Monthly Rate of Depreciation Vis-à-Vis the Basket

2000	
January	2.1
February	2.1
March	2.1
April	1.7
May	1.7
June	1.7
July	1.3
August	1.3
September	1.3
October	1.0
November	1.0
December	1.0

Privatization Program

THY
TUPRAS
POAS
PETKIM
ISDEMIR
TUGSAS
DENIZ NAKLIYAT
ASIL CELIK
TURBAN
SUMER HOLDINGS
TAKSAN
TUMOSAN
ATAKOY MARINA AND TOURISM
GUVEN SIGORTA
IGSAS
SEKA
EBAS
KBI
TRABZON LIMANI
TZDK
ERDEMIR

Table 1. Turkey: Performance Criterion on the Cumulative
Primary Balance of the Consolidated Central Government

	Floors (In trillions of lira)
Cumulative primary balance from December 31,1998 to:	
December 31, 1999	1,000

The primary balance of the *consolidated central government* (Table 1) comprises the primary balance (revenue minus noninterest expenditures) of the consolidated central government (consolidated budget). Excluded from revenues are privatization receipts. The limit on the primary balance will be monitored from above the line on a “modified cash” basis—the so-called consolidated budget adjusted balance.

Table 2. Turkey: Performance Criteria on the Cumulative
Primary Balance of the Consolidated Government Sector

	Floors (In trillions of lira)
1. Cumulative primary balance from December 31, 1999 to:	
March 31, 2000 (performance criterion)	1,550
June 30, 2000 (performance criterion)	2,600
September 30, 2000 (performance criterion)	3,900
December 31, 2000 (performance criterion)	4,500
2. Cumulative primary balance including privatization proceeds from December 31, 1999 to:	
March 31, 2000 (indicative floor)	2,150
June 30, 2000 (indicative floor)	3,850
September 30, 2000 (indicative floor)	5,900
December 31, 2000 (performance criterion)	9,100

1. The primary balance of the *consolidated government sector* Table 2, item 1 comprises of the primary (primary revenue minus noninterest expenditures) balances of the consolidated central government (consolidated budget), four extrabudgetary funds (EBFs) and eight state economic enterprises (SEEs) identified below, the unemployment insurance fund, the social security institutions, and any new government funds and institutions established after November 1, 1999. The quarterly floors on the primary balance of the consolidated government sector (CGS) will be monitored:

- For central government from above the line on a modified cash basis (the so-called consolidated budget-adjusted balance
- For the EBFs, SSIs, and the unemployment insurance fund from above the line on a cash basis;
- For the SEE, from below the line as described in paragraph 7.

2. For the purposes of the program, the primary revenues will exclude interest receipts, profit transfers of the Central Bank of Turkey (CBT) and proceeds from the sale of assets of the CGS (privatization proceeds or transfers thereof). Interest receipts of EBFs, the SEEs unemployment insurance fund, and SSIs will not be excluded. As well, the floor on the primary balance will be adjusted upwards for any increase in revenues arising from changes in the revenue sharing agreement between any components of the CGS and other elements of the public sector, including local authorities. The floor on the primary surplus will be adjusted upwards (downwards) in line with the projected surplus (deficit) of the primary

balance of any fund or entity existing on November 1, 1999 that is incorporated in the CGS after November 1, 1999.

3. A separate annual performance criterion (Table 2, item 2) is established on the primary balance including proceeds from privatization to be raised by the CGS.

4. For the purposes of the program, revenues of the CGS will exclude payment-in-kind and other nonmonetary forms of payments. As well, net lending of any component of the CGS will be considered as a noninterest expenditure item.

Extra budgetary funds

5. The four EBFs included in the definition of the performance criterion are: the defense fund, the privatization authority's budget, the *public participation fund*, and the mass housing fund.

6. The balances of the following EBFs—which do not have the legal authority to borrow, and will not be given such authority during the duration of the stand-by arrangement—are excluded from the definition of the performance criterion: development and support fund; petroleum consumption fund; revenue improvement administration fund; support stabilization fund; resource utilization fund; oil exploration fund; fuel price stabilization fund; the budget education health tax fund; and the social aid and solidarity fund.

