



**PRESIDENCY OF THE REPUBLIC OF TURKEY
STRATEGY AND BUDGET OFFICE**

**Public Private Partnership
Experience of Turkey**

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İstanbul PPP Week 2020

2-5 November 2020

Outline

- Importance of Infrastructure
- Trends for Infrastructure Investment after Pandemic
- Effects of Pandemic on Turkish Investments
- Project Cycle Management of Turkey
- Turkey's PPP Experience/Update on Turkish Projects





Importance of Infrastructure

- Infrastructure investment is a must to achieve the 2030 SDGs
- 2,5 trillion \$* → Developing countries' investment gap
- Now because of the pandemic, harder to finance
- IMF Study** : CEESE to close the gap to 50% to EU-15 →
3-8 % of GDP/year

*Citi GPS, Infrastructure for Growth: The Dawn of a New Multi-Trillion Dollar Asset Class, 2016, McKinsey Global Institute, Bridging Global Infrastructure Gaps, June 2016, McKinsey, 'Infrastructure productivity: How to save a \$ 1trillion a year', 2013

** IMF, Central, Eastern, and Southeastern Europe After COVID-19: Securing the Recovery Through Wise Public Investment, 28 September 2020



Importance of Infrastructure

- To increase the welfare of the people and provide sustainable development.
- New investments need to be mobilized, especially in low and middle-income countries, in high quality infrastructure projects.
- Infrastructure investment overall is a key driver of economic and social progress, creating jobs, higher productivity, increasing trade and increasing access to services.*
- For CEESE, 1% of GDP spent on infrastructure, output could rise by $\frac{1}{2}$ to $\frac{3}{4}$ percent in the short run and by 2 to $2\frac{1}{2}$ percent in the long run.**

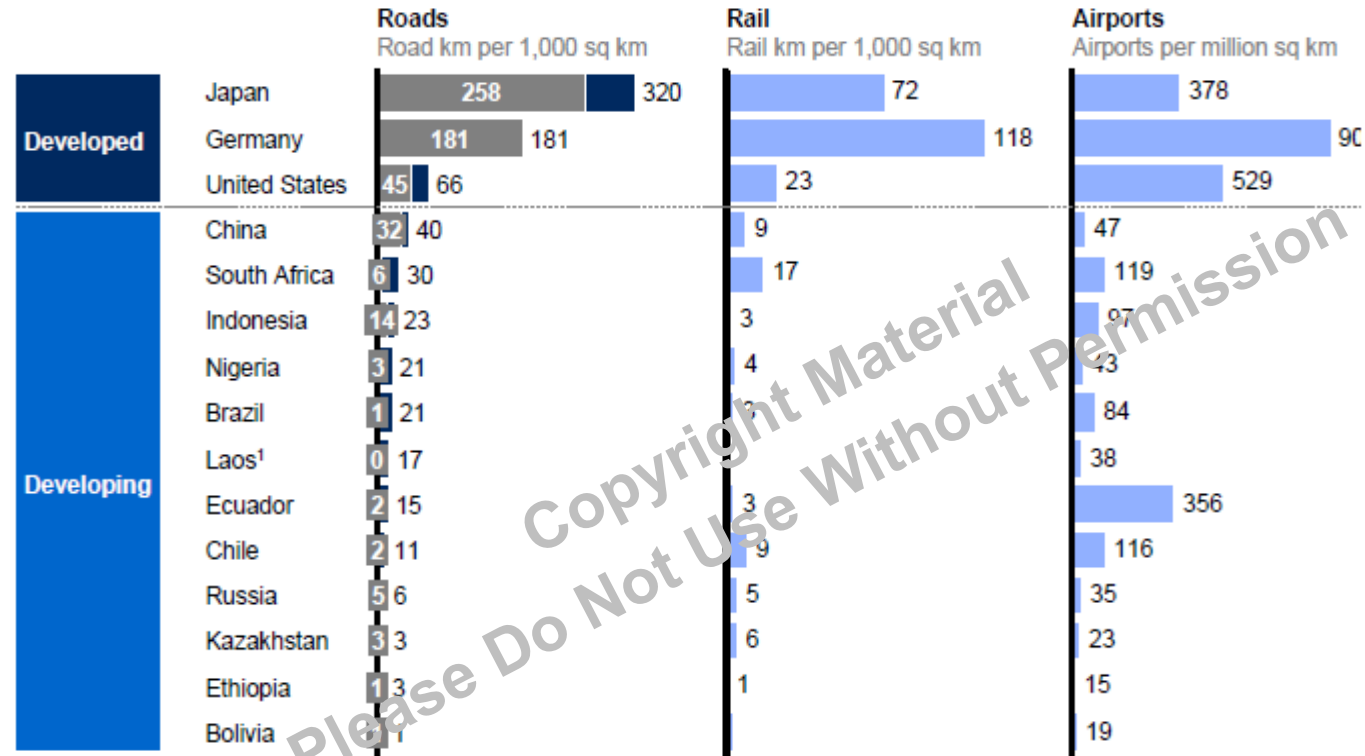
*Citi GPS, Infrastructure for Growth: The Dawn of a New Multi-Trillion Dollar Asset Class, 2016, McKinsey Global Institute, Bridging Global Infrastructure Gaps, June 2016, McKinsey, 'Infrastructure productivity: How to save a \$ 1trillion a year', 2013

** IMF Central, Eastern, and Southeastern Europe After COVID-19: Securing the Recovery Through Wise Public Investment, 28 September 2020

