REPUBLIC OF TURKEY
MINISTRY OF DEVELOPMENT

MEDIUM TERM PROGRAMME

2018-2020

THE MEDIUM TERM PROGRAMME (2018-2020)

OCTOBER 2017

MINISTRY OF DEVELOPMENT

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INTRODUCTION

1. The Medium Term Programme (MTP) is a programming tool that initiates the budget process and allocates resources by presenting public policies and practices on the basis of policies and priorities in the Development Plan.

2. The MTP, which is a requirement of the Public Financial Management and Control Law (Nr. 5018), is prepared by the Ministry of Development every year with a three years perspective and approved by the Decree of the Council of Ministers, forms the basis for the Medium Term Fiscal Plan and draws a policy framework detailed in the budget and the Annual Programme.

3. The MTP comprises Government's macroeconomic targets, priority policies and measures in addition to a set of objectives and priorities that it would focus during the Programme period. Therefore the MTP constitutes a road map that enhances predictability for public and private sectors.

4. The objectives and priorities of the MTP shall be bounding in preparation of public institutions' budgets, implementation of legal and administrative regulations, and decision-making and implementation processes during the course of the Programme.

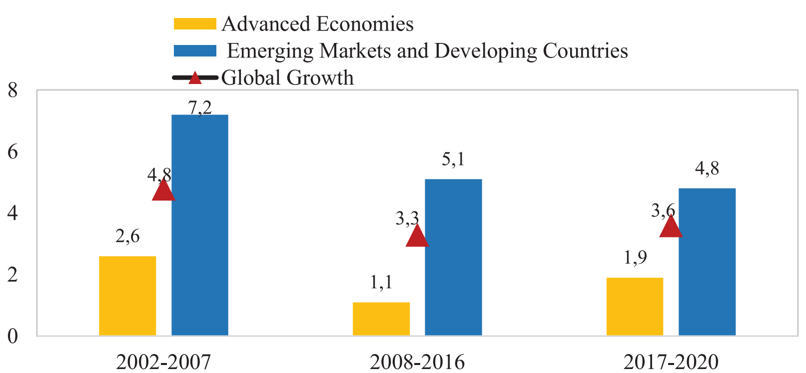
5. The MTP (2018-2020) was prepared in accordance with the principles of the 10th Development Plan. Since the initial implementation year of 2018, is also the base year for the 11th Development Plan (2019-2023), the MTP bears importance for the transition period to the new Plan period.

6. The MTP analyzes developments both in the global and domestic economy, in accordance with these analysis, it forms the Programme objectives and concrete priority measures which are designed to pursue policies towards higher growth and employment areas. Moreover further details of the initial years measures shall be elaborated in the 2018 Annual Programme.

I. DEVELOPMENTS IN THE GLOBAL ECONOMY[1]

7. Global economic activity, which has been recovering since the second half of 2016, is on an upward trend especially with the stronger growth outlook in advanced economies. The favorable environment for global financing conditions and relatively stable commodity prices indicate that the positive trend for global growth will be maintained in the upcoming period and medium-term forecasts are updated upwardly (Graph 1).

Graph 1. Growth Trend in Global Growth (%)

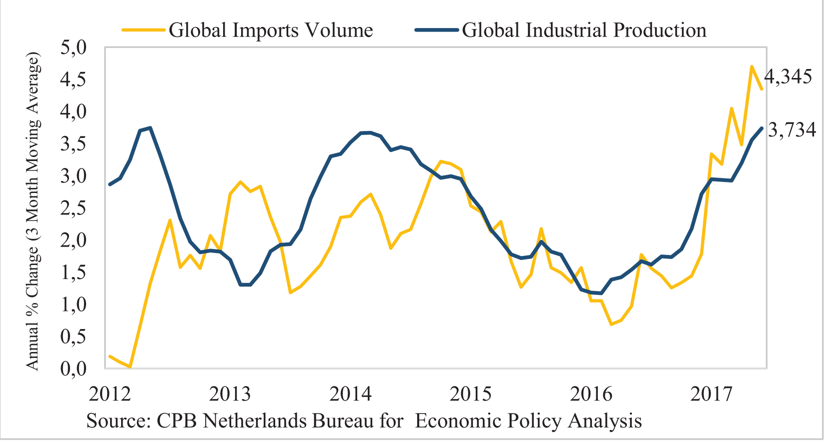


Source: IMF, World Economic Outlook (July 2017)

8. World trade volume which lost momentum after the global crisis and saw the lowest growth rate of 2.3 percent in 2016 is expected to expand by 4.0 percent in 2017 and 3.9 percent in 2018. The growth expectations in world trade volume, the pick-up of the global demand and the relative normalization in monetary policy are strengthening positive expectations in the global economy. Undeniably, improvement in global activity supports this tendency. Since the second half of 2016, an increase in global demand and investments have been observed. This increase in global import volume and industrial production are expected to continue in the forthcoming period (Graph 2).

[1]Based on IMF World Economic Outlook, July 2017.

Graph 2. Global Production and Trade



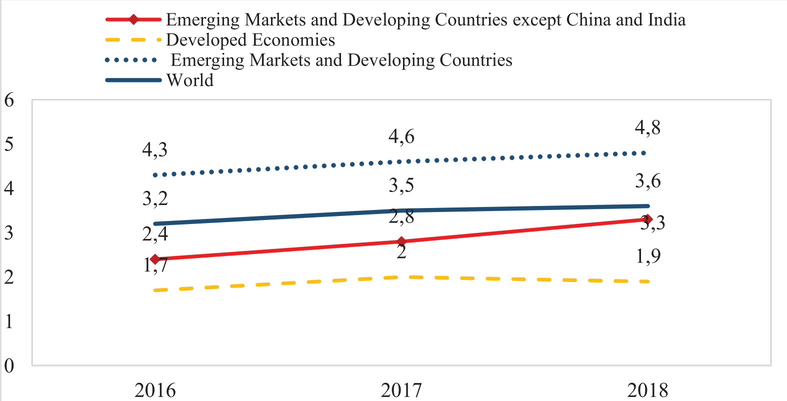
9. Brent crude oil prices are projected to be within the 50-55 dollars range in the last quarter of 2017. In May 2017, OPEC extended its decision, made early in the year, to cut production in order to bring the oil market to a more stable condition until the end of the first quarter of 2018. The inability to achieve this stabilization is partly attributable to reluctance of some OPEC member countries towards implementing this decision. In addition, the continuation of both shale gas production and the high level of inventories in the US, which is causing delays in market stabilization process. Furthermore, the fact that the crude oil inventories of the OECD countries are still at very high levels indicates that the rise in oil prices will be limited in the upcoming period. It is estimated that oil prices will fluctuate along the same band as in 2018 as in 2017.

10. Although the global economic outlook is on a positive trend, there are some downside risks. Factors such as the process of withdrawal of the United Kingdom (UK) from the European Union, statements about trade protectionism in many countries especially in the US, concerns about Euro Area banking sector and the high level of private sector borrowing in some developing countries especially in China are main downside risks. Slowdown in structural reforms and low productivity growth are also important risk factors. In addition, recent geopolitical risks may negatively affect the global economic recovery. In the first half of 2017, the global economy has recovered, principally due to the favorable outlook in China and the Euro Area despite some risks. In light of these developments, the global growth rate is estimated as 3.5 percent for 2017 and 3.6 percent for 2018. These rates are higher compared to 2016 (3.2 percent), but still below the pre-crisis levels.

11. Growth in advanced economies is gaining momentum nevertheless still remains below pre-crisis levels. The aging population, weak investment demand and the slow productivity increase are keeping growth below potential. Under low inflation and wage pressures, policies that will close the output gap, manage external balance and synchronize monetary, fiscal and structural reform policies with the inflation targets stand out as current issues.

12. In advanced economies, growth for 2017 is projected at 2 percent (Graph 3). These estimates are subject to factors such as the anticipation that fiscal policies would be less expansionary in the US, the continuation of the normalization of the monetary policy at the framework that the US Central Bank (FED) has set at the end of 2016 and a significant decrease in political uncertainties in the Euro Area.

Graph 3. Growth Estimates by Country Groups (Percent)



Source: IMF, World Economic Outlook (July 2017)

13. Growth rate is expected to be 4.6 percent for emerging countries in 2017 (Graph 3). Growth performance within this group varies due to policy measures, sensitivity to commodity prices, structural reform efforts and fiscal vulnerabilities. Factors such as the shift of portfolio capital flows towards Asian countries particularly to China in the second quarter of the year, failed expectation of a sharp slowdown, and expansionary measures taken by the Chinese government reduced downward risks on growth by creating positive economic prospects. Emerging economies other than China and India, is expected to increase their growth performance from 2.4 percent in 2016 to 2.8 percent in 2017.

14. The US economy is expected to grow at 2.1 percent in 2017. Following a 1.2 percent in the first and 3 percent growth in the second quarter, ongoing rise of private consumption and investment expenditures and improving labor market conditions and favorable expectations on incomes are affecting growth positively. While the latest employment data indicates strong outlook and the inflation is still below expectations. Though not making any changes at the policy rate in September 2017 meeting, the FED underlined that the inflation is below 2 percent target and the task of reducing the balance sheet will be commenced on October. The slower pace of change in monetary policy is influenced by the uncertainty of fiscal policies in the US economy. This uncertainty is further exacerbated by some political factors such as unrealized pledges of the latest presidential election. Besides economic impacts of the latest natural disasters in the country are expected to have adverse though temporary effects on the growth performance.

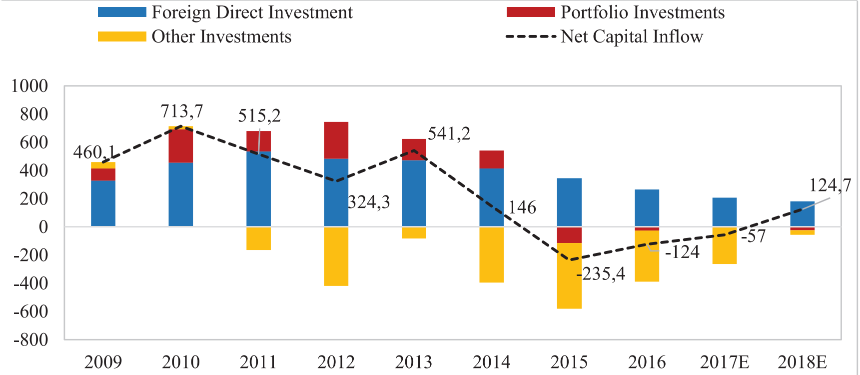
15. The Euro Area is expected to grow by 1.9 percent in 2017. The growth was 2 percent in the first and 2.3 percent in the second quarter. Following a decade long economic hardship of the Global Crisis and 2012-2013 recession the Europe is now improving rapidly with rising confidence in the business world. During the last two years, the growth is supported by expansionary monetary policy whilst financial stress is reduced. Maintaining its zero-bound interest rate policy for an extended time, The European Central Bank has re-confirmed that it will continue accommodative monetary policy despite relative economic recovery and has renewed commitment on asset purchases if needed. Latest announcements nevertheless generated expectations for a sooner transition to normalization in the monetary policy. Unemployment is still at high levels in Euro Area. While inflation is below 2 percent target, credit and investment demand remains weak. Some factors as the banks' ongoing balance sheet corrections and financial vulnerabilities resulted from reduced leverage in some sectors, the BREXIT process, and weak investment still pose downward risks.

16. It is estimated that developing countries will grow by 4.6 percent in 2017. The Chinese economy, which had the weakest growth performance of the last 26 years with 6.7 percent in 2016, grew 6.9 percent in the first half of 2017 and performed better than expected. Global trade and domestic demand have been main drivers of growth. On the other hand, rising indebtedness was tried to be controlled and house price increases were slowed down with measures taken in the overheated market. The Indian economy, which slowed down in the first half of 2017 due to the regulations in the tax system and the withdrawal of the high-value banknotes from the market, is expected to grow by 7.2 percent in 2017 and 7.8 percent annually during 2018-2020.

17. Capital flows to developing countries are expected to continue rising in 2018 (Graph 4). Net capital inflows, which declined since 2013 and returned to negative in 2015, have started to increase since 2016. The net capital inflows are expected to maintain its upward trend due to the recovery in the global economy and the fact that normalization of monetary policy of the developed economies will extend over time.