State economic enterprises

7. The eight SEEs whose primary balances will be included in the definition of the performance criterion are: TTK (coal company), TSFAS (sugar company), TMO (soil products office),TEKEL (tobacco and alcoholic beverages company), TCDD (state railways), TEAS (electricity), TEDAS (electricity distribution), and BOTAS (natural gas). The quarterly primary balance of these SEEs will be monitored as the sum of net financing minus interest payments. Net financing will be monitored as: net financing from the banking system (excluding pre-export financing from the Eximbank); net external borrowing (excluding normal trade financing); the net increases in arrears on tax liabilities; and any repayments of guaranteed debt undertaken by the treasury on their behalf.

8. Net financing from the banking system (excluding pre-export financing from the Eximbank) is defined as the change in all claims of these institutions on the SEEs listed above, including loans and capitalized interest arrears, less the change in deposits of SEEs in these institutions, as reported by these SEEs. Changes in claims and deposits denominated in foreign currency will be valued at the average of the exchange rates between the Turkish lira and each corresponding currency prevailing during the quarter in question. As of September 30, 1999 the stock of banking claims on SEEs as defined above stood at TL 294 trillion, valued at the exchange rates on that day.

9. Net external borrowing is defined as the receipt of external loans (excluding normal trade financing) less amortization, valued at the exchange rate at the time of transaction. As of September 30, 1999 the stock of external loans stood at TL 1,504 trillion, valued at the exchange rates on that day.

10. The net increase in arrears on tax liabilities of the SEEs is defined as the difference between the stock of outstanding arrears at the end of each measurement period, as reported by the SEEs. Outstanding arrears will include the interest accrued on existing arrears. As of September 30, 1999, the stock of tax arrears stood at TL 1,000 trillion

Social security institution

11. The deficits of the social security institutions (SSIs) are covered by transfers from the central government budget, and their primary balance is projected to be in balance in 2000. The floor of the primary surplus of the CGS will be adjusted upwards for any increase in the expenditure arrears of the SSIs. Arrears of the SSIs are defined as those payments overdue by more than one month, and in the case of Bag Kur exclude arrears to the common retirement fund. On October 31, 1999, the stock of arrears of Bag Kur stood at TL 300 trillion, while ES and SSK had no expenditure arrears.

Adjusters

12. Cumulative proceeds from the routine sale of property in excess of the baseline specified in Annex H (item 1) will be considered as privatization proceeds and excluded from the primary balance.

13. For the purposes of the program, earthquake-related expenditures are defined as all expenditures related to the earthquake in the consolidated central budget (excluding increased transfers to the SSIs, as well as in the budgets of all other EBFs included in the CGS, excluding the mass housing fund, as reported in the reporting form to be introduced specifically for this purpose.

14. For the purposes of the program, the floor on the primary balance of the CGS (Table 2, items 1 and 2) will be adjusted downwards for earthquake-related expenditures up to a cumulative limit of TL 480 trillion through March 31, 2000, TL 900 trillion through June 30, 2000, TL 1,230 trillion through September 30, 2000, and TL 1,340 trillion through December 31, 2000.

15. The floor for the primary surplus will be adjusted upward for any issue of noncash debt in excess of what is indicated in the budget law and reported in Annex H (item 2). It will also be adjusted upward for any off-balance sheet expenditure of any component of the CGS.

Table 3. Turkey: Indicative Targets on the
Cumulative Overall Balance of the Consolidated Government Sector 1/

	Floor (In trillions of lira)
Cumulative overall balance from December 31,1999 to:	
March 31, 2000 (indicative floor)	-6,000
June 30, 2000 (indicative floor)	-12,150
September 30, 2000 (indicative floor)	-15,850
December 31, 2000 (indicative floor)	-18,750

1/ See Annex B for the definition of the consolidated government sector.

1. The overall balance of the consolidated government sector will comprise the primary balance of the consolidated government sector (CGS) as defined in Annex B, the net interest payments of the consolidated central government and gross interest payments of the EBF, SEEs, SSIs, unemployment insurance fund and the overall balance of any new government funds and institutions established after November 1, 1999. The monitoring of the different components of the overall balance will be as indicated in paragraph 1 of Annex B..

