



MEDIUM TERM PROGRAMME 2016 - 2018

REPUBLIC OF TURKEY

MEDIUM TERM PROGRAMME (2016 - 2018)

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MINISTRY OF DEVELOPMENT
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INTRODUCTION

1. Medium Term Programme (MTP), which initiates the budget process and covers the period of 2016-2018, published in Official Gazette No. 29499, on October 11, 2015. The Central Government Budget Draft Law of 2016 that was prepared in line with this Programme was sent to Turkish Grand National Assembly (TGNA), however, it could not have been discussed and legislated in TGNA due to the General Elections held in November 1, 2015.

2. After the formation of government following the General Elections, due to insufficient time for legal deadline, Provisional Budget Law for 2016 was published in Official Gazette No. 29571 on December 23, 2015 and enacted. Besides, the need for revision of MTP, the basis for the Central Government Budget Draft Law of 2016, emerged.

3. A partial recovery process, pioneered by US and some EU countries, has been observed in the global economy. The US Federal Reserve Bank (Fed) hiked interest rates moderately after the recovery in US economy in December 2015. It is expected that Fed would gradually rise interest rates depending on the developments in upcoming period. On the other hand, the slowdown in Chinese economy and the problems in its banking sector and credit market still assume the risk of contagion to its periphery and global economy through trade and finance. In EU economies, growth rates perform lower than expectations, while high unemployment and public debt issues remain on the agenda.

4. In Turkey while the positive impacts of political stability after the general elections are prominent, the rising geopolitical and economic risks in nearby countries maintain their importance. The recent domestic and foreign political and economic developments, including relations with EU, risks and expectations have been taken into account in the revision of the MTP.

5. The main objectives of the MTP are to rise stable and inclusive growth, to decrease inflation, to maintain fiscal discipline and the declining trend of current account deficit together.

6. The structural reforms will decisively continue to be carried out within these main objectives. In this context, the implementation of 64th Government's Action Plan for 2016, publicized on December 10, 2015, has been started.

7. The implementation of 25 Privileged Transformation Programmes, which took part in the Tenth Development Plan and were formerly publicized, will be monitored actively. In this context, the actions related with increasing investments and exports, declining current account deficit, rising employment, productivity and competitiveness, strengthening public finance and the quality of fiscal discipline will be handled primarily and legislation process for these actions will be speeded up in the implementation process of actions sorted in the action plans.

I. DEVELOPMENTS IN THE WORLD AND TURKISH ECONOMY

A. WORLD ECONOMY

8. The global economy is modest and continues to be weak and fragile with the weak recovery in advanced economies and slowdown in developing economies. Providing balanced and sustainable growth at the global level continues to be the main problem area although seven years have passed since the global financial crisis.

9. Compared to the previous year, a slight slowdown in the world growth is expected in 2015. The economic slowdown in many developing economies primarily in China, disruptions in some main economic indicators of US in the first half of the year, slowing down global trade volume, macroeconomic uncertainties and rising geopolitical risks have been effective in this development. While downward trend of commodity prices especially oil prices since the mid-2014 supports growth of advanced economies, has slowed the growth of commodity-exporting countries. The world growth rate for 2015 which was decreased to 3.1 percent in the IMF's World Economic Outlook in October is estimated to be 3.6 percent in 2016 as a result of the expected acceleration in both advanced and developing economies¹.

¹The world economy data are the forecast made by International Monetary Fund (IMF) on April and October 2015.

10. Advanced economies continue to grow at a moderate pace in 2015. In advanced economies; low levels of financing costs, improvements in employment, beginning to increase investments in the US economy as a result of increased market confidence and low levels of oil prices in international markets support the growth process. Increasing domestic demand contributes to growth in the Euro Area. In contrast, the failure to provide a stable and strong recovery throughout the Euro Area limits the recovery in advanced economies. The growth for 2015 forecast for advanced economies was reduced to 2.0 percent from 2.4 percent, while it was decreased to 2.2 percent from 2.4 percent for 2016.

11. In the US economy growth forecast for 2015 has been reduced to 2.6 percent from 3.1 percent. Despite recent economic recovery trend in the US economy, being slowed exports of the appreciation of dollar against to other currencies in the first half of 2015, the negative developments in the first quarter due to adverse weather conditions, slowdown that occurred for reasons such as the decline in consumer spending slowdown and decreasing in commodity prices has been effective in this downward revision. The US economy is expected to grow by 2.8 percent in 2016.

12. Continued recovery of the past two years in the US economy has led to increased expectations of a possible interest rate increases by the US Federal Reserve Bank (Fed) since the second half of 2015. However, the evident slowdown in developing economies mainly in China and Chinese devaluation

of its currency three times in a row in August of 2015, besides strengthening trend of the US dollar, has raised the concerns of further appreciation in the US dollar which leads to a disadvantage in foreign trade. When Fed begins to raise interest rate and how interest rate raising path of the Fed have been followed closely by the markets in the last months of 2015. Indeed, the Fed increased the policy interest rate for the first time since 2006 by 25 basis points from 0.25 to 0.5 percent range on December 16, 2015.

13. Low growth, low employment, low demand, the risk of deflation, rising public debt, unemployment and financial vulnerability continues to be major problem areas in the Euro Area where 2008 global crisis that turned into a banking crisis and the sovereign debt crisis. While growth in the Euro Area exhibits a fragile and transnational heterogeneous structure, the economic recovery continues. Economic activity led by the major economies have expanded moderately in the first three quarters of 2015 in the Euro Area. In addition to robust economic activity in the region's largest economy Germany, continued recovery of the troubled Euro Area countries such as Spain and Portugal increased moderate growth expectations for the euro area. The Euro Area is projected to grow by 1.5 percent in 2015, and 1.6 percent in 2016. On 3 December 2015, the European Central Bank (ECB) reduced the interest rates on deposits 10 basis points to negative 0.3 percent to support growth and inflation. In addition, the scope and duration of the asset purchasing program have been expanded and extended until March 2017. It is expected that the potential of expansionary monetary measures that implemented by ECB make

more favorable financial conditions, competitiveness gains from depreciation of Euro, increase in disposable income occurred due to decline in international energy prices will contribute positively to growth in the Euro Area in 2016.

14. Fluctuations in global financial markets continues in 2015 due to uncertainty about the Fed's monetary policy normalization process. Besides the rise of external financing costs of the developing economies; low levels of commodity prices have been affected growth negatively in many developing economies, especially Latin American countries. Since the first months of 2015 many developing countries such as China, Russia and Brazil have made changes in policy interest rates in order to maintain financial stability. In addition to increasing geopolitical risks, the slowdown of the Chinese economy adversely affected the growth performance of many developing countries particularly far East Asian countries. Growth rate of Chinese economy that had been important contributor to the global growth, is estimated to decline to 6.8 percent and 6.3 percent respectively in 2015 and 2016. Within the framework of these developments, IMF revised developing economies growth forecasts from 4.3 percent to 4 percent for 2015, and from 4.7 percent to 4.5 percent for 2016.

15. Developing countries excluding China and India is estimated to grow by 1.8 percent on average in 2015, while Turkish economy is expected to diverge positively and grow well above these country group's growth rate.

16. Despite the recovery in advanced economies, a limited decline of world trade volume growth is expected in 2015 compared to the previous year due to the slowdown in developing economies. The growth rate of world trade volume is estimated to be 3.2 percent and 4.1 percent in 2015 and 2016 respectively.

