



**MEDIUM-TERM
PROGRAMME
2007 - 2009**

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Medium Term Programme (2007-2009), prepared by Undersecretariat of State Planning Organization, was decided by issuing Cabinet Decree No. 2006/10508, 30.05.2006 and published in Official Gazette No.26197, 13.062006.

INTRODUCTION

The first Medium-Term Programme has come into force in conformity with the Public Financial Management and Financial Control Law No.5018, published in the second reissued Official Gazette dated 31 May 2005. According to said law, second Medium-Term Program has been prepared to cover the period 2007-2009.

On the basis of strategic objectives by initiating 2007 budget process, Medium-Term Program will shape public policy and implementations, and in this framework direct resource allocation. This Programme, designed as a road map to enhance predictability both for the public and the private sector, shall contribute further to the confidence and stability by strengthening the positive economic and social developments achieved in recent years on a more solid basis.

The Medium-Term Programme, which presents a coherent and consistent set of objectives, policies and priorities on various topics, covers the basic development axes and main sectors, in addition to macro policies.

In the programme, priorities to be focused on within a three-year period have been determined to facilitate the realization of long-term objectives. The objectives and priorities of the programme will be taken into account in the preparation of the budgets of ministries and government agencies, in the realization of administrative and legal arrangements and in the decision-making and implementation processes of the agencies.

The programme, with its dynamic content extending over a three-year period, will be updated on an annual basis considering the implementation results and changes in overall circumstances. In this context, programme implementation and external developments, which might have an impact on the programme, will be carefully monitored and taken into consideration. The Undersecretariat of State Planning Organization is responsible for the monitoring and evaluation of the compliance of implementation with the objectives and priorities of the Programme and informing the Council of Ministers regarding the implementation.

During the next period,

in accordance with Article 18 of Law No. 5018, the Medium-Term Financial Plan, which is to be consistent with the basic objectives, priorities and macro targets of the Medium-Term Programme will be prepared and put into effect by a decision of the High Planning Council.

The agencies will prepare their proposals for the measures and the budgets in accordance with Article 18 of Law No. 5018, on the basis of the objectives and priorities mentioned in the Medium-Term Programme and within the appropriation proposal ceilings given in the Medium-Term Fiscal Plan. The budget negotiations with the agencies will be conducted in this context.

I. BASIC OBJECTIVE

The primary objective of the Medium-Term Programme is to improve the life quality of the Turkish people, caring for all segments of the society in an environment where Turkey's socio-economic development is accelerated on the road to the EU membership.

The current political stability, reforms so far realized, the young, educated and entrepreneur human capital, internationally competitive industry, a functioning market economy, and natural resources as well as the cultural values all will commonly contribute to the increase in social welfare.

In order to contribute to the primary objective of the Programme, achieving progress on,

- ensuring sustainable growth,
- enhancing the competitiveness,
- improving human resources,
- strengthening social inclusion,
- reducing regional development disparities,
- wide-spread adoption of good governance in the public sector,
- improving the physical infrastructure

and the completion of the continuing structural reforms by virtue of the effective use of Turkey's social and economic resources are the priority areas.

II. MACROECONOMIC POLICIES AND OBJECTIVES

The macroeconomic priorities of Medium-Term Programme include securing confidence and stability in the economy, ensuring high and sustainable growth, increasing employment, ensuring price stability, eliminating the public sector borrowing requirement, and maintaining the decreasing trend in the public debt-to-GNP ratio.

A. MACROECONOMIC POLICIES

a. Growth and Employment

1. An export oriented growth is targeted in the Medium Term Programme Period. Public sector will play an accelerating role in the growth of private sector by means of regulations and infrastructure investments, and promote private sector to intensify more on sectors that produce high value added.
2. For attaining a stable structure in economic growth not only increasing labor productivity but also increasing total factor productivity demonstrates a great importance. For this reason, primarily, progress in macroeconomic stability, improvement of institutional infrastructure and improvement of investment environment will be achieved.
3. Providing new employment opportunities, developing a labor market where a balance between flexibility and job security is attained and reducing of burdens on employment will be treated priorly.

4. The ambiguities originating from public policies will be reduced and, in this way, a convenient environment for private sector to make long term plans related to future activities will be established.

b. Fiscal Policy

In order to maintain macroeconomic stability, fiscal policy, monetary policy and revenue policy will be kept in harmony. During the programme period, policy on having a primary surplus will continue by pursuing the fiscal discipline precisely to ensure a reduction in the public debt stock to GNP ratio as well as controlling the increase in current account deficit.

Public Expenditure Policy

The measures related to public expenditure reform, which will significantly contribute to sustain the fiscal discipline, will be pursued. The measures, which have been initiated to ensure the effectiveness, transparency and accountability in public expenditures and aiming at fiscal discipline, efficiency in resource allocation and good management of allocated resources, will continue to be implemented with particular concern.

During the programme period, the following policies will be implemented regarding expenditures:

1. The secondary regulations, which are necessary according to Public Financial Management and Control Law, will be completed and the necessary measures will be taken in order to implement an efficient financial management, internal control and internal audit activities in public administrations.

2. By taking budget constraints into account, the institutions will reconsider their resource allocations in accordance with the predetermined priorities. Within this scope, the activities and projects, which have lost their priority, will be eliminated.
3. Economic conjuncture and price stability will be taken into account during the determination of the wages and salaries in public sector.
4. A comprehensive personnel reform, which will be based on simplifying the wage system, removing imbalances and inequalities regarding financial and personal rights of the public employee, moving to performance based wage system and decreasing the existing number of status, is planned to come into effect from the beginning of the year 2009.
5. To keep the financial burden at a moderate level, the general health insurance scheme shall be implemented together with the health transformation programme.
6. Without worsening the quality of health services, measures aiming to keep medicine and treatment expenditures under control shall continue to be introduced.
7. The eligibility conditions for unemployment benefits shall be improved.
8. The share of social expenditures in total public expenditures shall be increased.
9. To finance the expenditures of local administrations, the allocations from various sources that are used on the basis of objective criteria and in line with the aims will be ensured.