Importance of Infrastructure

Infrastructure capacity in developing economies lags significantly behind that of developed economies

Network density, 2012



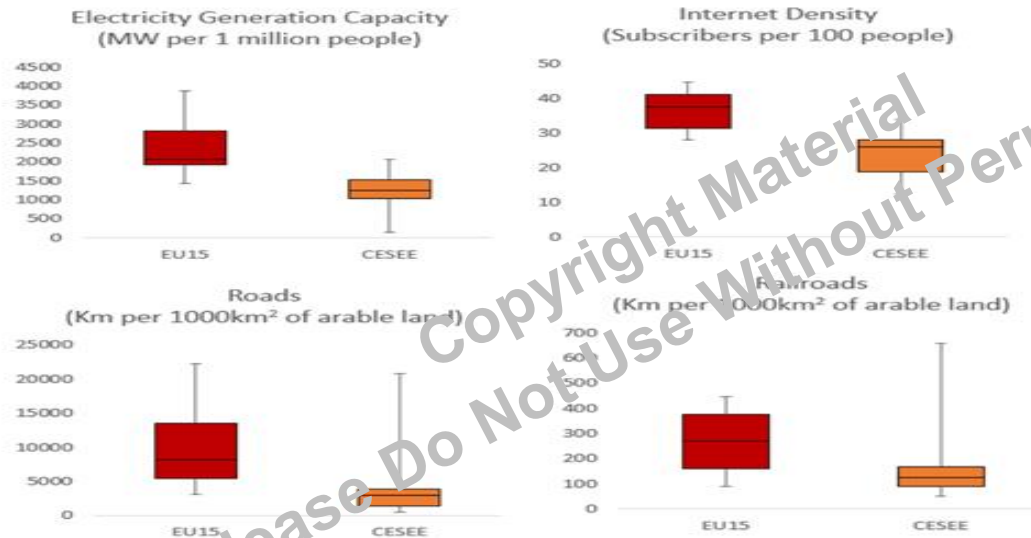
¹ Rail data not available.

Importance of Infrastructure

Infrastructure capacity in developing economies lags significantly behind that of developed economies

Infrastructure gaps

Measures of physical infrastructure show considerable gaps between Central, Eastern, and Southeastern Europe and the EU15. (quantity of infrastructure stock, 2018)



Sources: Eurostat; national sources; World Bank, World Development Indicators; and IMF staff calculations.
 Note: CESEE = Central, Eastern, and Southeastern Europe; EU15 = Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom. The box denotes the 75th and 25th percentile and the lines represent the median, the minimum, and the maximum within the sample. While the UK left the EU on January 31, 2020, it is included in EU15 aggregates.

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Trends for Infrastructure Investment after Pandemic

- Infrastructure investment should be done right to yield efficient outputs*,**
 - Strong governance, strong capacity for follow-through on policy reform
 - ESG Benchmarks getting more important
 - Cost benefit analysis including:
 - regional connectivity,
 - increasing trade
 - Emphasis on Soft Infrastructure: health, digital infrastructure including education, agriculture, clean water

*IMF, Central, Eastern, and Southeastern Europe After COVID-19: Securing the Recovery Through Wise Public Investment, 28 September 2020

**WEF, Geopolitics and investment in emerging markets after COVID-19, 25 September 2020



Trends for Infrastructure Investment after Pandemic

- Cities becoming more important for economic activity,
- Dense cities expected to be more dispersed,
- Increase in importance of local supply chains, self contained habitats,
- Clean energy and power to support them all,
- Increasing importance of matching institutional investors' expectations with the priority projects.



PPP Investments Risky after Pandemic?

- Hard infrastructure (highways, ports, airports,...) demand decreased, but still needed,
- In countries with robust regulation, still attractive for private investors,
- Soft infrastructure may be more of focus for PPPs, too.

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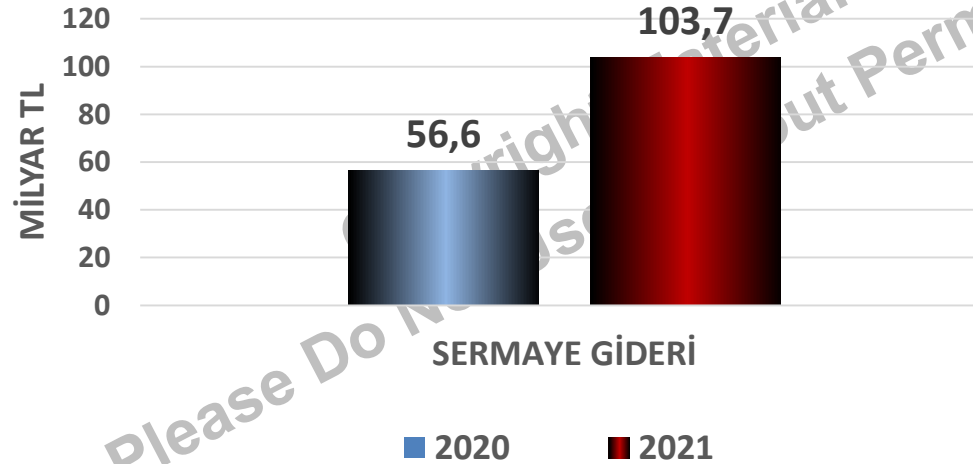
Effects of Pandemic on Turkish Investments

- For publicly procured investments, abortion of work by constructor without paying penalty (Presidential Circular No: 2020/5)
- Tourism revenues decreased sharply
- Decrease in air passengers
- Decrease in air Cargo
- Decrease of traffic on PPP toll roads during total isolation months
- Intensive use of hospitals including PPP hospitals
- Service sector shrunked by %10,6 in the second half.

