Turkey: PPPs Program, Collaboration with the Private Sector, Impact on Service Delivery and its Governance Structures

*Breakout Session D - Public-Private Interface & Economic Governance*

*Presented by*

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IMPORTANCE OF INFRASTRUCTURE

• Infrastructure investment is a must to achieve the 2030 SDGs

• 5-7 trillion $* for SDGs
  2,5 trillion $* Developing countries’ investment gap

• 17th SDG “Partnership for Goals” PPP
• Addis Ababa Action Agenda 48th paragraph

Public Private Partnerships mechanism as one of the fundamental tools to succeed to support infrastructure investments

• The inclusion of private sector for funding and efficiency/effectiveness

*UNCTAD
OBJECTIVES OF PPP PROGRAM IN TURKEY

- Benefiting from private sector’s expertise and efficiency
- Mobilizing private funds
- Developing innovative solutions
- Improving cost effectiveness in providing public services and investments
- Providing high standard services to people
- Increasing access to services
Turkey ranks as one of the top countries using PPPs both among the European countries and the developing countries.

Turkey has the **biggest** market share in PPPs in Europe for the year 2018 according to EPEC.

Turkey ranks **fourth** among 139 countries World Bank (between 1990-2018).
PPP Models

- Build-Operate-Transfer (BOT)
- Build-Lease-Transfer (BLT)
- Build-Operate (BO)
- Transfer of Operating Right (TOR)
<table>
<thead>
<tr>
<th>Project Number</th>
<th>Project Investment Cost (billion $)</th>
<th>Project Contract Value (billion $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects in Operation</td>
<td>214</td>
<td>24,8</td>
</tr>
<tr>
<td>Projects in Financial Close/Construction</td>
<td>29</td>
<td>39</td>
</tr>
<tr>
<td>Total</td>
<td>243</td>
<td>63,8</td>
</tr>
</tbody>
</table>
TURKEY’S PPP EXPERIENCE

**Total Contract Value**

- **Energy**: $28,7
- **Airports**: $71,3
- **Motorway related**: $21,2
- **Ports**: $11,3
- **Industrial Facilities**: $2,8
- **Mining**: $1,4
- **Railway**: $0,37
- **Culture and Tourism**: $0,27
- **Border Gates**: $0,14
- **Marinas**: $0,51
- **Health Campuses**: $1,8

BUILDING EFFECTIVE, ACCOUNTABLE, AND INCLUSIVE INSTITUTIONS
EUROPE AND CENTRAL ASIA GOVERNANCE CONFERENCE
WHAT WE HAVE LEARNED

• On private sector side:
  • Political will and stability
  • Rule of law
  • Macroeconomic stability
  • Dispute resolution
  • Capacity

• On public sector side:
  • Understanding what PPP is
  • Prioritizing and choosing
WHAT TURKEY DID TO MEET EXPECTATIONS

• Political support
• Legislation
• Bidding criteria
• Institutional Setup
• Incentive Mechanisms
• Mindset
The problems faced by institutions are solved step-by-step to eliminate them in next projects:

• Importance of the presence of a dedicated PPP unit in each implementing agency
• Optimization process of risk sharing going on
• Capacity building programmes
TURKEY’S ACHIEVEMENTS

• Turkey has a successful track record in terms of PPPs
• Turkey’s successful airport projects created brands of Turkish contractors and operators exported to different countries

• Large scale projects are operated successfully
• Medium-small scale projects will be on focus
Some models only have sector specific laws (i.e. BLT)

Scope need to be expanded

A new framework PPP law

Guidelines, standardized documents needed for new comers

Impact Assessment of PPP projects
LESSONS LEARNED

PPP is successful

IF

COLLABORATION AND SOLVING PROBLEMS TOGETHER

PUBLIC

PRIVATE

LENDERS
LESSONS LEARNED

• Political will crucial
• Legal, political and economic stability, transparency
• Not all projects are suitable for PPP

Decision to be made after economic analysis and value for money analysis

• Economic and financial sustainability
• Proper risk allocation
LESSONS LEARNED

• Institutional capacity
• Technical consultancy when needed
• A proper planning process
• Proper contract management
• A systematic information flow from line institutions to central PPP Units
• Monitoring, evaluation and auditing even more strict than a traditionally procured investment