



REPUBLIC OF TURKEY



MEDIUM TERM PROGRAMME

2008 - 2010

**MEDIUM-TERM
PROGRAMME**

(2008-2010)

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INTRODUCTION

The third of the Medium Term Programme that has been brought as a new policy document with the recent reform in public financial management has been completed. This programme, covering 2008-2010 period, has been prepared in line with Ninth Development Plan and the necessities of general economic conditions.

Multi-year budget process for the same period has been just commenced with the adoption of this programme by the Council of Ministers.

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

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 Medium Term Programme is updated each and every year considering the annual implementation results, changes in internal and external

circumstances and objectives of the Plan. The Undersecretariat of State Planning Organization is responsible for the monitoring, evaluation of the implementation and reporting it to the Council of Ministers in terms of objectives and priorities of the Programme.

Medium Term Programme will shape public policies and operations on the basis of strategic objectives and direct the resource allocation within this framework.

During the next period, in accordance with Article 16 of Law No. 5018, the Medium Term Fiscal 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 the decision of the High Planning Council.

The agencies will prepare their proposals for the measures and the budgets in accordance with Article 17 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.

Initiating with the Medium Term Programme, the programme and budgeting process, will be finalised with the adoption of Annual Programme, which contains ultimate policies and measures, by Council of Ministers, and in harmony with each other, the enactment of Budget Law Proposal which demonstrates the financial aspects.

I. MAIN OBJECTIVE

The main objective of the Medium Term Programme, is to fulfil a programme and budgeting process towards elevating the life quality of the citizens in compliance with the vision of "Turkey, a country of information society, growing in stability, sharing more equitably, globally competitive and fully completed her coherence with the European Union" as stated by the Ninth Development Plan.

The current economic and political stability, reforms realized so far, the young, educated and entrepreneur human capital, a functioning market economy, internationally competitive industry 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 main objective of the Programme, through utilising country's human and economic assets effectively, required measures for;

- enhancing the competitiveness,
- increasing employment,
- strengthening human betterment and social solidarity,
- fulfilling regional development,
- improving the quality and effectiveness in public services,

Will be carried on. In the programme period, priority will be attached to the implementation of

social policies, education coming foremost, without harming the macroeconomic stability and budgetary balance.

Within the implementation period of the Programme, realization of the concomitant parts of "Turkey's Programme for Alignment with the EU Acquis", which has been prepared according to the needs and priorities of our country, will be ensured.

II. MACROECONOMIC POLICIES AND OBJECTIVES

The macroeconomic priorities of Medium Term Programme are; securing confidence and stability in the economy, ensuring high and sustainable economic growth, increasing employment, making current account deficit sustainable, providing current account deficit to be financed with healthy resources, decreasing the inflation rate further and maintaining a high level of primary surplus.

A. MACROECONOMIC POLICIES

1. Growth and Employment

- i) An export oriented growth strategy will be maintained in the Medium Term Programme Period. Public sector will play an accelerating role in the investment and production process of private sector by means of legal regulations and infrastructure investments, and promote private sector to shepherd on high value added production structure.
- ii) Along with increasing labour productivity, increasing total factor productivity is utmost importance to attain a stable structure in economic growth. For this purpose, primarily, continuity in macroeconomic stability, improvement of institutional infrastructure and further progress in investment environment will

be achieved. These endeavours will support the competitiveness of the economy.

- iii) For a stable growth; fiscal discipline will be preserved, the monetary policy that support the anti-inflationary stance will be carried on and the reform process will be continued without concession.
- iv) Within the framework of an employment oriented sustainable growth; having well-qualified human resources in accordance with the necessities of competitive economy and information society, increasing the employment facilities, decreasing the unemployment and enhancing the effectiveness of the labour force market will be ensured.
- v) A convenient environment for private sector to make long term plans will be established by reducing the ambiguities that might originate from public policies in the economy.

2. Fiscal Policy

In order to maintain macroeconomic stability and growth performance, fiscal discipline will be pursued. To this aim, new legal arrangements which determine fiscal rules will be developed. Public debt stock to GNP ratio will be further reduced, a high level of primary surplus will be maintained and public expenditures will be discriminated according to priority principle by

bringing in flexibility to the budget. This policy will contribute to decreasing the inflation rate further and controlling the current account deficit.

a. Public Expenditure Policy

Public expenditures will be prioritized by considering their effects on potential growth in the context of economic and social returns and the resource constraint. The fiscal space, be created in this frame, will be used in accordance with the priorities of development axes in the Programme.

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

- i) The necessary measures will be taken in order to implement financial management, internal control and internal audit activities in public administrations effectively.
- ii) 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.
- iii) In order to ensure effectiveness, efficiency and economy in the usage of resources, the system of strategic planning and performance based budgeting will become widespread.
- iv) The wages and salaries in public sector will be determined by taking the presumed inflation within revenue policies into account.

- v) The limitations regarding the employment of new personnel in the public sector will continue to be included in the central government budget laws.
- vi) A comprehensive personnel reform, which is 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, will come into effect.
- vii) Without worsening the quality of health services, measures aiming to keep medicine and treatment expenditures under control shall continue to be introduced.
- viii) To keep the financial burden at a moderate level, the general health insurance scheme shall be implemented together with the health transformation programme.
- ix) The measures, providing saving in implementation of Law No. 5510 on Social Insurances and General Health Insurance, will be taken.
- x) The eligibility criteria for unemployment benefits shall be improved.
- xi) The share of social expenditures within total public expenditures will be increased.
- xii) The resources allocated to finance the expenditures of local administrations shall be

used on the basis of objective criteria and in line with their targets.

- xiii) Local administrations shall execute their personnel policies in accordance with the announced norm-cadre regulations.

b. Public Investment Policy

The effectiveness of public investments will be enhanced. The investments shall be directed towards infrastructure that meets social needs having priority and supports productive activities, and used in accordance with sectoral and regional aims and compliance to EU. In this framework;

- i) The rationalization efforts that target effective, efficient and timely realization of public investments will be continued.
- ii) Priority will be attached to the investments on education, health care, technological research, transport, drinking water and e-Government.
- iii) Public investments will be employed as an effective instrument for regional development and reduction of interregional development disparities.
- iv) The investments, which are essential to implement the policies and priorities set forth for the EU membership, will be accelerated.
- v) Models that encourage private sector participation in public infrastructure investments will be developed.

- vi) The proposals of and the decisions on public investments will be based on sectoral research that cover problem analyses, and feasibility analyses and studies.

c.State Economic Enterprises and Privatization

It is essential that State Economic Enterprises (SEEs), which can be privatized in the medium term, shall be privatized in line with a pre-determined schedule and strategy; yet, those enterprises before privatization and the ones that cannot be privatized in the long-term, shall be operated in accordance with profitability and efficiency principles.