2. For the purposes of the program, the primary revenues will exclude interest receipts, profit transfers of the Central Bank of Turkey (CBT) and proceeds from the sale of assets of the CGS (privatization proceeds or transfers thereof). Interest receipts of EBFs, the SEEs unemployment insurance fund, and SSIs will not be excluded. As well, the primary balance will be adjusted upwards for any increase in revenues arising from changes in the revenue sharing agreement between any components of the CGS and other elements of the public sector, including local authorities. The limit on the overall balance will be adjusted upwards (downwards) in line with the projected surplus (deficit) of the overall balance of any fund or entity existing on November 1, 1999 that is incorporated in the CGS after November 1, 1999.

3. For the purposes of the program, revenues of the CGS will exclude payment-in-kind and other nonmonetary forms of payments. As well, net lending of any component of the CGS will be considered as a noninterest expenditure item.

Extra budgetary funds

4. The four EBFs included in the definition of the indicative target are: the defense fund, the privatization authority's budget, the *public participation fund,* and the mass housing fund.

5. The overall balances of the following EBFs—which do not have the legal authority to borrow, and will not be given such authority during the duration of the stand-by arrangement—are excluded from the definition of the indicative target: development and support fund; petroleum consumption fund; revenue improvement administration fund;

support stabilization fund; resource utilization fund; oil exploration fund; fuel price stabilization fund; the budget education health tax fund; and the social aid and solidarity fund.

State economic enterprises

6. The eight SEEs whose overall balances will be included in the definition of the indicative target are: TTK (coal company), TSFAS (sugar company), TMO (soil products office),TEKEL (tobacco and alcoholic beverages company), TCDD (state railways), TEAS (electricity), TEDAS (electricity distribution), and BOTAS (natural gas). The quarterly overall balance of these SEEs will be equal to the negative amount of net financing. Net financing will be monitored as: net financing from the banking system (excluding pre-export financing from the Eximbank); net external borrowing (excluding normal trade financing); the net increases in arrears on tax liabilities; and any repayments of guaranteed debt undertaken by the treasury on their behalf.

7. Net financing from the banking system (excluding pre-export financing from the Eximbank) is defined as the change in all claims of these institutions on the SEEs listed above, including loans and capitalized interest arrears, less the change in deposits of SEEs in these institutions, as reported by these SEEs. Changes in claims and deposits denominated in foreign currency will be valued at the average of the exchange rates between the Turkish lira and each corresponding currency prevailing during the quarter in question. As of September 30, 1999 the stock of banking claims on SEEs as defined above stood at TL 294 trillion, valued at the exchange rates on that day.

8. Net external borrowing is defined as the receipt of external loans (excluding normal trade financing) less amortization, valued at the exchange rate at the time of transaction. As of September 30, 1999 the stock of external loans stood at TL 1,504 trillion, valued at the exchange rates on that day.

9. The net increase in arrears on tax liabilities of the SEEs is defined as the difference between the stock of outstanding arrears at the end of each measurement period, as reported by the SEEs. Outstanding arrears will include the interest accrued on existing arrears. As of September 30, 1999, the stock of tax arrears stood at TL 1,000 trillion

Social security institution

10. The deficits of the social security institutions (SSIs) are covered by transfers from the central government budget, and their overall balance is projected to be in balance in 2000. The limit on the overall balance of the CGS will be adjusted upwards for any increase in the expenditure arrears of the SSIs. Arrears of the SSIs are defined as those payments overdue by more than one month, and in the case of Bag Kur exclude arrears to the common retirement fund. On October 31, 1999, the stock of arrears of Bag Kur stood at TL 300 trillion, while ES and SSK had no expenditure arrears.

Adjusters

11. Cumulative proceeds from the routine sale of property in excess of the baseline specified in Annex H (item 1) will be considered as privatization proceeds and excluded from revenues.

12. For the purposes of the program, the limit on the overall balance of the CGS (Table 3) will be adjusted downwards for earthquake-related expenditures up to a cumulative limit of TL 480 trillion through March 31, 2000, TL 900 trillion through June 30, 2000, TL 1,230 trillion through September 30, 2000, and TL 1,340 trillion through December 31, 2000.

13. Earthquake-related expenditures are defined as all expenditures related to the earthquake in the consolidated central budget (excluding increased transfers to the SSIs, as well as in the budgets of all other EBFs included in the CGS, excluding the mass housing fund, as reported in the reporting form to be introduced specifically for this purpose.

