

Turkey: Structural Conditionality, April-December 2004

Action	Type 1/	Status
Prior actions for the eighth review		
Write over to the central government budget cumulative TL1.2 quadrillion of special revenues in the period January-June 2004.	PA	Circular issued by end-June; action completed by July 14, 2004.
April		
Announcement by the SDIF of a new strategy for asset resolution.	BM	Met with delay. Settlement offer to borrowers at end-May. Auction strategy announced in June.
Assessment of the banking system prior to lifting of blanket guarantee.	BM	Met.
May		
Submission to Parliament of tax administration reform legislation, making the GDR a semi-autonomous agency within the Ministry of Finance.	BM	Delayed to July.
Prepare report outlining key elements of state enterprise governance strategy.	BM	Met. Inter-agency committee completed study end-May.
June		
Improve the public sector personnel system, including passage of legislation to establish a code of ethical conduct for civil servants and public administrators (previous target end-December 2003).	BM	Met. Legislation was passed in May 2004.
Make public key elements of the new strategy for state banks and a timetable for the action plan (mid-June).	BM	Partially met. Strategy for Halk-Pamuk announced and related legislation is expected to be approved by Parliament shortly. Ziraat strategy prepared and will be announced in July.
All excises will be adjusted to be brought in line with budget assumptions.	BM	Partially met. June 29 increases brought excises close to budget assumptions.
July		
Passage by Parliament of tax administration reform legislation, making the GDR a semi-autonomous agency within the Ministry of Finance as defined in paragraph 10 of the Letter of Intent.	BM	Delayed due to heavy legislative agenda. Reset as new performance criterion for end-October 2004.
August		
Publication of final report on the independent inquiry into the Imar bank case in accordance with the terms of reference.	PC	Ongoing
Complete legal, managerial and financial procedures for integration of Halkbank and Pamukbank.	BM	Ongoing.
Select winning bid for relaunched SDIF asset auction.	BM	
September		
Finalize an action plan to address remaining legal, regulatory or procedural obstacles to Central Bank-Treasury coordination on monetary policy and debt management.	BM	
Completion of due diligence for Vakifbank by a consultancy firm.	BM	Ongoing
All excises will be adjusted to be brought in line with budget assumptions.	BM	
Decide on preferred pension system reform strategy.	BM	
October		
Passage by Parliament of tax administration reform legislation, making the GDR a semi-autonomous agency within the Ministry of Finance as defined in paragraph 10 of the Letter of Intent.	PC	
November		
Passage by Parliament of Credit Institutions Law that strengthens the legal framework as defined in paragraph 14 of the Letter of Intent.	PC	
December		
Submission to Parliament by December 15 of social security reform legislation, as defined in paragraph 10 of the Letter of Intent.	PC	
Continuous		
No new amnesties of arrears on public sector receivables.	PC	Met

1/ PA=prior action, PC=structural performance criterion, and BM=structural benchmark.

Turkey: Quantitative Performance Criteria and Indicative Targets for 2004

	Ceiling/ Floor Outcome		Ceiling/ Floor Outcome		Ceiling/ Floor Outcome		Ceiling/ Floor Outcome		Ceiling/ Floor Outcome	
	March 31, 2004	April 30, 2004	June 30, 2004	August 31, 2004	September 30, 2004	December 31, 2004				
I. Quantitative performance criteria										
1. Floor on the cumulative primary balance of the consolidated government sector since January 1, 2004 (in trillions of TL)	5,420	7,618	...	14,100	...	22,950	26,200			
2. Floor on the cumulative primary balance of the consolidated government excluding SEEs sector since January 1, 2004 (in trillions of TL)	...	6,300	8,948	...	19,000	...	22,900			
3. Ceiling on contracting or guaranteeing of new external public debt with original maturities of more than one year (in millions of US\$) 1/	7,000	3,382	...	13,000	5,227	...	16,000	17,500		
4. Ceiling on the stock of external public debt with original maturities of up to and including one year (in millions of US\$) 2/	1,000	0	...	1,000	0	...	1,000	1,000		
5. Floor on level of net international reserves of CBT and Treasury combined (in billions of US\$)	-2.00	0.75	-2.00	1.79	...	-2.00	...	-2.00		
6. Ceiling on base money (in quadrillions of Turkish lira)	16.1	16.9	17.5	17.5	...	20.5	...	20.9		
II. Indicative targets										
1. Floor on the cumulative overall balance of the consolidated government sector since January 1, 2004 (in trillions of Turkish lira)	-11,420	-6,084	...	-20,000	...	-29,300	-35,440			
2. Ceiling on the stock of net domestic assets of the CBT and Treasury combined (in quadrillions of Turkish lira)	29.6	27.3	31.6	26.1	...	34.6	...	35.0		
3. Privatization proceeds cumulative from January 1, 2004 (in millions of US\$)	100	311	...	500	...	1,000	3,000			
4. Number of employees hired at non-financial state enterprises	4,000			

1/ Applies to nonconcessional external debt with an original maturity of more than one year from end-December 2003. 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.

2/ 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.

Turkey: Performance Criteria Test Dates and Review Schedule, 2004

Review	Purchase (SDR millions)	Primary balance of the CGS and external debt	PC Test Dates Primary balance of CGS minus SEEs	NIR, Base Money	Earliest Possible Purchase Date
Actual purchases	11,460.4				
8th Review	453.6	...	April 30, 2004	April 30, 2004	June 15, 2004
9th Review 1/	453.6	June 30, 2004	August 31, 2004	August 31, 2004	October 15, 2004
10th Review 1/	453.6	September 30, 2004	December 31, 2004	December 31, 2004	January 15, 2005
Total Purchases	12,821.2				

1/ The June 30, 2004 and September 30, 2004 test date ceilings for the CGS primary balance and external debt performance criteria become applicable for purchases 45 days after the actual test date in view of the time required to report comprehensive monitoring data.