- i) The new corporate management system project, aiming at providing accountability, transparency and flexibility of SEEs in the decision-making process and reducing interventions over SEEs, will be completed.
- ii) All corporate policies of SEEs, especially the issue of 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.
- iii) SEEs will continue to follow financial policies that increase their efficiency and profitability by reducing the inventory, supply, production and marketing costs, and are sensitive to international price changes.

- iv) The current market value shall be taken as the basis while selling or leasing idle real estate properties of SEEs.
- v) In principle, SEEs will not sell or transfer their real estate properties that are not idle. However, in compulsory situations, the sale or transfer will be realized in such a way so as the efficiency and integrity of the SEE and environmental health will not be adversely affected.
- vi) Operating units of SEEs that incur losses will be liquidated by taking their functions into account.
- vii) Implementation of measures aiming to reduce idle employment in SEEs will continue; however, measures will be taken to meet their needs for qualified personnel.
- viii) In determining the price of energy inputs, that has adverse effects on manufacturing costs, a policy in favour of industrial users will be followed.

d. Borrowing Policy

- i) The main objective of the borrowing policy is to finance the public sector borrowing requirement with the minimum cost and risk by considering the maturity of debt, its composition in terms of currencies and interests, and risks.

- ii) To reduce liquidity risks, which may arise from cash and debt management, the policy of holding adequate amount of reserves will be continued.
- iii) Borrowing will be conducted predominantly with fixed interest rate and YTL denominated instruments. The maturity structure in borrowing will be extended to the limits that the market conditions allow.
- iv) In the period 2008-2010, implementations of Primary Dealer System, benchmark bond and those for enhancing investor base of the Government Domestic Borrowing Instruments (GDBI) will be continued.

e. Public Revenue Policy

The main aim of the tax policy is to contribute to supporting of growth and employment policies in harmony with the macroeconomic policies, reducing the informal economy and the establishment of a simpler, fair and broad-based tax system. In this context,

- i) Stability in implementing tax policies will be essential to help the market actors to make long-term economic decisions and increase the foresight in taxation.
- ii) The studies about the simplification of the tax legislation and broadening the tax base will be continued.

- iii) In the frame of effective mitigation with informality as well as policies for supporting investment and employment, regulations for the reduction of tax burden on transactions and employment will be taken within the capabilities of public finance.
- iv) The studies for the harmonization of tax legislation with the EU acquis will be continued.
- v) The studies to sign agreements for preventing double taxation with the countries, which our country has commercial relations but any double taxation agreement has not been signed yet, will be continued.

3. Monetary Policy and Price Stability

The basic objective of the monetary policy is to establish price stability and ensure its sustainability. To this end;

- i) The explicit inflation targeting regime, which has been implemented since the beginning of the year 2006, will be pursued.
- ii) In the framework of the implemented regime, the Central Bank will carry on using the short-term interest rates as the main instrument of the monetary policy.
- iii) In the forthcoming period, the Central Bank will continue to focus on the medium term perspective in inflation and formulate monetary policy decisions in this context.

- iv) For continuance of the support of the fiscal policy to successful implementation of the inflation targeting regime, adherence to the fiscal discipline and pursuance of the reforms aiming at enhancing the efficiency of the public finance, shall keep its importance.
- v) The main communication tool of the monetary policy will continue to be the Inflation Report, which is published quarterly.
- vi) In cases which inflation realizations display excessive deviations from the target or when any probable risk of deviation emerges, to ensure accountability and transparency of the monetary policy, the Central Bank will declare in written forms to the government and announce to the public the reasons of any deviation from the target and measures that should be taken in order to converge to the original target again. In this framework, the Central Bank will carry on announcing to the public the limits around the target in order to promote the operation of accountability principle.
- vii) The floating exchange rate policy, which has been implemented since 2001, will also be pursued in the forthcoming period.
- viii) In case of an excessive supply of foreign exchange in the market, the Central Bank will be able to hold the regular buying auctions to accumulate foreign exchange reserves.

- ix) In the cases of an excess volatility in foreign exchange rates or with the emergence of situations which could cause an excess volatility, the Central Bank would intervene in the foreign exchange market without aiming to affect the long-term equilibrium rate.

4. Balance of Payments

The sustainability of the current account deficit and its finance with healthy sources are essential. In this framework,

- i) In the traditional export sectors, incentive and state aid mechanisms directed towards high value added production will be continued effectively. In this context, current support mechanisms related to design, brand, marketing, and advertising will be enhanced and diversified.
- ii) Current support systems will be made effective in compliance with EU and WTO norms in order to develop high value added, capital and knowledge intensive, innovative, diversified and competitive products and direct them towards exports.
- iii) Inward Processing Regime will be rearranged.
- iv) In the medium term, to reduce the dependency of domestic production on imports, mechanisms will be developed to provide the production of imported inputs domestically.

- v) Alignment with the EU acquis, which is Turkey's obligation under the Customs Union, will be accelerated; the administrative, technical and physical infrastructure necessary for the effective implementation of the aligned legislation will be established; and surveillance and control in imports will be made effective.
- vi) Under the frame of "Tourism Strategy of Turkey (2023)", tourism advertising will be encouraged. Also contracting services abroad will be supported by mutual agreements about preservation of investments and credit mechanisms.

B. TARGETS AND INDICATORS DURING THE PROGRAMME PERIOD

1. Growth and Employment

- i) During the programme period, an average annual economic growth rate of 5.6 per cent is targeted.
- ii) During the programme period, the private consumption expenditures are expected to grow by 6.4 per cent, private fixed capital investments by 7.8 per cent, public consumption expenditures by 3.7 per cent and public fixed capital investments by 0.7 per cent on real average annual basis.
- iii) Within the same period, it is expected that 1.4 million new jobs will be created as a result of

employment policies aiming to increase employment opportunities.

2. Public Finance

- i) It is targeted that, public sector surplus to GDP ratio, which is expected to be 0.4 per cent in 2007, would turn into a deficit in 2008, then record a surplus again and increase to 2.3 per cent in 2010. It is foreseen that the general government balance will have a similar trend and the general government surplus to GDP ratio, which is expected to be 0.2 per cent in 2007, would increase to 2.1 per cent in 2010.
- ii) During the programme period, it is targeted that public sector surplus excluding interest payments and privatization revenues to GDP ratio would be around 7 per cent.
- iii) It is targeted that the general government expenditures to GDP ratio, which is estimated to be 43.3 per cent in 2007, would drop to 40.6 per cent in 2010 as a result of the fall in interest payments.
- iv) It is foreseen that the general government non-interest expenditures to GDP ratio, estimated to be 35 per cent in 2007, would be at the same level in 2010.
- v) It is expected that the general government revenues to GDP ratio, estimated to be 43.5 per cent in 2007, would be 42.7 per cent in 2010.