14. The floor for the overall balance will be adjusted upward for any issue of noncash debt in excess of what is indicated in the budget law and reported in Annex H (item 2). It will also be adjusted upward for any off-balance sheet expenditure of any component of the CGS.

Table 4. Turkey: Performance Criteria on the
Net Domestic Assets of the Central Bank of Turkey

	Ceilings (In trillions of lira)
Outstanding stock as of September 30, 1999:	-1,400.5
December 31, 1999 (performance criterion) 1/	-1,200.0
March 31, 2000 (performance criterion) 2/	-1,200.0
June 30, 2000 (performance criterion) 2/	-1,200.0
September 30, 2000 (performance criterion) 2/	-1,200.0
December 31, 2000 (performance criterion) 2/	-1,200.0

1/ The end-December 1999 performance criterion shall be calculated as the average of the stocks prevailing on December 10, 1999 and January 20, 2000 at end-1999 exchange rates.
2/ The performance criterion shall be calculated on the average of the stocks prevailing during the five working days ending on each of these dates.

The net domestic assets (NDA) of the Central Bank of Turkey (CBT) are defined as base money less the net foreign assets of the CBT valued in Turkish lira at end-quarter actual exchange rates.

Base money is defined as currency issued by the CBT, plus the banking sector's deposits in Turkish lira with the CBT. As of September 30, 1999 base money amounted to TL 3,171.6 trillion.

Net foreign assets of the CBT are defined as the sum of the net international reserves of the CBT (as defined in Annex E), medium-term foreign exchange credits (net), and other net foreign assets (including deposits under the Dresdner scheme of original maturity of two years or longer). As of September 30, 1999 net foreign assets of the CBT amounted to TL 4,572.1 trillion.

The cumulative net change in the devaluation account from its balance at end-1999 will be subtracted from the end-quarter NDA stock as calculated above.

NDA ceilings will be adjusted for any change in the definition of the aggregate to which the reserve requirement applies according to the following formula:

$$\Delta \text{ NDA} = R^*\Delta B \text{ ,}$$

where: R denotes the 6 percent reserve requirement plus the 2 percent liquidity requirement coefficient and ΔB denotes the change in base generated by a change in the definition of the reserve aggregate. This coefficient will not be changed during 2000.

Table 5. Turkey: Performance Criteria on Net International Reserves

	Floors (In millions of U.S. dollars)
Outstanding stock as of September 30, 1999:	17,923
December 31, 1999 (performance criterion) 1/	12,000
March 31, 2000 (performance criterion)	12,000
June 30, 2000 (performance criterion)	12,750
September 30, 2000 (indicative floor)	12,750
December 31, 2000 (indicative floor)	13,500

1/ The end-December 1999 performance criterion shall be calculated as the average of the stocks prevailing on December 10, 1999 and January 20, 2000.

Net international reserves of the Central Bank of Turkey (CBT) comprise its gross foreign assets less its gross international reserve liabilities plus the net forward position of the central bank, denominated in U.S. dollars.

For the purpose of the program, gross foreign assets are all short-term foreign (convertible) currency denominated claims on nonresidents including gold, foreign bank notes, balances in correspondent accounts, and any reserve position in the IMF. Excluded from reserve assets are foreign assets holdings on account of the Turkish defense fund. Reserve assets as of September 30, 1999, amounted to US$24,005 million.

Gross international reserve liabilities include all foreign currency denominated liabilities to nonresidents with an original maturity of up to and including one year, reserves against foreign currency deposits of the banking sector, claims from central bank letters of credit, overdraft obligations of the central bank, and liabilities arising from balance of payments support borrowing irrespective of their maturity (including liabilities to the IMF). On September 30, 1999 reserve liabilities thus defined amounted to US$6,023 million.

The net forward position is defined as the difference between the face value of foreign currency-denominated central bank off-balance sheet (forwards, swaps, options, and any future contracts) claims on nonresidents and foreign currency obligations to both residents and nonresidents. As of September 30, 1999 these amounts were zero.

All assets and liabilities denominated in foreign currencies other than the U.S. dollar will be converted into U.S. dollars at the program cross rates specified in Annex I.

The floor on net international reserves will be adjusted upward for disbursements of any borrowing contracted or guaranteed by the consolidated government sector (as defined in Annex B) in excess of the cumulative program baseline specified in Annex H (item 3), excluding sales of treasury bills and bonds denominated in TL or FX to nonresidents in either the primary or the secondary market.