18. Global economic developments affect the Turkish economy through various transmission channels. Strong economic performance in our trading partners, low oil prices, the extended normalization process in advanced economies' monetary policies and the continuing capital inflows have all positive effects on growth, foreign balance and exchange rates in the Turkish economy. Probable slowdowns in capital inflows due to some unanticipated changes in advanced economy monetary policies, unexpected surges in energy prices and adverse geopolitical developments pose some downside risks to the Turkish economy.

Graph 4. Net Capital Inflows Towards Emerging Economies (Billion Dollars)



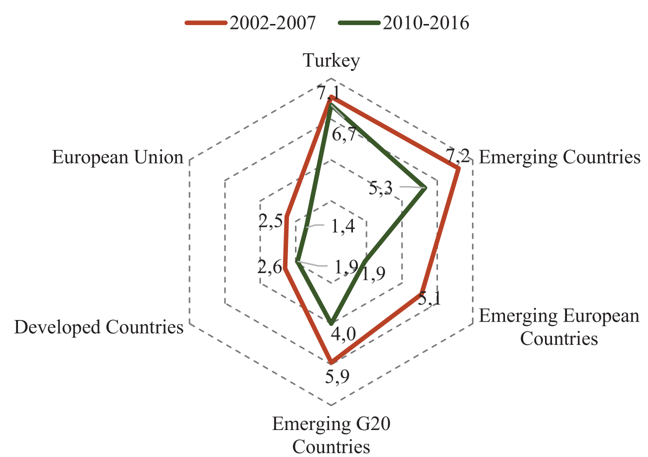
Source: IMF, World Economic Outlook (July 2017)

DEVELOPMENTS IN THE TURKISH ECONOMY

Growth

19. Turkey ranks high among the fastest growing countries after the global crisis (Chart 5). The average annual growth rate in 2010-2016 period was 6.7 percent, approaching its high growth performance in the pre-global crisis period.

Graph 5. Comparison of Growth Performances



* Albania, Bosnia, Bulgaria, Croatia, Hungary, Kosovo, Macedonia, Montenegro, Poland, Romania, Serbia
** Argentina, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa
Source: IMF, World Economic Outlook (July 2017)

20. The growth rate for 2016 was 3.2 percent. The economy performed well around its potential in the first half of the year and rose by 4.9 percent. In the third quarter of the year, especially following the July 15th failed coup attempt, the economy contracted for the first time after 27 quarters and the economy went down by 0.8 percent. In the last quarter, 4.2 percent growth was recorded thanks to the measures taken to boost domestic demand.

21. The year 2016 was a period in which the Turkish economy maintained its resilience in the face of extremely

unfavorable internal and external conditions. The weak course in global trade and the contraction of capital flows, geopolitical problems, refuge issues, terrorism and destabilization factors that reached their peak by the July 15 failed coup attempt, tourism and exports that adversely affected by the issues with Russia , negative conditions in agriculture such as drought and floods led to measures towards augmenting domestic demand that were quite effective that 584 thousand jobs were created and activity picked up swiftly , confirming the solid foundations of the Turkish economy.

REVISION IN TURKISH NATIONAL ACCOUNTING SYSTEM

Within the scope of transition to ESA-2010, the TURKSTAT has recently made some new revisions in the scope and methodology of the national accounts.

It is commonly observed in many countries that major revisions are made in the National Accounting Systems every 5-7 years. A joint transition study to ESA-2010 by member states of the EU was carried out in 2014. The main revision studies for all countries have been considered as an opportunity to improve the statistics with the use of new or updated data sources as well as the systematic adaptation of methodological changes.

Reasons for the latest principal revision in the National Accounting System:

-Reflecting the structural changes in the economy since the former the base year of 1998 onto the macroeconomic aggregates,

- Additional data sources to utilize recent developments in information technologies,

-Integrating administrative records and increasing data quality,

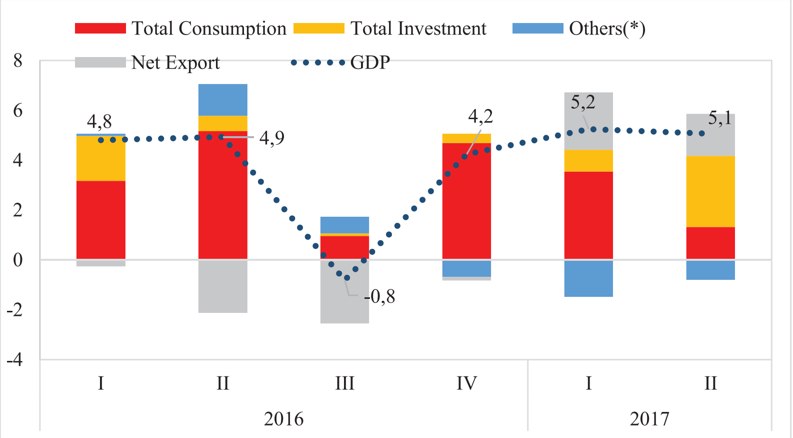
-Adapting to changes in international standards for measuring economic aggregates such as classifying R&D and weapons systems expenditures as investment expenditure according to SNA-2008 and ESA-2010.

-Since 2016, the Department of Revenue Administration has provided access to micro data. This has accelerated the production of short-term leading indicators based on administrative records. By using these records in the 2015 base year indices, more comprehensive data sets will be generated to harmonize short-term and annual GDP series.

22. The growth rate in the first half of 2017 indicates a strong growth for the year-round. The economy, which has recovered rapidly since the last quarter of 2016, has continued its growth in the first half of 2017 with supporting policy measures. The Turkish economy grew by 5.1 percent, showing a relatively balanced performance based on private consumption as well as exports and investment growth.

23. In the first half, contribution of net exports to economic growth has increased. Besides contribution of net exports by 2 percentage points, total fixed capital investment and private consumption contributed to growth by 1.9 and 2.1 percentage points respectively (Graph 6). Especially in the second quarter of the year, the increase in the fixed capital investment provides promising signs for the growth performance in the forthcoming period.

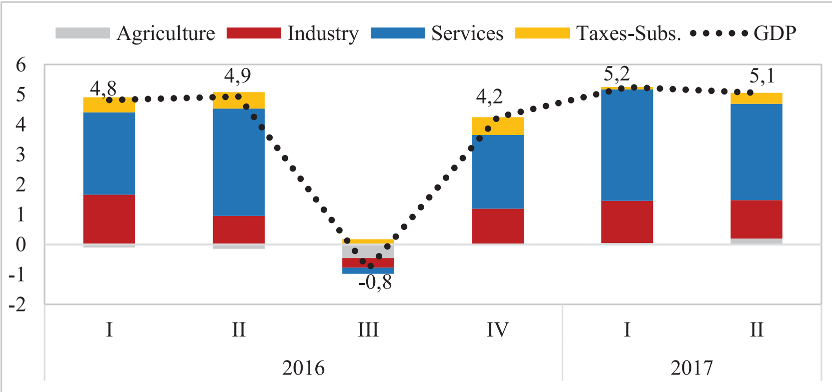
Graph 6. Contributions to GDP Growth by Expenditure Method (Percent)



(*) Stocks and deviations related to chain indices calculation.

24. The services sector increased by 3.4 points and the industrial sector posted a positive contribution by 1.3 points to the growth in the first half of 2017 (Graph 7). Contributions of the major service sectors were; 1.3 points by trade, transportation and accommodation services; 1 point by man ufacturing industry; 0.5 point by both construction and finance and insurance sectors.

Graph 7. Contribution to GDP by Production Method (Percent)



25. Financial measures in the first half of the year stimulated growth. The credit growth, tax cuts and eased macroprudential measures in the first half of 2017 supported domestic demand and therefore growth. Increasing the resources and effectiveness of the Credit Guarantee Fund (CGF) and facilitating access to finance of businesses played an important role in credit growth and buoyant economic activity.

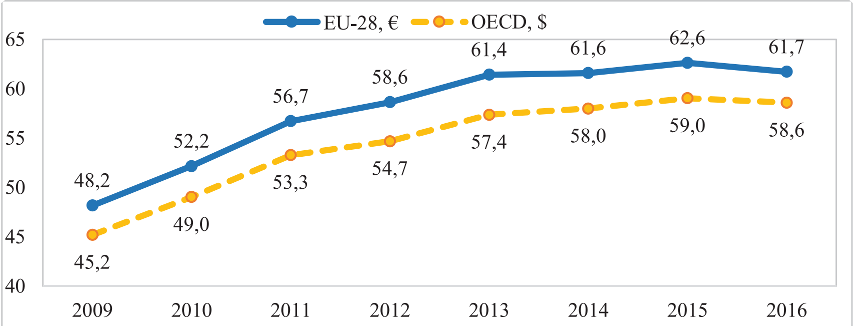
26. It is forecasted that a high growth rate will also be realized in the third quarter. The increase in agricultural production, the acceleration of industrial production, the recovery in consumer and investor confidence as a result of favorable financial market developments and the base effect is expected to contribute to the strong growth performance. Moreover, it is estimated that the recovery in the tourism sector will affect the services sector positively.

27. Growth performance is projected to gain momentum in 2017 and reach to 5.5 percent. Considering the moderate recovery observed in global economic activity, it is estimated that net exports in 2017 will contribute approximately 1.3 points to growth. As the volatility in global financial markets decline considerably risk appetite will increase, which would have a positive impact on growth performance.

28. Total factor productivity should also contribute positively to growth. Total factor productivity, which contributed negatively to growth in 2016, is expected to make a positive contribution to the accelerated growth performance in 2017.

29. The GDP per capita income (in PPP terms) has an upward trend and converges to the level of advanced economies. Per capita income (PPP) reached to 62 percent of EU-28 countries and to 59 percent of OECD countries as of 2016. Thus, with the significant improvement in convergence rate in the post-crisis period, GDP per capita income (PPP) was realized as 24,636 dollars in 2016 according to OECD definition (Graph 8).

Graph 8. Convergence of GDP per Capita (PPP)



Source: TURKSTAT

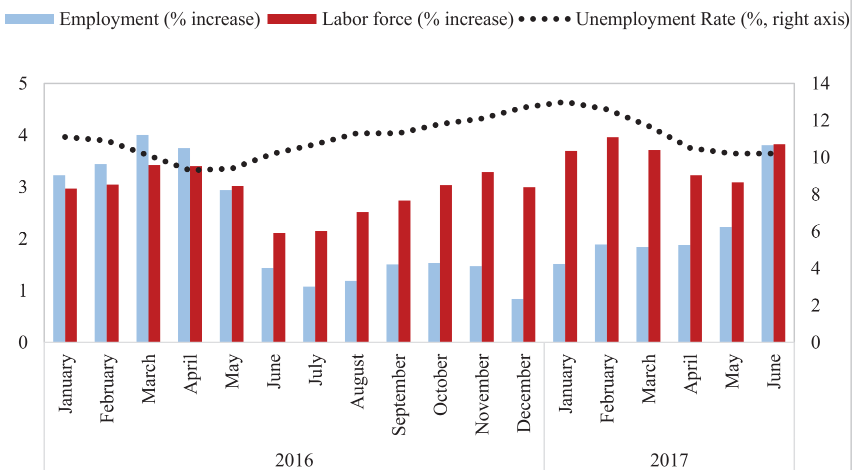
Employment

30. In 2016, the unemployment rate was recorded at 10.9 percent. Uncertainties in the global markets, weak growth performance caused by various adverse external and domestic factors, especially the July 15th failed coup attempt, and the rapid increase in the labor force participation were effective in this development.

31. The seasonally adjusted unemployment rates shifted to a downward trend thanks to the high growth performance in the first half of 2017. The unemployment rate is projected to be realized as 10.8 per cent year-on-year with the contribution of high growth and the programs and incentives addressing employment.

32. While total employment increased in the first half of 2017 though fell behind the increase in labor force participation rate (Graph 9). In the upcoming period, the upward trend in the labor force participation rate (particularly women's) are projected to continue due to demographic pressures, improvements in education level and increase in retirement age after social security reforms. Labor force participation rate is expected to increase to 52.7 percent in 2017.

