



PRESIDENCY OF THE REPUBLIC OF TURKEY
INVESTMENT OFFICE

INVESTING IN INFRASTRUCTURE & PUBLIC PRIVATE PARTNERSHIP (PPP) IN **TURKEY**

May 2019



- **Executive Summary**
- Need for Infrastructure Investment
- Track Record
- Opportunities
 - Healthcare
 - Transportation
 - Energy
- Favorable Investment Climate



Investment Need for Development

- Turkish economy is robustly growing with an average annual GDP growth rate of 5.5%.
- Turkey's 82-million strong population is growing with additional 1 million people every year coupled with a rapid urbanization process which has resulted in more than 20 urban centers with populations over 1 million.
- Turkey's growing trade volume and strategic location compels Turkey to develop its infrastructure.

Track Record with Significant Opportunities in the Pipeline

- Turkey has implemented \$139 Billion worth of Public Private Partnership (PPP) projects in a variety of sectors. This trend has picked up in recent years with a bright prospect.
- Turkey has set ambitious targets to upgrade its infrastructure.
- From transportation to healthcare and energy, ample opportunities are available in the pipeline.

Favorable Investment Climate

- Turkey has a favorable investment legislation for PPP investments that can be realized through various models, such as build-operate, build-operate-transfer, transfer of operational rights.. etc.
- Turkey's investment climate is further strengthened by domestic and international laws that protect investments and provide international arbitration.
- Turkey's macroeconomic policies, investments and more importantly, strong public finance management support PPP investments that require guaranteed purchase.

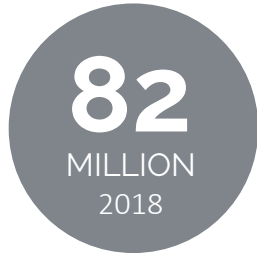


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GROWING ECONOMY

Turkish economy has been robustly growing with an average annual GDP growth rate of 5.5 from 2002 to 2018



GROWING POPULATION

Turkey's population has been rapidly growing by 1 million every year



GROWING TRADE

Tukey's foreign trade volume has increased from \$88 billion in 2002 to \$391 billion in 2018



URBANIZATION

As Turkish economy has developed, people from rural areas have migrated to urban centers..



STRATEGIC LOCATION

Turkey is strategically located in the proximity of energy resources and trade routes



GROWING NEED FOR EFFICIENCY

In order to maintain competitiveness, Turkey needs to enhance efficiency and productivity by investing in infrastructure

Robust Economy

Turkey has sustained stellar economic growth over the past 15 years and continues to grow..



13TH
LARGEST
ECONOMY

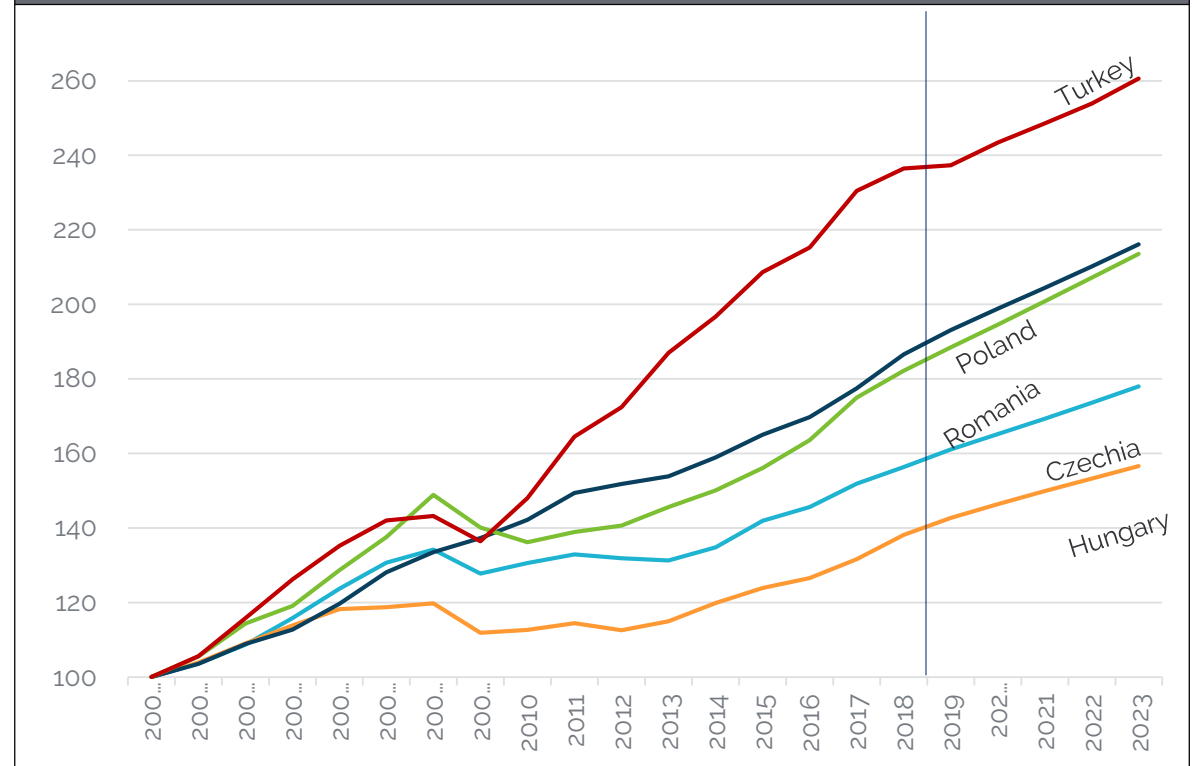
Ranking of Economies by GDP at PPP

2003	2018
1 USA	1 CHINA
2 CHINA	2 USA
3 JAPAN	3 INDIA
4 GERMANY	4 JAPAN
5 INDIA	5 GERMANY
6 RUSSIA	6 RUSSIA
7 FRANCE	7 INDONESIA
8 UK	8 BRAZIL
9 BRAZIL	9 UK
10 ITALY	10 FRANCE
11 MEXICO	11 MEXICO
12 INDONESIA	12 ITALY
13 SPAIN	13 TURKEY
14 CANADA	14 S. KOREA
15 S. KOREA	15 SPAIN
16 S. ARABIA	16 S. ARABIA
17 IRAN	17 CANADA
18 TURKEY	18 IRAN

Average Annual GDP Growth (%), 2003-2018

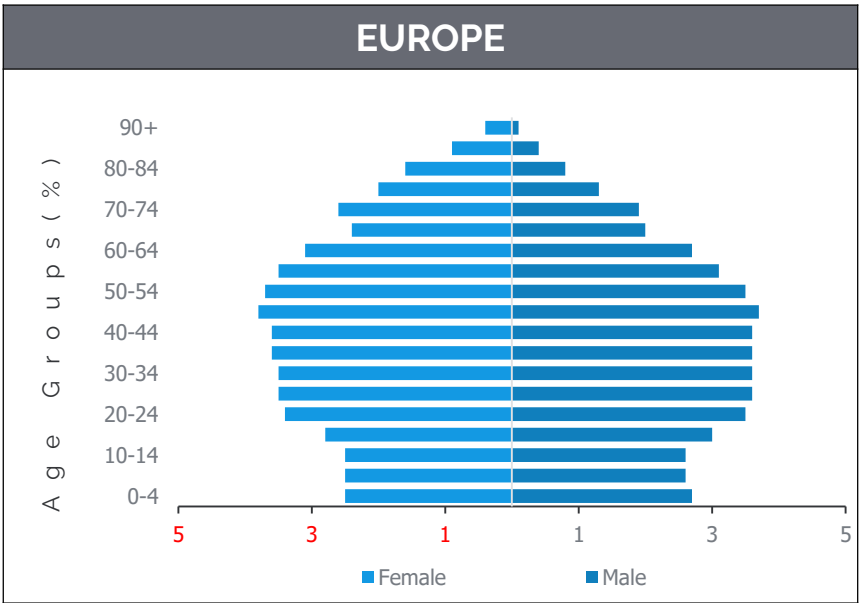
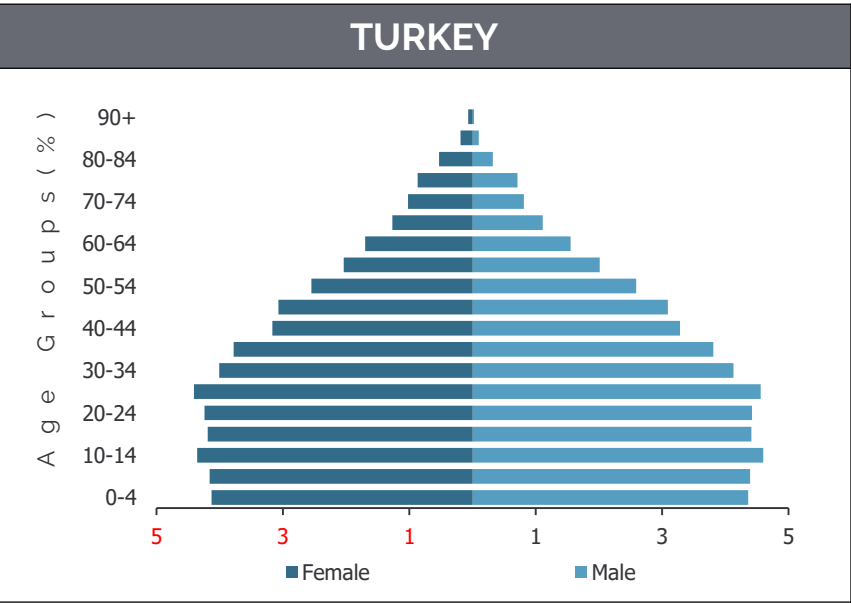


Real GDP Growth (Index: 2002=100)



