

Republic of Turkey
Long Term Export Finance Project

Chair Summary*

July 26, 2016

Executive Directors approved a loan to Türkiye İhracat Kredi Bankası (Turk EximBank) with a sovereign guarantee from the Republic of Turkey in the amount of US\$300 million for the Long Term Export Finance Project (R2016-0137) on the terms and conditions set out in the President's Memorandum.

Directors supported the objective of the project noting that an improvement in the access to longer term finance for export oriented small, medium and large enterprises would help the economy. They stressed that it was critical to support Turkey's efforts to catalyze export growth, particularly since banks dominate the financial sector in Turkey and they are limited in their ability to provide the long maturity loans required to support exporters.

Directors took note of the political and security situation in the country following the events of July 15-16, 2016 and the potential challenges in the macro-financial environment. They noted that the project can play an important counter-cyclical role for Turkey's financial and real sector. Directors expressed confidence that the project can be particularly important for Small and Medium Enterprises (SMEs) especially at this time when headwinds are curtailing the ability of the banking sector to grow credit.

Directors stressed the importance of close supervision of the project and to flexibly adapt to changing circumstances in the country's macro-financial context, recognizing that the risks have heightened since the project was prepared.

Directors also noted the importance of the World Bank's diverse work in supporting long term finance, SMEs and exporters beyond lines of credit, namely by supporting reforms. They felt reforms were needed in areas such as capital markets and leasing and factoring, and that technical assistance could help strengthen Turkey's capital markets, non-bank financial sector, and financial infrastructure.

Directors looked forward to a broader conversation on Turkey in the context of the new World Bank Group Country Partnership Framework.

*This summary is not an approved record.