



REPUBLIC OF TURKEY
MINISTRY OF
TREASURY AND FINANCE

NEW ECONOMY PROGRAM

Balance-Discipline-Transformation 2019-2021

20.09.2018

TURKISH ECONOMY: 2002-2013



Growth

GDP per capita
\$



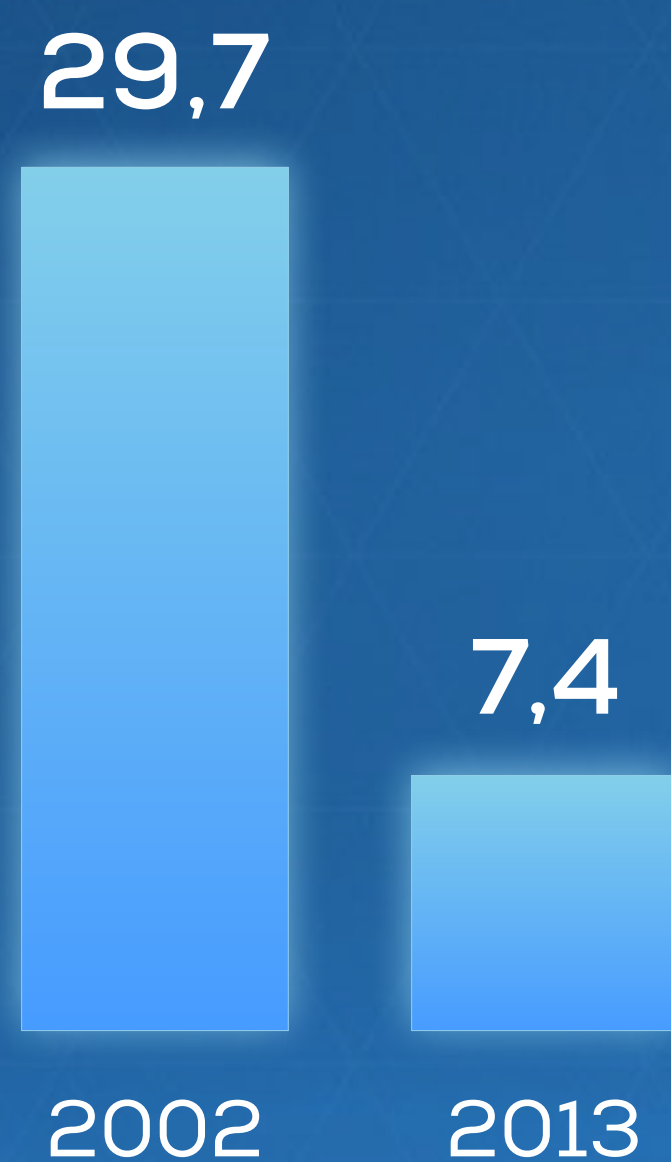
3

FOLD
INCREASE



Inflation

Inflation rate
%

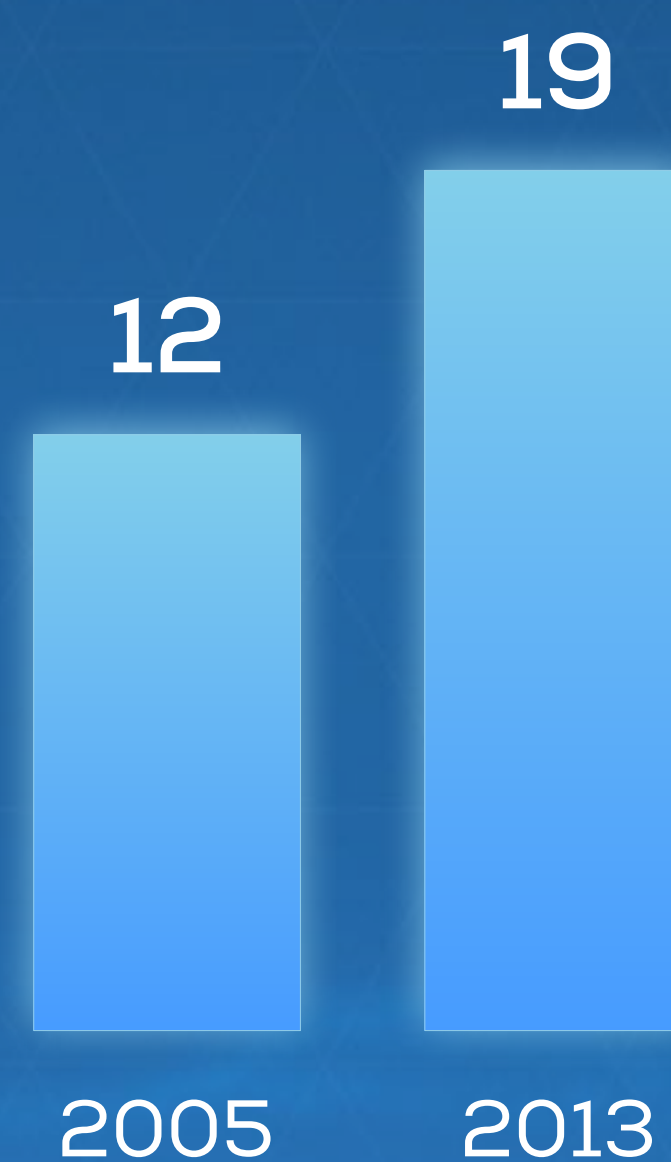


SINGLE-
DIGIT
INFLATION



Employment

Insured Employment
level
Million people



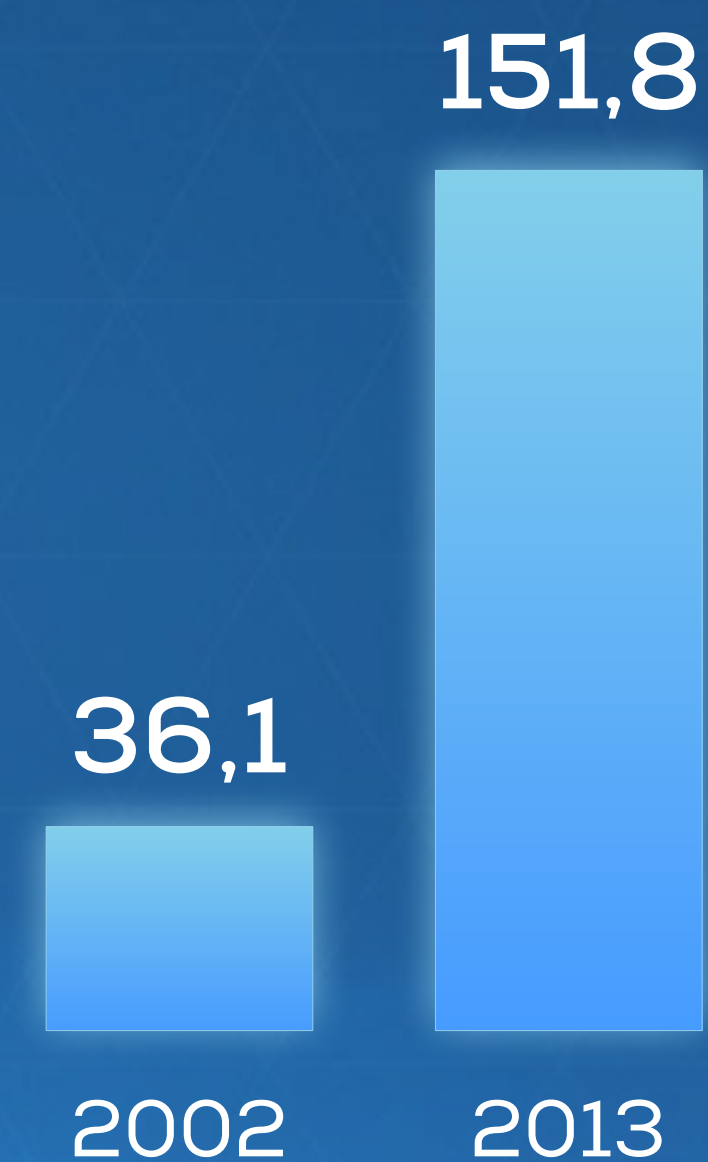
7

MILLION
ADDITIONAL
EMPLOYMENT



Export

Export volume
Billion \$



4

FOLD
INCREASE



Public Finance

Central Government
Budget Deficit /GDP,
%



10

PERCENT
POINT
DECREASE

ECONOMIC AND POLITICAL CONTEXT