Graph 9. Labor Force Indicators



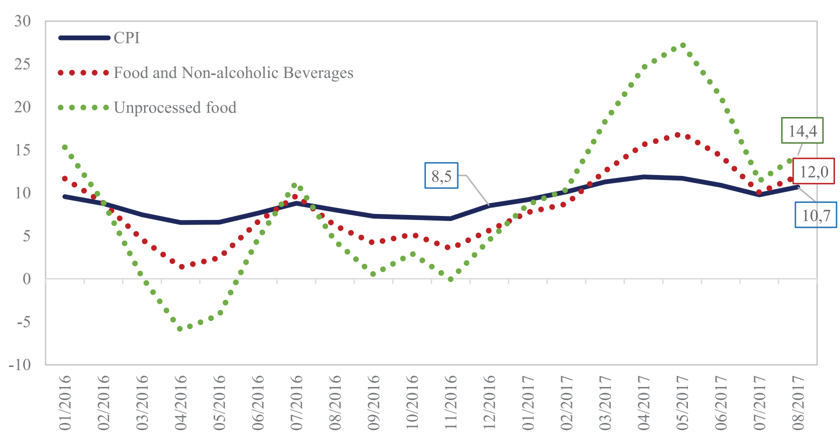
Source: TURKSTAT

33. The growth trend in employment continues. Total employment increased by 584 thousand people in 2016 compared to the previous year and was recorded as 27 million 205 thousand people. In the same period, agricultural employment decreased by 178 thousand, while non-agricultural employment increased by 763 thousand people. The highest contributor of non-agricultural employment is the services sector. As of June of 2017, agriculture and non-agriculture sectors contributed positively to the total employment and total employment increased by 1 million 52 thousand people compared to the same period of the previous year and reached 28 million 703 thousand people. It is estimated that the employment rate will be 47.0 percent at the end of the year. The unregistered employment rate decreased by 0.1 percentage points to 33.5 percent in 2016 compared to the previous year. This rate is recorded at 34.7 percent as of the end of June 2017.

Inflation

34. In 2016, the annual increase in CPI realized as 8.5 percent. While CPI inflation has fluctuated during the year because of unprocessed food prices, core inflation displayed a gradual downward trend until December due to the weakening of cumulative exchange rate effects and the slowdown in domestic demand. However, especially in the last quarter of the year, with the nominal depreciation of the Turkish Lira, the rise in international oil prices, and tax adjustments, inflation started to increase in December (Graph 10).

Graph 10. Annual Inflation (Percentage)



Source: TURKSTAT

35. As of August 2017, the consumer inflation has reached to 10.7 percent. At the beginning of the year, inflation outlook was negatively affected by unprocessed food inflation, which was rapidly increasing due to adverse weather conditions and base effect, as well as the depreciation of the Turkish Lira. As a result, the total effect of Turkish Lira depreciation on annual consumer inflation is about 3 bps. as of August. While the moderate course of economic activity and food prices are the main limiting factors for consumer inflation, the rise in international commodity prices, exchange rate developments and wage and tax adjustments have influenced inflation. During this period, import prices and exchange rate developments led to an increase in inflationary pressures stemming from producer prices. On the other hand, the improvement in aggregate demand conditions and the increase in inflation expectations have been factors that negatively affected the pricing behavior.

36. By the end of 2017, inflation is estimated to be 9.5 percent. After August, it is predicted that consumer inflation will increase due to the negative base effect of unprocessed food prices, the change in method of determining the weight of clothing group in general index and the finishing of tax reductions for durable goods groups in September. However, inflation is expected to decline to single digits by December due to the decline in the cumulative exchange rate effects, the previous year's tax adjustments and the positive base effect of food prices.

Monetary Policy

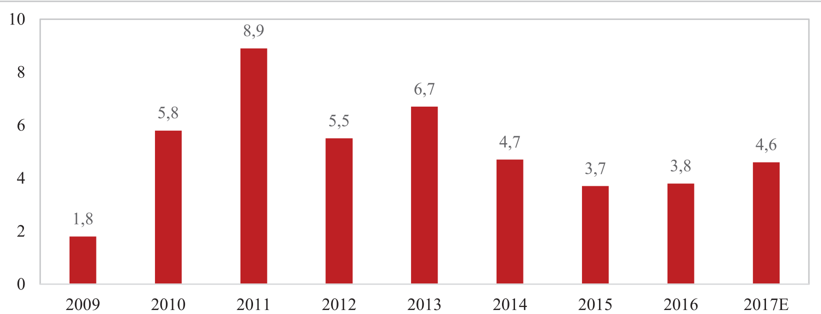
37. Tight monetary policy has been implemented since November 2016. Ongoing uncertainties in the global economy and the upward revision of US policy rate expectations have led to volatility in foreign exchange rates of emerging market economies including Turkey. In order to contain the effects of these developments on expectations and pricing behaviors, the CBRT has tightened monetary policy.

38. Cumulative movements in exchange rates since September 2016 caused an increase in the upward risks of inflation outlook at the beginning of 2017. Against this situation, the CBRT gradually raised the weighted average cost of funding and has strongly tightened the monetary policy. In addition, the CBRT also took measures to provide flexibility in the management of foreign exchange liquidity in order to eliminate the adverse effects of the developments at the beginning of the year on price stability and financial stability. Coordinated policy decisions taken in the first quarter of the year aimed to alleviate cost-driven inflationary pressures arising from exchange rates without creating additional financial strains. Owing to the increase in the predictability of the monetary policy, a relative stability has been achieved in the exchange rate market since the beginning of the year. As a result of these measures, financial indicators such as inflation compensation and risk premium were also improved. The firm stance of monetary policy is still valid due to the continuing risks in pricing behavior.

Balance of Payments

39. Current account deficit to GDP ratio was 3.8 percent in 2016. With strong demand in trading partners and moderate path in global trade, exports which were strong in the first half in 2016 were adversely affected by the July 15th failed coup attempt, geopolitical conditions and issues with Russia. With the effect of the decline in world trade prices, exports decreased to a limited extent compared to the previous year and realized as 142.5 billion dollars. Similarly, imports declined by 4.2 percent to 198.6 billion dollars due to slowdown in domestic consumption and low energy prices. The significant decline in travel revenues adversely affected the improvement in the current account deficit to GDP ratio (Graph 11).

Graph 11. Current Account Deficit/GDP (Percent)



Source: TURKSTAT

40. In 2017, the current account deficit to GDP ratio is expected to be 4.6 percent. Increase in current account deficit compared to previous year, the worsening of the terms of trade stemming from the rise in commodity prices, the deterioration in the equilibrium of gold and the acceleration of imports due to accelerated domestic demand are predicted.

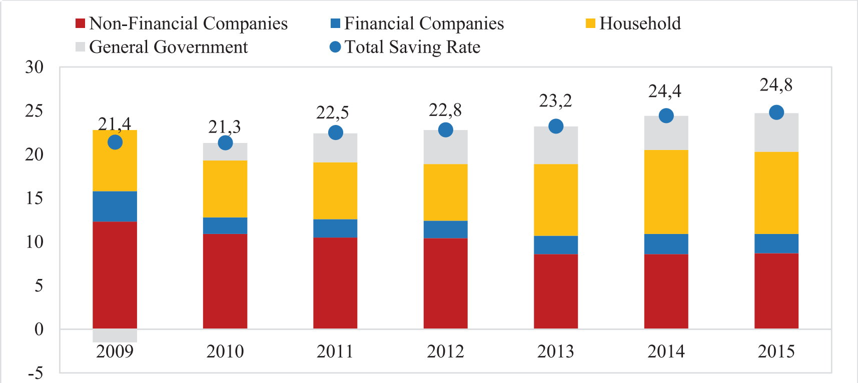
41. It is estimated that exports will increase by 9.8 percent and realized to 156.5 billion dollars in 2017. In the first seven months of 2017, exports rose by 10.6 percent compared to the same period of the previous year and reached at USD 90.1 billion, driven by the stimulus measures implemented, put into practiced the reforms that facilitated trade, and the increasing domestic demand in trading partners. Positive export performance is expected to continue throughout the year, due to increased sectoral diversification and growth in trade partners, despite increasing protectionism trends in global trade. In addition to the effects of the support given to the tourism sector, travel revenues will reach 20 billion dollars in 2017 due to the decrease of geopolitical problems are predicted.

42. It is expected that imports will increase by 11.8 percent and realized as USD 222 billion as of year end 2017. Imports increased by 13.5 percent in January-July period of 2017 compared to the same period of the previous year and realized as 129.8 billion dollars due to the increase in gold imports as well as the rebounded economic activity. It is expected that the increase in imports will continue in the remaining period of the year. Another key factor affecting the increase in imports is the increase in international oil prices.

Domestic Savings

43. The upward trend in domestic savings continues. The total savings rate was 23 percent on average for the 2009-2015 period. In 2015, 8.7 points of domestic savings were made by non-financial companies, 2.2 points by financial companies, 4.4 points by the general government and 9.4 points by non-profit organizations serving households and households (Graph 12).

Graph 12. Domestic Savings Rates (Percent of GDP)



Source: TURKSTAT

44. Following the global crisis, while savings rates of non-financial sector declined, household savings increased. The share of households' savings in disposable income was 10.1 percent in 2009 and 13.5 percent in 2015.

Public Finance

45. In 2016, general government deficit to GDP ratio was realized as 1.3 percent with an increase of 1.2 points. This deterioration, despite a 0.5 point increase in revenues, is due to 1.7 point increase in expenditures stemming from 1.1 point increase in current expenditures and 0.6 point increase in current transfers. In 2017 general government deficit is expected to be 2.4 percent partly because of the measure taken against economic slowdown and economic risks following July 15th failed coup attempt in 2016.

46. General government expenditures and revenues are expected to decrease. Even though there has been an increase in transfer expenditures due to policy measures aiming to stimulate growth and employment, support sectoral development and improve access to credit, there has been a decrease in current expenditures. As a result, general government expenditures are expected to be 35.8 percent by decreasing 0.3 points. General government revenues are expected to decrease by 1.4 points and to be 33.3 percent. The reasons for this decline are the high basis affect stemming from the restructuring in 2016 and low revenue receipts in 2017 due to the decrease in certain non-tax revenues and tax abatements aiming to boost economic activity.

47. In 2016, public sector ran a deficit of 1 percent of GDP. In 2017, public sector borrowing requirement is expected to be 2.4 percent. Programme defined public sector deficit was 0.6 percent in 2016 and it is expected to be 1.5 percent in 2017.

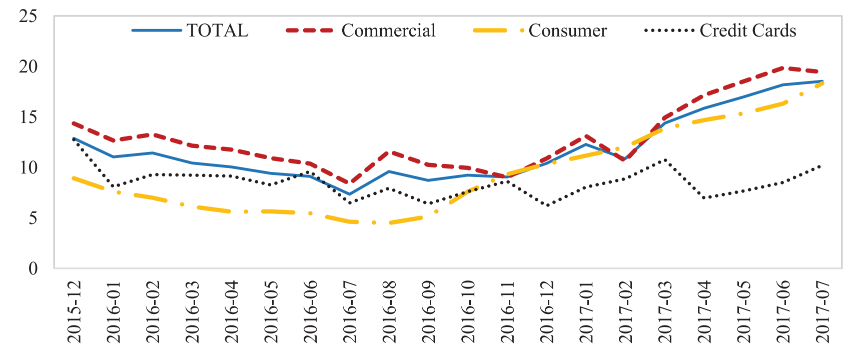
48. Central government budget deficit was 1.1 percent of GDP in 2016. In 2017, in line with the expected 1.1 point decrease in budget revenues, the budget deficit is estimated to be 2 percent. Tax measures taken against economic slowdown by the second half of 2016, developments regarding restructuring and non-tax revenues had effect on the decrease of budget revenues.

49. Although EU-defined general government debt stock is expected to increase slightly, it is still well below Maastricht debt criterion. EU-defined general government debt, which had reached its lowest level with 27.5 percent of GDP in 2015, was 28.1 percent in 2016 and is projected to be 28.5 percent in 2017.

Credit Developments

50. As of July 2017, exchange rate adjusted total loan growth was recorded as 18.5 percent, exceeding long-term averages. Total loans have accelerated since the third quarter of 2016 with the increase in retail loans driven by relatively low interest rates in housing loans and eased macroprudential measures. During the first half of 2017, total loans kept growing with the help of the recovery in commercial loans. Loan growth is expected to moderate in the following period (Graph 13).

Graph 13. Loan Growth (Exchange Rate Adjusted, Yearly Percentage Change)



Source: CBRT, BRSA

51. **The ratio of nonperforming loans (NPL) has stabilized slightly above 3 percent during the first seven month of 2017.** The NPL ratio of SME loans, which has tended to increase since 2014, dropped under 5 percent with the help of Treasury-secured CGF loan stimulus. The other soundness indicators positively affected by CGF collateralized loans are the capital adequacy ratio (CAR) as a result of the reduced credit risk exposure and the profitability of banks. As of July 2017, the CAR was recorded at 17 percent, reaching its top level since April 2013. Return on equity rose from 8.7 percent to 9.5 percent in one-year period from July 2016.

