

Table 1. Turkey: Quantitative Performance Criteria and Indicative Targets

	March 31, 2001		May 31, 2001		June 30, 2001		July 31, 2001	Sep. 30, 2001	Dec. 31, 2001
	Ceiling/Floor	Outcome	Ceiling/Floor	Outcome	Ceiling/Floor	Outcome	Ceiling/Floor	Ceiling/Floor	Ceiling/Floor
I. Performance criteria									
1. Floor on the cumulative primary balance of the consolidated government sector (in trillions of Turkish lira)	1,850	3,560	3,250	6,288	...	...	4,250	6,200	9,250
2. Ceiling on contracting or guaranteeing of new external public debt (in millions of US\$)	5,500	1,035	...	...	7,500	1,783	...	12,000	17,000
3. Ceiling on the stock of public short-term external debt outstanding (in millions of US\$)	1,100	1,000	...	...	2,100	0	...	2,100	2,100
4. Ceiling on the cumulative primary expenditure of the central government (in trillions of Turkish lira)	5,830	5,480	11,400	10,950	...	...	17,450	24,150	35,460
							July-Aug., 2001	Sept.-Oct., 2001	Nov.-Dec., 2001
5. Floor on change in net international reserves (in millions of US\$) 1/	...	...	-1,500	-837	-3,562	-3,059	-2,500 2/	-2,600	-600
							Aug. 31, 2001	Oct. 31, 2001	Dec. 31, 2001
6. Ceiling on the stock of net domestic assets of the CBT (in trillions of Turkish lira)	0	5,117	9,750	7,942	13,250	12,943	17,250	21,150	22,400
II. Indicative targets									
1. Floor on the cumulative overall balance of the consolidated government sector (in trillions of Turkish lira)	-2,620	-1,945	-4,750	-4,398	...	...	-11,750	-18,150	-26,450
							Aug. 31, 2001	Oct. 31, 2001	Dec. 31, 2001
2. Ceiling on base money (in trillions of Turkish lira)	...	...	5,900	5,815	6,050	6,247	7,175	7,550	7,750

1/ Floors correspond to changes in NIR during the period specified in Annex F of the Memorandum on Economic Policies attached to the May 3, 2001 Letter of Intent.

2/ Includes \$500 million carryover from previous period.

Table 2. Turkey: Structural Policy Conditionality, 2001

Action	MEP Ref. ^{1/}	Type of Action	Timing	Status, July 25, 2001
Banking Sector Reform				
1. Reduce the SDIF and state banks' overnight position by at least two-thirds from the March 16, 2001 level	¶18	Condition for the completion of the 6th and 7th reviews		Done
2. Eliminate the SDIF and state banks' remaining overnight position	¶18	Condition for the completion of the 8th review		Done
3. The stock of repos of the SDIF and state banks with the CBT not to exceed TL 7 quadrillion	¶18	Condition for the completion of the 8th review	By end-May 2001	Done
4. Establish a common and politically independent board for Ziraat and Halk reporting to the treasury and appoint new management	¶10	Condition for completion of the 6th and 7th reviews		Done
5. Complete financial restructuring of state banks	¶10	Condition for completion of the 6th and 7th reviews		Done
6. Close Emlak Bank and transfer its liabilities and some of its assets to Ziraat Bank	¶11	Condition for completion of the 8th review	By end-May 2001	Done before 8 th review
7. The SDIF to recapitalize Sümerbank to cover its negative net worth	¶12	Condition for completion of the 6th and 7th reviews		Done
8. Recapitalize the remaining seven SDIF banks to cover their negative net worth	¶13	Condition for completion of the 6th and 7th reviews		Done
9. Organize in a second transition bank or put into liquidation the four banks for which there are presently no bidders	¶13	Condition for completion of the 8th review		Done (three banks merged; one bank's closure pending court case)
10. Sell, put into liquidation, or otherwise resolve the remaining SDIF banks	¶13	Condition for completion of the 12th review	End-2001	One bank sold; two others close to sale

Action	MEP Ref. ^{1/}	Type of Action	Timing	Status, July 25, 2001
11. (a) Presentation by all capital-deficient banks of detailed capital strengthening plans	¶15	Prior action for 6th and 7th reviews Condition for completion of the 8th review	By end-April 2001	Done
(b) Finalization of commitment letters by the banks on recapitalization plans	¶12 ^{2/} ¶16 ^{3/}			On track
12. Parliamentary approval of amendments to Banking Law	¶16	Condition for completion of the 6th and 7th reviews		Done
13. Adopt connected lending regulation	¶17	Benchmark	Within one month of approval of Banking Law	Done
14. Bring accounting standards for banks in line with international standards	¶17	Benchmark	From the beginning of 2002	
Fiscal Transparency and Management				
15. Close the remaining 15 BFs (except DFIF) and 2 EBFs	¶19	Benchmark	End-June 2001	Done
16. At least halve the number of revolving funds	¶19	Benchmark	End-2001	
17. Submit to parliament a Law on Public Finance and Debt Management	¶19	Benchmark	End-June 2001	Done
18. Accompany the draft 2002 budget by accounts and financial outlook for EBFs and SSIs, revolving funds, contingent liabilities, SEEs, and local authorities	¶19	Benchmark		
19. Submit to parliament a Public Procurement Law in line with EU standards	¶19	Benchmark	By October 15, 2001	
Increasing the Role of Private Domestic and Foreign Capital in the Turkish Economy				
20. Parliamentary approval of legislation to facilitate Turk Telekom privatization	¶21	Prior action for 6th and 7th reviews		Done
21. Appointment of new professional board and management team for Turk Telekom	¶21	Condition for completion of 8th review		Done

Action	MEP Ref. ^{1/}	Type of Action	Timing	Status, July 25, 2001
22. Contract advisors to develop a corporatization plan for Turk Telekom	¶21 ^{3/}	Benchmark	End-October 2001	
23. Complete privatization plan for Turk Telekom	¶21 ^{3/}	Benchmark	End-2001	
23 Parliamentary approval of Tobacco Law	¶21	Condition for completion of 8th review	May 2001	Done. Law vetoed by President, and will be re-submitted to Parliament in September
24. Passage by parliament of a law fully implementing the constitution amendment on international arbitration	¶22	Benchmark	Before Parliament's summer recess	Done
Fiscal Policy and Public Debt Management				
25. Approval of tax measures: (a) increase petroleum consumption tax by 15 percent in early May; (b) increase VAT rates (except the reduced 8 percent rate) by 1 percentage point; and (c) increase, as of April, the minimum contribution base relevant for social security payments in line with the existing regulations	¶30	Prior action for 6th and 7th reviews		Done
26. Approval of supplementary budget in line with program expenditure figures and offsetting budgetary measures listed in ¶6 of the present letter	¶34	Condition for completion of 8th review		Done
27. Enact tax regulation to extend the use of tax identification numbers	¶34	Condition for completion of 8th review	End-May 2001	Done before 8 th review
28. Reduce the stock of private sector tax arrears from the end-2000 level of 2 percent of GNP (including interest and penalties)	¶34	Benchmark	End-2001	

1/ Unless indicated otherwise, this refers to relevant paragraphs in the May 3 Memorandum on Economic Policies (MEP).

2/ Refers to the paragraph in the June 26, 2001 Letter of Intent.

3/ Refers to the paragraph in the present Letter of Intent.