- vi) It is foreseen that the tax burden including social security premiums, excluding tax rebates, to GDP ratio, expected to be 31.8 per cent in 2007, would increase by some amount in 2008, but would decline to 31.3 per cent at the end of the period.
- vii) The share of the SEE system in the overall primary balance will decrease significantly as a result of ongoing privatization operations. The primary balance to GDP ratio of the SEE system, which has been realized as 0.62 per cent in 2006, is expected to be 0.22 per cent in 2010.
- viii) The State aims to withdraw from processing of tobacco products, petrochemical industry, electricity distribution and telecommunication sectors; and decrease its share in sugar production and port operation sectors.
- ix) In case the draft law that increase the shares of local administrations from the central government budget is enacted with its current articles, additional increases in the central government budget expenditures will be created as YTL 2.6 billion in 2008, YTL 4.2 billion in 2009 and YTL 4.5 billion in 2010.
- x) Within the framework of the rationalization efforts in investment programme, average completion time of the total investment stock, which is estimated to be 5.8 years in 2007, is

aimed to be reduced to less than 5.0 years in 2010.

- xi) It is targeted that, at the end of the Programme period, gross public debt stock to GDP ratio would decline by 11.2 points from the level in 2007.

3. Balance of Payments

- i) During the programme period, it is expected that the buoyant growth in world economy and trade will continue with a slight deceleration. In this context, at the end of the programme period, exports are expected to reach USD 137.5 billion with an average annual growth of 11.1 per cent and imports to amount USD 202 billion with an average annual increase of 9.5 per cent.
- ii) Tourism revenues that are estimated to be USD 19 billion in 2008 will be expected to reach USD 20.5 billion in 2010.
- iii) In line with these projections, the ratio of current account deficit to GDP is envisaged to move around 6 percent in the medium term.
- iv) Along the programme period, financing of balance of payments will be expected to improve, in this framework, the share of long term capital inflows and FDI will be expected to rise.

4. Prices

- i) In “Open Inflation Targeting” regime framework, the inflation targets that were determined as “point target” 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 2007, 2008 and 2009 year end inflation targets are determined as 4.0 percent, the inflation target for 2010 will be determined and announced at the end of 2007.
- ii) The joint determination of inflation targets by Government and the Central Bank will be continued in the Programme period.

III. DEVELOPMENT AXES IN THE PROGRAMME PERIOD

A. ENHANCING COMPETITIVENESS

1. Improving the Business Climate

The main objective is to improve the business climate by sustaining a competitive structure. Within this framework;

- i) Financial instruments will be diversified; accession of enterprises, particularly the SME's, to financial resources will be facilitated.
- ii) Efforts to reduce bureaucracy and simplify the procedures with a view to improve the business environment will be continued.
- iii) Efforts to ensure an effective state aid system, which is in line with the EU acquis, will be continued.
- iv) Based on corporate governance principles, widespread use of institutionalization in enterprises will be encouraged.
- v) In order to ensure the efficiency of the intellectual property system, institutional capacity will be strengthened, efficient cooperation and coordination between the institutions will be ensured, the culture of intellectual property will be constituted in a common and permanent way in the society.

- vi) Communication and information technologies infrastructure for enterprises will be improved and widespread usage of these technologies will be encouraged.
- vii) Opportunities for acquiring sites and lands with adequate infrastructure will be increased.
- viii) The adverse effects of taxes and burden on earnings and transactions of enterprises and employment over the competitiveness will be reduced by considering public financial balances.
- ix) Deterrent sanctions will be implemented to prevent behaviours restricting, obstructing or violating competition. Transparency of these implementations will be ensured and efforts to develop competition culture in the society will be continued.
- x) Industrial information system will be established.

2. Reducing the Informal Economy

Reducing the informal economy is the main objective for increasing competitiveness, preventing unfair competition and restoring public finance to a healthy structure. In this context;

- i) Under the scope of effective mitigation against informality, a strategy supported by all segments of the society will be implemented.
- ii) In order to reduce informality, the auditing capacity –primarily tax auditing - of public

institutions and agencies will be improved in terms of human and technological infrastructure.

- iii) Under the scope of the mitigation with informality, the ongoing efforts will be pursued for the formation and effective implementation of tax security arrangements such as product monitoring system and national market practice so as to ensure the taxes to be paid accurately.
- iv) By means of strengthening the technical and administrative infrastructure of all relevant public institutions, primarily Revenue Administration and Undersecretariat of Customs, the fight against smuggling will be carried out effectively in terms of all import items with a priority on fuel, tobacco products and alcoholic beverages.
- v) In order to reduce informal economy and informal employment, coordination among public institutions will be increased.
- vi) In order to track informal businesses, people and employees, the formal system will be strengthened.
- vii) Expectations towards all kinds of amnesties and debt restructuring, which encourage the informal economy, harm confidence to public authority, and cause losses in public revenues will be prevented.

- viii) In order to increase the social sensitivity in favour of the fight against informality, the activities to inform the society will be increased.

3. Developing the Financial System

Developing a financial system, which attained competitive scale, has diversified instruments and the depth to channel resources to investments and which is supervised and audited in international standards, is the main objective. In this framework,

- i) New capital market instruments will be developed and functionality of existing markets and instruments will be increased.
- ii) Effectiveness and competition will be promoted in financial markets.
- iii) The confidence and stability in financial markets will be strengthened.
- iv) The use of derivative instruments in risk management will be promoted; besides, risk perception related to these instruments will be increased.
- v) The regulation and supervision of financial sector will be improved in line with international standards and EU acquis. Collaboration and sharing information with foreign supervision agencies will be increased.
- vi) Awareness and protection of the rights and benefits of customers and development of the protective applications will be ensured.

4. Improving the Energy and Transportation Infrastructure

a. Energy

The main objectives of the energy policies are to meet the energy requirements of growing population and developing economy with minimum costs in a continuous, quality and secure manner through a transparent and competitive market environment where private sector investments dominate. In this context;

- i) To increase the security of energy supply in the long term and to preclude a likely electricity supply shortage in the medium term as per supply-demand projections, required measures will be taken.
- ii) Liberalization of the electricity market and the privatization of electricity distribution and generation in this regard will be expedited.
- iii) Priority shall be attached to energy efficiency.
- iv) 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.
- v) Efforts towards making Turkey a transit route and hub for the transportation of energy sources (oil, gas and electricity) in our region to the international markets will continue.

b. Transportation

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.

