



**ADJUSTED
GROWTH STRATEGY:
TURKEY**

TURKEY'S ADJUSTED GROWTH STRATEGY, 2015

*The purpose of this document is to highlight changes and new additions to members' **growth** strategies since Brisbane :*

Changes to section A (Economic Objective)

Please discuss changes to the economic objectives, if any.

Since Brisbane Summit, the overarching goal of Turkey's growth strategy has remained the same. We aim to achieve high, stable, sustainable and inclusive economic growth via ensuring a competitive and business-friendly economic environment and improving international competitiveness. These will be managed through comprehensive structural reforms including product and labor market regulations, and supporting technology and innovation oriented production structure.

Please list the top 5 commitments from your growth strategy. These can be from either Brisbane or the current adjusted growth strategy.

Turkey's top-5 growth strategy commitments, reflecting medium-term objectives, are broadly in line with those we provided to Brisbane. They are listed as the following:

1. Increase the ratio of general R&D expenditures to GDP to 1.80% by 2018 from 0.95% in 2013, and the share of SMEs in R&D expenditures to 20% in the same period from 18%.
2. Raise employment through updated curricula for vocation schools, improving ALMPs, developing for target groups and introducing conditionality for social benefits.
3. Increase woman employment through creating a balance between work and family, introducing incentives and promoting entrepreneurship.
4. Increase competition by reviewing the legislation and other issues which prevents business environment to improve.
5. Boost trade with implementation of the WTO Trade Facilitation Agreement.

Changes to section B (Economic Outlook and Challenges to Growth)

Please discuss changes to the economic outlook and challenges, and if desired, highlight any new and existing gaps remaining to be addressed. Add discussion of risk of persistent stagnation, if relevant.

Update table of key indicators as follows:

Despite many challenges stemming from global financial volatility and geopolitical tensions in neighboring countries, in the first half of 2015 economic growth was 3.1 percent. On employment side, although over a half million new jobs have been created in the first seven months of 2015, unemployment rate remained flat at 10.4 percent in July, due to an upward trend in labor force participation, in particular the female participation.

In addition to the macro-prudential measures, policies to decrease the costs of SME loans and export credits were taken in order to channel funds to productive investments and support production and export. Recent steps taken to curb excessive household borrowing have led to a slow-down in credit growth. Thus, the deceleration of consumer loan growth has been more pronounced while the commercial loans remain robust.

Current account deficit has narrowed by 2.1 percentage points compared to 2013 and was realized as 5.8 percent of GDP in 2014 thanks to the macro-prudential measures to limit excessive credit growth, improvement in non-monetary gold balance, and lower oil prices. Non-energy current account was in surplus in 2014.

Decline in commodity prices especially in energy has significant positive effects on Turkish economy. In particular lower energy prices contribute to a reduction in current account deficit and external financing needs. Weak foreign demand, partly emanating from the ongoing geopolitical tensions in neighboring countries and increase in domestic demand has restrained the improvement of terms of trade in the first half of 2015. Nevertheless, indicators show that further improvement in current account deficit will continue.

Consumer prices experienced inflationary pressure throughout 2014 and annual CPI inflation increased to 8.2 percent at the year-end. While depreciation of Turkish Lira have pushed inflation upward, deceleration in food prices, favorable global commodity prices, in particular oil prices, and recent macro prudential measures have had a downward effect on inflation. As of October 2015, the annual CPI inflation realized as 7.58 percent.

The Medium Term Program (MTP) that covers 2016-2018 period was announced at the beginning of October 2015. This Program aims to preserve macroeconomic stability and implement structural reforms with priorities of (i) decreasing inflation, (ii) reducing current account deficit, (iii) increasing potential growth rate and (iv) having more inclusive growth. The Program assumes that global growth will increase gradually, trading partners of Turkey will grow moderately, volatility in the financial markets and geopolitical risks will decrease, the effect of the expected interest rate increase in the US will be limited, domestic savings with foreign capital inflow will contribute to financing of the growth adequately and terms of foreign trade will improve incrementally. Considering this framework under more challenging global economic conditions, growth projection has been revised downward to 3 percent for this year and 4.5 percent on average for the following three years. The current account deficit to GDP ratio is envisaged to decrease to 5.2 percent by the end of 2015, and 4.4 percent at the end of the Program period. Inflation is forecasted to be 7.6 percent for this year and targeted as 5 percent by the end of program period.

Table of key indicators:

Key Indicators

	2014 ^{***}	2015	2016	2017	2018	2019
Real GDP (% yoy)	2,9	3,0	4,0	4,5	5,0	--
Nominal GDP (% yoy)	11,5	10,3	11,1	11,0	11,1	--
Output Gap (% of GDP)*	-1,0	-1,8	-1,8	-1,4	-0,6	--
Inflation (% , yoy)	8,2	7,6	6,5	5,5	5,0	--
Fiscal Balance (% of GDP)**	-0,6	0,0	-0,1	-0,2	0,0	--
Unemployment (%)	9,9	10,5	10,3	10,2	9,9	--
Savings (% of GDP)	15,0	14,6	16,1	16,6	17,2	--
Investment (% of GDP)	20,5	19,8	20,9	21,2	21,6	--
Current Account Balance (% of GDP)	-5,8	-5,2	-4,9	-4,7	-4,4	--

***A positive (negative) gap indicates an economy above (below) its potential.**

****A positive (negative) balance indicates a fiscal surplus (deficit).**

***** Indicators can be presented on a fiscal year basis, should they be unavailable for the calendar year.**

¹ **End-Year**

Changes to section C (Policy Responses to Lift Growth)

Please indicate any adjustments to measures taken in Brisbane Growth Strategies as well as new high impact policy measures taken since Brisbane.