Effects of Pandemic on Turkish Investments

2021 Budget:

- Public investments increased by 83% nominally (56,6 billion TL to 103,7 billion TL)



- The biggest increase in investments is in agriculture, education, transport, health and R&D



Effects of Pandemic on Turkish Investments

2021 Budget:

- Strengthened human capital,
- Inclusive growth,
- Sustainable public deficit,
- Program budget which increases transparency and accountability,
- Increased efficiency and effectiveness in spendings.

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Effects of Pandemic on Turkish PPPs

- BOTs,
- BLTs,
- ToRs,
- Importance of force majeure clauses,
- Importance of understanding of «partnership»,
- Importance of contract management and flexibility of clauses.

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Effects of Pandemic on Turkish PPPs

- Preparation phase has become more important,
- Choose projects carefully in terms of economic feasibility and VfM,
- Capacity building more important for all countries:
 - to choose the resilient, financially and economically, socially and environmentally sustainable projects.

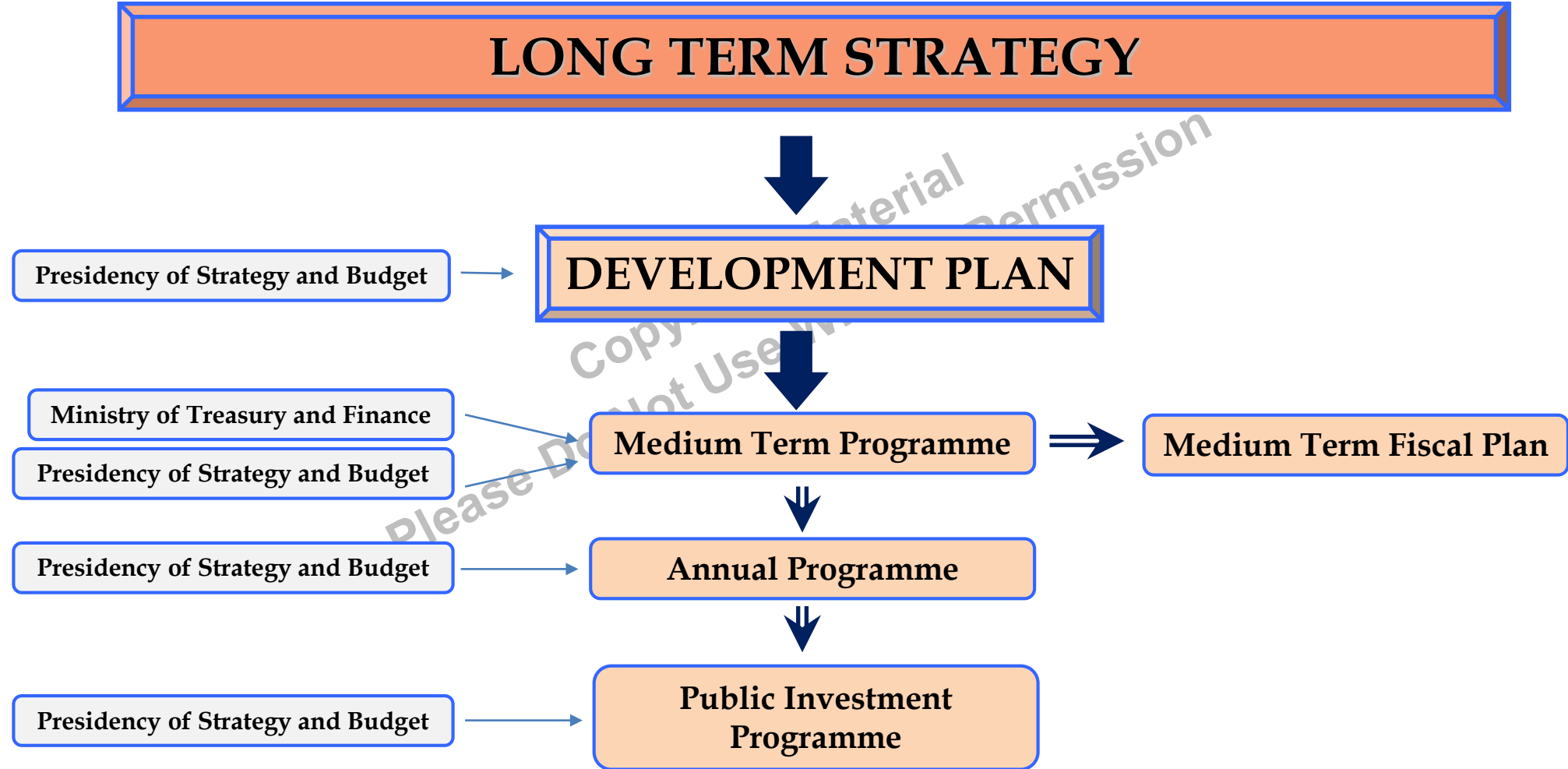
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Strategy Documents



11th Development Plan (2019-2023)

Investment Strategies

- Providing coherence of PPPs with macroeconomic policies
- In cases where value for money is higher than the use of public sources, to direct the sources of private sector and institutional investors to infrastructure financing, alternative financing methods will be widely used in coming periods

PPPs in 11th Development Plan

- Scattered PPP legislation will be regulated
- The preparation, implementation, monitoring and evaluation processes of the PPPs will be standardized and the institutional capacity will be increased
- Institutional capacity will be increased in a way that enables project prioritization and formulating national PPP policies

- Preparations for the 11th Development Plan (2019-2023) have been run in 2017 and first quarter of 2018.