In this context;

- i) The existing highway infrastructure will be improved by the completion of the ongoing dual carriage highway projects and by upgrading their standards.
- ii) Mainly starting from highway traffic, traffic safety will be increased in all transport modes.
- iii) Efforts for integrating Turkish transport network to Trans-European Transport Network and providing Turkish ports to take place on the main axis of EU Motorways of the Sea (MoS) will be accelerated.
- iv) In freight transport, the priority will be given to maritime and railways.
- v) Passenger transport with high speed trains will be made widespread.
- vi) 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.

- vii) Hub ports will be established; ports will become logistics centres to facilitate combined transport and effective management of the ports will be ensured.
- viii) Flag, port and coastal state controls will be improved, and efforts will be made to encourage the Turkish citizens to prefer the Turkish Flag for the fleet they own.
- ix) Capacity will be increased in airports where traffic is concentrated and service standards will be upgraded in air transport.
- x) Necessary steps will be taken to make available regular and continuous air transport service in airports, where the traffic is low and scheduled flight service doesn't exist.
- xi) In meeting the transportation infrastructure requirements, models that increase the participation of the private sector will be developed.
- xii) Priority will be given to traffic and demand management strategies in order to achieve sustainability in urban transport. The transit systems to be implemented in cities will be in compliance with the universally approved selection criteria and financial structure of the municipalities.

5. Protection of Environment and Improvement of Urban Infrastructure

The main objective is environmental preservation and supplying urban infrastructure needs by protecting human health, natural resources and values in line with the principles of sustainable development. In this context;

- i) Administrative and supervision capacity for implementation of environmental legislation, which is formed to comply with the EU acquis, will be strengthened.
- ii) Efforts that will protect develop and add economic value to national biological diversity and genetic resources shall be increased.
- iii) Measures shall be taken to reduce greenhouse gases and eliminate likely impacts of climate change.
- iv) An institutional structure responsible for water management will be established.
- v) Urban infrastructure master plan and financial strategy will be prepared.
- vi) Sanitary landfill technology will be favoured in solid waste disposal and effectiveness will be provided in solid waste management.
- vii) The institutional capacity of municipalities will be strengthened in planning and operating urban environmental services and designing projects and implementation phase as well.

6. R&D and Enhancing Innovation

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

- i) In the field of science and technology, a national innovation system will be formed to enhance cooperation among institutions and the effectiveness of the private sector in the system.
- ii) The private sector will be supported to increase its capacity and demand for R&D.
- iii) Supports provided to the private sector to develop its cooperation with universities and other research institutions will be increased and made more effective. R&D activities of universities and research institutions shall be increased and directed towards the market demand.
- iv) Human resources in terms of R&D will be enhanced both quantitatively and qualitatively, and employment of R&D personnel in private sector will be promoted.
- v) Support will be provided to meet necessities of public institutions through R&D activities, and public procurement system will be revised into a structure, which will promote R&D activities and domestic technology production.

- vi) R&D supports directed towards reducing the defence industry's dependency abroad will be increased. The transmission of the technologies developed for the defence industry to other sectors, universities, research institutions and SMEs shall be ensured.
- vii) Cooperation with the leading countries in the field of R&D, primarily the EU countries, and relevant international organizations will be enhanced.
- viii) Social awareness with respect to science, technology, and innovation will be increased.
- ix) Studies towards establishment of technology transfer centres will be initiated.
- x) A monitoring and evaluation system will be established for policies and support mechanisms implemented in the field of science and technology.

7. Dissemination of Information and Communication Technologies

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

- i) Competition in the electronic communications sector will be enhanced through the

introduction of alternative infrastructures and services.

- ii) Legal arrangements that are needed to enhance competition in the sector will be made, and current regulations will be implemented in a timely and effective manner.
- iii) Access to information and communication technologies, broadband access in particular, will be made available to all segments of the society.
- iv) Postal sector will be restructured with a competitive approach on the principles of speed, quality, reliability and accessibility and in parallel with EU regulations.
- v) Public service broadcasting will be improved by taking technological developments 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.

8. Improving the Agricultural Structure

The basic objective in the agricultural sector is to develop a competitive structure with organized producers, taking into account the food security and safety concerns along with the sustainable use of natural resources.

In this framework;

- i) Agricultural supports will be restructured in the context of the Agricultural Strategy (2006-2010) Document and Law on Agriculture No. 5488, in order to ensure efficiency in production via differentiating them on the basis of area and product.
- ii) Statistical data concerning the agricultural policies will be improved both in terms of quality and quantity and information infrastructure will be improved.
- iii) The modernization efforts of the agricultural and food industry enterprises will be supported within the framework of pre-determined priorities, especially taking phytosanitary, animal health and food safety aspects into account.
- iv) Financial services for agricultural sector will be diversified and enhanced.
- v) Export subsidies will be channelled to higher value added and branded final products in order to increase the competitiveness of exports of agricultural products.
- vi) Organization of producers will be encouraged so as to increase productivity and marketing opportunities that will directly assist improvement of competitiveness.
- vii) In the plant production, determination of new species that are suitable for the ecological

circumstances and implementation of new production techniques will be ensured, efficient and integrated fighting methods against plant diseases and harmful organisms will be a principle task.

viii) In animal husbandry, measures that are already taken for breeding, fight against diseases and pests and production of quality fodder will be continued.

ix) In the fisheries sector, a sound resource management system will be introduced, institutional capacity for stock assessment will be developed and environmentally friendly aquaculture production will be enhanced.

x) Training and extension services will be preferred to be provided through strengthened producer organizations and current services provided by related government departments will be improved.

xi) Practices and means for efficient use of land and water resources will be given priority.

xii) Law on Soil Conservation and Land Use will prevent hereditary fragmentation of agricultural lands and will advance land consolidation efforts.

xiii) In the irrigation sector, efforts for the rationalization of public project stock will continue and alternative financing models will

be put into practice for accelerating expansion of irrigation investments.

xiv) Forests will be protected and exploited within the approach of sustainable management; afforestation, rehabilitation and urban forests will be improved; introduction and illustration activities will be intensified with giving emphasis on ecosystem.

xv) Measures will be taken to reduce probable adverse effects of climate change on agricultural sector.

9. Ensuring Transformation to High Value-Added Production Structure in Industry and Services

a. Industry

In manufacturing industry, the main objective is to increase the production of high value-added goods with an export-oriented perspective. In mining sector, the main aim is to improve security of raw material supply and contribution to the economy by increasing the value-added through further domestic processing. In this framework;

- i) Efforts directed towards increasing the exports of industry, particularly of medium- and high-technology sectors, will be continued.
- ii) Studies directed to prevention of unfair competition in imports will be maintained.