Please include both macroeconomic and structural policy responses.

Macroeconomic Policy Responses

Monetary and Exchange Rate Policy

Main objective of monetary policy is to achieve price stability. While aiming at keeping inflation close to target, the Central Bank of Turkey (CBRT) also aims to safeguard financial stability and to contain the volatility led by capital flows on domestic economy. In this context CBRT closely monitors the growth rate and the composition of loans. Monetary policy framework involves the use of a set of new instruments alongside the traditional instruments to achieve price stability and financial stability. Moreover, communication of these new policy frameworks is also central to the success of the monetary policies. In addition to price stability CBRT provides support to balanced growth – in line with its mandate - through funding exports, lender of last resort facilities, supporting for core liabilities and contributing to sustainable credit growth.

Considering the favorable developments in the inflation outlook amid the continuing fall in core inflation trends, receding oil prices and improved expectations, the CBRT decided on measured rate cuts in January and February 2015. Rate cuts were kept modest due to the ongoing global uncertainty, volatile energy prices, rising domestic food prices and relatively high levels of inflation expectations. The positive effects of the cautious monetary policy stance and the macro-prudential measures helped core inflation indicators improve in the first quarter of the year. High food inflation, however, was the key factor delaying the decline in consumer inflation. Although inflation decreased due to lower food prices in the second quarter of 2015, the depreciation of the Turkish lira caused core goods' inflation to rise. In view of the uncertainty over global markets and the volatility in food and energy prices, the CBRT maintained its cautious monetary policy stance in the second quarter of 2015. In this period, the CBRT kept interest rates unchanged, but continued with its tight liquidity policy to contain risks to core goods inflation and inflation expectations. In the third quarter of 2015, inflation rose amid developments in food prices and the exchange rates. Due to the cumulative depreciation in the Turkish lira, annual core goods inflation surged in this period and the core inflation trend maintained its high level. Along with the exchange rate and food prices, wage developments and medium-term inflation expectations will be effective on the course of the inflation outlook in the upcoming period. With a view to limiting the effects of cumulative exchange rate movements recorded since early 2015 and volatilities in energy and food prices both on inflation and inflation expectations, the CBRT maintained the tight monetary policy stance in the third quarter of 2015. Owing to the tight liquidity policy implemented in this period, the average funding rate was increased gradually.

Against this backdrop of high volatility in the risk appetite and cross-border capital flows, the CBRT has also taken some measures to improve the domestic banking system's FX liquidity position and intermediation costs, and to incentivize prudent borrowing, aiming at reducing macro-financial risks stemming from uncertainties regarding global financial markets and the course of economic activity. During the second and third quarters of 2015, the wide interest rate corridor and the tight liquidity policy implemented by the CBRT played a major role in shielding the economy against heightened long-term interest rate volatility in advanced economies.

The CBRT released a road map on 18 August 2015 regarding the policies to be implemented before and during the normalization of global monetary policies. The Bank announced that

the width of the corridor will be narrowed and the interest rate corridor will be made more symmetric around the one-week repo interest rate. During the simplification process, adjustments will be made in the funding composition to preserve the required degree of tightness in the monetary policy. Moreover, this announcement also incorporated policies regarding Turkish lira liquidity, foreign exchange liquidity and financial stability to be implemented before and during the normalization. Thus, with respect to the Turkish lira liquidity, quotation on the interest rate on borrowing facilities provided for primary dealers via repo transactions was terminated and collateral conditions for Turkish lira transactions were simplified as of 23 September 2015. In addition, it was reminded that foreign exchange deposits can be used as collaterals against Turkish lira transactions, and new simplified rules were announced regarding the use of this facility. The aim of these arrangements that were put into effect on 28 September 2015 is to enhance the efficiency of the banks' liquidity management.

In 2015, the global economic slowdown and geopolitical problems cause external demand to remain weak while domestic demand provides a moderate support to growth. In the second quarter of 2015, economic activity recorded an increase owing to domestic demand. Third-quarter indicators signal a mild course in economic activity, while growth composition is expected to turn in favor of net exports in the second half of the year. CBRT will continue to support exports through export rediscount credits and the contribution from the funding for exports program to official reserves is expected to reach USD 15.2 billion in 2015. It is expected that, in the coming period, the demand developments will not pose an upward pressure on inflation, while the supply-side factors, including food and energy, will continue to affect the course of inflation.

