

SEVENTH  
FIVE YEAR  
DEVELOPMENT PLAN  
(1996 - 2000)







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# **CHAPTER ONE**

## **DEVELOPMENTS PRIOR TO THE SEVENTH FIVE-YEAR DEVELOPMENT PLAN**

### **I. DEVELOPMENTS IN THE WORLD AND TURKEY**

Our times is marked with concepts such as democratization, supremacy of the law, human rights and liberalism shared as common values and commodity and financial markets, information and technology have transcended the national borders with the world moving towards a globalization movement in economic as well as political and cultural terms.

Despite substantial uncertainties in politics and the military area, it is observed that there is a trend towards a unipolar structure in the latter part of the 1980s after the end of the Cold War, whereas in the economic arena, regional integration movements are rapidly developing alongside globalization. Within this framework, the European Union (EU), NAFTA and the Pacific Region gain importance and form a tripolar structure.

In line with these developments, it is observed that international norms and rules, backed by increasing sanctions are progressively gaining importance. In this connection, it is not possible for countries to design effective and sound policies without reference to the developments in other countries.

The Uruguay Round, completed in 1993, represents a significantly by new stage in the globalization process towards a multi-lateral liberalization of the world trade. As an outcome of the Agreement concluded at the end of the Uruguay Round, a World Trade Organization (WTO) has been established to guide and monitor the implementation of this policy. In addition to the manufacturing industry products, agriculture, services and intellectual property rights have been included in the scope of this Agreement. It is assumed that, as a result of this Agreement, growth, volume of trade, liberalisation and transparency will increase on a world scale.

The Agreement introduces new arrangements such as reductions in the agricultural supports, the export subsidies, and the industrial tariffs, the abolition of export restrictions and quotas in textiles by the year 2005, the adoption of an anti-dumping code, compliance with the rules concerning intellectual property rights and trade related investment measures which will constitute international norms necessary for the formulation and the implementation of policies in these fields.

New technologies, especially rapid developments in the information and communications technologies, form the objective basis of the change in economic and social life. In fact, the

globalization in goods and services, financial markets and company structures has accelerated as a result of this development.

Today, the world goes through a period of transition to an information society led by radical changes in the systems of production and the technological base on which they rely. Especially the advanced automation technology, generated by the developments in information technology, has introduced the possibility to substitute not only simple manpower but also the intellectual power to a certain extent. Within this framework, information intensive industries relying on highly skilled manpower and advanced production methods have become the determinants of rapid development.

In order to derive the maximum benefit from science and technology which mark the new age, significant improvements should be made in institutional and organizational structures at each level.

In line with this development, factors determining the dynamics of globalization themselves change rapidly as well. While traditional determinants such as unskilled cheap labour and abundant raw material become gradually less important in the evolution of the direction of international capital flow and production, factors such as well-trained manpower, presence of a developed technological and commercial infrastructure, an effective market mechanism, and easy access to and close contact with the changing and ever-developing preferences of the final market gain more and more importance.

In such an environment, both the market forces and the state need to support and complement each other for attaining the desired economic and social objectives of contemporary economies. Besides setting up a suitable environment for improvement of domestic firms, new industrialization policies not only facilitate the process of increasing the share of multi-national firms in domestic production but also support domestic firms for making connections with multi-national firms abroad. Research and technology policies, on one hand, aim at increasing national research and technology capacity, and on the other, keep track of the research-development (R&D) activities of multi-national firms, try to set up information networks with these firms and encourage strategic inter-firm alliances.

Trade policies, taking account of the increasing importance of foreign capital investments, seek to ensure harmonization of the intra-firm trade and production process to the functioning of international division of work at minimum cost. Competition policies are based on an approach encompassing international production activities and strategic alliances for increasing international competitiveness, instead of an approach including only domestic market. As for the policies regarding employment and human resources, upgrading the skill level of manpower in line with the demand and a harmonious organization of a labor market are progressively gaining importance.

In an attempt to integrate with the world economies, Turkey, on one hand, has taken her place within globalization movement and on the other, has continued trade relations with the economic powers of NAFTA and the Pacific Region and has declared her determination to fully take part in the European integration movement.



Turkey has entered the process of customs union with the aim of full-membership to the EU and thus seized opportunity to make the maximum use of the advantages of globalization. In order to benefit from this opportunity, radical improvements have to be made within the period of the Seventh Plan with regard to economic and social infrastructure, primarily in education, communications infrastructure, the labour market and the state's role in the economy and its organizational structure. In this context, it is important to re-arrange policies concerning education, science and technology, industrialisation, trade, competition and labour markets. Furthermore, economic policies to be implemented should generate a suitable macro-economic environment.

Problems have increased in the social field since a development could not be realized in line with the economic restructuring which started in the world in the 1980s. Despite the economic revival witnessed in the OECD countries as a whole, the average unemployment rate maintains its long-term trend, remaining at a relatively high rate of 8 percent. Within the OECD, comprehensive solutions are being sought for employment problems through the introduction of application of technology and new entrepreneurship. In the dynamic economies of Asia, employment increases reach significant levels. Developing countries face serious problems with respect to manpower. The total number of registered unemployed is estimated to exceed 120 million in the world. High rate of unemployment among the young people creates a factor increasing the danger of social fracture. Underemployment is becoming widespread although it varies in form across countries. Meanwhile, the supply of manpower has significantly increased in the world in a relatively short time with the contribution of technological development and globalization, and this process will lead to new outcomes, the consequences of which can not be foreseen at present. In this connection, compliance with the basic ILO conventions by all countries gains importance.

Developed countries, especially those in Europe, are under the pressure of a great immigration problem and have taken measures to prevent this inflow. Integration of immigrant workers and their families with the societies in which they live, racism and xenophobia pose serious problems and retain their importance.

The burden of social security systems on public finance increases in all countries. Especially in the OECD countries social security systems are planned to be modified, without prejudice to the essence of the social rights, in the light of changing conditions. They are intended to be purpose-oriented and more effective, commensurate with the economic advantages, social development and needs to the greatest extent possible. In the health sector, comprehensive reform efforts are under way. In the developed countries, the increase in the share of the elderly within total population exerts pressure on the structures of social security and health care system and enhances the importance of the problem of inter-generational balance.

Today, many of the developing countries and especially the least developed countries are facing serious difficulties, including starvation and extreme poverty. Despite the continuous rise in global income, inequalities both at national and international levels have shown a tendency to increase. Technological progress conveys new and great potential as regards social development and social services; however, the fact that a limited number of countries



benefit from these technological developments will further widen the gap between the countries and thus adversely affect worldwide development. Nevertheless, it is very important for information super highways, which are to become one of the most effective means of development in the coming century, do not remain limited to a few countries and comprise a large number of countries with respect to reducing international disparities in development. In general, opportunities offered by globalization are to be enjoyed widespread at international level.

As regards the environment which constitutes another critical factor of the balance of development in the world, a United Nations Environment and Development Conference held in Rio de Janeiro in 1992 and the principles enshrined in this conference have started to be implemented, though to a very limited extent. Although the concept of sustainable development has become widespread, threats over the future of the environment and the world have not yet disappeared. On the other hand, it has been realized that utilization of technological capabilities for the solution of the environmental problems would bring about significant improvements in this field. Within this framework, environment acquires the nature of an independent sector and gains increasing importance in terms of production, employment and trade.

The fact that a broad consensus reached at the UN World Social Development Summit held in Copenhagen in March 1995, on a comprehensive development approach concerning a holistic, human-centered development and social progress on the basis of market mechanism that deals with the economic and social policies in an interdependent way and also comprising the environment is a noteworthy step. At this Summit, it has also emerged that the significance of democratization and human rights and their influence on the positions of countries in the world have considerably increased.

The importance of women's rights, and the fact that the education of women is one of the most important driving force of development are becoming better acknowledged.

Despite these developments in the 1980s, problems arising from chronic high inflation rate, investment deficiencies in manufacturing industry and especially the lack of structural changes in private and public sectors which would improve the competitive environment have persisted.

These trends prevailing in the world bring forward the importance of the fact that Turkey should improve her social development within the framework of a comprehensive approach. In this context, upgrading the quality of manpower along with the advance of technological development has a special importance from the viewpoint of international competition. It is important for Turkey to improve her positive position on the subject of harmonization with the ILO standards and to increase the effectiveness of labour market in respect of international developments. As for the harmonization process with the EU, the reforms to be realized in the field of social security are also very important. These reforms on one hand should aim at spreading the social security system and making it more effective; on the other hand, the system should be restructured to achieve economic survival by opening it up to effective participation of the private sector according to market signals.