- iii) Establishment of new industrial enterprises in industrial zones and shifting existing enterprises to these zones will be encouraged; and importance will be given to cooperation activities among the enterprises.
- iv) It will be attempted for Turkey to become a production centre of the automotive, white goods, machines and electronics sectors, which are at the stage of medium and high technology.
- v) In order to promote the competitiveness of SME's and entrepreneurs, productivity increase, start up and development activities will be supported.
- vi) Accreditation, conformity assessment and market surveillance systems will be activated, and certification activities will be supported.
- vii) In traditional sectors, transformation toward a structure that is adaptive to international competition will be supported.
- viii) In order to form medium and long term perspectives in industry, general and sectoral policy documents will be made up by the cooperation of public and private sectors.
- ix) In defence industry, a system with necessary legislation focused on R&D-based procurement, domestic technology and capability accumulation will be established.

- x) 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.
- xi) Legal and institutional regulations in the mining sector will be completed.

b. Services

It is the primary objective to improve the competitive environment in services, which recently has become the repulsive power of the economy, and to increase the export of services.

Tourism

The main objective in the tourism sector is setting up a structure that contains the dynamics brought by globalization, improves the service quality while hosting more tourists, attracts high income tourists through the use of various marketing channels, preserves natural capital for sustained tourism activity and emphasizes types of tourism that fit the competitive advantages of our country. In this context;

- i) Tourism investments will be diversified and relocated from regions that are already developed and have high density of investment to other available areas in order to effectively distribute tourism activities to the entire year.
- ii) Each investment project will be evaluated with an approach that contributes to and preserves

the natural, historical, social and cultural environment.

iii) Adequate demand will be created in order to have the maximum share from the international tourism market.

iv) Cultural, social and natural beauties of Istanbul will be utilised in terms of sustainable tourism development.

Civil Engineering, Engineering-Architecture, Technical Consultancy and Contracting Services

Main objective is to improve the quality of services, the human and physical capital and thus to increase the value added, inflow of foreign exchange and the employment of the sector in a manner that is compatible with the economic and social necessities of the country, complies to international rules, makes use of the state-of-the-art technology and is sensitive to the environment. To this end;

i) Firms' access to financial resources will be eased.

ii) The quality of the employed labour force in the sector will be increased.

iii) Technical consultancy and contracting services will be provided securely and the quality of these services will be in accordance with the international standards.

Information Technology Services

Positioning Turkey's information technology sector as a regional player in the software and services is the main objective. Within this framework;

- i) The competitiveness of information technology services sector will be increased.
- ii) The quality level of information technology services sector will be increased and the sector will be directed towards export.
- iii) The legal and organisational regulations supporting the development of the sector will be completed.

Commercial Services

The main objective in the commercial sector is to increase the efficiency in a competitive environment. In this context;

- i) A sector structure protecting the competition and consumer, supporting the production in the related sectors, preventing unregistered economy, increasing efficiency and quality, supporting a balanced development among the internal players in the sector and compatibility with hygienic regulations will be formed in the wholesale and retail sectors.
- ii) Logistic and combined transportation activities will be improved for transporting goods with a high quality, cheap and expedited transportation system. Bureaucratic

transactions will be simplified and consolidated for single point solutions.

- iii) Besides the establishment of the licensed storage system, which supports the development of product specialized markets and future markets, the efforts towards solving the corporate and operational problems will be continued.

B. FOSTERING EMPLOYMENT

1. Improving Labour Market

Within the framework of employment-oriented sustainable growth, developing qualified human resources required by a competitive economy and knowledge based society, improving employment opportunities and decreasing unemployment are the main objectives.

In this regard;

- i) Burdens on employment shall be reduced with a view to create new employment opportunities, increasing the number of decent jobs and reducing unregistered employment, while taking into account the actuarial balances.
- ii) Labour market will become more flexible and mobile, while a balance between flexibility and job security is attained.

- iii) Adaptation capability of businesses and workers to the changes shall be enhanced.
- iv) Social dialogue culture shall be disseminated and social dialogue mechanisms shall be strengthened.
- v) Equal opportunities will be provided for women, youth, long term unemployed, disabled and previously convicted persons who face difficulties in the labour market.

2. Increasing Sensitivity of Education to Labour Demand

With a view to increase sensitivity of education to labour demand, through taking into account the life-long learning strategy, training manpower in the areas requested by the economy, and enabling education to have a more flexible structure are main objectives.

In this framework;

- i) In order to train manpower with the quality needed by the business world, the mechanisms that will strengthen the cooperation between education system and labour market shall be set up.
- ii) Life-long learning strategy will be prepared.
- iii) The units and programs of the higher education shall be updated in accordance with the process of transformation to a knowledge-based society and the developments and requirements at the regional, national and international levels.

- iv) Financial contribution of the private sector to the activities towards developing qualified labour will be encouraged.

3. Improving Active Labour Market Policies

Development of active labour market policies, which cover public employment services, job creation and training of labour force, and aim at creating employment for labour force, particularly for disadvantaged groups, and improving their qualifications and incomes, in line with the demands of labour market, and increasing the quality of services provided in this regard are the main objectives. In this framework;

- i) Active labour market programs shall be implemented effectively and their coverage shall be widened in accordance with needs assessments of labour market.
- ii) Financial resources allocated for active labour market policies shall be increased.
- iii) Qualified personnel inadequacy and physical capacity deficiency of Turkish Employment Agency and its provincial directorates shall be removed.
- iv) Micro-level projects aiming at employment creation shall be supported.

C. STRENGTHENING HUMAN DEVELOPMENT AND SOCIAL SOLIDARITY

1. Improvement of the Educational System

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.

In this framework;

- i) Administrative structure shall be reorganized in order to improve quality, efficiency and competitiveness in education.
- ii) Education curricula shall be revised and necessary updates shall be made, in-service training activities shall be provided in required fields, and diversification in terms of programs rather than of schools shall be ensured in secondary education.
- iii) An effective orientation system shall be established in primary and secondary education levels.
- iv) Equipment needs shall be met at all levels of education and physical infrastructure shall be improved.
- v) Number of teachers and academic staff shall be increased in required fields and regions.

- vi) Use of information technologies in education shall be extended and made effective.
- vii) Barriers for access to education in all levels of education and in this regard the regional and gender disparities shall be removed.
- viii) Alternative financing models shall be developed in all levels of education.
- ix) Necessary measures shall be taken in order to remove disciplinary problems, primarily the problem of violence in education institutions, and to bring up individuals equipped with "citizenship consciousness".

2. Improving Health System

The basic objective of health policy is to ensure the participation of all citizens in economic and social life as healthy individuals and to raise their quality of life.