10. Local administrations will execute their personnel policies in accordance with the announced norm-cadre regulations.

Public Investment Policy

The efficiency of public investments will be increased, and these investments will be ensured to be used as an effective tool for directing towards infrastructure that meets prior social needs and supports productive activities, and realizing the aims that are sectoral, regional and in the direction of compliance to EU. In this framework,

11. The rationalization studies that aim the realization of efficiency, productivity and punctuality of public investments will be continued.
12. Priority will be given to the investments on education, health care, technological research, transport, irrigation, drinking water and e-Government.
13. Public investments will be an effective instrument for regional development and reduction of interregional development disparities.
14. The investments, which are essential to implement the policies and priorities set forth for the EU membership, will be accelerated.
15. In public infrastructure investments, the models that increase private sector participation will be improved.
16. The proposals and the decisions of public investments will be based on qualified feasibility studies and analyses, and sector

studies that cover the proper analysis of the problems.

State Economic Enterprises and Privatization

It is essential that State Economic Enterprises (SEEs), which are able to be privatized, shall be privatized in line with a pre-determined timing and strategy; however, these enterprises and the ones that are not privatized in medium-term shall be operated in accordance with productivity principles.

17. A new corporate management system aimed at providing accountability, transparency and flexibility of SEEs in the decision-making process and reducing the number of institutions that have power to intervene in the SEEs will be constituted.
18. All corporate policies of SEEs, especially pricing, will be determined in line with the market conditions and implemented effectively so as to attain the foreseen targets of the general investment and financial decrees.
19. SEEs will continue to follow financial policies that increase productivity and profits by reducing the inventory, supply, production and marketing costs; and are sensitive to international price adjustments.
20. The market value shall be essential while selling/leasing idle real estate properties of SEEs.
21. Operating units of SEEs that incur losses will be liquidated, by taking their functions into account.

22. Implementation of measures aiming to reduce idle employment in SEEs will continue; however, measures will be taken to meet the need for qualified personnel.
23. In determining the price of energy inputs, that has adverse effects on manufacturing costs, a policy in favour of industrial users will be followed.
24. In railway management, by separation of infrastructure services and transportation; and by participation of private sector, reduction of costs and constitution of competitive passenger and goods transport system will be provided.
25. To ensure the diffusion of capital ownership and the deepening of capital markets; during the privatisation processes, the usage of public offering method will be given priority by taking into account the economic conjuncture and field of the enterprise activity.

Borrowing Policy

26. The main objective of the borrowing policy is to finance the public sector borrowing requirement with the minimum cost by taking into account the risks, maturity of debt and its composition in terms of currencies and the interest rate.
27. To reduce liquidity risks, which may arise from cash and debt management, the policy of holding adequate amount of reserves will continue.

Public Revenue Policy

The main aim of the tax policy is to establish an efficient, simple and broad-based taxing system that supports growth and employment policies, reduces the informal economy and, as well as, is in harmony with the macroeconomic policies. In this context,

28. Stability in tax policy is essential to enable the private entrepreneurs to make long-term planning and increase the foresight.
29. Tax legislation will be simplified by reassessing all tax exemptions, allowances and deductions in tax laws in the view of economic and social policies.
30. Within the policy of reducing the tax burden on financial intermediary services, banking and insurance transactions tax will be reduced by taking into account the public financial constraints.
31. A comprehensive strategy for fighting the informality with the strong social and political will and the participation of the whole society will be constituted. With the aim of fighting the informality, primarily, the simplification of the legislation regarding work and working life will be constituted and activities to enhance the institutions' technological infrastructure by ensuring the share of information and coordination among public institutions will be initiated.
32. Expectations towards all kinds of amnesties and debt restructuring that award the informal economy, destroy confidence to public authority, encourage informality and cause loss of public revenues will be prevented.

33. The resources obtained by efficient fight of informality causing unfair competition in the economy will be used for the reduction of transaction taxes as well as tax and social security premium rates.
34. The regulations introduced to raise the own revenues of local administrations will be implemented.

c. Monetary Policy and Price Stability

Establishing price stability and making it sustainable will be the basic objective of the monetary policy. To this end,

1. The explicit inflation targeting regime which has been implemented since the beginning of the year 2006 will be pursued.
2. In implementing the explicit inflation targeting regime, the adoption of medium term perspective among all units in economy is vital for the success of the system.
3. Adhering to fiscal discipline will maintain to be an important factor in terms of the performance of explicit inflation targeting regime.
4. To ensure accountability and transparency of monetary policy, Central Bank will declare in written form to the government and announce to the public the reasons of deviation and the measures that should be taken in cases where inflation realizations display an excessive deviation from the target.
5. The main communication tool of monetary policy will continue to be the Inflation Report,

which is published quarterly. The Monetary Policy Committee meeting briefs will maintain to be the other important communication tool.

6. The Central Bank, with a view to guide expectations and determine the costs for funding, will actively carry on using the short term interest rate as the main instrument of the monetary policy.
7. The floating exchange rate policy, by which the macroeconomic balances and the exchange rate supply-demand dynamics are determinants of exchange rate movements, will be further pursued.
8. In case of an excess supply of foreign exchange in the market, the Central Bank will be able to sterilize the foreign exchange supply surplus through regular buying auctions to accumulate foreign exchange reserves.
9. In cases of excess volatility in the foreign exchange rate, the Central Bank will intervene in the foreign-exchange market without intention of affecting the long-run equilibrium rate.

d. Balance of Payments

The basic objective is to provide the sustainability of the current account deficit and finance it with guaranteed sources. In this framework,

1. Incentives and state aids that will lead to production of high value added goods in traditional export sectors, will be made effective and maintained. In this context, current aids in design, trademark, marketing, and promotion will be improved and diversified.

