

JBIC Signs Special Yen (ODA) Loan Agreement with Turkey - For Seismic Reinforcement Project for Large Scale Bridges in Istanbul-

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) will sign today an ODA loan totaling 12,022 million yen for a "Seismic Reinforcement Project for Large Scale Bridges in Istanbul" which will be executed by the General Directorate of Highways (KGM), Ministry of Public Works and Settlement of Turkey, in Istanbul. The loan will be extended from the Special Yen (ODA) Loan Facility instituted in December 1998, at the request of the government of the Republic of Turkey.
2. The proceeds of the loan will be used to finance the procurement of materials and equipment, civil works and consulting services for carrying out seismic reinforcement works, which have been conducted in Japan and other countries, on the First Bosphorus Bridge, Second Bosphorus Bridge (constructed by an ODA loan), and Old and New Golden Horn Bridges (repaired, expanded and constructed by an ODA loan), and their major viaducts.
3. Situated in a geopolitically important location at the crossroads of Europe, the Middle East, Central Asia and Caucasus, Turkey is attracting Japanese companies' attention as an economic relay point. Istanbul, where this project will be executed, is the center of commerce and industry, as well as tourism of Turkey, with the largest population in the country. The city is also a key traffic junction that connects Europe to Asia. All bridges to be reinforced under this ODA loan financed project are on either the No. 1 or No. 2 Peripheral Road, thereby playing a significant role in facilitating Asia-Europe traffic and socio-economic activities in Turkey.
4. In 1999, a devastating earthquake hit Turkey and over 18,000 people were either killed or became missing. Further, active faults have been discovered under the Sea of Marmara off Istanbul, and there is a high probability of occurrence of a large-scale earthquake near Istanbul in the near future. From the viewpoint of securing a lifeline in the face of potential disaster or emergency, and also to avert the adverse effect on socio-economic activities in Istanbul, implementation of seismic reinforcement works on these target bridges, which have no equivalent alternative routes, are of great importance. Seismic reinforcement falls under the category of "large scale disaster prevention", one of the priority areas designated for the Special Yen (ODA) Loan. The project is expected to help in taking countermeasures for earthquake disruptions of urban functions and destruction of property in Istanbul.

(See Appendix for details.)

1. Loan Amount and Terms

Project Name	Loan Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period /Grace Period (Year)	Tying Status
Seismic Reinforcement Project for Large Scale Bridges in Istanbul	12,022	0.95*	40/10	General Untied

* Interest rate for Special Yen (ODA) Loan

2. Political and Economic Conditions in the Republic of Turkey

(1) Political Situation

Although over 90% of the population are Muslims in the Republic of Turkey, the country has embraced secularism based on separation of government and religion since the establishment of the republic in 1923. In the 1991 general election, the ruling Motherland Party dropped to the second place and True Path Party led by the leader, Demirel, formed a coalition government. Ever since, the government of Turkey has been held together by a coalition. In May 1999, taking 351 seats out of a total of 550, Mr. Ecevit, Democratic Left Party leader, formed the current coalition government, comprising the Democratic Left Party, Nationalist Action Party and Motherland Party, on a more stable political base compared to the previous governments.

In May 2000, after former Constitution Court Chief Justice Sezer was elected President, the cabinet and president were in sharp conflict with each other over pending legislative matters. In February 2001, the president expressed disapproval of the government's anti-corruption measures and clashed with the prime minister. This developed into a financial crisis. In March 2001, Kemal Dervis, former vice president of the World Bank, was appointed the minister of state in charge of finance. Under his leadership, a new economic program was drawn up to help conclude an agreement with IMF, under which the country has been pursuing economic stabilization and structural reforms.

On the foreign relations front, Turkey takes a broad approach by strengthening ties with the European countries, with an eye on accession to EU, and cementing relations with the United States as a member of NATO. At the same time, it keeps friendly relations with countries in Central Asia, the coastal region of the Black Sea and the Middle East. Turkey was approved as a candidate EU member by the Board of Directors for Europe meeting held in Helsinki in December 1999, and Turkey was called upon to make further progress in democracy and to carry out reforms in human rights. Regarding the relationship with the US, the terrorist attacks in September 2001 made clearer the importance of Turkey in this region.

