

EYE ON TURKEY

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Editor's Window: "Good News For The Investors"

Transparency & Accountability, the two watchwords of Good Governance

"The proper governance of companies will become as crucial to the world economy as the proper governing of countries", James Wolfenson, former President, World Bank

Turkey made considerable progress in the proper governance of companies just like what James Wolfenson, the former President of World Bank had said. Turkish Capital Markets Board (CMB) issued Corporate Governance principles for listed compa-

nies in 2003 and updated in 2005.

Turkey is now making a great move in



updating the Commercial Law which is binding for every single company in the country.

According to the new law, all the joint stock and limited liability companies will have to have web sites. All

the financial and non financial information will be posted on the website.

What is more, all these information will have to undergo an independent audit. The two watchwords of good governance, transparency and accountability will default be embedded in the way the Turkish companies

are managed. **Good news for the investors!**

Guler Manisali Darman

**Senior Partner
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Deja Vous? Energy Markets

Sometimes it gives us the feeling that we will face the true meaning of the French expression "deja vous?" in the electrical energy market, in other words, we feel like we had

been there before.

The electrical energy market conditions before the crisis days in the last millennium seems to be returning. The supply (installed power) and demand (peak power

requirement) figures demonstrate that the electrical energy market players will soon be walking on a tight rope, unless new projects will be initiated.

Installed Power and



The private sector ventures to develop projects with all kinds of renewable resources appears to be a correct remedy

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Table 1

Year	Installed Power (MW)	Peak Power (MW)	%
1997	21,892	16,926	77.3
1998	23,354	17,799	76.2
1999	26,119	18,938	72.5
2000	27,264	19,390	71.1
2001	28,332	19,612	69.2
2002	31,846	21,006	66.0
2003	35,587	21,729	61.1
2004	36,824	23,485	63.8
2005	38,844	25,174	64.8
2006	40,539	27,594	68.1
2007	40,755	29,750	73.0

Energy Markets (Continue)

Peak Power requirement for an instant, together with their ratio are shown for Turkey for the period of 1997-2007. This ratio is very important to demonstrate how effectively the peak power demand will be met by the existing power stations in the country.

In Europe, this ratio is about 60% and the European Union (EU) is actively discussing the sustainability of the electrical energy resources. Although the lowest figure for Turkey was reached right after the general elections of November 2002, it gave the new Government the false comfort for the electrical energy supply situation and the new investments were limited to the private sector ventures, in order to curb inflation and sustain a balanced budget.

Additionally and after several years of severe drought, the hydroelectric power plants reached their peak production levels in 2004, and relying on cheap power produc-

tion facilities, the Government quickly turned its pragmatism into serious losses at the state organization budgets in the following years.

As it is evident from the Table 1, the trend of lowering of the ratio to the level of 60% is drastically changed after the hydropower glut in 2004, and Turkey will soon be back to the difficult days of 1997.

The increase in the installed power from 1997 to 2003 was more than 60 percent, and it took a lot of efforts and drastic changes in the legal environment to stimulate the private investments, which now accounts more than 50 percent of the electrical energy generation of today.

For the last two years, however, another periodical drought (or maybe the global warming) again seriously effects Turkey, and the hydro-power plants lack the required water resources to generate

electricity, as expected. Oil and gas prices also reached record levels in prices, and it became very difficult to maintain a sustainable electrical energy balance, under today's global economical conditions.

There are numerous ways and means suggested to improve the existing bottlenecks in the electrical energy situation, but the current trend can neither be stopped nor reversed without new investments. The private sector ventures to develop projects with all kinds of renewable resources appears to be a correct remedy to the electrical energy market challenges, but the legal framework have to be adjusted as well, to eliminate the obstacles against predictability.

Ali Akal

Hydro Expert

Tourism Investments in Turkey

Why invest in tourism in Turkey?