In order to fight against the factors behind the rigidities in food prices which disrupt the disinflation process in Turkey, the Food and Agricultural Products Markets Monitoring and Evaluation Committee (Food Committee) was founded in December 2014. The findings and recommendations of the Food Committee will be used as input for policies to curb inflationary pressures arising from unfavorable developments in the food and agricultural products markets.

Macprudential Policies

The CBRT took additional measures in the first quarter of 2015 to encourage prudent borrowing and enhance the resilience of the Turkish economy against potential external shocks. To this end, (i) to support core liabilities of financial institutions, the CBRT remunerated the Turkish Lira reserves of financial institutions with higher core liability ratios (ratio of deposits and equity to loans) than the sector average at a higher rate provided that they do not worsen their situation; (ii) to encourage the extension of maturities, the CBRT revised the reserve requirement ratios of FX-denominated non-core liabilities of banks and financing companies in favor of longer maturities; (iii) to strengthen the automatic stabilizing feature of the ROM, technical adjustments were made in reserve option tranches and coefficients; (iv) to support balanced growth, the CBRT increased the export rediscount credit limit and widened the scope of this facility to include FX earning services such as tourism, health, IT and consultancy; (v) the CBRT decreased the interest rates applied to banks in the FX Deposit Market gradually in order to ease FX liquidity for banks. In addition, the remuneration rate for the Turkish Lira reserves of financial institutions has been increased and the CBRT has started to remunerate the US dollars denominated reserves of financial institutions in order to support financial stability since May 2015.

In line with "Road Map during the Normalization of Global Monetary Policies" announced on 18 August 2015, required reserve ratios for Foreign Exchange (FX) non-core liabilities have been revised to incentivize maturities of longer than three years. According to the road map, for the purpose of reducing intermediation costs of the banking sector and supporting

core liabilities, the remuneration rate for the required reserves maintained in Turkish liras will have been raised by 150 basis points in total between September and December this year.

ANNEX 1: NEW AND ADJUSTED POLICY COMMITMENTS FOR 2015

New and Adjusted Commitments since Brisbane

This annex is for describing new measures introduced since Brisbane or Brisbane commitments that have been adjusted or modified.

Please complete a table for each new or adjusted commitment put forward in 2015. We would expect each policy commitment table to be no longer than 1 page.

Investment and Infrastructure

In order to promote long term investment by institutional investors Regulations on Venture Capital/Private Equity Investment Funds, and Real Estate Investment Funds are introduced in 2014 with a view to provide long term finance for alternative investments. On the other hand, The Private Pension Funds, Venture Capital/Private Equity Investment Companies and Real Estate Investment Companies have already been used as investment instruments for the same purpose.

The number of pension funds increased substantially since the adoption of the relevant regulation. Thanks to the newly introduced incentives (i.e. direct state contribution to individual portfolios) to the pension fund system, the number of subscribers in the system and the assets under management have substantially increased. Furthermore, securities investment companies with variable capital (shortly internationally known as ICVC or SICAV), of which secondary regulation has been published on 27 May 2015, will support the development of securities investment companies within a system that allows for adequate flexibility.

In addition to this, in 2013, the regulation on the Real Estate Investment Company Investing in Infrastructure Investments was re-renewed and consolidated under the name of Real Estate Investment Company. Together with new administrative flexibility, this legislation promotes a new perspective which eases access to the capital markets for long term infrastructure investments. The new legal framework increases the willingness to use capital markets in financing long-term and high-cost infrastructure investments by means of capital market institutions. Moreover, with the amendments in new communiqué on portfolio management companies which became effective in July 2014, the functioning of the portfolio management companies has been changed. By this renewed legislation the major types of collective investment schemes- investment funds- shall only be founded by the portfolio management companies in which their functions are unbounded from their bank conglomerates. This regulation leads to important risk mitigation in the capital markets. Furthermore, new portfolio management company regulation paves the way for establishment of new types of portfolio management companies with limited but concentrated scope such as real estate portfolio management companies, private equity portfolio management companies and portfolio management companies solely serving international investors. In line with the purpose of enhancing competition among market players in investment fund industry, Turkish Electronic Fund Distribution Platform (TEFAS) was launched on January 9, 2015. TEFAS, an electronic platform, is a fund supermarket which provides investors access to all funds registered by Capital Markets Board of Turkey (CMB) and aims to increase competition among investment funds and transparency of investment funds' performances.

In relation to access of SMEs to finance, Borsa İstanbul has initiated in November 2014, a project to create another trading platform similar to Nasdaq Private Market enabling SMEs to obtain pre-IPO funds from only qualified investors and angel investors. The Private Market was established as an addition to the existing SME market within Borsa İstanbul, and it offers companies access to finance without going public, liquidity for company partners intending to sell their shares, and new investment opportunities for investors. Public offers will not be allowed in the private market and SMEs will not become publicly held companies, they will not be subject to the requirements in securities regulations.