17. The global economy is in a recovery trend since the 2008 crisis. However, this recovery shows variation among countries and remains in a modest and uneven structure. Downside risks are increasing especially for developing economies due to beginning of Fed's rate hike in December of 2015, the slowdown in Chinese economy, falling commodity prices, increasing financial volatility, weak global demand and trade, volatile capital inflows and weakening national currencies. In addition to these developments rising geopolitical risks and political uncertainties such as presidential elections in the US in 2016 and the United Kingdom's referendum of exit from the EU, limit the global growth expectations for the incoming period.

B. TURKISH ECONOMY

18. GDP growth rate occurred as 2.9 percent in 2014, which is a little higher than market expectations. Growth rates of agricultural sector and services sector remained lower than expectations, while industrial sector's growth rate somewhat exceeded the expectations. The main source of GDP growth was exports therefore, net exports' contribution to growth occurred as 1.8 points within expenditure approach.

19. GDP grew by 3.4 percent in the first three quarters of 2015. The increases in crop production and in value added of services sector bolstered the GDP growth rate. On the other hand, domestic demand drove the GDP growth rate within expenditure approach. In January-September period, private consumption expenditures were robust while private fixed investment expenditures remarkably increased especially in second quarter. Net exports' contribution to GDP growth rate was negative 0.7 points in the first three quarters because the slowdown in exports was sharper than the decline in imports.

20. It is expected that the industrial production will accelerate through calendar effect and services sector will carry on to bolster GDP growth in the last quarter of 2015. Domestic demand is estimated to remain robust in the last quarter of the year. Under these developments and expectations, GDP growth rate is estimated to be 4.0 percent in 2015.

21. Private savings and private investment expenditures as a ratio of GDP are expected to decline, while public savings and public investment expenditures are expected to rise in 2015. Rise in private savings

has importance for high and sustainable growth and for its sound financing.

22. Analyzing the contribution of factors of production to the growth, it is observed that the highest contribution to the growth of 2.9 percent in 2014 stemmed from the remarkable increase in employment. On the other hand, total factor productivity made a negative contribution to the growth significantly in 2014. Therefore, in line with the expectations, the growth was completely based on the increase in employment and capital stock in this year. In 2015, it is expected that total factor productivity will contribute positively to the growth in a limited manner and employment's contribution will retreat to its usual trend. The acceleration in growth during the MTP period is expected to stem from the contributions of total factor productivity and capital stock.

23. According to the new series of seasonally adjusted employment data, both labor force participation rate and employment rate have tended to increase since the beginning of the year 2012. However, as a result of the stronger effect of the increase in labor force participation rate, compared to the increase in employment, on unemployment rate, there has been an increasing trend in the unemployment rate since the middle of the year 2012. This upward trend accelerated in 2014 and the unemployment rate increased by 0.9 points to 9.9 percent compared to the previous year. In the first quarter of 2015 the unemployment rate began to decline. In the second quarter, increase in the employment growth offset the effect of the increase in the labor force participation rate and the seasonally adjusted unemployment rate stood at 10.2 percent. In

the third quarter of 2015, unemployment rate remained at 10.4 percent and the labor force participation rate remained at 51.4 percent. In the same period, in the non-agricultural employment, especially induced by the services sector, an increasing trend was observed.

24. According to seasonally adjusted data, during the September 2015 period unemployment rate decreased by 0.2 percentage points, to 10.4 percent compared to the same period of the previous year. The total employment increased by 934 thousand people on the same basis.

25. Exports increased both in nominal and real terms and realized as 157.6 billion dollars in 2014, although global economy did not recover as expected, demand growth in Euro Area was limited and political and economic problems continued in our close trading partners and neighbors. Because of moderate trend in growth and partial decline in oil prices, imports declined by 3.8 percent in nominal terms and realized as 242.2 billion dollars in 2014. Besides the relative normalization trend seen in gold imports, foreign trade deficit excluding gold and energy was improved significantly. Depending on these developments, the current account deficit to GDP ratio in 2014 decreased to 5.8 percent compared to the previous year's level of 7.9 percent. The current account deficit to GDP ratio excluding gold trade decreased to 5.3 percent.

26. Exports realized as 143.9 billion dollars in 2015, due to the continuing uncertainty in the global recovery, slow recovery in the EU economy, political and economic developments in the close region, downward trend in euro/dollar parity and the effect

of income in our trade partners caused by fall in oil prices. In 2015, imports realized as 207.1 billion dollars, showing a decreasing trend compared to the previous year, depending on continuing of a moderate path in economic activity, declining in energy and commodity prices and developments in the exchange rate. Depending on these developments, the current account deficit to GDP ratio is expected to decline to 4.4 percent.

27. In 2015 the annual growth rate of CPI was 8.8 percent with an increase by 0.6 percentage points compared to the previous year. In this development, the pass through effects of depreciation of the Turkish Lira especially on basic goods prices, as well as impacts of high growth rate recorded in food prices, have become prominent. In particular, in 2015 unprocessed food inflation has maintained its high growth trend of the last two years. The increasing trend in food prices also negatively affected the prices of services through the catering channel. Impacts of the decline in import prices, especially in oil prices, on consumer inflation have been limited because of exchange-rate developments.

28. In the first two months of 2015, the CBRT carried out moderate reductions in interest rates due the positive outlook in core inflation. However, deteriorations in expectations because of adverse developments in the inflation outlook have hindered excessive reductions in interest rates. On the other hand, domestic and foreign developments in the second half of 2015 have led to the depreciation of the Turkish Lira. In the face of this volatility, CBRT has

taken steps to increase average funding cost for the Turkish Lira and to provide foreign currency liquidity to the market. In this process, CBRT has announced the steps to take in the case of the expected normalization of monetary policy at the global level. In this regard, CBRT has announced that the interest rate corridor will be narrowed by becoming more symmetrical around one week repo rate with normalization. In addition to this, it is stated that measures will be implemented to regulate the foreign currency liquidity in the market before and after normalization, to extend the maturity of liabilities in the banking sector and to reduce financial intermediation costs. The current monetary policy stance is tight for the inflation outlook, stabilizing the foreign currency liquidity and supportive of the financial stability.

29. General government revenues and expenditures decreased by 0.3 and 0.5 percentage points respectively as a ratio to GDP in 2014 as compared to 2013. In comparison with the previous year, while there were no significant change in general government current expenditures and total transfers, due to the decrease in capital expenditures, total primary expenditures realized at 37.2 percent by decreasing 0.1 percentage points. General government revenues to GDP ratio realized at 39.6 percent due to the partial loss of performance in the indirect taxes as a result of the slowdown in growth.

30. In this context, the general government deficit to GDP ratio realized at 0.6 percent and the general government primary surplus realized at 2.3 percent.

31. Due to the higher tax revenue realizations

compared to the Programme targets and the increase in social security contributions, the general government total revenues including privatization proceeds, is projected to be 1.1 points above the previous year's levels and expected to be 40.7 percent of GDP in 2015. On the other side, general government primary expenditures is expected to be 0.7 points above the 2014 level, and realize at 37.9 percent of GDP in 2015, due to additional appropriations for public investments and current expenditures.

32. Within these developments, general government is expected to be on balance in 2015, whereas the general government primary surplus is expected to realize at 2.8 percent of GDP.

33. General government surplus, excluding interest payments and privatization proceeds, is expected to increase from 1.7 percent of GDP in 2014 to 2.2 percent in 2015, and program defined general government surplus is estimated to be 0.8 percent of GDP.

