



REPUBLIC OF TURKEY
INVESTMENT
SUPPORT & PROMOTION
AGENCY

INVESTING IN INFRASTRUCTURE AND PUBLIC PRIVATE PARTNERSHIP IN **TURKEY**

April 2018



- **Executive Summary**
- Need for Infrastructure Investment
- Track Record
- Opportunities
- Benign Investment Climate



Investment Need for Development

- Turkish economy is robustly growing with an average annual GDP growth rate of 5.7%.
- Turkey's 81-million strong population is growing with additional 1 million 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 \$135 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 by 2023, the centennial of the Republic of Turkey.
- 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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2016-2040

\$569 Billion

Investment current trends

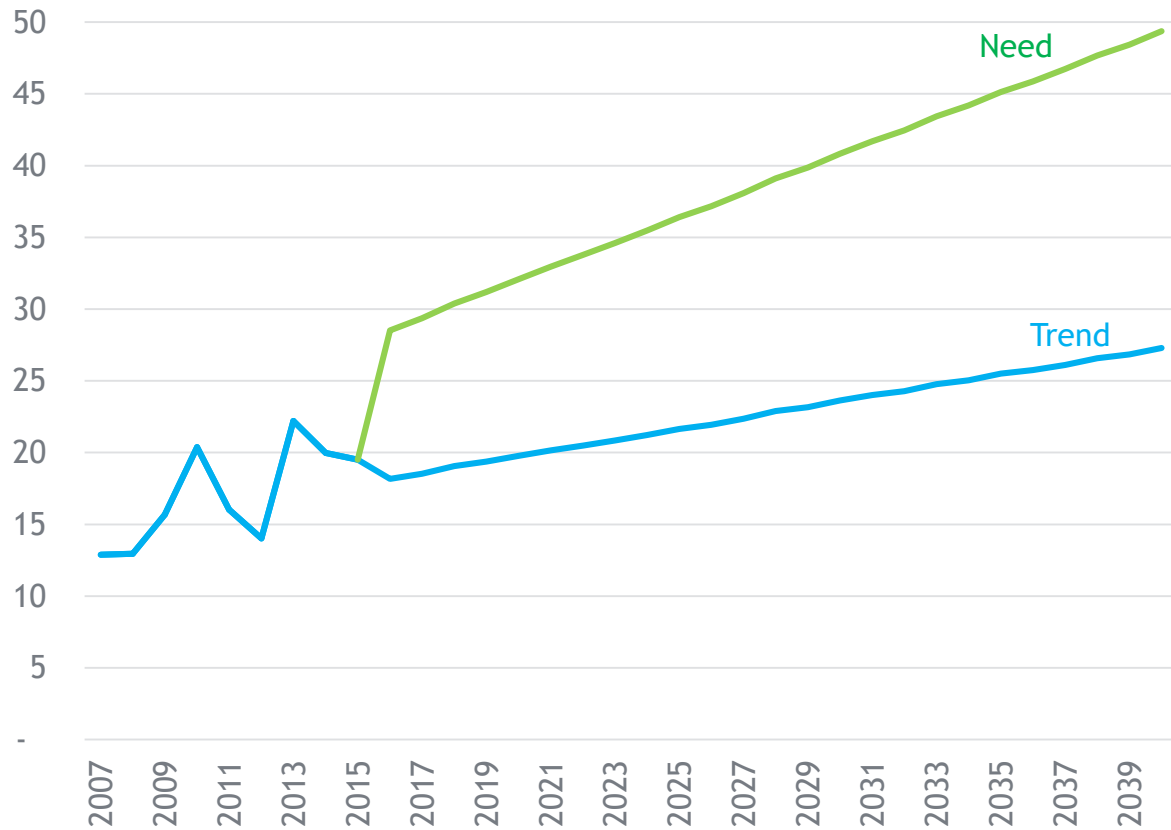
\$975 Billion

Investment needed

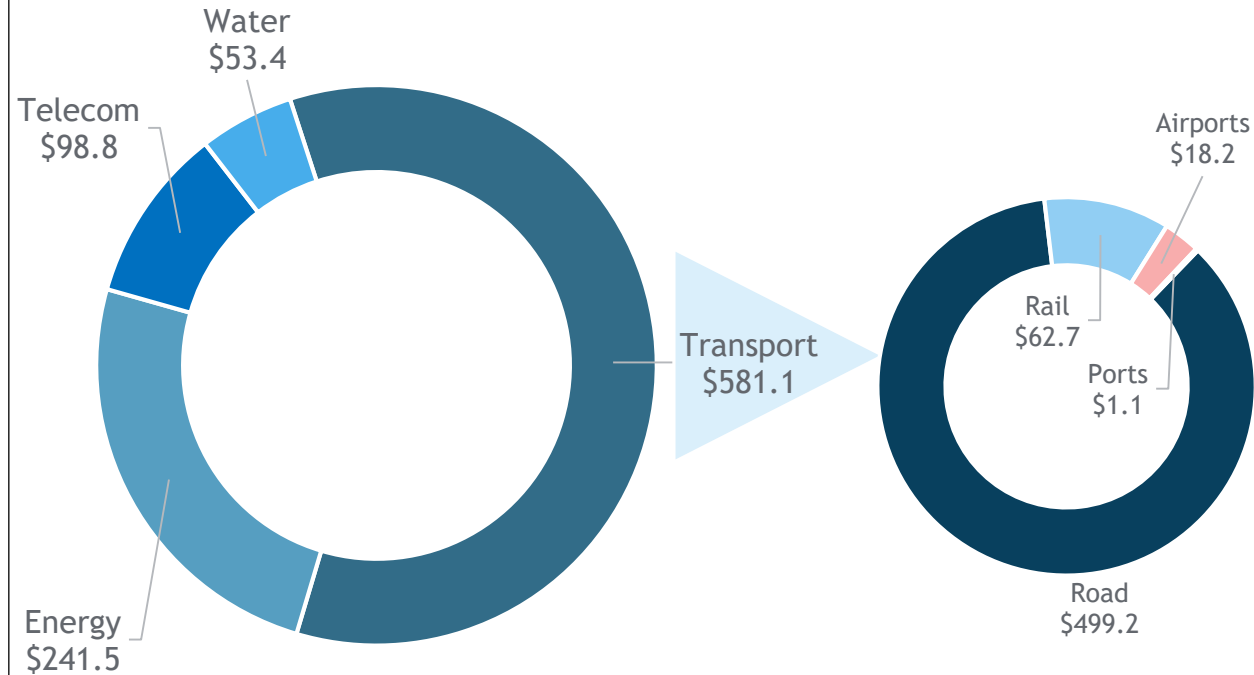
\$405 Billion

Investment gap

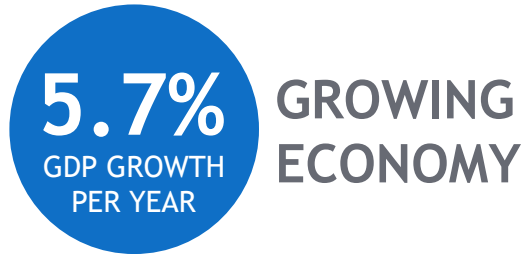
Turkey's Infrastructure Current Trends and Need (\$Billion)



Investment Need by Sector (2016-2040)



Investment Gap by Sector: \$335.5 bn in Road, \$48 bn in Energy, \$19 bn in Rail, \$2.2 in Water, \$0.7 bn in Airports and Ports



Turkish economy has been robustly growing with an average annual GDP growth rate of 5.7 from 2002 to 2017



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



Tukey's foreign trade volume has increased from \$88 billion in 2002 to \$391 billion in 2017



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



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



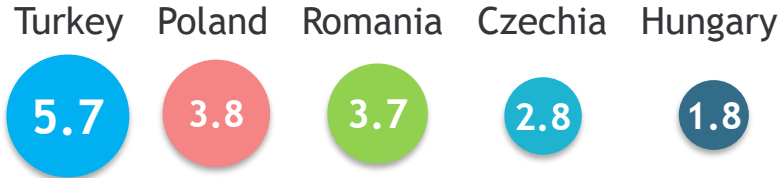
In order to maintain competitiveness, Turkey needs to enhance efficiency and productivity by investing in infrastructure