Gezi
events



May
2013

17-25 December
judicial coup attempt



December
2015

15 July
coup attempt



2018



ECB monetary
tightening

May
2013



FED monetary
Tightening

December
2013



FED
Interest Rate Increase

July
2016



Recent Developments
In Relations With The USA

BALANCE – DISCIPLINE – TRANSFORMATION: 2019-2021

GDP growth target, constant prices, %



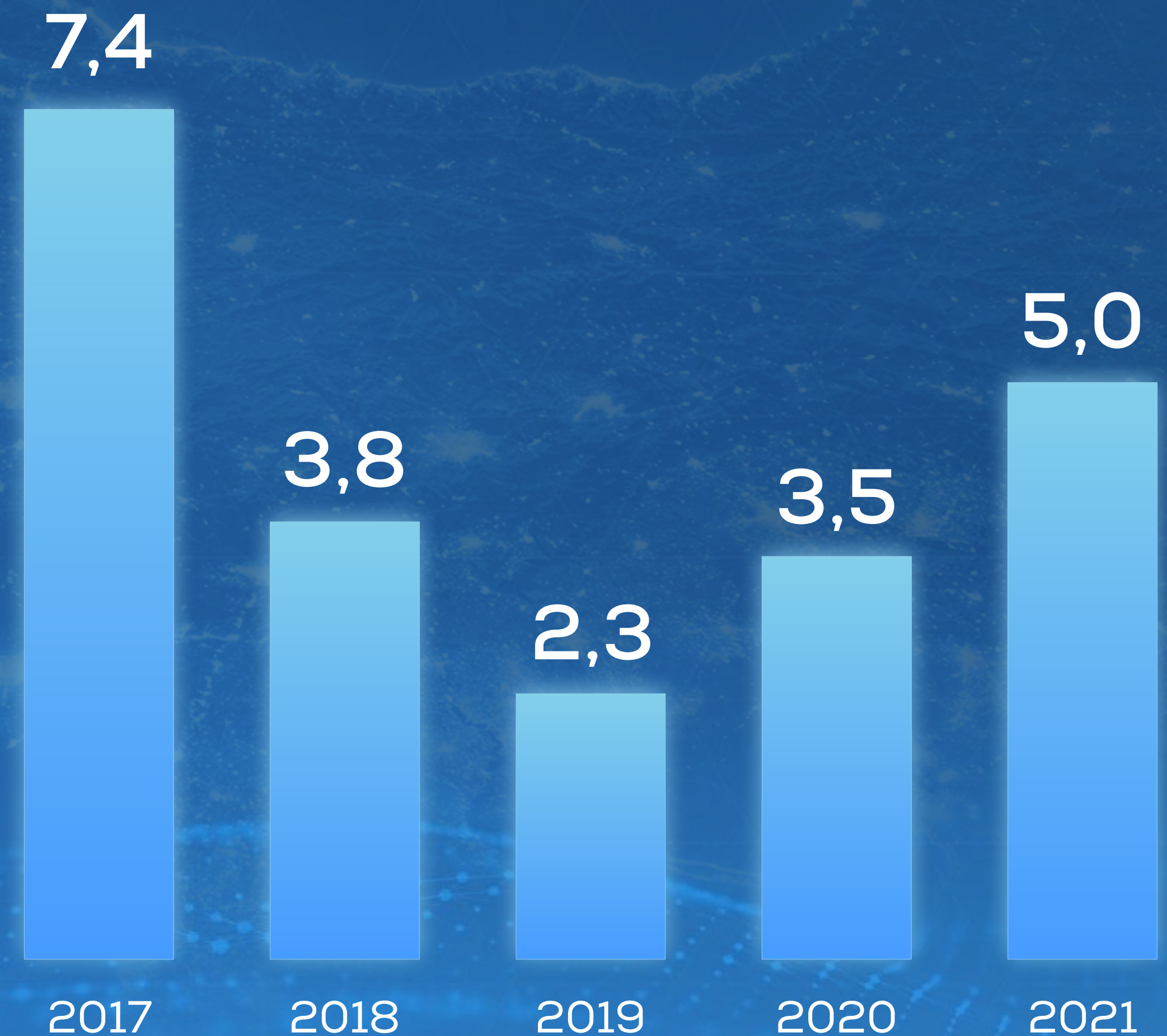
Economic
balancing between
2018-2020



Fiscal discipline
accompanying
economic balancing



Transformation
in manufacturing
and exports with a
'value-add' perspective



POLICIES & MEASURES TO REDUCE INFLATION

Inflation Target, %



Policies and Measures



The Central Bank will utilize all tools in a **decisive** and **independent manner** to ensure price stability



The Ministry of Treasury and Finance will support Central Bank's efforts towards price stability with **strong fiscal discipline**



To maintain financial security and stability, a new '**Financial Stability and Development Committee (FIKKO)**' will be established



'**Collective Inflation Reduction Program**' will be launched



A new '**Product Monitoring Mechanism**' and '**National Agricultural Project**' will help to monitor price volatility closely and to reduce food inflation effectively