34. Public sector borrowing requirement, realized at 0.6 percent of GDP in 2014, is expected to be zero in 2015. At the same period, program defined public sector surplus is expected to increase to 0.8 percent from 0.6 percent of GDP.

35. EU defined general government debt stock, realized at 33.5 percent of GDP in 2014, is estimated to be 32.6 percent in 2015.

36. Turkey-EU relations including EU accession process have entered into a new era through the Turkey-EU Summit held in Brussels on November 29, 2015. At the Summit, important decisions have been taken involving the revitalization of the accession

negotiations, cooperation in combating terrorism, accelerating the process of the visa liberalization dialogue, burden-sharing in migration management and updating of the Customs Union.

37. In this context, two years later, on December 14, 2015 Turkey-EU Intergovernmental Participation Conference was assembled and No.17 Economic and Monetary Policy Chapter was opened to negotiations. Technical studies will be accelerated for the opening of negotiations on other chapters. Therefore, in the coming period, as well as the acceleration of relations with EU, projected recovery in the EU economy is expected to contribute to the growth of Turkey's economy positively.

38. Financial resources provided by the EU within the scope of burden-sharing in migration management will be used to strengthen cohesion of Syrians, who are under temporary protection in our country, to society and economy.

II. THE MAIN OBJECTIVE

39. The main objective of MTP is to rise growth and to make it more inclusive while saving the macroeconomic stability and maintaining the decline in current account deficit and inflation gradually.

40. The growth strategy within Programme period is located on five main pillars: strengthening macroeconomic stability, enhancing human capital and maintaining efficiency in labor market, rising the capacity for development of technology and innovation, strengthening physical infrastructure and improving institutional quality.

41. Increasing domestic savings, encouraging the transformation in industrial sector and private investment reliant growth structure, enhancing the competitiveness and efficiency of the economy are the main priorities during the Programme period.

42. Reducing political instability and the recovery in domestic demand ensured by incomes policy are expected to bolster growth rate in 2016. Growth will stem from the investments to sectors producing goods that are in the scope of foreign trade which will enhance our competitiveness. Consumption increase is expected to be lower than disposable income increase in order to decrease current account deficit and inflation.

43. Fiscal and monetary policies, macro prudential measures, structural reforms, exports, supporting

the activities that earn foreign exchange will be the main policy tools for fighting with inflation and current account deficit.

44. In this context, increasing high value-added goods and services exports, reducing dependence on imports of domestic production and exports, improving business and investment environment, increasing the depth of the financial market in product and service diversification, improving the quality public revenues and rationalization of public spending, increasing the workforce skills and productivity, making the labor market more flexible, increasing the predictability of legislation, improving the intellectual property rights, improving energy efficiency, fighting against informality, increasing the effectiveness of state aid, good governance, the completion of structural transformations and reforms initiated in the area of local government and regional development are 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 during this period uncertainties will diminish, global growth will increase gradually, our trading partners will grow moderately, the volatility in financial markets and geopolitical risks will decrease, the increases in interest rates will be made gradually by Fed and its effects on our economy will be limited, domestic savings and foreign capital inflows will provide adequate contribution to financing of the growth and terms of foreign trade will improve partially.

1. Growth

46. GDP growth is forecasted to be 4.5 percent in 2016. On the other hand, GDP growth rates in 2017 and 2018 are targeted as 5 percent along with the growth strategy which is supported by investments to productive areas, mainly financed by domestic savings and based on productivity increases. It is expected that productivity increase will arise from private investments and structural reforms. During this period, it is foreseen that along with the increased growth, current account deficit will decline gradually.

47. The contribution of total factor productivity to the growth will be increased by the policies for

enhancing productivity particularly in industrial sector and the growth structure relying on private investments and exports will be supported.

2. Public Finance

48. Public sector balance as a ratio to GDP is forecasted to run a deficit of 0.3 percent in 2016 and continue to be around that level during the programme period.

49. General government deficit is targeted to recede to 0.4 percent in 2018 which is forecasted to be 0.7 percent of GDP in 2016.

50. Program defined public sector surplus, which is estimated to be 0.6 percent of GDP in 2016, is programmed to increase to 1.3 percent at the end of this period.

51. General government total expenditures and revenues as a ratio to GDP, which are estimated to be 41.6 and 41 percent respectively in 2016, are projected to reduce to 39.9 and 39.5 percent levels gradually at the end of the Programme period.

52. Total tax burden, which is estimated to be 30.4 percent of GDP with a 0.8 points increase in 2016, due to the increase in social security premium proceeds after the wage arrangements, is projected to decrease gradually to 30 percent at the end of the Programme period.

53. EU-defined general government debt, which is estimated to be 31.7 percent of GDP in 2016, is projected to reduce to 29.5 percent at the end of the Programme period.

3. Balance of Payments

54. Real exports and real imports are estimated to increase 12.7 percent and 11.8 percent respectively on annual average in the Programme period.

55. Exports, which are expected to be 155.5 billion dollars in 2016, are estimated to reach 201.4 billion dollars, and imports, which are expected to be 210.7 billion dollars in 2016, are estimated to reach 273.2 billion dollars at the end of the Programme period.

56. The current account deficit to GDP ratio is expected to be 3.9 percent in 2016 with the contribution of policy priorities aimed to increase export of high-value added goods and services, reduce dependence on imports of exports and domestic production and especially increase services revenues during the Programme period. At the end of the period this ratio is expected to decline to 3.5 percent level, due to the formation of a structure with a more balanced foreign trade and observing the impact of compatible monetary, fiscal and income policies and structural reforms in the medium term.

57. It is assumed that decreasing trend in oil prices will also remain in 2016, then it will record a limited increase. Depending on this assumption and the developments in exchange rates, energy imports are estimated to be 33 billion dollars in 2016. At the end of the period, energy imports are expected to raise to 51.6 billion dollars with the impact of projected growth and oil prices.

58. Travel revenues, which are expected to be 27 billion dollars in 2016, are estimated to reach 32 billion dollars at the end of the Programme period with an annual average increase rate of 5.7 percent, assuming that negative political fluctuations will diminish at the countries in the neighboring region.

4. Inflation

59. 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 9 percent in 2016 and decline gradually in the following years. It is assumed that the average annual price of Brent crude oil will be around 39.7 dollars per barrel in 2016 and will increase gradually afterwards. Based on these assumptions and predictions, it is projected that the annual rate of CPI inflation will decline to 7.5 percent in 2016 and to 5 percent at the end of the period.

5. Employment

60. During the Programme period, as a result of policies aimed to increase the labour force participation and employment, an additional 2,365 thousand people are expected to be employed in the non-agricultural sector. During this period, the total employment is expected to increase by 1,949 thousand people.

61. The labour force participation rate, which is expected to be 51.3 percent at the end of 2015, is targeted to reach 52.4 percent at the end of the Programme period.

62. The employment rate, which is expected to be 46.1 percent in 2015, is expected to rise to 47.4

percent at the end of the Programme period. Thus, a total number of 28,604 thousand people will have been employed by the end of the period.

63. The share of agriculture in the employment, which is expected to be 20.6 percent in 2015, is estimated to decrease to 17.8 percent at the end of the Programme period.

64. The unemployment rate, which is estimated to be 10.2 percent at the end of 2015, is expected to fall to 9.6 percent in 2018.