In this context;

- i) Primary health services, particularly preventive and mother-child health care services shall be strengthened and dispersed.
- ii) Accessibility of health services particularly primary level services shall be improved.
- iii) Health service personnel shall be trained in the required areas.
- iv) The principle of "Rational Use of Drugs" shall be made effective.
- v) Ministry of Health shall be restructured to strengthen its role of regulating, planning and controlling.

- vi) In the provision of health care services, rights and satisfaction of patients shall be emphasized.
- vii) In order to improve the service quality, hospital management shall be made autonomous and an accreditation system for health agencies shall be developed.
- viii) National Health Information System shall be made effective.

3. Improving Income Distribution, Social Inclusion and Combating Poverty

The main objective is to enable the individuals and groups, who are under the risk of poverty and social exclusion, to participate more actively in economic and social life and to secure social integration through upgrading their quality of life. Within this framework;

- i) Transfer policies shall be made effective in order to improve the redistribution of income in favour of the poor.
- ii) Major services such as education, health, employment and social security shall be made more accessible and equally beneficial for the disadvantaged groups.
- iii) The activities aiming at poverty reduction shall be effective enough to prevent the formation of a culture of poverty, through diversification according to the conditions of the poor. For the poor, who have emerged as a result of the

structural transformation in agricultural sector, income generating and entrepreneurship encouragement activities in non-agricultural sectors shall be supported.

- iv) Active employment policies shall be elaborated for the unqualified and poor segments of immigrants in order to enable them to integrate into the society by increasing their employability.
- v) Women's employability shall be increased in order to improve their participation in economic and social life by developing vocational education possibilities.
- vi) Necessary measures shall be taken with a view to prevent violence against women.
- vii) Training shall be provided, for the families concerned, on child-care, and care for the elder and the disabled.
- viii) Activities, which are directed towards improving the status of children who live under depressed conditions and preventing child labour, shall be strengthened.
- ix) Social and physical milieu shall be improved for the handicapped, and vocational education opportunities and counselling services aimed at their employment shall be developed.
- x) At-Home care services for the aged shall be supported, along with increasing the quantity and quality of institutional care services.

- xi) Services aimed to re-socialize the convicted persons shall be made effective.

4. Increasing Effectiveness of the Social Security System

The basic objective is to provide the social security system, comprised of social insurance, social services and social assistance, with a structure that covers the entire population, can meet the changing needs of the society, has financial sustainability and effective inspection mechanism, and provides good quality services. Within this framework;

- i) The social insurance system will be extended in a way to cover the entire working population by preventing unregistered employment.
- ii) Financial sustainability of the social security system will be achieved by considering the actuarial balances.
- iii) A structure, which will prevent loss of rights and repeated benefits and provide effective, accessible and sustainable services, will be established through transition to full automation in the IT infrastructure of the social security system.
- iv) By setting up a common database to determine the individuals that will benefit from the social services and assistance, a detection mechanism based on objective criteria will be established

and cooperation and communication among the institutions in the system will be provided.

- v) Alternative care models will be supported for the children who need protection. Ameliorative measures shall be introduced where institutional care service is necessary.
- vi) The shortage of qualified personnel in the area of social services and assistance will be eliminated and the qualifications of the existing personnel will be improved.
- vii) Social services and assistance activities of local administrations and non-governmental organizations will be encouraged.

5. Protecting and Promoting Culture and Strengthening Social Dialogue

The main objectives are protecting and improving the cultural prosperity and diversity in the social change process and transmitting them to the next generations; raising individuals in self esteemed way with the capability to converge the contemporary values with our identity that is shaped by our cultural heritage, which has been enriched by our values and attitudes that we need today and has been transmitted from past to today. It is also aimed that all individuals will live within the framework of common cultural values and respect to differences in an atmosphere of tolerance, culture of compromise and social solidarity.

- i) The efforts for building an inventory of our cultural heritage in the country and abroad,

protection and restoration of this cultural heritage will be carried out in a planned manner and the consciousness of the public regarding this issue will be enhanced through education.

- ii) Necessary measures shall be taken to enable all segments of the society to access easily to and benefit equally from the cultural services.
- iii) Appropriate framework, including location and financial support, will be prepared for promotion of and support to visual, aural and scenic arts.
- iv) Increasing the number of endemic examples that were offered for tourism with protecting their authentic aspects will be supported in the context of promotion and extension of cultural tourism.
- v) Cultural goods will be transformed into export products in accordance with the tourism sector and the obstacles that make exports difficult will be eliminated.
- vi) The production of cultural works such as cinema and documentary films will be stimulated and the contribution of culture sector in GNP and exports will be increased.
- vii) The tasks and responsibilities of the Ministry will be redefined with the aim of determining effective policies to protect, foster and promote our cultural identity, and extending

necessary coordination among the relevant institutions.

- viii) Correct and effective usage and enrichment of Turkish language will be provided.
- ix) By considering culture as a collection of values determining our way of life, strengthening of positive aspects of our culture will be provided.
- x) Measures shall be taken to alleviate the socio-cultural adaptation problems stemming from intensive migration and rapid and wry urbanization.
- xi) Social research projects will be prioritized in order to elicit the institutions and sources that feed the culture of solidarity, tolerance and reconciliation and also to elicit the factors that undermines it.
- xii) Measures shall be taken to improve communication of the youth with their families and the society, progress their self-esteem, and increase their sensitivity and feeling of belonging to the society and their participation to the decision-making processes.
- xiii) Efforts shall be given to develop mechanisms, which will ensure non-governmental organizations to participate in decision-making processes, with an aim to improve democratic participation, transparency and social communication in public policy formation.

D. REGIONAL DEVELOPMENT AND REDUCING REGIONAL 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.

1. Increasing the Effectiveness of Regional Development Policy at the Central Level

- i) 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, principles and standards of strategies and plans at lower scales -provincial and regional-, principles and standards will be identified.
- ii) 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.
- iii) A selective and spatial focused state aid system, which takes regional and sectoral priorities into consideration, as well as

necessary mechanisms for monitoring the implementation and evaluating the results of this system, will be set up. Necessary mechanisms for monitoring of implementation and evaluation of results will be set up with selective and spatial focused state aid system which takes regional and sectoral priorities into consideration.

- iv) Through an analysis of interregional migration tendencies, the strategies and policies will be developed to direct migration tendencies to those centres which are determined as regional centres.
- v) The basic migration-related problems of cities, which are under the pressure of massive migration, will be identified; together with actions aiming social cohesion, physical and social infrastructure will be improved in the areas, which suffer the most from the migration together with actions aiming social cohesion.