Since many years tourism investments are most attractive property business in Turkey. It is still attractive and will continue to be attractive in the future. UNWTO (World Tourism Organization) says that expected tourism receipts will exceed 2 trillion USD in 2020 in the world. In the last 10 years in regard to both tourist arrivals and tourism receipts Turkey's growth rates are higher than the world average.

UNWTO has ranked Turkey as the 9th largest tourism revenue earner in the world in 2006 and it is continued in 2007.

Turkey has a great geographical advantage. Around 30% of world's population can reach within 2-4 hours of flight time to Turkey. Highly qualified performance of Turkish tour operators, charter companies and young hotels are among the opportunities Turkey provides.

Authorities in Turkey are expecting that tourism share of Turkey will increase from 2,5 % to 3,5 % in world tourism. Turkey is expecting 40 million arrivals and 40 billion USD receipts and additional half million employment in the sector by the year 2013.

There are many reasons to invest in

tourism industry in Turkey.

If we summarize;

- there is a unique geographical location,
- dynamic sector with high growth potential,
- quality oriented tourism establishments,
- highly skilled labor force,
- low construction and management costs,
- highly liberalized and easy foreign investment regulation.

Necati TÜRKER
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Around 30% of world's population can reach within 2-4 hours of flight time to Turkey.

Asset Backed Securities

An update on the financial instruments in the Turkish Capital Market

Asset Backed Securities (ABS) are regulated by the Turkish Capital Markets Board (Board), which is the main body responsible for the regulation and supervision of the

capital markets. The Board has issued a Communiqué in 1992 establishing the regulations regarding the registration of the Asset Backed Securities. **On 21 February, 2007 the Turkish Parliament approved a new law introducing the concept of Asset**

Finance Funds (Fund), but detailed provisions were left to be determined by the Capital Markets Board. **Consequently the Board prepared a Draft Communiqué on principles regarding Asset Finance Funds and ABS, which has been published for public**





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Corporate Governance and Sustainability Center is composed of eligible partners, in the field of corporate governance, and related services ranging from assessment to research and from raising awareness to compliance.

Associates of CGS Center assists Turkish companies active in various fields such as finance, IT, insurance, energy, tourism, real estate development, and construction, that seek finance (equity or debt), open for partnership opportunities, interested in sell-outs, or buy-outs, or mergers and acquisitions.

Our Associates;

GMD Global Advisors

GNT Tourism & Project Management

Bagatur Law Company



In the forthcoming Issue;

- ◆ Financial Markets in Turkey
- ◆ Real Estate Developments
- ◆ What is up with regulations

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(asset backed securities continued from page 3)

review in March 2008.

The initial Communiqué of 1992 defines ABS as 'negotiable instruments backed by receivables of the issuer or of a third party assumed by the issuer pursuant to the terms of the Communiqué 1992'.

The 2008 Draft Communiqué particularly determines the establishment of Asset Finance Funds which will be formed with the proceeds of ABS issued, and continues to describe the ABS as 'debt securities secured by

the assets in the fund portfolio.

The assets of the ABS as laid out by the 1992 Communiqué include mainly consumer loans, housing loans, the receivables from finance leasing agreements, export receivables, the agricultural loans, the receivables of real estate investment companies and other receivables.

The recent Draft Communiqué also mentions the receivables originating from credit cards given by banks and finance companies,

commercial mortgage loans and vehicle loans, as well as the receivables of the Housing Development Administration originating from property sales.

The banks, finance companies, mortgage finance corporations and intermediary institutions that qualify with the principles stipulated by the Board will be the eligible founders of this Fund. The Draft Communiqué also requires the appointment of a Fund Board responsible for the supervision and the management of

the Fund.

ABS will be allowed to be traded on exchanges directly or via public offering subject to the approval of the exchange. Once in effect, the latest Communiqué will ascertain a regulated market for the ABS, providing cheaper funds through securitization and diversified financing options for issuers.

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