THE MAIN OBJECTIVE

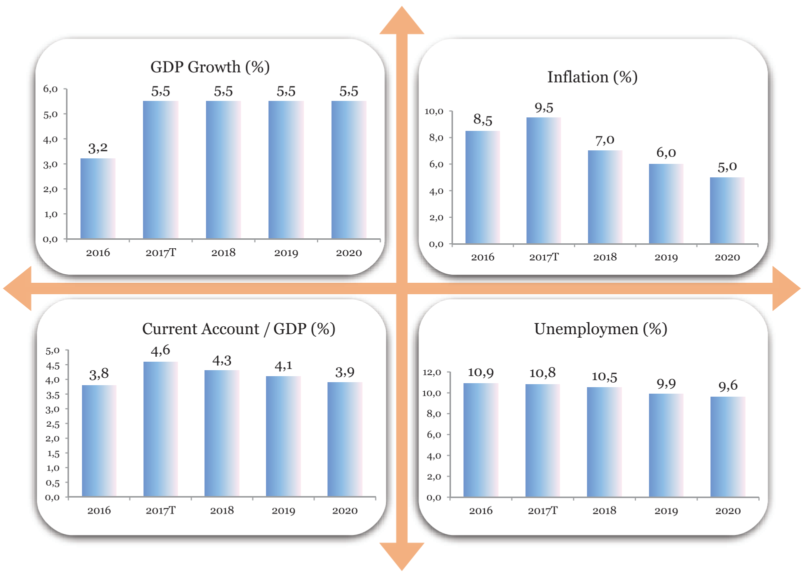
52. The main objectives of the MTP are to maintain macroeconomic stability, to increase human capital and labor quality, to enhance high value-added production, to improve the business and investment environment and to increase the institutional capacity in the public sector, to increase employment and improve income distribution.

53. In this framework; decreasing inflation, sustaining fiscal discipline and improving current balance, raising the quality of education, increasing the skills and productivity of the workforce, making the labor market more flexible, increasing the value added production and exports based on innovation, facilitating business and investment processes, legal foresight in business and trade disputes and structural reforms aimed at strengthening institutional capacity in the public sector are quite important.

MACROECONOMIC TARGETS

54. Solid macroeconomic targets have been identified in the areas of growth, inflation, balance of payments, employment and public finance within the context of the MTP.

Graph 14. Macroeconomic Targets



Growth

55. In the medium term for the Turkish economy; a growth pillar with increasing skilled labor employment and while maintaining price stability and current account balance based on fixed investment and export, mainly financed by domestic savings and foreign direct investments is targeted. During the Programme period, with growth supporting policies, by increasing total factor productivity, creating high quality jobs and improving quality and quantity of labor force, it is expected that more stable and high growth structure will be achieved.

56. For the MTP period, a 5.5 percent growth rate each year is targeted with a growth strategy backed by investments in productive sectors and based on productivity increase. It is envisaged that this projected productivity increase will be achieved via private sector investments and structural reforms.

57. In reaching the growth target for 2018;

- ✓ It is expected that the services sector will contribute 3.4 points, the industrial sector 1.1 points and the agricultural sector 0.3 points to growth within production approach.
- ✓ It is estimated that total expenditures will contribute 2.9 points and total fixed capital investments 1.6 points to growth within the total demand side; there will be relative decline in the contribution of net exports of 2017.
- ✓ It is expected that the recovery in tourism sector will contribute more to growth.

58. In 2019 and 2020, on average;

- ✓ The services sector will contribute 3.5 points, the industrial sector 1.2 points and the agricultural sector 0.3 points to growth.
- ✓ From total demand side, total consumption will contribute 3.1 points, total fixed capital investments will contribute 1.7 points and net exports 0.7 points to growth.

Employment

59. It is forecasted that the unemployment rate will gradually decrease during the MTP period and will be 9.6 percent by the end of 2020. In this period, it is primarily aimed to generate qualified employment opportunities in the labor market which is characterized with high participation rates, and to improve compatibility between skill set of the labor force and market demand .It is expected that this newly generated qualified employment capacity will, in the medium term, increase value added in production by creating a transformative capacity. In this scope;

- ✓ It is expected that the labor force participation rate will increase during the Programme period and reach to 54.7 percent in 2020.

- ✓ It is targeted that the employment rate will increase in parallel with developments in economic activity during the MTP period and reach to 49.5 percent. Thus, it is expected that the number of employed people will reach to 31 million 369 thousand at the end of the period.
- ✓ It is estimated that the growth elasticity of non-agricultural employment will continue to remain around its long-term averages in this period.
- ✓ Agricultural employment is expected to shrink 0.9 percent on average in this period and at the end of the period it is estimated that the share of agricultural employment in total employment will decrease from the level of 18.8 percent in 2017 to 16.4 percent in 2020

Inflation

60. During the MTP period, inflation is targeted to converge to 5 percent by maintaining anti-inflationary monetary policy and fiscal discipline. When this target was set, it was assumed that managed / guided prices and tax adjustments will be determined in accordance with inflation targets and the cautious stance of monetary policy will continue. In this context;

- ✓ In 2018, the annual rate of increase of CPI is estimated to be 7 percent.
- ✓ It is predicted that food inflation will be realized as 8 percent.
- ✓ A limited increase in energy prices is foreseen and annual average Brent crude oil price per barrel is estimated at USD 54.5.
- ✓ It is envisaged that relative stability in import prices of Turkish lira will support inflation.

Balance of Payments

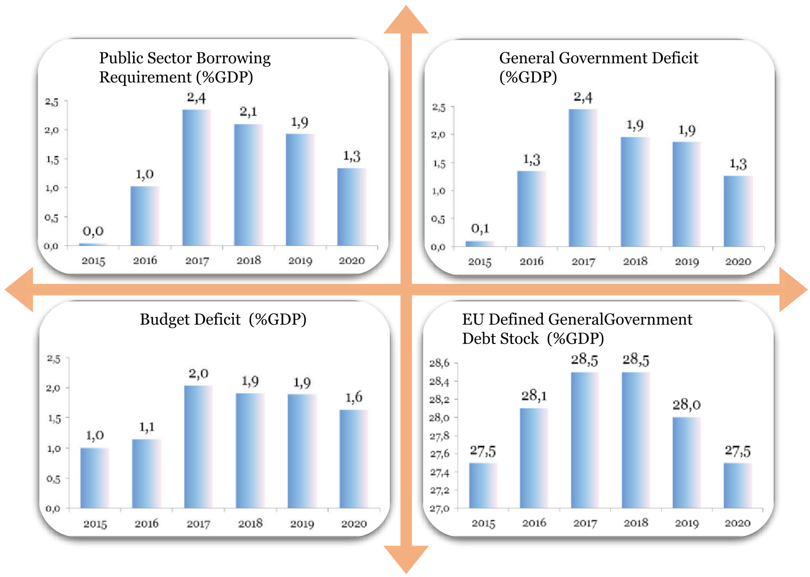
61. The production and trade structure of the economy is aimed to evolve in favour of goods and services exports via policies and measures designed for the Programme period. In this framework, increasing support for economic activity to be directed towards areas that will provide efficient and sustainable growth, increasing high-tech exports, continuing to reduce dependence on imported inputs, and reaching potential income levels in tourism are foreseen. In this content;

- ✓ Current account deficit to GDP ratio will be realized as 4.3 percent in 2018 and will decrease to 3.9 percent by the end of 2020. This expectation assumes that resources will be directed towards high value-added areas, the revival of trading partners will become stable, and the barriers to global trade will diminish.
- ✓ Exports, which are expected to be 169 billion dollars in 2018, are estimated to reach 195 billion dollars, and imports, which are expected to be 237 billion dollars in 2018, are estimated to reach 272 billion dollars at the end of the Programme period.
- ✓ Real exports and real imports are estimated to increase 5.8 percent and 4.7 percent respectively on annual average in the Programme period.
- ✓ Energy imports, which are expected to be 42 billion dollars in 2018, are expected to reach 49 billion dollars at the end of the Programme period, depending on the increase in the use of domestic and renewable resources and the recording of reasonable increases in oil prices.
- ✓ Travel revenues, which are expected to be 23 billion dollars in 2018, are expected to reach 29 billion dollars at the end of the Programme period, depending on the global security perception improves and the positive impacts of the sectoral support continue.

Public Finance

62. In the Programme period, the objectives of public finance policies are to control the GDP share of public expenditures and revenues, to increase their effectiveness, to obtain public revenues from steady and sound sources by increasing the share of tax revenues in total revenues and to keep public sector borrowing requirement under control. In the MTP period fiscal policy, in line with monetary policy targets, will be implemented in a way that it contributes to increasing growth potential of the economy, maintaining economic stability, keeping current account deficit at sustainable levels while increasing domestic savings and supporting investments.

Graph 15. Public Finance Targets



- ✓ General government deficit which is expected to be 1.9 percent of GDP in 2018 is projected to decrease to 1.3 percent in 2020.
- ✓ General government expenditures and revenues are expected to decline gradually from their 34.8 percent and 32.8 percent levels in 2018 to 32.7 percent and 31.5 percent respectively at the end of the Programme period.
- ✓ Public sector borrowing requirement to GDP ratio which is projected to be 2.1 percent in 2018 is programmed to decrease to 1.3 percent in 2020.
- ✓ Programme defined public sector balance which is projected to run a deficit of 1 percent in 2018 is programmed to run a surplus of 0.2 percent at the end of the Programme period.
- ✓ Central government budget deficit to GDP ratio which is projected

to be 1.9 percent in 2018 is programmed to decrease to 1.6 percent at the end of the Programme period.

- ✓ Total tax burden, which is estimated to be 24.8 percent of GDP in 2018, is projected to decrease gradually to 24 percent at the end of the Programme period.
- ✓ EU-defined general government debt stock, which is estimated to be 28.5 percent of GDP in 2018, is projected to decrease to 27.5 percent at the end of the Programme period.

V. GROWTH AND EMPLOYMENT PRIORITY POLICIES AND MEASURES

63. During 2010-2015 Turkish economy achieved high growth rates, especially stemming from investments. To maintain high growth performance, it is necessary to increase potential of the economy in terms of production and employment

✓ **With the purpose of achieving high growth rates in the future, and increasing quality of growth;**

- Sustaining low single-digit inflation,
- Keeping current account deficit at sustainable levels,
- Increasing domestic savings and investments further,
- Allocating resources to manufacturing industry,
- Increasing quality of exports,
- Raising production infrastructure and technology level,
- Improving the quality of labor force and increasing labor market flexibility are important issues.

✓ **For an economic structure that is growing at a high and stable rate during the Programme period;**

- Sustaining macroeconomic stability,
- Qualified employment creation,
- Increasing high value-added production,
- Improving the suitable environment for private sector investments and further easing of doing business,
- Increasing the institutional capacity of the public in order to support the private sector are aimed.

64. Increasing the institutional capacity of the public in order to support the private sector are aimed.

Figure 1. Priority Policy Areas of the MTP

I. SUSTAINING MACROECONOMIC STABILITY

65. In order to ensure a sustainable high growth and a healthy employment structure, the main priority of the Turkish economy is to maintain financial stability with a strong public financing balance, to reduce the vulnerability of the economy to external shocks to minimum levels by maintaining permanent price stability and keeping external balance at manageable levels.

1.Price Stability

66. It is aimed to reduce inflation to 5 percent in the medium term. In order to support price stability, the management of inflation expectations, maintenance of fiscal discipline and strengthening of monetary and fiscal policies are main priorities. The Central Bank will continue to use all its instruments in line with the main objective of the price stability. Growth and employment policies will be supported without contradicting price stability. The inflation target will be maintained as a main monetary policy and the inflation targets will continue to be set by the Government and the Central Bank in a three-year period. Until inflation reaches a path consistent with the targets, the Central Bank will continue its tight monetary policy.

67. In addition to short-term interest rates, required reserve ratios, Turkish lira, and FX liquidity measures will continue to be used as primary instruments of monetary policy. The floating exchange rate regime will be maintained.

- ✓ Foreign exchange markets will be monitored closely and FX liquidity instruments will continue to be used to affect the markets when necessary.
- ✓ In order to support price stability and limit the possible effects of exchange rate volatility on macro-financial stability, the preference of Turkish lira will be encouraged. Mechanisms and incentives will be established for firms for better managing their exchange rate risks .