2. Enhancing Ensuring Development Based on Local Dynamics and Internal Potentials

- i) In order to support specialization in local level, particularly in less developed regions, human resources and social capital will be improved; labour training and entrepreneurship programmes, which take regional potentials

and peculiarities of labour markets into account, will be implemented.

- ii) In order to support production that based on university-industry cooperation and local specialization, practice of sectoral organized industrial zones will be started practiced in eligible regions.
- iii) Capital inflow to regions will be accelerated via the effective publicity and promotion of regions' business and investment opportunities at national and international levels.
- iv) Constitution Formation of mechanisms that aim to support the formation of local clustering areas, to increase the collaboration between the actors in the cluster and to provide integration with world markets will be encouraged.

3. Improving the Institutional Capacity at Local Level

- i) Institutional structures primarily the development agencies will be established at local level, capacities of capacity-building activities for the existing structures will be strengthened continued and cooperation division of duties between the central and local institutions will be made effective.
- ii) The duties and competencies regarding physical planning of local and central agencies

will be clearly defined and an effective auditing mechanism will be set up.

4. Achieving Rural Development

- i) Rural development plan will be finalized and the institutional structures that the plan requires will be improved.
- ii) Necessary measures will be taken in order to employ forest villagers and the labour force which quitted agricultural activities in multi-dimensional tourism and recreation, handcrafts, agriculture based industry and other alternative production activities in their own regions.
- iii) Awareness in rural areas about the information and communication technologies (ICT) will be increased, necessary infrastructure and guidance mechanisms will be improved for access and utilization of these technologies.
- iv) Priority will be given to the projects improving cooperation among actors at local level, enhancing development initiatives with bottom up approach, based on participation and cost-sharing.
- v) In the provision of public services and public investments in the rural areas, by giving priority to sub-province centres, municipalities and central settlements, which on account of their locations have the potential of

development and providing services to the surrounding settlements, will be prioritised and theirthe infrastructure of these central settlements will be improved.

vi) Principles and criteria of rural settlement planning will be determined according to the characteristics of rural area and needs of rural community.

vii) Necessary measures will be taken to provide sustainable living conditions for the citizens, in their initial or new settlements on their claim, who departed from their settlements because of the inevitable reasons such as natural disasters, expropriation etc.

E. IMPROVING THE QUALITY AND EFFECTIVENESS IN PUBLIC SERVICES

1. Rationalizing Authorities and Responsibilities Among Institutions

In order for the public agencies and institutions to perform their principal duties; the main targets are ensuring harmonization between their tasks and administrative structures, the abolition of the units whose functions are no more needed, non-establishment of new departments except for necessary conditions arising from service requirements, the transfer of duties and authorities from the central administration to local administration taking into account the principles set forth by the

European Charter of Local Self-Government, setting up nationwide minimum service standards for the services provided by local administrations and auditing the compliance with these standards. Within this framework;

- i) For providing public services more efficiently and effectively, the existing complexities and ambiguities of duties and authorities among public institutions will be removed and all public institutions will be ensured to have structures in which they will perform their main duties.
- ii) Nationwide minimum service standards for the services provided by local administrations will be determined and the compliance with these standards will be audited by central administration.
- iii) Works on the draft General Administrative Procedure Law will be completed.

2. Enhancing Policy Making and Implementation Capacity

In order to rationalize the policy formulation process and to ensure that the policies are based on data and information, qualitative and quantitative data management systems will be developed. Numerical, simulative and analytical methods will be utilized in both policy formulation and costing processes.

The budget will be structured to indicate the performance of public administrations by considering

the costs of the policies to be implemented, the groups affected by these policies and the opportunity costs.

The managerial decisions in public administrations will be formed with a medium and long term point of view based on strategic plans.

- i) The strategic planning and performance based budgeting works at the institutional level, which are being conducted within the framework of the public financial management reform, will be rolled out in a scheduled manner.
- ii) Within the framework of strategic plans and performance programs; measurement, monitoring and evaluation processes will be improved.
- iii) The existing administrative and human capacity in public administrations will be developed in terms of both quality and quantity, in line with the strategic management approach, and programmes targeting the harmonization of the management culture with the new structure will be organized.

3. Improving Human Resources in Public Sector

The main targets are the effective human resources planning, the employment of personnel in terms of numbers and qualifications in line with the service requirements, the realization of reform for

public servants regime, and widening the use of norm cadre in public institutions and agencies.

- i) Necessary measures will be taken to allocate public personnel quantitatively and qualitatively in a well-balanced way and to enhance the capabilities of public personnel.
- ii) Training programs regarding e-Government and Information and Communication Technologies will be developed and the competences of the personnel who take place in these projects will be enhanced.

4. Enhancing the Disseminating and Effectiveness of e-Government Applications

The main objective is to establish necessary infrastructure related to e-government, which is an important tool for quality, speed and effectiveness of public service provision. In this respect, public ICT investment projects and applications will be carried out with an integrated manner, the coordination and secure electronic data transmission among public agencies will be executed, and a public management approach, based on good governance principles, will be adopted. Within this framework;

- i) On-line public services will be provided on the basis of needs, life cycles and business processes of citizens and businesses; and public processes will be improved.

- ii) The interoperability among public agencies will be provided and one-stop, continuous, secure and multi-channel integrated public service provision will be achieved.
- iii) Information and communication technologies will be used effectively in the provision of public services, and resource utilization efficiency will be increased, and hence savings in public current expenditures will be achieved and public income will be increased.
- iv) In the delivery of e-government services, necessary measures will be taken to enhance data security and protection of personal data privacy.
- v) Necessary precautions will be taken to disseminate the use of e-government services.

5. Improving the Judicial System

Efforts towards increasing the quality of judiciary process and main components of this process will be continued; legal and institutional regulations, which will ensure fast, fair, reliable and proper operation of the judiciary process, in line with the rule of law and the supremacy of law, will be adopted. With the aim of reducing the workload of judicial authorities, development of alternative dispute resolution methods, increasing the number of judges, prosecutors and other judicial staff, alleviation of the deficiency of technical and physical infrastructure of judicial service units and transfer of judicial services

into the electronic environment will be ensured. In that framework;

- i) Judicial services that will ensure fast, fair, reliable and proper operation of the judicial process will be realized.
- ii) Legislation regarding the professional ethics rules in line with the international standards, with which the judicial system personnel should comply, will be made.

6. Enhancing the Effectiveness of Security Services

The security services will be concentrated on fighting against financial and organised crimes, illegal migration and asylum, human trafficking, using and trading drugs and terrorism while keeping on the security measures for public and individual safety. In this content;

- i) Public security services will be given with the public support and concentrate on individual satisfaction while adopting the approach which prevents the criminal matters at the origin and going to suspect by way of evidence.
- ii) Fight against financial and organised crimes, against terrorism and its finance will be carried on effectively.
- iii) Fight against illegal migration and asylum, human trafficking, drugs using and trading will be carried on effectively.