Robust Economy

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

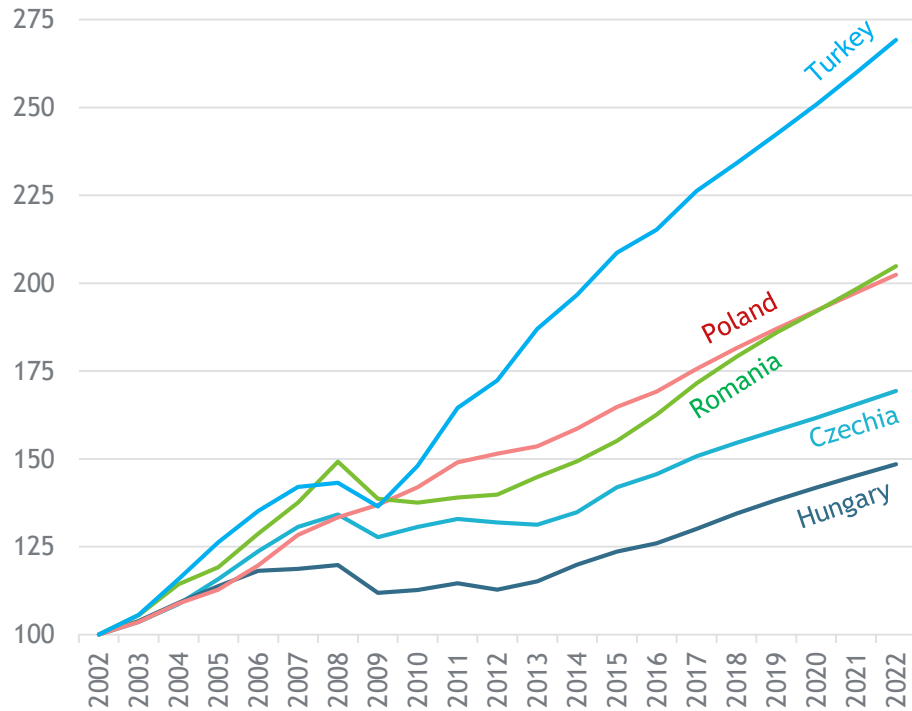


Average Annual GDP Growth (%), 2003-2017



13th largest economy in the world

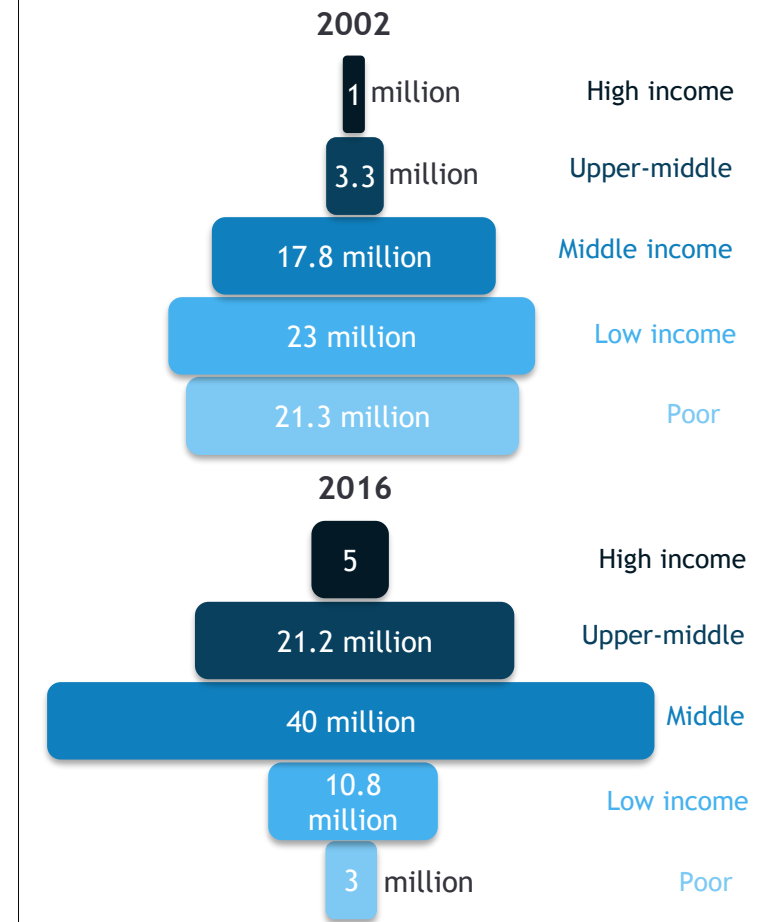
Real GDP Growth (Index: 2002=100)



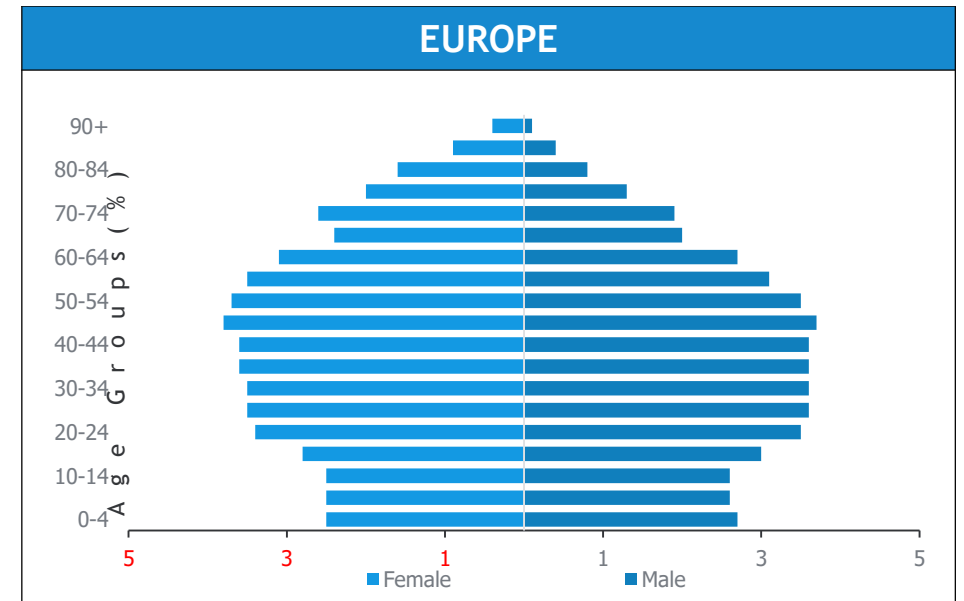
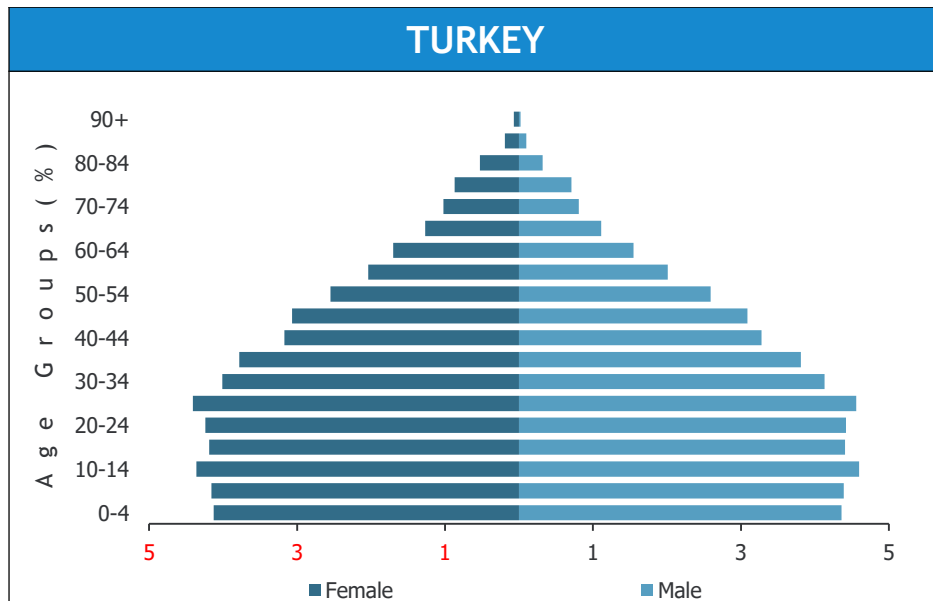
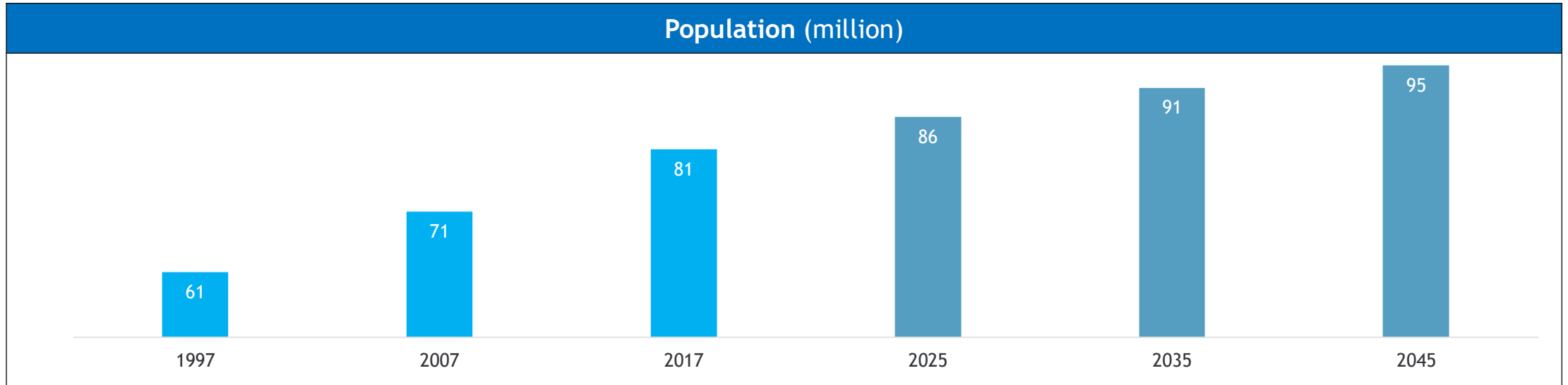
Ranking of Economies by GDP at PPP

2003	2016	2021
1 USA	1 CHINA	1 CHINA
2 CHINA	2 USA	2 USA
3 JAPAN	3 INDIA	3 INDIA
4 GERMANY	4 JAPAN	4 JAPAN
5 INDIA	5 GERMANY	5 GERMANY
6 RUSSIA	6 RUSSIA	6 RUSSIA
7 FRANCE	7 BRAZIL	7 INDONESIA
8 UK	8 INDONESIA	8 BRAZIL
9 BRAZIL	9 UK	9 UK
10 ITALY	10 FRANCE	10 FRANCE
11 MEXICO	11 MEXICO	11 MEXICO
12 INDONESIA	12 ITALY	12 TURKEY
13 SPAIN	13 TURKEY	13 ITALY
14 CANADA	14 S. KOREA	14 S. KOREA
15 S. KOREA	15 S. ARABIA	15 S. ARABIA
16 S. ARABIA	16 SPAIN	16 SPAIN
17 IRAN	17 CANADA	17 CANADA
18 TURKEY	18 IRAN	18 IRAN