In conclusion, the Seventh Five-Year Development Plan has been drawn up in circumstances where Turkey finds herself obliged to realize radical structural changes and social transformations in order to catch the spirit of the age and keep abreast with contemporary developments in line with rapid structural changes witnessed in the world led by more competition and international dependence.

## **II. OVERALL ASSESSMENT**

### **1. ECONOMIC DEVELOPMENTS**

After the 1980s, a significant progress was made in Turkey towards establishing the principles and fundamentals of an economy open to competition, liberalising the foreign trade, substituting market forces to a great extent for administrative decisions in determination of prices, and restructuring and developing the domestic financial markets. In order to complement this process, international capital movements were entirely liberalised in 1989. Restructuring efforts in the public sector were also continued in this period.

After 1980, considerable increases were recorded in GNP growth, capacity utilization in manufacturing industry, volume of exports, share of manufacturing industry in exports and the ratio of trade volume to GNP.

Despite these developments observed in the 1980s, chronic high inflation, investment deficiencies in industrial sector and especially the problems caused by the failure to realize structural changes, which would enhance competitiveness, in the public and private sectors have persisted.

Main objectives of the Sixth Five-Year Development Plan were put forth as speeding up of the industrial growth, bringing down the chronic inflation rate reaching a sound and lasting surplus in the balance of current accounts, increasing the role of private sector in the development process and giving priority to investments in resource allocation, all within a structure open to international competition.

However, public deficits which increased continuously in the Sixth Plan period have considerably limited the benefits from positive developments expected from the outward-orientation and liberalisation of the economy. Especially, the expansionary trend observed in the fiscal policy contrary to the objectives have caused an instable growth structure relying on domestic demand with chronic price increases.

Besides inflow of short-term foreign capital started in the Sixth Plan period, the sharp fall in protection rates, soaring real wages and salaries and opportunities ushered in by new financial means have led to a considerable buoyancy in domestic demand.

Domestic interest rates increasing in line with mounting public deficits have speeded up the inflow of hot-money and led to excessive appreciation of the Turkish Lira in real terms.



Together with this development, real increases in labour costs and decrease in the direct and indirect export incentives have caused Turkish economy to lose its competitiveness rapidly. As a result, domestic imbalances of the economy stemming from high public deficits have led a swift deterioration in foreign balance. Additionally, imports have increased rapidly, exports have slowed down and foreign trade deficit have reached significant levels. Rapidly deteriorating internal and external balances have engendered a serious crisis in money, capital and exchange markets in early 1994.

On April 5, 1994, an Economic Measures Implementation Plan was put into effect with a view to stabilizing the economy rapidly, reducing public deficits, creating a growth structure based on foreign demand and embarking on structural reforms which would enable lasting economic stability.

The Implementation Plan has drawn up the measures to be taken with regard to bringing the public spendings under control and increasing public revenues, and making arrangements for ensuring economic stability are given priority. To this end, adjustments were made on prices of state economic enterprises (SEE) products and on taxes imposed on oil products, and additional taxes were introduced for economic balance. Cuts were made both in public investment expenditures and especially in current expenditures, and (SEE) transfers were restricted. Hiring of new personnel was stopped and employment duration of temporary and seasonal workers was limited. Additionally, legal and institutional arrangements have been realised for ensuring stability in financial market and confidence in the financial systems.

Within the scope of the Economic Measures Implementation Plan, structural adjustments have been made as well to reduce the share of the public sector in the economy, to set up a sound structure for public revenues and expenses and, to establish an economic infrastructure in which market conditions prevail in the medium-term.

In this context, in order to increase economic effectiveness and productivity, necessary institutional arrangements have been made through the enactment of the Privatization Law relying on a comprehensive reconciliation base. Moreover, legal arrangements have been realized with regard to the Build-Operate-Transfer (BOT) model which would ensure participation of the private sector or foreign-capital companies in larger infrastructure projects.

Another legal arrangement was concerned with increasing the autonomy of the Central Bank by gradually restricting the Treasury and other public institutions to have to resort to the resources of the Central Bank. Legislative studies have been carried out for enabling the social security bodies to generate resources, decreasing the burden they impose on the budget and setting a cost-benefit balance in retirement. Meanwhile, significant arrangements have been made to base the agricultural support on a more rational structure.

Within this framework, Economic Measures Implementation Plan has been a significant part of the aim of increasing the growth potential continuously in the medium and long terms. With the influence of the stabilising measures and structural adjustments implemented, public and foreign deficits have been considerably decreased, Turkish Lira has reached to its real value



and stability has been ensured in financial markets. However, radical arrangements made with a view to providing economic stability by rapidly reducing the public deficits and controlling the domestic demand have caused a decline in the growth rate in 1994.

So, it would be appropriate to make the assessments for the Sixth Plan period separately for the period of 1990-1993 and for 1994 where stability measures and structural adjustments were accorded considerable importance.

In the course of 1990-1993 period, the growth rate of the GNP has reached an average of 6 percent annually, however, in an unstable manner. In this same period, high public deficits and the expansion in domestic demand backed up by inflow of short-term capital have formed a driving force for growth. As a result of the considerable reduction in domestic demand in line with the stability measures introduced by the Implementation Plan, the GNP at fixed prices have decreased by 6 percent in 1994. Thus, in the Sixth Plan period, fixed GNP grew by an average of 3.5 percent annually.

The pressure imposed by the public sector deficits on the amounts and costs of the funds to be utilized by the private sector for investments, has persisted in the Sixth Plan period as well. Nevertheless, thanks to liberalisation of the capital movements and economic stagnation experienced in the OECD countries, private sector has obtained foreign financing opportunities on reasonable terms.

In the 1990-1993 period, private sector fixed capital investments rose by an average of 13.5 percent per year at 1994 prices. However, it is estimated that there has been a decline of about 9 percent in private sector fixed capital investments in 1994 owing to contraction in domestic demand, uncertainties in financial markets, increase in credit costs and reduction in foreign financing possibilities.

In the Sixth Plan period, TL. 1.348 trillion worth of public fixed capital investments at 1994 prices were materialized whereas the target was TL. 1.176 trillion. In this period, public sector focused on investments in social and economic infrastructure instead of manufacturing industry, and priority was given to education and health sectors. The share of manufacturing industry which was about 8.9 percent within the public fixed capital investments in the Fifth Plan period has dropped to 4.7 percent in the Sixth Plan period. On the other hand, the share of physical and social infrastructure investments within total public investments has risen to 89.3 percent in line with the objectives to provide economic growth, to eliminate disparities concerning regional development, to increase international competitiveness, to protect the environment and to raise the standard of living in general.

In the Sixth Plan period, transportation and communications sector led with a 38 percent share within the public fixed capital investments which was followed by energy sector with a share of 17.4 percent, other public services with 12.7 percent and agricultural sector with 9.4 percent. In this same period especially health and education sectors were given priority. The share of these sectors within public fixed capital investments in the Fifth Plan period was 1.5 and 4.6 percent respectively which rose to 3.1 and 7.2 percent in the Sixth Plan period.

High increases in the real wages after 1989 have speeded up capital-intensive investments and private sector's investments in manufacturing industry have soared in the years 1990 and 1993. As a result of income policies implemented, housing investments have also maintained its active nature. Moreover, opening up of air transportation to competition have led to an increase in the share of transportation sector in private sector investments.

Owing to the fact that macroeconomic stability could not be provided adequately and uncertainty continued, the share of sectors producing tradable goods and services in the private sector investments have not increased as much as projected in the Sixth Plan. It was observed that the resources allocated for encouraging the industrial growth could not be utilized appropriately due to ineffective control mechanism, and as a result of this, rational use of resources was not achieved.

In the period of 1990-1993, foreign capital inflow has been US \$ 3.408 billion. However, shares of Turkey in the total foreign capital investments in the world and in the foreign capital invested in developing countries have been limited to 0.4 percent and 2.5 percent respectively. In 1994, foreign capital inflow amounted to US \$ 637 million.

Arrangements regarding the liberalisation of financial markets and development of financial instruments have contributed to the increase in private sector savings. In the period of 1990-1993, private sector savings have risen by an average of 13.3 percent and their share in the GNP reached 24.5 percent.

Public sector savings deficit have soared due to the increases in personnel outlays and interest payments which in fact prevented attainment of the objective of increasing the share of total domestic savings in the GNP. In the same period, total domestic savings could not adequately meet the total investments. External resource inflow has compensated for the resulting savings deficit and the ratio of external resource utilization to the GNP rose to 5 percent in 1993.