2. Current support systems will be made effective, in compliance with EU and WTO norms, by diversifying the product range, in the aim of developing goods that have capacity of competition in the external markets, high value added, new technological features and channeling to export.
3. In the context of executing trade policy tools effectively, Interior Processing Regime will be redesigned considering internal production and supervision conditions.
4. Alignment with the EU technical legislation, which is Turkey's obligation under the Customs Union, will be accelerated; the administrative, technical and physical infrastructure necessary for the efficient implementation of the aligned legislation will be established; and surveillance and supervision in imports will be made effective.
5. With a view to increasing exports in the context of bilateral and multilateral trade relations, mechanisms will be developed to ensure coordination among the public sector, the private sector and non-governmental organizations, to improve opportunities for exporters to enter the external market and to increase their existing market shares.
6. The required measures will be taken in order to increase our market share in the countries, which we have limited trade with in spite of the cultural similarities and geographical closeness, such as Turkic Republics, oil exporter countries and Far-east countries.

7. To reduce the dependency of domestic production on imports in the medium-term, mechanisms will be developed to produce intermediate inputs used by the domestic industry under competitive conditions. In this context, efforts will be made to support the production of high technology oriented intermediate inputs in the domestic market by means of ensuring the expansion of R&D activities in industry.
8. In the context of bilateral and multilateral trade relations with third group countries, free trade and preferential trade agreement will be supported to increase Turkey's competitive power within the scope of custom union with EU.
9. For the improvement of bilateral economic relations, cross border cooperation programmes will be given importance.
10. By eliminating the defects that emerge in the implementation of the reforms to improve the investment climate, foreign direct investment will be supported.

e. Financial System

Developing a financial system, which has a competitive scale, sufficient instrument diversity and depth to channel resources to investments, minimized intermediation costs and which is supervised and audited in line with international standards, is the main objective. To this end,

1. Minority shareholders' rights in companies will be improved in order to provide spreading of capital ownership.

2. Development of gold banking will be supported.
3. Legal and institutional arrangements will be made in order to provide the operability of mortgage system that will contribute to the deepening of financial system.
4. Legal infrastructure of insurance, factoring and leasing sectors will be improved.
5. Practices distorting competition among different types of financial institutions in taxing similar transactions and accessing data will be removed.
6. Implementation of corporate governance principles will be ensured in the financial markets and the real sectors that acquire financial sources from those markets.
7. Credit and corporate governance rating system will be established.
8. Using derivative products in risk management will be promoted, however, risk perception regarding these products will be increased.
9. Database for risk measurement will be developed.
10. Regulation and supervision functions for insurance sector and private pension fund services will be performed by a single authority.
11. Insurance system will be improved to cover all kinds of disaster and physical structure.

B. TARGETS AND INDICATORS DURING THE PROGRAMME PERIOD

a. Growth and Employment

1. During the Programme period an average growth rate of 7.0 per cent per annum is targeted.
2. During the Programme period, the private consumption expenditures are foreseen to grow by 8.2 per cent, private fixed capital investments by 8.4 per cent, public consumption expenditures by 2.1 per cent and public fixed capital investment by 6.2 per cent on real average annual basis.
3. During the Programme period, it is estimated that 1.6 million new jobs will be created as a result of employment policies aiming to increase employment opportunities.

b. Public Finance

1. It is targeted that, public sector surplus to GDP ratio, which is expected to be 0.9 per cent in 2006, would be at the same level in 2009 and the general government surplus to GDP ratio, which is expected to be 0.3 per cent, would increase to 0.7 per cent.
2. It is targeted that the general government expenditures to GDP ratio, estimated to be 45.1 per cent in 2006, would drop to 41.5 per cent in 2009.
3. It is foreseen that the general government non-interest expenditures to GDP ratio, estimated to

be 36.9 per cent in 2006, would be 37 per cent in 2009.

4. It is targeted that the general government interest payments to GDP ratio, estimated to be 8.2 per cent in 2006, would decline to 4.5 per cent in 2009.
5. It is expected that the general government revenues to GDP ratio, estimated to be 45.5 in 2006, would be 42.2 per cent in 2009.
6. It is foreseen that the tax burden including social security premiums (excluding tax rebates) to GDP ratio, expected to be 31.6 per cent in 2006, would increase some amount in 2007, but would remain at the same level at the end of the period.
7. The State aims to withdraw from air and maritime transportation, production of railway locomotives and wagons, processing of tobacco products, petrochemical industry and electricity distribution sectors; and decrease its share in power generation and sugar production, natural gas market, coal and other mining sectors.
8. Despite the considerable decrease in the deficit of pension system in the aftermath of the social security reform, social security deficit will maintain its current level due to the additional burden arising from general health insurance and reductions in the contribution rate during the Programme period.
9. The extension of the contribution base for civil servants will be influential in reducing the

pension system deficit. However, since the additional premium payments and the decrease in salaries will be compensated through the budget, no overall change will be observed in the fiscal balance of the public sector.

10. Within the framework of the studies of rationalization of investment programme, average completion time of the investment stock, which is estimated to be 5.5 years in 2006, is aimed to be lowered to below 5 years in the year 2009 by reducing the number of the new projects to be included in the investment programme every year and increasing the share of the investments' allocation in the budget.
11. It is targeted that, at the end of the Programme period, gross public debt stock to GDP ratio would decline by 14.9 points from the level in 2006.

c. Balance of Payments

1. With the projection of continuation of the increasing trend in our foreign trade volume, due to high activity in the world trade and economy in recent years, sustained macroeconomic stability and structural reforms in the Programme period; Turkey's exports are expected to reach 120 billion dollars in the year 2009 by growing annually with an average of 13 per cent and imports are estimated to reach 182 billion dollars by growing annually with an average of 11 per cent.