Number of individuals by annual disposable income per capita

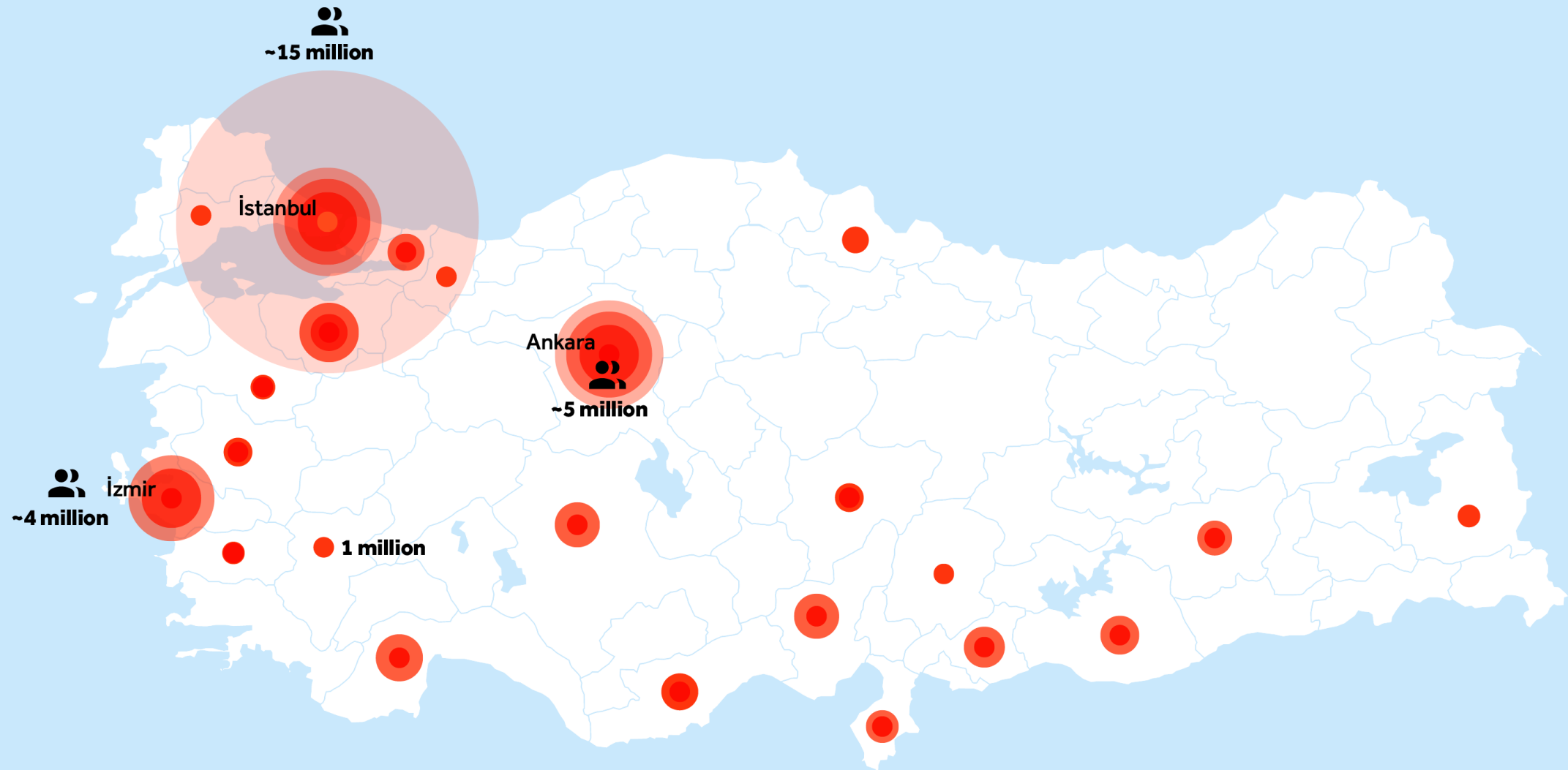


High income (>\$55K); High income (>\$55K) Upper-middle (\$25K - \$55K); Middle (\$10K - \$25K); Low (\$5K - \$10K); Poor (<\$5K)





More than 20 urban centers with populations over 1 million

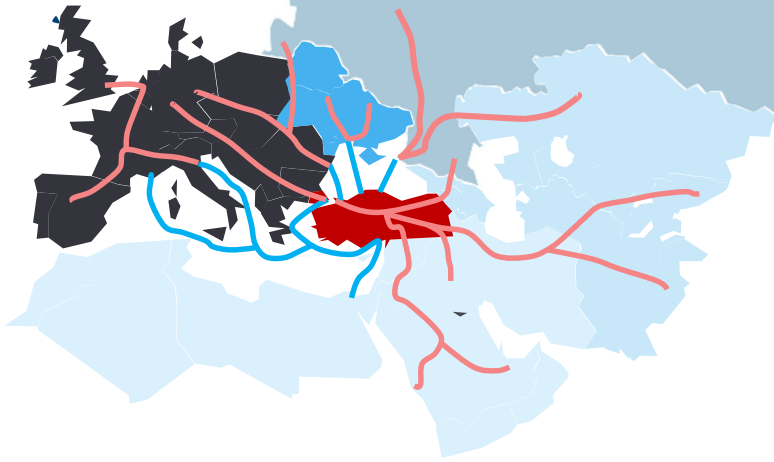


Strategic Location

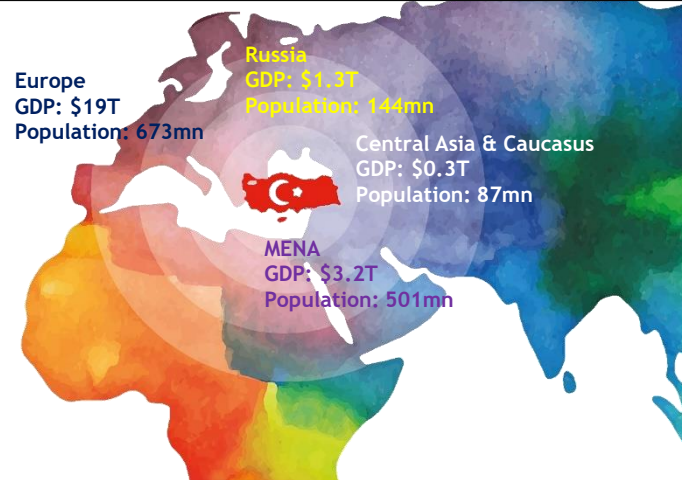
Turkey is strategically located at the epicenter of trade routes, which require a developed transportation infrastructure..



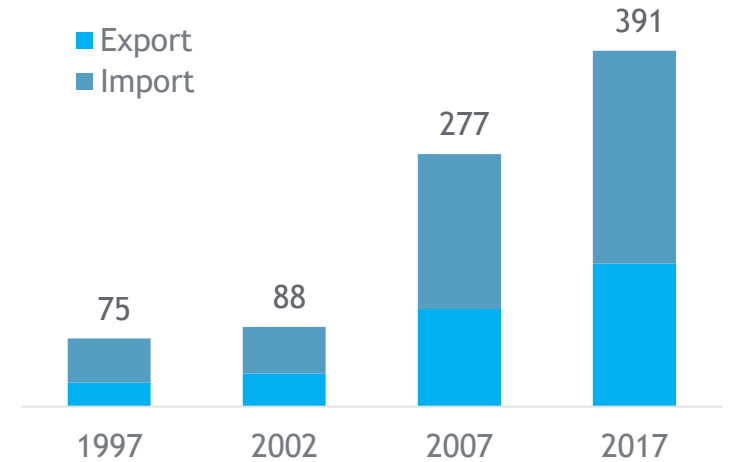
Connectivity with key markets through road, rail, sea and air..



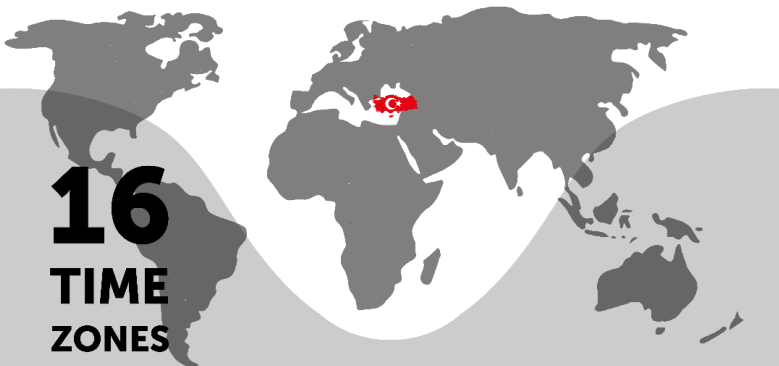
Proximity to major markets (1.5 billion people and \$24T GDP* at 4 hour flight-distance)



Turkey's Foreign Trade (\$ Billion)



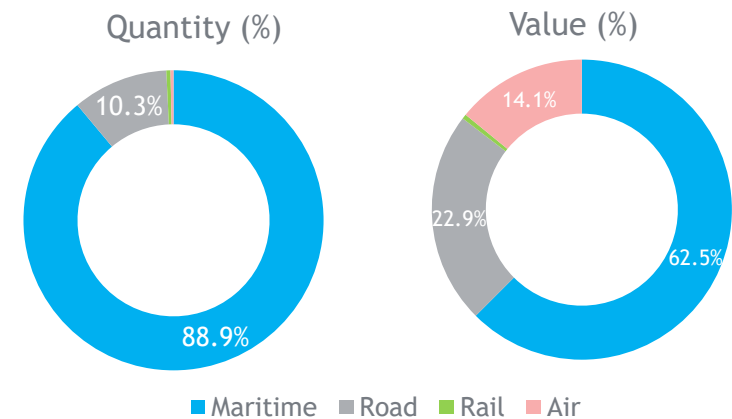
Follow and cover markets in 16 time zones from New York to Tokyo



Already a manufacturing & export hub for global companies..

- TOYOTA** Exporting 85% of its production
- Ford** Exporting 77% of its production
- Nestle** Production base for MENA
- BOSS HUGO BOSS** Largest production facility worldwide

Turkey's Foreign Trade by Mode of Transportation (2017)