- ✓ The CBRT will continue to accumulate reserves through rediscount credits.
- ✓ In order to identify and solve the structural problems that cause price stickiness, managed / directed prices and tax adjustments will be in line with the inflation target
- ✓ The decisions of the Food and Agricultural Product Markets Monitoring and Evaluation Committee, which aims to solve the high level of food inflation problems as well as extreme volatility, will be swiftly implemented. In this scope;
  - ➢ The registration system for the supply chain from production to the ultimate consumer will be strengthened.
  - ➢ Turkish Grain Board's physical storage activities will be terminated and this capacity will be transferred to licensed warehousing system.
  - ➢ Legal and institutional arrangements will be continued for expanding licensed warehousing practices.
  - ➢ Cold chain investments from field to fork will be supported in order to minimize the rate of wastage caused by the material loss in the fresh fruit and vegetable supply chain and to increase the overall quality of logistics processes.
  - ➢ Full compliance with international standards will be ensured in the packing of agricultural products, shipping and exhibiting at retail points.
  - ➢ Legal work towards more efficient operation and modernization of wholesale markets, one of the critical points of the supply chain, will be completed.

2.Fiscal Sustainability

68. The main aim is to preserve strong public finance structure. Thanks to structural reforms in public financial management and strictly followed fiscal discipline, Turkish public finance has become one of the strongest aspect of the Turkish economy with regard to the prominent role it plays in the decision making process of foreign investors and on the domestic economic activity.

69. In the Programme period, fiscal discipline will be pursued tightly. Critical structural regulations and measures will be put into practice in order to reverse the expansionary trend in fiscal policy.

70. To pursue fiscal discipline resolutely main strategies will be to confine public expenditures, to increase their effectiveness and to make savings from current expenditures. The share of tax revenues and direct tax revenues in total revenues will be increased. Privatization will be continued in the Programme period.

2.1. Increasing the effectiveness of public expenditures:

- ✓ Spending programs which are concluded to be inefficient via impact analyses will be terminated.
- ✓ Creation of new spending programs as a part of the budget will be limited and initiation of new programs will depend on detailed evaluations which includes respective fiscal burden.
- ✓ Creating permanent spending programs in exchange for temporary revenues will be avoided.
- ✓ The rate of growth of current spending will be kept under control considering the growth rate of capital expenditures.
- ✓ Possible saving opportunities will be determined in current expenditures and current expenditure appropriations will be determined by using zero-based budgeting approach.
- ✓ General principles/guidelines regarding the public expenditures which have a steep upward trend, leasing and service procurements in particular, will be reviewed; cost-effectiveness and cost-benefit analyses will be conducted.
- ✓ All necessary measures will be taken to provide savings in vehicle usage in public sector by availing of cost-effectiveness analyses.
- ✓ Construction of buildings for public institutions and ministries will be limited to compulsory cases, standards will be introduced to raise effective use and extend the economic life of existing stock of buildings.

- ✓ Informing and auditing activities related to health service providers will be expanded for the purpose of increasing efficiency in health services.
- ✓ Social aid expenditures will be reviewed on the basis of efficiency and productivity by taking their effects into account, multiple utilizations will be prevented, coordination among institutions will be strengthened by increasing auditing activities.
- ✓ To increase the effectiveness of local governments' expenditures, regulations for fiscal discipline will be put into practice.
- ✓ The expropriation legislation shall be reviewed to increase efficiency in expropriation expenditures. In this context;
    - ➢ Priority shall be given to the use of land consolidation in order to reduce the allocation costs and expropriation shall be limited when the land consolidation would not be sufficient to proceed in investment projects.
    - ➢ Project designs will be reviewed to avoid high cost expropriations and alternatives will be taken into account when choosing investment location or route.
    - ➢ Urgent expropriation will not be implemented except in very difficult circumstances.

2.2. Effectiveness of public investments:

- ✓ Public investments will be directed towards priority infrastructure investments that will continue to support innovative and productive investments and business of private sector and to increase quality of life. In this respect, about the allocation of investment appropriations;
    - ➢ Divided roads, harbor and railway investments which serves cargo traffic,
    - ➢ Rail junction line investments to major cargo centers,
    - ➢ Urgent connections between transportation mods to ensure continuity and productivity,
    - ➢ Irrigation, land consolidation and infield development investments that enhance agricultural production,

  - ➢ Mining and raw material exploration investments that support industrial production,
  - ➢ E-government infrastructure investments for increased productivity,
  - ➢ Investments in natural disaster preparation that will prevent production losses,
  - ➢ Education and health infrastructure investments towards enhancement of human capital,
  - ➢ R&D infrastructure investments that will increase technological capacity and capability, will be considered as prioritized areas.

- ✓ In the financing of the public investments, besides the budget resources, use of Public-Private Partnership (PPP) model will be improved by taking existing experience into consideration.
  - ➢ The scope of sectors where the model is applied, will be extended by taking worldwide practice into account.
  - ➢ The use of PPP models other than Build-Operate-Transfer (BOT), will be enabled.
  - ➢ Measures will be taken to increase the quality of preparation stage before implementation (planning, analysis, procurement, contract, and so on) in order to reduce the risk on the parties and bring down the costs.
  - ➢ Implementation standards will be reorganized by taking the international standards into consideration.
  - ➢ Training programmes will be organized which will increase the capacity of public institutions in the PPP model in terms of project planning, financing, procurement and contract management.

2.3. Increasing the quality of public revenues:

- ✓ Tax regulations will be put into practice after a detailed evaluation of their economic, social and fiscal impacts.

- ✓ Income Tax Law, Tax Procedure Law and Value-Added Tax Law will be revised in a way that they contribute to production, employment, investment, exports, productivity and competitiveness.
- ✓ New tax practices which promote voluntary tax compliance, enhance service quality and increase credibility within the eyes of tax payers will be initiated.
- ✓ Technological advancements will be utilized more in taxation and a new risk analysis center will be established in order to prevent tax evasion and avoidance.
- ✓ The effectiveness of tax and premium collection system will be improved by enhancing coordination among institutions and solving the problems.
- ✓ The effectiveness of tax rebates will be increased with a taxpayer focused approach and in a way that they promote production and growth.
- ✓ Works to reduce the tax burden on the areas where heavy taxation creates crowding out and informality in economic activities.
- ✓ Measures will be taken to increase own-source revenues of local governments.
- ✓ Real estate tax system will be revised.

2.4. Make use of underutilized public assets:

- ✓ The municipalities will be allowed to sell agricultural land of the Treasury which is located within the boundaries of the contiguous area and is left unplanned or reserved for agricultural purpose.
- ✓ Direct sales to right holders and tenants of the Treasury immovables will be promoted.
- ✓ Incentives for the sale of the Treasury immovables for investment purposes will be promoted.
- ✓ Public service buildings will not be built on valuable public places and these areas will be provided to the economy.

- ✓ Non-registration areas shall be registered in the name of the Treasury and provided to the economy.
- ✓ Reserved properties in idle condition will be rented.
- ✓ Public housing and social facilities will be provided to the economy.

2.5. Strengthening institutional structure of the public financial system:

- ✓ Consistency of high level policy documents, development plan in particular, and strategic plan and performance program preparation processes will be enhanced.
- ✓ Work regarding performance based budgeting in line with programs which will facilitate monitoring the effective use of public resources will be finalized.
- ✓ Scope and methodology of government financial statistics will be reviewed, and statistics will be disseminated periodically and in detail.
- ✓ Work regarding integrated public financial management information system will be finalized.
- ✓ Revolving fund reform will be completed for relevant administrational units to ensure an open, transparent and accountable administrative and fiscal environment.
- ✓ Prioritizing intensive tax-loss areas, fight against informal economy will continue via increasing public awareness, voluntary compliance, data sharing and collaboration among institutions.
- ✓ Tax expenditure reports will be detailed to include further classifications and various taxes , and will be disseminated annually.
- ✓ Implementation capacity of the Court of Accounts will be augmented in order to improve auditing perspective and capacity and to increase the effectiveness of audits.

3. Maintaining Financial Stability and Increasing Domestic Savings

71. Maintaining financial stability, increasing domestic savings, increasing financial market resilience against systemic risks, and deepening money and capital markets are fundamental objectives as to sustainable and sound financing of economic growth.

72. For achieving a higher growth path, it is crucial to finance investments and the current account deficit with reliable and sustainable resources. During the Programme period, financial markets are envisaged to support investment and growth through strengthening the components of financial system, reducing fragility and providing an environment for an efficient system with low intermediation costs.

3.1. Mitigating systemic risks:

- ✓ The Financial Stability Board will continue to promote coordination effectively to indentify, monitor and mitigate systemic risks.
- ✓ The Central Risk Registration Authority will be established to provide a data infrastructure for credit rating, and further studies will commence to establish a national rating agency.
- ✓ Macroprudential measures shall be taken in order to reduce and manage exchange rate risk in the real sector.
- ✓ A real sector systemic risk data monitoring model will be set to analyze the real sector’s exchange rate risks in a more comprehensive and reasonable frequency.
- ✓ The use of “credit insurance”, which serves to compensate losses that may arise due to the probable default of a trade receivable, will be extended.
- ✓ The scope of the Treasury Single Account will be expanded.

3.2. Deepening the financial system and increasing domestic savings:

- ✓ Istanbul Financial Center Law would be enacted in order to accelerate the efforts to make Istanbul an attractive international financial center.
- ✓ The Emlak Bank (real estate bank) will be restructured.
- ✓ The Development Bank of Turkey will be restructured to provide long-term funding for innovative and high value-added investments in strategic industrial sectors.
- ✓ Issuance of gold-backed bonds/lease certificates will be realized.
- ✓ Tax practices on foreign currency and gold-backed securities, and their underlying assets will be revised.
- ✓ Legislative work on the establishment and operation of specialized commodity exchanges will be completed.
- ✓ Organized markets enabling physical delivery of metals and similar commodities at maturity will be established.
- ✓ A legislation on limited partnerships and trust funds will be prepared.
- ✓ The use of the national payment system will be extended.
- ✓ The private pension system will be reviewed and the number of participants will be increased by expanding its scope and encouraging not exiting early.
- ✓ An awareness-raising program will be prepared to improve households' understanding for indebtness and long-term savings.
- ✓ Firms will be encouraged to invest their retained earnings into capital markets.

3.3. Developing the interest-free finance system:

- ✓ In order to deepen the interest-free finance market, Interest-Free Finance Law would be enacted. In this scope;

- ➢ An institution for interest-free finance standards will be established.
- ➢ Corporate governance principles will be set in accordance with interest-free finance principles.

✓ Legislation to develop particpation (interest-free) insurance would be realized.

4. Current Account Sustainability

73. The current account deficit is aimed to exert a decreasing path in response to some structural improvements in the Turkish economy in sectors that are dependent on foreign trade, particularly energy.

74. In the MTP period, increasing the quality of the growth to reduce the current account deficit, introducing policies and measures to reduce import dependency, and further developing the share of exports in services trade, in particular tourism are main objectives.

75. In this context, diversifying product and markets of exporting industries, increasing share and volume of high value-added exports, higher positioning of domestic firms in global supply chains, reducing dependence on imported energy, improving financing opportunities, easing customs procedures and enabling logistics services are the main policies in order to keep the current account deficit at sustainable levels.

4.1. Increasing exports:

✓ Supports for high-tech exporting will be diversified in line with the needs of the relevant sectors.

✓ Operational procedures for state aids in exports of goods and services will be simplified and effective utilization of the supports will be ensured.

✓ Increasing the share of trade in Turkish liras will be encouraged.

✓ A foreign exchange rate risk insurance system will be established and its use will be promoted in order to reduce the exchange rate risk.

- ✓ An international direct investment strategy will be designed in order to attract continuous international investment.
- ✓ Industry oriented international fairs will be supported and a national infrastructure will be developed in order to become a leading international fair center.
- ✓ Measures targeting to reduce high freight charges shall continue.
- ✓ The contracting and consulting sector that operates overseas will be supported to contribute further to domestic production and exports.
- ✓ An internationally accepted halal certification and accreditation infrastructure will be established.
- ✓ Production and export of traditional products will be specifically supported.
- ✓ An official negotiation process will be commenced to update the Customs Union.
- ✓ The e-Export Strategy will be put into action and Turkish goods and services will be provided via e-export on international markets.
- ✓ A study will be conducted to establish a "Single Point Export" system that enables the coordination of customer discovery, logistics and payment processes from a single center in electronic environment.
- ✓ International trade of companies with original and creative designs will be supported.
- ✓ A mechanism will be established for informing and orienting exporters on the basis of country, sector and product in order to facilitate entry into target markets.
- ✓ The "Turkey Promotion Group" will become operational to ensure systematic, uniform and strong promotion of Turkey.
- ✓ The regulatory infrastructure will be established to ensure that large public investors develop peer to peer cooperation with

Turkish firms to undertake contracts abroad.