2. The tourism revenues that are estimated to be 21.5 billion dollars in 2007, will be expected to reach 25 billion dollars in 2009.
3. In line with these projections, it is estimated that the ratio of current account deficit to GDP will sustain its current level in the medium term.
4. Along the Programme period, improvement in the quality of the capital and finance account is expected as well as increase in the share of non-debt creating or long term finance in balance of payments are estimated.
5. With the achievement of macroeconomic stability, depending on completion of reforms in great measure related to improvement of investment climate, the importance of the foreign direct investment, which creates new capacity, is expected to increase. Due to this reason, increasing role of foreign direct investment in the finance of the deficit that is expected to occur in the current account is projected.

d. Prices

1. The “Open Inflation Targeting” regime which was put into practice in the beginning of 2006 and which has the prior target of achieving price stability will be carried on in the Programme period. In this framework, the inflation targets that were determined as “point target”s are defined as year end inflation rate, which are calculated as the annual percentage change of Consumer Prices Index and are

commenced to announce for a three year period. While 2006, 2007 and 2008 year end inflation targets are determined as 5.0 percent, 4.0 percent and 4.0 percent respectively, the inflation target for 2009 will be determined by Government and Central Bank and will be announced to public.

III. DEVELOPMENT AXES IN THE PROGRAMME PERIOD

A. IMPROVEMENT OF HUMAN RESOURCES AND INCREASING EMPLOYABILITY

To attain a highly competitive economy and to sustain development, the quality of education shall be improved, the relationship between education and employment shall be strengthened and employability shall be increased. In order to reinforce the employment increase induced by growth as a result of the implementation of macroeconomic policies, active employment policies shall be introduced.

It is aimed to increase employment opportunities of the human resources in line with the developing information and communication technologies. In this context,

1. In vocational training, efforts for transition to a modular and flexible system necessary for the training the manpower required by the market will be accelerated and coherence among the programs in various levels of vocational training will be ensured.
2. Life long learning strategy will be prepared.
3. In order to train the manpower with the quality needed by the business world, the mechanisms that will strengthen the cooperation between education and labor market shall be set up.
4. The components and programs of the higher education shall be updated in accordance with the developments and requirements at the regional, national and international levels

through the transition process of knowledge based society.

5. The training of human resources required for information and communication technologies will be supported, particularly enabling employment of the unemployed educated young population, by means of using distant and non-formal education opportunities. Additionally, programs for increasing the experience of youth in the labor market will be developed.
6. Active labor market policies, aimed at improving employability by increasing the quality and the skill level of labor will be disseminated and the resources devoted to these policies will be increased.
7. The capacity of Turkish Labor Organization will be enhanced by taking into account the local needs, its service areas will be diversified and the target groups will be expanded.
8. Necessary regulations shall be made for a more flexible labor market.

B. SOCIAL INCLUSION AND COMBATING POVERTY

The basic objective is to increase the active participation of individuals and groups that face the risk of poverty and social exclusion in economic and social life, and secure social solidarity and integration by upgrading their quality of life.

Education, health and other social services provided by the government shall be accessible and beneficial for everyone. Especially, the population, which have

migrated to urban areas and are subject to social exclusion, shall be integrated into society by increasing their employability. Social protection system, which covers the entire population and integrates disadvantaged groups into the society, will be improved. Within this framework;

1. Education and health services shall be improved to be more accessible and equally beneficial for the disadvantaged groups. Besides, the equitable accessibility of these groups to employment, social insurance, social services and assistance shall be enhanced.
2. Social security system shall be restructured in a way that it is financially sustainable and could meet the varying demands of the society.
3. By introducing full automation in ICT infrastructure of social security system, a structure that offers effective, accessible and sustainable services and prevents loss of rights and repeated utilization shall be established.
4. In order to effectively provide social services and assistance to the people in need, arrangements shall be made to ensure cooperation among the relevant institutions, enhance the initiative of local administrations and non-governmental organizations and stipulate the objective criteria in determining the people in need to satisfy their demands. The inadequacies of qualified staff in the social services and assistance area shall be eliminated.
5. The activities aiming to combat poverty shall be in the form of preventing the formation of a

culture of poverty and enabling to transform the poor into productive individuals.

6. The projects that diversify the economic activities increasing the non-agricultural revenues shall be supported for the poor, who have emerged as a result of the structural transformation in agriculture. Entrepreneurship shall be encouraged especially in rural areas and less developed regions.
7. The employability of the poor, who have migrated to urban areas, shall be increased and integration of this population into the society shall be enhanced.
8. Women's participation in economic and social life shall be secured, and necessary measures shall be taken to remove their disadvantageous status, particularly in education. Besides, the sensitivity and informative activities about women abuse shall be increased.
9. Efforts directed towards improving the status of children who live under depressed conditions and protecting the children who are under risk shall be strengthened. The model of "childcare under family surveillance" shall be supported for the said cohort, and ameliorative measures shall be introduced where institutional care service is necessary.
10. The efforts towards making the relationship of young people with their families and the society healthier, to promote their self-confidence and to increase their socialization, sensitivity and participation to the decision-making processes shall be exerted.

11. Social and physical facilities shall be improved for the handicapped, and vocational education opportunities and counseling services aiming to their employment shall be developed.
12. Care services at home for the aged shall be supported, along with increasing the quantity and quality of institutional care services.
13. Services aimed to re-socialize the convicted persons shall be made effective.

C. ENHANCING THE COMPETITIVENESS OF ENTERPRISES

The basic objective is to converge enterprises into a structure with high technological capability, qualified labour force, adaptability to changing conditions and competitiveness in both domestic and international markets. Within this framework;

1. Entrepreneurship in start-up and development stages will be supported.
2. Innovation, productivity and effective utilisation of technology by enterprises will be supported.
3. Financial instruments will be diversified; accession of enterprises particularly the SMEs to financial resources will be improved.
4. Physical infrastructure and technology and information infrastructure related to enterprises will be improved and cooperation among enterprises will be supported.
5. Efforts to reduce bureaucracy and simplify the procedures with a view to improve the business environment will be continued.