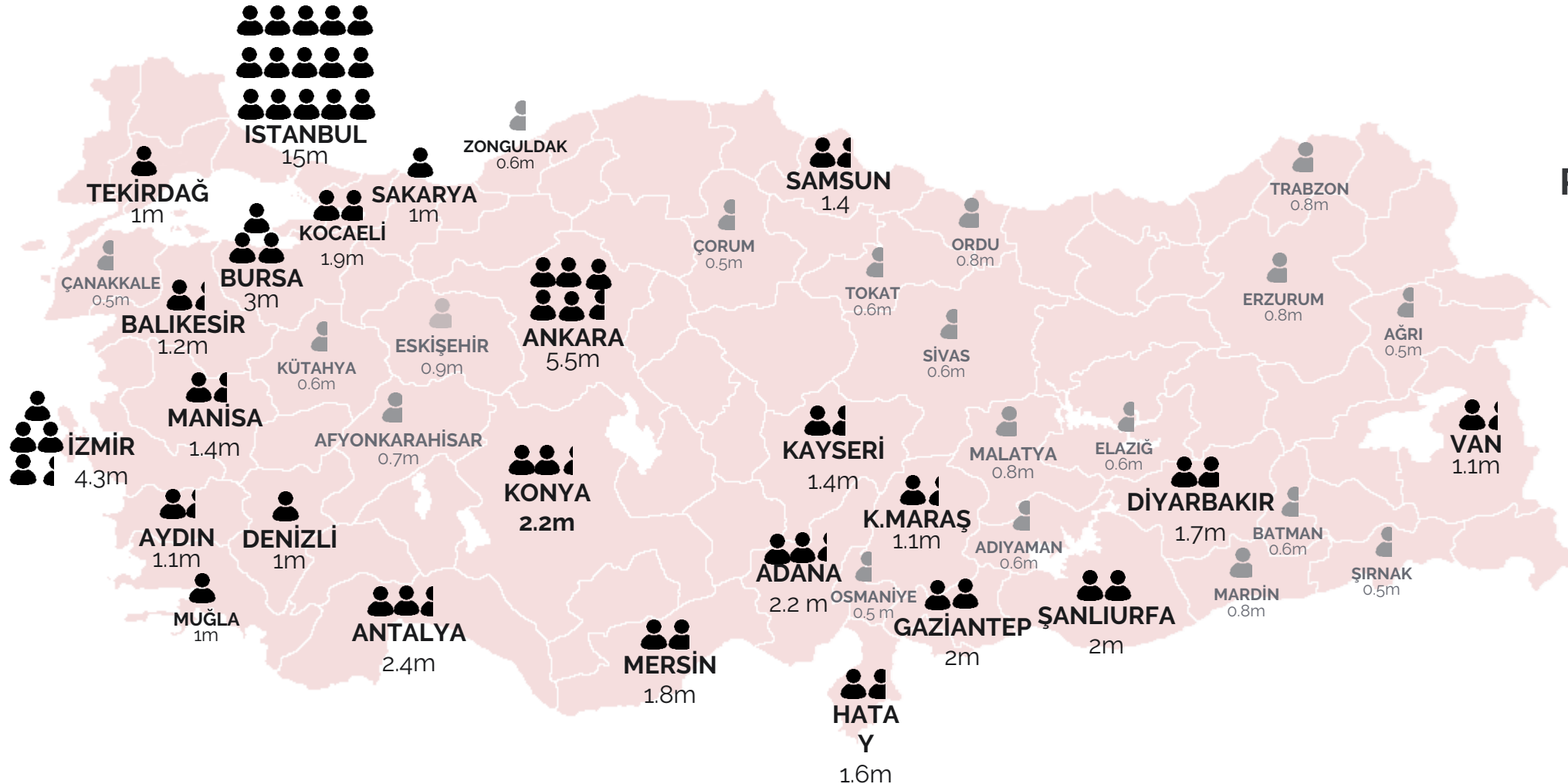


TURKEY'S POPULATION IS GROWING WITH ADDITIONAL 1 MILLION PEOPLE EVERY YEAR AND IS EXPECTED TO REACH 100 MILLION BY 2040





23 urban centers with populations over 1 million



Population in 2018

82
MILLION

Strategic Location

Turkey is strategically located at the epicenter of trade routes, which require a developed transportation infrastructure..



PROXIMITY TO MAJOR MARKETS

1.5 billion people and \$24T GDP in Europe, MENA and Central Asia at 4 hour flight-distance



CONNECTIVITY

Turkish Airlines connects you to 255 destinations in 122 countries

MANUFACTURING & EXPORT HUB FOR MULTINATIONALS



TOYOTA Exporting 85% of its production



Ford Exporting 77% of its production



Nestlé Production base for MENA



BOSS Its largest production facility worldwide

AS WELL AS MANAGEMENT HUB FOR MULTINATIONALS



B/S/H/ 89 countries
GE Healthcare 80 countries



KNAUF 80 countries



thyssenkrupp 72 countries



intel 67 countries



POWERCHINA 63 countries



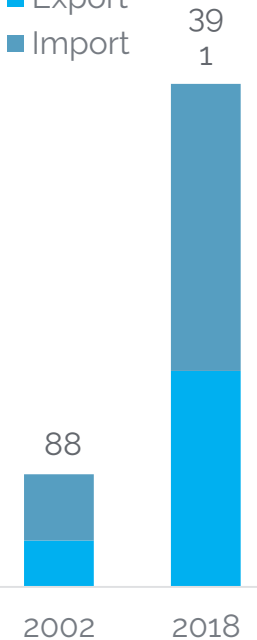
Verifone 60 countries



gsk 30 countries

Turkey's Foreign Trade (\$ Billion)

■ Export
■ Import



16 TIME ZONES



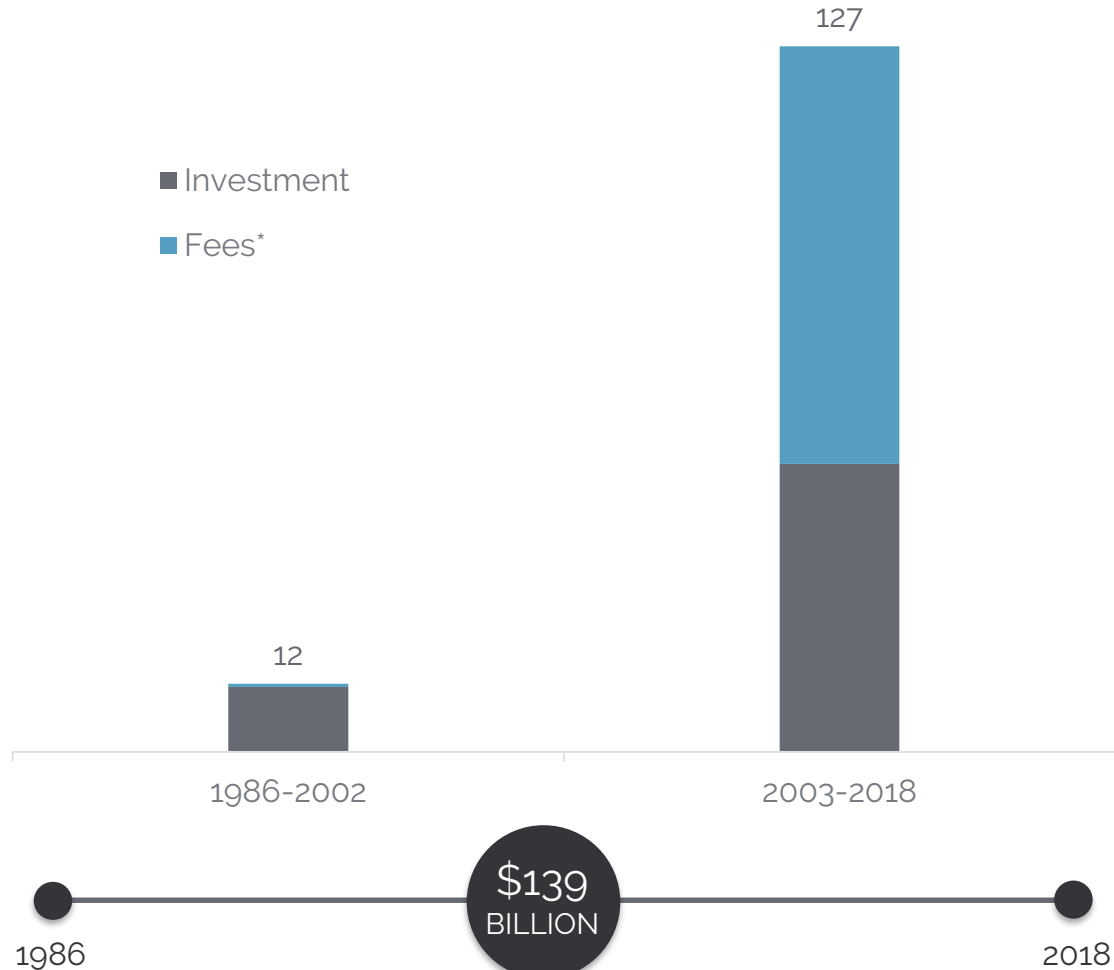
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Turkish PPP Market

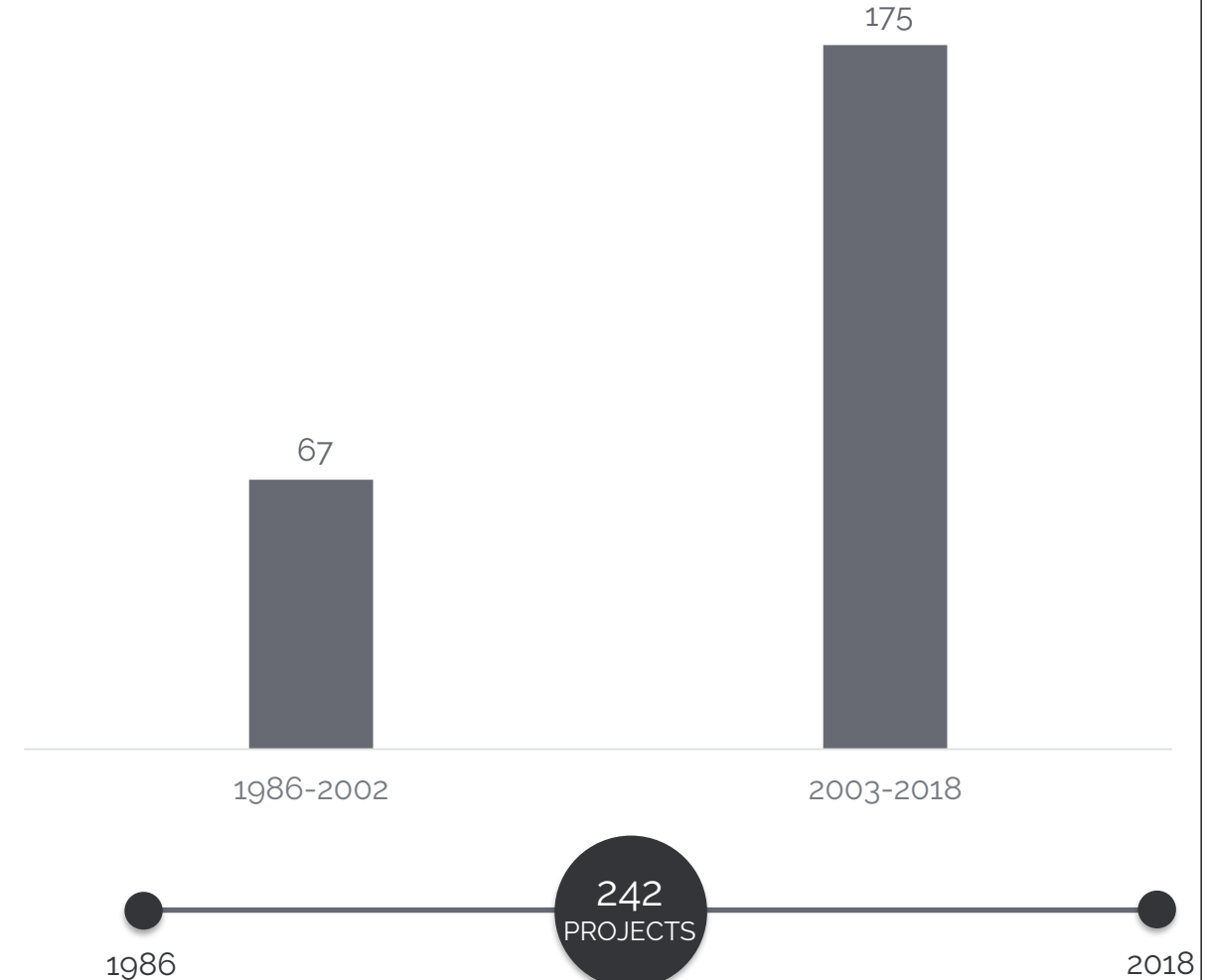
Turkey's socio-economic necessities have spurred investments in infrastructure, significantly increasing in recent years..



