REPUBLIC OF TURKEY
MINISTRY OF DEVELOPMENT

MEDIUM TERM PROGRAMME (2017 - 2019)

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MINISTRY OF DEVELOPMENT
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İÇİNDEKİLER

INTRODUCTION

1. Medium Term Programme (MTP), which initiates the budget process and covers the period of 2017-2019, is designed to perform the necessary breakthroughs for the growth of Turkish economy on a more competitive and stable ground and for improvement of social welfare.

2. The main objectives of the MTP are to decrease inflation and increase employment by maintaining macroeconomic stability and fiscal discipline, to build stable, inclusive and sustainable growth path without increasing current account deficit. The program is prepared with an approach to promote investment and production.

3. During the program period, our main priorities are to increase domestic savings, to ensure private investment and export-driven growth, to accelerate structural transformation in industry, to become more competitive in the international markets by increasing technology and productivity level.

4. In MTP period, Priority Transformation Programmes of the Tenth Development Plan and the structural reforms in the Government Programme will continue to be implemented in the framework of the aforementioned main objectives.

I. DEVELOPMENTS IN THE WORLD AND TURKISH ECONOMY

A. WORLD ECONOMY

5. Global growth still continues to look weak and fragile. Low growth environment in the global economy becomes evident and world growth rates are below the long-term growth average. Economic activity decelerates somewhat in the advanced economies, while the recovery remains limited in developing economies.

6. The downward trend in global trade and investment, long-continuing weak global demand, declining productivity growth rate, low wage levels, low and unstable commodity prices, rising private sector indebtedness, geopolitical risks and political uncertainties and problems in the banking system affect the global economy negatively. More concerns about the global economy have appeared due to the factors such as United Kingdom's decision to leave the European Union (Brexit), continuing fragility in banking and financial markets, and increasing income inequality. As a result of these developments The International Monetary Fund (IMF) forecasts that the world economy will grow by 3.1 percent in 2016 and 3.4 percent in 2017 by recovering slightly.

The world economy data are the forecast made by IMF on October 2016.

7. Growth in advanced economies is below the potential. Monetary easing policy that is inadequate to stimulate the economy, less than expected economic activity in the United States (US) in the first half of the year and downside risks brought by the Brexit decision in advanced economies have diminished growth forecast of advanced economies for 2016. Advanced economies are expected to grow by 1.6 percent in 2016 and 1.8 percent in 2017.

8. In the first half of 2016, the US economy grew by about 1.0 percent, less than expected. Internal and external factors have been effective in this low growth performance. Declining capital spending and inventories, decreasing foreign trade due to stronger dollar and weakening external demand and uncertainty brought by US elections that will be held in November 2016 affect the growth negatively. In the context of these developments, the US growth forecast of 2016 was decreased to 1.6 percent from 2.2 percent. On the other hand, the US economy continues to decouple in a positive way from other advanced economies. Increase in employment and real disposable income growth due to the decline in oil prices continue to support private consumption spending which is the driving force of the economic growth. Within the framework of these developments, the US economy is expected to grow by 2.2 percent in 2017.

9. Policy normalization process of US Federal Reserve (Fed) is progressing slower than expected. Following an increase in policy rate by 25 basis points as of December 16, 2015, Fed did not change the rate in the last six meetings in 2016. Fed is not expected to go to a new interest rate hike before December in 2016 due to last updated economic data, political uncertainty caused by the presidential election and volatility in the global economic environment.

10. The growth was supported in Euro Area by the effects of asset purchase program in the past two years and expansionary monetary policy implemented for a long period of time. However, the problems created by global financial crisis are still not overcome. In the Euro Area, unemployment level is high and inflation is below the target rate, 2 percent, loan demand and investment remain at low levels. On the other hand, Brexit decision, discretionary fiscal policies in some member countries and the issue of refugees raise political tensions and reduce confidence for the future of the European Union.

11. The European Central Bank draw down negative interest rate that had been applied for a long time and increased the size of monthly asset purchases in March 2016 due to evident deflationary risks and economic slowdown. The Euro Area is projected to grow by 1.7 percent in 2016 and 1.5 percent in 2017.

12. Dynamics of growth still remain weak in emerging and developing economies and the current situation in these economies differs. Factors such as declining global trade, slowdown of the Chinese economy and fluctuations in commodity prices cause below potential growth rates in these economies.

13. High volume of capital outflows and tighter financial conditions due to rising external financing costs, low commodity prices, limited fiscal space, current account imbalances and pressure on monetary policy tightening adversely affect the growth outlook in emerging and developing economies.

14. Emerging and developing economies are expected to grow by 4.2 percent in 2016 and 4.6 percent in 2017. China is projected to grow by 6.6 percent and 6.2 percent in 2016 and in 2017, respectively. Emerging and developing economies excluding China and India are forecasted to grow by 2.1 percent in 2016.

15. The growth in world trade volume which lost momentum after the global crisis has slowed sharply in 2015 and 2016. Fragile global economy and weaker global trade continue to affect each other adversely. World trade volume is expected to grow 2.3 percent and 3.8 percent in 2016 and in 2017, respectively.

16. The normalization process of Fed’s monetary policy, the US presidential election, the possible effects of Brexit decision on the EU and other countries, the slowdown of the Chinese economy and the rebalancing process, regional geopolitical developments and risks stand out as factors that will affect the global growth outlook in the forthcoming period.

B. TURKISH ECONOMY

17. Turkish economy grew by 4 percent in 2015, consistent with MTP target. In 2015, average growth rate of emerging economies and developing countries, excluding China and India, was 1.8 percent.

18. In spite of the geopolitical tensions and the weakness in global economy, GDP grew by 3.9 percent in the first half of 2016. The growth in agricultural sector remained limited due to adverse weather conditions and base effect. Industrial sector bolstered the growth in spite of the slowdown in the second quarter. Value added in services grew relatively higher in trade and construction subsectors.

19. In the first half, growth stemmed from domestic demand. In this period, private fixed investment declined, while private consumption followed a robust course. The contribution of net exports to GDP growth in the first half of 2016 was negative 1.8 points due to the weak growth in trade partners and adverse events especially in tourism sector.

20. The decline in industrial production in July, the loss in agricultural production mainly due to cereals, the adverse events in tourism sector, besides sordid coup attempt in 15th July, caused a negative effect on growth. Economy has entered into the normalization process thanks to timely measures taken, but the growth rate in third quarter of 2016 is expected to be relatively weak due to negative effects of these events on consumer and investment expectations albeit temporary.

21. In the last quarter of 2016, it is expected that industrial production accelerates and services carries on supporting growth. Domestic demand, expected to slowdown in the third quarter, is estimated to recover and to support growth again in the last quarter through measures taken. In the light of these developments and expectations, GDP growth rate is estimated to remain at 3.2 percent in 2016.

22. Considering the contribution of the factors of production to the actual growth rate of 4.0 percent in 2015, total factor productivity provided limited positive contribution, while the contribution of employment decreased. In 2016, the total factor productivity is expected to have a minor negative impact on the growth. During the Program period, it is aimed to increase the contribution of total factor productivity to the growth which is expected to regain momentum with the contemplated policies and to achieve a balanced and high growth path.