Turkey's PPP Strategy in 2021 Annual Programme

- Annual Programme is a policy document that sets yearly action plans to reach the goals of Development Plan and Medium Term Program.
- 2021 Programme was prepared by the Presidency of Strategy and Budget in coordination with the Ministry of Treasury and Finance and all line Ministries/institutions.
- 2021 Programme was signed by the President in 26 October 2020.

Turkey's PPP Strategy in 2020 Programme

- Main aim regarding PPPs is to provide coherence between macroeconomic policies and PPPs
- PPP Guidelines on preparation, tendering and contracting will be prepared (to increase capacity and for better project prioritization) .
 - Feasibility Study Preparation Guidelines for PPPs will be finalized.
 - Value for Money Analysis model and a guideline for the use of model will be finalized.
 - Contract standardization and contract management guideline will be prepared.

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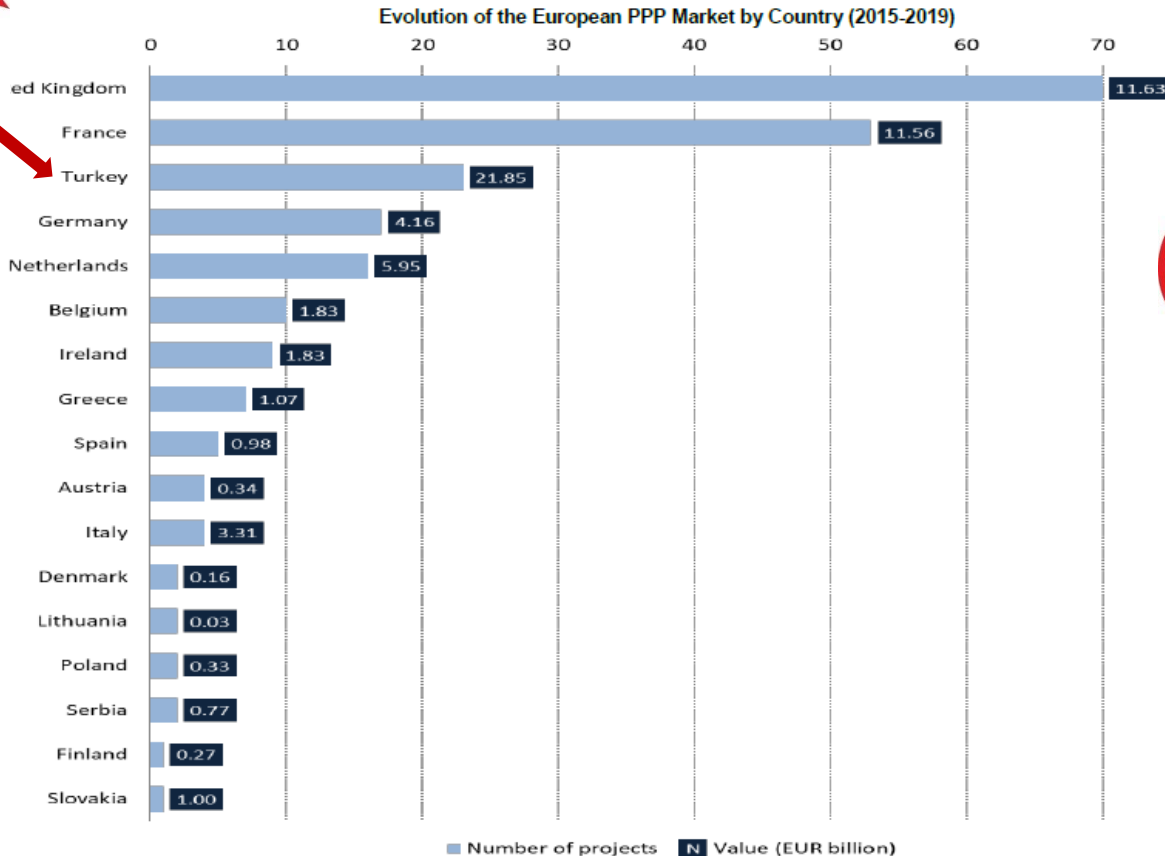


PPPs in Turkey

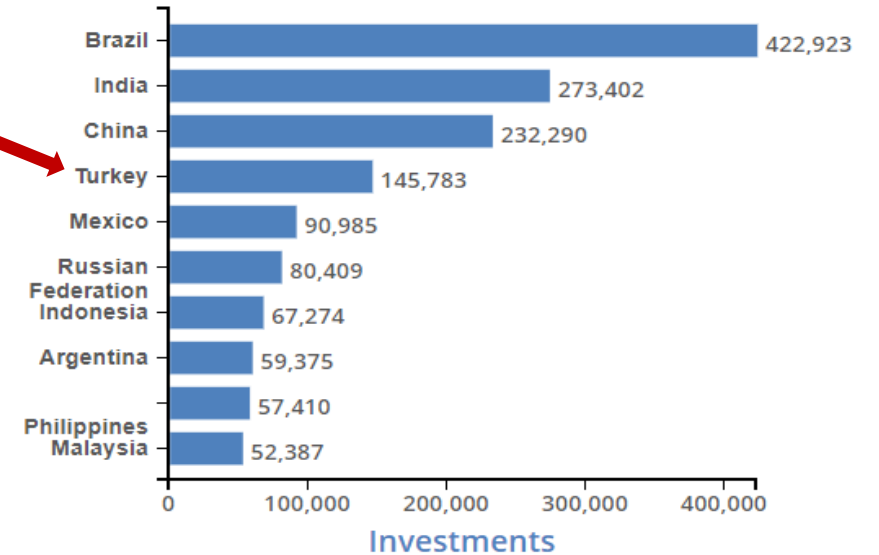
Turkey ranks as one of the top countries using PPPs both among the European countries and the developing countries.