PPP Contracts in Turkey (\$ Billion **)



Number of PPP Projects in Turkey

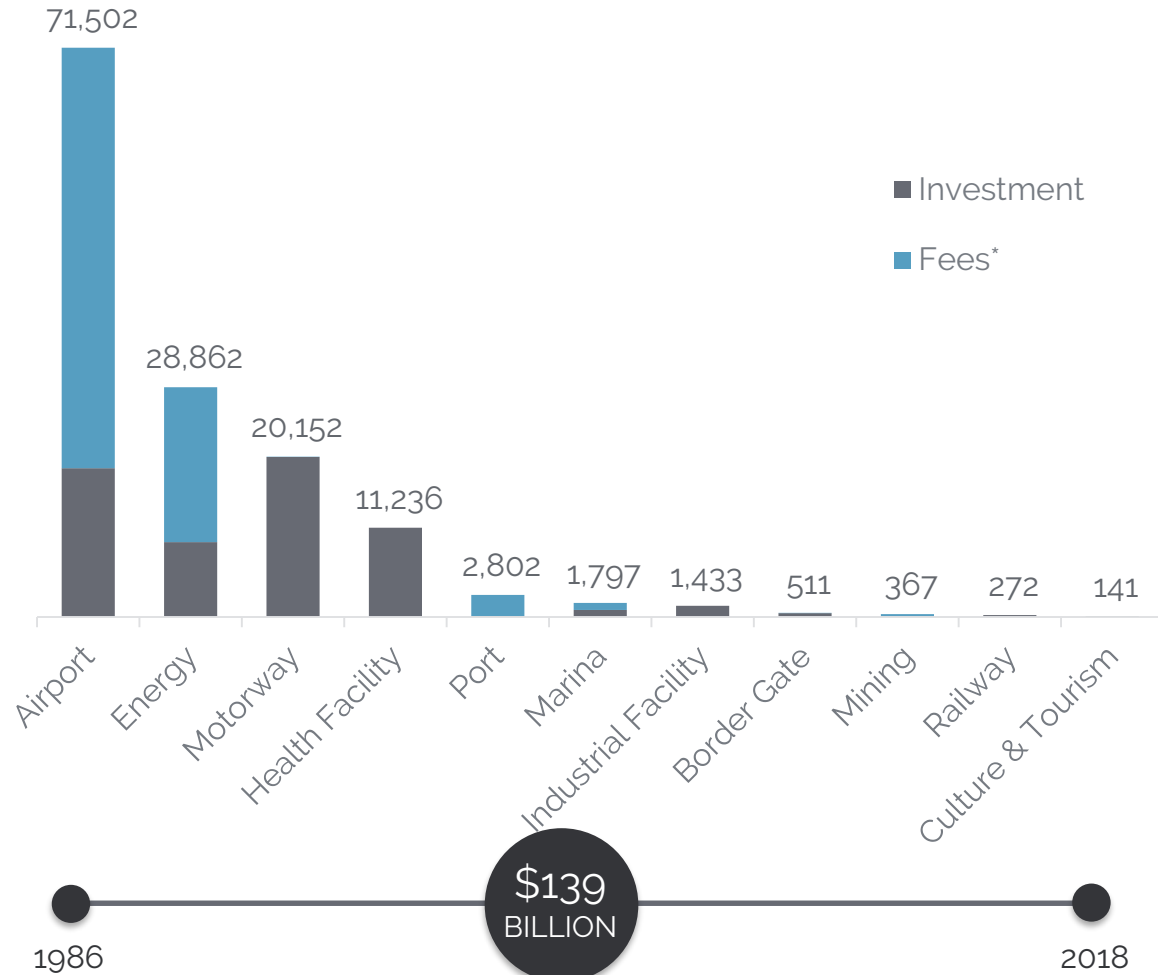


Turkish PPP Market

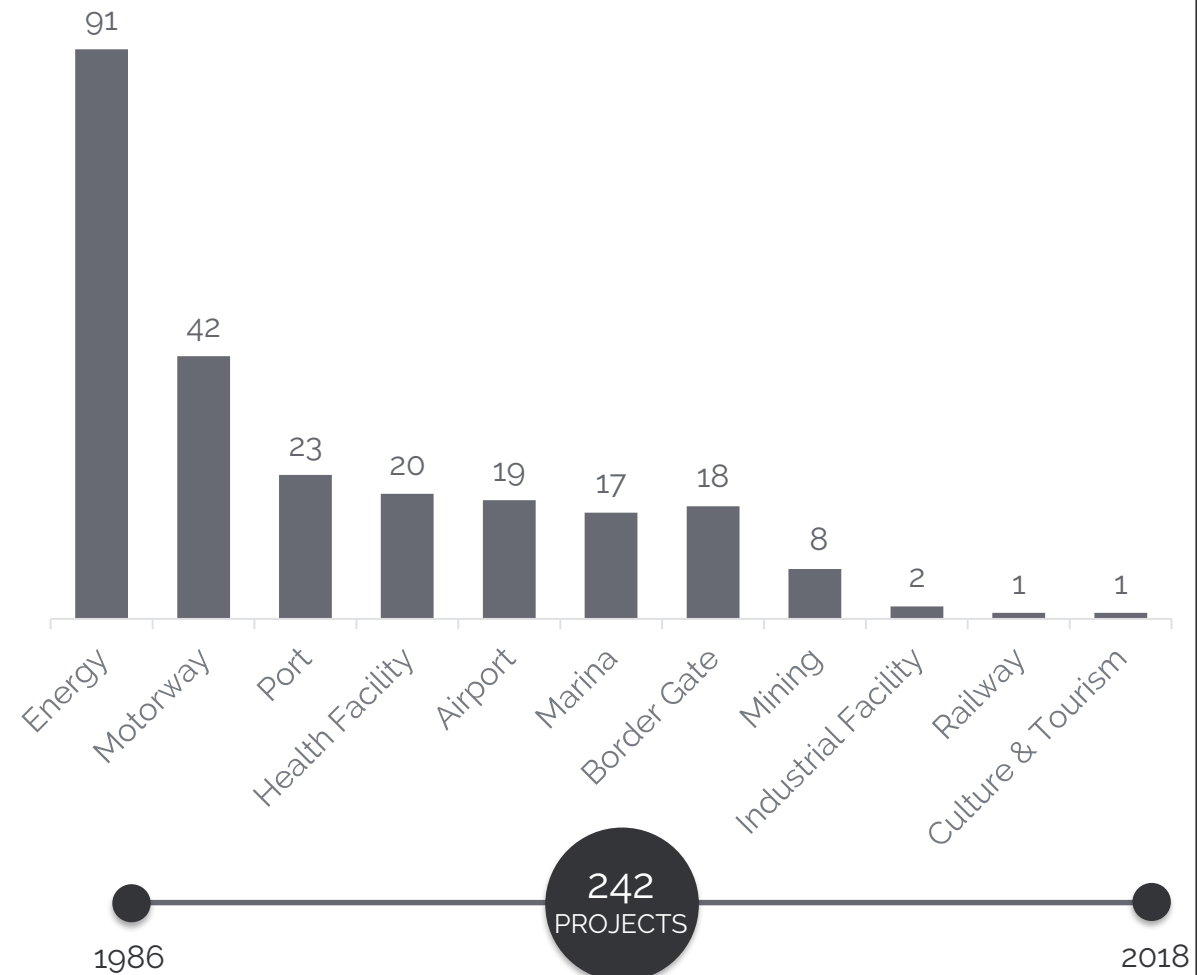
Transportation and energy infrastructure projects dominate the PPP market in Turkey.



Breakdown of the PPP Contracts (\$ Million**)

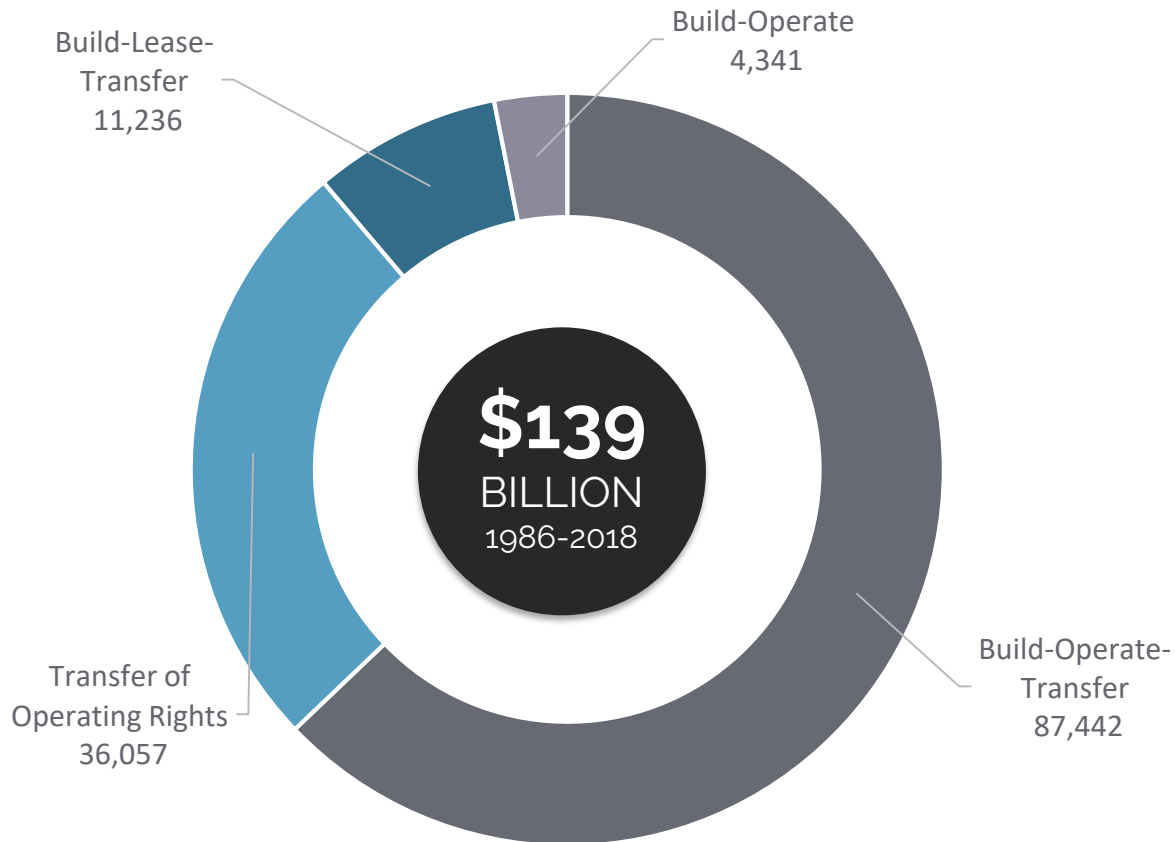


Breakdown of the PPP Contracts (Number)