The floor on net international reserves will be reduced by the shortfall in disbursements of any borrowing contracted or guaranteed by the public sector (as defined in Annex B) with respect to the baseline delineated in Annex H (item 3). This downward adjustment shall be limited to the maximum specified in Annex H (item 4).

Table 6. Turkey: Performance Criteria on Contracting or Guaranteeing of New External Debt

	Limits (In millions of U.S. dollars)
June 30, 1999:	37,832
Cumulative flows from end-June 1999	
December 31, 1999 (performance criterion)	8,500
March 31, 2000 (performance criterion)	12,000
June 30, 2000 (performance criterion)	16,000
September 30, 2000 (indicative limit)	20,000
December 31, 2000 (indicative limit)	23,500

The limit specified in the above table applies to the contracting or guaranteeing by the consolidated government sector (as defined in Annex B) of new, nonconcessional external debt (defined as loans containing a grant element of less than 35 percent on the basis of the currency-specific discount rates based on the OECD commercial interest reference rates) with an original maturity of more than one year. Excluded from the limits are credits extended by the IMF, adjustment lending from the World Bank, long-term liabilities of the Central Bank of Turkey and sales of treasury bills and bonds denominated in TL or FX to nonresidents in either the primary market or the secondary market. Debt falling within the limit shall be valued in U.S. dollars at the exchange rate prevailing at the time the contract is entered into, or guarantee is issued.

Table 7. Turkey: Performance Criteria on the Stock
of Short-Term External Debt Outstanding

	Ceilings (In millions of U.S. dollars)
Outstanding stock as of September 30, 1999:	0
December 31, 1999 (performance criterion)	500
March 31, 2000 (performance criterion)	500
June 30, 2000 (performance criterion)	500
September 30, 2000 (indicative ceiling)	500
December 31, 2000 (indicative ceiling)	500

The limits specified in the above table apply to the stock of debt of maturity of one year or less, contracted or guaranteed by the consolidated government sector (as defined in Annex B). These limits may be adjusted upward to a maximum of US$1 billion for short-term bridge borrowing against future privatization receipts. Excluded are sales of treasury bills denominated in TL or FX to nonresidents in either the primary market or the secondary market, , normal import-related credits, reserve liabilities of the Central Bank of Turkey, and forward contracts, swaps, and other future market contracts.

Table 8. Turkey: Program Baseline for Selected Variables 1/

	2000			
	Mar. 31	June 30	Sept. 30	Dec. 31
1. Proceeds from the routine sale of property Cumulative change from December 1999 (in trillions of Turkish lira)	50	75	100	100
2. Issuance of noncash debt Cumulative change from December 31, 1999 (in trillions of Turkish lira)	1,700	1,700	1,700	1,700
3. Public and publicly guaranteed external borrowing. Cumulative disbursements from December 31, 1999 2/ (in millions of U.S. dollars)	1,500	3,000	4,500	6,000
4. Maximum downward adjustment to the floor on net international reserves for shortfalls of disbursements of public and publicly guaranteed external borrowing. (in millions of U.S. dollars)	-1,000	-1,500	-1,500	-2,000

1/ The current baseline applies to end-1999 and 2000 performance criteria.
2/ Excluding IMF credit, World Bank adjustment lending, project lending, everyday assistance, and purchases by nonresidents of Turkish lira denominated securities in either the primary market or the secondary market.

Table 9. Cross-Exchange Rates for Program Purposes 1/

	Value per U.S. Dollar	Value per Euro
Program exchange rate		
Euro	0.99039	
Austrian schilling		13.7603
Belgian franc		40.3399
Finnish markka		5.94573
French franc		6.55957
German deutsche mark		1.95583
Irish pound		0.78756
Italian lira		1,936.27
Japanese yen	102.500	
Luxembourg franc		40.3399
Netherlands guilder		2.20371
Portuguese escudo		200.482
Spanish peseta		166.386
Swiss franc	1.592	
United Kingdom pound	0.627	

1/ These program exchange rates shall apply for the period December 1999-end December 2000; currencies not specified here shall be converted at the representative exchange rates reported to the IMF as of November 30, 1999.
2/ Constituent currencies of the euro shall be converted into euro at the official European Union conversion rates and then converted into the U.S. dollar value.