In the Sixth Plan period, the influence of capital movements on economic balances have significantly increased in line with the abolition of limitations imposed on capital transfers and convertibility of the Turkish Lira. In an environment where the pressure of high public deficits on domestic interest rates continued, liberalisation in capital movements have speeded up the inflow of short term capital. Thus, financing possibilities of the public and private sectors have expanded and international reserves have increased. However, swift and uncontrolled increase of short-term capital inflow have caused the Turkish Lira to appreciate in real terms. At the same time, real wage increases surpassing the productivity level in the period of 1989-1992 have reduced the competitiveness of the economy.

In an environment where export markets have contracted due to the Gulf Crisis and the stagnation in OECD countries, protection rates have reduced, and the domestic demand has upturned stemming from high public deficits, have restricted exports increases considerably in the period of 1990-1993 while leading to sharp increases in imports. The ratio of exports to imports which was 73.6 percent in 1989 fell down to 52.1 percent in 1993. Foreign trade deficit rose from US \$ 4.2 billion to US \$ 14.2 billion.



There have been favorable developments in the recent years regarding the tourism and other invisible revenues. Tourism revenues which were US \$ 2.6 billion in 1989 reached US \$ 4 billion in 1993, and other invisible revenues rose from US \$ 3.9 billion to US \$ 6.7 billion in the same period.

There have been fluctuations in the current account balance in connection with the imports. In 1989, a surplus of current account balance was attained as US \$ 961 million whereas in 1993 a deficit of US \$ 6.4 billion was recorded.

In 1994, significant developments were recorded towards re-establishment of external balance. Devaluation of the Turkish Lira in real terms, policies for meeting the short-term financing requirement of exports and buoyancy of the world economy have led to a period of swift rise in exports.

On the other hand, contraction of domestic demand, depreciation of the Turkish Lira and the resultant increase in the prices of imported goods, and the decrease in external credit possibilities led to a swift drop in imports. Thus, there occurred a surplus of about US \$ 2.6 billion in the current account balance in 1994.

Foreign debt stock which was US \$ 41.8 billion as of the end of 1989 has risen to US \$ 67.4 billion at the end of 1993. The share of short-term debts within total foreign debt stock have continuously increased in the period of 1990-1993 and rose from 13.8 percent in 1989 to 27.5 percent in 1993. Foreign debt stock have fallen back to US \$ 65,6 billion as of the end of 1994, and the share of short-term debts in the total debt stock dropped to 17.2 percent.

Public expenditures rapidly increased from 1989 onwards as a result of rising personnel outlays and interest payments. This development, to a great extent, was the result of interest burden created by financing of public deficits by domestic borrowing at high real interest rates, since 1984; gradually decreasing borrowing terms and high real increases in wages and salaries in the period of 1989-1993.

While Consolidated Budget expenditures have soared as a result of the rise in personnel and interest payments, the increase in budgetary revenues remained limited. The ratio of the Consolidated Budget deficit to GNP rose from 3.3 percent in 1989 to 6.7 percent in 1993. In 1988-1992 period, net external borrowing have lost its importance in financing of the budget and the resulting increase in domestic borrowing have led to increases in domestic borrowing interests and shortening of the term structure in borrowing.

SEEs that seemed to be profitable in an environment where protection rates were high, value of the Turkish Lira was weak vis-à-vis foreign currencies and wages were under control, have started to suffer losses in an environment of increasing external competition and soaring wages. When transfers made from the Consolidated Budget are excluded, the ratio of the deficits of non-financial SEEs to GNP rose from 2.5 percent in 1989 to 3.8 percent in 1993.

The deterioration in the actuarial balances of social security institutions, increases in local administration expenditures - especially personnel outlays- and deficits observed in the extra-budgetary funds have contributed to increases in public sector borrowing requirement. The share of public sector borrowing requirement in GNP has risen from 5.3 percent in 1989 to 10.2 percent in 1991 and 11.7 percent in 1993.

Until 1991, domestic borrowing was the main tool used in financing public deficits. However, from 1991 onwards, the Central Bank resources were started to be used increasingly. The share of Treasury Short-term Advance utilization in GNP was 0.1 percent in 1990 which rose to 2.7 percent in 1993 from 1.7 percent in 1991. These developments made it difficult to implement an effective monetary policy for stabilizing prices.

As a result of arrangements put into effect within the scope of Implementation Plan, a significant improvement was observed in public sector borrowing requirement in 1994. The ratio of public sector borrowing requirement to GNP which rose to 11.7 percent in 1993 came down to 8.2 percent in 1994 by a reduction of 3.5 points.

In 1994, the share of the Central Bank resources in the financing of public deficits decreased noticeably and the share of Treasury Short-term Advance utilization in GNP dropped to 1.3 percent in 1994.

In spite of a substantial decrease in public deficits and a surplus in the non-interest budget in 1994, pressure of the public sector exerted on financial markets continued owing to restricted foreign borrowing possibilities.

Control of public sector over interest rates and exchange rates have weakened due to liberalisation of capital movements and diversification of the instruments in financial markets. The determination of their magnitude within market conditions has become important. These developments in fact, put forth the necessity to establish a sound and sustainable structure for public sector financing balance with regard to the development of foreign exchange rates in a stable structure and the achievement of a lasting reduction in the interest rates.

In the period of 1990-1993, increase in public sector deficits and the share of domestic borrowing in financing of these deficits on one hand pushed the interest rates upwards by exerting pressure over domestic funds which could otherwise be utilized by the private sector, and on the other, prevented the development of long-term financing means and attainment of the level aimed at financial deepening.

The ratio of money supply of broad definition (M2Y), comprising the foreign currency deposit accounts which is an indicator of financial deepening, to GNP rose by 0.4 points from 26.9 percent in 1988 to 27.3 percent in 1993. Meanwhile, ratio of public domestic borrowing in the same period to M2Y rose from 8.2 percent to 27.7 percent and thus pressure of public sector over the financial system increased.

This increasing pressure of the public sector on the financial system and the rise of interest rates led to the shortening of the term structure and persistence of inflationary expectations.



In 1990-1993 period, average price increase was about 60 percent. In this same period, backward indexing practice was utilized widespread and price increases in any given period in the past became the main determinant in the formation of commodity and factor prices.

Although the public deficits increased constantly in the 1990- 1993 period, there were not any significant fluctuations in price increases. This was due to the appreciation of the Turkish Lira, improvements in the terms of trade because of economic stagnation in the OECD countries, and the reduction of levels of protection accompanied by high level of imports, all of which limited the price increases in tradables sector. Meanwhile, the persistence of high level of price increases in the economy, creating uncertainty, reduced effectiveness in resource utilization and affected the medium-term growth potential of the economy negatively.

In an environment where foreign exchange regime is liberalized, economic agencies have tried to protect their savings from inflation by opting for to foreign currencies. Dollarisation trend which showed itself by rapid increase in the share of foreign currency deposits in total deposit accounts have made all the markets more sensitive to exchange rate movements.

In the Sixth Plan period, the state could not withdraw from economic activities such as production and distribution, and leave its inclination to intervene in the markets. The functions of the state to set and supervise rules with regard to the realization of economic activities through market mechanisms for raising the welfare, are important. Since the Law on Protection of Competition with respect to competitiveness in commodity and services markets have not become effective yet, and the legislation regarding the intellectual and industrial rights is insufficient, problems have arisen concerning the provision of competition property, efficient use of scarce resources and integration with the world economy.

With a view to realizing the development aimed in the sectors of agriculture and industry and to raise effectiveness in infrastructure services, the structural problems in these sectors should rapidly be solved.

Owing to increases in the use of agricultural lands for non- agricultural purposes and soil erosion, total cultivable area decreases. Meanwhile, as a result of imbalance in the distribution of land ownership, the share of small enterprises increases gradually. Statistical information is hardly obtained, because book-keeping and other financial documentations at enterprise and institutional levels lack accuracy and regularity. Research, training and services are not carried out adequately in the agricultural sector. As a result of support policies, cultivated area of some crops have expanded and thus a surplus of production occurred. Furthermore, organization at the producer level for guiding and production marketing, price formation, extension of services for farmers is inadequate.

Prior to the customs union to be realized with the EU, one of the most important problems of the industry is the difficulties which may arise in some sectors with regards to competitiveness. Main factors negatively affecting the competitiveness of the industry are: inability to ensure macroeconomic stability and resulting chronic high inflation, insufficient capital accumulation, high capital costs and basic input prices in the industry, instability in institutional structure, and inability to follow the technological developments adequately, and



attain a technology-producing level in industry, to realize adequate marketing organization concerning product and product quality by international standards, and problems of scale.