Turkey ranks **first** by the project value and **third** by number of projects in Europe (between 2015-2019)

Turkey ranks **fourth** among 139 countries World Bank (between 1990-2019)



Top 10 countries by investment, 1990 - 2019 (US\$ million)



PPPs in Turkey

www.sbb.gov.tr



The screenshot shows the website www.sbb.gov.tr. The navigation menu includes 'Ana Sayfa', 'Planlar ve Programlar', 'Gösterge ve İstatistikler', 'Uygulamalar', 'Başkanlığımız', and 'İletişim'. A dropdown menu for 'Gösterge ve İstatistikler' is open, showing options: 'Göstergeler', 'Gelişmeler', 'Kamu Kesimi İstatistikleri', 'Türkiye Ekonomisinde Haftalık Gelişmeler', 'Ekonomik Gelişmeler', 'Dünya Ekonomisindeki Son Gelişmeler', 'Resmî İstatistik Programına Katkılarımız', 'Kamu Özel İşbirliği Projelerinde Gelişmeler', and 'İşgücü Piyasasındaki Gelişmelerin Makro Analizi'. A red arrow points from the URL to the website, and another red arrow points from the 'Kamu Özel İşbirliği Projelerinde Gelişmeler' option to the text 'KÖİ Projelerinde Gelişmeler'. A large red arrow points from the text 'Developments on PPPs' to the 'KÖİ Projelerinde Gelişmeler' text.

Developments on
PPPs

KÖİ Projelerinde
Gelişmeler



PPP in Turkey

enli deęil | www.sbb.gov.tr/kamu-ozel-isbirligi-projelerinde-gelismeler/



T.C. CUMHURBAŐKANLIđI STRATEđI VE BÜTÇE BAŐKANLIđI



Ana Sayfa

Planlar ve Programlar v

Gösterge ve İstatistikler v

Uygulamalar v

Başkanlıđımız v

İletişim v



Kamu Özel İőbirliđi Projelerinde Geliőmeler

Ana sayfa » Kamu Özel İőbirliđi Projelerinde Geliőmeler

- > Kamu Özel İőbirliđi Envanteri → **Statistical Data on PPPs**
- > Mevzuat → **PPP Legislation**
- > Yayınlar → **Publications about PPPs**
- > Linkler

PPP Models and Legislation in Turkey

enli değil | www.sbb.gov.tr/kamu-ozel-isbirligi-projelerinde-gelistmeler/



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STRATEJİ VE BÜTÇE BAŞKANLIĞI



Ana Sayfa

Planlar ve Programlar ▾

Gösterge ve İstatistikler ▾

Uygulamalar

Başkanlığımız ▾

İletişim ▾



Kamu Özel İşbirliği Projelerinde Gelişmeler

Ana sayfa » Kamu Özel İşbirliği Projelerinde Gelişmeler

> Kamu Özel İşbirliği Envanteri

> Mevzuat → **PPP Legislation**

> Yayınlar

> Linkler

Kamu Özel İşbirliği – Mevzuat

> Kamu Özel İşbirliği Mevzuatı (2015)

> Kamu Özel İşbirliğine İlişkin Mevzuat (2012)

Kamu Özel İşbirliği
Mevzuatı

YATIRIM PROGRAMLAMA İZLEME VE DEĞERLENDİRME
GENEL MÜDÜRLÜĞÜ
MAYIS 2015

PPP Models and Legislation in Turkey

Models & Legal Framework & Sectors

Build-Operate-Transfer Law No 3996, 3465 and 3096	Build-Operate Law No 4283	Build-Lease-Transfer Law No 5396,652,6428 and 351	Transfer of Operating Rights Law No 4046,5335,3465,3096
<ul style="list-style-type: none">➤ Motorway➤ Port➤ Airport➤ Marina➤ Border Gate➤ Power Plant	<ul style="list-style-type: none">➤ Thermal Power Plant	<ul style="list-style-type: none">➤ Hospital➤ College➤ Dormitory➤ School	<ul style="list-style-type: none">➤ Airport➤ Port➤ Power Plant➤ Electricity distribution