B. MACROECONOMIC POLICIES

1. Growth

65. The main strategy for high and stable growth is to develop a private sector-led, open, competitive and innovative production structure within the perspective of industrial transformation.

66. Increasing domestic resources, 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.

67. During the Programme period private investment and exports have been aimed as the main sources of growth. A cautious increase in private consumption is aimed, compared to an increase in private disposable income.

68. Accountability and supremacy of law principles will continue to prevail within a rule-based perspective in order to minimize uncertainties and to reach high institutional quality in both public and private sector. The contribution of the firms to the growth will be increased by improving their institutional capacity and quality.

69. For sustainable economic development, necessary conditions for rapid and consistent operation of a fair judicial system based on the norms of advanced democratic standards and universal law will be created. In this context, property rights, freedom

of entrepreneur, vested rights will be protected and legislation will be predictable and clear.

70. High value added production and exports will be increased through extending the use of information and communication technologies, especially in services sector.

71. In order to reduce energy intensity of the economy, measures will be put into practice rapidly to improve energy efficiency.

72. R&D based, innovative and high value added production structure will be supported, products' commercializing and trademarking processes will become effective and micro reforms will be accelerated on these areas.

73. In order to increase competitiveness, sectoral and inter-sectoral integration will be strengthened. In this context, priority will be given to strengthening the integration of textiles, leather and furniture industry with agricultural sector; machinery, medical devices and electronics industry with services sector and machinery, medical devices and automotive industry with electronics sector.

74. In application of promoting private investment; principles of cost-effectiveness, accountability, transparency, predictability, flexibility, efficiency and avoiding idle capacity will be respected. Investment areas with high employment, high value-added and export growth will be prioritized.

75. The institutional and human resource capacity of Investment Support Offices will be strengthened.

76. In order to raise the ratio of the domestic industrial inputs, priority will be given to the production of intermediate goods and industrial raw materials that require high levels of investment.

77. Policies will be implemented to avoid waste of resources and to enhance saving behavior in both public and private sector.

78. While considering international liabilities, luxury and highly import intensive consumption goods will be determined and deterrent taxation will be imposed on them in order to rise domestic savings.

79. Special-purpose savings mechanisms will be developed to encourage long-term savings.

80. Various mechanisms, especially gold banking, will be developed for the integration of savings held in the form of gold into the system.

81. Deduction rates will be converged to international levels in the private pension system and “automatic contribution system” will be implemented. Life insurance and long-term (over one year) private health insurance will be developed.

82. Educational and promotional activities for various sectors will be held to increase financial awareness.

83. Bureaucratic and legal processes regarding investments and businesses will be improved and legislation will be updated in line with international standards and best practices. Pre-trial resolution of disputes in judicial and administrative procedures will be developed and enacted.

84. Land in available conditions will be assigned to investors by provision of land, inventory of suitable land for investments will be compiled especially for public land and more efficient allocation processes will be designed.

85. Large projects that launched with Public Private Partnership method will be completed; new highways, including high-speed train lines, new projects in many areas will be implemented with Public-Private Partnership model. The current legal regulations in the public and private sector cooperation will be gathered under one framework law.

86. The attraction of productive investments will be increased by differentiating tax and credit costs.

87. Privatization policy will be implemented in line with the policy of supporting new domestic investments in productive areas.

88. Agricultural incentives will be arranged on the basis of regional, product and basin level not only taking into account climate, soil and topography, but also considering existing water potential and water consumption of plants.

89. Special credit facilities and supports will be given to the farmers who want to combine and enlarge their lands.

90. Water will be used efficiently in agricultural activities by solving the problems which stem from climate conditions and wrong or over irrigation.

91. 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.

92. Detection, conservation and sustainable usage of biological diversity that are important for agriculture will be achieved.

93. Necessary policies will be adopted to transform natural resource abundance and agricultural product diversity into production and competitive advantage by the help of technology.

94. Natural resources will be used more effectively and wastes will be recycled.

95. Public procurements will be used as an effective tool for technological development and increasing domestic production.

96. Institutional capacities and cooperation capabilities of all agencies and institutes, which provide services and supports in entrepreneurial ecosystem, will be enhanced.

97. Organized industrial zone, technology development zone, small industrial site and industrial zone practices will be enhanced, quantity, quality and efficiency of incubator and business development centers will be increased and clustering will be supported.

98. To improve the ease of access of SMEs to international markets, support will be given to ensure international standards compliance and capacity building and technical assistance programs will be implemented. Thus R&D, innovation and export

capacity will be developed; moreover, their branding, institutionalization and development of innovative business models will be rendered.

99. Policies will be developed to make financial instruments usage more efficient in order to reduce credit risk of SME by making the data about SME credit reliability more accessible, transparent and easy.

100. Cash benefits and tax incentives will be provided to SMEs, young entrepreneurs and farmers.

101. Access of SMEs to the digital economy and innovation ecosystem will be facilitated.

102. Policies for improving income distribution within humanitarian development perspective will be continued.

103. The transformation in the education system - which develops personalities and skills of individuals, enhances its harmonization with labor markets in the framework of lifelong learning, is based on equal opportunities and is quality oriented - will be continued.

104. Improving the governance of companies, extending their lives and solving the problems on productivity and scale will be focused on.

105. Intellectual property and patent rights will be protected and patent law will be enacted.

106. Service capacity of technology transfer and innovation centers will be improved in order to enable companies to benefit more effectively from intellectual property rights system and supports.

107. Technology product investments, prototype development and clustering activities will be supported in prioritized sectors such as energy, healthcare,

aviation, aerospace, automotive, rail systems, information and defense industry.

108. Regional development disparities will be lessened, the competitiveness power of all regions will be increased and their contribution to growth will be maximized by utilizing their capacities.

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. In urbanization and urban renewal, value added sectors, creative industries, hi-tech, environment friendly and innovative production and energy efficiency will be supported.

111. Combined and intermodal transport will be developed, Logistics Master Plan, which will optimize value chain management and make Turkey be an attractive regional and logistics center, will be prepared and a strategy and institutional establishment will be made.

2. Fiscal Policy

112. Fiscal policy will be implemented in line with the goals of supporting economic stability, boosting growth potential, curbing current account deficit via increasing domestic savings and supporting price stability.

113. Sustainability of the fiscal policy will be pursued through curbing public sector borrowing

requirement, and public sector saving-investment deficit will gradually be decreased through spending reviews.

114. Prospective fiscal burden of the new spending programs with a permanent impact will be taken into consideration in the budgetary process and spending increases will be kept under control.

115. Growth-friendly public infrastructure investments, regional development, education, R&D, and incentives will be prioritized in spending.

116. Quality of public revenues will be increased for a stronger public finance considering highly sensitive structure of the public finances to cyclical effects. One-off revenues will not be used in funding policies which would lead to permanent increases at the level of expenditures in the medium and long term.

117. General government financial statistics will continue to be published on quarterly basis in line with the international standards.

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

a. Public Expenditure Policy

119. It is essential that government expenditure policy will be applied within pre-defined policy goals and multi-year budgeting approach. Staying within the limits of institutional budget appropriations will be given importance in the decision making process for public service expansions.

120. Program-based budgetary approach for public services will be adopted in order to increase efficiency and strengthen accountability in resource utilization.

121. In the budget preparation phase, zero-based budgeting approach will be applied in determining the appropriations for purchase of goods and services.

122. In order to increase the efficiency of public expenditures, IT infrastructures which are used in the public financial management and control systems will continue to be integrated.

