

Table 1. Turkey: Selected Indicators, 1999-2003

	1999	Prel. 2000	2001	Proj. 2002	2003
Real Sector					
GNP growth rate	-6.1	6.1	-3.0	5.0	6.0
GNP deflator growth (in percent)	55.8	51.6	49.4	28.3	16.5
WPI inflation (12-month, end-of-period)	62.9	32.7	57.6	16.6	12.4
CPI inflation (12-month, end-of-period)	68.8	39.0	52.5	20.0	15.0
Average nominal T-bill interest rate	106.2	38.0	81.1	40.6	32.6
Average backward-looking T-bill real interest rate 1/	25.2	-11.4	23.7	6.9	13.2
Average forward-looking T-bill real interest rate 2/	32.0	-6.5	36.4	20.0	18.0
Central Government's Budget (in percent of GNP)					
Primary balance 3/	1.5	4.6	5.1	5.6	5.6
Net interest payments 4/	13.1	15.8	20.1	19.2	16.1
Budget balance	-11.6	-11.2	-15.0	-13.6	-10.5
Operational balance 5/	-4.0	-2.0	-0.6	-4.8	-2.5
Consolidated Public Sector (in percent of GNP)					
Primary balance of public sector	-2.0	2.8	5.5	6.5	6.5
Net interest payments 6/	22.1	21.9	22.6	16.2	13.5
PSBR (incl. CBT profits)	24.2	19.1	17.1	9.7	6.9
Operational balance 5/	-12.4	-6.6	-3.2	-2.3	-0.1
Net Debt of the Public Sector (in percent of GNP) 7/					
Net external	20.1	19.7	34.2	28.3	23.5
Net domestic	40.9	38.8	44.3	42.1	41.5
Of which: Gross domestic debt of the central government	42.5	41.0	60.9	57.8	57.3
Of which: Auctioned debt	25.8	23.4	23.2	28.3	32.3
For bank recapitalization	16.7	17.4	29.9	22.9	19.0
Net Debt of the Public Sector (in percent of centered GNP) 8/	48.6	50.6	67.9	63.8	60.5
External Sector					
Current account balance (in percent of GNP)	-0.7	-4.8	-0.6	-0.9	-0.6
Gross external debt (in percent of GNP)	55.0	56.6	66.2	59.6	56.8
Net external debt (in percent of GNP)	34.0	37.0	44.3	39.4	36.2
Monetary Aggregates					
Seignorage 9/	3.2	1.8	1.5	1.0	0.7
Nominal growth rate of broad liquidity	100.0	39.9	59.5	29.7	17.3
Privatization Proceeds (in millions of US\$)					
	139	3,273	3,109	3,500	3,500
Net External Financing of Public Sector (in millions of US\$)					
	1,417	4,134	-291	1,773	-938
Amortization	5,971	6,199	8,535	6,927	8,438
Gross borrowing	7,388	10,333	8,244	8,700	7,500
Of which: Eurobond issues	5,000	7,500	2,500	4,700	4,500
GNP (in trillions of lira)	78,283	125,971	182,439	245,814	303,626

1/ Average of monthly nominal T-bill interest rate divided by 12-month past CPI inflation.

2/ Average of monthly nominal T-bill interest rate divided by 12-month ahead CPI inflation.

3/ Excluding profit transfers from the CBT, interest receipts, and privatization proceeds.

4/ Interest payments minus interest receipts plus profit transfers from the central bank.

5/ Overall balance netted out of the difference between nominal interest payments and real interest payments.

6/ Interest payments minus interest receipts plus CBT profits before transfers to the government.

7/ Gross public debt net of the net assets of the CBT.

8/ Defined as the sum of quarterly GNP in the last two quarters of the year and in the first two quarters of the following year.

9/ Change in reserve money (currency issued plus reserve requirements) in percent of GNP.

Table 2. Structural Policy Conditionality, 2001

Action	MEP Ref.	Type of Action	Timing
<i>Banking sector reform</i>			
1. Reduce the SDIF and state banks' overnight position by at least two-thirds from the March 16, 2001 level, including the elimination of overnight positions vis-à-vis commercial banks	¶8	Condition for the completion of the 6th and 7th reviews	...
2. Eliminate the SDIF and state banks' remaining overnight position	¶8	Condition for the completion of the 8th review	...
3. The stock of repos of the SDIF and state banks with the CBT not to exceed TL 7 quadrillion	¶8	Condition for the completion of the 8th review	End-May 2001
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	...
5. Complete financial restructuring of state banks	¶10	Condition for completion of the 6th and 7th reviews	...
6. Close Emlak Bank and transfer its liabilities and some of its assets to Ziraat Bank	¶11	Condition for completion of the 8th review	End-May 2001
7. The SDIF to recapitalize Sümerbank to cover the bank's negative net worth	¶12	Condition for completion of the 6th and 7th reviews	...
8. Recapitalize the remaining SDIF banks to cover their negative net worth	¶13	Condition for completion of the 6th and 7th reviews	...
9. Organize in a second transition bank or put into liquidation the four banks for which there are presently no interested bidders	¶13	Condition for completion of 8th review	End-May
10. Sell, put into liquidation, or otherwise resolve the remaining SDIF banks	¶13	Condition for completion of the 12 th review	End-2001