Turkey's PPP Experience

enli değil | www.sbb.gov.tr/kamu-ozel-isbirligi-projelerinde-gelismeler/



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Gösterge ve İstatistikler ▾

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Başkanlığımız ▾

İletişim ▾



Kamu Özel İşbirliği Projelerinde Gelişmeler

Ana sayfa » Kamu Özel İşbirliği Projelerinde Gelişmeler

> Kamu Özel İşbirliği Envanteri

> Mevzuat

> Yayınlar

> Linkler

Statistical Data on PPPs

- Number of Projects
- Contract Value
 - Investment Cost
 - TOR Cost

Sort By

- Year
- Sector
- Model

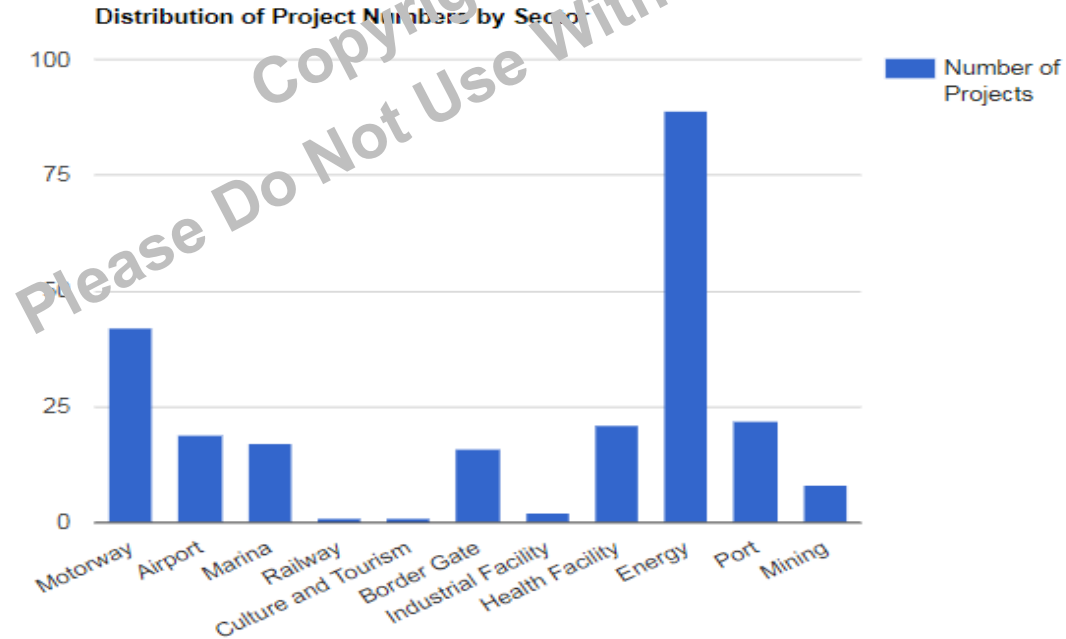
Number of Projects by Sectors

Data Type :

Sort By :

Chart Type :

Export To :



- 252 Projects
- \$ 156 Billion Contract Value

Number of Projects by Models



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PUBLIC-PRIVATE PARTNERSHIP PROJECTS IN TURKEY



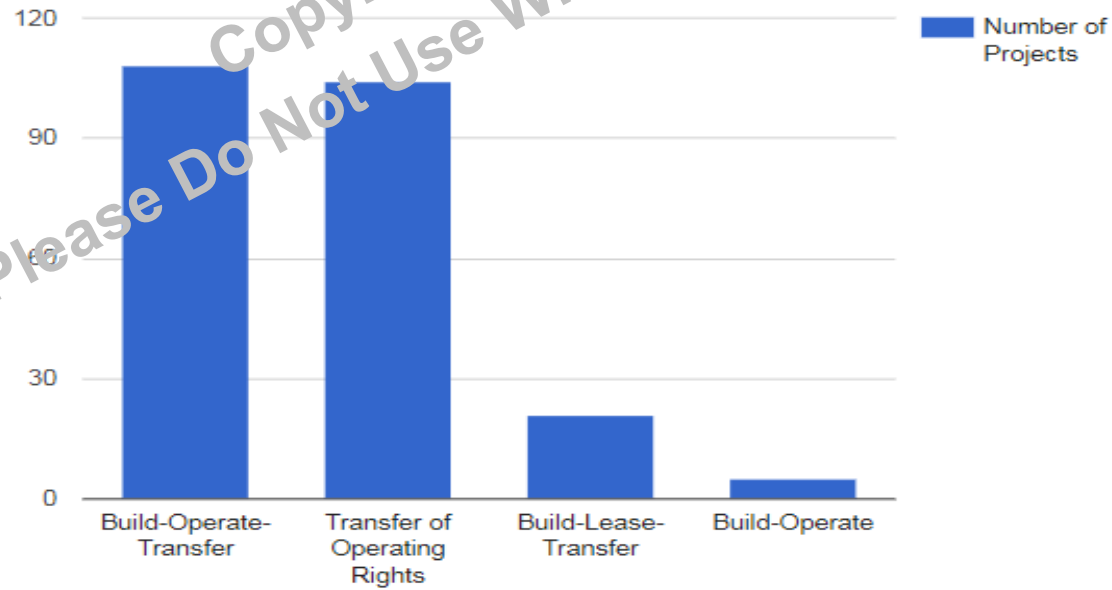
Data Type :

Sort By :

Chart Type :

Export To :