123. Compliance of institutional strategic plans with Development Plan objectives will be pursued, and priorities and programs which are set in the strategic plans and performance programs will be reflected to the budget preparation and implementation process more efficiently.

124. Investments to be made within the scope of PPP schemes will be planned by taking the impact of contractual liabilities on public finances into account.

125. Cost and benefit analysis will be utilized in the decision making process of public expenditures, particularly purchases related to the services, and joint provision method will be extended for common needs.

126. Relevance to the necessities and cost-efficiency will be taken into consideration in the provision and utilization process of public buildings and vehicles.

127. Reduction in cost of services and improvement in quality of services will be improved by acceleration of e-transformation activities in public sector.

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

129. Agricultural subsidies will be reviewed with the objectives of increasing effectiveness, efficiency, and value-added, and hence, necessary regulations will be made.

130. Efficiency of social programs will be assessed, coordination among public, private sector and NGOs will be developed and multiple utilizations will be prevented.

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

132. Auditing models, based on previous behaviors of health service providers, will be developed; software, hardware and education infrastructure will be strengthened in the fields of risk analysis and data mining.

133. Measures will be taken to overcome the structural problems of university hospitals.

134. Measures will be taken to partially reduce additional cost of minimum wage increase on the employers.

135. Public provisions will be used to support R&D and innovation, and to encourage nationalization of innovation, technology transfer and innovative entrepreneurship. In this regard, the share of national firms will be increased in upper-medium and high technology sectors in public provisions.

136. Product-based national provision models will be developed to enable production relying on public provision guarantees for high-technology products.

b. Public Investment Policy

137. Public investment appropriations will be directed towards economic and social infrastructure investments and will support productivity, competitiveness and employment, thereby they will contribute to growth.

138. In public investments, including PPP projects; education, health, drinking water and wastewater, irrigation, science-technology, information technologies and transportation sectors, particularly railway, harbor and logistic centers, will be given priority.

139. Public investment projects will be prioritized by concentrating on projects that will be completed in short term and maintenance-replacement, maintenance-repair and rehabilitation expenditures will be emphasized in order to ensure maximum benefit from the existing capital stock.

140. Economic and social infrastructure projects that support private sector investments and human resource development projects and other projects within the action plans of the South Eastern Anatolian Project, Eastern Anatolian Project, Konya Plain Project and Eastern Black Sea Project plans will be carried on.

141. The process of planning, implementation, monitoring and evaluation of the public investment projects and coordination for PPP policies and implementations will be enhanced; in this context, the capacity of public institutions will be improved.

c. Public Revenue Policy

142. Supporting the targets in social and economic areas such as improving income distribution, contributing to development and raising domestic savings will be important considerations together with collecting the public revenues from buoyant and permanent sources for funding government services in determining and implementing revenue policies.

143. Implementation of the tax policies will be based on stability and predictability.

144. Tax policy will continue to be used as an effective instrument in creating sustainable development environment, curbing current account deficit, attracting foreign direct investments, increasing production and employment and supporting R&D, innovation and design.

145. Efforts will be continued on increasing the service quality of taxation and thereby raising tax compliance via improving human, technical and physical infrastructure of the tax administration.

146. Efforts will be continued on making tax legislation simpler and easily applicable.

147. Transaction taxes, imposing burden on economic activities, will be reviewed as public financial balance enables.

148. Priorities concerning efficiency in energy consumption will be taken into account in determining and implementing the tax policies, and tax regulations encouraging energy efficiency will be put into practice.

149. Measures will be taken to evaluate, report and publish results of the tax policy implementations to public elaborately.

150. Efforts will be completed in reviewing of tax exceptions and exemptions.

151. Policy, strategy and actions to combat informal economy will continue to be implemented decisively in coordination with related parties.

152. Measures will be taken to reduce losses in intensive tax-loss areas and tax base will be broadened by considering fair taxation principles.

153. All options including sales will be considered in the utilization of public immovable, and principles on effectiveness and efficiency will be taken into account in the possession.

154. Efforts on implementing policies aiming at raising own-revenues of local governments will continue. In this regard, government will be enabled to get a share from the increases in the value of real estate which stem from modifying the zoning plan.

155. Preparations will be made on documenting a full inventory of the social facilities of government institutions to make them beneficial for the economy.

d. Public Borrowing Policy

156. It is essential that borrowing policy will be implemented in harmony with the monetary and fiscal policies and in line with the principles of predictability, sustainability, transparency and accountability by considering macroeconomic balances, market conditions, cost and risk factors. In this regard,

borrowing policies prepared on medium-term strategic benchmarks target reducing debt stock risks and costs to a reasonable level.

157. Debt management policies based on strategic benchmarks will be continued. As long as market conditions enable, exchange rate and interest risks will be decreased via borrowing mainly on TL denominated and fixed interest rate instruments and liquidity risk will be reduced via extending the average maturity and holding strong Treasury reserves.

158. Efforts for monitoring and managing the risks of debt sustainability of contingent liabilities arising from public investment guarantees and commitments including those carried out by PPP schemes will be continued.

159. Switching and the buy-back auctions may be used to ensure a balanced debt redemption profile and to increase the price efficiency of secondary market.

160. 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.

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

162. Efforts to improve bond 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.

163. Primary dealer system will be continued.

164. Information on borrowing such as Treasury Financing Program, internal borrowing strategy and announcement of borrowing auctions will continue to be published regularly.

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

e. Public Financial Management and Audit

166. Within the multi-year budgeting approach, compliance of institutional budgets of public administrations with strategic plans and performance programs will be strengthened.

167. The compliance level of the public administrations' operations with the standards of internal control and internal audit will be continued to improve.

168. 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.

169. Quality and quantity of human resources for public financial management will be strengthened.

170. 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.

171. Effective and coordinated operation of internal and external audit in the public sector will be ensured.

f. State Economic Enterprises and Privatization

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

173. 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 implemented efficiently. SEEs' activities will be carried out without causing any negative effects on market mechanism.

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

175. An institutional governance law in accordance with international practices will be enacted for public enterprises.

176. Independent external audit will be implemented efficiently in the SEEs.

177. SEEs will prepare their financial statements in accordance with Turkey Accounting Standards.

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

179. The process of establishing internal audit and internal control system will be completed in all SEEs and internal audit units will be activated.

180. SEEs will not be employed in activities that aim societal 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. The social

assistance activities, currently implemented by SEEs, will be assigned to Family and Social Policies Ministry.

181. SEEs will focus on high value-added products via developing technological infrastructure and R&D activities. They will also benefit from domestic energy resources and will take advantage of new opportunities for exports.

182. Implementation of an efficient employment policy in SEEs will be continued.

183. 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.

184. The restructuring of Turkish State Railways will be completed, and private sector will be allowed to enter freight and passenger transportation by railways. The fiscal burden of Turkish State Railways on the treasury will be reduced to a sustainable level.

185. TÜDEMSAŞ, TÜLOMSAŞ, and TÜVASAŞ will be restructured in a way that will meet the market expectations, which occurred after new legislative arrangements in the railway sector.

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

3. Balance of Payments

187. It is essential that financing of the current account deficit to be met through direct investment which create employment and added value and long-term sources as well as to reduce dependence on imports of production and ensuring high value added products in export diversification as with integrated implementation of structural reforms. Accordingly, in the Programme period, necessary instruments will be used in order for the choice of monetary policies in the global economy, particularly of the Fed and ECB, not to adversely affect the financing of the current account deficit and the real economy.

