VALUE MASTERS ACADEMY · PUBLIC ASSETS SERIES

REPORT NO. 2 · ENGLISH EDITION (EXECUTIVE SUMMARY)

The Fate of the Assets Sold

Türkiye's privatisation and public-private partnership balance sheet, 1985–2026: sale price, post-sale value and the outcome for the Treasury — compared with South Korea and Poland

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01 Executive Summary — Forty Years of Privatisation, Less Than One Year of Interest

$73.5 bn	₺2.74 tn	$120.1 bn	₺370.4 bn
total privatisation 1986–2025 (ÖİB)	2026 budget interest ≈ $59 bn	20-year PPP liabilities (Treasury, 2025)	bridge/motorway guarantee payments, Jan 2018–Jun 2026

Report No. 1 examined the Republic's debt service and ended with a finding: Türkiye is a borrower whose capacity to pay is proven from the Public Debt Administration to today. This report asks the same question from the asset side: while the state paid debt with debt, at what price and to whom did it sell its assets, and what became of them?

- **Scale.** 277 entities privatised for $73.5 bn between 1986 and 2025, of which ≈ $50.7 bn reached the Treasury. That is less than the ₺2.74 tn (≈ $59 bn) set aside for interest alone in the 2026 budget: everything sold in forty years does not cover fifteen months of today's interest.
- **Value leakage.** Tekel's spirits division was sold for $292 m in 2004, resold for $810 m in 2006 and $2.1 bn in 2011 — 7.2× in seven years, entirely to foreign funds and a global group, with zero Treasury participation. Türk Telekom: a 55% stake sold for $6.55 bn, ≈ $4.3 bn of it financed by Turkish banks; ≈ $7 bn of dividends extracted; the $4.75 bn loan defaulted and the stake passed to the banks; in 2022 TVF bought the same stake back for $1.65 bn.
- **New quasi-debt.** As privatisation revenue dried up after 2010, infrastructure was financed with FX-indexed demand guarantees. Bridge, motorway and city-hospital payments reach ₺249 bn in 2026 and ₺306 bn in the 2027 MTP; the Treasury's 20-year PPP liability estimate ($120.1 bn) is 1.6× forty years of privatisation revenue.
- **Peers walked differently.** Korea privatised POSCO, KT and KT&G through the stock market with foreign ownership caps even during the 1997 crisis and banned demand-guaranteed PPPs in 2009. Poland kept 30–50% Treasury stakes in strategic firms, built infrastructure with EU funds instead of guarantees, and bought Pekao back at market price in 2017.

> **Thesis:** privatisation used as a debt-roll-over tool creates revenue once; the subsequent uplift, dividends and control belong to the buyer. Türkiye's problem is not selling but the structure of the sale: earn-out participation, recourse in leveraged buyouts, and availability-based rather than demand-guaranteed PPPs. These three instruments are where Korea and Poland diverged from Türkiye, and they are directly applicable to TVF's current portfolio.

02 Privatisation by Period and the Ten Defining Cases

Period	$bn	Landmark deals	Method
1986–2002	8.05	Cement plants, Sümerbank, Etibank, Petrol Ofisi (51%, $1.26 bn)	Block sale, IPO
2003–04	1.47	Tekel spirits ($292 m), Eti Aluminium, Sümer Holding	Asset/block sale
2005–08	26.84	Türk Telekom 55% ($6.55 bn) + 15% IPO ($1.9 bn), Tüpraş 51% ($4.14 bn), Erdemir 49% ($2.77 bn), Petkim 51% ($2.04 bn), Tekel tobacco ($1.72 bn), Mersin and İzmir ports	Block sale (mostly domestic buyers)
2009–13	22.23	21 electricity distribution regions, power plants, Başkent Gas ($1.16 bn); motorway–bridge tender ($5.72 bn, cancelled)	Block sale, licence transfer
2014–25	≈14.9	Plants, Derince port, Galataport, sugar factories, lottery licence, real estate; 149 tenders in 2025 (₺74.4 bn)	Asset sale, licence
1986–2025	**≈73.5**	**277 entities; no public stake remains in 272; ≈ $50.7 bn net to the Treasury**	

Asset (year)	Buyer	Price	Value afterwards	Direction of value
Tekel spirits → Mey (2004)	Nurol–Limak–Özaltın–TÜTSAB	$292 m, instalments	2006: 90% to TPG $810 m (2.8×); 2011: Diageo $2.1 bn (7.2×)	Abroad
Tekel tobacco (2008)	BAT	$1.72 bn	Brands marginalised; market share ≈30% → <10%; factories closed	Abroad
Türk Telekom 55% (2005)	Oger Telecom	$6.55 bn ($4.3 bn bank debt)	≈ $7 bn dividends; 2018 default, stake to banks; 2022 TVF buy-back $1.65 bn	Abroad → returned
Tüpraş 51% (2005/06)	Koç–Shell	$4.14 bn	2010 market cap ≈ $5.5–6 bn; largest industrial company	Stayed at home
Erdemir 49% (2006)	OYAK	$2.77 bn	2011 market cap ≈ $4.5–5 bn; capacity ≈ 2×	Stayed at home
Petkim 51% (2008)	SOCAR–Turcas	$2.04 bn	Buyer paid a premium and built the $6.3 bn STAR refinery — the one sale that triggered FDI	Foreign, but invested
Petrol Ofisi 51% (2000)	İş Bank–Doğan	$1.26 bn	2010 OMV ≈ €1 bn; 2017 Vitol $1.45 bn (100%)	Domestic → abroad
Sümerbank / Etibank (1995/98)	Garipoğlu / Bilgin	$103 m / $155 m	Both to the deposit-insurance fund 1999–2000; rescue cost a multiple of price	Returned at a loss
Electricity distribution (2008–13)	Domestic groups	≈ $12.7 bn	Regulated tariffs; mostly domestic owners	Mostly at home
Motorways + 2 bridges (2012)	Koç–UEM–Gözde	$5.72 bn (cancelled)	Judged too low; asset stayed public; back on the 2026 programme	Stayed public