- ✓ The Turkish Commercial Centers, which has been set up to launch new markets in target and priority countries, will be expanded.
- ✓ In order to ensure transformation in tourism, The Tourism Strategy will be renewed in a way to increase the diversity of the origin country and types of tourism.
- ✓ The institutional infrastructure will be completed for the development of health tourism, the accreditation and authorization process will be accelerated and an effective pricing and audit system will be established.
- ✓ Trade policy measures will be implemented effectively to support domestic production against unfair competition caused by imports.
- ✓ Mineral imports will be reduced by enrichment in non-produced and rare earth elements and transforming into finished and semi-finished products.

4.2. Reducing dependency on imported energy:

- ✓ The share of renewable energy in total energy production will be increased.
- ✓ The Program for Renewable Energy Resource Areas which will reduce dependency on foreign equipment in renewable energy investments will be continued.
- ✓ Exploration of oil, natural gas, shale gas and coal will be increased in order to ensure the increase in domestic reserves.
- ✓ The use of local lignite will continue in an environment friendly manner.
- ✓ A programe will be initiated for efficient use of energy in transport, industry and residential sectors.
- ✓ Measures in public electricity generation power plants, electrical transmission and distribution networks will be taken to enhance energy efficiency.

4.3. Improving financing possibilities:

- ✓ • Eximbank's paid-in capital will be increased to support exports.
- ✓ • The credit limit that Eximbank can use with CGF facilities will be increased.
- ✓ • Eximbank will increase the availability of purchasing credits and will also lead settlement-based credit transactions.
- ✓ • Eximbank will extend the application of export credit insurance and exporters will access more funds from commercial banks.
- ✓ Eximbank will also extend the use of loans with collaterals other than the guarantee letters and more companies, especially SMEs, will benefit from the Bank's facilities.

4.4. Enhancing logistics services:

- ✓ In order to improve the competitiveness of the sectors and facilitate international trade, the efficiency in logistics services will be enhanced. In this context;
  - ➢ Existing logistics centers will be rehabilitated, new logistics centers shall be established in international standards and effective management systems will be established in these centers.
  - ➢ Logistics centers will be managed by private operators instead of public operators, according to modern management principles, with the aim of acceleration in trade.
  - ➢ In order to establish a competitive environment with private sector participation and reduce costs to sustainable levels, secondary legislative work on railway transport will be completed.
  - ➢ Railway investments in the East-West corridor will be accelerated and bottlenecks in the North-South corridor will be eliminated.
  - ➢ Highway and railway connections between ports and hinterlands, which transform ports to transfer centers, will be improved.

- ✓ The speed and the quality of the customs services will be improved
  - ➢ The Single Window System will be expanded and its effectiveness will be improved.
  - ➢ The laboratory transactions for the foreign trade will be consolidated at single point.
  - ➢ Through port and container tracking mechanism, port transactions under a single secure platform will be expanded.
  - ➢ The speed and the efficiency of the customs services at land border posts will be improved.
  - ➢ Trade facilitation enquiry points will be formed to facilitate the traders access to customs information.
  - ➢ Application procedures for customs transactions will be facilitated and the number of fees by various institutions will be optimized.
  - ➢ Customs control processes will be accelerated and its efficiency will be increased.

II. IMPROVING QUALITY OF THE HUMAN CAPITAL AND LABOR FORCE

76. The main objective is to create a labor market that is more capable and competent, able to produce more and better jobs, competes with global markets and harnessing technological changes and digital revolution.

77. Population dynamics will be transformed into a high-quality labor force through policies in education and in the labor market to increase economic growth and employment.

78. Production, employment and sustainable development will be supported through increasing participation and facilitating access to opportunities of individuals and groups facing risk of poverty and social exclusion.

1. Increasing the Quality of Education

79. The main objectives are increasing the equal opportunity among the students, improving the governance, increasing teacher qualifications, strengthening vocational and technical education, and specialization of the universities.

1.1. Promoting the equal opportunity:

- ✓ Full-day system will be adopted in primary schools.
- ✓ The transition between levels of schooling will be reorganized.
- ✓ The pre-school education will be expanded, especially for five-year-olds.
- ✓ Best practices of in-class teaching activities will be identified and extended.
- ✓ Particular emphasis will be given to the development of digital content in education and its use in the educational process will continue to be widespread.
- ✓ A mechanism will be developed for schools to produce innovative projects with a competitive understanding. Moreover application priority will be given to the schools with limited facilities.

- ✓ The private school incentive system shall be re-evaluated considering efficiency.
- ✓ Private school enrollment rate will be increased with additional measures for increasing private sector's share in education.

1.2. Increasing teachers' qualifications:

- ✓ The Teachers Strategy will be implemented and monitored effectively.
- ✓ The in-service training needs will be identified on individual basis and teachers' participation to these trainings will be ensured.
- ✓ A fair performance system will be established for teachers by considering schools and educational institutions, regional conditions, socio-economic conditions of students and parents, learning environment and academic achievements.
- ✓ Teacher training institutions will be restructured academically and institutionally in line with the education system and national priorities.
- ✓ The Teachers Academy will be established to train teachers and administrators of educational institutions in the light of new developments in education.

1.3. Strengthening of vocational and technical education:

- ✓ The management and curriculum of vocational and technical education institutions will be restructured to strengthen cooperation with the sector in the skills area required by the business world.
- ✓ The thematic vocational and technical high school model will be widespread by ensuring specialization of vocational and technical secondary education institutions in the areas needed by the region, on particular business fields.

1.4.Specialization of universities:

- ✓ Implementation of programs for the specialization of universities will continue.

- ➢ Selected pilot universities within the framework of the regional development mission will be supported to specialize in the declared areas.
- ➢ Research universities specialization program Programme will be realized.

- ✓ Measures will be taken to increase the quality of education in universities by organizing the Higher Education Quality Board.
- ✓ In universities, efficient use of facilities will be ensured by establishing standards on the basis of function, building, classroom and indoor quality.

1.5. Increasing the effectiveness of governance in the education system:

- ✓ In the design of the programsmes and projects supporting the education system, the detailed data and experiences gained from current practices will be utilized.
- ✓ A national research project will be designed and implemented to monitor students' academic progress.
- ✓ School-based budget management will be improved in such a way that school administrators will have flexible budget for school needs.

2. Fostering Labor Markets

80. The main objective is harnessing digital transformation and technological change, increasing skill match between work and labor, creating employment opportunities for disadvantaged groups and fighting informal employment to improve the efficiency of labor market.

2.1. Digital transformation and adaptation to technological change:

- ✓ To fulfill digital transformation and technological change into opportunity and to mitigate its adverse impacts on the labor markets, a strategy harmonizing the labor markets to these developments will be prepared through idenfiying the sectors, occupations and skills that might be changed or arise in the future.

- ✓ An incentive mechanism enabling more intense use of technology, particularly information technology, and flexible to reduce locational and time constrains will be developed to support women's employment.

2.2. Increasing the match between jobs and skills of labor:

- ✓ Active and passive employment services will be provided in accordance with individuals' special needs.
- ✓ In order to enable the education system to meet the needs of labor markets, fact-based policies will be implemented by establishing education-employment database.
- ✓ Job and vocational counsellors will be specialized for special target groups.

2.3. Increasing the employment of the disadvantaged groups in labor market:

- ✓ Care services will be supported and the infrastructure facilities will be strengthened to increase the labor force participation of women.
- ✓ Regulation on flexible work will be realized in order to facilitate the employment of the vulnerable groups, particularly women.
- ✓ The profiles of young people neither in employment nor in education or in training will be determined and an individual, family and society oriented mechanism supporting their integration to the labor force and employment, will be developed.
- ✓ Individuals receiving social support and in labor force will utilize active labor programs to gain sustainable income.
- ✓ The effectiveness of the public work program will be revised.
- ✓ The accessibility to the services as education, health, employment and social security will be improved for the disadvantages groups.

- ✓ Improvement of social and physical environment conditions will be continued for the disabled to increase their participation to the economic and social life.
- ✓ The legislations for employees who are working under sub-contract in public sector will be finalized.

2.4. Reducing informal employment:

- ✓ Fighting informal employment will be strengthened through regular monitoring mechanisms.
- ✓ A monitoring system towards temporary agriculture workers will be established and working and sheltering conditions for those will be improved, thereby preventing child labor.

III. HIGH VALUE ADDED PRODUCTION

81. It is aimed to increase private sector spearheaded R&D and innovation activities in order to increase competitiveness and gain share in global value chains and by this way commercializing results of R&D activities via creating an innovation based ecosystem, and increasing trade mark technology exports.

82. In the Programme period, in addition to developing R&D and innovation capacity, increasing technology based production capacity especially in information and communication technologies, manufacturing industry and mining and agriculture sectors is aimed for a higher place in global value chains.

1. Increasing R&D and Innovation Capacity

- ✓ The decision and support systems regarding R&D and innovation system will be strengthened and the institutions will be re-organized. Within this respect, The Scientific and Technological Research Council of Turkey (TUBITAK) and its institutes will be re-organized.
- ✓ The R&D support programs will be improved upon regular impact analysis.
- ✓ The efficiency of the programs and the supports, which are designed to increase the number and the quality of researchers especially in core sciences and also attract the highskilled labor force from abroad, will be increased.
- ✓ The support system through Law No. 6550, that takes the national research infrastructures' proficiency into consideration, will continue to be implemented.
- ✓ New research infrastructures will be established in selected fields where sufficiently research infrastructure does not exist.
- ✓ The number of private sector R&D and design centers will be increased to 1000.

- ✓ Increasing number of researchers, establishment of research infrastructures and R&D support and commercialization programs will be supported in biotechnology, information and communication technologies and advanced material technologies areas that has the capacity to transform various sectors.,
- ✓ Prototype development processes, technological product investments, and clustering activities will be supported in prioritized sectors such as energy, healthcare, automotive, rail systems, information and defense industry.
- ✓ The first phase of Informatics Valley will be realized.
- ✓ The Turkish Space Agency will be established in order to develop R&D capacity, establish required infrastructure and to maintain the coordination in aviation and space field.
- ✓ Public support, credit guarantee and venture capital systems will be developed in order to support the commercialization of the R&D activities and to fund innovation.
- ✓ Branding, corporate governance and development of innovative business models of SMEs will be supported and their access to international export markets will be facilitated.
- ✓ A system will be developed to certify SME's productivity, and for those SME's with increased productivity shall be preferred for utilizing public incentives.
- ✓ Regional innovation strategies will be extended in order to provide growth of the regions via triggering their innovation potential.
- ✓ The young entrepreneurs centers, that are built to ease activities of the young entrepreneurs who have new business ideas towards business creation and enhancement of the current businesses, will be made extended.

2. Information and Communication Technologies

83. As the main policy, information society transformation will be accelerated by widespread and effective use of information and communication technologies (ICT). In this scope;

- ✓ Extention of next generation access networks in the telecommunication sector will be ensured.
- ✓ Existing regulations in the telecommunications sector will be updated in line with the needs arising from emerging technologies and changes in market structure.
- ✓ Establishment of domestic information platforms will be supported in the emerging technology areas (e-commerce, etc.).
- ✓ Transition to ICT-supported smart solutions (intelligent transport systems, smart buildings, smart grids etc.) will be accelerated.
- ✓ R&D and innovation activities in the ICT sector will be encouraged and expansion to global markets will be supported.
- ✓ Satellite communication capacity will be improved by launching new satellites and technology development will be enhanced.
- ✓ Cloud computing, big data, digital games, mobile applications and cybersecurity will be prioritized concerning R&D, export and cluster support investments addressing the software industry.
- ✓ Curriculum of higher education programs will be updated in order to provide the qualified human capital that ICT sector needs.
- ✓ Information security and cost-efficiency will be improved in the public sector by promoting open source software.
- ✓ Necessary regulations will be prepared in order to minimize cybersecurity threats.
- ✓ By accelerating e-transformation, transaction costs and processing time will be reduced for public and private sector.