23. The seasonally adjusted unemployment rate, 10.3 percent in 2015, decreased to 10.1 percent in the first quarter of 2016. The unemployment rate followed an upward trend due to partial slowdown in growth, the contraction in agricultural employment and the increase in labor force participation rate. As a result, the seasonally adjusted unemployment rate reached 10.3 percent in the second quarter of 2016. In 2016, the unemployment rate is expected to reach 10.5 percent.

24. Exports decreased by 8.7 percent compared to the previous year and realized as 143.8 billion US dollars in 2015 as a result of ongoing negative geopolitical conditions and the growth in our trading partners which remained lower than expected. Recent political developments in the region, downward trend in euro/dollar parity, declining terms of trade and the income effect caused by the decline in oil prices in our trading partners played significant roles in the weakening in export performance.

25. Decline in global commodity prices in particular energy, moderate trend of economic activity and implementation of incentive policies targeting domestic production led to decrease in imports by 14.4 percent and imports realized as 207.2 billion dollars in 2015. Net gold exports realized as 4 billion dollars.

26. Foreign trade deficit to GDP ratio improved by 1.8 points. Compared to the previous year, while travel

revenues remain lower than expected, the current account deficit to GDP ratio decreased by 0.9 points and realized as 4.5 percent in 2015 as a result of the decline in oil prices.

27. January-August period in 2016, exports decreased by 2.4 percent year-on-year and realized as 93.3 billion dollars due to the ongoing adverse geopolitical conditions and weak growth in the global economy. The slowdown in services trade, especially in the tourism sector, security issues which adversely affect international trade and continuation of downward trend in commodity prices are factors that restrict export growth. The developments in the Euro Area, especially Brexit, restrained the expansion of the trade channels by weakening economic activity of our trade partners.

28. Imports decreased by 7.2 percent year-on-year and realized as 130.8 billion US dollars in January-August period. Despite the decrease in tourism revenues the current account deficit continued its declining trend in the first three quarters of 2016.

29. Exports are estimated as 143.1 billion US dollars in 2016 owing to the ongoing geopolitical tensions, recessions in the international markets, the deterioration in Russian affairs and the decrease in export prices.

30. Imports are expected to be 198 billion US dollars in 2016 as a result of slowdown of growth, stagnation in foreign markets, the weak outlook of import prices, unfriendly factors hindering trade and orientation of consumption to the domestic markets. Energy imports are expected to decline 27.5 US billion dollars in 2016 due to the decrease in international oil prices.

31. The deterioration in current account deficit is expected to remain limited to 2.7 billion US dollars due to the improvement in the terms of trade though travel

revenues realized less than projected in the MTP, by 8.4 US billion dollars, in 2016. Since the rise in value added is higher than the net deterioration in current account balance, the current account deficit to GDP ratio, improved by 0.2 points, is expected to be 4.3 as of 2016.

32. In 2015, the annual growth rate of CPI was recorded as 8.8 percent. In January-September 2016, cumulative CPI realized as 4.7 percent by decreasing 1.5 points in comparison to same period of previous year. In this development, decreasing of cumulative exchange rate effect on annual inflation and the favorable course of food price were prominent. On the other hand, the significant increase on tobacco products price limited the decrease of cumulative CPI. As a result, CPI realized as 7.28 in September 2016. At the end of the year, it is expected that the annual growth rate of CPI will follow a flat course and will realize as 7.5 percent.

33. In 2016, global financial conditions improved relatively, domestic credit growth rate slowed and favorable terms of trade played role in improving external balance. Consequently, as declared in 2015, by abandoning the framework of unconventional monetary policy and by tightening the interest rate corridor to make it more symmetrical about the policy rate, the Central Bank cut the upper band of the interest rate corridor by 250 basis points in total since March 2016. Furthermore, the Central Bank took steps to support financial stability and to regulate the liquidity of Turkish lira and foreign currencies. In this context, required reserve ratios were reduced, collateral requirements were simplified and steps were taken which would increase contributions of export rediscount loans to the foreign exchange reserves.

34. General government revenues and expenditures to GDP ratios increased by 1.4 and 0.9 points respectively in 2015 as compared to 2014.

About half of this significant revenue increase is due to indirect taxes while the rest stems from social security premiums. Increase in general government current and capital expenditures and total transfers equally contributed to the increase in expenditures, despite a decrease in interest payments by 0.1 points.

35. In this context, as a ratio to GDP, the general government deficit and the general government primary surplus were 0.1 percent and 2.7 percent respectively in 2015.

36. Total general government revenues including privatization proceeds are expected to be 41.9 percent of the GDP in 2016 which is 0.9 points above the previous year's level. On the other hand, general government primary expenditures are expected to be 3 points higher than its 2015 level, and realized as 41.2 percent of the GDP in 2016, mostly due to current expenditures.

37. In line with these developments, general government is expected to run a deficit of 1.9 percent in 2016, whereas the general government primary surplus is expected to be 0.6 percent of the GDP.

38. General government surplus excluding interest payments and privatization proceeds is expected to decrease from 2.1 percent of the GDP in 2015 to 0.1 percent in 2016, and program defined general government deficit is estimated to be 1.4 percent.

39. Public sector borrowing requirement, which was zero in 2015, is expected to increase to 1.7 percent of the GDP in 2016. Program defined public sector balance which was yielding a surplus of 0.7 percent of the GDP is expected to run a 1.2 percent deficit.

40. EU defined general government debt stock, which was realized as 32.9 percent of the GDP in 2015, is estimated to be 32.8 percent in 2016.

II. THE MAIN OBJECTIVE

41. The main objectives of the MTP are given as follows: to increase stable and inclusive growth, to decrease inflation rate, to preserve decreasing tendency of the current account deficit, to increase competitiveness of the economy, employment level and productivity, to increase quality of fiscal discipline and strengthen public finance.

42. The growth strategy in the program period is based on five axes: developing human capital, making labor market more efficient, increasing capacity of technology and innovation development, strengthening physical infrastructure and improving institutional quality.

43. Increasing domestic savings, enabling growth led by private investment and exports, accelerating structural transformation in the industry, becoming more competitive at international markets by increasing technology and productivity level are the main priorities of the Programme.

44. In this framework; increasing exports of high value added goods and services, decreasing dependency on imports of domestic production and exports, improving business and investment environment, increasing quality of public revenues and rationalizing public expenditures, enhancing labor skill and productivity, improving flexibility of the labor market, increasing predictability in legal arrangements, combating with informal economy, completing structural transformation and reforms initiated in good governance, local administrations and regional development areas are quite important.

III. MACROECONOMIC OBJECTIVES AND POLICIES

A. TARGETS AND INDICATORS IN THE PROGRAMME PERIODS

45. While determining the macroeconomic framework of the Programme, it is assumed that global uncertainty will decrease, global growth performance will rise gradually, our trading partners will grow moderately, fluctuations in the financial markets and geopolitical risks will diminish, expected interest rate hike of the Fed will be limited, domestic savings with foreign capital inflow will provide adequate contribution to financing of the growth and terms of foreign trade excluding energy and gold will improve partially during programme period.