6. Input costs, particularly in energy, will be lowered; costs on employment will be reduced without worsening the actuarial balances of the social security system; other liabilities that increase labour costs will be reviewed.
7. An efficient state aid system, which is in line with the EU acquis, will be established.
8. Based on corporate governance principles, widespread use of institutionalisation in enterprises will be encouraged.
9. An efficient accreditation, conformity assessment and market surveillance systems will be established. Certification activities will be supported.
10. Behaviours restricting, obstructing or violating competition will be effectively prevented and competition culture in the society will be developed.
11. Intellectual property enforcement will be improved and the culture of intellectual property will be constituted in a common and permanent way in the society.
12. Efforts towards improvement of the vocational and technical skills of workers in enterprises will be supported.

D. REGIONAL DEVELOPMENT AND REDUCING REGIONAL DEVELOPMENT DISPARITIES

The basic objective of regional development policies is the evenly distribution of economic development and social welfare across the country facilitated by increased contribution of regions to national

development, competitiveness and employment via improved regional productivity.

In order to foster regional development, the national policies supporting regional development will be made more effective, the policies mobilizing local potentials and dynamics will be emphasized and the institutional capacity at local level will be strengthened. In this framework;

1. Spatial and regional development policy framework at national level will be formed, regional development strategies and plans will be prepared in cooperation with development agencies, scope of strategies and plans at lower scales (provincial and regional), principles and standards will be identified.
2. Regional plans and programmes will be prepared in an operational approach, the existing integrated regional development plans will be converted into operational programmes, fund allocations will be made consistent with these plans and monitoring and evaluation mechanisms will be set up.
3. Institutional structures primarily the development agencies will be established at the local level, capacities of the existing structures will be strengthened and division of labour between the central and local institutions will be made effective.
4. In order to support local specialization particularly in less developed regions, human and social capital will be improved; labour training and entrepreneurship programmes, which takes into account regional potentials

and peculiarities of labour markets, will be implemented.

Practices aiming to confine interregional migration tendencies within the regions, ensure the evenly spatial distribution of population and facilitate proper urbanization pattern will be emphasized. Within this scope;

5. The cities, which have characteristics of a regional centre, will be identified, and through an analysis of interregional migration tendencies, the strategies and policies will be developed to direct migration tendencies to those centres.
6. The basic migration-related problems of cities, which are under the pressure of massive migration, will be identified, and physical and social infrastructure will be improved in the areas, which suffer the most from the migration.
7. The duties and competencies regarding physical planning of local and central agencies will be clearly defined and an efficient auditing mechanism will be set up.

For the purpose of reducing socio-economic disparities between rural and urban areas by increasing welfare in the rural areas;

8. The rural development plan preparations will be finalized; central and local institutional structures will be strengthened and an effective division of roles among these institutions will be ensured to realize this plan; the administrative structures, required for the utilization of rural development funds in the framework of financial cooperation with EU, will be formed.

9. For the mitigation of unemployment and encouragement of employment of labour force in their hometown, in the framework of improving employment opportunities in non-agricultural activities and diversifying income sources, special practices to develop alternative activities, which also utilize the information and communication technologies (e-trade), will be supported.
10. In the provision of public services and public investments in the rural areas, by giving priority to central settlements, which on account of their locations have the potential of development and providing services to the surrounding settlements, the infrastructure of these central settlements will be improved and their capacity improvements will be supported.
11. Alternative models will be developed and implemented for the provision of public services to scattered settlement units in order to ensure cost effectiveness and improve accessibility.
12. The capacities of local governments and their unions particularly special provincial administrations will be strengthened in order to improve their effectiveness in rural development.
13. Necessary measures will be taken to provide sustainable living conditions for the citizens, who departed from their settlements because of the inevitable reasons such as natural disasters, expropriation and terrorism, in their initial or new settlements on their claim.

E. GOOD GOVERNANCE IN THE PUBLIC SECTOR

For providing effective governance of Turkey's economic and social development process, it is the main objective that the public administration in Turkey should be able to provide citizen-focused, high-quality, effective and rapid services and have the contemporary approach, structure and functioning towards flexibility, transparency, participation, accountability and predictability.

In this context, ensuring appropriate administrative structures in public institutions parallel to their duties and responsibilities, the abolition of the units whose functions are no more needed, no formation of new departments unless indispensable, the employment of the appropriate personnel consistent with the needs of the task in terms of quantity and quality, a balanced distribution of duties and responsibilities between the central and local administration, an adoption of citizen-focused approach and utilization of information and communication technologies shall be essential.

Within this framework;

1. For providing public services more efficiently and effectively, complexity and ambiguities of duties and authorization among public institutions will be eliminated and all public institutions will be ensured to have structures within which they will perform their main duties.
2. Transparency in public administration will be increased and fight against corruption will be ensured effectively.
3. Strategic planning and work on performance

budgeting to be carried out at the level of institutions will be expanded according to a program within the framework of public financial management reform.

4. All necessary measures will be taken to allocate public personnel quantitatively and qualitatively in a well balanced way among public institutions and to enhance the capabilities of public personnel.
5. With the aim of providing judicial services more fairly, quickly, securely and appropriately, the studies intended for decreasing the workload on jurisdiction will be accelerated, the number of judges, prosecutors and the other judicial personnel will be increased, code of conduct of judiciary personnel will be determined compatible with international criteria, technical and physical infrastructure deficiencies of judicial service units will be removed and judicial services will be provided electronically.
6. The security services, which will focus on human life and occupational safety, ensure the critical balance between freedom and security and have public support, will be ensured.
7. All necessary measures will be taken for fighting effectively against terrorism and its financing, illegal migration and asylum, trading trafficking human beings, trafficking and using drugs, and organised crimes.
8. Effective coordination and cooperation among the units will be established in order to supply the capable security services and their needs of physical infrastructures will be met in a priority manner.