3. Manufacturing Industry and Mining

84. The fundamental policy is to transform the manufacturing industry into a high value-added structure with a focus on technology, design and branding and to develop the mining industry in parallel to the manufacturing industry. For this purpose;

- ✓ The digital transformation (effective use and domestic production of additive manufacturing, robotics, the internet of things, big data, artificial intelligence, augmented reality technologies) roadmap for manufacturing industry will be finalized.

- ✓ Design and digital transformation centers will be established in the large Organized Industrial Zones (OSBs).
- ✓ Industry and technology development zones will be analyzed and restructured with respect to their technicalequipment, technology development capacities and utilization levels.
- ✓ The development and production of pharmaceuticals will be supported.
- ✓ Productivity-enhancing investments will be supported by focusing on recycling technologies.
- ✓ Legislations on construction techniques and material standards will be updated considering global best practices, and the use of innovative applications and materials will be encouraged.
- ✓ Urban transformation will be assessed towards the production of innovative products for the domestic manufacturing industry.
- ✓ The use of domestic inputs in the construction industry will be increased through innovative specifications and contracts.
- ✓ By developing applications in the field of construction supervision and, quality will be effectively monitored and inspected with updated standards.
- ✓ Public procurement will contribute to R&D and innovation activities; it will be used for investments that will promote domestic production and technology transfer. In this context;
    - ➢ Long-term plans for public procurement will be prepared and joint operations will be facilitated among the organizations.
    - ➢ Priority will be given to pharmaceutical and medical device industry, rail systems and airline vehicles, defense systems, energy equipment, information and communication systems.
    - ➢ Domestic products will be given priority in State Supply Office (DMO) procurement and Housing Development Administration (TOKİ) projects.

- ✓ Promotion of the project based incentive system to investors will be emphasized and large scale strategic investments will be supported especially in the petrochemical sector.
- ✓ The needed incentives and facilities will be put into action in order to increase the investments in the regions selected as attraction centers.
- ✓ The investment incentive system will be developed using the “Product Space” method.
- ✓ Domestic brand car support Programme will be put into practice.
- ✓ A new market surveillance and control mechanism will be developed in order to make these activities more effective and efficient.
- ✓ The oversees mining exploration and operation activities of the national companies will be supported in order to provide appropriate raw material to the manufacturing industry.
- ✓ Exploration investments in the mining sector will be increased.
- ✓ In the context of utilizing mineral resources; R&D and technology transfer for both exploration and production technologies as well as ore processing/enrichment investments will be given priority.

4. Agriculture

- ✓ The agricultural supports shall be reviewed and rearranged on the basis of production targets, productivity and changes in farmer income.
- ✓ The Water Law shall be enacted for efficient water use.
- ✓ A transition to the large-scale agricultural enterprise model shall be supported.
- ✓ Bureaucracy in agricultural credits and grants shall be reduced, upper credit ceilings shall be increased, duration of allocation shall be shortened and collateral problems shall be relieved.
- ✓ Underutilized agricultural lands shall be utilized by appropriate models such as land banking.

- ✓ The import dependency in livestock sector shall be reduced via increasing livestock production.
- ✓ The production and processing infrastructure for the forage produces shall be improved, the rehabilitation and use of pastures shall be provided for agricultural entrepreneurs, breeding material production and livestock rearing enterprises shall be scaled up to increase livestock production.
- ✓ Pasture use shall be supported for ovine and caprine farming and appropriate land shall be allocated to large scale farming investments.

IV. IMPROVING BUSINESS AND INVESTMENT CLIMATE

85. The main objective is to further support growth and employment by improving the business and investment climate. In this context, priority will be given to improving the firm establishment and liquidation processes, reducing transaction costs on business and investment processes, easing bureaucratic processes, and enhancing legal and financial predictability.

1. Improvement of Business and Investment Processes

- ✓ In the process of starting a business and receiving work license, implementations irregularities among respective public administrations will be eliminated and the number of required approvals and documents will be reduced and uniformity will be ensured.
- ✓ The Retail Information System (PERBİS) will be put into action to make the necessary applications and other transactions from single center for the starting, operating and closing of a business.
- ✓ Bureaucratic permits, approvals and transactions for investors and businesses will be transferred to digital environment to increase the speed and quality.
- ✓ At the local level, the institutional and human capacity of the Investment Support Offices will be strengthened, while collaboration among the institutions will be enhanced within the framework of the one stop office approach for investor supports, investment locations, permits and licensing operations.
- ✓ Construction permit procedures will be shortened and will be issued by a single approval.
- ✓ Decisions on Environmental Impact Assessment (EIA) shall be finalized within two months following complete delivery of the investor’s EIA report to the relevant ministry.

2. Facilitating the Land Allocation for Investments

- ✓ Geographic information systems will be completed in order to specify the potential investment areas and to facilitate land allocation easier for the investors.
- ✓ Local governments will be able to allocate investment land for different sectors in zoning plans.
- ✓ Land Allocation will be eased for large scale investments by appropriate and timely planning.
- ✓ In order to enlarge the land size, initially a consolidation model will be utilized and expropriation shall be a last resort.
- ✓ Land allocation procedures in planned industrial zones such as Organized Industry Zones, SIS Industrial Zones and Free Zones will be reevaluated and the allocation of non-investing entrepreneurs will be revoked.

3. Legal Predictability on Business and Trade Conflicts

- ✓ In order to facilitate legal proceedings in the investment, trade and finance, specialization of the courts shall be ensured and the trial periods will be reduced. Within this scope;
  - ➢ The courts shall be appointed as to different sectors of economy by Judges and Prosecutors Board.
  - ➢ Mediation in labor disputes shall be accepted as a pre-condition for the litigation.
  - ➢ The workload of labor courts shall be reduced and trial duration shall be shortened.
  - ➢ For the purpose of effective enforcement of Expertise Act, standards would be defined on the selection and assignment of experts.
- ✓ The notary system shall be rearranged with the aim of reducing transaction costs, considering productivity.
  - ➢ Leading ex parte judicial proceedings, the work and actions that would reduce the workload of courts shall be transferred to notaries.

- ➢ The cost of notary processes shall be decreased.
- ➢ A mandatory entry examination shall be introduced for notaryship.

- ✓ Contesting the decisions of the Competition Authority shall be possible and a conciliation body will be established for the particular disputed issues without transferring directly to the court system.
- ✓ The new collection office model will be expanded; a centralized tracking system will be developed for the payment of debts with less fees and costs, stemming from unpaid utility bills such as electricity, water, natural gas and telephone without forwarding them to going to the debt collection office.
- ✓ Public awareness and implementation efficiency about intellectual property rights will be increased through promotional and educational activities.

4. Increasing SMEs' Access to Finance

- ✓ Innovative financing opportunities such as venture capital, individual participation capital and crowdfunding, and technological entrepreneurship support models will be developed.
- ✓ Innovation, employment, growth and export potentials of the companies will be taken into consideration during the evaluation of the supports provided for entrepreneurship and SMEs.
- ✓ In order to ease the SMEs' access to finance, regulations enabling "Collateral Insurance" to be used instead of the bank guarantee letter will be put into force.
- ✓ Regional venture capital will be launched in order to ease the access of companies with high value added potential to finance.
- ✓ The Credit Guarantee Fund (CGF) will be restructured to prioritize the financing investments, exports, new ventures and R&D projects.

V. STRENGTHENING INSTITUTIONAL QUALITY AND SERVICE DELIVERY IN PUBLIC SECTOR

86. The main objective is to strengthen public service delivery by improving institutional quality in the public sector, and operating them more effectively, in order to increase the contribution of the public administration to economic growth and development process. To this end, priority will be given to strengthening the institutional capacity and participation, promoting the knowledge and skills of the personnel, employing qualified human resources, enforcing regulations that improve performance and coordination among institutions, and ensuring effectiveness in justice and security services.

1. Reorganisation of Public Institutions and Strengthening Inter-Institutional Coordination

- ✓ The code of practice and roadmap of Presidential Government System will be prepared. Within the framework of the new system, by reorganizing the public administrative structure, the sharing of duties, authority and responsibilities among the public institutions will be clarified; the working procedures and principles of the institutions will be prepared.
- ✓ Establishment of new institutions in public sector will be limited, existing institutions will be restructures in line with requirements.
- ✓ The mechanisms for ensuring effective internal and external coordination of public institutions will be reviewed and activated.
- ✓ Policies will be developed to ensure that state owned companies would operate in accordance with corporate governance and market principles.
- ✓ The Metropolitan Municipality Law will be rearranged considering the problems encountered during practice. The duties, authorization, responsibilities and principles of cooperation between metropolitan municipalities and district municipalities will be will be revised.

- ✓ A program will be developed to increase the capacity and specialization level of personnel in the metropolitan municipalities.
- ✓ Administrative, supervisory and financial structures of the Regional Development Administration and particularly Development Agencies, and local administrations will be improved, with a focus on mobilizing regional potentials and dynamics that support their role in growth and increasing employment.
- ✓ Actions set in the 2016-2019 National e-Government Strategy and Action Plan will be implemented.

2. Increasing the Quality of Human Capital in Public Sector

- ✓ The interaction between the central and local administrations will be strengthened in the public sector, and the implementation efficiency and personnel quality in the local administrations will be improved.
- ✓ Public Administration Institute for Turkey and Middle East (PAITME/TODAİE) will be restructured as a public personnel training center that provides practical trainings for the public personnel, and update the skill sets of already trained personnel. TODAİE will also implement the Public Personnel Training Programs every year in line with the needs of the Ministries.
- ✓ A flexible employment mechanism shall be established for tenured, high-level or specialized personnel who have left the work force via retirement or resignation, to employ them in voluntarily or paid jobs in various programs, projects and missions.
- ✓ Coordination, cooperation and participation among public, private sector and non-governmental organizations will be increased.
- ✓ Consultative activities of the public sector with non-governmental organizations and social segments will be strengthened.
- ✓ A common Internet platform will be established to strengthen the accountability, public disclosure and participation of the regulatory changes.

- ✓ In public service provision, the ICTs will be fully utilized, in identification and meeting of user demand.
- ✓ In order to support innovative services and scientific research, efforts on sharing public data that do not pertain to personal data and trade secrets will be accelerated and the corresponding institutional setup will be established.
- ✓ Performance evaluation will be carried out by measuring the rapidness and quality of the public services then the results will be shared with citizens.
- ✓ The budgets will be transformed into simpler, understandable and citizen-friendly documents that indicate the performance of public service programs.
- ✓ The supervisory role will be strengthened to ensure expediency in the municipality decisions and use of resources by public disclosure and public advisory.

3. Increasing the Efficiency in Justice and Security Services

- ✓ For the investigation, prosecution and trial processes, target period shall be defined and the measures shall be taken to have the courts and prosecutors comply with those periods.
- ✓ The integration between courts and other public institutions shall be provided, the information services shall be increased to the maximum level and productivity, speed and transparency shall be boosted.
- ✓ Through the evaluation of present courts' workload, the number of judges that are assigned in specialized courts shall be increased.
- ✓ By strengthening the court of appeals, more rapidity and effective judgement shall be ensured.
- ✓ Fight with all terrorist and criminal organizations that threat the national security shall be continued decisively; technical competence, coordination and human resources of security forces shall be reinforce.