1. Growth

46. The GDP growth is estimated to be 4.4 percent in 2017. GDP growth rates in 2018 and 2019 are targeted as 5 percent along with the growth strategy supported by investments in productive areas mainly financed by domestic savings and based on productivity increases. It is expected that productivity increases stem from private sector investments and structural reforms. In this period, it is forecasted that while growth rate increases, inflation rate and current account deficit will decrease.

47. The contribution of total factor productivity to the growth will be increased by the policies enhancing productivity especially in the industrial sector and the growth structure relying on private investment and export will be supported.

2. Public Finance

48. Public sector balance as a ratio to the GDP is forecasted to run a deficit of 1.5 percent in 2017 and the deficit is projected to be reduced to 0.9 percent at the end of the Programme period.

49. General government deficit is targeted to decrease to 1 percent in 2019 which is forecasted to be 1.7 percent of the GDP in 2017.

50. Central government budget deficit, which is estimated to be 1.6 percent of the GDP in 2016, is programmed to increase to 1.9 percent in 2017, owing to allocated appropriations which support the economic growth through increasing production, investment, exports, employment and reducing regional development disparities.

51. Program defined public sector balance, which is estimated to run a deficit of 0.6 percent of the GDP in 2017, is programmed to give a surplus of 0.9 percent at the end of the Programme period.

52. General government total expenditures and revenues as a ratio to the GDP, which are estimated to be 43 and 41.4 percent respectively in 2017, are projected to decrease gradually to 40.6 and 39.7 percent at the end of the Programme period.

53. Total tax burden, which is estimated to be 30.8 percent of the GDP with a 0.4 points increase in 2017, is projected to decrease gradually to 30.2 percent at the end of the Programme period.

54. EU-defined general government debt stock, which is estimated to be 31.9 percent of the GDP in 2017, is projected to decrease to 29.9 percent at the end of the Programme period.

3. Balance of Payments

55. Exports, which are expected to be 153.3 billion US dollars in 2017, are estimated to reach 193.1 US billion dollars at the end of the Programme period and imports, which are expected to be 214 US billion dollars in 2017, are estimated to reach 261.8 US billion dollars at the end of the Programme period.

56. In real terms exports and imports are estimated to increase 6.7 percent and 4.5 percent respectively on annual average in the Programme period.

57. In the Programme period, the current account deficit to the GDP ratio is expected to be 4.2 percent in 2017 as a result of the acceleration of technology-intensive production with the impact of incentive measures, reducing dependency on imported inputs especially in energy and compensate for revenue loss in services trade. At the end of the period, the current account deficit to the GDP ratio is targeted to decline to 3.5 percent level, depending on sustained structural reforms and relaxed economic and political uncertainty in trading partners.

58. Depending on the acceleration on economic activity and continuation of the upward trend in oil prices, energy imports are estimated to be 32 billion US dollars in 2017. At the end of the period, energy imports are expected to be 41.3 billion US dollars with preserving the nominal uptrend.

59. Travel revenues, which are expected to be 23.5 billion US dollars in 2017, are estimated to reach 27.7 billion US dollars at the end of the Programme period with an annual average increase of 14.6 percent, depending on the decrease of international security concerns and the positive developments in foreign affairs.

4. Inflation

60. The contribution of aggregate demand conditions to disinflation is expected to continue in the Programme period. It is expected that food inflation will realize as 7 percent in 2017 and follow a flat course in the coming years. It is assumed that the average annual price of Brent crude oil will be around 50.7 US dollars per barrel in 2017 and will increase gradually afterwards. Based on these assumptions and predictions, it is projected that the annual rate of CPI inflation will decline to 6.5 percent in 2017 and to 5 percent at the end of the period.

5. Employment

61. During the Programme period, as a result of policies aimed to increase the labour force participation and employment, an additional 2,609 thousand people are expected to be employed in the non-agricultural sector. During this period, the total employment is expected to increase by 2,318 thousand people.

62. The labour force participation rate, which is expected to be 51.8 percent at the end of 2016, is targeted to reach 53.5 percent at the end of the Programme period.

63. The employment rate, which is expected to be 46.3 percent in 2016, is expected to rise to 48.3 percent at the end of the Programme period. Thus, a total number of 29,534 thousand people will have been employed at the end of the period.

64. The share of agriculture in the employment, which is expected to be 19.3 percent in 2016, is estimated to decrease to 16.8 percent in 2019.

65. The unemployment rate, which is estimated to be 10.5 percent at the end of 2016, is expected to fall to 9.8 percent in 2019.

B. MACROECONOMIC POLICIES

1. Growth

66. During the Programme period while strengthening macroeconomic stability and gains, growth potential will be drawn up with a focus on microeconomic and sectoral transformation.

67. Increasing domestic savings, directing the resources to more productive areas and increasing private sector investments in manufacturing, increasing the share of manufacturing sector in GDP and increasing labor productivity are important policy areas in terms of growth sustainability and strengthening economic position in the global competition.

68. For sustainable economic development, the necessary environment for a fair judicial system which works quickly and consistently will be created. In this context, transparency, accountability and the superiority of law will continue to be essential.

69. More importance will be given to institutionalization both in the public sector and in the private sector; reforms to improve productivity in institutions, in particular the improvement of the quality of labor, will be given priority.

70. Considering the balance between domestic and foreign demand; monetary, fiscal and income policies will be carried out in coordination in order to continue the stable growth rate in targeted increase.

71. Supply balance in agricultural support and foreign trade policy will be taken into account and considering the compliance of the pattern of crops and water potential, certificated production methods based on basins level will be given importance.

72. With the help of guided projects, cooperation between the agriculture-industry-university will be increased by giving priority to the development of high value-added products, the protection of genetic resources, breeding studies, efforts to nanotechnology and biotechnology.

73. A strategy will be followed to transform natural resource abundance and agricultural product diversity into production and competitive advantage by the help of technology.

74. Land consolidation will be continued and farm development services will be strengthened.

75. Information infrastructure on the implementation of agricultural policies and administrative structures will be developed and agricultural information systems will be harmonized with the EU.

76. An industrial production structure transformation which is private sector-led, open, competitive, innovative, high value added, R&D based and environmentally-sensitive will be accelerated. To achieve this; qualified employment infrastructure will be created, entrepreneurial capacity will be strengthened, operability of commercialization and branding

processes will be improved, the health industry and value-added sectors in urbanization and urban renewal will be supported.

77. Domestic production capacity will be increased by strengthening R&D and investment incentive system in the fields of construction of new refinery, electrical car manufacturing, aircraft engines and parts with high-tech and pharmaceutical and medical device manufacturing.

78. In order to increase the ratio for the industrial input within the country, priority will be given to the production of intermediate goods and industrial raw materials that require high levels of investment.