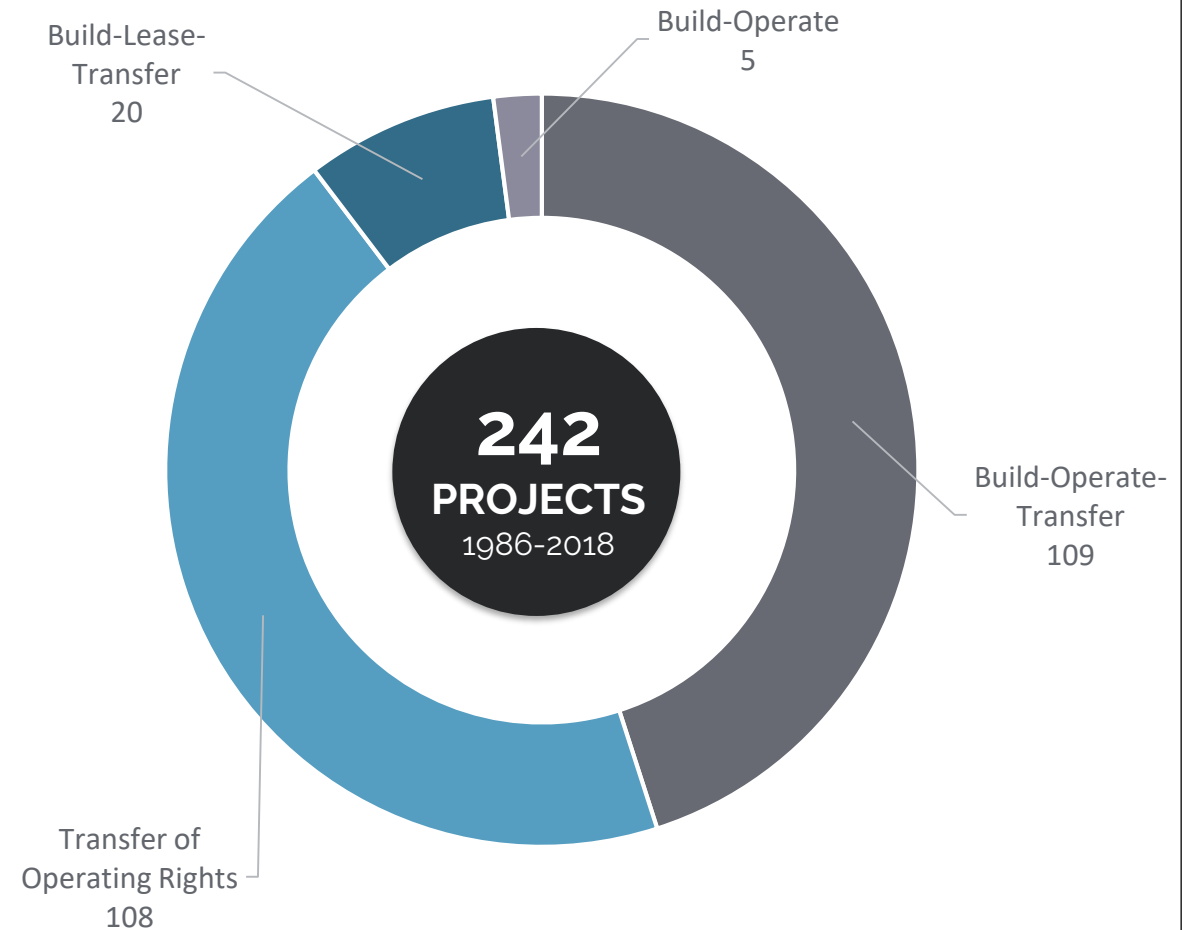




PPP Contract Models (\$ Million*)



PPP Contract Models (Number)

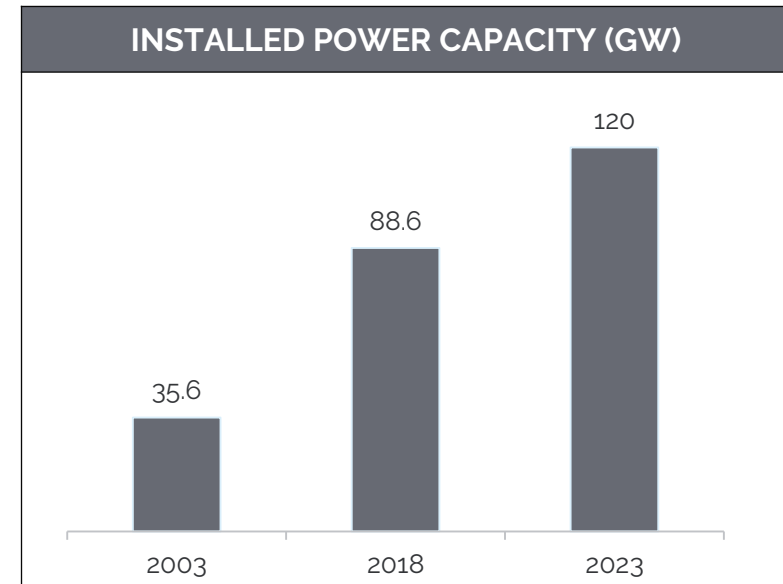
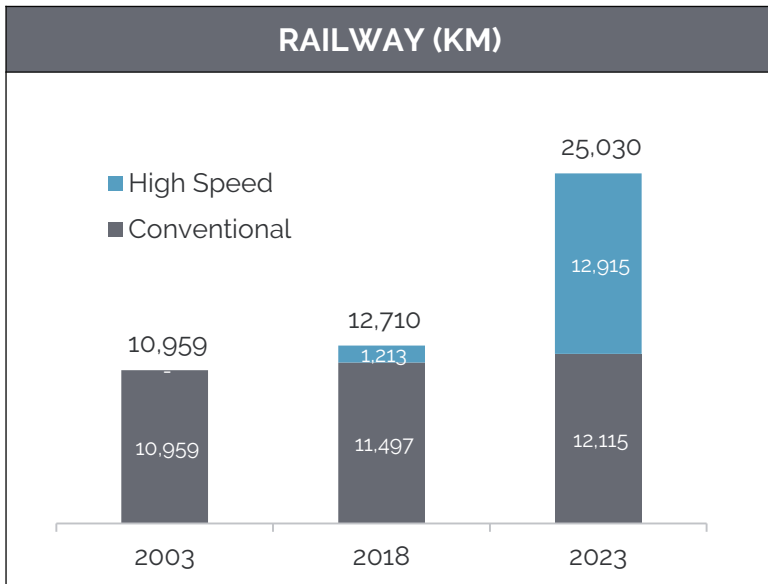
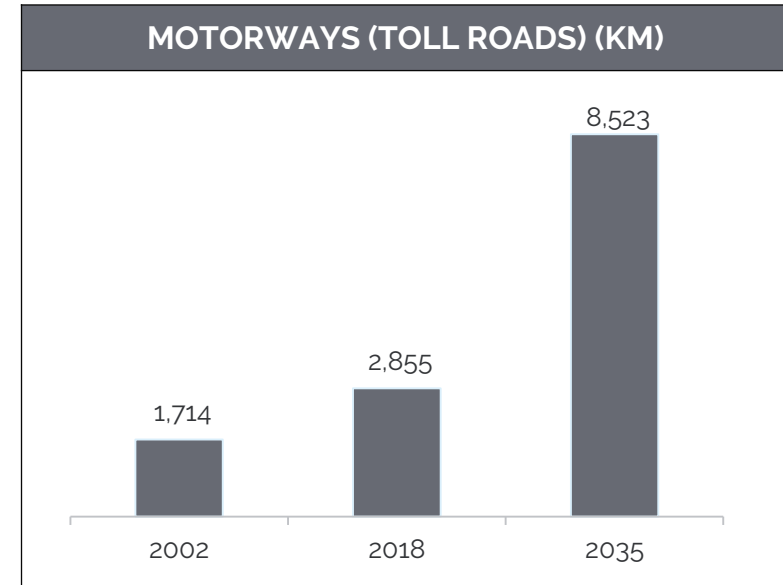
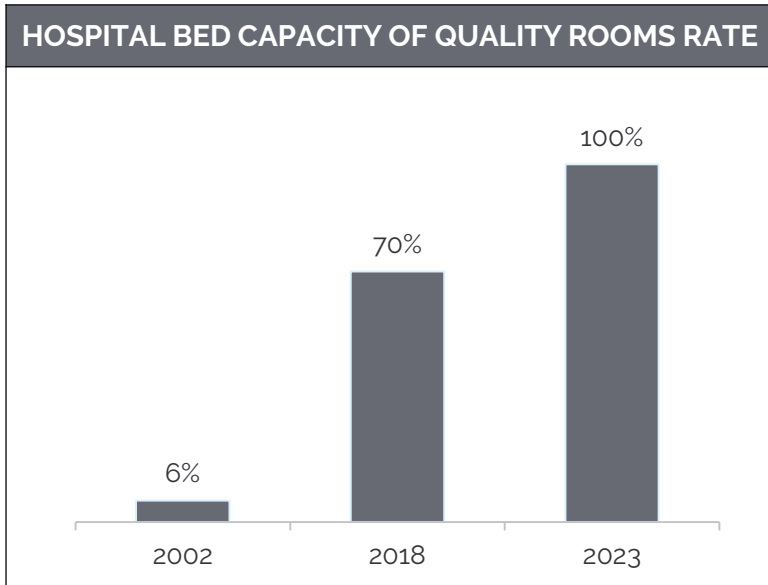




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Ambitious Targets

Turkey has set ambitious targets to upgrade its infrastructure.