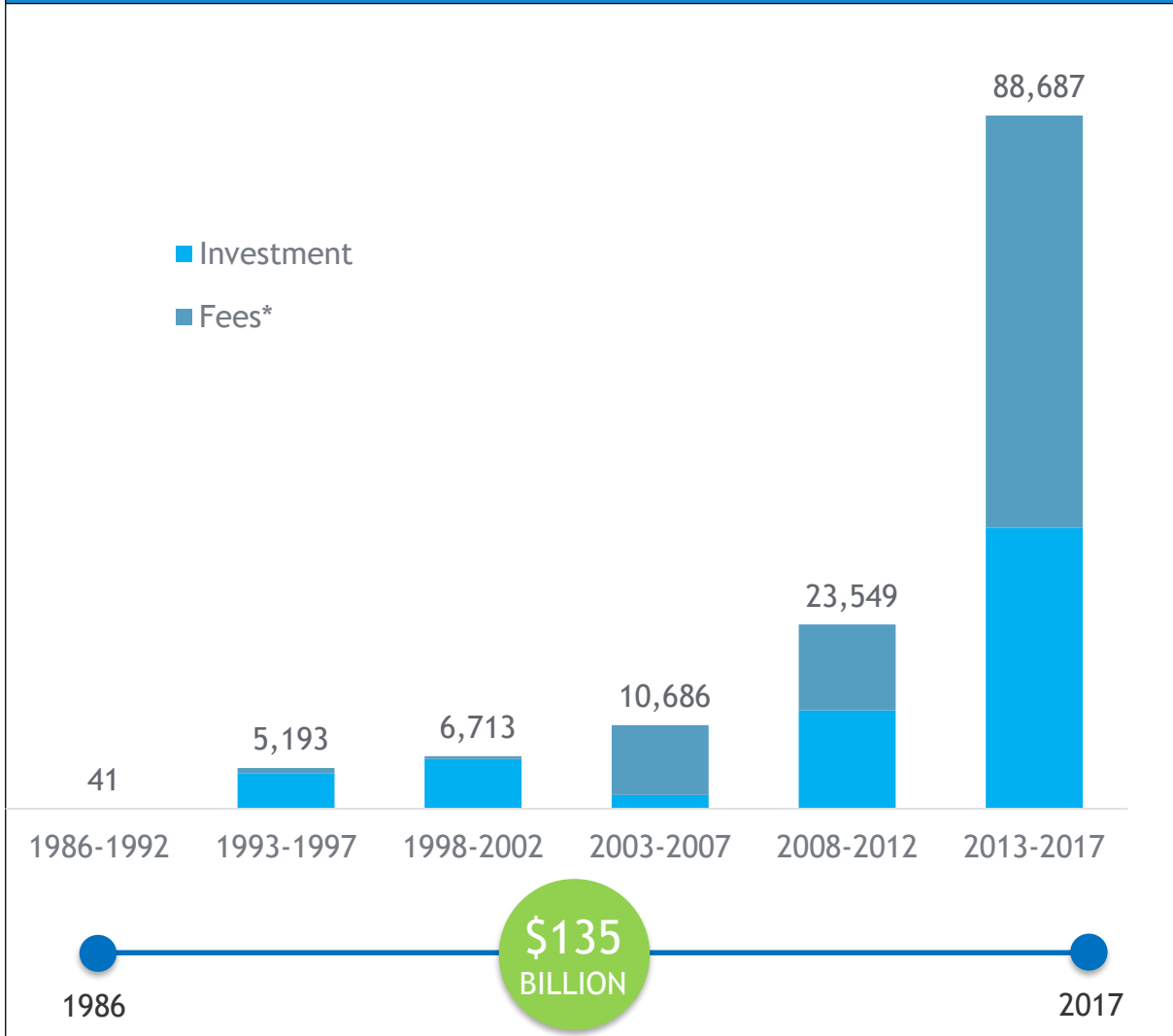




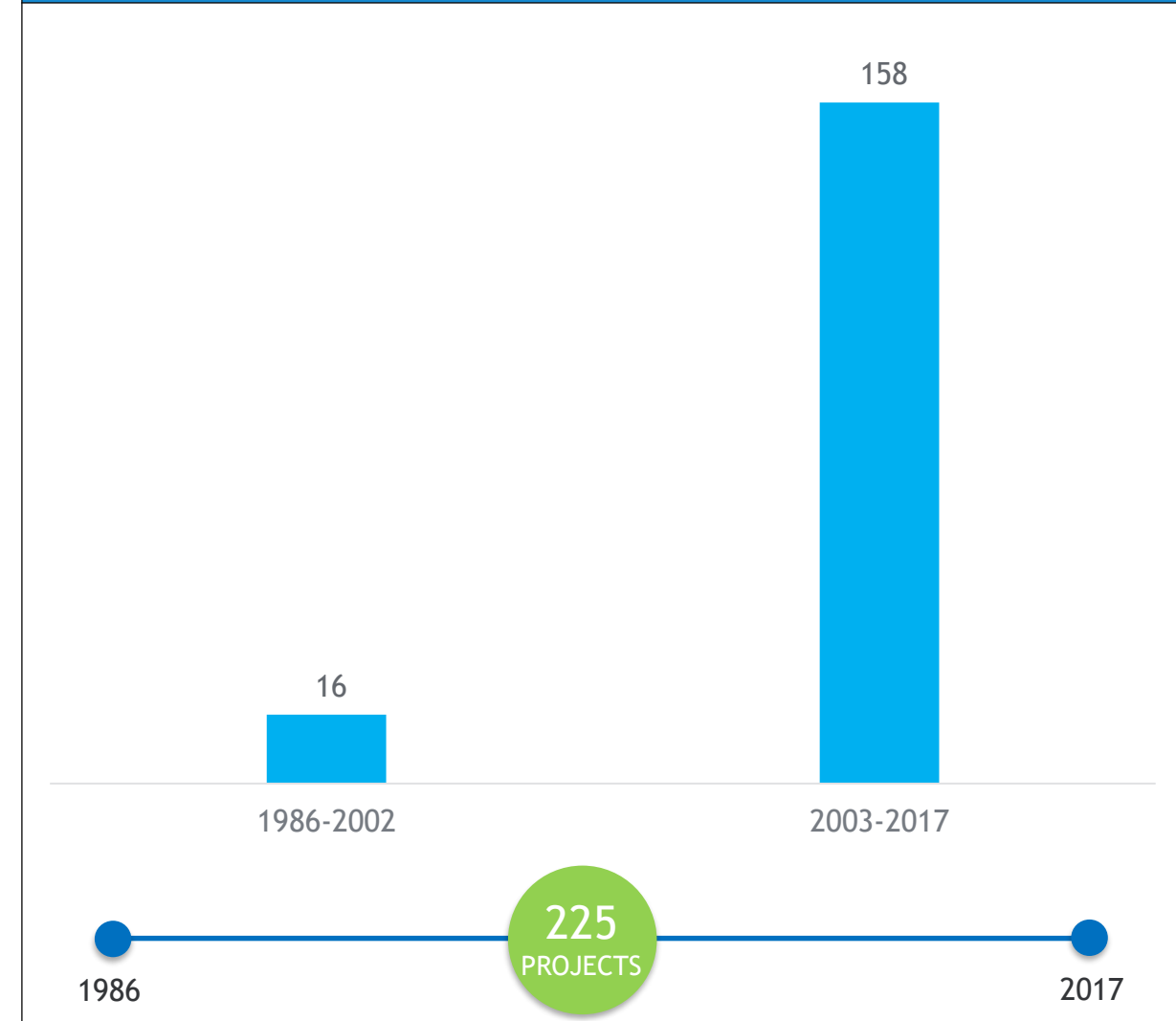
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PPP Contracts in Turkey (\$ Million)