9. Minimum standards for the services provided by local administrations will be determined nationwide and the compliance with these standards will be audited by the central government.
10. The revenue structure of local administrations will be strengthened in proportion to local and common tasks and services to be transferred from the central government.
11. Endeavors to develop human capital and technical infrastructure for the transformation to information society that will shape Turkey's future will be accelerated.
12. The Information and Communication Technologies will be used effectively for the provision of public services. The formation of a public administration that would have the capacity to provide qualified, fast and integrated services in accordance with the good governance principles will be supported.
13. In provision of electronic public services including those which are provided by local governments, business processes will be redesigned in line with the needs of citizens and businesses and an integrated e-government architecture through which public services will be provided effectively in a transparent, continuous and secure environment from a single portal and different platforms will be established. The privacy for personal information will be ensured in e-government services.

14. Necessary measures will be taken to increase the use of e-government services. Common solutions for the provision of electronic government services will be built up to avoid the duplications in public investments and ensure the effective use of resources.
15. Disaster management, comprising the period preceding to, at the time of, and the aftermath of the disaster will have an integrated structure by means of the removal of the interfering powers and responsibilities of the relevant institutions and the existing legislation will be reviewed.
16. Standards of security against disasters for urban planning and construction of buildings will be improved to ensure, supervision of planning for zoning and construction work will be ensured, responsibilities and penalties will be explicit.
17. Work on land registration and cadastral survey will be finalized and an information system will be established.

IV. SECTORAL POLICIES

A. EDUCATION AND TRAINING

The main objective of the education policy is to bring up individuals of the information society with well-developed thinking, perceiving and problem-solving capabilities. They should also be loyal to democratic values, devoted to the principles of Atatürk, self-confident, open-minded, responsible, acquainted with their national culture and able to evaluate different cultures. The reorganization work directed towards this goal shall be pursued at an increased pace at all levels, the quality of education shall be improved, and accessibility to education shall be widespread.

To this end;

1. Pre-school education which is important for an individual's physical, social, mental and psychological development shall be made widespread.
2. To improve the quality of primary and secondary education, the curriculum will be revised to make creativity, research, teamwork and original and initiative thinking the essentials of education and training system and within this context, the training of the teachers and administrators will be achieved.
3. An effective guidance and orientation system that contributes to person's individual and social development and prepares them for the life shall be introduced.
4. In secondary education, diversification in terms of programs rather than of schools shall be

essential. Secondary education shall have a flexible structure that promotes equal opportunity and allows for horizontal and vertical transfers in the context of programs unity and continuity.

5. Information technologies shall be used extensively and effectively in education.
6. The need for buildings, equipments and teaching personnel shall be met in such a way as to reduce disparities among settlement areas at all levels and initiatives of local administrations on this issue shall be supported.
7. Higher Education Council shall be transformed in a way to perform long-term planning and coordination activities.
8. It shall be ensured that higher education institutions shall be more competitive through specialization by means of strengthening their administrative and financial autonomies.
9. It shall be ensured that higher education institutions shall create funds by means of producing services and the students shall participate more in the financing of education.
10. The private sector shall be encouraged to take part at all levels of education.

B. HEALTH

The basic objectives of health policy are to ensure that all citizens shall participate in economic and social life as healthy individuals and to assist them to raise their quality of life. Health care services shall be provided on an egalitarian and fair basis, which is

appropriate to the needs and expectations of the people, of high quality, accessible, efficient, compliant to the aim reducing disparities among regions and socio-economic groups and compatible with the needs of contemporary life, and priority shall be given to preventive health care services. In this context;

1. In accordance with the principle that “protection/prevention precedes treatment”, preventive health care services will be made effective and widespread in order to avoid economic losses and increase the quality of life.
2. Needs of health care service infrastructure and personnel shall be fulfilled considering interregional disparities.
3. Regulations for the separation of the provision of health care services from its financing shall be completed.
4. Ministry of Health shall be restructured so as to strengthen its regulatory, planning and supervisory powers.
5. An effective referral system shall be introduced through the implementation of family practitioners system at a national scale, which is closely integrated with the primary health service units.
6. Primary health services shall be strengthened through special emphasis on mother, childcare and mobile health services.
7. With a view to improve the service quality, hospital management shall be made autonomous and competitive and both certification and accreditation system in health agencies shall be improved.

8. The principle of “Rational Use of Drugs” shall be made more effective with a view to ensure that the patients receive the proper medication in terms of period and dose at the lowest cost depending upon their clinical examination and personal characteristics.
9. Adequate number of willing and skilful manpower shall be employed through manpower planning in health sector.
10. In the provision of health care services, patient rights and satisfaction shall be essential.
11. National Health Information System shall be made more effective.
12. Health investments of the private sector shall be encouraged.

C. ENVIRONMENT AND URBAN INFRASTRUCTURE

The main goal is to reach a higher level in environmental protection by taking into consideration sustainable development principles by protecting human health, natural resources and values; and to change urban settlements into clean, safe places that offer higher quality of life by supplying urban infrastructure needs, which have differentiated in parallel to increasing population, economic, social and technological developments.

In this context;

1. The infrastructure and funding needs for compliance to EU’s environmental acquis shall be determined. Implementation tasks will be prioritised and institutional capacity for

administration and supervision will be strengthened.

2. During the accession period, the existing environmental legislation that set standards and administrative rules shall be updated to be in line with EU acquis. Instead of establishing new institutions, the existing organization that provides coordination among the institutions shall be made effective by considering national constraints.
3. Studies that will protect, develop and add economic value to national biological diversity and genetic resources shall be increased.
4. A national action plan, which will express policies and measures to reduce green gas emissions, will be prepared by all stakeholders.
5. The ongoing studies that aim development of legislation and institutional structure for allocation, development, usage and protection of water resources will be finalized.
6. The nation wide demand for urban environmental services shall be estimated considering the existing studies. A master plan and financing strategy which take into consideration the regional development needs will be developed.
7. The systems and technologies of urban environmental services like water supply, wastewater treatment and solid waste management shall be in comply with the national standards and requirements.
8. Separation in the source, collection, transportation, recycling and landfill areas shall

be considered technically and financially in a holistic approach. Sanitary landfill technology will be preferred technology for solid waste management.