79. Space Agency will be established in order to develop and promote aviation and aerospace technology and to strengthen national capacity in this area.

80. SMEs' competitiveness will be improved through innovation and R&D; branding, institutionalization and development of innovative business models by SMEs' will be supported and their access to international export markets will be facilitated.

81. Measures to make financial instrument usage more efficient for reducing credit risk of SMEs will be taken.

82. To facilitate firms' access to finance, the Law of Movable Property Pledge will be enacted.

83. Transportation and logistics infrastructure will be strengthened, logistics centers will be made more efficient and their contribution to competitiveness will be increased.

84. By improving infrastructure of information and communication technologies, mainly of broadband, and making widespread of its usage, transformation to the information society will be accelerated and high value added production and exports will be increased especially in services sector.

85. For the purpose of facilitating legal processes in trade and finance; mediation agency will be developed, expert and notary system will be reconfigured; specialized courts will be established in different economic areas, mainly in finance and informatics; trial periods will be shortened; reconciliation agency will be created for the decisions of the Turkish Competition Authority.

86. For high and stable growth, with measures aiming at improving business and investment environment, private sector will continuously be supported.

87. Intellectual property and patent rights will be protected and Industrial Property Law will be enacted.

88. The bureaucratic procedures will be reduced for establishing firms by craftsmen and tradesmen.

89. For the incentives of the private sector investment, principles of cost efficiency, accountability, transparency, predictability, flexibility, and avoiding idle capacity will be considered.

90. Investment Support Offices' contributions to the private sector investment will be increased by strengthening institutional and human capacities.

91. Inventory of suitable land for investments will be compiled especially for public land and more efficient allocation processes will be designed to assign land in available conditions to investors.

92. Public investments, as complementary to the private sector investments, will continue to be intensified on prioritized and large-scale infrastructure areas.

93. Large-scale projects initiated through Public Private Partnership (PPP) will be completed, new projects via the same way will be realized.

94. To facilitate accessing to long-term funds by the private sector for financing investments, to increase the amount of these funds and to decrease cost, necessary mechanisms will be developed.

95. The Turkish Wealth Fund, which was established for contributing to instrument diversity and depth in capital markets, making domestic public-owned assets economically beneficial, procurement of external sources, joining to strategic and large-scale investments, will be used effectively.

96. Technological entrepreneurship support models and brand-new financing facilities such as venture fund and individual participation fund will be developed.

97. Domestic and renewable energy sources will be prompted to maintain supply security in energy sector and nuclear technology investments will continue.

98. The projects that will strengthen the strategic position of Turkey in international energy trade, will be focused on.

99. The studies on domestic production of machinery and equipment, which are used in facilities producing alternative energy sources like wind, solar, hydroelectric energy, will be continued.

100. Electricity transmission network's infrastructure will be strengthened in order to ease electricity trade with neighboring countries.

101. The research activities regarding the determination of potential of domestic sources such as coal and geothermal energy will be accelerated.

102. A new management model will be developed in order to enhance the benefits of mines to economy.

103. Public procurements will be utilized to contribute R&D and innovation activities and to promote innovation, domestic production, technology transfers and innovative entrepreneurship.

104. Product-based domestic procurement models will be implemented in order to maintain the production of high technology products, particularly in medicine and medical device sectors, relying on public purchase guarantee.

105. Technology product investments, prototype development processes and clustering activities will be supported in prioritized sectors such as energy, healthcare, aviation, aerospace, automotive, rail systems, information and defense industry.

106. Available research infrastructures will be strengthened in all dimensions, notably in skilled labor force. Primary fields, which are needed to establish new infrastructures, will be focused on.

107. The studies on enhancing the quality of education and skills of human capital will continue. In this sense; the quality of teacher training process will be improved, double shift schooling will be removed, pre-school education will be gradually obligatory and the curriculum of fifth grade will be revised in terms of foreign language education.

108. Manufacturing sector's integration to agricultural sector, services sector and the integration between its own subsectors will be strengthened to improve competitiveness.

109. Green growth will be supported by taking the opportunities regarding new business areas, revenue sources, product developments and technological advancements provided by environment friendly approaches.

110. Wastes, eligible for recycling and waste collecting/sorting, will be considered within health, environment and energy perspectives and be recovered for the economy.

2. Fiscal Policy

111. In the MTP period fiscal policy will be implemented in line with the goals of preserving economic stability, boosting growth potential, keeping current account deficit at sustainable levels, increasing domestic savings and supporting investment incentives.

112. Measures, mainly reviewing public spending, will be taken to reduce public sector saving-investment deficit and public sector borrowing requirement will be curbed.

113. Spending programs will be prioritized especially in infrastructure investments bolstering the economic growth, promoting regional development, education and R&D supports and incentives.

114. Efforts towards generating public revenues from sound and steady sources will be continued.

a. Public Expenditure Policy

115. It is essential to implement government expenditure policy in accordance with multi-year budgeting approach. Public institutions and organizations will designate their appropriations in line with pre-defined policies and priorities and by examining the efficiencies and necessities of their ongoing spending programs.

116. Current spending programs will be reviewed; projects and operations, the priority of which ended, will be terminated.

117. Prospective fiscal burden of the new spending programs will be taken into consideration in the budgetary process.

118. Recruitment will be limited considering the public fiscal balances.

119. Program-based budgetary approach for public services will be adopted.

120. In the budgeting process, zero-based budgeting approach will be applied in determining the appropriations for purchase of goods and services.

121. Studies will be completed on integrating IT infrastructures used in the public financial management and control system.

122. Compliance of public institutional strategic plans with the Development Plan and other policy documents will be pursued, and objectives, targets, and activities which are set in the strategic plans and performance programs will be reflected to the budget preparation and implementation process more efficiently.

123. Cost and benefit analysis will be utilized in the decision making process of public expenditures particularly for service procurement and joint provision method will be extended for common needs.

124. In provision and utilization process of public buildings and vehicles, principles will be determined, relevance to necessities, cost and efficiency will be taken into consideration.

125. Cost of services will be reduced and quality of services will be improved by acceleration of e-transformation activities in public sector.

126. In allocation of public R&D spending, priority will be given to direct private investments in the manufacturing sectors with high trade deficit.

127. Allowances allocated for agriculture support will be reviewed with the objectives of increasing efficiency and value-added, and hence necessary regulations will be introduced.

128. Conformability and quality of social aids and services will be increased, a holistic approach will be developed, coordination among public, private sectors and NGOs will be ensured and multiple utilizations will be prevented.

129. In order to prevent unnecessary utilization without compromising the quality of health services; medicine, medical equipment and treatment expenditures will be rationalized.

130. Within the framework of increasing the efficiency of health expenditures, implementations will be put into practice to improve healthy lifestyles and health literacy and family medicine will be strengthened.

b. Public Investment Policy

131. Public investments will be directed towards areas that will create maximum contribution to growth, triggering growth potential of regions, increasing employment and country welfare.

132. Public investment will be directed towards infrastructure that support productive activities of the private sector; in this context, railway, harbor and logistic centers will be given special priority.