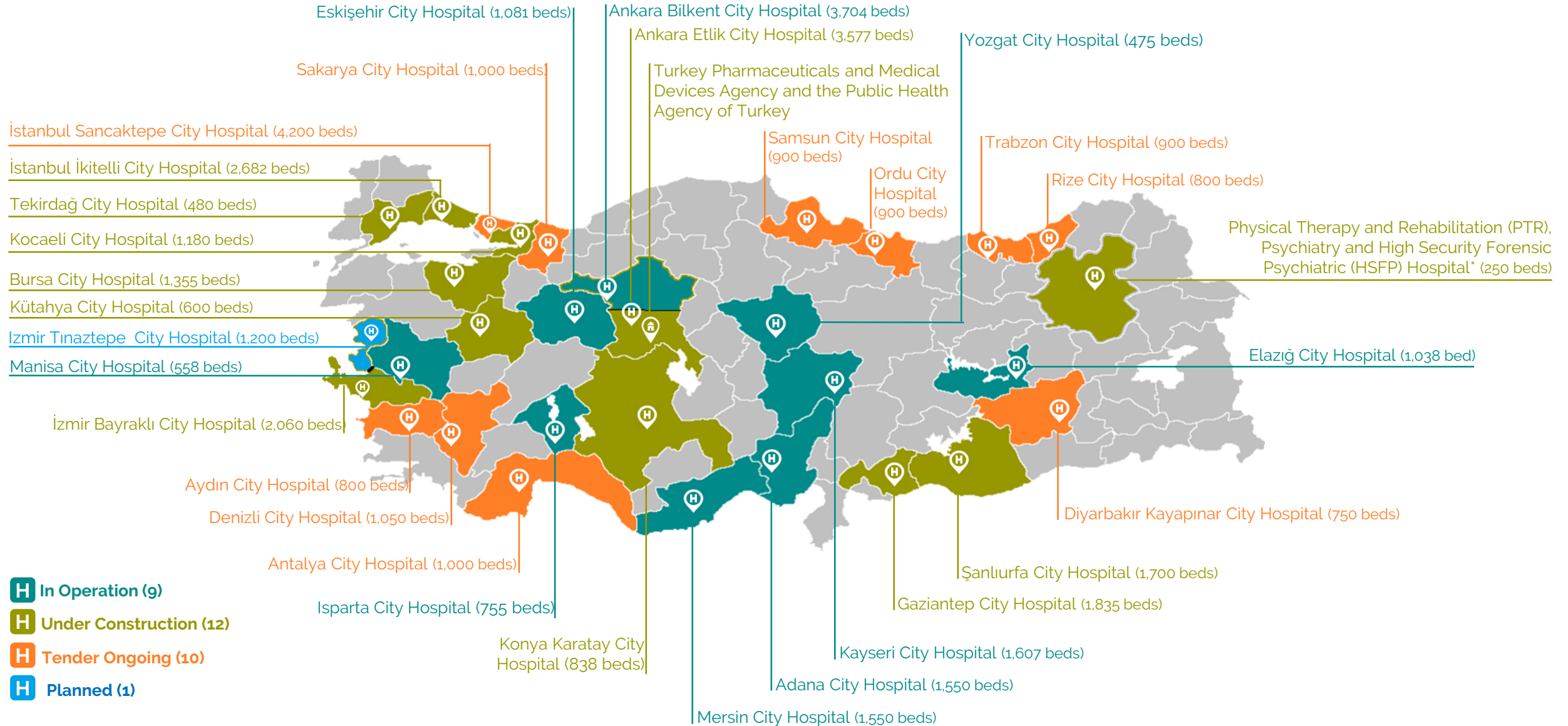




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Opportunities in Healthcare

Turkey has recently introduced new PPP projects to build *integrated healthcare campuses* across the country and more opportunities are in the pipeline..



Opportunities in Healthcare

The PPP projects are structured as design, build, finance and maintain for facilities management, while core medical services remain under the responsibility of the Ministry of Health.



PPP PROJECTS IN INTEGRATED HEALTHCARE CAMPUSES

Status	Number	Bed Capacity
Completed (in service)	9	12,062
Under Construction	12	18,747
In Tender Process	10	12,300
Planned	1	1,200
TOTAL	32	44,309





Elazığ Fethi Sekin City Hospital

- July 2014: Project awarded
- August 2018: Operational
- Operation period: 25 years



- ✓ The campus consists of three towers and annexes located around a central core and includes the following hospitals;

- General Hospital
- Maternity and Pediatric Hospital
- Detainee Forensic Psychiatry Hospital
- High Security Forensic Psychiatry (HSFP) Hospital
- Oral and Dental Health Central (ODHC)

- ✓ Bed capacity: 1,038
- ✓ LEED Gold Certificate (a designation for green buildings)
- ✓ Employment: 3,650



Main Hospital

- Beds: 888
- Polyclinic Rooms: 227
- Patient Rooms: 519
- Operating Rooms: 37
- Beds at the Intensive Care: 160

HSFP and Detainee

- Beds: 100 HSFP + 50 Detainees
- Polyclinic Rooms: 8 HSFP
- Patient Rooms: 100 HSFP + 50 Detainees

ODHC

- Polyclinic Rooms: 69
- Operating Rooms: 2

- ✓ Project Cost: €360 million = €288 million senior debt + €72 million equity

- ✓ First project benefitting from risk mitigation provided jointly by MIGA's political risk insurance coverage and EBRD's unfunded liquidity facilities

- ✓ First project bond financing for a greenfield infrastructure project in Turkey

- ✓ A1 Bonds were rated Baa2

- ✓ Vigeo Eiris certified the Elazig project bond as a 'green and social' bond – the first such certification for an infrastructure project in Turkey



- ✓ With a 20 year maturity, the bond had the longest maturity for the Turkish Integrated Health Campuses PPP Programme

Credit Enhancers



Enhanced Bondholders

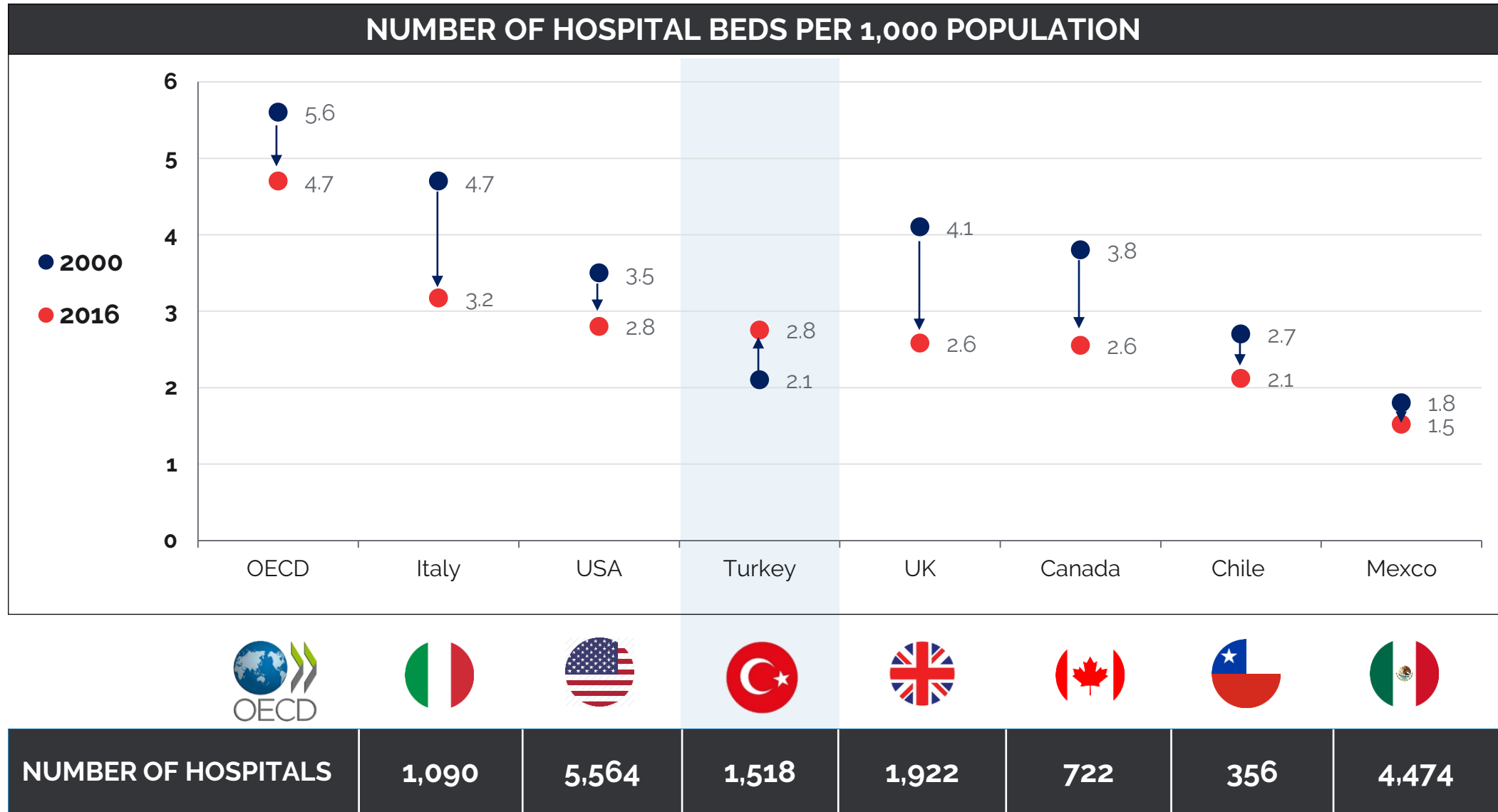


Unenhanced Bondholders



Opportunities in Healthcare

Turkey has significantly improved its healthcare services and will continue to invest in healthcare infrastructure to catch up with OECD.





The government introduced the Health Transformation Program in 2003 to provide universal healthcare services.