In infrastructure sectors, besides the lack of a national policy and authority, there is also a serious deficiency of coordination in the planning and implementation of the services. Since the infrastructure project stock exceeds the country's financing ability, adequate resources can not be allocated timely even priority projects. Participation of users in the process of planning, realization, utilization and maintenance of the infrastructure at intellectual, physical and financial levels can not be attained sufficiently. In general, it is not possible to allocate adequate resources for operation and maintenance of the infrastructure completed. There is no legal framework arranging the conditions of competition on infrastructure sectors. Due to the contradictions in between certain laws on the same subject, some legal problems arise which obstruct to attain of the objectives. Reliable and accessible data banks could not be established. Moreover, R&D institutions concentrating on studies of infrastructure techniques and technologies could not be developed to adequate levels.

In conclusion, developments in the Sixth Plan period have made it plain that the consumption based growth, backed up by public sector deficits and short-term capital inflow, is not sustainable. They have highlighted the need for implementing monetary and fiscal policies in harmony with each other so as to ensure economic balances. They have also put forth the importance of the consistency of domestic macro policies with the developments in international conjuncture in an environment of liberalisation of foreign trade and capital movements, the importance of timing in the economic policy decision making, and the urgent need to solve structural problems in order to create a suitable environment for an increase in productivity which is the basic condition of continuous growth.

## 2. SOCIAL DEVELOPMENTS

Educational level of the country's population is still insufficient. Total literacy rate is 80.5 percent with 88.8 percent for male and 72 percent for female population. This shows that the literacy rate of female population is very low with 28 percent being illiterate. As for the educational level, 46.1 percent of the population above the age of 6 have primary school education, 7.6 percent secondary school, 7.8 percent lycee and its equivalent, and 3 percent higher education.

Schooling rate in the primary schools has reached 100 percent whereas it remains at 65.6 percent at the level of secondary schools since extension of period of compulsory education from five to eight years could not be realized extensively yet. At the level of lycee and its equivalents, schooling rate is 53 percent, and in higher education level it is 26.7 percent. The share of vocational and technical education in the secondary education level is 42 percent. At the level of higher education, open university occupies 53 percent. This situation points to an unhealthy development in both the secondary and higher education systems.

Problems stemming from the structure and operation of education system are still crucial. Centralized structure of the Ministry of Education and the Higher Education Board limits the

activities of sub-units and provincial organizations, and causes the decision making process to operate slowly.

The fact that the institutions in agricultural, industrial and services sectors do not adequately contribute to vocational and technical education poses an important problem. The enterprises should pay more attention to education and contribute to this process as in the developed countries.

Inadequate guiding system, limited capacities of some vocational and technical lycees and excessive demand for higher education lead the students to enroll in ordinary lycees and create crowding at the level of entry into higher education. For this reason students attend private cramming schools which cause waste of resources and time.

Participation in and contribution to the process of education of the private sector have remained limited. Only 1.5 percent of the total number of students attend private educational institutions, and these institutions are able to utilize only 50 percent of their capacities. Under the Constitution, individuals and bodies other than foundations can not found higher education institutions. Furthermore, incentives and support provided for private education institutions are inadequate. As a result, these factors create a negative impact on the development of private educational institutions.

Since widely accepted appreciated professional standards and an examination and certification system could not be established, young people encounter difficulties in choosing professions, and uncertainties arise with respect to equivalence of the diplomas and certificates.

Foundation of many new higher education institutions without sound infrastructures has a negative impact on the quality of education-training, and difficulties arise in meeting teacher and teaching staff requirements. Besides, imbalances are observed in their distribution to educational institutions.

Growth rate of our population which is in a demographic transitional period, is still an important problem. Despite the rapid change experienced all over the country, differences are still seen in inter-regional demographic indicators.

Total fertility rate which was estimated as 3.4 in the period of 1985- 1990 dropped to 2.69 in 1994. Similarly, infant mortality rate fell from 67 to 46.8 per thousand and the annual growth of the population fell from 2.17 percent to 1.78 percent.

The period between two censuses has been extended to ten years. The existing population registration system is inadequate. In the light of these facts, organizations are needed which would enable monitoring of demographic changes, ensure integrity in data collection and extend the registration system to the whole country.



Removal of bottlenecks encountered in continuous and effective provision of family planning services for the groups who need them, in ensuring cooperation among the sectors concerned and in education and proper employment of the personnel, is of great importance.

Today, services of institutions which have undertaken some of the functions of the family is needed more. The need still persists for adequate services in the fields of health, education, social security, social services and aids, and for establishment of an institutional structure to whom families can resort to in periods of crisis or when required.

Measures are to be taken to improve social status of women and increase their participation in the development process through improvement of indicators in the fields of education, health, employment and social security. Additionally, issues preventing male-female equality legally should be rearranged.

It is of utmost importance to reduce infant and child mortality with reasons which should be eliminated in advance, to remove problems preventing healthy development of the children and their basic education, and to raise effectiveness of the institutional structure which aims at protecting them. The desired level in child correction have not been attained.

Basic health indicators such as infant mortality, child mortality below the age of 5, mother mortality, immunization rate have not been improved sufficiently. This insufficiency stems not only from the problems concerned with the health sector but also from factors such as environment, nutrition, education, housing, distribution of income, provision of clean drinking water and water for use.

Lack of effective coordination and division of labour among several public institutions providing health service, and organization of service agencies separately for certain population groups create an idle capacity and lack of productivity in utilization of physical, financial and human resources.

Determination of the location and capacity of the investments by the investing institutions according to irrational criteria leads to a resource allocation incompatible with the objective to meet the requirements in the most suitable way.

Basic health services could not be given adequate priority and deficiencies regarding the infrastructure and manpower could not be eliminated. Instead, resource-consuming in-patient treatment services have become widespread.

Hospitals could not be turned into institutions having administrative and financial autonomy and governed by contemporary management principles. They are not open to competition. As a result, benefits to be obtained from hospitals are not as much as expected. Since an effective patient-referral system could not be founded, unnecessary crowding occurs in the hospitals.

Within the health sector human resources could not be utilized effectively; the duties, authority and responsibilities of the personnel have not been clearly defined. Balanced



distribution of manpower in this sector could not be ensured in terms of profession, function and location.

As for health insurance, it has not been possible to ensure its extension to encompass the entire population. Unity in norms and standards among the existing insurance practices have not been able to be ensured.

Employment in agricultural sector with low-productivity continues to account for over 45 percent of the total employment which is about 20.4 million. In industrial and services sectors, productivity levels of which are low by international standards, employment creation is also inadequate. The requirement to create productive and competitive employment increases due to relatively high population increase, slowing down of the decrease in the rates of participation in manpower, migration from the rural to urban areas, integration with the EU, privatization, need to catch up with technological development. Employment potential of small and medium-size enterprises increase gradually but low level of education of manpower brings about a significant limitation as regards to the improvement of the productive employment. The ratio for unemployment went up to 10.5 percent in 1994. Similarly the level of underemployment reached 9.3 percent. In certain regions unemployment became widespread. In urban areas the ratio of unemployment among educated young people is high whereas the ratio of participation in labour force among women is low.

In 1990, paid employment amounted to 7.1 million people which formed 38.6 percent of the civilian employment. This ratio rose to 39.7 percent in the Sixth Plan period. The rate of paid employment has remained low when compared to the development level of the country. The number of workers in the trade unions have increased so much that it surpassed the increase in the number of registered workers. Meanwhile, it is estimated that there is a decrease of about 3 percent in the number of workers covered by collective bargaining. On the second half of the Sixth Plan period, although the number of strikes and lock-outs and days spent in strikes and lock-outs have decreased to a great extent, the requirement for an organisation to ensure a lasting work peace could not be provided. Prevalence of non-registered work creates an effect that narrows the base of industrial relations and increases the problems of work. Although the number of international conventions approved increased, they could not be harmonized with the domestic legislation. Similarly, an adequate level could not be attained in the legislative development studies which would increase the flexibility in labour market and put spreading working methods into order. Employment in public sector which makes up 40 percent of the total paid employment remained the same in the Sixth Plan period.

Salaries and wages have increased at high rates in real terms in the period of 1990-1994. Wages of workers in the public sector have increased 2.04 times whereas in the private sector it increased 1.5 times. The increase in salaries of the civil servants was 1.02 times. In the Sixth Plan period, policies were implemented for improving income distribution and the share of wage- and salary-earners in the GDP has been raised.