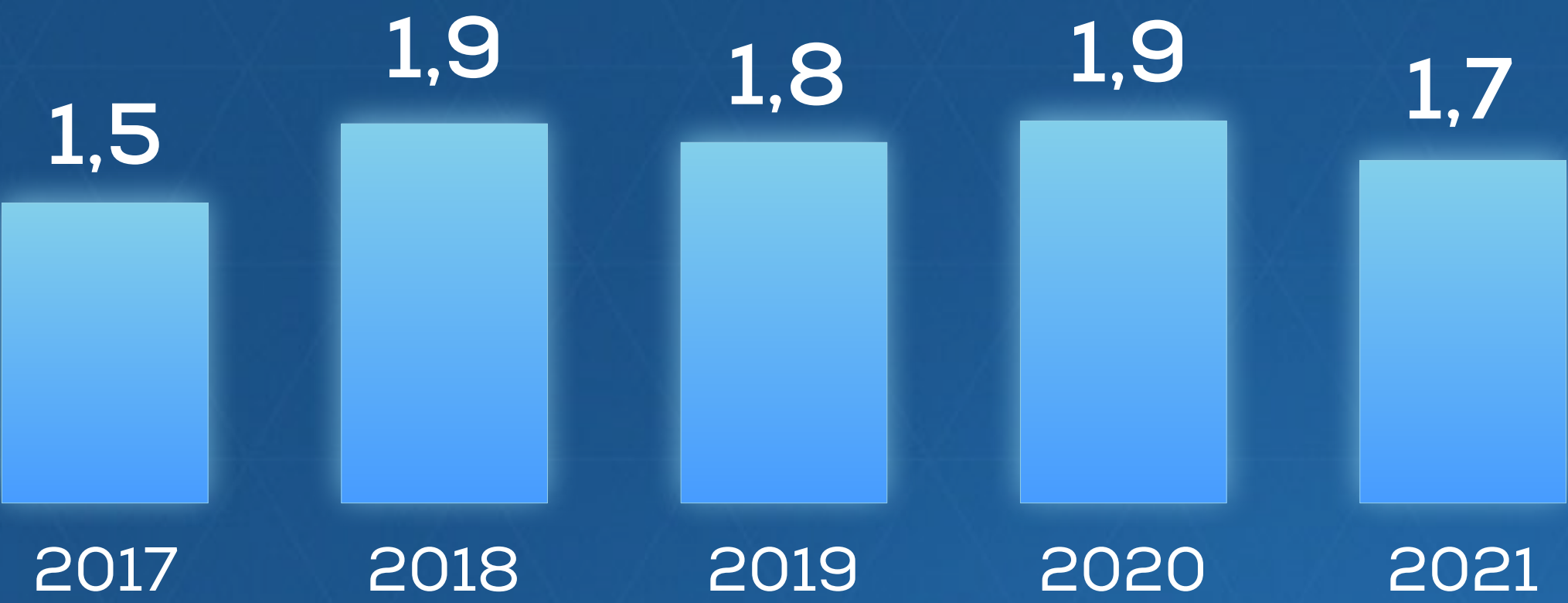


The cap of rent increase will be determined in line with **consumer price index instead of producer price index** which is more vulnerable to exchange rates