133. In public investment expenditures, from the ongoing projects, priority will be given to those that will be completed in short term and for the new projects weight will be given to those which will create maximum contribution to productive sectors.

134. In order to ensure maximum benefit from the existing capital stock maintenance-replacement, maintenance-repair and rehabilitation expenditures will be emphasized.

135. In public investment expenditures, on the regional basis, priority will be given to investments within the action plans of the South Eastern Anatolian Project, Eastern Anatolian Project, Konya Plain Project and Eastern Black Sea Project.

136. By realizing “East and South Eastern Anatolian Region Attraction Centers Programme, Investment and Promotion Initiative”, investment, production and employment creation will be increased in the region, the impact of terrorism will be eliminated. In this regard, the Development Bank of Turkey will be reorganized in order to support investments in the region.

137. In public investments, including PPP projects; education, health, drinking water and wastewater, science-technology, transportation and irrigation sectors will be given priority.

138. The process of planning, implementation, monitoring and evaluation of the PPP projects will be enhanced; in this context, the capacity of public institutions will be improved.

c. Public Revenue Policy

139. Revenue policies will support economic and social objectives such as improving income distribution, enhancing development, raising domestic savings, and policies will be implemented in a way to raise public revenues from sound and steady sources.

140. Designing and implementation of tax policies will be based on principles of stability and predictability.

141. Tax policy will be an effective instrument in increasing production and employment, reducing regional disparities, curbing current account deficit, attracting foreign investments, increasing energy efficiency and supporting R&D, innovation and design.

142. Policies will be continued on raising taxpayer satisfaction and increasing voluntary tax compliance by improving the service quality in taxation.

143. Efforts will be kept on simplifying tax legislation and improving its effectiveness.

144. Tax expenditures due to exception, exemptions and deductions will be analyzed and necessary arrangements will be made according to the results. Disclosure of information to public will be continued.

145. Fight against informal economy will continue to be implemented decisively in coordination with related stakeholders. Specific measures will be taken to reduce losses in tax-loss intensive areas.

146. Efforts to increase own-revenues of local governments will be continued.

147. Policies towards effective use of idle public immovables will be implemented.

148. To ensure that taxpayers fulfill their tax obligations in a proper way, legal and administrative convenience will be provided.

d. Public Borrowing Policy

149. Borrowing policy will be implemented in harmony with monetary and fiscal policies by considering macroeconomic balances, market conditions, cost and risk factors.

150. Exchange rate and interest risks will continue to be decreased by borrowing mainly on TL denominated and fixed interest rate instruments, and liquidity risk will continue to be reduced by extending the average borrowing maturity, and by holding strong Treasury reserves.

151. Efforts for monitoring and managing the risks on debt sustainability of contingent liabilities arising from public investment guarantees and commitments including PPP schemes will be continued.

152. Switching and the buy-back auctions may be used to ensure a balanced debt redemption profile, to

increase the price efficiency of secondary market and to reduce liquidity premium.

153. In order to constitute a buoyant yield curve in the secondary markets and to enhance liquidity, new issuances of bonds on diminishing maturities will be continued.

154. In order to broaden the investor base of government bonds, efforts to develop new borrowing instruments will be continued.

155. Efforts to improve bond/rent certificate market will be continued. As long as market conditions enable and institutional investors have a permanent demand, potential for TL denominated bond/rent certificate issuance with longer maturities will be assessed.

156. Issues of rent certificates will be continued regularly in domestic markets.

157. Primary dealer system will be continued.

158. Treasury bonds with a short-term maturity may be issued in order to dissolve any temporary mismatch between monthly cash inflows and outlays.

159. The efficiency of public cash management will be enhanced through broadening the scope of the Single Treasury Account implementation.

e. Public Financial Management and Audit

160. Link among public administrations' budgets, strategic plans, performance programs and annual reports will be strengthened.

161. Coordination among the administrations who are responsible for strategic planning, performance based budgeting and central harmonization of performance auditing will be strengthened.

162. Performance evaluation system for public employees will be developed.

163. Internal control systems and internal audit policies in public institutions will continue to be implemented to enhance efficiency of strategic management.

164. In order to ensure effective management of risks related to strategic, performance and operational objectives of the public authorities, Public Risk Management Guide will be prepared.

165. In order to increase effectiveness of the strategic management and to ensure an effective external audit in the public sector, implementation capacity of the Court of Accounts will be strengthened.

166. Public Financial Management and Control Law will be updated in accordance with the deficiencies observed in practice.

167. Revolving fund reform will be realized for public revolving fund administrations to ensure operating in an open, transparent and accountable administrative and fiscal environment.

f. State Economic Enterprises and Privatization

168. It is essential that SEEs will be operated in accordance with profitability, productivity and corporate governance principles.

169. All corporate policies, especially pricing, of SEEs will be determined so as to attain the targets foreseen in the strategic plans and in the general investment and financial decrees, and will be implemented effectively. SEEs' activities will be carried out without causing any negative effects on market mechanism.

170. A strategic management approach based on delegation, accountability, transparency, efficiency in decision making processes and performance-based management in SEEs, will be made widespread.

171. SEEs will carry out their activities in compliance with strategic plans and performance programs.

172. Required measures will be taken to make SEEs operate their internal control systems effectively.

173. SEEs will not be assigned to activities that aim social benefit and public good as long as it is not obligatory. If SEEs are assigned to such activities, their duty losses will be compensated in time.

174. SEEs will focus on high value-added products by developing technological infrastructure and R&D activities, will preferably benefit from domestic energy resources and will take advantage of new opportunities for exports.

175. Implementation of an effective employment policy in SEEs will be continued.

176. Exploration activities for oil and natural gas will be continued at home and abroad by taking into consideration the cost-benefit balance. Exploration and production activities for domestic resources such as lignite and geothermal fields will be maximized. Research activities will be conducted towards shale gas and other new technologies by taking into account the cost-benefit balance.

177. Privatization implementations will continue to be based on a program within the framework of macroeconomic policies and long term sectoral priorities. Public offerings will be mainly utilized in privatization implementations.

3. Balance of Payments

178. With the implementation of structural reforms, dependency of domestic production to imports will be reduced and high value added product diversification in exports will be ensured. The current account deficit will be financed through long-term resources and foreign direct investment flows which create employment and added value.

179. With new investments and upgrading in manufacturing industry, policies which increase the share of medium and high-tech products in exports will be continued. New support mechanisms will be established in order to increase production and export of these products.

180. Investments and R&D activities which enable domestic production of industrial inputs with high import dependency and technology intensity will be supported.

181. Export subsidies will be structured in order to support high-value added products of appropriate quality and quantity.

182. Supports for creation of international brands will continue, supports on promotion and marketing will be developed in accordance with the needs of exporters.

183. Foreign direct investments will be encouraged to high tech production areas.

184. Foreign investments of resident industrialists will be supported for ensuring supply of strategic raw materials and inputs, unable to be produced domestically, and natural resources with limited reserves, at reasonable costs.