Increasing the knowledge capacity of society is the focal point of the policy of science and technology, as well as supply of products which are supported by R&D activities, under the principles of minimum cost, quality, standard and continuity. In this context, Turkey could not



reach the capability of developing new technologies which could compete in the international platforms.

In the Sixth Plan period, the number of the research personnel has not reached the targeted level. R&D activities were not allocated adequate resources from the GDP. Progress could not be achieved in line with the objectives to become an information society and to raise its welfare level.

Information infrastructure which is defined as a system of services and technologies that could provide information of required quality and quantity for any agency or institution especially for decision-makers, when and where necessary, is still far from being adequate. Today, data which has to be collected at national level and has priority, is not yet specified in Turkey. There is no defined standards for data. Statistical infrastructure, databases among institutions and the technical methodologies ensuring their transmission could not be installed at the desired level.

Without having software technologies, it is impossible to catch up with the information society and to compete with other industries. So, it is important to ensure necessary legal protection with respect to software and the incentives peculiar to the sector.

Educational institutions in Turkey can only meet one fifth of the annual informatics personnel requirement. Skilled labour power educated in formal institutions have an important role in healthy and effective operation and development of the sector.

In Turkey, social security institutions are in increasing financial troubles because: the balance between the active insured and the passive-insured is upset; a relation could not be established between the premium amount and retirement pension; premiums can not be collected on time; organization structures of the agencies could not be improved; placements could not be realized efficiently; amendments were made in legislation of the institution without regard to actuarial balances; retirement right was given without determining age limit; social assistance increment payments were made without collecting premiums; and obligations incompatible with insurance principles. This situation imposes a considerable burden on the budget despite low level of retirement pensions.

Number and population of municipalities have shown a sudden increase in the Sixth Plan period. The population within the boundaries of 2,716 municipalities reached 45.6 million. 74.6 percent of the population in Turkey live within municipal boundaries. The population in the metropolitan municipalities constitute 42.6 percent of the total municipal population.

The requirement for restructuring of central and local public administrations persists. There is still a lack of coordination between central and local administrations and among local administration units in the same region. A balance with respect to services and resources could not be established between local and central administrations. Local administrations could not be strengthened in line with the principle of decentralization. Provision of the local services to a great extent by the central administration and lack of effective programming in line with the needs of the people, have negative impacts on administrative effectiveness. As a



result, local administrations leave solution of their administrative, and financial problems to the central administration. Excessive centralization created a complicated administrative, financial and legal structure with respect to distribution of duties, authorities, responsibilities and resources. Effective, efficient and rational use of resources in public services could not be realized.

With a view to increasing effectiveness in public services, role of the state should be redefined and reevaluated in the light of changing conditions, and problems stemming from the organizational structure, operation and personnel regime of the public administration should be eliminated. In this context, legal and administrative arrangements should be made in order to ensure harmonization between authority distribution and organization structure, provision of wage equality, employment of personnel in required quantities and qualities, setting up public-oriented understanding in administration.

Lack of municipal power financially and technically powerlessness of the municipalities and irrevocable nature of investment expenditures realized by the central administration besides to social and economic development and population growth, increase the demand for the supply of municipal water, sewerage and treatment services. There are still deficiencies in the planning, management and conservation of water resources. Information flow and coordination between the institutions can not be provided in an effective manner. Inability to carry out maintenance, repair and rehabilitation works of the municipal water and sewerage facilities on time has negative impact on the quality of services and efficient operation of the facilities.

Development of the Development Priority Regions covering relatively underdeveloped provinces, mainly in the Eastern and Southeastern Anatolia, was attached utmost importance, and in this regard, public finance, investment and personnel policies have been implemented especially in the First Degree Development Priority Regions.

In the Seventh Five-Year Development Plan period, regional development and physical planning studies have to be emphasized with a view to attaining the objectives of reducing interregional development disparities, raising welfare level of the population in Development Priority Regions and ensuring a dynamic stability in migration tendencies.

Due to high urbanization rate, infrastructure and superstructure investments in the cities persist to be inadequate in meeting the requirements of the increasing population.

Physical planning works in the cities have not been accorded necessary importance and priority. Illegal sharing of rents in the cities and unlicensed construction have increased and urban building lots could not meet the requirement.

Housing problem arising in line with the population, migration and high urbanisation rates maintains its importance as regards economic and social policies.

The phenomenon of urbanisation which increasingly prevails in our country since 40 years, introduces a major problem with regard to cultural change. The population migrating to the

cities cannot adapt themselves to urban life and become urbanized; they experience troubles in this process of transition to a different culture, thus lagging behind and resisting to change. All these factors pose social problems slowing down the development efforts. For this reason, the matter should be considered not as increasing requirement of the cities with regard to services and infrastructure investments but as structural problems of a more comprehensive transitional period.

Due to migration of a population exceeding the economic demand existing in the cities, problems have arisen such as unemployment, squatterhouses, infrastructural deficiencies, environmental pollution, building lot and land speculations. On the other hand, problems such as afflictions, inner conflicts, depressions occur as a result of an encounter with a new culture which affect the individuals and groups profoundly. These factors lead the migrants especially young people to introversion, or on the contrary to radical organisations, illegal businesses and crimes. This side of the issue is also very important and needs consideration. Measures should be taken to ease transition to urban culture of especially the young generation.

Since a persistent and lasting basis could not be established for rural development, the difference of the level of welfare between rural and urban areas gradually increases and rural population crowd into the big cities.

Intensification of industry, trade and services in big cities, strong probability to find jobs more easily as well as longing of people to live in big cities have led to excessive crowding in these cities.

The need for eliminating the existing problems of the cities of metropolitan nature and making Istanbul a metropolis at international level has become more important.

Migration to especially big cities leads to excessive aggregation, increased unemployment and problems with regard to settlement, housing, environment, infrastructure, transportation, education, health and public security.

Within the framework of a sustainable development approach, integration of environmental policies with all the economic and social policies have gained importance.

In Turkey, in the implementation of both the Law on Environment No. 2872 and the Regulations issued within the framework of this Law and other legislation concerned, effectiveness can not be achieved due to uncertainties and insufficiencies in the apportionment of authority and responsibility among related institutions. More than one institution have the authority on the same issue. When failure of coordination and cooperation are added, difficulties show up in the performance of services. For this reason, the need to eliminate conflicts in the environmental legislation is crucial. With respect to performing inspections and imposing sanctions in line with the Law on Environment and other legislation concerned, it is of utmost importance to meet technical equipment requirements and provide skilled personnel for the exercising of authorities and fulfillment of responsibilities conferred upon the territorial administrator and local administrations.



## **CHAPTER TWO**

### **BASIC OBJECTIVES AND PRINCIPLES**

Turkey should enter the 21st century as a productive country where wage equality, human rights, democratic freedoms and peace prevail. Turkey has the power to realize this leap forward with her social texture and capabilities.

The Seventh Plan which is intended to guide Turkey to the 21st century aims at catching up the spirit of the age by making use of the advantages of globalization at the greatest level and helping Turkey to take her place among the developed countries of the world. To this end, efforts shall be made to ensure a free and democratic environment, render prominence to individuals, realize a sustainable rapid development, raise the standards of living and improve income distribution, increase productive employment, accelerate industrialisation, leap forward in technology, raise the level of education in order to get a higher share from the world welfare and to provide education to all the individuals of the society commensurate with their abilities, assure cultural development, provide social security and basic health services for all and improve the quality of the health services, protect and improve the environment.

Developing communication and information technologies help the individuals learn the contemporary political, economic and social norms rapidly and thus engenders longing for a swift change in their living standards. It is an indispensable condition for a healthy development to preserve an atmosphere which would keep alive people's hopes of realizing their aspirations in time, and to pay utmost attention for preventing emergence of an abyss of unhappiness between aspirations and real life. Within this framework, policies to be formulated in every field should respond to these aspirations and ensure a structural transformation for increasing productivity, and be based on a structure sustainable in the medium-term without ignoring economic realism.

The customs union to be realized with the EU while arising new opportunities in favour of Turkey, brings about new responsibilities as well. This development increased the importance of the change and renovation to be realized in our country. It is necessary to make decisions of structural nature as soon as possible and embark on their implementation.

In order to benefit from the expected advantages of the customs union, all the agencies and legal framework will be reviewed and restructured. Reforms will be realized to fortify the competitive environment.

Domestic and foreign investments should rapidly be increased with a view to closing the income and productivity gap between Turkey and the EU countries. For the economic and social environment to be created for this purpose, quality of manpower shall be raised and radical changes shall be realized by science and technology policies and in economic and social structure.

