



**SCREENING CHAPTER 20  
ENTERPRISE AND INDUSTRIAL POLICY**

**AGENDA ITEM XII: CONSTRUCTION SECTOR**

**Country Session: The Republic of TURKEY  
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## Overview – Share in the Economy

	2003	2004	2005
<b>% of employment</b>	4,6	4,7	5,3
<b>% of GDP</b>	3,5	3,6	4,4

Source: TURKSTAT



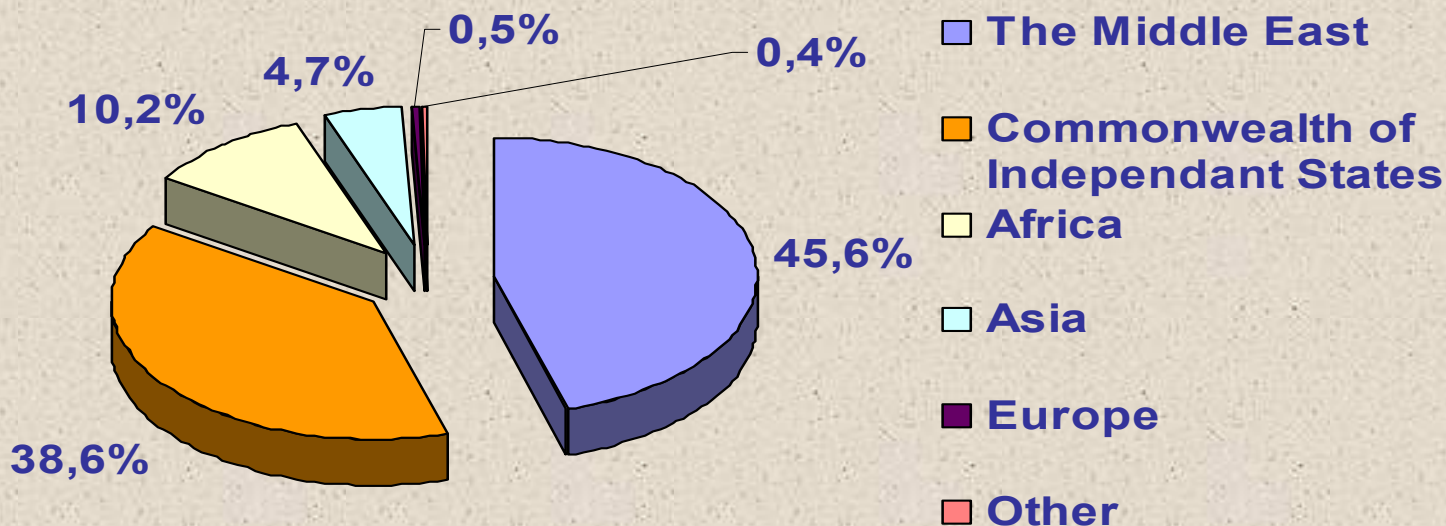
## Overview

### Profile of Contractors

- The number of the contractor certificates (carnet—as a prequalification system) issued by the Ministry of Public Works and Settlement, to act in the public sector is 30,000.
- 35,702 companies have declared to be a contractor acting both in the public and the private sector (TURKSTAT-2002).
- According to the Turkish Contractors Association
  - ✓ 70% of domestic construction investments,
  - ✓ 90% of foreign contracts awarded to the Turkish contractors are realised by the Largest 130 contractors.
- 14 Turkish contractors are listed among the World's Largest 225 contractors (Engineering News Record)

## Overview

- World Markets Share ~3% (2004).
- Regional distribution of contracts awarded to Turkish companies (2005):



(Source: Under-secretariat for Foreign Trade)



## Overview

### Foreign Contracts

- The total amount of contracts awarded abroad:



(Source: Under-secretariat for Foreign Trade)



## Overview

### Main Characteristics

- Due to the know-how attained from abroad and at home companies are experienced,
- High physical mobility due to geographic proximity, as well as close cultural and historical relations with the Middle East and the Black Sea countries,
- Relatively low labour cost,
- Developed construction products market.



## Policy Documents

- **Decisions of the Board of Coordination on Contracting, Engineering and Consulting on Abroad, (18 February 2004)**
  - ✓ Political risk insurance for contracts working abroad,
  - ✓ Database for contractors working abroad.
  
- **Earthquake Council Decisions, (1 October 2004)**
  - ✓ A new legislation for both constructions and contractor qualification issues.
  - ✓ Building inspection must become prevalent including professional liability insurance.





## Legal Framework

- **Settlement Development Law, No 3194**  
*(The design and execution criteria of the works and the responsibilities of the actors are regulated)*
- **Building Inspection Law, No 4708**  
*(The control of the design and execution of the works and the responsibilities of the controllers are regulated)*
- **Construction Products By-law (89/106/EEC)**  
*(89/106/EEC CPD has been transposed with duties covering the market surveillance of the construction products, as well)*



## Legal Framework (CONT'D)

- **Public Procurement Law, No 4734**

- ✓ Issues like economically most advantageous bids, abnormally low bids, design contest addresses in a way to regulate innovation.
- ✓ Pre-qualification provisions are setting the minimum profile of the actors.

- **Public Procurement Contracts Law, No 4735**

- ✓ Regulating the usage of budgets and the contractual responsibilities, sets the level of industrialisation in the sector.
- ✓ Coordination with the Ministry of Public Works and Settlement on the enforcement of the rules for public buildings.



## Legal Framework (CONT'D)

- **Law Amending the Law on Mass Housing Administration, No 5273**
  - ✓ Creates a market actor to set the housing prices by building for low-income, therefore sets minimum housing standards by supply with low prices.
  - ✓ Requires shorter construction periods, to capitalize investments earlier, therefore, increases the level of industrialization.
- **Decree on Mandatory Earthquake Insurance, No 587**
  - ✓ Recovery refund is paid to the insured.
  - ✓ An institution is set up to manage issues.



## Institutions Involved

<b>Ministry of Public Works and Settlement</b>	<b>Regulates the urban development, construction sector and disasters recovery</b>
<b>Public Procurement Institution</b>	<b>Regulates the public procurement regime</b>
<b>Ministry of Working and Social Security</b>	<b>Inspects the work sites for health and safety, social security and work permits</b>
<b>Mass Housing Administration</b>	<b>Responsible for housing</b>
<b>Under-Secretariat for Foreign Trade</b>	<b>Regulates the export and import of construction equipment, materials with a foreign contract</b>
<b>TURK EXIMBANK</b>	<b>Maintains Political Risk Insurance</b>
<b>Institute of Natural Disasters Insurance</b>	<b>Insures against earthquakes</b>



## Consultation Mechanisms

- Technical Committee on Construction Products (Ministry of Public Works and Settlement)
- The Board of Coordination on Contracting, Engineering and Consulting on Abroad (Under-Secretariat for Foreign Trade)



## Future plans

- **Technical studies on following issues continue:**
  - To prepare a new law in order to focus better on buildings,
  - To define and certify professional qualifications,
  - To Regulate market entry for contractors,
  - To bring Liability insurance for the actors.



**Thank you for your attention**