Table 2. Structural Policy Conditionality, 2001

Action	MEP Ref.	Type of Action	Timing
11. Presentation by all capital-deficient banks of detailed capital strengthening plans	¶15	Prior action for 6th and 7th reviews	End-April 2001
12. Parliamentary approval of amendments to Banking Law	¶16	Condition for completion of the 6th and 7th reviews	...
13. Adopt connected lending regulation	¶17	Benchmark	Within one month of approval of amendments to the Banking Law
14. Bring accounting standards for banks in line with international standards	¶17	Benchmark	From the beginning of 2002
<i>Fiscal Transparency and Management</i>			
15. Close the remaining 15 BFs (except DFIF) and 2 EBFs	¶19	Benchmark	End-June 2001
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
18. Accompany the draft 2002 budget by accounts and financial outlook for all EBFs and SSIs, revolving funds, contingent liabilities of the Treasury, all SEEs, and local authorities	¶19	Benchmark	...
19. Submit to Parliament a Public Procurement Law in line with UN (UNCITRAL) standards	¶19	Benchmark	October 15, 2001
<i>Increasing the Role of Private Domestic and Foreign Capital in the Turkish Economy</i>			
20. Parliamentary approval of legislation to facilitate Turk Telekom privatization	¶21	Prior action for 6th and 7th reviews	...
21. Appointment of new professional board and management team for Turk Telekom	¶21	Condition for the completion of the 8th review	...
22. Parliamentary approval of Tobacco Law	¶21	Condition for completion of 8th review	May 2001

Table 2. Structural Policy Conditionality, 2001

Action	MEP Ref.	Type of Action	Timing
23. Passage by Parliament of a law fully implementing the constitutional amendment on international arbitration	¶22	Benchmark	Before Parliament's 2001 summer recess
<i>Fiscal Policy and Public Debt Management</i>			
24. Approval of tax measures: (a) increase petroleum consumption tax by 15 percent in early May 2001 (b) increase VAT rates (except the reduced 1 and 8 percent rates) by one percentage point; and (c) increase, as of April 2001, the minimum contribution base relevant for social security payments in line with existing regulations	¶30	Prior action for 6th and 7th reviews	...
25. Approval of supplementary budget in line with program expenditure figures	¶31	Condition for completion of 8th review	...
26. Enact tax regulation to extend the use of Tax Identification Numbers	¶34	Condition for completion of 8th review	End-May 2001
27. 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

Table 3. Turkey: Public Sector Primary Balances, 2000-02
(In percent of GNP)

	2000 Estimate	2001						2002 Program
		Original program			New program			
		Baseline	Measures 1/	Program	Revised Projections 2/	New Measures 3/	Program	
Public sector	2.8			5.0	2.4	3.1	5.5	6.5
Central government 4/	4.6	3.3	2.3	5.6	2.8	2.3	5.1	5.6
Total revenue	25.4	24.0	2.0	26.0	24.0	1.0	25.0	25.3
Tax revenue	21.0	19.6	1.8	21.4	19.5	0.9 5/	20.4	20.7
Nontax revenue 4/	4.3	4.4	0.2	4.6	4.5	0.1 6/	4.6	4.6
Noninterest expenditure	20.8	20.7	-0.4	20.4	21.2	-1.3	19.9	19.7
Personnel	7.9	8.1	-0.2	7.9	8.0	-0.2 7/	7.8	7.8
Other current	2.8	2.8	0.0	2.7	3.2	-0.5 8/	2.6	2.6
Transfers (excl. credit subsidies)	8.1	7.6	-0.1	7.5	7.7	-0.5 9/	7.1	7.1
Credit subsidies	0.1	0.0	0.0	0.0	0.0	0.2	0.2	0.0
Investment	1.8	2.3	0.0	2.2	2.3	-0.3 10/	2.1	2.1
Rest of the public sector	-1.8			-0.6	-0.4	0.8	0.4	0.9
EBFs	-0.5			-0.2	-0.5	0.2 11/	-0.3	-0.1
Unemployment insurance fund	0.3			0.5	0.6	0.0	0.6	0.6
Local governments	-0.1			-0.1	-0.1	0.0	-0.1	-0.1
SEEs	-1.5			-0.9	-0.5	0.6 12/	0.1	0.5
Social insurance institutions	0.0			0.0	0.0	0.0	0.0	0.0
Memorandum item:								
GNP (in trillions of TL)	125,971	154,679	154,679	154,679	182,439	182,439	182,439	245,814

Sources: Turkish authorities; and Fund staff estimates.