Raising the welfare of the country depends on shifting the manpower from low value added activities to high value added ones requiring utilization of advanced technology, and on rapid increase of productivity. Within this framework, it is important to develop infrastructure of education-training, science and technology, and to accelerate industrialization.

Well-trained young population will be the greatest advantage of Turkey in the 2000s. For this reason, it is necessary to raise manpower open to universal values, having the ability to assimilate national values, to contribute to knowledge production and to utilize information in a creative manner. In this way, it will be possible to increase efficiency and welfare.

Rearrangement and development of the institutional structure and organization of public and private sectors in such a way to increase the power of the society to restore itself and become adaptive is the basic condition of success in economic and social fields.

Institutional arrangements will be based on an improvement of the public finance, rationalisation of the financial system and development of a competitive environment in the economy.

As for the institutional arrangements regarding social problems, improvement of human resources, redefinition of social functions of the state, improvement of apportionment by taking the economic and social balances into account, improving the effectiveness of labour market and strengthening the local administrations are important.

Social state understanding will be concentrated in the fields of education, health care and social security where social benefit is high. The subsidies shall be incorporated into the budget and equality of opportunity, impartiality, effectiveness and solvency of beneficiaries will be taken into consideration in the process of implementation.

Policies concerning the physical, manpower and institutional infrastructures shall be implemented with a view to developing sustainable growth environment.

In order for the state to fulfill its fundamental duties, its role should be diminished through speeding up of its withdrawal from the field of production by privatization. Meanwhile, its functions to introduce rules and to ensure compliance with these rules for providing proper functioning of competitive market conditions will gain weight.

Intervention of the state on arrangement of activities concerning the goods and services, prices of which are determined in the market, will be restricted and effective operation of the system according to competition rules will be ensured. In this way, farmers, workers, tradesmen, merchants, businessmen and contractors will no longer rely on the state.

It will be the fundamental principle for beneficiaries of the public services to pay for the individual benefits they get.



In the Seventh Plan Period, a stable and sustainable growth environment shall be established through implementation of macroeconomic and structural harmonization policies with an appropriate timing and integrity.

The Seventh Five-Year Development Plan is drawn up with a new strategic approach. This new Plan shall be the principal document guiding the democratization process as well as development objectives of our country.

This Plan shall specify the general principles and priorities of the implementation of medium and long-term economic, social and cultural policies, anticipate likely route of economic development within the framework of market mechanism, and provide the general framework to help the decision-making processes of economic agencies.

As a matter of fact, Turkish economy depends on an outward-oriented competitive market mechanism, so the Development Plans should not be expected to specify economic and social life in detail completely and to be coercive for realization of its foresights.

Within the Plan period, in line with the changing conditions at home and abroad, the development framework envisaged by the Plans at the beginning shall be reviewed in Annual Programmes and flexibility shall be provided in the Plans according to developments in markets.

## **CHAPTER THREE**

### **BASIC STRUCTURAL REFORM PROJECTS**

Turkey should introduce serious Structural Reform Projects in the economic and social fields in order to preserve a sustainable growth environment and to attain the level of information society emerged as a result of radical transformations in the production norms. In the Seventh Plan period, with the realisation of Structural Reform Projects in the first place, improvement of human capital resources shall be ensured, transformation projects which would provide democratisation shall be accorded importance, industrialisation shall be given a new momentum, technological capacity will be enhanced, considerable structural changes shall be materialized in the field of taxation, social security, agricultural policies, public services, local administrations and infrastructure services.

As a result of these structural arrangements, regulatory and supervisory functions of the state shall become more important.

#### **I. THE DEVELOPMENT OF HUMAN RESOURCES**

Materialization of economic and social development, raising of the level of social and individual welfare go hand in hand with effective development and use of natural and human resources.

There is a young population structure in Turkey. Within the Plan period, share of 15-64 age group is expected to increase in total population. The manpower supply which was 20.4 million people in 1994 is anticipated to reach 22.5 million by the end of the plan period and about 34 million in the year 2030. On the contrary, a manpower shortage is expected to occur in the EU countries. The manpower supply of the existing EU countries and countries expected to be incorporated in the Union till the year 2000 amounted to 198.2 million people in 1992 and it is estimated to reach 203.2 million in the year 2000. However, it is envisaged that this trend will go down in the year 2030 and become 189.9 million. It seems unlikely that this manpower shortage will be compensated by the other European countries.

Within this framework, our well-trained human resource shall on one hand increase our competitiveness which opens up to the world, and on the other enable Turkey to obtain more share from the value added produced by the EU.

Investment in human resources being the most efficient investment, a rapid and stable economic growth and social development will be materialized in Turkey which has a young and dynamic population structure.

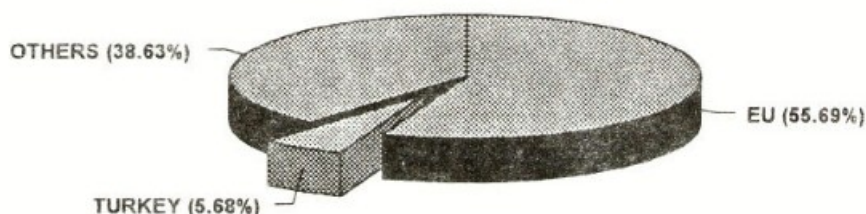
Together with improvement and extension of education at all levels, all the possibilities shall be utilized for improvement of human resources in all periods of life starting from pre-school age to post-retirement.



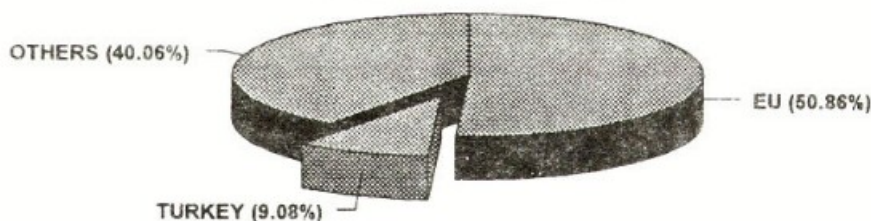
A population increase which will not create difficulties in social development shall prepare circumstances for provision of high-quality education for everyone commensurate with their abilities; establishment and protection of healthy environmental conditions; strengthening of social peace and participation; extension of health services to the whole country by raising their quality and making them effective, continuous and easily accessible; expansion of social security system by making it effective; improvement of human resources to create and support an efficient and competitive economic structure.

**GRAPHIC: 1- MANPOWER IN THE EUROPEAN COUNTRIES**

**DISTRIBUTION OF MANPOWER IN THE EUROPEAN COUNTRIES IN 1992**



**(STATIC) DISTRIBUTION OF MANPOWER IN THE EUROPEAN COUNTRIES IN 2030**



**European Manpower in 1992**

European Union	:	198,2 Million
Turkey	:	20,2 Million
Others	:	137,5 Million
<b>TOTAL</b>	:	<b>355,9 Million</b>

**European Manpower in 2030**

European Union	:	189,9 Million
Turkey	:	33,9 Million
Others	:	149,6 Million
<b>TOTAL</b>	:	<b>373,4 Million</b>

**SOURCE:**

1. United Nation; World Population Prospects (1992 Revision).
2. World Bank; World Development Report-1994.

## 1. EDUCATION REFORM

### a) Present Situation

Education level of the population persists to be inadequate. As of 1990, 11.2 percent of male and 28 percent of female population at the age of 6 and over are illiterate. 73.6 percent of literate male population consists of primary school graduates or persons who have not graduated from any educational institution. This rate is 81.6 percent for literate females. Rate of junior high school, or its equivalents, school graduates in male population is 10.8 whereas it is 7.6 percent in female population. Graduates of lycee or its equivalents in male population amount to 10.7 percent and graduates of higher education 4.7 percent. These ratios for female population are 8.3 and 2.6 percent respectively.

**Table 1 - Education Situation of Population (1990)**

(Percentage)

Population and Education Situation	6 Years and Over			Literate Population		
	Total	Male	Female	Total	Male	Female
6 Years Old and Over	100,0	100,0	100,0			
Literate	80,5	88,8	72,0	100,0	100,0	100,0
Primary School Graduate	46,1	49,1	43,1	57,3	55,3	60,0
Junior Highschool and Equivalent	7,6	9,6	5,4	9,4	10,8	7,6
High School and Equivalent	7,8	9,5	6,0	9,7	10,7	8,3
Higher Education Graduate	3,0	4,2	1,8	3,8	4,7	2,6
Education Levels Unknown	0,02	0,02	0,01	0,02	0,02	0,02
Non-graduates	15,9	16,3	15,5	19,8	18,3	21,6
Graduation Situation	0,04	0,04	0,03	0,04	0,05	0,04
Unknown						
Illiterate	19,5	11,2	28,0			
Unknown	0,04	0,04	0,04			

Source: SIS (1990 Population Census)

Education level of the manpower is not adequate either. According to 1990 General Census, only 5.2 percent of the manpower has graduated from higher education. 9.7 percent have completed lycee or its equivalents, 7 percent junior high school or its equivalents. The remaining 78.1 percent either completed primary education or not graduated from any school.