FISCAL DISCIPLINE

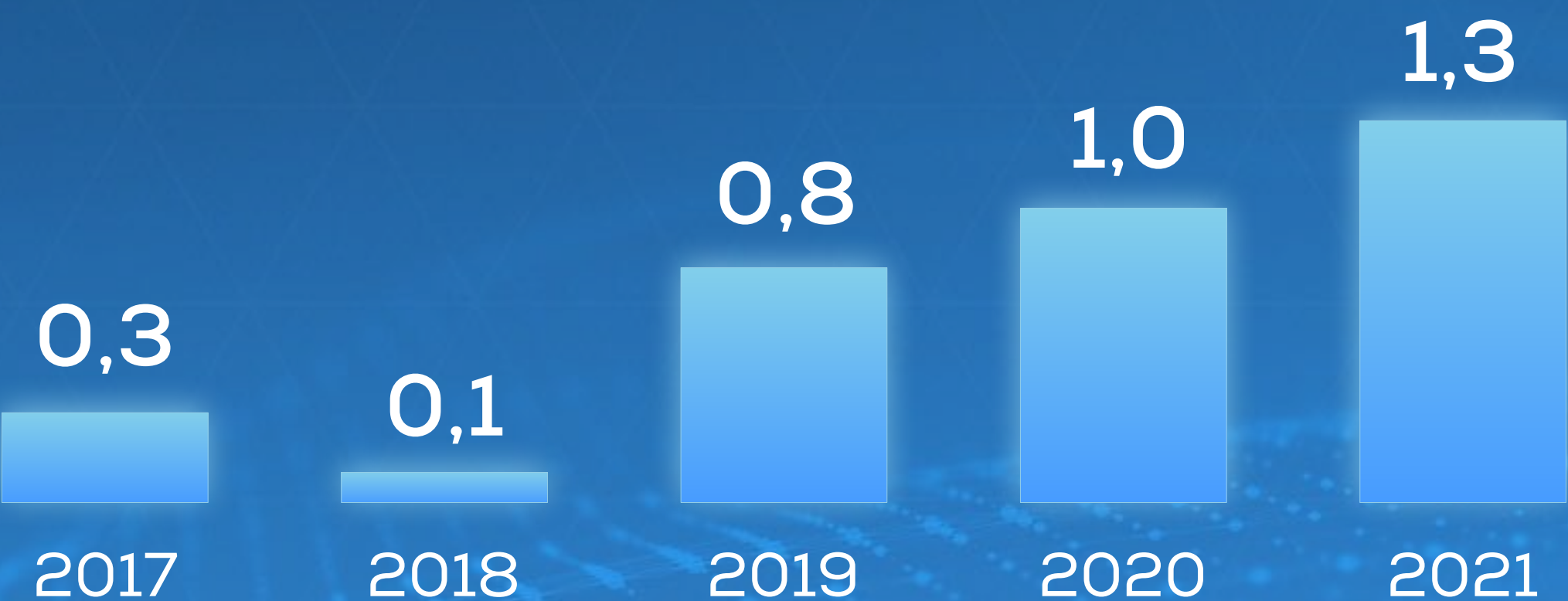
Budget Deficit

% GDP, Central Government Budget



Primary Surplus Target

% GDP, Central Government Budget



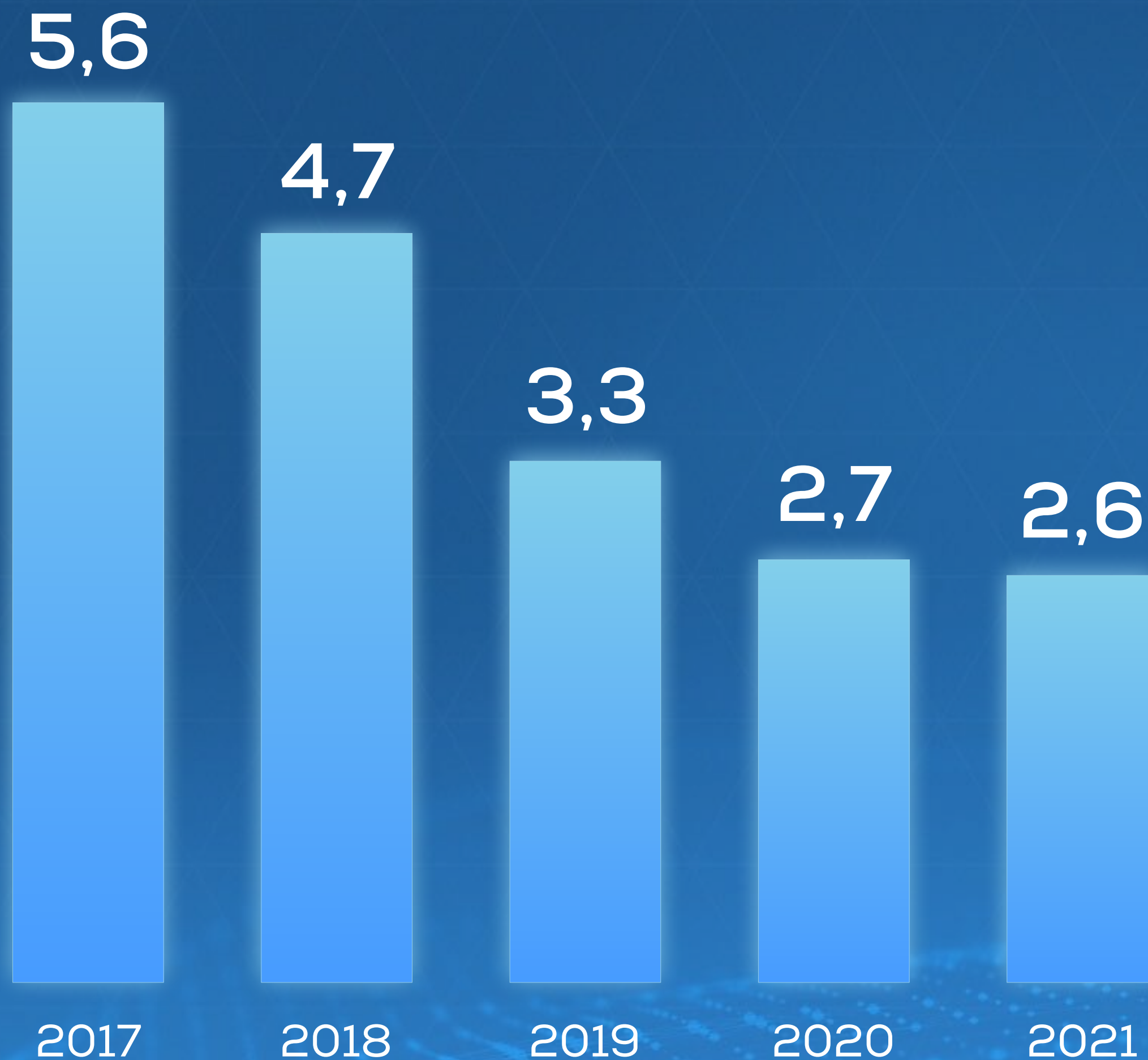
Policies and Measures

Public Finance Transformation Office will be established under 'Ministry of Treasury & Finance' to identify saving and revenue improvement potential

-  Initially, savings and revenue potential of 76 billion TRY has been identified for 2019
-  Investment projects for which tender process has not been started or for which tender process has been started but not finalized will be suspended
-  Mega infrastructure projects will be implemented via international financing
-  Policies towards more efficient and financially sound Public-Private Partnership practices will be implemented
-  Social insurance scheme will be revised
-  Non-effective exceptions, exemptions and rebates in the tax system will be removed gradually to expand tax base and ensure tax equity
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REDUCTION IN CURRENT ACCOUNT DEFICIT

Current Account Deficit Target, % GDP



Policies and Measures



In order to decrease current account deficit, investments in sectors such as **pharmaceuticals, energy, petrochemicals, machinery/equipment and software** will prioritized in public incentives



Technology and R&D investments will be executed with **PPP models**



The incentive scheme for exports will be restructured



New markets, new products and new export targets will be set with a **global value chain mindset**



The share of **renewable energy** and **domestic coal resources** will be increased in power generation, and **localization of energy technologies** will be supported through 'YEKA' model. **Oil and natural gas explorations** will be accelerated



Tourism services, **including health tourism**, will be diversified to increase tourism revenues