1/ Excluding the extension, in 2001, of temporary revenue measures taken in 1999-2000.

2/ Taking into account the revised macroeconomic framework after the February 2001 crisis.

3/ New measures relative to the original program. Spending cuts in footnotes 8-12 are expressed with respect to the revised projections, in which real spending is kept constant relative to the original program.

4/ Excluding privatization proceeds, CBT profits, and interest receipts.

5/ Increase in the VAT by one percentage point and increase in petroleum excises.

6/ Increase in highway tolls.

7/ Limitation in hiring of civil servants, in medical expenses for civil servants, and in wage increases for public workers.

8/ Reductions in real spending by raising nominal allocations by less than the revision in inflation.

9/ Cuts in expenses of social security funds, budgetary funds, and agricultural subsidies.

10/ Cuts in investment expenditure.

11/ Cuts in expenditure of the privatization fund and other funds.

12/ Savings in wages (negotiation of lower wage increases) and operating expenses.

Table 4. Consolidated Net Debt of the Public Sector, 1999-2003
(In percent of GNP)

	1999	2000	2001	2002	2003
A. Central government plus central bank	52.2	49.8	71.4	65.6	62.1
a. Central bank net assets	9.0	7.8	4.4	6.5	8.0
NFA	10.0	6.0	-1.5	1.5	3.3
<i>Of which</i> : foreign liabilities	7.6	6.3	15.3	10.8	9.2
Free reserves in FX	1.2	1.4	3.0	2.9	2.7
Claims on banks	3.1	4.5	10.1	8.9	8.3
Free reserves in Lira	0.6	0.5	0.5	0.5	0.5
Central government deposits	2.2	0.9	0.6	0.5	0.4
Other liabilities	0.1	0.0	0.0	0.0	0.0
b. Central government	62.4	58.8	83.0	78.3	75.6
External	22.2	18.8	22.8	21.0	18.8
Domestic	42.5	41.0	60.9	57.8	57.3
Debt sold at auction	25.8	23.4	23.2	28.3	32.3
Debt for bank recapitalization	16.7	17.4	29.9	22.9	19.0
Debt taken over from the PPF	0.0	0.0	1.4	1.1	0.9
Other	0.0	0.2	0.1	0.1	0.1
CBT credit	6.3	5.5	5.0
Deposits	2.3	1.0	0.7	0.5	0.4
c. Central government debt held by the CBT	1.2	1.2	7.1	6.1	5.5
B. Rest of the public sector	8.7	8.6	7.1	4.7	2.8
Foreign debt	6.6	5.5	7.0	5.9	5.2
Net Domestic debt	2.1	3.1	0.1	-1.2	-2.4
Unemployment insurance fund	0.0	-0.3	-1.2	-2.0	-2.8
Other	2.1	3.4	1.3	0.8	0.4
C. Net debt of the public sector	61.0	58.4	78.5	70.4	64.9
Net external debt	20.1	19.7	34.2	28.3	23.5
Net domestic debt	40.9	38.8	44.3	42.1	41.5
Share of foreign debt in total net public debt	32.9	33.7	43.6	40.1	36.1
D. Gross external public debt	36.4	30.6	45.1	37.7	33.2
Memorandum items:					
Centered GNP 1/	98,210	145,320	210,958	271,127	325,748
In percent of centered GNP					
Net Debt of the Public Sector	48.6	50.6	67.9	63.8	60.5
FX denominated/indexed net debt	16.0	18.3	34.6	30.2	26.1
Lira denominated net debt	32.6	32.4	33.3	33.7	34.4

1/ Measured as the sum of the last two quarters GNP plus the first two quarters GNP of the following year.

Table 5. Turkey: Public Sector Debt from Bank Recapitalization

(In trillions of Turkish lira)

	End-2000	April 2001
Total	21,934	43,857
SDIF recapitalization	3,842	13,719
Recapitalization in December 2000 1/	3,842	4,510
Additional recapitalization in 2001	...	9,209
Recapitalization of Emlak	0	2,400
State banks (Ziraat & Halk)	18,093	27,738
Unsecuritized duty losses	15,196	...
Securitized duty losses	2,897	...

1/ The increase in the TL stock in 2001 reflects the impact of the depreciation on securities issued in FX.