Schooling rates in the 1994-1995 academic year are 5.1 percent in pre-school education for 4-6 age group, 100 percent in primary schools, 65.6 percent in junior high schools, 53 percent in lycees including vocational and technical schools. This ratio is 26.7 percent in higher education, 12.5 percent of which belongs to formal higher education.

In EU member countries compulsory basic education duration is between 9-12 years. Although there are efforts for raising the compulsory basic education period to 8 years in Turkey, it could not be achieved as of yet.

Despite the quantitative developments achieved in education, these developments are curtailed since educational activities are carried out on half-a-day basis and in overcrowded classes especially in big cities due to population increase and internal migration as well as insufficiency of resources allocated for education at all levels.

**Table 2 - Developments in Education**

Education Levels	1989-1990		1994-1995	
	Numbers of Student (Thousand Person)	Schooling Rate (Percentage)	Numbers of Student (Thousand Person)	Schooling Rate (Percentage)
Pre-School Education (4-6 Age)	112	2,8	202	5,1
Eight Years Basic Education	9 140	86,2	9 651	89,8
Primary Schools (1)	6 848	102,1	6 985	104,4
Junior High Schools	2 292	58,8	2 666	65,6
High Schools	1 328	36,6	2 125	53,0
General High Schools	751	20,7	1 227	30,6
Vocational and Technical Schools	577	15,9	898	22,4
Higher Education	645	14,5	1 339	26,7
Formal Education	416	9,4	628	12,5
Open Education	229	5,2	711	14,2

Source : Ministry of Natural Education, HEC, SIS, SPO.

(1) Schooling rate covers students under 7 years old and above 11,

Training programmes could not be developed on the basis of scientific principles adequately. Insufficiencies in the number of teachers and teaching staff and imbalances in distribution have a negative impact on the quality of the education as well as on equality of possibilities and opportunities.

In the implementation of the subject and credit system, there are some troubles which necessitate re-evaluation of this system.

Contribution of the public and private sector agencies and institutions to the field of vocational and technical education is inadequate and this poses a serious problem. This situation increases the cost of education in the public sector and affects the quality of education negatively. Insufficiency of possibilities of the small and medium size enterprises too, curtail their allocation of resources to education.

The desired level could not be attained in the efforts to improve vocational-technical formal and informal education in line with manpower requirements of the economy. Especially in the informal education, efforts have been inadequate.

Importance of a relevant division of labour between formal and informal education in vocational and technical education persists.

The need to incorporate the educational programmes related to the professions which are of limited demand in the work life and which can be gained through short programmes, into the informal education programme is still crucial.

Disability to establish an effective guiding system starting from the second level of primary education leads every student graduated from secondary education towards higher education which, as a result, causes crowding at the level of entry into higher education. Together with the lack of capacity in the universities, these crowdings increase every passing year. Students who attend private cramming schools for several years with the hope of entering into the university, have to start working without a profession if they fail in their objective, and this situation causes a waste of resource and time.

The need for solution of the problems stemming from the structuring and functioning of education system is still crucial. New arrangements are required which aim at providing the opportunity of education and training for everybody, preventing the crowding at each level of education and especially before higher education, removing the need for private cramming schools operating out of the system which affect equality of opportunity negatively, ensuring the contribution of beneficiaries of education in so far as they can afford at each level other than compulsory education to the financing of education, and increasing the number of private institutions at each educational level.

It is observed that there is a rapid increase in number of vocational and technical schools and their students, especially in health schools. In such schools which are founded at places where infrastructure is inadequate, the education is of low-quality.



Continuous foundation of new higher education institutions without sufficient physical infrastructure and teaching staff, affects the resource allocation and the quality of education negatively, and increases the difference of quality between universities.

Improvement could not be ensured in studies concerning new professions.

Utilization and dissemination of new technologies in education could not be adequately achieved. The facts that software could not be developed adequately in computer-enhanced education, instructors needed are insufficient or those who are trained are assigned to schools which do not have computer laboratories, existing computers become out of date in a short period as a result of rapid changes in technology, altogether prevent obtaining the expected advantage from this education.

Social change process has gained speed as a result of industrialization, urbanization and outward-orientation. In this process, it is very important to preserve and develop our cultural riches. To this end, necessary studies should be carried out to create the suitable environment for it.

20.4 percent of the population in Turkey is in the 15-24 age group. Although services directed towards this group are to a certain extent improved in quantity and quality, they are still inadequate. The problems of the young people who are out of the education process should be solved urgently.

The need for increasing the resources allocated for sports, rational utilization of the facilities, meeting the manpower requirements in the field of sports, a new structure, increasing the role and contribution of private sector, local administrations and sports associations, is still on the agenda.

As the economic and social development level goes up, use of leisure time gradually gains importance and becomes a social and an individual requirement in Turkey as it is the case in developed countries. So, arrangements are required with respect to organization, legislation and in physical possibilities, guidance and guiding manpower which are really inadequate in the field of leisure time utilization.

As for promotion activities, the desired level could not be attained and an effective coordination among public and private agencies and institutions could not be ensured.

### **b) Objectives, Principles and Policies**

Aim of the education is to bring up persons of the information age who are free, self-confident and well aware of their duties and responsibilities towards the Republic of Turkey, a democratic, secular and social state governed by the rules of law.

Education is a service which should be provided without delay but benefits of which can only be seen in the long-run. Education and employment of the individuals in the fields relevant to their interest, abilities and characteristics form the fundamental principles.

Education shall be the sector having top priority in this plan period. A well-trained young population will be the greatest advantage of Turkey as regards increase of the competitiveness of Turkey in the 21st century as well as integration with the EU. Within this framework, an education policy shall be followed to raise a manpower comprising of people who are secular, have assimilated populist democracy, can improve national culture, be open to universal values and new ideas, inclined to scientific and technological innovation and are high-skilled, whose ability of thinking, perceiving and problem solving has developed as well as personal responsibility and social sensitivity.

It is the main principle to bring up manpower which is one of the most important elements of economic growth and social development by improving the quality and quantity of the formal and informal education system. At the stages of planning, accomplishment and supervision of on-the-job training and practical vocational training to be provided in training centres of the enterprises, necessary arrangements shall be made rapidly in the laws concerned in order to increased effectiveness of the vocational institutions and places of work.

New requirements arising in line with the developing society, technological era and the globalization and integration processes observed in our times, bring new peculiarities to the fore in raising skilled manpower such as skills directly related with the occupation, business techniques and rapid adaptation ability which are in fact even more important than knowledge itself. Hence, this fact necessitates the establishment of a structure of new and consistent vocational education within and together with the general education system. Fundamental principle of this restructuring will be the implementation of a vocational training system based on school-business cooperation and provision of skills, at each stages of formal and informal education.

With a view to raising manpower and enhancing efficiency, resources allocated to education shall be increased and utilization of private sector resources as well, all in a rational way shall be provided.

It will be the basic principle to improve the level of education of the manpower in such a way to enhance its international competitiveness.

In line with the developing conditions of the world, international technical cooperation shall be utilized at the maximum level in improvement of manpower, and international multi-lateral and bi-lateral technical cooperation activities shall be carried out under the coordination of the State Planning Organisation.

Educational programmes, management and techniques of training educational instruments and equipment shall be reviewed with respect to development objectives and technological improvement, and rearranged according to universal standards with a democratic and liberal



understanding. Level of education shall be enhanced and efforts shall be made to provide equality of opportunity by extension of education at each level.

By the end of the Seventh Plan period, schooling rates shall be 16 percent in pre-school education, 100 percent in eight-year compulsory basic education, 75 percent in secondary education and 31 percent in higher education 19 percent of which is in formal higher education.

Education in a foreign language at each level of education system shall be rearranged. Basic aim shall be to provide an environment for teaching a foreign language perfectly instead of education in a foreign language.

The system of passing a course and crediting will be reviewed.

