

Supporting the Creation of a Subway System Linking Asia and Europe - Improving Railway System and Roads to Meet Transportation Demands-

The OECF (Overseas Economic Cooperation Fund, Japan; President, Chairman of the Board: Kyosuke Shinozawa) signed loan agreements with the Republic of Turkey on September 17, 1999 for loans of 12,464 million yen and 29,367 million yen, respectively, for two projects, the Bosphorus Rail Tube Crossing Project (I) and the Bozuyuk-Mekece Road Improvement Project.

The loan agreements were formally signed at the OECF head office in Tokyo by Mr. Kyosuke Shinozawa, OECF President and Chairman of the Board, and Mr. M. Aydin Karaoz, Director General, General Directorate of Foreign Economic Relations, Undersecretariat of Treasury, the Republic of Turkey.

This loan package brings the cumulative ODA loan commitment to Turkey to 388,934 million yen for 22 projects.

1. Loan Amount, Terms and Conditions

Project Name	Amount (Million Yen)	Interest Rate (% ,p.a.)		Repayment Period /Grace Period (years)		Tying Status	
		Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Services
1 Bosphorus Rail Tube Crossing Project (I)	12,464	0.75*	0.75*	40/10	40/10	Partially Untied	Bilateral Tied
2 Bozuyuk-Mekece Road Improvement Project	29,367	2.2	0.75*	25/7	40/10	General Untied	Bilateral Tied

*Special environmental project

2. General Information on Turkey

Turkey is located in an important position linking Asia and Europe. It consists of a part of the Balkan peninsula and Asia Minor. With a land area about double that of Japan, Turkey consists mostly of mountains, with the Anatolia high central plateau (on the Asian side) covering much of the country. Its average height above sea level is 1,100 meters. With a population of 63 million, Turkey is one of the largest countries in the Middle East, alongside Egypt and Iran.

The Turkish (Ottoman) empire, controlled Turkey for about 600 years from 1299, but collapsed after the World War I. Mustafa Kemal (Ataturk) rose to power and abolished the Sultanate regime in 1922, formally ending the Ottoman era. In 1923, the new government concluded the Treaty of Lausanne replacing the Treaty of Sevres, abolished the unequal treaties, restored the nation's territory to its current boundaries, and elected Ataturk as the nation's first president. In 1924, the government separated the religious and state leadership structures, and adopted a constitution that instituted a parliamentary system and recognized the sovereignty of the people. After the World War II, the country shifted from a one-party dictatorship to a multi-party system.

With regard to the economy, Turkey has maintained a relatively high growth rate of 6-7% since 1995, but in 1997 its budget deficit was 7% of GDP and inflation rose to 99%. Given these conditions, the Turkish government agreed in June 1998 to implement a Staff Monitored Program with the IMF for 18 months. Aiming to bring inflation down significantly, Turkey is undertaking fiscal, monetary, and structural reforms. As a result of following this economic management program, the inflation rate dropped to 54% by the end of 1998.

3. Project Descriptions

(1) Bosphorus Rail Tube Crossing Project (I)

(a) Project Background

The population of Istanbul has risen by an average 3.3% annually since 1990, reaching 9.2 million in 1997. The city's passenger transit infrastructure includes roads, railroads, and ferries, but its roads carry more than 90% of all traffic and are extremely congested. Traffic on the two bridges across the Bosphorus Strait (dividing the residential Asian side and the commercial European side) averages 320,000 vehicles per day (1997), resulting in chronic traffic congestion. Air pollution caused by large amounts of vehicle emissions as well as the over-air pollution caused by large amounts of vehicle emissions as well as the over-consumption of energy during traffic slowdowns has become a serious problem. To alleviate these problems and to help prevent them from growing more severe with future population increases, the Turkish government has decided to build an underground rail tube crossing the Bosphorus Strait to serve as a mass transit system.

(b) Project Purpose and Summary

This project involves the construction of a subway (4 stations, 13.3 km) linking central Istanbul to the eastern and the western areas, and will help manage future population increases and environmental problems. The overall plan is to connect existing railway lines on both Asian and European sides of the strait by an underwater tunnel, and to repair and upgrade those railways in conjunction with this project.

The portion of the tube tunnel crossing the Bosphorus strait (1.8 km) will be built using the immersed tube construction method. Once completed, it will be the world's deepest (maximum depth of 56m) immersed tube project.

The proceeds of the loan will be used for tube tunnel construction and consulting services (assistance for bidding and construction supervision).

The executing agency is the General Directorate of Railways, Harbors and Airports Construction, Ministry of Transportation and Communication (DLH) (Address: 91. Sok. No.4 D. Blok . Kat:1 Emek, Ankara, 06510, the Republic of Turkey, Tel: 90-312-212-4728, Fax: 90-312-212-3847).

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(2) Bozuyuk-Mekece Road Improvement Project

(a) Project Background

Since Turkey's population and economic activities are widely diffused across its expansive area (779,000 km²), maintaining consistent distribution services is one of major economic development policy issues. Turkey's roadways carry 93% of all freight and 95% of its passenger traffic, and thus play a main role in the nation's domestic transportation sector.

The Bozuyuk-Mekece area targeted by this project is located along the north-south national road, Route No. 650, which is used for the distribution of industrial products from the Marmara region in the north, and agricultural and light industrial products from the Mediterranean region in the south.

On the outskirts of these regions, industrial cities like Bursa (automobiles, textiles), Izmit (petroleum refining, automobiles, etc.), Eskisehir (electric appliances, agricultural processed goods), and Bozuyuk (ceramic industry) are located.

Because the daily traffic volume in these areas is twice as much as that of Turkey's average, and about 50% of the traffic consists of trucks and other heavy vehicles, in some areas the average speed for heavy vehicles is 10 km per hour. Under these circumstances, the transportation capacity of the region need to be urgently increased by improving the main roads in these areas.

(b) Project Purpose and Summary

This project has been designed to meet the increasing demand for surface transportation by widening the existing 2-lane highway in the Bozuyuk-Mekece area into a 4-lane highway. In doing so, the project aims to contributing to the promotion of industry in Turkey.

This project involves widening existing roads and improving roadways in the Bozuyuk-Mekece area, constructing a bypass around the city of Bozuyuk (11 km), building bridges in 32 locations, and constructing 2 tunnels.

The proceeds of the loan will be used for the procurement of equipment and materials needed for this project and for consulting services (assistance for bidding and construction supervision).

The executing agency is the General Directorate of Highways (Address: KGM, 06 100 Yucetepe, Ankara, the Republic of Turkey, Tel: 90-312-425-1689, Fax: 90-312-417-2851).