ANNEX 2: PAST COMMITMENTS – ST. PETERSBURG FISCAL TEMPLATE – UPDATE

Please update as necessary. In particular, please update tables as follows:

Medium-term projections, and change since last submission (*required for all members*):

	Estimate Projections						
	2013-14*	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Gross Debt	-	33.5	34.0	32.8	31.3	30.0	-
<i>ppt change</i>							
Net Debt	-	-	-	-	-	-	-
<i>ppt change</i>	-	-	-	-	-	-	-
Deficit		-0.6	0.0	-0.1	-0.2	0.0	-
<i>ppt change</i>	-	-	-	-	-	-	-
Primary Balance	-	2.3	2.9	2.5	2.4	2.5	-
<i>ppt change</i>	-	-	-	-	-	-	-
CAPB	1.04	1.68	-	-	-	-	-
<i>ppt change</i>	-	-	-	-	-	-	-

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year.

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for inflation and growth:

		Estimate Projections						
		2013-14*	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Real GDP	growth	4.0	2.9	3.0	4.0	4.5	5.0	-
	<i>ppt change</i>	-0.1	-0.4	-1.0	-1.0	-0.5	0.0	-
Nominal GDP	growth	11.5	10.3	11.1	11.0	11.1	-	-
	<i>ppt change</i>	1.0	-2.4	0.9	0.4	0.8	-	-
ST interest rate		-	-	-	-	-	-	-
	<i>ppt change</i>	-	-	-	-	-	-	-
LT interest rate		-	-	-	-	-	-	-
	<i>ppt change</i>	-	-	-	-	-	-	-

* Figures can be presented on a fiscal year basis, should they be unavailable for the calendar year. Changes (in percentage points) are the difference between the share of GDP at the 2016-18 Medium Term Plan minus the share of GDP in Turkey's growth strategy on November 2014, Brisbane Summit.

ANNEX 3: PAST COMMITMENTS – BRISBANE COMMITMENTS

The purpose of these tables is to monitor the implementation of commitments from members' Brisbane growth strategies.

Key Commitments for Monitoring Purposes

The detailed table below is for the monitoring of key commitments, as identified by members. Please complete a table for each key commitment.

<ul style="list-style-type: none"> The policy action: 	<i>Increase the ratio of general R&D expenditures to GDP 1.80% by 2018 from 0.95% in 2013, and the share of SMEs in R&D expenditures to 20% in the same period from 17% as of 2013</i>		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	1 – Existing mechanisms supporting cooperation between technology development zones, organized industrial zones, R&D Centers, technology platforms, sets and public and private sector research centers	1 –December 2015 2- June 2016 3 –December 2018 4-December 2018	All policies are on track.

	<p>will be revised, efficiency of mechanisms will be assessed and new mechanisms of cooperation will be produced.</p> <p>2 – The need for accreditation tests will be determined. In line with this, the capacity of test infrastructure will be enhanced.</p> <p>3 – Research programs to develop local products and technologies in sectors with high external dependence will be supported. The number of activities like advertisements, workshops and exhibitions will be increased in priority areas.</p> <p>4- Actions to attract R&D oriented foreign investments (such as seminars, advertisements and exhibitions) in priority areas will be taken.</p> <p>5- Technology development zones will focus on priority sectors and efficiency in R&D activities of firms will be analyzed.</p> <p>6- Capacities of technology transfer offices regarding to industrial properties will be increased. Industrial property education, patent appointment system and patent preliminary survey will be carried out to boost industrial property rights.</p>	<p>5- June 2016 6- December 2018</p>	
<p>Impact of Measure</p>	<ul style="list-style-type: none"> - Increasing number of technological products and brands in priority sectors, which promotes competitiveness - Promoting the rate of total factor productivity in industry sector - Boosting share of priority sectors in production capacity and export volume of manufacturing industry 		

	<ul style="list-style-type: none"> - Raising number of qualified researchers and employing them in private sector more widely - Upgrading number of research centers, business incubators, technology development centers and innovation centers - Making technology development zones more sector-based - Facilitating technology transfer - Increasing number of accredited institutions in R&D from 756 (2014) to 931 (2018) - Increasing number of corporations that has R&D center certificates from 170 (2014) to 225 (2018). - Boosting R&D experiment of private sector by %100 until the end of 2018.
--	---

• The policy action:	<i>Raise employment through updated curricula for vocation schools, improving ALMPs, developing for target groups and introducing conditionality for social benefits</i>		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	<p>1 – Impact of Active Labor Market Programs will be assessed and redesigned.</p> <p>2- Social assistance facilities utilized by unemployed people who are able to work will be diminished gradually in case they do not participate in the labor force.</p> <p>3-Social security premiums of employed people acquiring social assistance, paid by employers, will be compensated through government incentives.</p> <p>4- Information system that traces Social Benefits and Employment Records will be developed.</p> <p>5- Stretching the conditions to benefit unemployment insurance and extending length of time benefits from unemployment insurance</p>	<p>1 – December 2015</p> <p>2- December 2015</p> <p>3- December 2015</p> <p>4- December 2015</p> <p>5- January 2016</p> <p>6 –December 2016</p> <p>7- December 2016</p> <p>8- December 2018</p> <p>9- December 2018</p>	<p>1-On track</p> <p>2-On track</p> <p>3-On track</p> <p>4- In order to direct social benefit receivers who are able to work to active labor market programs (ALMPs) and vacant jobs through job and vocational counselling services, service points of Turkish Employment Agency were established and expanded across the Social Assistance and Solidarity Foundations (SASF) in all of 81 provinces. In the current situation these processes have been done by Social Assistance and Solidarity Foundations. Once the legal framework is introduced, the İŞKUR registration</p>