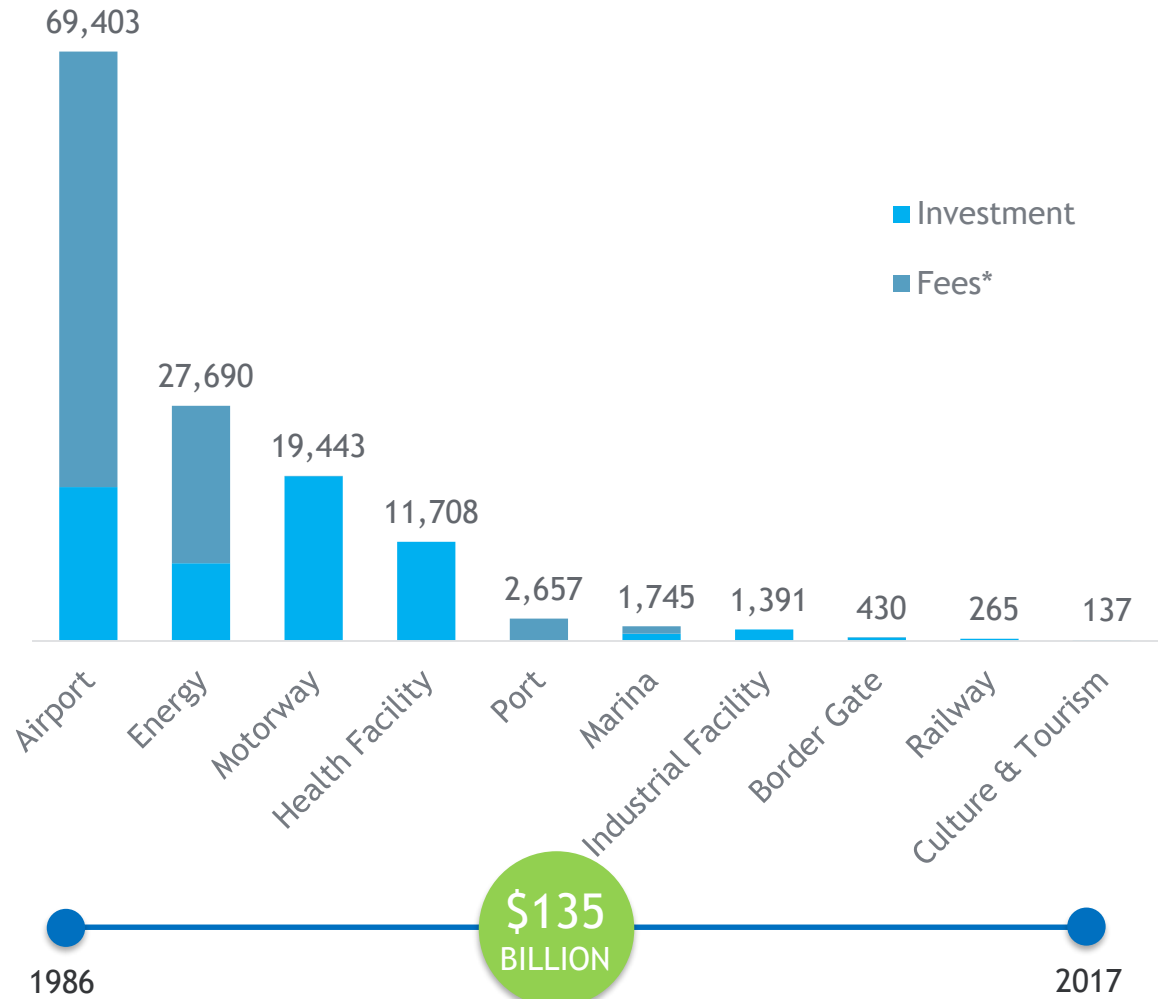


Number of PPP Projects in Turkey

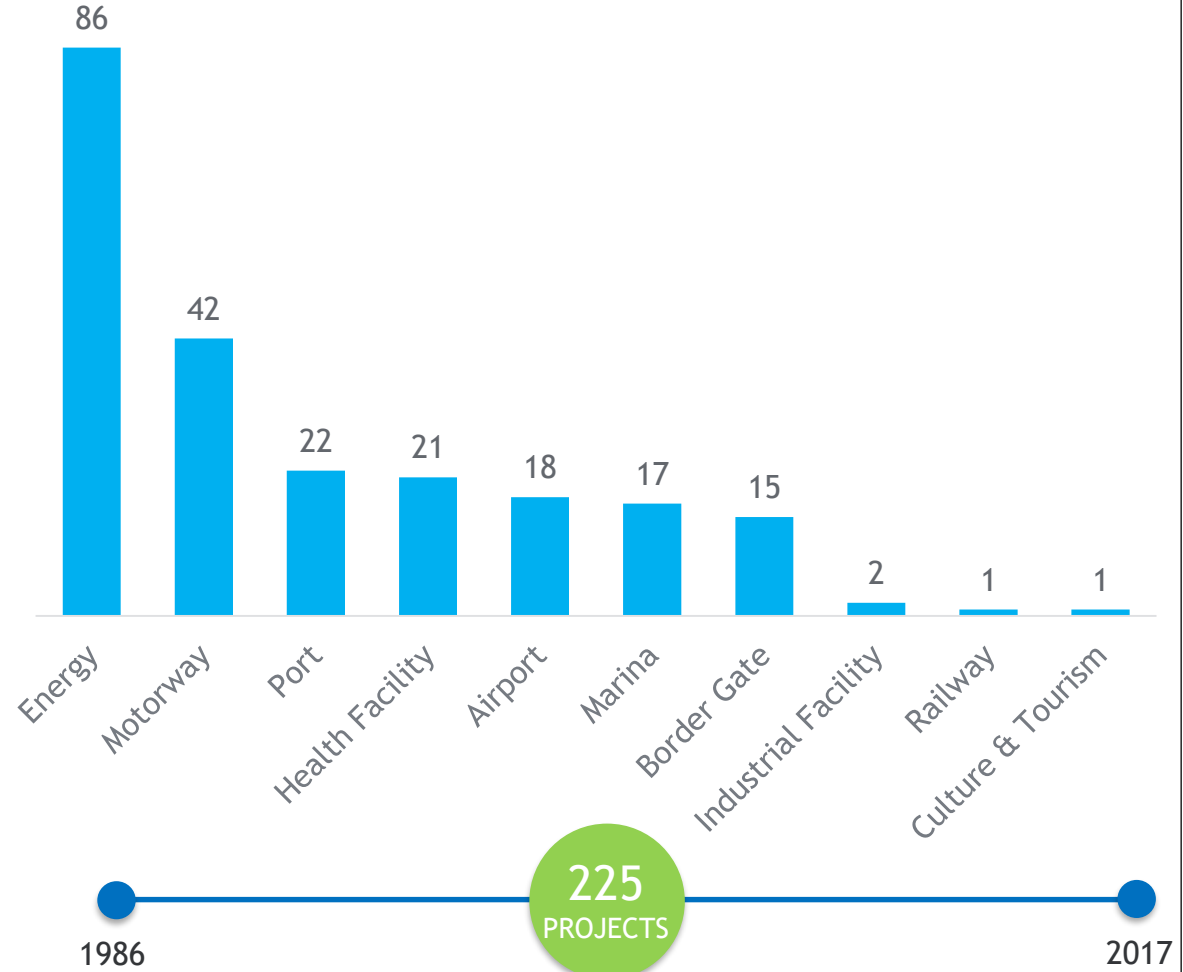




Breakdown of the PPP Contracts (\$ Million)

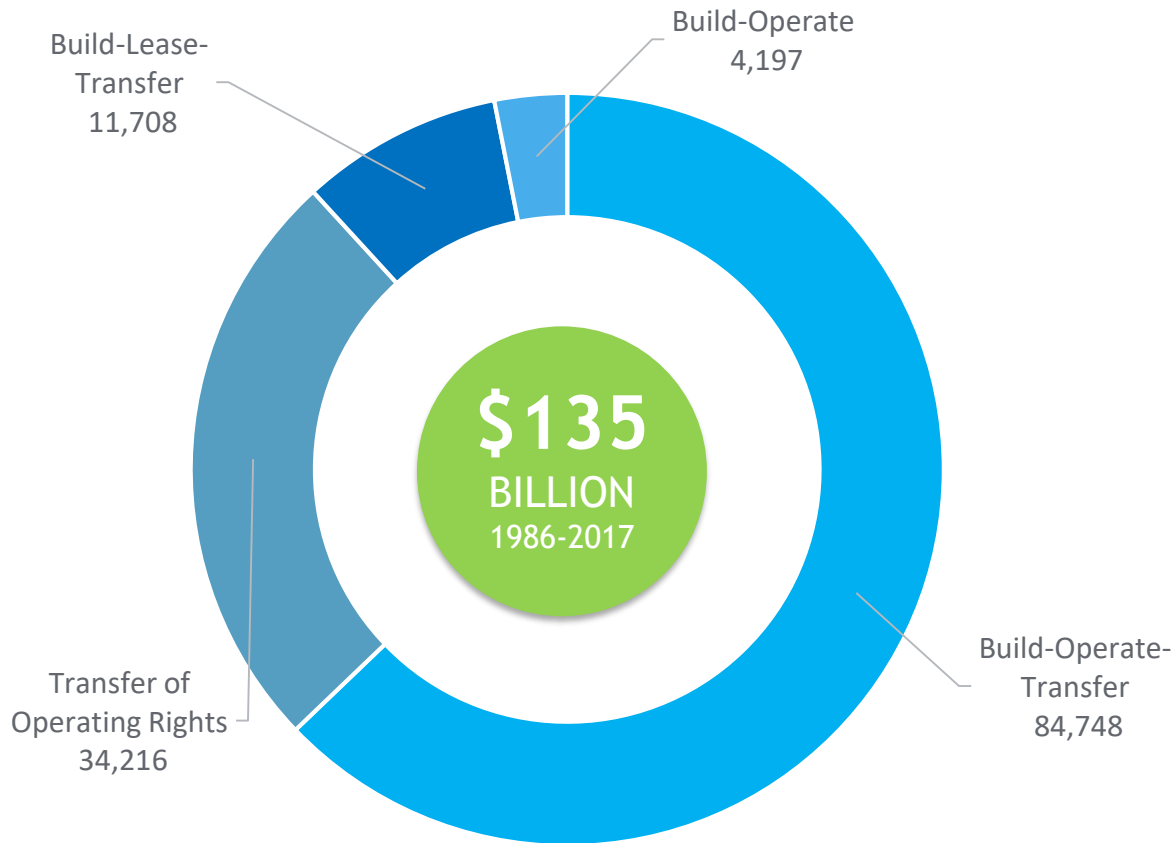


Breakdown of the PPP Contracts (Number)

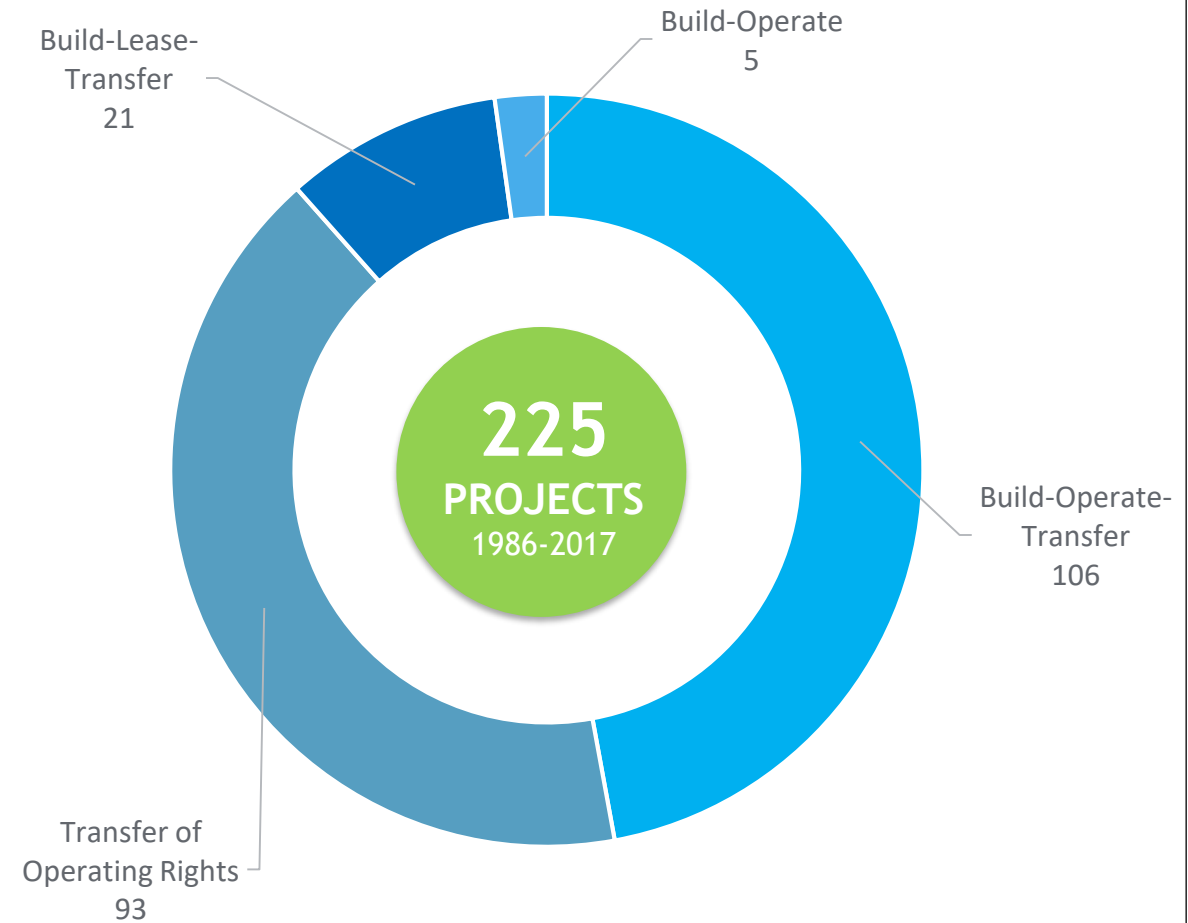




PPP Contract Models (\$ Million)



PPP Contract Models (Number)

