



Republic of Turkey
Undersecretariat of Treasury

Designing and Financing a Successful PPP Model: Turkey Case

Hakan TOKAC
Director General
of Foreign Economic Relations

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Agenda

- Potential Benefits of PPPs
- Key factors for PPP success
- Treasury's Role in PPP Projects



Potential Benefits of PPPs

- Utilizing knowledge, efficiency and innovative potential of the private sector
- Enhance the quality, effectiveness and efficiency of public services
- Creating diversification in the economy
- Provide flexibility to public budgets by mobilizing private funds
- Appropriate risk sharing between public and private sector according to the comparative advantages

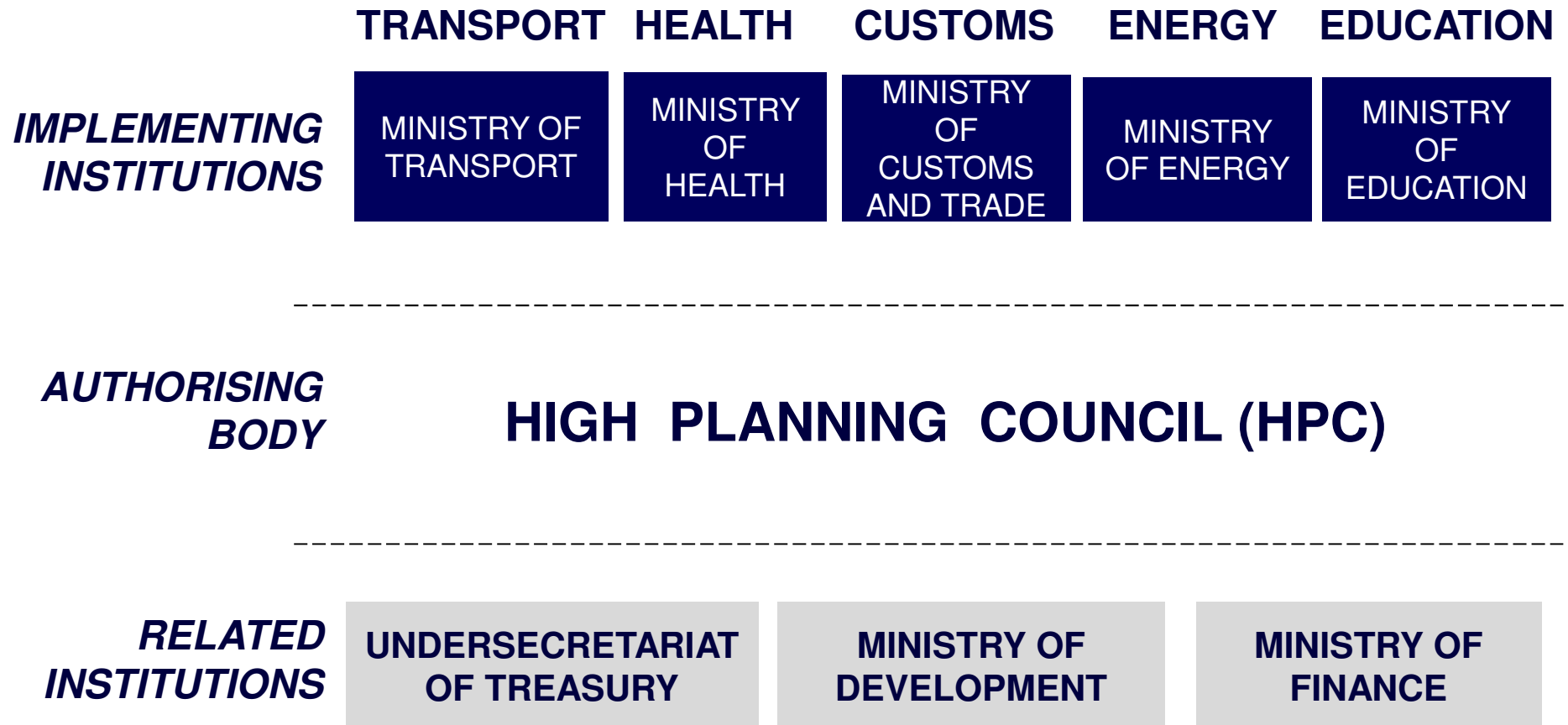


Key factors for PPP success

- Affordability, feasibility, and risk sharing perspectives
 - Rational pricing
 - Solid feasibility reports
 - Optimum risk allocation among stakeholders
- Efficient long term contract management
- Effective monitoring mechanism for contingent liabilities