188. Despite the economic and political problems experienced in our trade partners, implementations for increasing exports to these countries and for avoiding damage to exporters will be continued. In addition, policies that facilitate access to new markets will be continued. In line with the purpose mentioned, measures intended to increase trade will be implemented in the scope of export-led growth.

189. Inward Processing Regime will be reconsidered depending on the basic purpose of not harming domestic production and will be revised as sectoral-based in accordance with the options of all actors.

190. R&D and entrepreneurship activities will be encouraged with the new law to carry out the transformation of the production especially at sectors with intense rate of imported inputs.

191. Technology-intensive products with high dependence on imported products will be prioritized in investment supports. In this context, in order to export high value added products suitable to quality and quantity of external demand, support programs, which take into consideration the stage of development and production and efficiency, will be implemented.

192. Mechanisms to improve financial environment will be constituted in order to increase the domestic competitiveness of local machinery manufacturers.

193. In order to reduce external dependence of energy, the resources allocated to mining, energy raw materials, domestic energy production equipment, renewable energy and nuclear energy investments will be increased significantly.

194. Free zones will be made more attractive for investments which will enable high-tech and international direct capital transfers, for the purpose of supplying products with high added value and high content of technology at continuous and competitive prices and for which domestic production is insufficient to meet the needs of our industry.

195. For export subsidies, effectiveness will be considered and sectors with a potential for development will be prioritized.

196. Patent registration and creation of international trademark will be supported, supports related to marketing and promotion will be enhanced according to the needs of exporters.

197. The awareness and knowledge of consumers will be increased to make domestic goods and brands more preferable.

198. e-Export strategy will be prepared. In line with the policies in this context, e-commerce will be enabled to make a positive contribution to our export structure, compatible with global trade.

199. By encouraging new foreign direct investment inflows especially into productive areas, results that increase productivity through technology transfer and create employment directly will be obtained.

200. To increase international direct investment and to ensure competitiveness, protection of intellectual property rights, proper functioning of the market and competitive environment, an attractive and predictable business and investment environment will be enabled.

201. Within the framework of Input Supply Strategy, actions intended to ensure procurement of more efficient and low cost inputs in export oriented production, decrease dependence of production and exports on intermediate goods imports and contribute to the sustainable competitiveness in exports, will be put into practice.

202. Input Supply Strategy will be updated by taking inventory of Turkey's input supply needs into consideration.

203. Foreign investments of domestic industrialists will be supported for ensuring the supply of strategic raw materials and inputs which are unable to be produced domestically and natural resources with limited reserves at reasonable costs.

204. Medium and long-term investment and business capital needs of firms which make export-

oriented production will be financed to increase their production capacity.

205. Original design activities in exporting products for consumption will be encouraged, qualified designers will be trained, patent registration and creation of international trademark will be supported and supports related to marketing and promotion will be enhanced according to the needs of exporters.

206. Notably machinery and automotive industries, iron and steel, textiles, garments and apparel, electrical and electronics and chemicals will continue to be the leading sectors of our export strategy. In addition to this, domestic production capacity in the fields of the new refinery construction, electrical car manufacturing, high-tech aircraft engines including their parts, pharmaceutical and medical device manufacturing will be increased by strengthening R&D and investment incentives system.

207. Efforts for expanding the scope of Customs Union will be carried on and negotiations with EU concerning the solution of asymmetric issues will be continued.

208. Efforts to make free trade agreements; which directly influence our country, notably the Transatlantic Trade and Investment Partnership Agreement whose negotiations between the European Union and the United States are ongoing; affect our foreign trade positively will be accelerated.

209. Free trade agreements including services and investments will be emphasized.

210. Free zone activities will be directed in order to

facilitate foreign direct investments and the imports of high technology and to encourage exports.

211. Measures will be continued to take to reduce the cost of exports in customs operations.

212. In order to ensure the achievement of export goals, large-scale port capacity will be created and railway and highway connections of ports will be constructed.

213. In important areas of production and consumption, logistic centers will be established to meet regional and global necessities and to support the competitiveness of main exporting sectors.

214. Imported products will be safe and favorable for technical regulations by increasing the efficiency of market monitoring and supervision system in imports.

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

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

217. Infrastructure will be constituted for the authorization and accreditation of institutions in the health tourism.

218. Service quality and competitiveness will be enhanced by improving the health tourism infrastructure

of which Turkey is one of emerging markets in the world.

219. Effective promotional and marketing strategy will be implemented in target markets to support activities of trade in services and foreign exchange earnings.

220. The activities which enhance the export potential of constructing material and increase the quality of overseas contracting services will be supported, to increase overseas contracting services revenues, highly qualified and knowledge-intensive projects in abroad are preferred.

221. Technical consultancy and technical services in abroad intended for export will be supported.

222. Measures will be taken for guaranteeing and protecting the rights of domestic investors abroad.

223. Opening big stores in foreign countries and selling of high value-added and high quality products in these stores will be supported.

224. Domestically produced goods and products containing domestic inputs will be preferred in public procurements.

225. Policies will be implemented for re-utilization of wastes in the scope of recycling/reuse and collection-separation from the health, environment, energy perspectives and thus towards contributing to reduce the foreign trade deficit.

4. Monetary Policy

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

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

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

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

230. Besides the usage of short term interest rates as the main monetary policy tool, the complementary instruments such as reserve requirements and Turkish Lira and foreign exchange liquidity applications will continue to be practiced. Interest rate corridor framework, which enables the flexible and efficient liquidity management, will be preserved in the coming period. However, there will be steps towards simplification in the context of monetary policy as a result of normalization in global monetary policies.

231. 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.

232. The floating exchange rate policy will continue to be pursued.

233. Foreign exchange selling auctions may take place if unhealthy 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.

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

235. Using reserve option mechanism as an automatic stabilizer against fluctuations in capital flows will be continued.

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

237. Food Committee will work effectively in the context of analyzing the structural causes that draw up food prices which have significant impact on consumer prices and developing tools for institutional, legal and market mechanisms of the efforts in this area.

5. Financial Markets

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

239. The principles and procedures concerning the organization and operations of the administrative structure which will be established for coordinating and carrying out the Istanbul International Financial Center (IFC-Istanbul) Project will be determined.

240. Macro prudential policy framework which is implemented for maintaining the financial stability

and supporting the price stability will be sustained and additional regulations will be made if necessary.

241. Essential regulations will be enacted in order to canalize savings into long-term financial instruments.

242. Development banking will be restructured, enabling it to provide long-term funding for investments on technology.

243. The regulation and supervision of banking sector will be improved considering international standards.

244. The institutional and legal structure of the interest-free finance sector will be strengthened. Studies for diversification and dissemination of interest-free financial products and services will be carried on.

245. Tax practices that lead to unfair competition among different financial institutions will be detected and eliminated.

246. Financial education will be generalized in order that financial markets function effectively, individuals take conscious decisions in the face of diversity in financial products, domestic savings are increased and investor base is broadened.

247. Efforts aiming consumers' access to financial products and services and their protection against unfair practices in financial markets will be pursued.

248. Implementations will be developed to improve the investors' rights in the capital markets.

249. Studies will be accelerated regarding the resolution of disputes in financial markets quickly and effectively and the implementation will be strengthened.

250. Alternative financing methods that facilitate SMEs' and entrepreneurs' access to finance will be developed.

251. Institutional investors will be promoted in capital markets.

252. Based on generally accepted practices in the world, asset-backed financial instruments and institutions will be developed and it will be ensured that Istanbul will also be a global center in this field within the scope of Istanbul International Financial Center Project.