Distribution of Project Numbers by Model



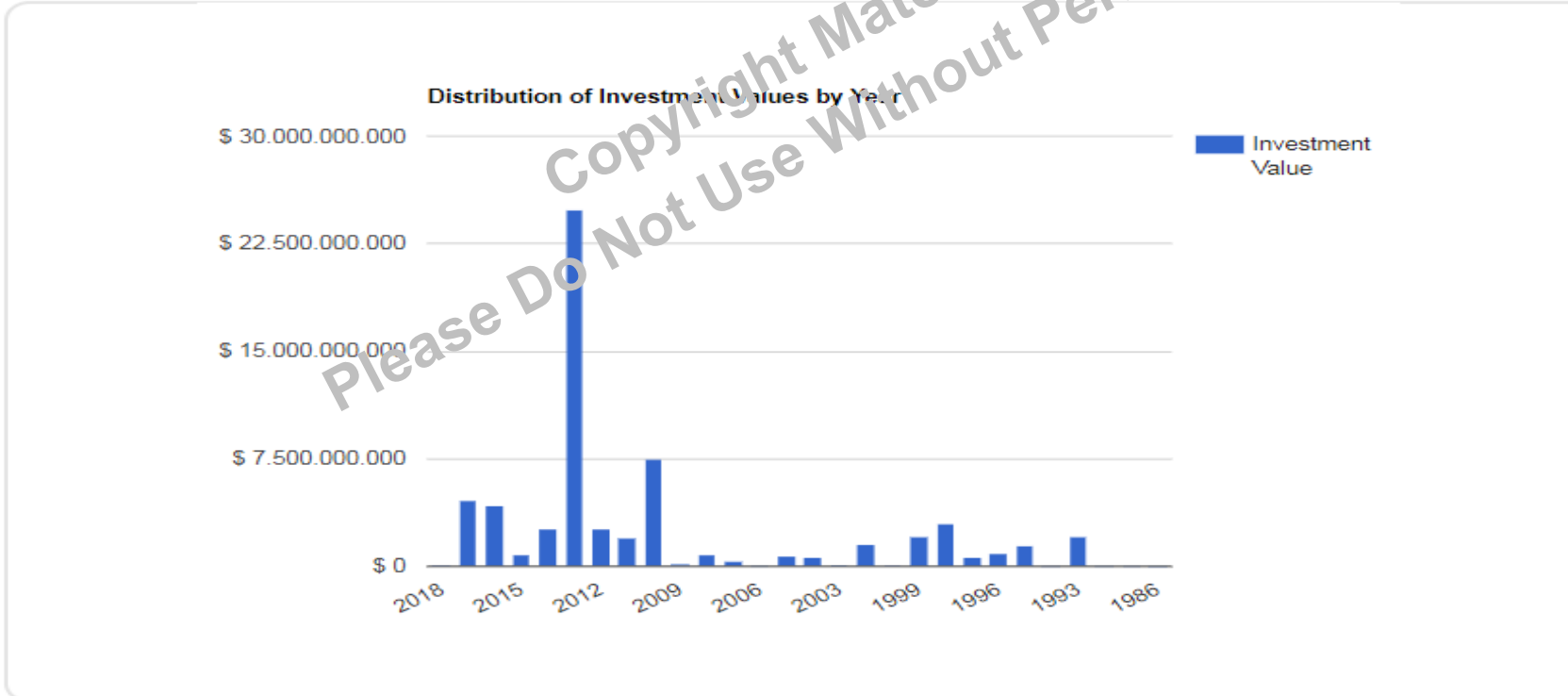
Investment Cost of Projects by Years



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PUBLIC-PRIVATE PARTNERSHIP PROJECTS IN TURKEY



Data Type : Investment Value
 Sort By : Year
 Chart Type : Column Chart
 Export To :



**\$ 78,1 Billion
Investment
Cost**

This database includes only projects whose implementation contracts are signed.
 Contract value consists of investment value and value of TORs (Payment to the Government).
 Values are annually updated real prices.

More Information on Turkish PPPs (Annual PPP Report)

enli değil | www.sbb.gov.tr/kamu-ozel-isbirligi-projelerinde-gelismeler/



**T.C. CUMHURBAŞKANLIĞI
STRATEJİ VE BÜTÇE BAŞKANLIĞI**



Ana Sayfa

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Uygulamalar ▾

Başarılarımız ▾

İletişim ▾



Kamu Özel İşbirliği Projelerinde Gelişmeler

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> Mevzuat

> Yayınlar

> Linkler

**Publications
about PPPs**

Kamu Özel İşbirliğinde Gelişmeler – Yayınlar

- » Dünyada ve Türkiye’de Kamu Özel İşbirliği Uygulamalarına İlişkin Gelişmeler 2018
- » Dünyada ve Türkiye’de Kamu Özel İşbirliği Uygulamalarına İlişkin Gelişmeler 2017
- » Dünyada ve Türkiye’de Kamu Özel İşbirliği Uygulamalarına İlişkin Gelişmeler 2016
- » Dünyada ve Türkiye’de Kamu Özel İşbirliği Uygulamalarına İlişkin Gelişmeler 2015



More Information on Turkish PPPs (Annual PPP Report)

- Statistical data and country examples from Europe and the World.
- PPP in Turkey
 - Turkey's PPP Policies
 - PPP Legislation
 - Project Specific Information
 - Policy Suggestion