Annex Table 1: Main Economic Indicators

	2016	2017 (1)	2018 (2)	2019 (2)	2020 (2)
GROWTH					
GDP (Billion TL, Current Prices)	2,609	3,035	3,446	3,872	4,321
GDP (Billion Dollars, Current Prices)	863	847	923	988	1,074
Per Capita Income (GDP, USD)	10,883	10,579	11,409	12,100	13,024
Income Per Capita (USD by SAGP) (3)	24,636	26,140	27,915	29,804	31,774
GDP Growth(4)	3.2	5.5	5.5	5.5	5.5
Total Consumption (4)	4.7	4.4	3.9	4.2	4.1
Public	10.5	2.7	3.5	2.0	1.8
Private	3.8	4.6	4.0	4.6	4.5
Total Fixed Capital Investment (4)	2.2	4.8	5.5	5.9	5.9
Public	2.9	4.7	2.7	0.7	-1.8
Private	2.1	4.8	6.0	6.7	7.0
Total Domestic Savings / GDP (5)	24.5	25.0	25.5	26.1	26.5
Public	2.7	1.6	1.4	1.4	1.7
Private	21.7	23.3	24.1	24.7	24.8
Total Saving – Investment Difference / GDP (6)	-3.8	-4.6	-4.3	-4.1	-3.9
Public	-1.4	-2.5	-2.7	-2.5	-2.0
Private	-2.4	-2.1	-1.5	-1.6	-1.9
Total Final Domestic Demand (4)	4.0	4.5	4.4	4.7	4.6
Net Export Contribution to Growth	-1.3	1.3	0.8	0.7	0.7
EMPLOYMENT					
Population (Mid-year, Thousand Person)	79,278	80,092	80,893	81,677	82,447
Labor Force Participation Rate (%)	52.0	52.7	53.4	54.1	54.7
Employment (Thousand Person)	27,205	28,152	29,193	30,281	31,369
Employment Rate (%)	46.3	47.0	47.8	48.7	49.5
Unemployment rate (%)	10.9	10.8	10.5	9.9	9.6
FOREIGN TRADE					
Export (fob) (Billion Dollars)	142.5	156.5	169.0	182.0	195.0
Imports (cif) (Billion Dollars)	198.6	222.0	237.0	253.0	272.0
Crude Oil Price - Brent (Dollar / Barrel)	44.0	52.0	54.5	57.5	60.0
Energy Import (Billion Dollars)	27.2	35.0	42.0	45.0	49.0
Foreign Trade Balance (Billion Dollars)	-56.1	-65.5	-68.0	-71.0	-77.0
Export / Import (%)	71.8	70.5	71.3	71.9	71.7
Foreign Trade Volume / GDP (%)	39.5	44.7	44.0	44.0	43.5
Tourism Revenues (Billion Dollars)	18.7	20.0	23.0	26.0	29.0
Current Accounts Balance (Billion Dollars)	-32.6	-39.2	-40.0	-40.9	-41.9
Current Account Balance / GDP (%)	-3.8	-4.6	-4.3	-4.1	-3.9
Current Account Balance Excl. Gold / GDP (%)	-4.0	-3.7	-4.2	-4.0	-3.7
INFLATION					
GDP Deflator	8.1	10.3	7.6	6.5	5.8
CPI (End of Year, % Change) (7)	8.5	9.5	7.0	6.0	5.0

Note: (1) Estimate of realization, (2) Program, (3) OECD definition, (4) Percentage change in fixed prices, (5) 2016data is the estimation of the Ministry of Development. (6) The difference between the total savings-investment gap and the current account deficit is due to the use of export and import-oriented exchange rates in national income calculations. (7) The figures for 2017-2020 period are the Ministry of Development estimates.

Annex Table 2: Public Sector General Balance (1)

	2016	2017 (RE)	2018 (P)	2019 (P)	2020 (P)
					(Billion TL)
Public Sector General Balance (PSGB)	-26.7	-71.4	-72.5	-74.9	-58.2
General Government	-35.1	-74.3	-67.2	-72.1	-54.7
Central Government Budget	-29.9	-61.7	-65.9	-73.2	-70.5
Local Governments	-10.4	-13.3	-15.4	-11.2	3.6
Extra Budgetary Funds	-4.2	-11.2	0.7	-0.7	-0.3
Unemployment Insurance Fund	10.1	12.8	14.4	14.1	13.7
Social Security Institutions	-18.6	-19.6	-22.8	-24.4	-27.7
General Health Insurance	17.7	19.6	22.8	24.4	27.7
Revolving Funds	0.1	-0.9	-1.0	-1.1	-1.1
SEE’s	8.4	2.9	-5.3	-2.8	-3.5
Public Sector Primary Balance	26.7	-9.7	4.0	15.5	43.6
PSBR Exc. Interest Exp. Privat. Rev.	17.1	-15.7	-6.0	7.0	34.7
					(Percent of GDP, %)
Public Sector General Balance (PSGB)	-1.0	-2.4	-2.1	-1.9	-1.3
General Government	-1.3	-2.4	-1.9	-1.9	-1.3
Central Government Budget	-1.1	-2.0	-1.9	-1.9	-1.6
Local Governments	-0.4	-0.4	-0.4	-0.3	0.1
Extra Budgetary Funds	-0.2	-0.4	0.0	0.0	0.0
Unemployment Insurance Fund	0.4	0.4	0.4	0.4	0.3
Social Security Institutions	-0.7	-0.6	-0.7	-0.6	-0.6
General Health Insurance	0.7	0.6	0.7	0.6	0.6
Revolving Funds	0.0	0.0	0.0	0.0	0.0
SEE’s	0.3	0.1	-0.2	-0.1	-0.1
Public Sector Primary Balance	1.0	-0.3	0.1	0.4	1.0
PSBR Exc. Interest Exp. Privat. Rev.	0.7	-0.5	-0.2	0.2	0.8

(1) Public sector covers; central government budget, local governments, unemployment insurance fund, social security institutions, SEE’s, revolving funds, extra-budgetary funds and general health insurance scheme.
RE: Realization estimate
P: Program

Annex Table 3: Public Sector General Balance (Program Definition) (1)

	2016	2017 (RE)	2018 (P)	2019 (P)	2020 (P)
					(Billion TL)
Public Sector	-16.9	-45.8	-33.8	-16.5	10.3
General Government	-24.8	-48.4	-28.5	-13.7	13.8
Central Government Budget	-13.6	-30.9	-19.1	-8.8	3.8
Local Governments	-9.1	-11.6	-13.3	-8.7	6.3
Extra Budgetary Funds	-2.9	-7.2	0.5	0.6	0.6
Unemployment Insurance Fund	2.1	2.8	5.0	5.0	4.9
Social Security Institutions	-18.6	-19.6	-22.8	-24.4	-27.7
General Health Insurance	17.7	19.6	22.8	24.4	27.7
Revolving Funds	-0.4	-1.5	-1.6	-1.7	-1.8
SEE's	8.0	2.6	-5.3	-2.8	-3.5
					(Percent of GDP, %)
Public Sector	-0.6	-1.5	-1.0	-0.4	0.2
General Government	-1.0	-1.6	-0.8	-0.4	0.3
Central Government Budget	-0.5	-1.0	-0.6	-0.2	0.1
Local Governments	-0.4	-0.4	-0.4	-0.2	0.1
Extra Budgetary Funds	-0.1	-0.2	0.0	0.0	0.0
Unemployment Insurance Fund	0.1	0.1	0.1	0.1	0.1
Social Security Institutions	-0.7	-0.6	-0.7	-0.6	-0.6
General Health Insurance	0.7	0.6	0.7	0.6	0.6
Revolving Funds	0.0	0.0	0.0	0.0	0.0
SEE's	0.3	0.1	-0.2	-0.1	-0.1

(1) Excluding interest payments and revenues, privatization revenues, dividends from public banks and some specific revenues and expenditures.
(2) Guilds' Saving Fund
RE: Realization estimate
P: Program

Annex Table 4: Other Indicators of Public Sector

	2016	2017 (RE)	2018 (P)	2019 (P)	2020 (P)
					(Percent of GDP, %)
Public Disposable Income	13.7	12.3	12.0	11.6	11.6
Public Consumption	-11.0	-10.7	-10.6	-10.3	-9.9
Public Saving	2.7	1.6	1.4	1.4	1.7
Public Investment	-4.1	-4.1	-4.1	-3.9	-3.6
Public Saving-Investment Gap	-1.4	-2.5	-2.7	-2.5	-2.0
Public Sector Privatization Revenues	0.4	0.2	0.3	0.2	0.2
Tax Burden (Including Social Security Premiums) (1)	25.4	24.7	24.8	24.3	24.0
Tax Burden (Excluding Social Security Premiums) (1)	18.1	17.6	17.9	17.7	17.4
EU Defined General Gov. Debt Stock	28.1	28.5	28.5	28.0	27.5

(1) Excluding rebates
RE: Realization estimate
P: Program

Annex Table 5: General Government Balance (1)

	2016	2017 (RE)	2018 (P)	2019 (P)	2020 (P)
					(Billion TL)
Revenues	904.3	1,011.0	1,131.6	1,237.9	1,359.3
Taxes	470.4	534.6	613.8	679.8	748.0
Non-Tax revenues	46.3	50.1	57.8	63.6	70.7
Factor Income	129.6	138.3	145.1	152.5	166.1
Social Funds	248.4	282.0	305.0	333.6	365.6
Privatization Revenues	9.6	6.0	10.0	8.5	8.9
Expenditures	939.5	1,085.3	1,198.7	1,310.1	1,414.0
Primary Expenditures	886.7	1,024.6	1,123.1	1,220.5	1,313.0
Current Expenditures	426.6	482.5	534.0	582.7	628.2
Capital Expenditures	91.4	109.8	113.9	123.2	128.0
Transfer Expenditures	421.4	493.0	550.8	604.2	657.8
Stock Revaluation Fund	0.0	0.0	0.0	0.0	0.0
Interest Expenditures	52.7	60.6	75.6	89.6	101.0
General Government Balance	-35.1	-74.3	-67.2	-72.1	-54.7
Primary Balance	17.6	-13.6	8.4	17.5	46.3
Balance Excluding Privatization Revenues	-44.7	-80.3	-77.2	-80.6	-63.6
Balance Excluding Pri. Rev. and Int. Exp.	8.0	-19.6	-1.6	9.0	37.4
					(Percent of GDP, %)
Revenues	34.7	33.3	32.8	32.0	31.5
Taxes	18.0	17.6	17.8	17.6	17.3
Non-Tax revenues	1.8	1.6	1.7	1.6	1.6
Factor Income	5.0	4.6	4.2	3.9	3.8
Social Funds	9.5	9.3	8.9	8.6	8.5
Privatization Revenues	0.4	0.2	0.3	0.2	0.2
Expenditures	36.0	35.8	34.8	33.8	32.7
Primary Expenditures	34.0	33.8	32.6	31.5	30.4
Current Expenditures	16.4	15.9	15.5	15.1	14.5
Capital Expenditures	3.5	3.6	3.3	3.2	3.0
Transfer Expenditures	16.2	16.2	16.0	15.6	15.2
Stock Revaluation Fund	0.0	0.0	0.0	0.0	0.0
Interest Expenditures	2.0	2.0	2.2	2.3	2.3
General Government Balance	-1.3	-2.4	-1.9	-1.9	-1.3
Primary Balance	0.7	-0.4	0.2	0.5	1.1
Balance Excluding Privatization Revenues	-1.7	-2.6	-2.2	-2.1	-1.5
Balance Excluding Pri. Rev. and Int. Exp.	0.3	-0.6	0.0	0.2	0.9

(1) General government includes central government budget, local governments, unemployment insurance fund, social security institutions, revolving funds, extra-budgetary funds and general health insurance scheme.

RE: Realization estimate

P: Program

Annex Table 6: Central Government Budget

	2016	2017 (RE)	2018 (P)	2019 (P)	2020 (P)
					(Billion TL)
Expenditures	584,1	673,7	762,8	838,5	912,9
Primary Expenditures	533,8	616,2	691,1	753,5	816,9
Interest Expenditures	50,2	57,5	71,7	85,0	96,0
Revenues	554,1	612,0	696,8	765,3	842,3
General Budget Tax Revenues	459,0	520,5	599,4	663,9	730,5
Other Revenues	95,1	91,6	97,4	101,4	111,8
Budget Balance	-29,9	-61,7	-65,9	-73,2	-70,5
Primary Balance	20,3	-4,2	5,8	11,8	25,5
Program Defined Expenditures	533,8	616,2	691,0	753,5	816,9
Program Defined Revenues	520,2	585,2	671,9	744,7	820,7
Program Defined Balance	-13,6	-30,9	-19,1	-8,8	3,8
					(Percent of GDP, %)
Expenditures	22,4	22,2	22,1	21,7	21,1
Primary Expenditures	20,5	20,3	20,1	19,5	18,9
Interest Expenditures	1,9	1,9	2,1	2,2	2,2
Revenues	21,2	20,2	20,2	19,8	19,5
General Budget Tax Revenues	17,6	17,1	17,4	17,1	16,9
Other Revenues	3,6	3,0	2,8	2,6	2,6
Budget Balance	-1,1	-2,0	-1,9	-1,9	-1,6
Primary Balance	0,8	-0,1	0,2	0,3	0,6
Program Defined Expenditures	20,5	20,3	20,1	19,5	18,9
Program Defined Revenues	19,9	19,3	19,5	19,2	19,0
Program Defined Balance	-0,5	-1,0	-0,6	-0,2	0,1

RE: Realization estimate
P: Program