7. Natural Disasters

Disaster management, at both central and local level, will be restructured in an adequate, effective and comprehensive form with institutional, administrative and legal dimensions.

- i) Overlapping responsibilities and duties of institutions relating to disaster management will be eliminated and necessary arrangements will be realised by reviewing existing laws and regulations.
- ii) The development and building codes will be revised in terms of risk mitigation and management in order to make cities safer.
- iii) Compulsory Earthquake Insurance will be improved in order to cover countrywide and all disaster types and buildings.

ANNEX TABLE - 1: MAIN ECONOMIC INDICATORS

	2008	2009	2010
GROWTH AND EMPLOYMENT			
GDP (Billion YTL, Current Prices)	719.9	791.4	869.9
GDP (Billion Dollars, Current Prices)	482.7	527.2	571.2
GDP Per Capita (Dollars)	6,456	6,969	7,466
GDP Growth ⁽¹⁾	5.5	5.7	5.7
Total Consumption ⁽¹⁾	5.2	6.2	6.6
Public	4.9	2.1	4.1
Private	5.3	6.9	6.9
Total Fixed Capital Formation ⁽¹⁾	7.2	6.0	5.7
Public	-0.9	0.5	2.5
Private	9.5	7.5	6.5
Total Final Domestic Demand	5.7	6.2	6.4
Total Domestic Demand	5.2	6.1	6.3
Population (Midyear, Million)	74.8	75.6	76.5
Labour Force Participation Rate (In Percent)	48.5	48.8	49.3
Employment (Million)	23.1	23.6	24.1
Unemployment Rate (In Percent)	9.6	9.5	9.5
FOREIGN TRADE			
Exports (FOB) (Billion Dollars)	112.4	124.2	137.5
Imports (CIF) (Billion Dollars)	168.4	184.1	202.2
Foreign Trade Balance (Billion Dollars)	-56.0	-59.9	-64.7
Export / Import (In Percent)	66.7	67.5	68.0
Foreign Trade Volume / GDP (In Percent)	58.2	58.5	59.5
Tourism Revenues (Billion Dollars)	19.1	19.8	20.5
Current Account Balance (Billion Dollars)	-31.0	-32.9	-35.4
Current Account Balance / GDP (In Percent)	-6.4	-6.3	-6.2
Crude Oil Price (Dollars per Barrel)	57.6	54.7	51.7
Crude Oil Imports (Billion Dollars)	10.9	10.7	10.5
PRICES (Percent Change)			
Consumer Prices (End of Year) ⁽²⁾	4.0	4.0	--

(1) Real percentage changes.

(2) For the years 2008 and 2009, the targets of the CB are used. The target of 2010 will be determined in the following term.

ANNEX TABLE 2 : SELECTED FIGURES ABOUT PUBLIC FINANCE (1)

(As of GDP, In Percent)

	2008	2009	2010
PUBLIC SECTOR GENERAL BALANCE (PSGB) (2)	-0.53	1.85	2.26
General Government	-0.79	1.59	2.08
Central Government Budget (3)	-2.59	-0.83	-0.20
Local Governments	0.14	0.11	0.12
Extra Budgetary Funds	0.59	1.26	1.12
Unemployment Insurance Fund	0.91	0.89	0.87
Social Security Institutions	0.00	0.00	0.00
General Health Insurance	0.00	0.00	0.00
Revolving Funds	0.16	0.16	0.17
SEEs (Including SEEs under the scope of privatization)	0.26	0.26	0.18
PSGB EXCLUDING INTEREST PAYMENTS AND PRIVATIZATION REVENUES	7.00	6.94	7.01
General Government	6.63	6.57	6.73
Central Government Budget (3)	5.10	5.00	5.24
Local Governments	0.30	0.26	0.28
Extra Budgetary Funds	0.16	0.25	0.18
Unemployment Insurance Fund	0.91	0.89	0.87
Social Security Institutions	0.00	0.00	0.00
General Health Insurance	0.00	0.00	0.00
Revolving Funds	0.16	0.16	0.17
SEEs (Including SEEs under the scope of privatization)	0.37	0.37	0.27
Central Government Budget Revenues (3)	28.88	28.08	27.26
Central Government Budget Expenditures (3)	31.47	28.91	27.45
Tax Burden Excluding Social Security Premiums (Excluding Tax Rebates)	24.81	24.23	23.97
Tax Burden Including Social Security Premiums (Excluding Tax Rebates)	32.21	31.60	31.30
Public Net Debt Stock	39.40	35.10	30.60

(As of GDP, In Percent)

<p>The general government balance, which does not include the SEEs, is calculated by recording the public resource as a revenue item in the account of the public unit which first generated the flow, as an expenditure item in the account of the unit which performs the final expenditure. Thus, deficit (or surplus) figures vary as to budget classifications, while the the total balance figures are kept unchanged.</p>			
	2008	2009	2010
GENERAL GOVERNMENT BALANCE (GGB) (2)	-0.79	1.59	2.08
Central Government Budget (3)	0.56	2.18	2.64
Local Governments	-0.25	-0.30	-0.25
Extra Budgetary Funds	0.46	1.12	0.98
Unemployment Insurance Fund	0.91	0.89	0.87
Social Security Institutions	-1.86	-1.90	-1.90
General Health Insurance	-1.03	-0.83	-0.69
Revolving Funds	0.42	0.43	0.43
GGB EXCLUDING INTEREST PAYMENTS AND PRIVATIZATION REVENUES	6.63	6.57	6.73
Central Government Budget (3)	8.26	8.02	8.08
Local Governments	-0.09	-0.14	-0.10
Extra Budgetary Funds	0.03	0.11	0.05
Unemployment Insurance Fund	0.91	0.89	0.87
Social Security Institutions	-1.86	-1.90	-1.90
General Health Insurance	-1.03	-0.83	-0.69
Revolving Funds	0.42	0.43	0.43
General Government Revenues	43.94	43.65	42.66
General Government Revenues Excluding Privatization Revenue	42.97	42.14	41.73
General Government Expenditures	44.74	42.06	40.58
General Government Expenditures Excluding Interest Payments	36.33	35.57	34.99
Central Government Budget Revenues (3)	25.95	25.20	24.41
Central Government Budget Expenditures (3)	25.39	23.02	21.77

(1) (-) sign indicates deficit.

(2) Indicates the difference between revenue and expenditure

(3) Since the regulatory and supervisory agencies submit their budget proposals directly to the Turkish Grand National Assembly until the end of September, budget figures of these institutions are used as estimation.