Public Stakeholders in Turkey





Credit Enhancement Tools

- ▶ Revenue Guarantees by procuring institutions
 - ▶ Traffic guarantee
 - ▶ Lease payment
 - ▶ Conditional specific compensations
- ▶ Debt Assumption Commitment
- ▶ Exemption from VAT, Stamp taxes and duties



A credit enhancement tool: Debt Assumption Commitment

- ▶ Debt assumption commitments in case of an early termination provided that the project assets are taken over by the public administration
 - ▶ By authority default & force majeure: % 100 of outstanding debt is assumed with the financing costs
 - ▶ By company default: % 85 of outstanding debt is assumed with the financing costs
- ▶ Recent Legislation: Regulation Regarding Debt Assumption to be Realized by the Undersecretariat of Treasury (April 2014)
- ▶ In line with international applications: debt approach in case of early termination of the contract



Debt Assumption Commitment: Limitations

- ▶ Only for foreign financing
- ▶ Partial debt assumption
- ▶ Only for PPPs implemented with
 - ▶ BOT model by general & special budget administrations (transportation, highway, customs)
 - ▶ BLT model for health and education
- ▶ A threshold for the investment amount
 - ▶ for BOT projects > 1 billion TL
 - ▶ for BLT projects > 500 million TL
- ▶ Subject to a budgetary limit – annual 3 billion \$ (@ 2015)
- ▶ Hedging cost limit of debt assumption: up to 10% of senior loan

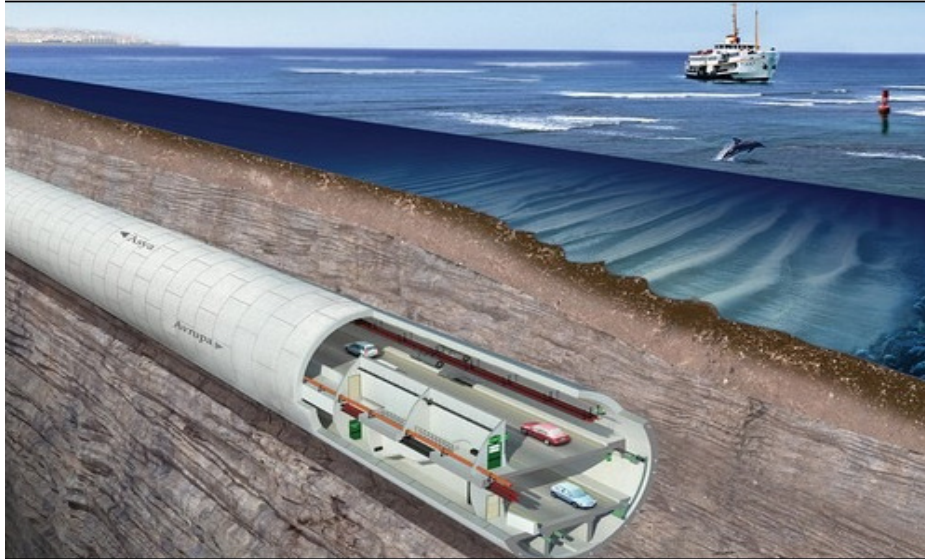


Debt Assumption Commitment: Projects

Project Name	Total Project Cost	Loan Amount
Eurasia Tunnel	USD 1,2 Billion	USD 960 Million
Gebze-İzmir Motorway*	USD 6,3 Billion	USD 2 Billion
3rd Bosphorus Bridge	USD 2,9 Billion	USD 2,3 Billion

(*) For the 1st and 2nd phase of project

Eurasia Tunnel



- ▶ BOT model
- ▶ Appr. USD 1.2 bln
- ▶ Loan Amount: USD 960 mln
- ▶ Construction started
- ▶ Operation period 26 years



Gebze-İzmir Motorway (incl. İzmit Bay Crossing)



- ▶ BOT model
- ▶ 421 kms
- ▶ Appr. USD 6.3 bln
- ▶ Loan Amount: USD 2 bln (for 1st and 2nd Phases)
- ▶ Construction started
- ▶ Operation period 15 years

3rd Bosphorus Bridge



- ▶ BOT model
- ▶ 95 kms, will include 3rd Bosphorus Crossing Bridge
- ▶ App. cost USD 2.9 bln
- ▶ Loan Amount: USD 2.3 bln
- ▶ Construction started
- ▶ Operation period 10 years 2 months 20 days.



Thank you

Hakan TOKAÇ
Director General
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hakan.tokac@hazine.gov.tr