

## Turkey: Structural Conditionality

Action	Type 1/	Status
<b>April 2003</b>		
Parliament to pass first phase of direct tax reform into law.	PC	Met, approved April 9, 2003.
Enact legislation underpinning reforms in SSK, İş-Kur, and Bağ-Kur.	BM	Prior action for the fifth review.
Enact new Foreign Direct Investment law.	BM	Met with delay.
CoM to adopt a privatization plan for Türk Telekom (previous targets: April 2002, end-November 2002).	BM	<i>Reset for October 2003.</i>
<b>May 2003</b>		
Implement general government employment monitoring system.	BM	Met in late May.
Enact reforms of the Execution and Bankruptcy Act (previous target: end-January 2003).	BM	Met on July 17.
Inter-agency working committee to develop an action plan to reduce the intermediation costs of the banking sector.	BM	Met in mid-July.
Internal audit department to conduct an audit of foreign exchange management and program data as of end-2002 by May 15, 2003	BM	Met.
<b>June 2003</b>		
Parliament to approve second phase of direct tax reform.	BM	<i>Reset. Preparation of legislation will be a prior action for the Sixth Review, and passage (intended for November 2003) a prior action for the Seventh Review.</i>
Eliminate 9,900 redundant state enterprise positions	PC	Waiver requested.
Pass legislation improving state enterprise governance (previous target: December 2002).	BM	<i>Reset for end-December 2003.</i>
Pass Financial Management and Internal Control Law (previous target: end-March 2003).	BM	<i>Reset as prior action for Sixth Review.</i>
SDIF to announce sale of loan portfolio with face value of at least US\$250 million.	BM	Met. Announcement made end-June, but technical preparations ongoing.
Prepare legislation to strengthen the BRSA's effectiveness.	BM	Met.
<b>July 2003</b>		
Improve the public sector personnel system, including passage of legislation to establish a code of ethical conduct for civil servants and public administrators by end-July 2003 (previous target: end-2002).	BM	<i>Reset for end-December 2003.</i>
<b>Prior Actions for the Fifth Review</b>		
Authorize fiscal measures equivalent to 0.7 percent of GNP to safeguard the 6 1/2 percent of GNP primary surplus for 2003	PA	
Enact legislation underpinning reforms in SSK, Bag-Kur, and Is-Kur excluding any provision for amnesties	PA	
Approve the draft of the Public Financial Management and Control Law at a ministerial meeting on July 17, taking into account Bank/Fund comments	PA	
<b>September 2003</b>		
Eliminate 19,400 redundant state enterprise positions.	PC	
<b>October 2003</b>		
Pass legislation strengthening the BRSA's effectiveness.	PC	
<b>December 2003</b>		
Eliminate 25,074 redundant state enterprise positions.	PC	
<i>Introduce regulations implementing new legislation covering pre-packaged bankruptcy provision (December 15).</i>	BM	
<b>Continuous</b>		
<i>No new amnesties of arrears on public sector receivables.</i>	PC	

1/ PA=prior action, PC=structural performance criterion, and BM=structural benchmark.  
Italics denotes conditionality that is either new or is being rephased at the Fifth Review.

**Turkey: Revised Performance Criteria Test Dates and Review Schedule, 2003-04**

Review	4th Review Schedule				Proposed Revised Schedule		
	Purchase (SDR millions)	PC Test Dates: Debt, NIR, Base Money, and Primary Surplus of the CGS	Earliest Possible Purchase Date	PC Test Dates: Primary Surplus of the CGS, External Debt	PC Test Dates: NIR, Base Money	Earliest Possible Purchase Date	
Actual Purchases	10,439.8						
5th Review 1/	340.2	April 30, 2003	June 15, 2003	June 30, 2003	June 30, 2003	...	
6th Review	340.2	June 30, 2003	August 15, 2003	August 31, 2003	September 30, 2003	October 20, 2003	
7th Review	340.2	September 30, 2003	November 5, 2003	October 31, 2003	December 31, 2003	January 15, 2004	
8th Review	340.2	December 31, 2003	February 5, 2004	December 31, 2003	March 31, 2004	April 15, 2004	
9th Review	340.2	March 31, 2004	May 5, 2004	April 30, 2004	June 30, 2004	July 15, 2004	
10th Review	340.2	June 30, 2004	August 5, 2004	July 31, 2004	September 30, 2004	October 15, 2004	
11th Review	340.2	September 30, 2004	November 5, 2004	October 31, 2004	November 30, 2004	December 15, 2004	
Total purchases	12,821.2						

1/ Owing to deferred completion of this review the controlling test dates shift from April 30 to June 30.