Universal Coverage

In 2006 Universal Health Insurance introduced to cover all citizens



Improving Infrastructure

Number of Hospital increased from **1156** in 2002 to **1519** in 2017 (bed capacity 165K to 226K)



Increasing # of Healthcare Professionals

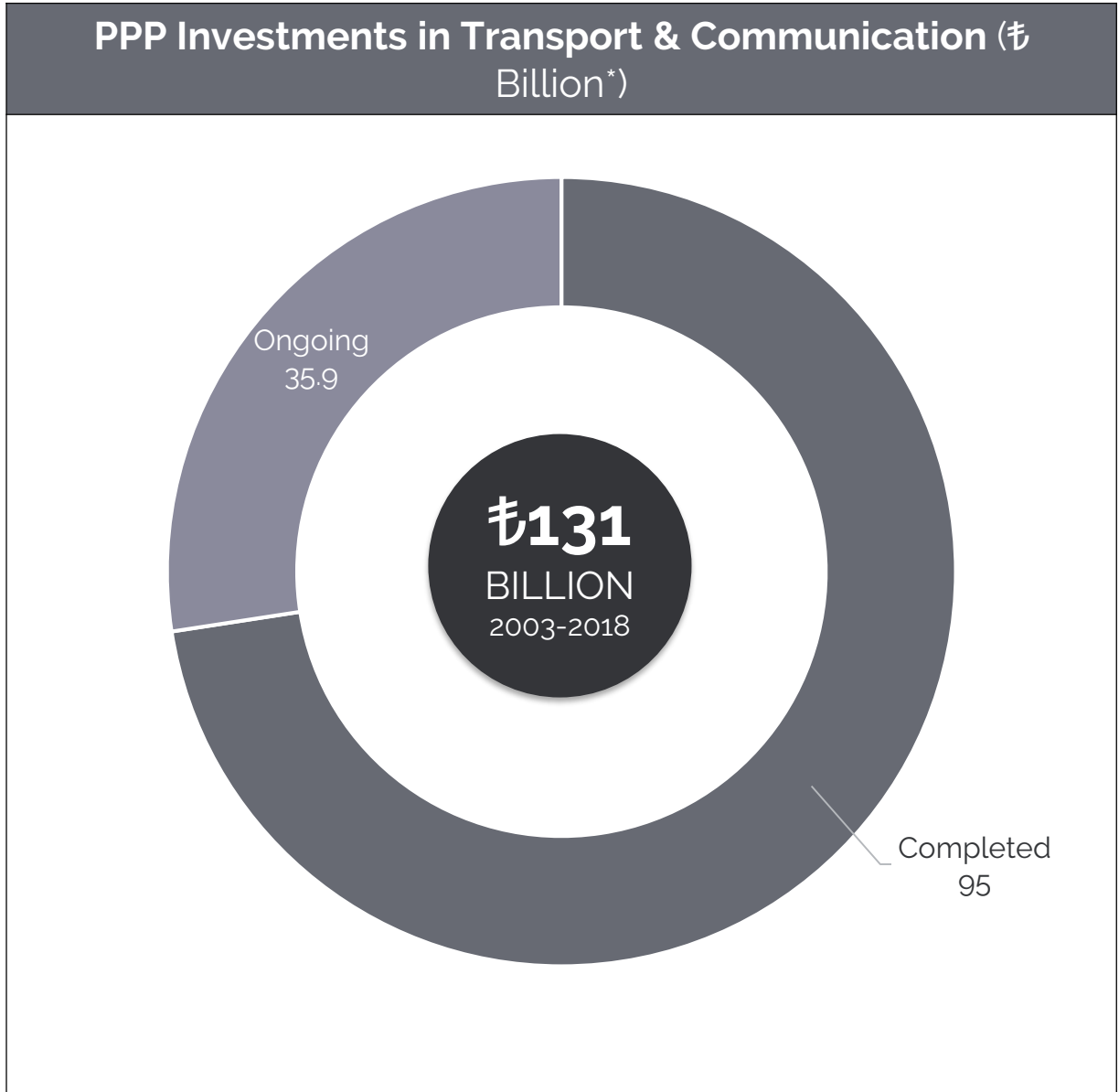
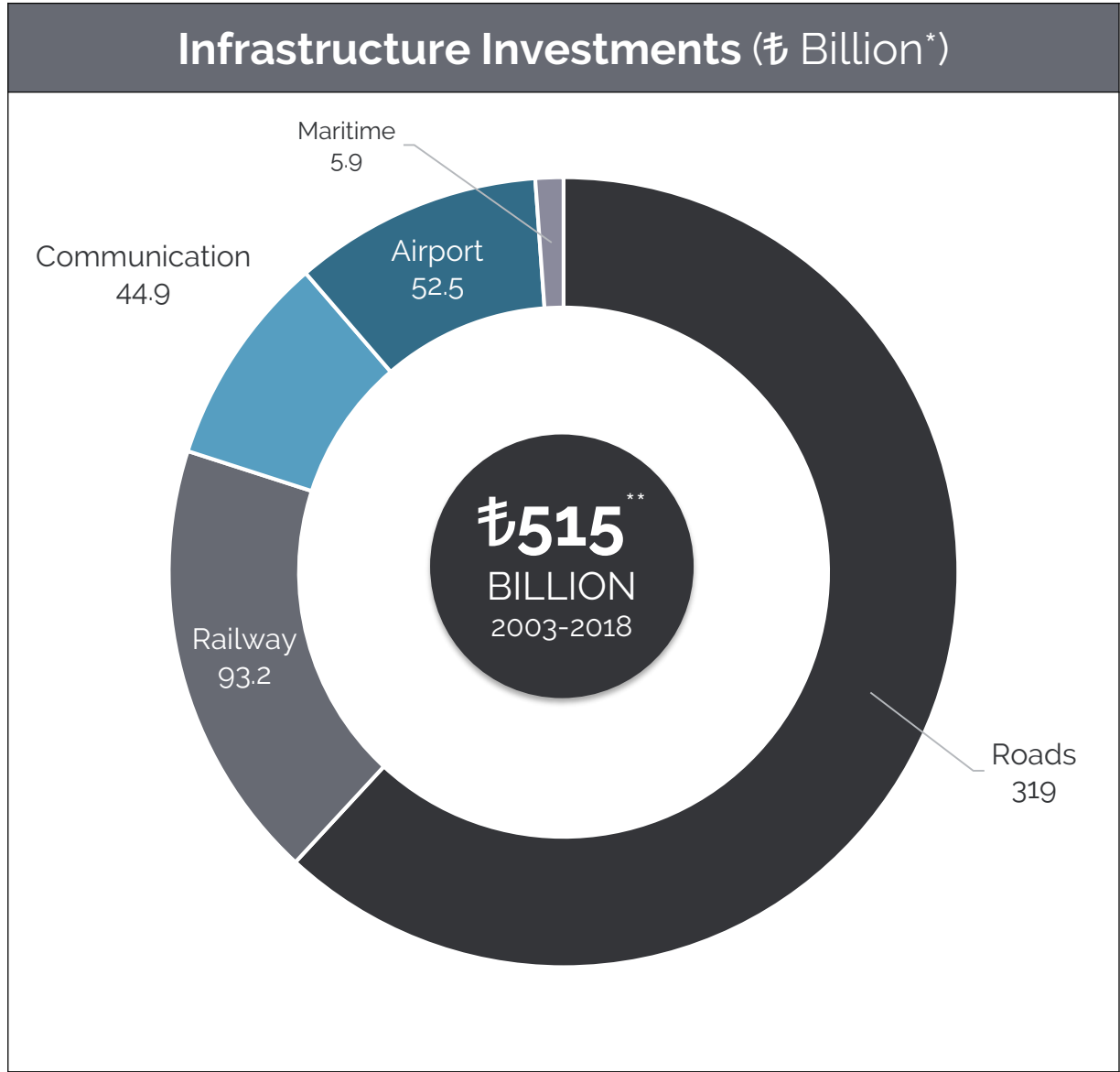
Number of Doctors increased from **92K** in 2002 to **150K** in 2017 (from 1.4 to 1.8 per 1000)



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Opportunities in Transportation

Turkey has heavily invested in transport infrastructure across the country and continues with even more ambitious targets.



Source: Ministry of Transport and Infrastructure, *at 2018 prices, **Including completed PPP investments

Opportunities in Transportation

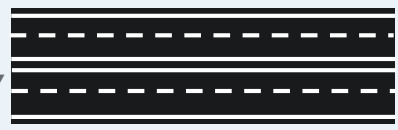
Investing in transportation has remarkably transformed Turkey's infrastructure landscape, yet Turkey is determined to improve it further..



2002

2018

DUAL
CARRIAGEWAY



6,101 km



26,655 km

HIGH SPEED
RAILWAY



0 km



1,213 km

MARITIME
CONTAINERS
TRANSPORT



2 million TEU



10.8 million TEU

NUMBER OF
AIRPORTS



26



56

Opportunities in Transportation

Motorways (toll roads) are key to Turkey's road transportation.. Around 5,000 km is in the pipeline offering significant PPP opportunities..



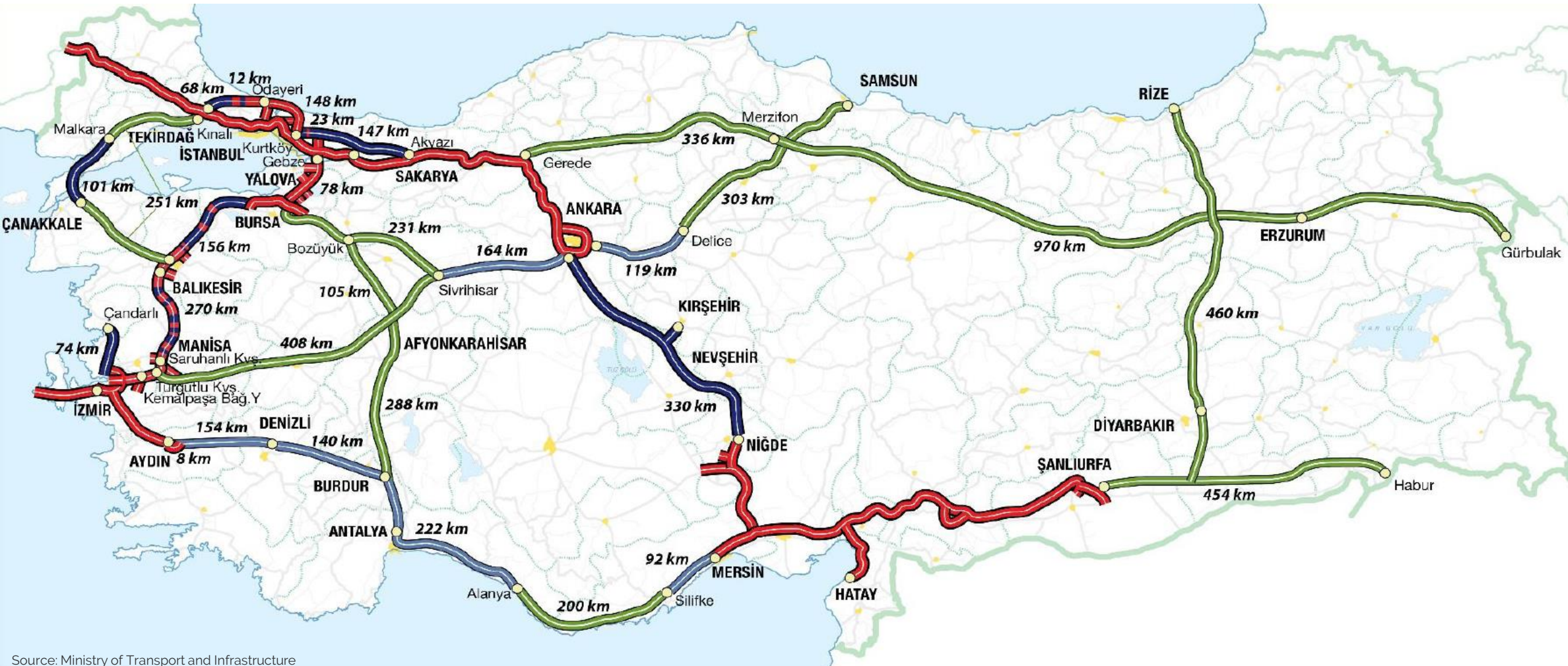
 Motorways in service (2,855 km)

 Motorways under construction (771km)

Pipeline

 Target for 2018-2023 (891 km)/BOT

 Target for 2023-2035 (4,006 km)/BOT



Opportunities in Transportation

Turkey is committed to transforming its rail transport infrastructure from conventional to high speed..