İÇİNDEKİLER

GRAFİKLER.....	iii
TABLOLAR.....	iv
KISALTMALAR.....	v
GİRİŞ.....	vii
1. DÜNYADA KAMU ÖZEL İŞBİRLİĞİ.....	1
1.1. Gelişmekte Olan Ülkelerde Kamu Özel İşbirliği.....	2
1.2. Avrupa'da Kamu Özel İşbirliği.....	4
1.3. KÖİ Konusunda Ülke Örnekleri.....	9
1.3.1. Birleşik Krallık.....	9
1.3.2. Hindistan.....	11
1.3.3. Endonezya.....	13
1.3.4. Meksika.....	15
1.3.5. Peru.....	17
1.4. Dünya Örnekleri Baz Alındığında Tipik Bir KÖİ Süreci.....	19
2. TÜRKİYE'DE KAMU ÖZEL İŞBİRLİĞİ.....	20
2.1. Orta Vadeli Program Kapsamında KÖİ'ye İlişkin Politikalar (2018-2020).....	20
2.2. Ülkemizde Uygulanan KÖİ Modelleri.....	21
2.3. KÖİ Mevzuatında Gelişmeler.....	23
2.4. KÖİ Uygulamaları.....	25
2.5. Bazı KÖİ Projelerinde Gelişmeler.....	34
2.5.1. Yapımı Devam Eden Bazı Projeler.....	34
2.5.1.1. Kuzey Marmara Otoyolu [3. Boğaz Köprüsü Dahil] [Kınalı-Odayeri Kesimi-Bağlantı Yolları Dahil].....	34
2.5.1.2. Kuzey Marmara Otoyolu [3. Boğaz Köprüsü Dahil] [Kurtköy-Akyazı Kesimi-Bağlantı Yolları Dahil].....	35
2.5.1.3. İstanbul Yeni Havaalanı Projesi.....	36
2.5.1.4. Kocaeli Entegre Sağlık Kampüsü.....	37

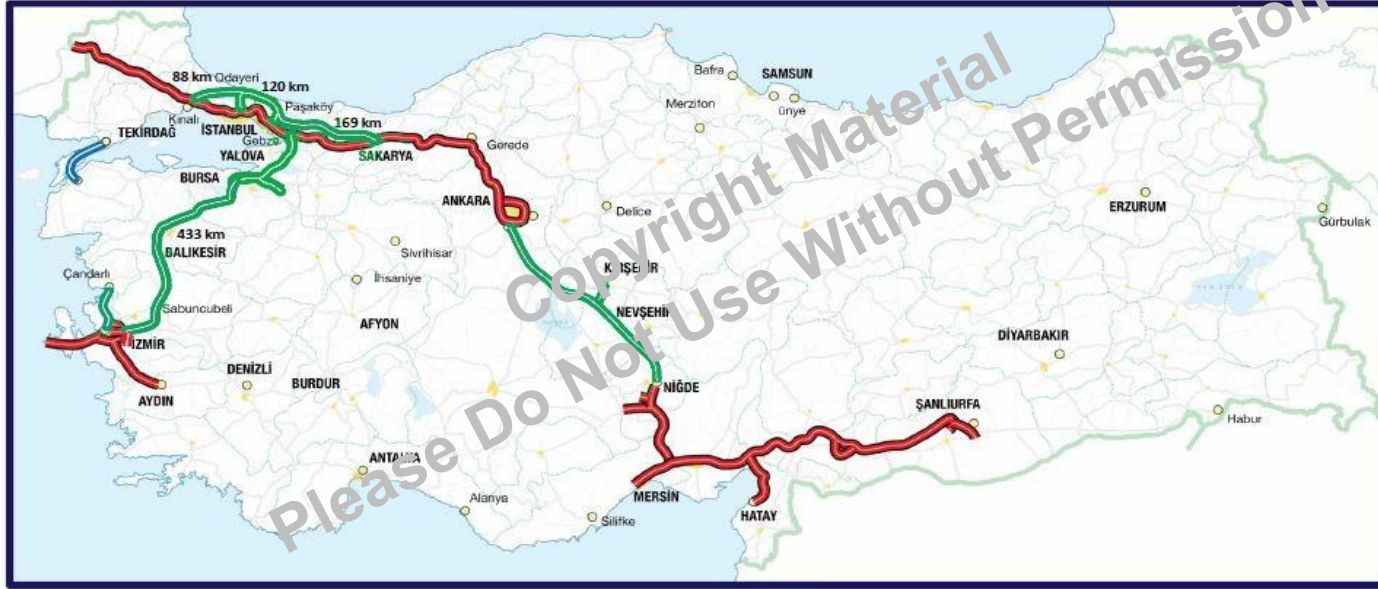
Motorway Projects

- 9 motorway/tunnel projects' contracts signed.
 - Total length: 1.371 km
 - Total Investment Cost: 22,8 billion \$
- 8 of 9 projects in operation by the end of 2020
 - Total length: 1.270 km
 - Total Investment Cost: 19,8 billion \$
- 2 projects in contracting stage
 - Total length: 208 km
 - Estimated Total Investment Cost: 2,5 billion \$

Current Motorway Network

OTOYOLLAR HARİTASI

2018



- HİZMETE AÇIK OTOYOLLAR**
- YİD MODELİ İLE YAPIMI DEVAM EDEN OTOYOLLAR**
- YİD MODELİ İLE HİZMETE AÇILAN OTOYOLLAR**
YİD (YAP İŞLET DEVRET)

Airport Projects

- First Phase of İstanbul Airport , the largest PPP for Turkey, in implementation since 29 October 2018 (90 mil. pax).
- 12 airports with PPP (%84 of passengers in 2020).
- Some of them have been built, operated, transferred back to government and tendered again.
- Total investment cost \$ 19 billion.

Health Projects

- 18 projects' contracts signed
 - Total Capacity: 27.150 beds
 - Total Investment Cost: 10,8 billion \$
- 12 of 18 projects are in operation
 - Kayseri, Bilkent, Elazığ, Yozgat, Manisa, Adana, Mersin, Isparta, Bursa, Eskişehir, Başakşehir, Konya Health Campuses
 - Total Capacity: 16.965 beds
 - Total Investment Cost: 7.0 billion \$
 - 2-3 years construction, 25 years operation

PPP Pipeline

- Port projects,
- Urban infrastructure,
- Motorways in the medium term

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