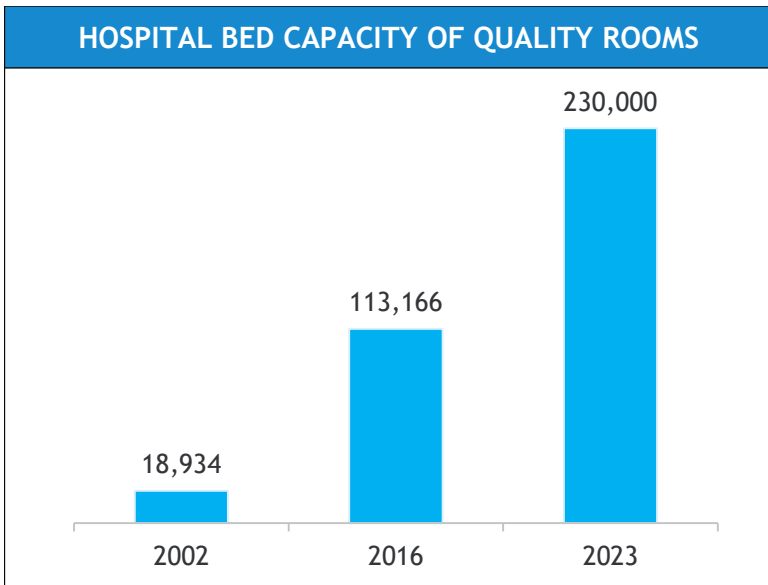
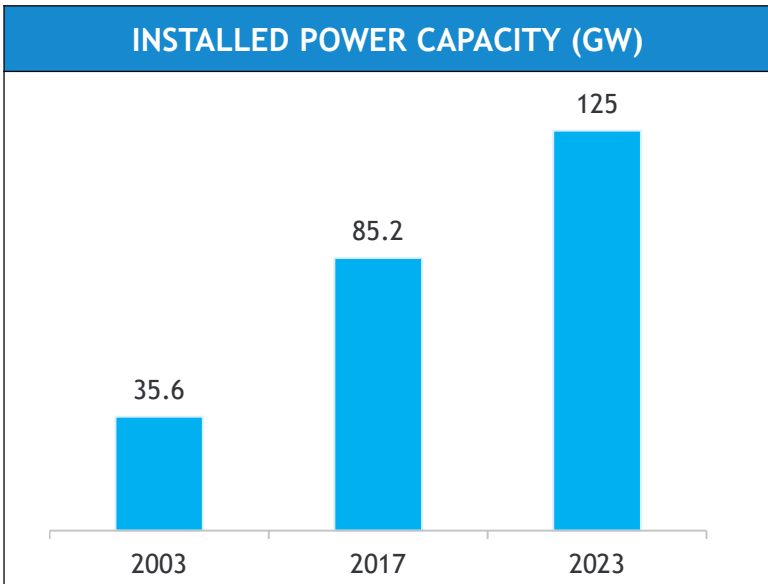
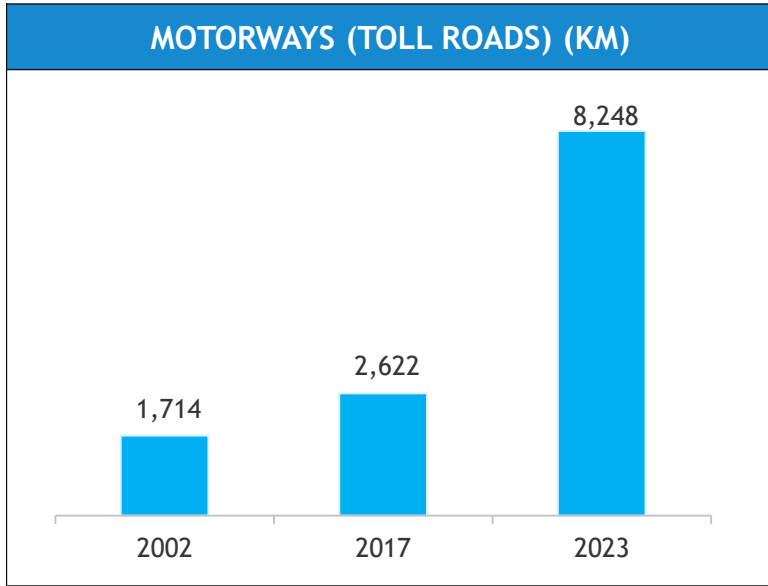
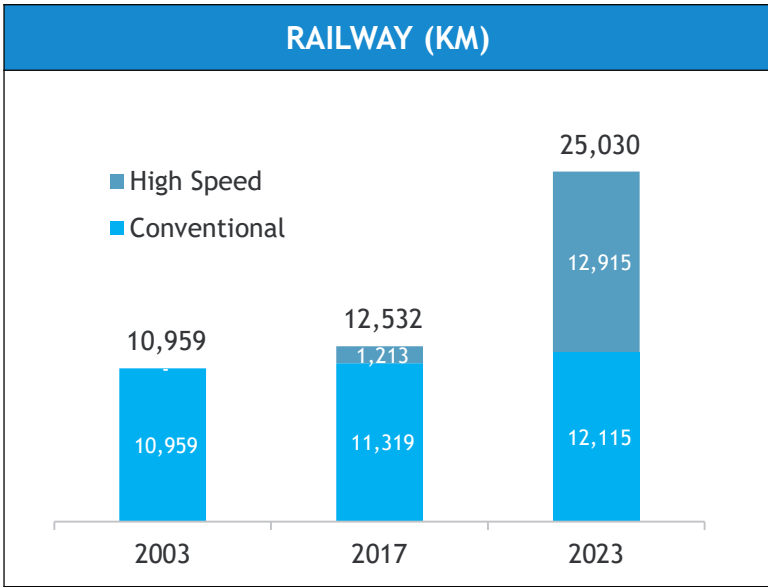




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Ambitious Targets Turkey has set ambitious targets for the centennial of the Republic..



Source: TURKSTAT, Ministry of Health, Ministry of Transport, Ministry of Energy *Quality rooms: one or two-bedded rooms with a private shower and toilet

Opportunities in Healthcare

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



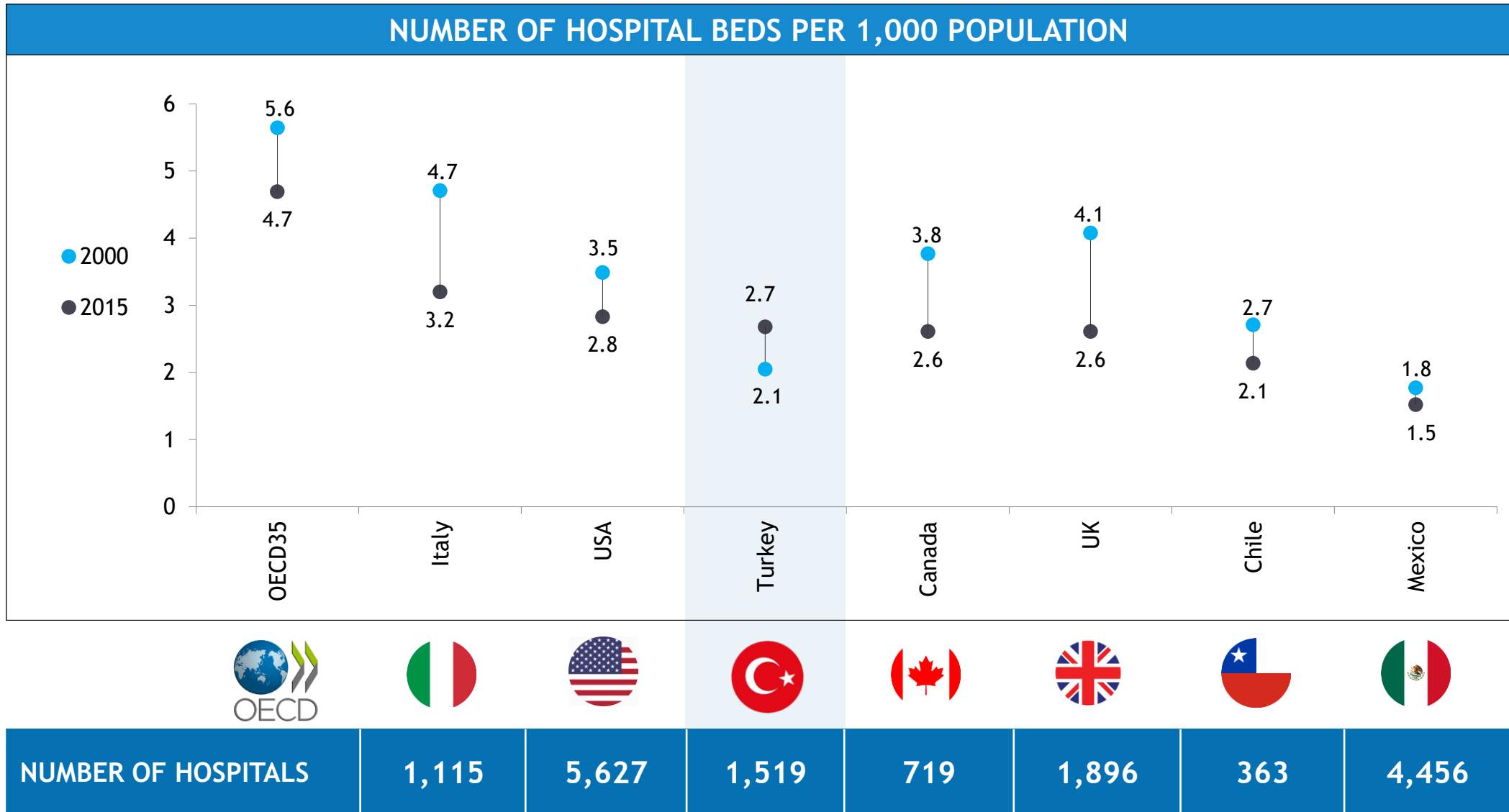
PPP PROJECTS IN INTEGRATED HEALTHCARE CAMPUSES

Status	Number	Bed Capacity
Completed (in service)	4	4,074
Under Construction	17	26,735
In Tender Process	2	1,900
<i>Samsun</i>		900
<i>Denizli</i>		1,000
Approved by High Planning Council (HPC)	3	2,700
<i>Antalya</i>		1,000
<i>Diyarbakır-Kayapınar</i>		750
<i>Aydın</i>		950
Submitted to HPC for Approval	3	5,900
<i>Izmir Tınaztepe</i>		1,200
<i>Ordu</i>		900
<i>Istanbul Sancaktepe</i>		3,800
To be Submitted to HPC for Approval	1	800
<i>Trabzon</i>		800
Total in the Pipeline	9	11,300

OTHER PROJECTS FOR VARIOUS HEALTHCARE FACILITIES

Status	Number	Bed Capacity	Closed Area (M ²)
In Bidding Process	30	1,761	418,538
Under Construction	153	21,034	4,885,643
Planned (Feasibility Studies)	208	23,733	4,734,162
Total in the Pipeline	391	46,528	10,008,343