HIGH SPEED RAILWAY MAP OF TURKEY



Opportunities in Transportation

Logistics is an integral part of Turkey's transport infrastructure.. Turkey has established intermodal logistics centers alongside the Trans-Asian Railway Network to lower costs and increase efficiency of logistic networks..



- ✓ 21 logistic centers
- ✓ 35 million tons additional transport capacity
- ✓ 12.8 million m² container storage and handling area


LOGISTICS CENTERS





Opportunities in Transportation

Turkey has significantly improved and upgraded its airport infrastructure and continues to invest in airports..



 Terminals under construction/study

 Airports under construction/study

 Planned Airports

Showcase Projects

Turkey has implemented a variety of mega projects with BOT model and continues to do so..



ISTANBUL NEW AIRPORT



- ◆ Set to become world's largest airport
- ◆ Annual capacity of 200 million passengers
- ◆ Commissioned in April 2019
- ◆ Investment of \$6.5 billion

YAVUZ SULTAN SELIM BRIDGE



- ◆ 95 km-long motorway featuring a bridge for rail & motor vehicle transit over Bosphorus
- ◆ Commissioned in August 2016
- ◆ Investment of \$3.5 billion

GEBZE – ORHANGAZI – İZMİR MOTORWAY



- ◆ 427 km-long motorway connecting Istanbul, Bursa & İzmir via world's 4th longest suspension bridge
- ◆ Bridge commissioned in 2016
- ◆ Investment of \$6.5 billion

EURASIA TUNNEL



- ◆ Double-deck underwater tunnel connecting Asia & Europe in Istanbul
- ◆ Commissioned in December 2016
- ◆ Investment of \$1.2 billion



1915 Çanakkale Bridge



- ✓ Longest main span (2,023 m) of any suspension bridge in the world
- ✓ Bridge Length: 4,608 m
- ✓ 88 km motorway (including the Bridge)
- ✓ Construction started in March 2017
- ✓ Operation to start by 2023
- ✓ Operation period: 16 years 2 months (including construction)
- ✓ Investment: \$2.8 Billion with BOT

Opportunities in Transportation

Turkey is set to implement a magnificent feat of engineering projects; an artificial sea-level waterway connecting the Black Sea to the Sea of Marmara, and a triple-deck tunnel under Bosphorus Strait ..



Tender process to start soon



KANAL ISTANBUL

- ✓ 43 km, 25 m depth and 150 m width
- ✓ 6 bridges
- ✓ New satellite cities

GRAND ISTANBUL TUNNEL

- ✓ Triple-deck with 17.5 m in diameter and 4.5 km in length
- ✓ 2x2 lane highway and dual line metro
- ✓ 30 km metro line with 13 stations and 16 km highway

Opportunities in Transportation

Another exemplary transportation project is also envisaged in İzmir.

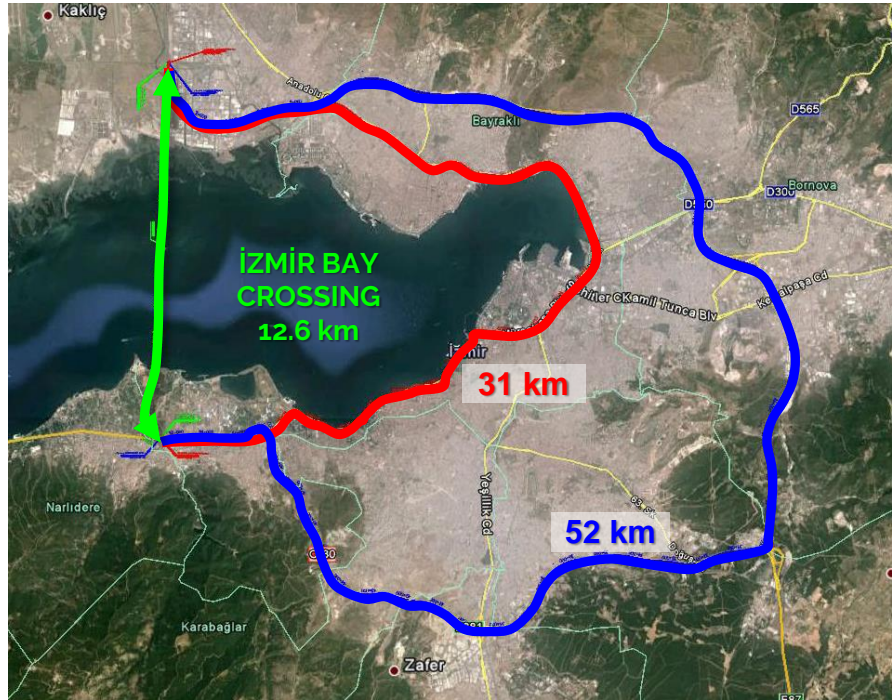


İZMİR BAY CROSSING

connecting south and north coasts of İzmir Bay;

- ✓ Total length: 12.6 km
 - ✓ 4,175 m bridge
 - ✓ 1,903 m submerged tube tunnel
 - ✓ 880 m artificial island

SUBMERGED TUBE TUNNEL SECTION



Artificial Island



Opportunities in Transportation

Turkey is also investing in maritime transportation infrastructure..



Port of Filyos

- Ongoing infrastructure construction
- 25 million ton/year capacity
- With special economic zones in the hinterland
- Port management to be BOT model

Port of Çandarlı

- 1,500 m jetty work completed
- To reach 4 million TEU/year capacity in 3 phases;
 - Phase I: 1 million TEU
 - Phase II: 2 million TEU
 - Phase III: 1 million TEU
- Tender for Phase I expected
- Port management to be BOT model

Mersin Container Port

- Studies ongoing
- 12.8 million TEU/year capacity
- Port management to be BOT model





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Opportunities in Energy

As Turkey heavily depends on energy import, specific targets have been set to diversify the energy mix and utilize indigenous resources to reduce dependence on imports..



WIND POWER

More than 10GW in the pipeline to reach 16GW installed wind power capacity by 2027, up from 7GW as of 2018.



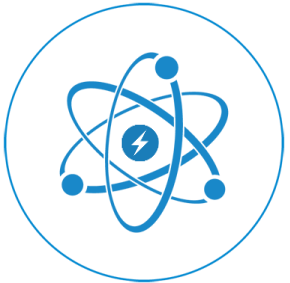
SOLAR POWER

More than 10GW in the pipeline to reach 16GW installed solar power capacity by 2027, up from 5GW as of 2018.



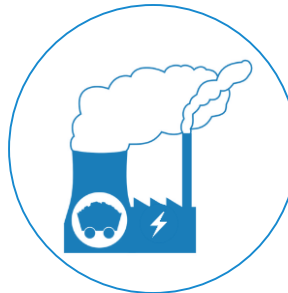
GEO THERMAL POWER

3GW potential in the pipeline in addition to existing 1.3GW capacity as of 2018



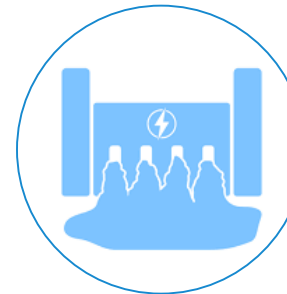
NUCLEAR ENERGY

To have 8 nuclear reactors with ~10GW capacity operational and start building 4 additional reactors with 5GW capacity by 2023



LIGNITE & COAL

To utilize all known indigenous coal & lignite resources of 20GW potential in addition to existing total 19GW capacity as of 2018



HYDRO POWER

34GW installed hydro power capacity by 2023, up from 28.3GW as of 2018

Opportunities in Energy

Turkey is realizing the targets one by one through successful PPP models with strong participation of international players..



RENEWABLE ENERGY RESOURCES AREAS (YEKA)

YEKA aims to use renewable energy resource sites more effectively and efficiently in Turkey through large-scale mega projects with a high share of locally manufactured technologies.

The YEKA scheme is highly attractive with *guaranteed feed-in-tariffs* for 15 years.



SOLAR



WIND

1,000-MW solar power project tender in March 2017 won by;



\$1.3 billion investment is expected. The project will be fully operational in 36 months with a power take-off price of \$0.0699 kWh.

1,000-MW wind power project tender in July 2017 won by the consortium of;



More than \$1 billion investment is expected. Turbines to be installed by 2019, with a power take-off price of \$0.0348 kWh.

NUCLEAR POWER GENERATION

Turkey considers nuclear power generation as a key element of securing energy supply and reducing dependency on energy imports.

Turkey has already started to build its first nuclear power plant while preparatory work for the second and third plants is underway.



The governments of Russia and Turkey signed a cooperation Agreement in 2010 to build a nuclear power plant consisting of four power units of NPP-2006 project with VVER-1200 reactors of total capacity 4.8GW in Turkey.

The project is the world's first NPP project implemented on BOO (build-own-operate) principle.

The groundbreaking ceremony was held in April 2017, construction underway.