	<p>payments.</p> <p>6 – Monitoring and assessing Active Labor Market Policies across the country.</p> <p>7- Quality of vocational training will be improved in order to use public resources efficiently.</p> <p>8 –Enrolling more employees from on-the-job-training programs.</p> <p>9- Providing an appropriate education or a job for unemployed people who are able to work but get social assistance via İŞKUR.</p>		<p>and other issues related to the job placement could be done by İŞKUR.</p> <p>5- On track</p> <p>6-The monitoring system for Active Labor Market Programs (ALMP) was established within the scope of the Public Employment Services Project (KİP) financed by the EU Pre-Accession Funds (IPA). The system is tested and dissemination process is continuing.</p> <p>7- On track</p> <p>8- On track</p> <p>9- On track</p>
Impact of Measure	<p>- Boosting productivity of labor force via more qualified jobs.</p> <p>- Strengthening the connection between social assistance and employment, and promoting 100.000 more people receiving social assistance to participate in labor force by the end of 2018.</p>		

• The policy action:	<i>Increasing woman employment through creating a balance between work and family, introducing incentive regulations and promoting entrepreneurship</i>		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	<p>1-Providing part-time working opportunity to mothers, following the maternity leave, for about 6 years (until the child is at primary school starting age.)</p> <p>2 – Increasing the number of day care centers owned by private sector</p> <p>3 – Increasing the number of services for children and day care centers in order to reduce caring responsibilities of women.</p>	<p>1 –December 2015</p> <p>2 –June 2016</p> <p>3-December 2016</p> <p>4- December 2018</p> <p>5- December 2018</p> <p>6- December 2018</p> <p>7- December 2018</p>	<p>1- On track</p> <p>2- On track</p> <p>3-With launching of the project entitled as “Annemin İşi Benim Geleceğim”, 10 day care centers in organized industrial zones will be built until 2019. In this regard, day care centers in the cities of Adıyaman and Afyonkarahisar have been completed, and preparations to activate day care center in the city of Malatya, are</p>

	<p>4- Preparing and implementing “Program of Women Entrepreneurship”</p> <p>5- Raising awareness by women for entrepreneurship opportunities.</p> <p>6- Providing vocational courses for women benefiting from social assistances.</p> <p>7- Enhancing the share of women in labor force employed by İŞKUR</p>		<p>going on.</p> <p>4- On track</p> <p>5- As part of the legislation efforts to support women entrepreneurship through raising awareness and providing a micro-credit system, two meetings were done. The first meeting was held on 20 January 2015 with participation of private sector representatives and second meeting was held with the attendance of public representatives, between 05-09 February 2015.</p> <p>6- On track</p> <p>7- On track</p>
<p>Impact of Measure</p>	<p>-Upgrading labor market participation of women to % 34,9 and employment rate of women to %31 at the end of the Development Plan Period (2018).</p> <p>- Eliminating obstacles faced by all working mothers, to raise labor force participation of women.</p> <p>- Fostering entrepreneurship among women by means of various activities, events and incentives.</p>		

<p>• The policy action:</p>	<p><i>Increase competition by reviewing the legislation and other issues which prevents business environment to improve</i></p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p> <p>1 – Cost of establishing a company and opening a branch will be reduced.</p> <p>2 – Number of licenses will be reduced, licenses will be simplified and harmonized.</p> <p>3 –Land allocation and permission process for <i>critical</i> investments will be accelerated.</p>	<p>Deadline</p> <p>1 –December 2016</p> <p>2 –December 2016</p> <p>3 –December 2015</p> <p>4- December 2018</p> <p>5- December 2018</p>	<p>Status</p> <p>All policies are on track.</p>

	<p>4- Number of judges and prosecutors will be increased to international levels. There will be expert positions to support judges and prosecutors at decision making processes.</p> <p>5- Effectiveness of the arbitration courts of employee associations will be increased through seminars and vocational educations to accelerate execution of contracts.</p> <p>6- Taking into account international procedures and needs, specialization in courts will be expanded especially for labor and commercial disputes.</p> <p>7-Laws, regulations and practices of high courts will be translated into foreign languages. A guidance including judicial procedure is will be prepared for foreigners.</p> <p>8-Time management processes will be developed for the courts to expedite trials.</p> <p>9- Indicators to evaluate business environment will be developed and surveys will be conducted.</p> <p>10- Reports will be prepared to assess Business Environment and Investment Climate in regional and national levels.</p>	<p>6- December 2016</p> <p>7- December 2016</p> <p>8- December 2016</p> <p>9- June 2016</p> <p>10- October 2016</p>	
<p>Impact of Measure</p>	<p>-Promoting ease of doing business through improving the implementation of proper laws and regulations</p> <p>- Increasing level of foreign direct investment.</p> <p>-Increasing share of private sector investment in GDP by % 5 until the end of 2018.</p>		