9. The institutional capacity of municipalities will be strengthened in planning and operating urban environmental services.

D. SCIENCE AND TECHNOLOGY

The basic objective of science and technology policy is to become more capable in science, technology and innovation especially of the private sector and to transform this capability into economic and social value. In this framework;

1. A national innovation system that enhances cooperation among institutions and the effectiveness of the private sector will be formed in the field of science and technology.
2. The private sector will be supported to increase its capability and demand for R&D.
3. The supports for the private sector to develop its cooperation with the universities and other research institutions will be increased and made more effective. R&D activities in the universities and research institutions will be increased and directed towards the demand of the market.
4. Human resources in the field of science and technology will be improved as well as the quality and quantity of researchers in the private sector will be supported.
5. Public institutions will be supported to enable them to find solutions for their needs and

problems through R&D and public procurement system will be ensured to have a structure supporting R&D activities and local technology.

6. R&D supports directed towards reducing the defence industry's dependency on abroad will be increased. The transmission of the technologies developed for the defence industry to other sectors, universities, research institutions and SME's will be ensured.
7. Cooperation with the leading countries, in particular with the EU, in the field of R&D and relevant international organizations will be enhanced.
8. Social awareness in the fields of science, technology and innovation will be increased.
9. The activities towards the establishment of technology transfer centers will be started.

E. AGRICULTURE

The basic objective is to form a competitive agriculture sector with organized producers, considering the food security and safety concerns along with the sustainable use of natural resources.

Adverse effects of the transformation in agriculture, such as migration and unemployment, will be reduced via rural development policies.

In this framework;

1. Agricultural supports will be restructured in the context of the Agricultural Strategy Document (2006-2010) and Agriculture Law, No.5488.
2. Concerning the implementation of agricultural policies, statistical data will be improved both

qualitatively and quantitatively and information infrastructure will be developed.

3. Financial services for agricultural sector will be diversified and enhanced.
4. In order to increase the competitiveness of exports of agricultural products, export subsidies will be channelled to higher value added and branded final products.
5. Phytosanitary, veterinary and food safety services will be carried out in an integrated framework and necessary cooperation will be ensured both within and among the related public administrations.
6. Producer organizations will be supported so as to increase productivity and competitiveness in marketing.
7. In animal husbandry, necessary measures will be taken for breeding, fight against diseases and pests and production of quality fodder.
8. Resource management regulations will be made in fisheries sector.
9. Productivity and quality in agricultural production will be increased with improvements in input use and training-extension services.
10. Priority will be given to the methods and instruments, which aim at the efficient utilization of land and water resources.
11. Land consolidation works will be expedited, necessary measures will be taken in order to increase scales of agricultural holdings and the modernization of agricultural and food industry

enterprises will be supported along with the determined priorities.

12. Public irrigation project stock will be rationalized, projects will be accordingly re-prioritised and adequate funds will be allocated to the priority projects.

13. Forests will be protected in the most efficient way by taking all technical, administrative and biological measures; they will be exploited by considering a multi-purpose approach, productivity capacity and protecting environmental values; afforestation, rehabilitation and urban forests will be improved by taking the society needs and public health, desertification and global warming into account; education and introduction activities will be intensified with heavy emphasis on ecosystem.

F. MANUFACTURING INDUSTRY AND MINING

In manufacturing industry, the main objective is to increase the production of high value-added goods with an outward-oriented perspective. Within this framework, policies oriented to increase the share of medium- and high-technology industries, and adapt to international competition in traditional industries.

In mining sector, the main aim is to improve security of raw material supply and to increase the value-added in the economy through further domestic processing.

In this framework;

1. High value-added production will be promoted through the generation and diffusion of technology and modernisation of industrial enterprises.

2. Efforts directed towards increasing the exports of manufacturing industry, particularly medium- and high-technology industries will be continued.
3. Industrial information system will be established.
4. Establishment of new industrial enterprises in industrial zones and shifting existing enterprises to these zones will be encouraged; and cooperation activities among the enterprises will be supported.
5. Activities concerning design and trademark development will be supported.
6. Adaptation to international competition in traditional industries like textiles, wearing apparel, leather and footwear will be supported.
7. In defence industry, a system and necessary legislation focused on R&D-based procurement, domestic technology and capability accumulation will be established.
8. In the mining sector, exploration activities in industrial and energy raw materials will be intensified. The value added of mining products will be increased through domestic processing.
9. Legislation requirements regarding the mining sector will be completed.

G. ENERGY

The main objectives of the energy policies are to meet the energy requirements of growing population and developing economy in a continuous, quality and

secure manner through a transparent and competitive market environment where private sector investments dominate. In this context;

1. To increase the security of energy supply, due consideration will be given to the development of alternative energy resources at the highest level including nuclear energy. The diversification of primary energy resources in a balanced way will be attained and the diversification efforts for the origin countries will be continued.
2. To preclude a likely electricity supply shortage in the medium-term as per supply-demand projections, both legal and regulatory measures will be taken.
3. In line with the Electric Energy Sector Reform and Privatisation Strategy Paper, privatisation process with a long-term perspective of creating a healthy and sustainable sectoral structure will be expedited to realize the expected gains from the privatisation of electricity distribution and generation.
4. Starting from production up to the end-use, at each level, to ensure the most efficient and economical use of energy, thus both contributing to supply security and mitigating the environmental effects of energy use, energy efficiency will be given priority and in this regard necessary legal arrangements will be finalized.
5. Competitive expansion of natural gas usage will be continued and by taking the seasonal variation in demand into account security of

natural gas supply will be sustained at the national level.