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Foreign Direct Investment Law



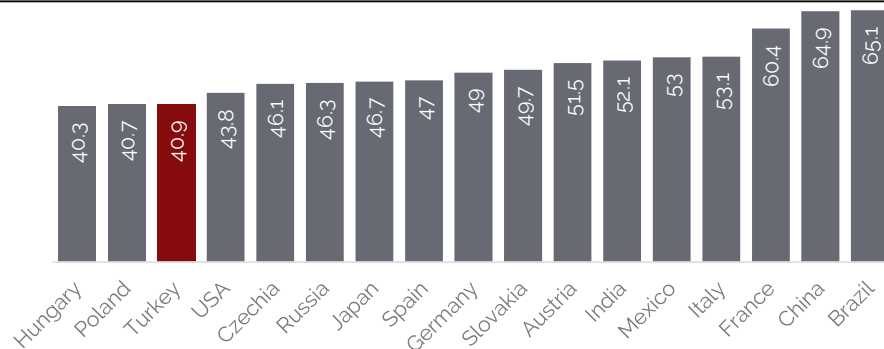
Bilateral Investment Protection Treaties with 75 countries



Treaties to avoid Double Taxation with 80 countries

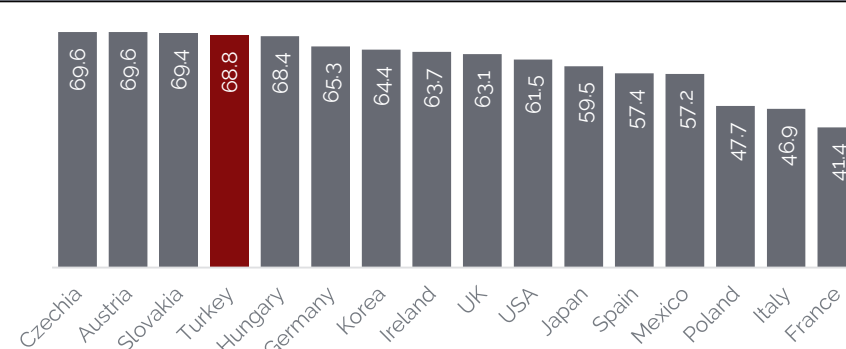


Total Tax and Contribution Rate, 2018 (% of Profit)



International Tax Competitiveness, 2018

(Index=100 as most competitive)



Source: Ministry of Economy, Ministry of Finance, WB Doing Business Report, Total Tax Rate: Profit or corporate income tax, social contributions and labor taxes paid by the employer, property taxes, turnover taxes and other taxes (such as municipal fees and vehicle taxes). Tax Foundation (Tax competitiveness measures countries' tax policies five categories: corporate income tax, consumption taxes, property taxes, individual taxes, and international tax rules.)



Models and Legal Framework for PPP in Turkey

	Build-Operate-Transfer (BOT)	Build-Operate	Build-Lease-Transfer	Transfer of Operating Rights
Relevant Legislation (Law No)	N° 3996 N° 3465 N° 3096	N° 4283	N° 652 N° 6428 N° 351	N° 4046 N° 5335 N° 4458
Sectors	Motorway Port Airport Marina Border Gate Power Plant	Thermal Power Plant	Hospital College Dormitory School	Airport Port Power Plant Electricity Distribution



DEBT ASSUMPTION

The government may assume project companies' foreign debt in BOT and BLT projects either partially or in full. In order to qualify for debt assumption, the minimum investment must be ₺1 billion in BOT projects and ₺500 million in BLT projects.



TAX INCENTIVES

Exemptions from certain fees and taxes (VAT and Stamp Duty). In addition, where applicable, PPP investors may benefit from corporate tax deductions and other financial incentives.



LAND

PPP projects in Turkey allow free use of government-owned land and expropriation.

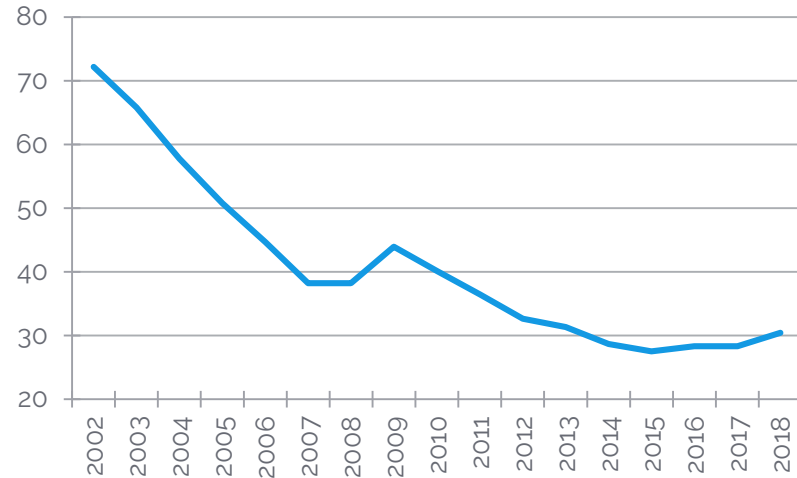


REVENUE GUARANTEE

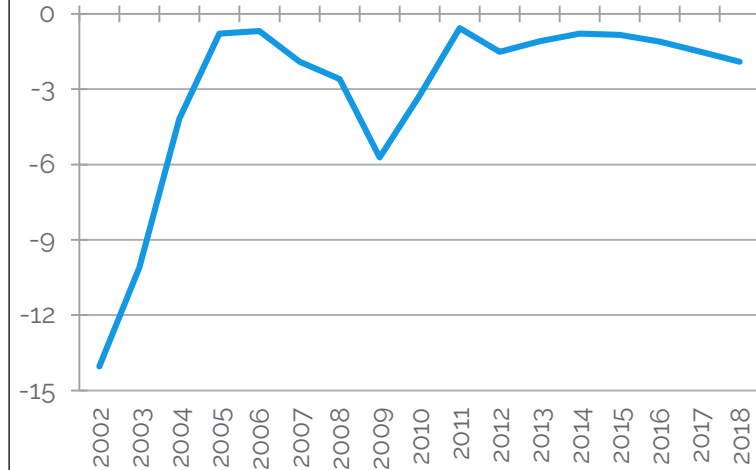
Certain PPP projects provide minimum revenue guarantees.



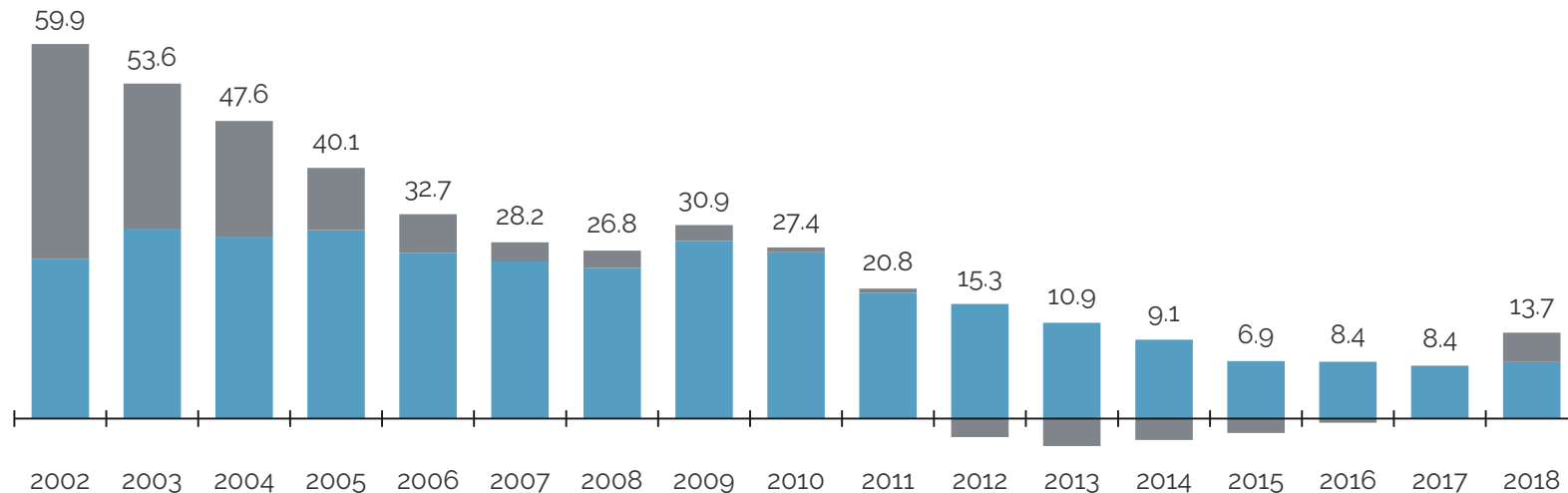
Gross Public Debt Stock as % of GDP



Budget Balance as % of GDP



Net Public Debt Stock as % of GDP



Source: Ministry of Treasury and Finance, Gross Public Debt Stock and Budget Balance as defined by the EU, Net Public Debt Stock as defined Gross Public Debt Stock minus Central Bank net assets, public sector assets (all deposits accounts and other financial assets) and unemployment insurance fund net assets.



THE ISLAMIC CORPORATION FOR
THE INSURANCE OF INVESTMENT
AND EXPORT CREDIT



JAPAN
BANK FOR
INTERNATIONAL
COOPERATION

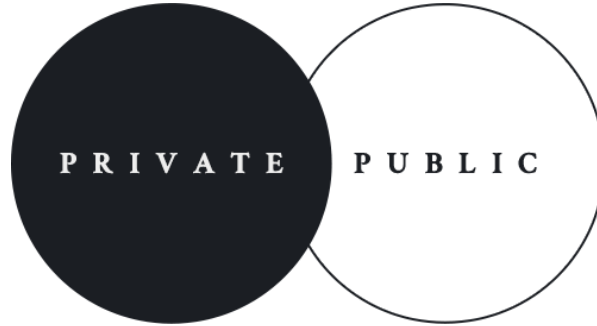


What can Invest in Turkey do for you?

... assist you before, during and after your entry into Turkey



A governmental agency reporting to the President



Private sector approach with public sector capabilities



Acting as your solution partner



General & customized business information & Sectoral analysis & reports

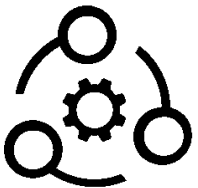


Site selection support to find appropriate location/land for your investment



Arrangements of meetings with governmental bodies and other stakeholders

AFTERSALES



Facilitating your investment at all stages



Matchmaking with local partners & establishing business linkages



Project launch & Press release Services



Facilitating your visit to Turkey



- Ministry of Transport and Infrastructure: <http://www.uab.gov.tr/>
- Healthcare Investments (Ministry of Health): <http://www.saglikyatirimlari.gov.tr/>
- Ministry of Energy and Natural Resources: <http://www.enerji.gov.tr/>
- Ministry of Treasury and Finance: <https://www.treasury.gov.tr/>
- Presidency of Strategy and Budget: <http://www.sbb.gov.tr/>
- Turkish Wealth Fund: <http://turkiyevarikfonu.com.tr/>
- Privatization Administration: <http://www.oib.gov.tr/>

- European Bank for Reconstruction and Development: <http://www.ebrd.com/turkey.html>
- European Investment Bank: <http://www.eib.org/infocentre/contact/offices/turkey-istanbul.htm>
- International Finance Corporation: <http://www.ifc.org/>
- Banks in Turkey: <https://www.bddk.org.tr/Institutions-Category/Banks/22>



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