**Turkey: Quantitative Performance Criteria and Indicative Targets for 2003**

	Ceiling/ Floor	Outcome	Ceiling/ Floor	Outcome	Ceiling/ Floor	Outcome	Ceiling/ Floor	Outcome	Ceiling/ Floor	Outcome	Ceiling/ Floor	Outcome
I. Quantitative performance criteria	<u>April 30, 2003</u>		<u>June 30, 2003</u>				<u>August 31, 2003</u>		<u>October 31, 2003</u>		<u>December 31, 2003</u> <sup>1/</sup>	
1. Floor on the cumulative primary balance of the consolidated government sector since January 1, 2003 (in trillions of Turkish lira)	6,600	7,056	11,000				18,180		21,490		22,900	
2. Ceiling on contracting or guaranteeing of new external public debt with original maturities of more than one year (in millions of US\$) <sup>2/</sup>	6,200	2,015	8,500	4,554			11,000		13,000		15,000	
3. Ceiling on the stock of external public debt with original maturities of up to and including one year (in millions of US\$) <sup>3/</sup>	1,000	0	1,000	0			1,000		1,000		1,000	
	<u>April 30, 2003</u>		<u>June 30, 2003</u>				<u>September 30, 2003</u>		<u>December 31, 2003</u>			
4. Floor on level of net international reserves of CBT and Treasury combined (in billions of US\$)	-6.5	-6.0	-7.0	-3.9			-6.0		-6.0			
5. Ceiling on base money (in quadrillions of Turkish lira)	12.8	11.9	13.2	13.0			14.1		14.3			
II. Indicative targets	<u>May 31, 2003</u>		<u>September 30, 2003</u>				<u>November 30, 2003</u>					
1. Floor on the cumulative primary balance of the consolidated government sector since January 1, 2003 (in trillions of Turkish lira)	9,500	9,540	20,580				24,190					
	<u>April 30, 2003</u>		<u>June 30, 2003</u>		<u>August 30, 2003</u>		<u>September 30, 2003</u>		<u>October 31, 2003</u>		<u>December 31, 2003</u>	
2. Floor on the cumulative overall balance of the consolidated government sector since January 1, 2003 (in trillions of Turkish lira)	-13,840	-15,173	-22,300		-24,190		...		-36,270		-36,320	
3. Ceiling on the stock of net domestic assets of the CBT and Treasury combined (in quadrillions of Turkish lira)	32.8	31.0	34.1	29.4	...		33.8		...		34.2	
	<u>March 31, 2003</u>		<u>June 30, 2003</u>				<u>September 30, 2003</u>		<u>December 31, 2003</u>			
4. Privatization proceeds cumulative from January 1, 2003 (in millions of US\$)	30	23	90	50			790		2,100			

<sup>1/</sup> The December 31, 2003 ceilings and floors for the cumulative primary balance and the contracting of external debt performance criteria are only applicable for purchases after February 14, 2004. Therefore, the October 31, 2003 performance criteria would be applicable for the scheduled January 15, 2004 purchase.

<sup>2/</sup> Applies to nonconcessional external debt with an original maturity of more than one year from end-December 2002. Excludes purchases from the IMF, adjustment lending from the World Bank, and other external program financing, long-term liabilities of the Central Bank and sales of treasury bills and bonds denominated in TL or Fx to nonresidents in either the domestic primary or secondary markets.

<sup>3/</sup> Stock of debt of maturity of one year or less, owed or guaranteed by the consolidated government sector. Excludes external program financing, sales of treasury bills denominated in TL or foreign exchange to non residents in either the domestic primary market or the secondary market, normal import-related credits, reserve liabilities of the Central Bank, and forwards contracts, swaps and other futures market contracts.