(2) Economic Situation

The economy of Turkey was on a favorable growth path after overcoming the economic crisis in 1994 up to the first quarter of 1998. In 1999, however, its GDP contracted by 6.1% due in part to external economic factors such as the spill over effect of the economic crisis in East Asia that eventually dampened the world economy as well as the economic crisis in Russia. The country's economic downturn was also caused by a plunge in industrial output as a result of the Great Marmara Earthquake that hit the country in August 1999.

In December 1999, an IMF stand-by loan was extended. Introduction of the crawling-peg regime has helped stabilize the exchange rate, and a monetary policy to render exchange rates into a nominal anchor has proved successful. As a result, inflation and nominal interest rates nosedived, thus boosting private sector investment and consumption. The economic growth in 2000 registered a surprising 6.3%. Nevertheless, in the wake of two economic crises in November 2000 and in February 2001, Turkey floated its currency, and the plunge of the lira pushed up prices of imported goods while swiftly reducing investments and consumption. Consequently, GNP growth contracted by 9.4% in 2001.

Dervis, who was appointed the finance minister in March 2001, announced a new economic program in April, concluded an agreement with the IMF in May, under which the provision of an additional stand-by loan totaling US\$8 billion was decided. In February 2002, the IMF approved a new stand-by loan amounting to US\$16 billion, designed to support the economic reforms. IMF then gave consent to the first review in April and second review in June (for US\$1 billion, respectively). At the moment, the program is steadily making progress.

According to the World Bank Report announced in June 2002, the per capita income of Turkey in 2001 stood at US\$2,530. The applicable category by income has thus changed from a "more developed country" to "middle income country".

3. Project Outline

Seismic Reinforcement Project for Large Scale Bridges in Istanbul

(1) Background and Necessity of the Project

Large-scale earthquakes hit Turkey back-to-back in August and November 1999, dealing a severe blow to the country. Fortunately, the target bridges of this project were located some 100 km away from epicenter, and remained undamaged. Situated on the western edge of northern Anatolia active fault, Istanbul has been struck by large earthquakes every 100 years in its history, with the previous major damage done by the big earthquake in July 1894 (M=6.7). In addition, in the wake of the earthquake in the northwestern part of Turkey in 1999, active faults have been discovered under the Sea of Marmara off Istanbul. There is the high probability of the occurrence of a large-scale earthquake near Istanbul in the not-so-distant future.

In the aftermath of the Marmara Earthquake in 1999, the Istanbul Governorship Disaster Management Center has been set up. Under the Disaster Prevention Action Plan formulated by this Center, securing traffic in the face of disaster and emergency was given top priority, and alternative routes were designated from the prospect of disaster prevention. It was concluded, however, that there is no alternative routes to replace The First and Second Bosphorus Bridges, or the Old and New Golden Horn Bridges, which are recipients of this ODA loan project.

The intensity of earthquake motion measured near the Bosphorus Bridges did not exceed the earthquake-resistant value set at the time of construction. In addition, no serious damage was discovered on these Bridges by an inspection conducted after the earthquake. The probability runs high, however, of a major earthquake occurring, with an intensity exceeding the presumed earthquake-resistant level, near Istanbul. Therefore, seismic reinforcement of these bridges is urgently called for.

(2) Objective and Brief Description of the Project

The project aims to conduct the seismic reinforcement works, which have been put into operation in Japan and other countries, for the First and Second Bosphorus Bridges and Old and New Golden Horn Bridges and their approach viaducts, in order to protect the people's lives and property as well as the functions of the City of Istanbul as both the country's economic center and the "bridge" between the West and the East.

The proceeds of the loan will be used to finance the procurement of materials and equipment, civil works and consulting services for executing seismic reinforcement works for the above bridges and viaducts.

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