185. Medium to long term investments and working capital of exporting companies will be financed to improve production capacities.

186. Input Supply Strategy, prepared to ensure the continuity and stability in supply of inputs, will be updated for the next three years based on the needs of our country.

187. Original design activities in exports of consumer products will be encouraged, qualified designers will be trained, and expansion of companies in foreign markets will be supported.

188. Economic and trade relations will be deepened by reviewing the Customs Union Agreement and necessary issues will be negotiated with the EU.

189. The Law on Free Zones will be reviewed and updated.

190. The number of countries with bilateral free trade agreements will be increased and the scope of agreements will be extended to include investment and service sectors.

191. Free trade agreements which directly impact our economy, notably the Transatlantic Trade and Investment Partnership Agreement which negotiations continue between US and EU, will be monitored closely and the necessary measures will be taken on time.

192. Legal infrastructure will be strengthened to develop trade and economic relations through agreements on regional, trade and economic cooperation, preferential trade, and trade in services.

193. Logistics investments will be given priority in order to attain export targets, in this context large-scale container ports will be created, railway and road links between ports and production areas will be completed.

194. Trade policy instruments will continue to be used effectively against unfair competition resulting from imports.

195. By enhancing the effectiveness of market monitoring and supervision system, imported and domestic products will be ensured to comply with safety and technical regulations.

196. The activities which enhance the export potential of construction materials and the quality of contracting services in abroad will be supported and services revenues will be increased.

197. Supports will continue for exports of technical consulting and engineering services.

198. Measures will be taken to guarantee and protect rights of domestic investors abroad.

199. In tourism sector, a structure will be built up which increases quality of service, targets high income groups through diversifying marketing channels, seeks to balance protection and use, and emphasizes the types of tourism that have comparative advantage.

200. Tourism investments will be diversified by shifting the focus to developed regions with intensive demand and other areas, and policies will be adopted to spread tourism-oriented activities to the entire year.

201. New branches of tourism such as health, thermal, winter, golf, eco-tourism, rural tourism, congress and exhibition tourism, and marine tourism will be developed.

202. The general level of consumer awareness and knowledge will be increased to make domestic goods and brands more attractive.

203. An e-exporting strategy in line with the export policy will be prepared and implemented.

204. The Services Export Strategy of Turkey for 2023 will be prepared and implemented in order to support export of services.

205. The country and regional strategies will be developed to strengthen our country's position in existing export markets and ensure market diversity.

206. For exports of investment and capital goods a Turk Eximbank credit program for foreign buyers will be put into practice. Support will be provided for insuring the risks of exporters by the Turk Eximbank.

207. Mechanisms for easing the provision of credit guarantee to exporters with difficulties in access to finance, will be developed.

4. Monetary Policy

208. The main objective of the monetary policy is to establish and to sustain the price stability.

209. Monetary policy will pay regard to financial stability and it will support growth and employment policies, without conflicting with the objective of price stability.

210. Inflation targeting will continue to be the main monetary policy regime.

211. Inflation targets will continue to be determined in a three-year term by the Government and the Central Bank.

212. Besides the usage of short term interest rates as the main monetary policy tool, the complementary instruments such as reserve requirements and TL and foreign exchange denominated liquidity applications will continue to be practiced.

213. In order to ensure accountability and transparency of the monetary policy, Inflation Report, which includes inflation realizations, factors affecting inflation and monetary policy to be implemented in harmony with inflation target, will be declared to public quarterly. If inflation realizations fall beyond the uncertainty interval at the end of year, the Central Bank will inform the government with an open letter.

214. The floating exchange rate regime will continue to be pursued.

215. Foreign exchange selling auctions may take place if unstable price formation or excess volatility occurs as a result of loss of depth in exchange market. Moreover, in case of speculation depending on loss of market depth, the foreign exchange market can be intervened directly.

216. Foreign exchange selling auctions will continue to be used in a flexible way for supporting foreign exchange liquidity in the market. Accumulation of foreign reserves will continue through exports rediscount loans.

217. The simplification of the operational framework of monetary policy will contribute to effectiveness of the transmission mechanism.

218. Channels of communication concerning monetary policy tools and decisions will be strengthened.

219. Structural factors that drive up food prices which have significant impact on consumer prices will be analyzed, and proposals will be developed. In this context, the Food Committee will work effectively.

5. Financial Markets

220. The prior target is that financial markets have an innovative, effective and transparent structure that supports growth and real economy, and contributes to increase domestic savings, and has variety in financial products and low intermediation costs.

221. The Law of Istanbul International Financial Center will be enacted.

222. In banking sector, international standards will be closely followed, and in this context national regulations will be developed.

223. To increase domestic savings, arrangements will be continued in order to channel savings into long-term financial instruments.

224. Arrangements to attract savings in gold into financial system will be carried out.

225. Private health insurance with over one year term and life insurance will be developed.

226. It is ensured that leasing, factoring and financing firms will grow in a stable and healthy way and will increase their share in financial sector.

227. In the capital market legislations, adjustments fulfilling the needs of real economy and supporting technology-oriented and innovative initiatives will be made.

228. The prevalence and diversification of interest-free financial products will be ensured, and the institutional and legal infrastructure of the sector will continue to be improved in line with the international standards.

229. Financial education will be made widespread in order to increase domestic savings and to broaden investor base as well as to increase consumers and investors' awareness and competencies for financial products, concepts and risks.

230. Consumers and investors' rights in finance sector will be strengthened by transparent, fair and supportive practices within the framework of corporate governance.

6. Employment Policies

231. Within the framework of sustainable and inclusive growth approach, the creation of a labor market that can compete in global markets by increasing the quality of labor, is the main objective.

232. In order to ensure labor compatible with changing labor market demands, basic and vocational education reform will be implemented and vocational training will be compulsory.

233. The policies that increase labor force participation and employment rates of the disadvantaged segments of society, especially women and disabled, will continue to be implemented.

234. In the framework of policies that increase skills of young people and accelerate youth participation in labor force, the policies supporting youth employment and entrepreneurship will continue.

235. Legislative arrangements and information and awareness-raising activities will be done in order to facilitate adaptation of labor market actors to flexible working conditions.

236. Private employment agencies whose operational scope would expand to include temporary employment will be made widespread. An effective supervisory mechanism for the activities of these offices will be established.

237. In the area of occupational health and safety, inspections will be executed effectively and safety culture in working life, particularly in high-risk industries, will be expanded.

238. Active labor market policies will continue to be implemented to provide sustainable income for social beneficiaries who are eligible for work through their activation.

239. Through combating with informal employment and wages by taking deterrent and incentive measures, the number of registered employees will be increased and the premium base will be extended.