Neither of the two popular verdicts holds. "Everything was given away" cannot explain Tüpraş, Erdemir or distribution, where domestic buyers created value that stayed in Türkiye. "The market gave the right price" cannot explain Mey or Türk Telekom. The discriminating variable is the identity and financing of the buyer, not the tender method: leakage arose where a leveraged or exit-minded foreign buyer met a contract with no earn-out and no resale restriction.

03 Türk Telekom, PPP Guarantees, and the Korea–Poland Comparison

Date	Event	Amount	Whose gain / whose loss
Nov 2005	55% sold to Oger Telecom	$6.55 bn	Treasury inflow
2006–07	Balance paid with a loan from 29 banks	$4.3 bn	Purchase financed by Turkish banks
2006–16	Dividends on the 55% stake	≈ $7 bn	Outflow abroad
2013	Loan restructured	$4.75 bn	Akbank 1.7, Garanti 1.0, İş 0.5
Sep 2016	Instalment missed	—	Default
2018	Banks take the stake via LYY	$4.75 bn + interest	Most written off
Mar 2022	TVF buys the 55% from LYY	$1.65 bn	State buys back at a quarter of the sale price

The Treasury's seventeen-year total (sale, IPO, dividends) was ≈ $15.6 bn and it bought control back for $1.65 bn — in pure cash terms it did not lose. But the system did: Turkish banks financed the purchase, the buyer extracted ≈ $7 bn, the loan defaulted and the banks (some state-owned) wrote off most of it. Net outflow abroad ≈ $4.7–4.8 bn. The fault was not the price but (i) allowing control to be bought with leverage on the target's own cash flows and (ii) the absence of any dividend/credit lock. **If a second sale is considered, the model is Korea's KT (dispersed listing, foreign cap, no single controller) or Poland's Pekao (strategic buyer, cash, earn-out).**

PPP indicator	Amount	Note
KGM bridge/motorway guarantee payments, Jan 2018–Jun 2026	₺370.4 bn	2018–24 portion ≈ $11.1 bn
Guarantees 2023 / 2025 / 2026 (exp.)	₺57.0 / 85.1 / 103.2 bn	KGM reports
City hospitals rent + service, 2026 budget / 2027 MTP	₺136.1 / 148.8 bn	18 hospitals; availability-based, 25 years, independent of patient numbers
Total PPP budget burden 2026 → 2027	₺249.2 → 306.1 bn	+22.8% in one year
Treasury: 20-year PPP-related liability (2025)	**$120.1 bn**	**Motorways + airports 28.6 · hospitals 65.7 · Akkuyu 25.8**

Criterion	Türkiye	South Korea	Poland
Control sale of strategic firms	Block to a single buyer (Telekom, Tekel, Petkim)	Stock market, dispersed, foreign cap	Strategic buyer + Treasury 30–50%
Financing of the purchase	Buyer leverage allowed, no recourse	Cash / market	Cash (TP SA, Pekao)
Public participation in uplift	None (Mey 7.2×, state 0)	Retained minority (KFB 49%)	Treasury stake + IPO
Institutional correction after error	TVF buy-back (2022); contract design unchanged	Post-Lone Star scrutiny; MRG abolished 2009	Repolonisation programme (2016–)
Infrastructure finance	FX-indexed demand guarantees, 20–30 yrs	Guarantees banned 2009	EU funds, no guarantees

RECOMMENDATIONS TO THE TVF BOARD

1. **Earn-out and resale participation** in every control sale (20–30% of resale/IPO value within seven years) — would have yielded $400–600 m on Mey alone.
2. **Recourse and dividend lock** on leveraged purchases: cash sweep until the acquisition loan is repaid; Treasury information and objection rights on Turkish bank financing of buyers.
3. **The "KT model"** for Türk Telekom, THY, BOTAŞ: staged IPOs, foreign ownership cap, no single controller.
4. **PPP renegotiation programme:** convert FX-indexed demand guarantees to lira/CPI-indexed, availability-based, capped structures; statutory ban on demand guarantees in new projects; annual publication of all PPP liabilities in one registry.
5. **"Value recovery", not repolonisation:** buy-backs are corrections, not strategy — fix governance and dividend policy first, then re-list under the KT model.
6. **Motorway–bridge privatisation (2026 programme):** structure the operating-rights sale together with transfer and renegotiation of existing guarantee contracts as one package.

Sources: ÖİB Annual Reports 2006–2025; 2025–2026 Budget Justifications; MTP 2025–27 and 2026–28; KGM Fiscal Status Reports; KAP disclosures (Türk Telekom 2018, 2022); Yale Journal of Financial Crises (KFB); Kwan S. Kim (Kellogg, 1999); FOR Analysis 1/2017 (Pekao); PZU investor relations. Figures marked "≈" require verification against ÖİB annual tables and KAP dividend records.