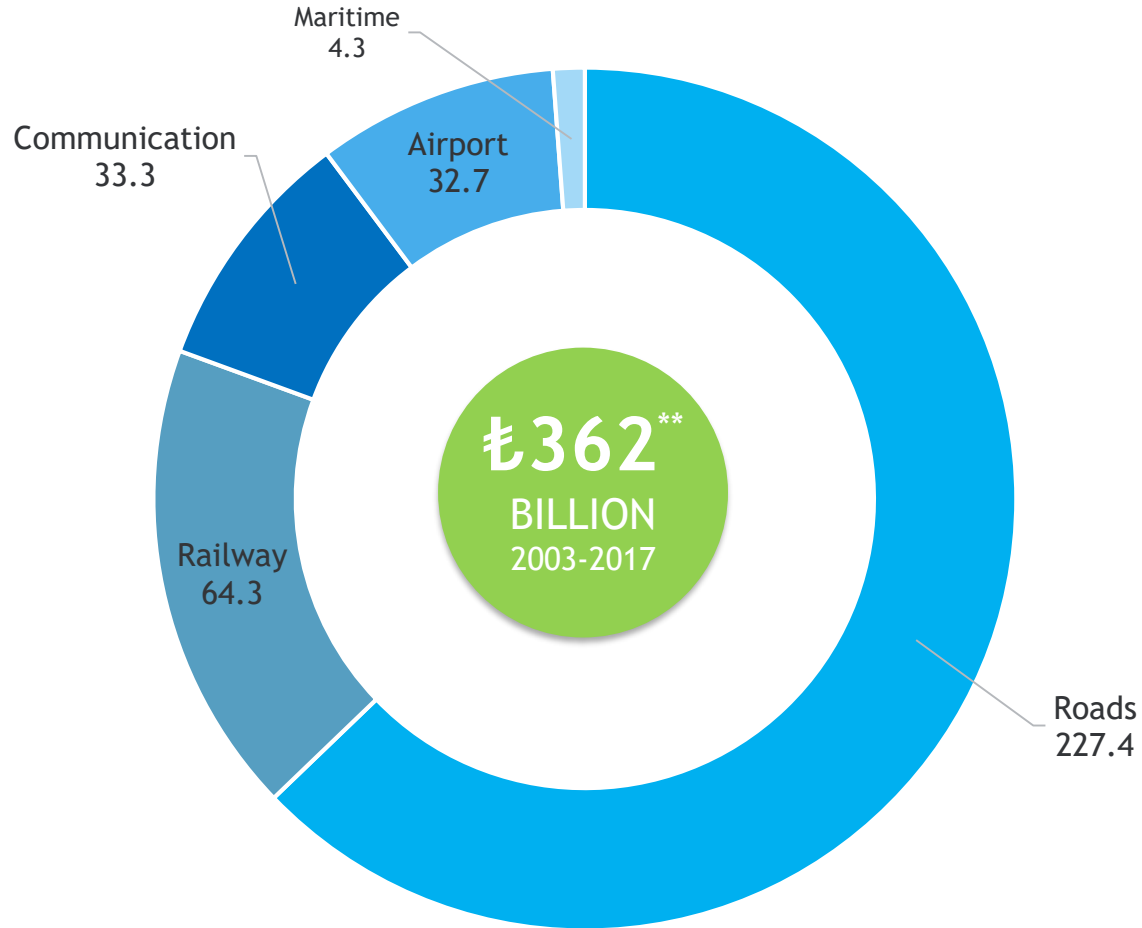


Opportunities in Transportation

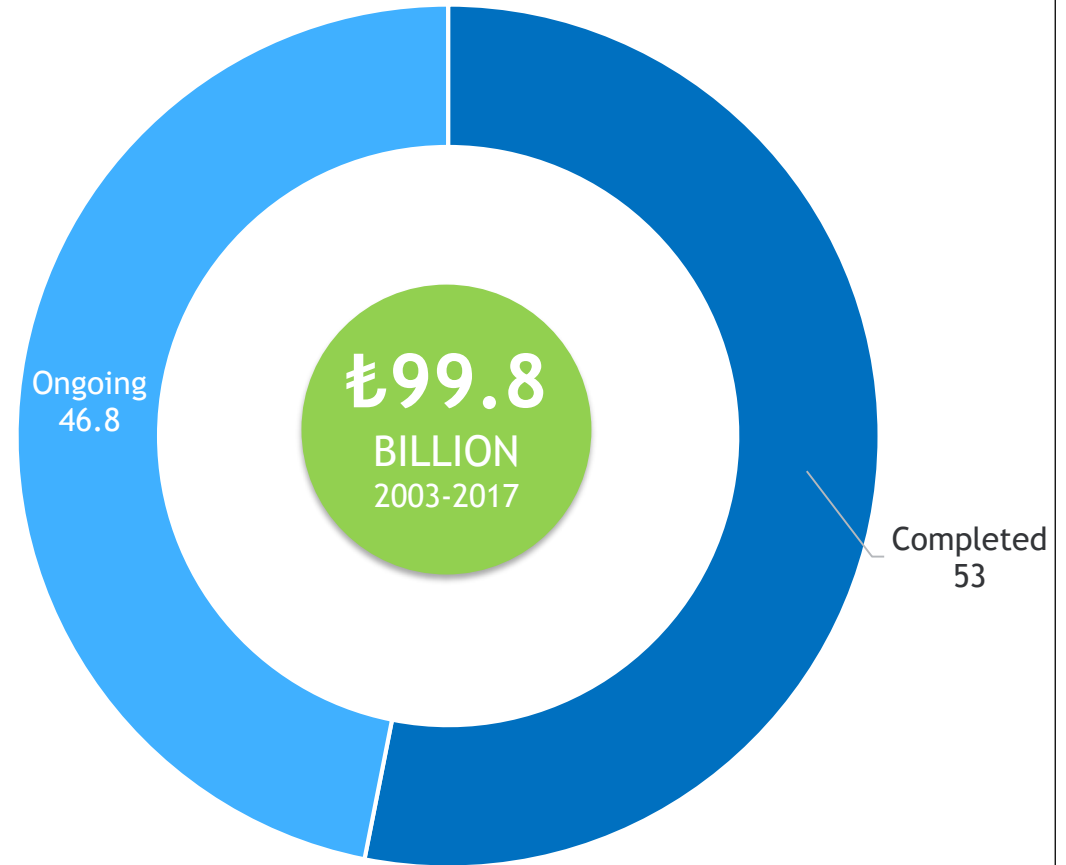
Turkey has heavily invested in transport infrastructure across the country and continues to do so with ambitious targets..



Infrastructure Investments (₺ Billion*)



PPP Investments in Transport & Communication (₺ Billion*)



Opportunities in Transportation

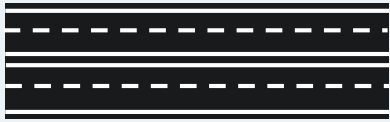
Investing in transportation has remarkably transformed Turkey's infrastructure landscape, yet Turkey is determined to improve it further..



2002

2017

DUAL
CARRIAGEWAY



6,101 km



25,709 km

HIGH SPEED
RAILWAY



0 km



1,213 km

MARITIME
CONTAINERS
TRANSPORT



2 million TEU



10 million TEU

NUMBER OF
AIRPORTS



26



55

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..



Target for 2023 (1,400 km)
To be tendered soon

Target for 2035 (3,214 km)

Motorways under construction

Motorways in service



Source: Ministry of Transport, Maritime Affairs and Communication



HIGH SPEED RAILWAY MAP OF TURKEY



High Speed

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..



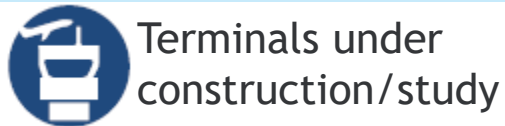
LOGISTICS CENTERS



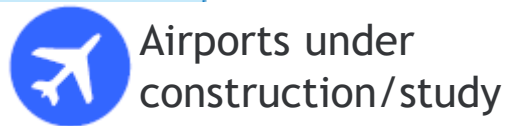
Source: Ministry of Transport, Maritime Affairs and Communication

Opportunities in Transportation

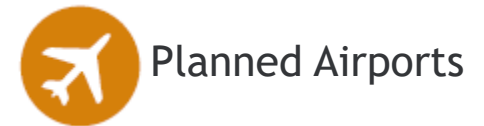
Turkey has significantly improved and upgraded its airport infrastructure and continues to invest in airports..



Terminals under construction/study



Airports under construction/study



Planned Airports



Istanbul New Airport



A new airport in Istanbul to replace the existing one, with an eventual annual capacity of 200 million passengers and 6 runways. Contracted in Nov 2013 and operations to start in -end-2018. Operation period 25 years. Cost: \$6.5 Billion and \$29 Billion in fees with BOT



Yavuz Sultan Selim Bridge (Istanbul Third Bosphorus Bridge)



A 95-km-long motorway with a bridge for rail and motor vehicle transit over the Bosphorus strait. Construction started in May 2013. Operation period: 10 years 2 months 20 days (including construction period). Operation started in August 2016. Cost: \$3.5 Billion with BOT model



Gebze - Orhangazi - İzmir Motorway



A 427-km-long motorway connecting Istanbul, Bursa and İzmir with world's 4th longest suspension bridge. The suspension bridge is operational as of July 2016; Operation period 15 years
Cost: \$6.5 Billion with BOT



Eurasia Tunnel (Istanbul Strait Road Tube Crossing Project)



A twin-deck highway tunnel crossing underneath the seafloor connecting the Asian and European continents. Construction started in 2011; Operation started in 2016
Operation period 26 years
Cost: \$1.2 Billion with BOT





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 soon to be launched 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



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

20GW installed wind power capacity by 2023, up from 6.5GW in 2017.



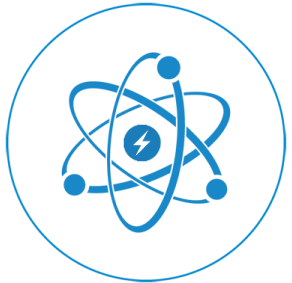
SOLAR POWER

10GW installed solar power capacity by 2030, up from 2.6GW in 2017.



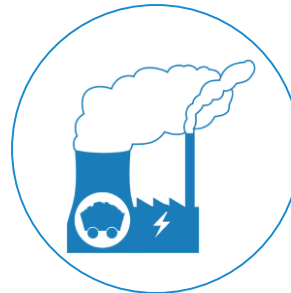
GEO THERMAL POWER

1GW additional geothermal power in the pipeline in addition to existing 1GW capacity



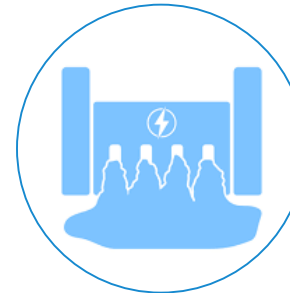
NUCLEAR ENERGY

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 to build coal-fired power plants with 18.5GW by 2023



HYDRO POWER

34GW installed hydro power capacity by 2023, up from 27GW in 2017



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 the consortium of;



\$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 its economic development to secure energy supply and reduce 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.



In 2013 Japan and Turkey signed an agreement for the construction of Turkey's second nuclear power station with four Atmea1 reactor units (4,480MW capacity), developed by Areva-Mitsubishi Heavy Industries (MHI) joint venture Atmea. Work will be performed by a consortium that will include MHI, ITOCHU, Engie, and the Turkish Electricity Generation Company (EUAS).

Feasibility studies are ongoing for verification of site suitability and development of the financial scheme.