• The policy action:	<i>Boost trade with implementation of the WTO Trade Facilitation Agreement</i>		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	1 – Translation of the Agreement 2 – Submission of the Agreement to the relevant Committees of the Grand National Assembly 3 – Adoption of the Agreement to the General Council of the Grand National Assembly 4-Ratification of the Agreement by the Council of Ministers and publishing at the Official Gazette	1 – May 2015 2 – First half of 2015 3 – Second half of 2015 4 – Second half of 2015	The translation of the Agreement has already been completed and as of May 8 th , 2015, the Agreement has been submitted to the Ministry of Foreign Affairs for submission to the relevant Committees of the Grand National Assembly.
Impact of Measure	<p>- OECD’s quantitative analysis for a group of countries, which includes Turkey, shows that Turkey would see increased trade volumes and reduced trade costs from continued improvements in many areas covered by the WTO Trade Facilitation Agreement, including a full implementation of a Single Window. Besides this, on June 2015 report by the OECD on Trade Facilitation Indicators, Turkey was assigned a higher level than the OECD average in the areas of appeal procedures and governance and impartiality. Additionally, Turkey has improved its performance in the areas of information availability, advance rulings, the simplification and harmonization of documents, automation, streamlining of border procedures, internal border agency cooperation and governance and impartiality between 2010 and 2015.</p> <p>Overall, Turkey endeavors to maintain trade facilitation measures aiming at the reduction of administrative costs, waiting times for multilateral trade, enhancing the predictability and transparency of customs procedures. Thus, it has actively participated in trade-facilitation negotiations by submitting and co-sponsoring proposals on topics such as electronic payments, disciplines on fees and charges and freedom of transit.</p> <p>- OECD findings suggest that the full implementation of the Agreement could reduce total trade costs by 13% in upper middle income economies and by up to 15% in other developing countries.</p> <p>- According to the various studies, the benefits of the Trade Facilitation Agreement to world economy are calculated to be between \$ 400 billion- \$1 trillion by reducing cost of trade between %10-15. Reducing global trade costs by just 1% would increase worldwide income by more than US Dollars 40 Billion; 65% of which would accrue to developing countries.</p>		

Other Brisbane Commitments

This table is for the monitoring of other Brisbane commitments (non key commitments). Please complete a table for each commitment.

• The policy action:	<i>Helping SMEs' participation in the GVCs</i>
Implementation path and expected date of implementation	<p>Turkey will improve the R&D capacity and human capital structure of the SMEs and support their clustering activities.</p> <p>It is indicated in the 10th Development Plan of Turkey for the period of 2014-2018 that it is important to reach upper levels in the GVCs through creating a sustainable high technology product structure.</p> <p>In line with this policy vision, general R&D expenditures to the GDP ratio will be increased to 1.80% by 2018 from its current level of 0.95% in 2013. The share of SMEs in R&D expenditures will be increased to 20% in the same period from 17% as of 2013.</p> <p>Furthermore, technical trainings and consultation activities are planned for improving the human capital of the SMEs.</p> <p>In order to find joint solutions for joint problems, SMEs are encouraged to come together and establish joint procurement, design, marketing, production and services structures. Thus, the aim is increasing the capacity and competition power of the SMEs by acting together.</p>
Status of Implementation and Impact	<p>On track.</p> <p>The first group of the Priority Transition Programs within the framework of the 10th Development Plan of Turkey have been started to be implemented as of November 2014. These programs include action plans on Commercialization of Priority Technology Fields including actions on improving R&D and human capacities, and clustering activities of the SMEs. These plans will be implemented through January 2015 to December 2018.</p> <p>The second group of Priority Transition Programs that were launched on December 2014 also includes an action plan on Increasing Productivity in the Production Processes, which encompasses actions on improving the capacities of the SMEs and encouraging their clustering activities that are planned to be implemented through January 2015 to December 2018.</p>
• The policy action:	<i>Improving and liberalizing the services sector, especially in the logistics services area</i>
Implementation path and expected date of implementation	<p>Turkey aims to further increase the share it gets from global services trade, therefore favors liberalization efforts at every level.</p> <p>Thus, Turkey will continue to actively and constructively engage in trade in services negotiations (TiSA) as well as including services trade in its FTAs.</p> <p>In parallel of the developments in world economy, the importance and role of services trade in Turkish economy has been increasing. Services sector comprised 63.7% of the Turkish GDP in 2014 and contributed to employment by 58.4% at the end of 2014.</p> <p>With an aim of determining policies to boost the competitive power of the services sector, Turkey plans to conclude the International Services Trade Statistics Project, by 2016.</p>

