

## **JBIC Signs ODA Loan Agreement with Turkish Government: --Supporting Construction of Subway Linking Asia and Europe--**

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1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today in Istanbul an ODA loan totaling 98,732 million yen with the Government of the Republic of Turkey for the Bosphorus Rail Tube Crossing Project (II).
2. The Project is aimed at improving traffic congestion and reducing air pollution in the center of Istanbul by constructing a subway line (length: 13.6 kilometers with four stations) that crosses the Bosphorus, a strait separating the European and Asian continents. The proceeds of the loan will be used for the construction of the underground tunnel, including the portion crossing the Bosphorus, as well as consulting services (bidding assistance and construction supervision). This is the second ODA loan for the Project, following the first loan in fiscal 1999 totaling 12,464 million yen for phase I of the Project.
3. Istanbul has a strategically important location in terms of the transport route, linking Asia and Europe. A major city with a population of 10 million, it is also the center of Turkey's commerce and trade. While the city's transport modalities include roads, railways and ferries, roads carry 92% of the total traffic volume. The growing number of motor vehicles on the roads in recent years has caused chronic congestion in the centre of the city. Vehicle emissions during congestion are also responsible for increasingly severe air pollution. In particular, more than 380,000 vehicles use the two bridges (whose designed capacity is 270,000 passages per day) across the Bosphorus which separates the commercial district on the European side of Istanbul and the residential areas on the Asian side. There is thus an urgent need for securing a means of transport that enables smooth crossing of the strait. The Project aims to alleviate these problems by strengthening the passenger transport capacity with the new subway service across the Bosphorus.
4. Japan's latest advanced technology and know-how have been tapped for building the section crossing the Bosphorus (an underground portion spanning about 1.6 kilometers). This included designing the structural strength to withstand an earthquake of magnitude 7.5 on the Richter scale and minimizing water pollution in the strait during the construction work. When completed, this will be the world's deepest (maximum depth of 56 meters) immersed tube tunnel project.[1] In addition, JBIC worked in partnership with the UNESCO World Heritage Center from the planning stage with a view to protecting cultural heritage conducting studies on how to preserve historic buildings affected by subway construction, as well as how to respond when historical or archeological ruins are uncovered during digging to determine necessary measures to be taken by the Turkish side.

(See appendix for details.)

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[1] Immersed tube method: A method for constructing underwater tunnels. Tunnel blocks 100 meters long that are built on land are towed to the sea, sunk at the tunnel location, and connected with each other to form an underwater.

## Appendix

### 1. Loan Amount and Terms

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period (Year)		Procurement	
		Goods and Services	Consulting Services	Goods and Services	Consulting Services	Goods and Services	Consulting Services
Bosphorus Rail Tube Crossing Project II	98,732	0.75	0.75	40/10	40/10	Partially Untied	Bilateral Tied

\* This amount was increased by 42,078 million yen to 140,810 million yen in Japanese fiscal year 2010, and further increased by 42,979 million yen to 183,789 million yen in January 2014.

### 2. Project Executing Agency

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

### 3. Political and Economic Background

Turkey occupies an important location in terms of the transport route linking Asia and Europe. The country extends across the Balkan Peninsula and Asia Minor, and has a land area about twice the size of Japan, consisting mostly of mountains with the Anatolian Plateau (on the Asian side) covering much of the country. Its average height above sea level is 1,100 meters. The population of Turkey is 68 million, one of the largest countries in the Middle East, alongside Egypt and Iran.

Since Prime Minister Erdogan formed his government on March 9, 2003, the Turkish economy has recorded good performances. Politically, there have been some achievements, particularly in foreign relations, including the planned start of negotiations to enter into the European Union. Turkey's basic foreign policy stance is cooperation with the West. Turkey has already joined the NATO, OECD and OSCE, with accession to the EU being the most important foreign policy objective. Prime Minister Erdogan has thus actively courted the EU. As a result, the EU summit in December 2004 decided to start negotiations with Turkey for its EU membership to start October 3, 2005.

Economic growth in Turkey decelerated to minus 6% in the wake of a major earthquake in 1999, and this forced the country to embark on structural adjustment under the IMF program. Although the economy rebounded significantly in 2000, a plunge in its currency led to a 9.5% contraction of real GDP in 2001. In 2002, however, the economy grew 7.9% and has since posted robust performance, with stability in the currency, decreasing inflation and rapid growth. In particular, the country achieved single-digit inflation at the end of 2004 for the first time in 30 years.