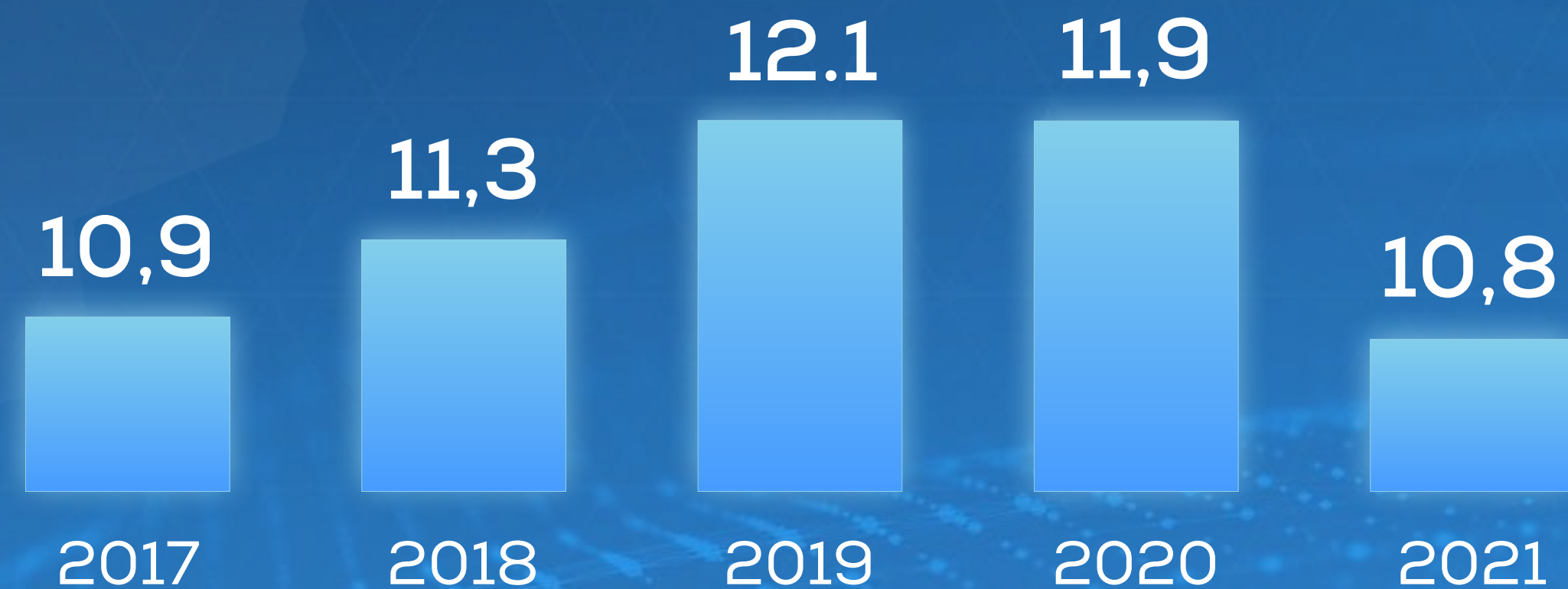
INCREASE IN EMPLOYMENT

Employment Target, *Million people*

2 million
new employment



Unemployment Rate Target, %



Policies And Measures



Severance pay reform will be implemented in alignment with all stakeholders



Flexible employment will be introduced in the public sector



Employment incentives will be reviewed and redesigned








Audits will be increased to reduce informal employment



Vocational training program will be enhanced in collaboration with the private sector

SELECTED MAIN ECONOMIC INDICATORS

	2018 E	2019 P	2020 P	2021 P
 GDP (billion dollars, current prices)	763	795	858	926
 GDP growth (%)	3,8	2,3	3,5	5,0
 Unemployment rate (%)	11,3	12.1	11,9	10,8
 Current account balance/GDP (%)	-4,7	-3,3	-2,7	-2,6
 CPI (End of year Change, %)	20,8	15,9	9,8	6,0