	<p>The average estimated growth rate for 2014-2018 period is 5.5% and services sector is expected to contribute to the value added by 61.9% in this period.</p> <p>Turkey intends to re-construct its railway and port management system, eliminate logistic barriers restricting trade, and establish logistical centers abroad.</p> <p>The logistics master plan which aims to transform Turkey into a regional logistics hub is expected to be concluded by 2017. Once concluded, it is believed that it would decrease costs of companies in logistics.</p> <p>As many infrastructural problems hamper the physical trade routes, Turkey plans to build the hinterland of its ports with railroad and container transport terminals as well.</p> <p>By the end of 2018, logistical centers are aimed to be established abroad to diminish time and storage capacity scarcities. The priority is given to Russia and Djibouti in this regard. But Central Asia, South Caucasia, China and the USA are also being worked on.</p> <p>Turkey has also been actively working on liberalizing transit passages and abolishing the road transit passage documents that hamper bilateral and regional trade flows.</p>
<p>Status of Implementation and Impact</p>	<p>On track (other than the services negotiations with Ukraine).</p> <p>The countries with which Turkey is negotiating services under its FTA's are Russia, EFTA, Singapore, Japan, Mexico, Peru, Macedonia, Albania, Bosnia-Herzegovina and Ukraine. (However, negotiations with Ukraine are suspended.)</p> <p>Turkey is also planning to negotiate trade in services with Turkmenistan and Azerbaijan.</p> <p>Trade in services agreements creates legal certainty and predictability which is vital for service providers and investors. These negotiations are important to constitute a secure path for our business industry. In terms of choosing negotiating partners Turkey is more inclined to focus on the region where the outward investment is dense and potential trade in services volume is high.</p> <p>The first group of the Priority Transition Programs within the framework of the 10th Development Plan of Turkey that were launched on November 2014 includes an action plan on Transition Program from Transportation to Logistics. Accordingly, the logistics master plan have been started to be prepared in 2014 and is expected to be concluded by the end of 2017. Similarly, the report on the logistics center to be established abroad will be finalized by the end of 2015 and together with the private sector these centers are planned to be established and operationalized by the end of 2017.</p> <p>This action plan also encompasses actions towards improving physical conditions and meeting infrastructural needs.</p>

<p>• The policy action:</p>	<p><i>Reducing trade restrictive measures and traditional barriers to trade</i></p>
<p>Implementation path and expected date of implementation</p>	<p>Turkey will conclude its ongoing FTA negotiations and start new ones.</p> <p>Turkey will increase the number of its MRAs and TCAs.</p> <p>It is important for Turkey to conclude MRAs with the countries the EU has similar Agreements, especially for the sectors that require CE mark; since this will even the playground for Turkish products. The EU has signed 7 MRAs so far with the USA, New Zealand, Australia, Canada, Japan, Israel and Switzerland.</p> <p>Besides, with the aim of eliminating technical barriers, Turkey aims to increase the number of its TCAs.</p>
<p>Status of Implementation and Impact</p>	<p>On track.</p> <p>Turkey has ongoing negotiations with 13 countries/country blocs; namely Peru, Ukraine, Colombia, Ecuador, Mexico, Japan, Singapore, Dem. Rep of Congo, Cameroon, Seychelles, Gulf Cooperation Council, Libya and MERCOSUR.</p> <p>Turkey has launched initiatives to start negotiations with 10 countries/country blocs, which are the USA, Canada, Thailand, India, Indonesia, Vietnam, Central American Countries, other ACP Countries, Algeria, and South Africa.</p> <p>TCA drafts have been shared with Russia, Turkmenistan, Kyrgyzstan, and the Republic of Iraq. Within this framework, negotiations on the draft text are continuing with Russia, Turkmenistan and is about to be completed with Kyrgyzstan. Consultations regarding possible technical cooperation with Iraq are currently underway.</p> <p>“Action Plan (2015-2017)” on the implementation of the TCA with Azerbaijan was signed on April 28, 2015.</p>
<p>• The policy action:</p>	<p><i>The revision of the effects of “Regulation on Fines to Apply in Cases of Agreements, Concerted Practices and Decisions Limiting Competition, and Abuse of Dominant Position” and “Regulation On Group Exemption Regarding Distribution and Servicing Agreements in Relation to Motor Vehicles</i></p>
<p>Implementation path and expected date of implementation</p>	<p>The Competition Board is expected to issue “<i>Regulation on Fines to Apply in Cases of Agreements, Concerted Practices and Decisions Limiting Competition, and Abuse of Dominant Position</i>” and “<i>Regulation On Group Exemption Regarding Distribution and Servicing Agreements in Relation to Motor Vehicles</i>” in 2015.</p>
<p>Status of Implementation and Impact</p>	<p>The study groups constituted for the regulation and regulation have completed their draft by taking both external and internal views/contributions and submitted their work to the Competition Board.</p> <p>Once announced and put into effect, Competition Board’s decisions based on the above mentioned regulation and regulation in the coming years will be evaluated to see if they still need adjustments or not.</p>

• The policy action:	<i>Amendment of The Act on the Protection of Competition</i>
Implementation path and expected date of implementation	The draft will be enforced by the Parliament in due course.
Status of Implementation and Impact	The draft is finalized by the sub-commission and submitted to the parliamentary commission. Once the new Parliament is formed, the draft is expected to be submitted to the Parliament by the committee.