240. The Labor Law will be revised according to the needs of the economy.

Annex Table 1: Main Economic Indicators

	2015	2016 (1)	2017 (2)	2018 (2)	2019 (2)
GROWTH					
GDP (Billion TL, Current Prices)	1.953	2.148	2.404	2.686	2.987
GDP (Billion Dollars, Current Prices)	720	726	756	815	884
GDP Per Capita (Dollars)	9.257	9.243	9.529	10.164	10.926
GDP (PPP, Billion Dollars) (3)	1.543	1.602	1.696	1.817	1.949
GDP Per Capita (PPP GDP, Dollars) (3)	19.917	20.396	21.367	22.666	24.077
GDP Growth (4)	4,0	3,2	4,4	5,0	5,0
Total Consumption (4)	5,1	5,8	3,8	4,5	4,4
Public	5,6	11,8	0,4	2,1	2,0
Private	5,0	5,0	4,3	4,8	4,6
Total Fixed Capital Investment (4)	3,9	0,1	5,1	5,2	5,5
Public	9,4	3,5	8,9	3,5	-2,7
Private	2,4	-0,8	4,0	5,7	8,0
Total Domestic Savings / GDP	14,3	13,5	14,6	15,5	16,0
Public	4,4	2,7	2,7	3,0	3,3
Private	10,0	10,8	11,9	12,4	12,7
Total Saving -Investment Difference / GDP (5)	-4,0	-4,3	-4,3	-3,9	-3,6
Public	-0,6	-2,2	-2,4	-2,0	-1,3
Private	-3,4	-2,1	-1,9	-2,0	-2,2
Total Final Domestic Demand (4)	4,8	4,4	4,1	4,6	4,6
Total Domestic Demand (4)	4,2	4,2	4,1	4,5	4,4
Contribution of Net Exports to Growth	-0,3	-1,1	0,2	0,4	0,5
EMPLOYMENT					
Population (Midyear, Thousands)	77.738	78.559	79.366	80.159	80.936
Labor Force Participation Rate (%)	51,3	51,8	52,3	52,9	53,5
Employment (Thousands)	26.621	27.216	27.948	28.741	29.534
Employment Rate (%)	46,0	46,3	46,9	47,6	48,3
Unemployment Rate (%)	10,3	10,5	10,2	10,1	9,8
FOREIGN TRADE					
Exports (fob) (Billion Dollars)	143,8	143,1	153,3	170,0	193,1
Imports (cif) (Billion Dollars)	207,2	198,0	214,0	236,9	261,8
Crude Oil Price-Brent (Dollars / Barrel)	52,5	43,3	50,7	53,5	55,6
Energy Imports (Billion Dollars)	37,8	27,5	32,0	37,0	41,3
Foreign Trade Balance (Billion Dollars)	-63,4	-54,9	-60,7	-66,9	-68,7
Exports / Imports (%)	69,4	72,3	71,6	71,8	73,7
Foreign Trade Volume / GDP (%)	48,8	47,0	48,6	49,9	51,4
Travel Revenues (Billion Dollars)	26,6	18,6	23,5	27,0	27,7
Current Account Balance (Billion Dollars)	-32,2	-31,3	-32,0	-31,7	-31,2
Current Account Balance / GDP (%) (5)	-4,5	-4,3	-4,2	-3,9	-3,5
Current Account Balance Excl. Gold / GDP (%)	-5,0	-4,8	-4,2	-3,8	-3,5
INFLATION					
GDP Deflator	7,5	6,6	7,2	6,4	5,9
Consumer Prices Index (End of Year, % Change) (6)	8,8	7,5	6,5	5,0	5,0

Note: (1) Estimation, (2) Programme, (3) OECD estimation, (4) Percentage changes in fixed prices, (5) The difference between total saving-investment difference and current account deficit comes from using weighted exchange rate in national income accounts, (6) 2016-2019 data are the estimations of Ministry of Development.

Annex Table 2: Public Sector General Balance (1)

	2015	2016 (RE)	2017 (P)	2018 (P)	2019 (P)
	(In Billions of TL)				
Public Sector General Balance (PSGB)	**-0.8**	**-36.3**	**-35.4**	**-38.4**	**-25.6**
General Government	**-2.4**	**-40.3**	**-40.0**	**-43.7**	**-29.2**
Central Government Budget	-23.5	-34.6	-46.9	-44.3	-40.1
Local Governments	-2.0	-10.4	-1.9	-8.1	2.0
Extra Budgetary Funds	10.4	-4.4	-0.7	-0.2	0.1
Unemployment Insurance Fund	11.7	9.9	10.4	9.8	9.8
Social Security Institutions	-9.2	-17.5	-19.0	-23.4	-28.8
General Health Insurance	10.7	17.5	19.0	23.4	28.8
Revolving Funds	-0.4	-0.8	-0.9	-0.9	-1.0
SEE's	**1.6**	**4.0**	**4.6**	**5.3**	**3.6**
Public Sector Primary Balance	**54.5**	**18.3**	**25.5**	**27.3**	**51.0**
PSGB Exc. Int. Exp. and Priv. Rev.	**42.4**	**7.3**	**7.8**	**19.3**	**44.5**
	(As of GDP, %)				
Public Sector General Balance (PSGB)	**0.0**	**-1.7**	**-1.5**	**-1.4**	**-0.9**
General Government	**-0.1**	**-1.9**	**-1.7**	**-1.6**	**-1.0**
Central Government Budget	-1.2	-1.6	-1.9	-1.6	-1.3
Local Governments	-0.1	-0.5	-0.1	-0.3	0.1
Extra Budgetary Funds	0.5	-0.2	0.0	0.0	0.0
Unemployment Insurance Fund	0.6	0.5	0.4	0.4	0.3
Social Security Institutions	-0.5	-0.8	-0.8	-0.9	-1.0
General Health Insurance	0.5	0.8	0.8	0.9	1.0
Revolving Funds	0.0	0.0	0.0	0.0	0.0
SEE's	**0.1**	**0.2**	**0.2**	**0.2**	**0.1**
Public Sector Primary Balance	**2.8**	**0.9**	**1.1**	**1.0**	**1.7**
PSGB Exc. Int. Exp. and Priv. Rev.	**2.2**	**0.3**	**0.3**	**0.7**	**1.5**

(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)

	2015	2016 (RE)	2017 (P)	2018 (P)	2019 (P)
	(In Billions of TL)				
Public Sector	**13.7**	**-25.4**	**-14.7**	**-0.5**	**25.9**
General Government	**12.5**	**-29.1**	**-19.1**	**-5.7**	**22.4**
Central Government Budget	7.5	-20.2	-13.7	1.0	18.9
Local Governments	-1.2	-9.1	-5.3	-6.6	3.5
Extra Budgetary Funds	0.8	-0.3	-0.6	-0.1	0.2
Unemployment Insurance Fund	4.8	1.8	1.8	1.4	1.3
Social Security Institutions	-9.2	-17.5	-19.0	-23.4	-28.8
General Health Insurance	10.7	17.5	19.0	23.4	28.8
Revolving Funds	-0.8	-1.3	-1.4	-1.4	-1.5
SEE's	**1.2**	**3.7**	**4.4**	**5.1**	**3.5**
	(As of GDP, %)				
Public Sector	**0.7**	**-1.2**	**-0.6**	**0.0**	**0.9**
General Government	**0.6**	**-1.4**	**-0.8**	**-0.2**	**0.8**
Central Government Budget	0.4	-0.9	-0.6	0.0	0.6
Local Governments	-0.1	-0.4	-0.2	-0.2	0.1
Extra Budgetary Funds	0.0	0.0	0.0	0.0	0.0
Unemployment Insurance Fund	0.2	0.1	0.1	0.1	0.0
Social Security Institutions	-0.5	-0.8	-0.8	-0.9	-1.0
General Health Insurance	0.5	0.8	0.8	0.9	1.0
Revolving Funds	0.0	-0.1	-0.1	-0.1	0.0
SEE's	**0.1**	**0.2**	**0.2**	**0.2**	**0.1**