6. Employment Policies

253. The main objective is to create a more competitive labour market where the employment opportunities are improved with a sustainable and inclusive growth approach, the labour market is enhanced and the labour force is better qualified.

254. Individuals will be equipped with the fundamental and vocational skills compatible with the demands of the labour market, the implementation of the policies reducing youth unemployment, facilitating the integration of young people into the labor market and harmonizing work and family life will be continued, active labour market policies will be implemented on the basis of impact assessments.

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

256. Within the policy framework increasing youths' skills and accelerating their participation in the workforce, youth employment and entrepreneurship will be supported. Supports such as credit aid, unconditional cash support and income tax exemption to first-time young workers, young entrepreneurs, young people who want to start their own business and young farmers will be implemented as soon as possible.

257. Existing employment incentive system will be reviewed to make simplified and straightforward; the monitoring system will be established to increase the effectiveness of incentives.

258. Considering the EU Acquis and applications, working styles providing flexibility to the labor market will be added to the labor and social security legislation.

259. The activity fields of private employment agencies will be widespread and they will be extended to include temporary employment relationship.

260. Issues involved in subcontracting practices will be identified and arrangements to solve these issues in a way that protects workers' rights and the competitiveness of the economy will be made.

261. Audits in the field of health and safety of workers will be conducted more effectively and the increasingly continuation of the activities that extend safety awareness in working life, particularly in high-risk sectors will be provided.

262. Active labor market policies will be implemented in order to increase the employability of the social benefit users in working population and to

facilitate their transition to productive position with a sustainable income.

263. In dialogue with the social partners, a severance payment system will be advanced.

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

265. Turkey's attractiveness for skilled labor from abroad, especially in the research field, will be increased in order to improve the quality of the labor market and to provide technological transformation and progression in the industry.

Annex Table 1: Main Economic Indicators

	2014	2015 ⁽¹⁾	2016 ⁽²⁾	2017 ⁽²⁾	2018 ⁽²⁾
GROWTH					
GDP (Billion TL, Current Prices)	1,747	1,963	2,207	2,489	2,770
GDP (Billion Dollars, Current Prices)	799	722	736	796	854
GDP Per Capita (Dollars)	10,390	9,286	9,364	10,030	10,659
GDP (PPP, Billion Dollars) ⁽³⁾	1,503	1,578	1,669	1,783	1,910
GDP Per Capita (PPP GDP, Dollar) ⁽³⁾	19,610	20,298	21,240	22,460	23,829
GDP Growth ⁽⁴⁾	2.9	4.0	4.5	5.0	5.0
Total Consumption ⁽⁴⁾	1.9	5.0	4.0	3.6	3.5
Public	3.8	4.7	4.7	4.0	4.0
Private	1.7	5.1	3.9	3.6	3.4
Total Fixed Capital Investment ⁽⁴⁾	-1.3	5.4	6.4	8.4	7.3
Public	-6.5	9.3	0.4	9.2	5.7
Private	0.1	4.4	8.0	8.2	7.8
Total Domestic Savings / GDP	15.0	15.6	16.5	17.2	17.8
Public	3.1	4.4	3.4	3.8	4.0
Private	11.9	11.2	13.1	13.4	13.8
Total Saving -Investment Difference / GDP ⁽⁵⁾	-5.5	-4.3	-3.8	-3.6	-3.4
Public	-1.3	-0.5	-1.1	-0.9	-0.8
Private	-4.2	-3.8	-2.7	-2.7	-2.6
Total Final Domestic Demand ⁽⁴⁾	1.1	5.1	4.5	4.8	4.5
Total Domestic Demand ⁽⁴⁾	1.1	4.6	4.2	4.5	4.1
Contribution of Net Exports to Growth	1.8	-0.7	0.2	0.5	0.8
EMPLOYMENT					
Population (Midyear, Thousands)	76,903	77,738	78,559	79,366	80,159
Labor Force Participation Rate (%)	50.5	51.3	51.7	52.1	52.4
Employment (Thousands)	25,933	26,655	27,292	27,960	28,604
Employment Rate (%)	45.5	46.1	46.5	46.9	47.4
Unemployment Rate (%)	9.9	10.2	10.2	9.9	9.6
FOREIGN TRADE					
Exports (fob) (Billion Dollars)	157.6	143.9	155.5	175.8	201.4
Imports (cif) (Billion Dollars)	242.2	207.1	210.7	243.1	273.2
Crude Oil Price-Brent (Dollars / Barrel)	97.5	52.5	39.7	46.8	51.4
Energy Imports (Billion Dollars)	54.9	37.8	33.0	43.7	51.6
Foreign Trade Balance (Billion Dollars)	-84.6	-63.1	-55.2	-67.2	-71.8
Exports / Imports (%)	65.1	69.5	73.8	72.3	73.7
Foreign Trade Volume / GDP (%)	50.0	48.6	49.8	52.6	55.5
Travel Revenues (Billion Dollars)	29.6	27.0	27.0	29.4	31.8
Current Account Balance (Billion Dollars)	-46.5	-31.7	-28.6	-29.3	-29.9
Current Account Balance / GDP (%) ⁽⁶⁾	-5.8	-4.4	-3.9	-3.7	-3.5
Current Account Balance Excl. Gold / GDP (%)	-5.3	-5.0	-3.8	-3.6	-3.4
INFLATION					
GDP Deflator	8.3	8.0	7.6	7.4	6.0
Consumer Prices Index (End of Year, % Change) ⁽⁶⁾	8.2	8.8	7.5	6.0	5.0

Note: (1) Estimation, (2) Programme, (3) OECD defined, (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) 2016-2018 data are the estimations of Ministry of Development.

Annex Table 2: Public Sector General Balance (1)

	2014	2015 (RE)	2016 (P)	2017 (P)	2018 (P)
	(In Billions of TL)				
Public Sector General Balance (PSGB)	-10.8	0.8	-7.1	-7.7	-7.0
General Government	-10.6	0.2	-14.9	-16.3	-11.6
Central Government Budget	-23.4	-22.6	-29.7	-25.0	-23.1
Local Governments	1.2	0.7	1.3	-0.5	-4.0
Extra Budgetary Funds	-1.5	10.5	0.9	-3.3	1.8
Unemployment Insurance Fund	11.0	11.7	12.2	11.9	12.9
Social Security Institutions	-6.3	-11.0	-23.8	-30.3	-35.7
General Health Insurance	7.5	10.3	23.8	30.3	35.7
Revolving Funds	0.8	0.5	0.4	0.5	0.7
SEE's	-0.2	0.7	7.8	8.7	4.6
Public Sector Primary Balance	41.2	56.3	52.0	54.8	59.7
PSGB Exc. Interest Exp. and Priv. Rev.	29.1	44.6	37.4	47.8	53.7
	(As of GDP, %)				
Public Sector General Balance (PSGB)	-0.6	0.0	-0.3	-0.3	-0.3
General Government	-0.6	0.0	-0.7	-0.7	-0.4
Central Government Budget	-1.3	-1.2	-1.3	-1.0	-0.8
Local Governments	0.1	0.0	0.1	0.0	-0.1
Extra Budgetary Funds	-0.1	0.5	0.0	-0.1	0.1
Unemployment Insurance Fund	0.6	0.6	0.6	0.5	0.5
Social Security Institutions	-0.4	-0.6	-1.1	-1.2	-1.3
General Health Insurance	0.4	0.5	1.1	1.2	1.3
Revolving Funds	0.0	0.0	0.0	0.0	0.0
SEE's	0.0	0.0	0.4	0.3	0.2
Public Sector Primary Balance	2.4	2.9	2.4	2.2	2.2
PSGB Exc. Interest Exp. and Priv. Rev.	1.7	2.3	1.7	1.9	1.9