UNIQUE ASPECTS IN 2019-2021 NEW ECONOMIC PROGRAM



**PUBLIC FINANCE
TRANSFORMATION OFFICE**



**MEASURES FOR BANKING
AND REAL ECONOMY**



**IMPROVEMENTS IN
TAXATION PRACTICES**



**SECTORAL PROJECT
EXAMPLES**

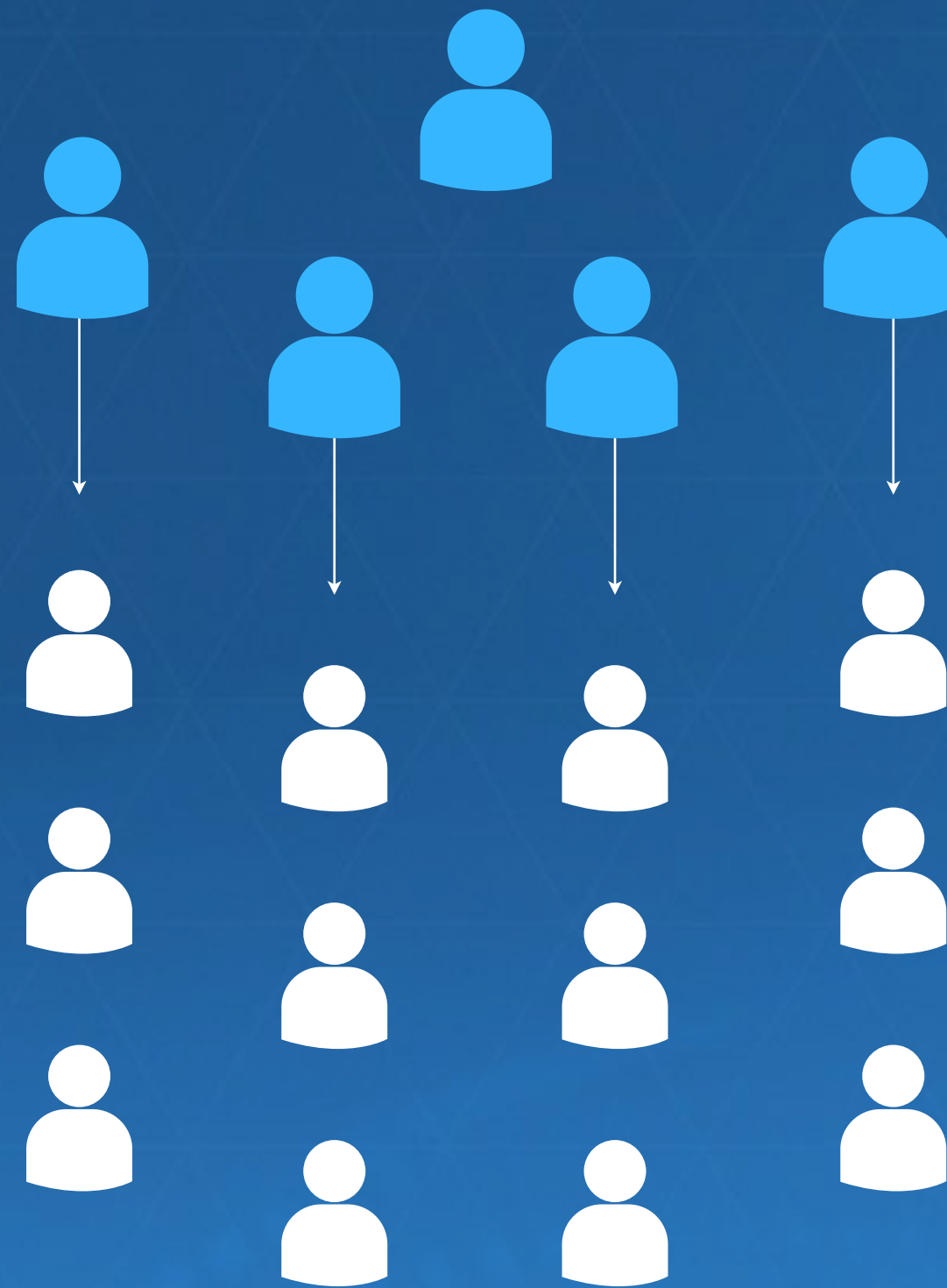


**IMPLEMENTATION AND MONITORING OF
THE NEW ECONOMIC PROGRAM**

PUBLIC FINANCE TRANSFORMATION OFFICE

Structure

The Ministry of Treasury
and Finance



Teams within other
ministries

Operating Model



Savings- and revenue-increasing initiatives will be identified



Ministry level performance targets for each initiative will be set



Initiative roadmaps will be prepared and implemented



Progress against performance indicators will be monitored and reported

Expected Impact (in 2019)

60

**BILLION TRY
SAVINGS**

- 31 Billion TRY – Investments
- 13,7 Billion TRY – Incentives
- 10,1 Billion TRY – Social Security
- 2,5 Billion TRY – Goods and Services
- 2,7 Billion TRY – Others

16

**BILLION TRY
REVENUE INCREASE**

Additional value potential is expected in following years

MEASURES FOR BANKING SECTOR AND REAL ECONOMY

CURRENT SITUATION

Capital adequacy ratio of banking sector %



MEASURES



To assess financial structure and asset quality of banks, financial health assessment studies will be conducted



As a result of these assessment studies, a comprehensive set of policies will be introduced in light of global examples and Turkish past experience; which will help banking sector to further strengthen, real economy to have access to credit at affordable rates, while creating room for credit restructuring if needed



Ultimate objective for the real economy is to restructure current credit debt and ensure the continuation of value-add production



Development Bank of Turkey will be restructured with an expanded mandate



Real Estate Bank of Turkey will be restructured to guide the development of real estate industry, according to best practices



Capital adequacy ratio is 16.1% and NPL ratio is 3% (July 2018)

IMPROVEMENTS IN TAXATION PRACTICES

OBJECTIVES

IMPLEMENTATION AREAS

<div>TAX BASE EXPANSION</div>	<div>Policy Decisions</div>	<div><div>▶ A new real estate appraisal system will help to the completion of the real estate inventory; consequently real estate registry fees and taxes will be collected at real market values</div><div>▶ Government will receive a fair share from the value increases as a result of zone plan revisions</div><div>▶ There will be no further restructuring in tax and other government receivables</div></div>
<div>EQUITY IN TAX SYSTEM</div>	<div>Effective Process Management</div>	<div><div>▶ A new 'Tax Data Analysis Center', integrating different data sources and leveraging advanced analytical methods, will reduce informal economy and identify priority enforcement areas</div><div>▶ Tax collection process will be further improved leveraging new technologies</div></div>

SECTORAL PROJECT EXAMPLES TO CAPTURE DOMESTIC VALUE AND TO REDUCE CURRENT ACCOUNT DEFICIT



Sector focused programs will be implemented to increase domestic industrial value

Pharmaceuticals, petrochemicals, energy, machinery/equipment and software sectors will be prioritized to decrease current account deficit

Large-scale industrial and technological zones geared towards high-tech products

Integrated petrochemical industry zone

Increased number of clinical research centers for R&D activities of pharmaceutical and life sciences sectors



Localization of 20 critical biotechnology products

Implementation of digital transformation roadmap

Cloud based electronic exports platform

IMPLEMENTATION AND MONITORING OF THE NEW ECONOMIC PROGRAM



FOR A POWERFUL TURKEY



**ECONOMIC
BALANCING**



**FISCAL
DISCIPLINE**



**TRANSFORMATION IN
MANUFACTURING AND
EXPORTS WITH 'VALUE-
ADD' PERSPECTIVE**