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Foreign Direct Investment Law



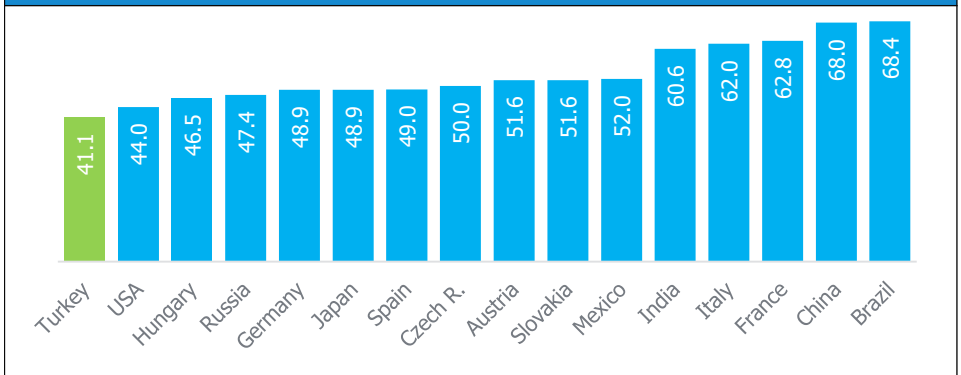
Bilateral Investment Protection Treaties with 75 countries



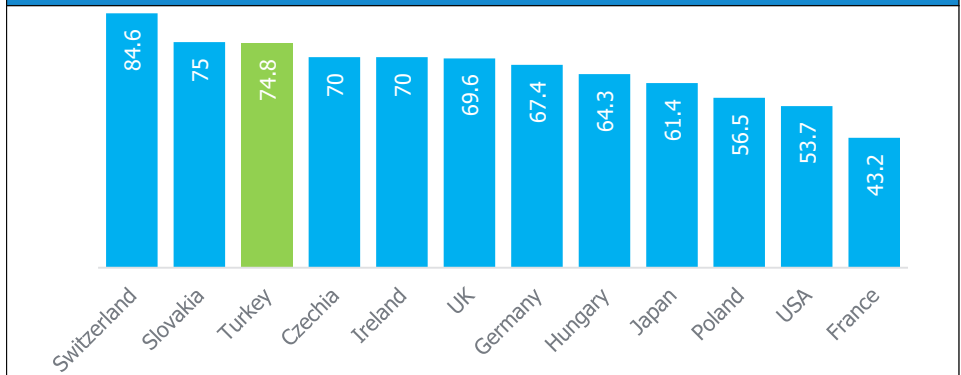
Treaties to avoid Double Taxation with 80 countries



Total Tax Rate, 2016 (% of Profit)



2016 International Tax Competitiveness (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.)



Build Operate

Build Operate Transfers

Transfer of Operating Rights

Operate Transfers

Built Lease Transfer

- ✓ Thermal Power Plants

- ✓ Airports
- ✓ Power Plants
- ✓ Marinas
- ✓ Border Gates

- ✓ Privatizations
- ✓ Airports
- ✓ Ports
- ✓ Power Plants
- ✓ Electricity Discos
- ✓ Gas Discos
- ✓ Marinas

- ✓ Tunnels
- ✓ Bridges
- ✓ Motorways
- ✓ Ports
- ✓ Airports

- ✓ Hospitals
- ✓ Colleges
- ✓ Dormitories
- ✓ Schools

Law
4283

Law
3096

Laws
4046
5335
3465
3096
4458

Laws
3096
3996
3465
3096

Laws
5396
652,
6428
351



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.



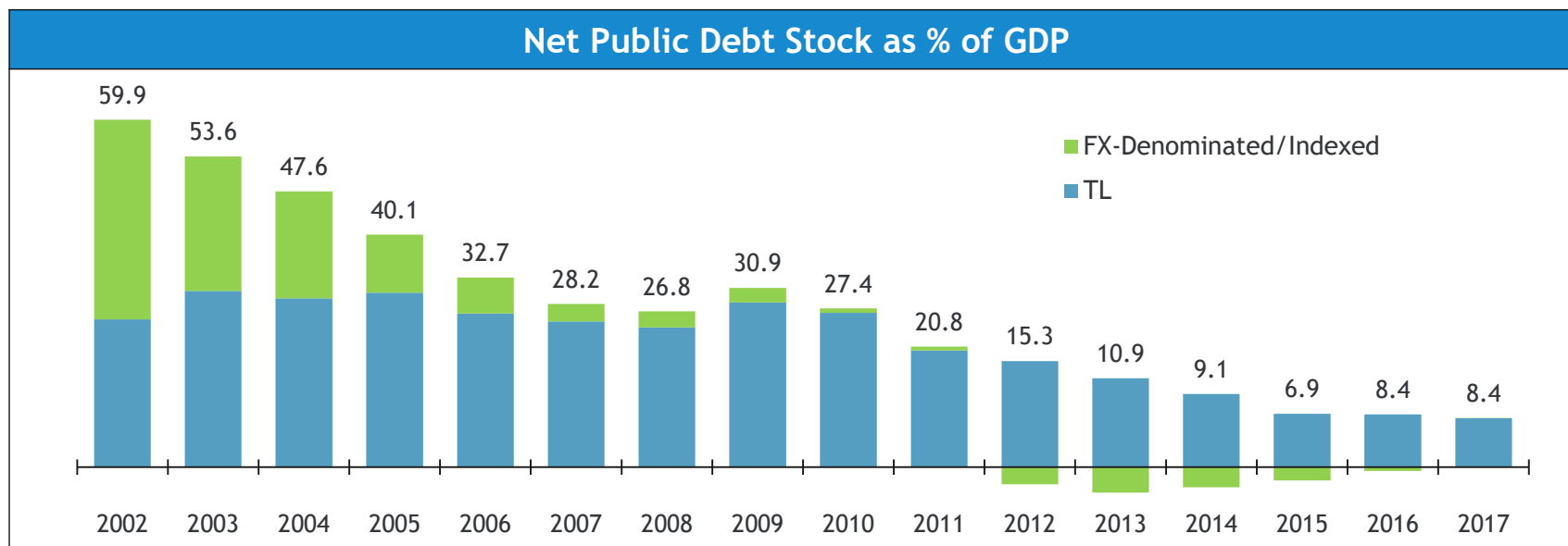
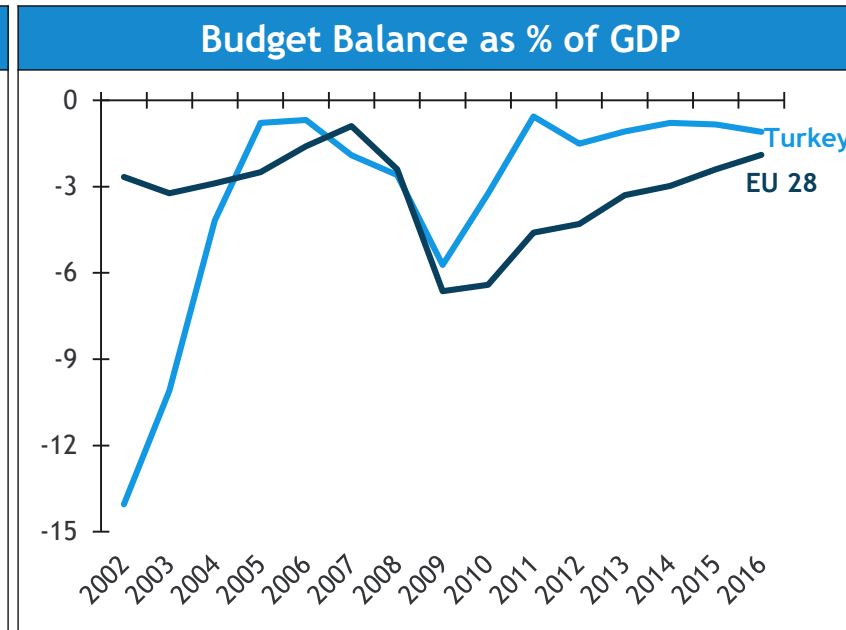
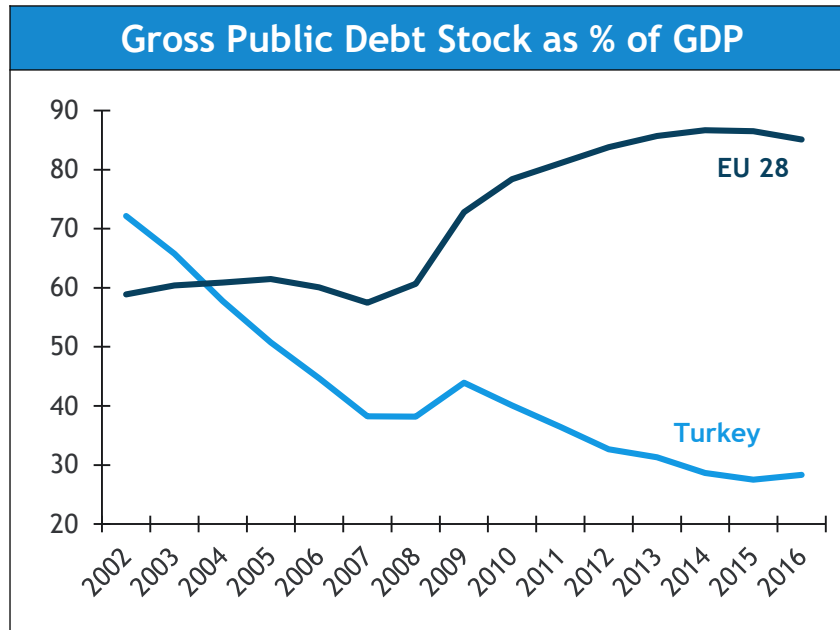
LAND

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



REVENUE GUARANTEE

Certain PPP projects provide minimum revenue guarantees.



Source: Eurostat, Treasury, Ministry of 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.

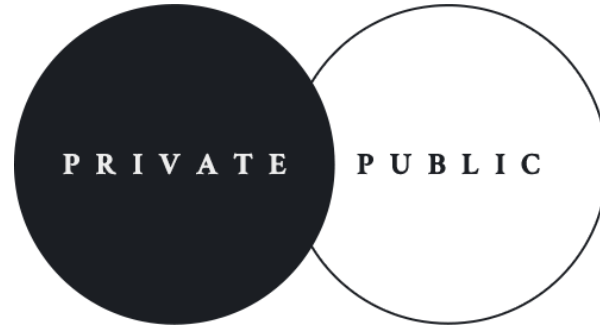


What can ISPAT do for you?

ISPAT would assist you before, during and after your entry into Turkey



A governmental body attached to the Prime Ministry



Private sector approach with public sector capabilities



Acting as your solution partner



General & customized business information & Sectoral analysis & reports

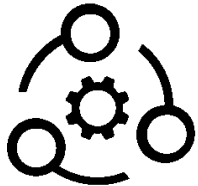


Site selection support to find appropriate location/land for your investment



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, Maritime Affairs and Communication: <http://www.udhb.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 Development: <http://www.kalkinma.gov.tr/>
- Treasury: <https://www.treasury.gov.tr/>
- Turkish Wealth Fund: <http://turkiyevarlikfonu.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/WebSitesi/english/Institutions/Banks/Banks.aspx>



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