(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)

	2014	2015 (RE)	2016 (P)	2017 (P)	2018 (P)
(In Billions of TL)					
Public Sector	10.3	16.0	13.0	28.5	35.0
General Government	10.9	15.7	5.2	19.8	30.3
Central Government Budget	8.1	8.4	1.3	13.5	27.1
Local Governments	1.8	1.8	-2.0	1.0	-2.5
Extra Budgetary Funds	-5.6	1.2	1.7	1.8	1.9
Unemployment Insurance Fund	4.9	4.8	4.1	3.4	3.4
Social Security Institutions	-6.3	-11.0	-23.8	-30.3	-35.7
General Health Insurance	7.5	10.3	23.8	30.3	35.7
Revolving Funds	0.5	0.2	0.0	0.2	0.3
SEE's	-0.6	0.3	7.9	8.8	4.7
(As of GDP, %)					
Public Sector	0.6	0.8	0.6	1.1	1.3
General Government	0.6	0.8	0.2	0.8	1.1
Central Government Budget	0.5	0.4	0.1	0.5	1.0
Local Governments	0.1	0.1	-0.1	0.0	-0.1
Extra Budgetary Funds	-0.3	0.1	0.1	0.1	0.1
Unemployment Insurance Fund	0.3	0.2	0.2	0.1	0.1
Social Security Institutions	-0.4	-0.6	-1.1	-1.2	-1.3
General Health Insurance	0.4	0.5	1.1	1.2	1.3
Revolving Funds	0.0	0.0	0.0	0.0	0.0
SEE's	0.0	0.0	0.4	0.4	0.2

(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

	2014	2015 (RE)	2016 (P)	2017 (P)	2018 (P)
(As of GDP, %)					
Public Disposable Income	15.1	16.4	15.7	15.9	15.9
Public Consumption	-12.0	-12.0	-12.3	-12.1	-11.9
Public Saving	3.1	4.4	3.4	3.8	4.0
Public Investment	-4.4	-4.9	-4.5	-4.7	-4.8
Public Saving-Investment Gap	-1.3	-0.5	-1.1	-0.9	-0.8
Public Sector Privatization Revenues	0.7	0.6	0.7	0.3	0.2
Tax Burden (Including Social Security Premiums) (1)	28.6	29.6	30.4	30.1	30.0
Tax Burden (Excluding Social Security Premiums) (1)	20.8	21.4	21.4	21.2	21.1
EU Defined General Government Debt Stock	33.5	32.6	31.7	30.5	29.5

(1) Excluding rebates

RE: Realization estimate

P: Program

Annex Table 5: General Government Balance (1)

	2014	2015 (RE)	2016 (P)	2017(P)	2018 (P)
(In Billions of TL)					
Revenues	691.2	798.6	903.8	995.4	1,093.2
Taxes	361.9	419.1	471.7	528.1	585.3
Non-Tax revenues	38.9	43.7	38.6	48.1	52.1
Factor Income	99.4	112.8	121.2	124.7	133.0
Social Funds	178.9	211.4	257.8	287.5	316.8
Privatization Revenues	12.1	11.7	14.6	7.0	6.0
Expenditures	701.9	798.5	918.7	1,011.7	1,104.8
Primary Expenditures	650.2	743.4	860.3	950.1	1,039.0
Current Expenditures	314.6	355.9	407.1	446.8	488.1
Capital Expenditures	66.9	78.9	83.0	99.6	111.8
Transfer Expenditures	320.4	363.7	428.6	465.3	504.9
Stock Revaluation Fund	0.0	0.0	0.0	0.0	0.0
Interest Expenditures	51.7	55.1	58.4	61.6	65.9
General Government Balance	-10.6	0.2	-14.9	-16.3	-11.6
Primary Balance	41.1	55.2	43.5	45.3	54.2
Balance Excluding Privatization Revenues	-22.7	-11.5	-29.5	-23.3	-17.6
Balance Excluding Pri. Rev. and Int. Exp.	29.0	43.5	28.9	38.3	48.2
(As of GDP, %)					
Revenues	39.6	40.7	41.0	40.0	39.5
Taxes	20.7	21.4	21.4	21.2	21.1
Non-Tax revenues	2.2	2.2	1.7	1.9	1.9
Factor Income	5.7	5.7	5.5	5.0	4.8
Social Funds	10.2	10.8	11.7	11.6	11.4
Privatization Revenues	0.7	0.6	0.7	0.3	0.2
Expenditures	40.2	40.7	41.6	40.7	39.9
Primary Expenditures	37.2	37.9	39.0	38.2	37.5
Current Expenditures	18.0	18.1	18.4	18.0	17.6
Capital Expenditures	3.8	4.0	3.8	4.0	4.0
Transfer Expenditures	18.3	18.5	19.4	18.7	18.2
Stock Revaluation Fund	0.0	0.0	0.0	0.0	0.0
Interest Expenditures	3.0	2.8	2.6	2.5	2.4
General Government Balance	-0.6	0.0	-0.7	-0.7	-0.4
Primary Balance	2.3	2.8	2.0	1.8	2.0
Balance Excluding Privatization Revenues	-1.3	-0.6	-1.3	-0.9	-0.6
Balance Excluding Pri. Rev. and Int. Exp.	1.7	2.2	1.3	1.5	1.7

(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

	2014	2015 (RE)	2016 (P)	2017 (P)	2018 (P)
(In Billions of TL)					
Expenditures	448.8	506.0	570.5	618.6	669.3
Primary Expenditures	398.8	453.0	514.5	559.6	606.3
Interest Expenditures	49.9	53.0	56.0	59.0	63.0
Revenues	425.4	483.4	540.8	593.6	646.2
General Budget Tax Revenues	352.5	407.5	459.2	511.0	566.5
Other Revenues	72.9	75.9	81.7	82.6	79.7
Budget Balance	-23.4	-22.6	-29.7	-25.0	-23.1
Primary Balance	26.5	30.4	26.3	34.0	39.9
Program Defined Expenditures	398.8	453.0	514.5	559.5	606.2
Program Defined Revenues	406.9	461.4	515.8	573.1	633.4
Program Defined Balance	8.1	8.4	1.3	13.5	27.1
(As of GDP, %)					
Expenditures	25.7	25.8	25.9	24.9	24.2
Primary Expenditures	22.8	23.1	23.3	22.5	21.9
Interest Expenditures	2.9	2.7	2.5	2.4	2.3
Revenues	24.3	24.6	24.5	23.9	23.3
General Budget Tax Revenues	20.2	20.8	20.8	20.5	20.5
Other Revenues	4.2	3.9	3.7	3.3	2.9
Budget Balance	-1.3	-1.2	-1.3	-1.0	-0.8
Primary Balance	1.5	1.5	1.2	1.4	1.4
Program Defined Expenditures	22.8	23.1	23.3	22.5	21.9
Program Defined Revenues	23.3	23.5	23.4	23.0	22.9
Program Defined Balance	0.5	0.4	0.1	0.5	1.0

RE: Realization estimate

P: Program