6. Efforts towards making Turkey a transit route and terminal for the transportation of energy sources (oil, gas and electricity) in our region to the international markets will continue.

H. TRANSPORTATION AND COMMUNICATIONS

The main objective in the transportation sector is to create a transportation infrastructure in advance, where transportation is conducted safely, economically and in conformity with the necessities of national economic and social life, is securing a balance among the modes, is compatible with modern technological and international standards and is sensitive to the environment. Complementary balance between transportation modes and widespread use of combined transport are essential.

Accelerating the transformation into information society, and thereby contributing to the enhancement of Turkey's competitive power and welfare, by means of widespread and effective use of information and communication technologies, is the main objective. In this context;

1. In meeting the transportation infrastructure requirements, models that increase the participation of the private sector will be developed.
2. Efforts directed towards integrating our transport network, which links EU countries with the Caucasian countries, the Central Asia, South Asia and the Middle East Countries, to Trans-European Transport Network will be

accelerated by making maximum use of EU funds.

3. The existing highway infrastructure will be improved by the completion of the ongoing dual carriage highway projects and by upgrading their standards.
4. Mainly starting from highway traffic, traffic safety will be increased in all transport modes.
5. In freight transport, the priority will be given to maritime and railways.
6. Passenger transport with high-speed trains will be started.
7. Turkish State Railways (TCDD) will be restructured in order to increase the quality of service and to reduce its financial burden on the public sector.
8. Ports will become logistics centres to facilitate combined transport and their capacity will be increased.
9. Flag, port and coastal state controls will be improved.
10. Capacity will be increased in airports where traffic is concentrated and service standards will be upgraded in air transport.
11. Regional air transport will be improved.
12. To promote sustainability in urban transport sector; priority will be given to traffic and demand management strategies. Financial structure of municipalities and internationally approved criteria will be taken into account in choosing the public transportation systems.

13. Public service broadcasting will be improved by taking the developments in technology into consideration and will be provided to have a content that would meet the needs of different groups in the society and will be provided to have a well-established and sustainable financial structure.
14. Postal sector will be restructured with a competitive approach on the principles of speed, quality, reliability and accessibility and in parallel with EU regulations.
15. Effective, fast, secure and cost-efficient access to information will be provided through the introduction of alternative infrastructure and services by enhancing competition in the electronic communications sector.
16. Broadband communications infrastructure will be made widespread throughout the country to support the development of information society services like e-government and e-commerce.
17. Software industry will be regarded as a strategic sector and our country will be positioned as a regional and global actor in software and information technology services.

I. TOURISM

In tourism sector, the basic objective is to form a structure which embodies the dynamics of globalisation, increases the quality of the services as well as the number of incoming tourists, targets the high income groups by diversifying the marketing channels, preserves and makes sustainable the natural endowments and focuses on those diverse tourism

attractions where Turkey has a comparative advantage. To this end;

1. Tourism investments will be diversified and shifted from developed and congested areas to others and tourism activities will be expanded to the entire year.
2. All tourism sector investments will be undertaken in a view of protecting and improving the natural, historical, social and cultural environment.
3. Optimum demand will be created in international tourism markets to maximize the share of Turkish tourism.
4. The cultural, social and natural richness of the city of İstanbul will be utilized in the context of sustainable tourism development.

ANNEX TABLE: MAIN ECONOMIC INDICATORS

	2007	2008	2009
GROWTH AND EMPLOYMENT			
GDP (Billion YTL, Current Prices.)	622,6	695,9	771,2
GDP (Billion Dollars, Current Prices)	423,4	469,8	521,8
GDP Per Capita (\$)	5.732,0	6.284,0	6.898,0
GDP Per Capita (PPP, \$)	9.515,0	10.277,0	11.115,0
GDP Growth ⁽¹⁾	7,0	7,0	7,1
Total Consumption ⁽¹⁾	8,1	7,8	7,1
Public	2,1	1,0	3,5
Private	8,7	8,4	7,4
Total Fixed Capital Formation ⁽¹⁾	8,8	6,5	8,5
Public	14,0	1,0	4,5
Private	6,9	8,6	9,9
Population (Million)	73,9	74,8	75,6
Labour Force Participation Rate (%)	48,9	49,2	49,5
Employment (Million)	23,0	23,6	24,2
Unemployment Rate (%)	10,5	10,6	10,4
Total Factor Productivity Growth (%)	2,1	2,2	2,3
FOREIGN TRADE			
Exports (FOB) (Billion Dollars)	93,1	105,5	120,4
Imports (CIF) (Billion Dollars)	150,3	164,7	181,8
Trade Balance (Billion Dollars)	-57,2	-59,2	-61,4
Tourism Revenues (Billion Dollars)	21,5	23,1	25,1
Current Account Balance / GDP (%)	-7,9	-7,3	-6,6
Trade Volume / GDP (%)	54,9	55,0	55,4
PUBLIC FINANCE (Per cent)			
General Government Revenues ⁽²⁾ / GDP	45,4	43,2	42,2
General Government Expenditures ⁽²⁾ / GDP	45,8	43,3	41,5
General Government Interest Expenditures ⁽²⁾ / GDP	6,7	5,6	4,5
General Government Borrowing Requirement ^{(2) (3)} / GDP	0,3	0,1	-0,7
Public Sector Borrowing Requirement ^{(3) (4)} / GDP	0,1	-0,2	-0,9
Public Net Debt Stock / GDP	44,1	39,1	34,4
Tax Burden / GDP	32,0	31,4	30,9
INFLATION			
End Year CPI ⁽⁵⁾	4,0	4,0	--

(1) Real percentage changes.

(2) Includes central government budget, social security institutions, local administrations, revolving funds and other funds.

(3) (-) sign shows surplus.

(4) Includes General Government and SEEs.

(5) For the years 2007 and 2008, the targets of the Central Bank are used. The target of 2009 will be determined in the following term.