• The policy action:	<i>Scanning the legislation that is not compatible with the competition rules</i>
Implementation path and expected date of implementation	Completed
Status of Implementation and Impact	Team, which was constituted for scanning the legislation and identifying the most relevant and problematic areas, completed their work on the listing of regulations and legislations that may have a more propensity to infringe competition. Results of the study were published in the competition report in March 2015.

• The policy action:	<i>Determination of the markets or industries that have more propensity to infringe competition and establish a prioritization mechanism</i>
Implementation path and expected date of implementation	Relevant departments at the TCA are planning to organize workshops, public opinion researches, and consultation meetings and to make economic analysis. It is expected to be concluded at the end of 2015.
Status of Implementation and Impact	On track

• The policy action:	<i>Enhancing Productivity in Manufacturing</i>
Implementation path and expected date of implementation	To enhance productivity in manufacturing; - Productivity Strategy and Action Plan will be implemented between January 2015 and December 2018. This plan will be in force after approval of Higher Planning Council. - Statistics regarding to productivity of capital and total productivity of sub-sectors in manufacturing industry will be published. In light of these statistics, sector will be analyzed cyclically. This mechanism will be set up between January 2017 and December 2018. - Industrial automation practices will be more prevalent. In this regard, relevant programs will be determined until the end of 2016 and put into force until July, 2017.

Status of Implementation and Impact	All policy actions except implementation of industrial automation are on track and they will be completed at the end of 2018.
--	---

The policy action:	<i>Public investments will be concentrated on core infrastructure that will promote private investment</i>
Implementation path and expected date of implementation	Priority infrastructure projects will be identified through a work conducted by investment enterprises between January 2015 and December 2016.
Status of Implementation and Impact	All policy actions are on track and they will be realized at the end of 2018.

ANNEX 4: PRE-BRISBANE COMMITMENTS

Please include a maximum of 5 important structural reform commitments from Action Plans prior to Brisbane. Please also include all relevant monetary and exchange rate commitments. Fiscal commitments will be accounted for in the St. Petersburg Fiscal Template in Annex 2.

<i>Increasing domestic savings</i>	
Structural reform/monetary & exchange rate policies	Action Plan
<i>Structural Reform</i>	<i>St. Petersburg Action Plan</i>
Rationale for carrying forward	Increasing domestic savings is of great importance for boosting potential growth rate in Turkey. One of the main goals of the 25 transformation programs attached to the Tenth Development Plan is increasing domestic savings. Accordingly, the Medium Term Economic Program announced in October 2015 targets domestic saving rate to reach 17.2% of GDP until the end of 2018.
Update on Progress	Our comprehensive policy agenda structured in 2013 is progressing. We have added two more performance indicators, (i) the ratio of early leaving from private pension system and (ii) generation of total premium in private insurance system. A new saving account program, namely housing provident accounts, which includes state contribution, was enacted in March 2015.

<i>Improving energy efficiency</i>	
Structural reform/monetary & exchange rate policies	Action Plan
<i>Structural Reform</i>	<i>Los Cabos Action Plan</i>
Rationale for carrying forward	Improving energy efficiency and reducing energy intensity are critical to sustainable growth. Past policy commitments are still valid.
Update on Progress	We target producing energy based on domestic resources, improving energy efficiency and decreasing primary energy intensity of Turkey. Progress will be evaluated with following performance indicators:

(i) primary energy intensity and (ii) decline in the energy consumption at the public buildings.

The recent developments in this area can be listed below:

A new power plant with 11.000 MW installed capacity is being planned to be constructed in the *Afsin-Elbistan* region, which is owned by *Electricity Generation Company* and has 4.8 billion tons of proven lignite reserves. Negotiations for this project between the line ministry and international investors are ongoing.

It is planned to build two nuclear power plants in near future. Construction of the *Akkuyu Nuclear Power Plant* with about 4.800 MW installed capacity was started and it is planned to be operational in 2019. Also negotiations with Japanese government for *Sinop Nuclear Power Plant* with 4.480 MW installed capacity reached the final stage and it is planned to be operational in 2023. Nuclear power plants will help to diversify the electricity production mix.

The roadmap of the country about energy efficiency is determined in the *Energy Efficiency Strategy Paper*. In this paper, it is aimed to reduce the energy intensity by 20% until the end of 2023. In this context and detailed action plans were prepared for all sectors.

With the new Electricity Market Law, an electricity derivative market under Borsa Istanbul and an electricity exchange market (EPIAS) -which was established by March 2015- will come into operation in 2015 to increase the liquidity in the electricity market.

Privatization of all state owned electricity distribution companies is completed by September 2013 and privatization of state owned power plants being operated by EUAS have started. Privatization of 7 thermal power plants with about 4.200 MW installed capacity is completed. Also, privatization process of 3 power plants with about 1.700 MW installed capacity is ongoing.

Turkey is geographically located between energy source and consumer countries. Considering TANAP (Trans Anatolian Natural Gas Pipeline Project) and South Stream, current pipelines and Turkey's opportunities in Iraq, Iran and Azerbaijan's emerging natural gas and oil markets, Turkey has a big potential for becoming region's main energy hub in near future. Diversifying energy sources in Turkey will lead to better prices in Turkish natural gas and oil markets by increasing the competition in the market.