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

Annex Table 4: Other Indicators Concerning Public Sector

	2015	2016 (RE)	2017 (P)	2018 (P)	2019 (P)
	(As of GDP, %)				
Public Disposable Income	16.5	16.0	15.4	15.5	15.4
Public Consumption	-12.1	-13.3	-12.7	-12.5	-12.1
Public Saving	4.4	2.7	2.7	3.0	3.3
Public Investment	-5.0	-4.9	-5.1	-5.0	-4.6
Public Saving-Investment Gap	-0.6	-2.2	-2.4	-2.0	-1.3
Public Sector Privatization Revenues	0.6	0.5	0.7	0.3	0.2
Tax Burden (Inc.Soc.Sec.Prem.) (1)	29.8	30.4	30.8	30.5	30.2
Tax Burden (Exc.Soc.Sec.Prem.) (1)	21.5	21.5	21.9	21.8	21.6
EU Defined General Government Debt Stock	32.9	32.8	31.9	31.0	29.9

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

Annex Table 5: General Government Balance (1)

	2015	2016 (RE)	2017 (P)	2018 (P)	2019 (P)
	(In Billions of TL)				
Revenues	**799.2**	**899.0**	**994.9**	**1.083.6**	**1.184.8**
Taxes	418.7	462.2	526.9	585.5	644.5
Non-Tax Revenues	42.8	45.1	44.3	54.1	59.9
Factor Income	112.7	131.4	130.1	135.6	143.7
Social Funds	212.9	249.4	275.8	300.4	330.2
Privatization Revenues	12.1	11.0	17.8	8.0	6.5
Expenditures	**801.5**	**939.3**	**1.034.9**	**1.127.3**	**1.214.0**
Primary Expenditures	**746.7**	**885.4**	**974.7**	**1.062.3**	**1.138.1**
Current Expenditures	357.6	428.6	461.1	500.5	538.3
Capital Expenditures	81.1	88.6	102.9	114.6	118.3
Transfer Expenditures	362.8	422.1	470.9	512.1	557.4
Stock Revaluation Fund	0.0	0.0	0.0	0.0	0.0
Interest Expenditures	**54.9**	**54.0**	**60.2**	**65.0**	**75.8**
General Government Balance	**-2.4**	**-40.3**	**-40.0**	**-43.7**	**-29.2**
Primary Balance	**52.5**	**13.7**	**20.3**	**21.3**	**46.6**
Balance Excluding Privatization Revenues	**-14.4**	**-51.3**	**-57.7**	**-51.7**	**-35.7**
Balance Excluding Pri. Rev. and Int. Exp.	**40.4**	**2.7**	**2.5**	**13.3**	**40.1**
	(As of GDP, %)				
Revenues	**40.9**	**41.9**	**41.4**	**40.3**	**39.7**
Taxes	21.4	21.5	21.9	21.8	21.6
Non-Tax Revenues	2.2	2.1	1.8	2.0	2.0
Factor Income	5.8	6.1	5.4	5.0	4.8
Social Funds	10.9	11.6	11.5	11.2	11.1
Privatization Revenues	0.6	0.5	0.7	0.3	0.2
Expenditures	**41.0**	**43.7**	**43.0**	**42.0**	**40.6**
Primary Expenditures	**38.2**	**41.2**	**40.5**	**39.6**	**38.1**
Current Expenditures	18.3	20.0	19.2	18.6	18.0
Capital Expenditures	4.2	4.1	4.3	4.3	4.0
Transfer Expenditures	18.6	19.7	19.6	19.1	18.7
Stock Revaluation Fund	0.0	0.0	0.0	0.0	0.0
Interest Expenditures	**2.8**	**2.5**	**2.5**	**2.4**	**2.5**
General Government Balance	**-0.1**	**-1.9**	**-1.7**	**-1.6**	**-1.0**
Primary Balance	**2.7**	**0.6**	**0.8**	**0.8**	**1.6**
Balance Excluding Privatization Revenues	**-0.7**	**-2.4**	**-2.4**	**-1.9**	**-1.2**
Balance Excluding Pri. Rev. and Int. Exp.	**2.1**	**0.1**	**0.1**	**0.5**	**1.3**

(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

	2015	2016 (RE)	2017 (P)	2018 (P)	2019 (P)
	(In Billions of TL)				
Expenditures	**506.3**	**581.1**	**645.1**	**694.6**	**750.6**
Primary Expenditures	453.3	529.6	587.6	632.6	678.1
Interest Expenditures	53.0	51.5	57.5	62.0	72.5
Revenues	**482.8**	**546.5**	**598.3**	**650.3**	**710.5**
General Budget Tax Revenues	407.8	450.0	511.1	567.0	624.2
Other Revenues	75.0	96.5	87.2	83.2	86.3
Budget Balance	**-23.5**	**-34.6**	**-46.9**	**-44.3**	**-40.1**
Primary Balance	**29.5**	**16.9**	**10.6**	**17.7**	**32.4**
Program Defined Expenditures	**453.3**	**529.6**	**587.6**	**632.5**	**678.1**
Program Defined Revenues	**460.8**	**509.3**	**574.0**	**633.6**	**697.0**
Program Defined Balance	**7.5**	**-20.2**	**-13.7**	**1.0**	**18.9**
	(As of GDP. %)				
Expenditures	**25.9**	**27.0**	**26.8**	**25.9**	**25.1**
Primary Expenditures	**23.2**	**24.7**	**24.4**	**23.6**	**22.7**
Interest Expenditures	2.7	2.4	2.4	2.3	2.4
Revenues	**24.7**	**25.4**	**24.9**	**24.2**	**23.8**
General Budget Tax Revenues	20.9	20.9	21.3	21.1	20.9
Other Revenues	3.8	4.5	3.6	3.1	2.9
Budget Balance	**-1.2**	**-1.6**	**-1.9**	**-1.6**	**-1.3**
Primary Balance	**1.5**	**0.8**	**0.4**	**0.7**	**1.1**
Program Defined Expenditures	**23.2**	**24.7**	**24.4**	**23.6**	**22.7**
Program Defined Revenues	**23.6**	**23.7**	**23.9**	**23.6**	**23.3**
Program Defined Balance	**0.4**	**-0.9**	**-0.6**	**0.0**	**0.6**

RE: Realization estimate
P: Program