turkey’s ongoing economic reform process. The loan disbursements will be used to service Turkey’s external and domestic debts. The loan will have a 10-year maturity with a 4-year grace period for repayment of principal. The loan will be disbursed over a period of about 18 months in 4 equal disbursements.

Under the Financial Agreement, each disbursement is conditioned on Turkey meeting the conditions set forth in U.S. law. The two conditions are: (1) Turkey is implementing strong economic policies; and (2) Turkey is cooperating with the United States in Iraq. The contribution of Turkish troops for peacekeeping and stability operations in Iraq is not a necessary condition for determining Turkish cooperation in Iraq.

The Turkish Treasury will decide on the timing of the request for each disbursement, taking into account cash flow, and internal and external debt service. The United States will reply within 8 business days of a request for a disbursement as to whether it considers that Turkey meets the conditions.

The last two disbursements can be converted into a grant, if Turkey wishes. Turkey may pre-pay the loan.

The Financial Agreement will become effective once remaining legal and technical procedures are completed.”

- Press statements made by John Snow, Secretary of the US Treasury, and Ali Babacan, Minister of State in charge of Turkish Treasury, on the occasion of signing ceremony are available at the Treasury’s web page ([www.treasury.gov.tr](http://www.treasury.gov.tr)).