In order to rearrange the pre-university process, prevent congestion at the point of entry into higher education and raise well-trained intermediary manpower the country needs; private cramming schools operating intensively at the level of secondary education and before higher education shall be geared towards giving vocational and technical education and encouraged to constitute secondary and higher education institutions if they are adaptable.

**Table 3 - Expected Numerical Developments in Education In 7th Plan Period**

Education Levels	1994-1995		2000-2001	
	Numbers of Student (Thousand Person)	Schooling Rate (Percentage)	Numbers of Student (Thousand Person)	Schooling Rate (Percentage)
Pre-School Education (4-6 Age)	202	5,1	627	16,0
Eight Years Basic Education	9 651	89,8	10 562	100,0
Primary Schools	6 985	104,4		
Junior High Schools	2 666	65,6		
High Schools	2 125	53,0	3 037	75,0
General High Schools	1 227	30,6	1 640	40,5
Vocational and Technical Schools	898	22,4	1 397	34,5
Higher Education	1 339	26,7	1 677	31,0
Formal Education	628	12,5	1 028	19,0
Open Education	711	14,2	649	12,0

Source : Ministry of National Education, HEC, SIS, SPO.

Starting from the second level of compulsory basic education an effective system of measuring, assessment and guiding shall be established, and effectiveness of vocational and technical secondary education shall be enhanced for training manpower in line with the demand of the market.

In this Plan period, pre-school education will gradually be extended. Arrangements shall be made to extend compulsory basic education to 8 years in all parts of the country in line with the Law on the Unity of Education and the minimum 9 year norm of the EU countries. Secondary education will be restructured to prevent congestion at the point of entry into higher education.

Utilization, development and production of advanced technology have prime importance for increasing the international competitiveness. In this context, it is necessary to make use of the manpower potential and to ensure its participation in the production process by upgrading its quality. To this end, education system shall be given a dynamic structure. In order to train necessary manpower, importance shall be attached to formal and informal vocational-technical education at the levels of secondary and higher education.

Emphasis will be laid on raising the level of formal and informal vocational and technical education to meet world standards, completing the studies carried out on professional standards and certification system, developing the relationship between school and working life, providing basic knowledge, skills and new technologies at the school, ensuring implementation in offices, and on-the-job training.

The occupation of teaching shall be made more attractive and the system of teacher training shall be restructured to provide occupational training in post-graduate educational academies.

The number and quality of teachers and teaching staff shall be increased and successful and talented students shall be guided into this area. For meeting the teaching staff requirement, possibilities from abroad shall be used as well.

An effective coordination and cooperation shall be ensured between vocational and technical education institutions and their programmes, and with the agencies providing employment services and labour markets.

A flexible structure enabling horizontal and vertical transition between formal and informal education institutions and programmes shall be established at each level. Every person who has started working after completing her/his education-training or who has left school for any reason shall be provided possibilities to improve their knowledge and skills in their fields of interest at any period of their life.

Modular system shall be adopted in vocational and technical education and curriculum will be adapted to this system. By an equivalent certificate of profession to be given to those people who has had formal or informal education and who has similar professional skills, equality shall be ensured.



An examination and certification system shall be established suitable with the professional standards to be determined, and a Professional Standards Institution shall be founded.

In line with the developments in the world and objectives of Turkey in the medium-term, policies and programmes concerning the new professions shall be developed with the cooperation of public institutions, private sector and the universities.

Emphasis will be placed on training skilled personnel in the fields of health, education, science-research, tourism and environment, taking their importance into account.

Open university, besides the formal education, shall be developed on a flexible structure which would enable the large masses to acquire knowledge and skills they need.

Higher education will be freed from its bureaucratic and centralized structure and arrangements will be made to develop competition within the system. Universities will be given scientific autonomy. Education and training systems and programmes shall be brought into line with international education systems and standards. Importance will be paid to provide scientific publications to university libraries.

Arrangements will be carried out to enhance authorities of university and faculty administrations and increase participation of teaching and research staff and students in the administration.

Compulsory education which is of great social benefit will be provided by the state and at higher levels of education where individual benefit is relatively high, beneficiaries shall be made to pay the cost of the service. This structure, as regards equality of opportunity, shall be backed up by student loans and scholarship system for students coming from low income families with the contribution of private sector.

Private sector shall be encouraged for providing educational services under the control of the state. Importance shall be attached to supporting informal vocational education as regards technique and financing, in the public and private sectors.

Each level of education will be supported by technology. Computer-enhanced education will be extended progressively, and mass education and open university education shall be given importance. An institutional arrangement shall be carried out and a revolving fund management will be founded with a view to developing software programmes in computer-enhanced education and ensuring the system to be self-sufficient. To this end, private sector possibilities will be used as well.

With a view to ensure education of children having high IQ in an environment relevant to their abilities, necessary educational institutions shall be developed and private sector initiatives in this field will be encouraged.

*Culture*

Cultural policy will aim at forming a society which has gone through a democratization process and where the individual has gained more freedom.

Fundamental principle is the conservation, improvement and extension of the national culture which forms the basis of development, modernization and outward orientation.

It will be the basic approach to add the momentum of international communications and influence to cultural development of our country as well as considering cultural riches as a basic element of development effort.

Realization of activities concerned with national culture within a contemporary approach and the framework of a democratic understanding and principle of national integrity shall be taken as an objective.

Importance will be given to preservation of movable and immovable cultural heritage.

The ties between Turkey and the Turkish citizens living abroad shall be strengthened by preserving their national identities. Social and cultural relations of Turkey with all the other countries, mainly the Turkic Republics shall be developed.

Necessary measures shall be taken to determine, preserve and promote our historical and cultural heritage abroad. Cultural Centres shall be founded in order to enable the Cultural Counseling Offices of the Ministry of Culture operating abroad to function effectively, and they will be utilized jointly with the Ministry of Foreign Affairs.

Promotion activities at home and abroad, of private enterprises, foundations and associations, besides public agencies and institutions, will be encouraged.

*Youth*

In order to solve problems of the young people and enhance their contribution to and participation in the development process, services provided for this group shall be improved in terms of quality and quantity. Measures will be taken to solve problems of the young who are the basis of the society and guarantee of the future, as regards education, health, working life, social security, employment and leisure activities.

*Gymnastics and Sports*

Sports which is one of the basic factors for bringing up a society healthy mentally and physically, shall be encouraged to be performed by large masses. People shall be directed towards all branches of Olympic sports rather than to one. Contribution of the private sector to sports activities will be increased while decreasing the role of the state, and rational use of sports facilities will be ensured.



*Leisure activities*

Leisure activities will be made an important part of the people's lives.

In order to train manpower for carrying out the training and organization activities for making use of leisure time, recreation departments will be founded in the universities.

The areas and facilities for leisure activities shall be developed to be used by children, young people, housewives, the elderly, people who live alone, disabled and similar groups at various times. Efforts will be continued to extend multi-purpose facilities to districts, satellite towns and rural areas with the assistance of local administrations, in order to enable each group of the society to take part in leisure activities.

**Table 4 - Supply Projections of Graduated Personnel**

(Thousand Persons)

<b>Branch of Study</b>	<b>1995</b>	<b>2000</b>
Language and Literature	34,3	42,9
Mathematics and Natural Sciences	60,9	74,4
Medicine	67,2	83,5
Dentistry	13,8	16,8
Pharmacology	18,1	21,0
Veterinary Sciences	9,5	12,2
Social Sciences	286,0	353,6
Law	43,7	50,5
Primary Education Teaching	318,8	357,8
Secondary Education Teaching	135,8	159,8
Technical Sciences	196,2	238,0
Agriculture and Forestry	46,3	64,4
Fine Arts	14,7	19,5

Source : SPO.

**Table 5 - Supply and Requirement Projections of Personnel in the Fields of Health, Education and Security**

(Thousand Persons)

Type of Occupation	1995		2000	
	Supply	Requirement	Supply	Requirement
Physician	67,2	78,3	83,5	100,0
Dentist	13,8	16,3	16,8	22,3
Pharmacist	18,1	17,8	21,0	22,0
Nurse	69,0	140,4	104,0	176,6
Primary Education Teacher	318,8	372,4	357,8	417,9
Secondary Education Teacher	135,8	111,1	159,8	156,7
Higher Education Teaching Staff	49,6	49,2	72,6	75,4
Police	127,1	140,4	182,6	200,0

Source : SPO.

**Table 6 - Supply and Requirement Projections of Technical Personnel**

(Thousand Persons)

Type of Occupation	1995		2000	
	Supply	Requirement	Supply	Requirement
Architect	25,0	19,4	29,5	25,9
Civil Engineer	38,9	30,0	43,6	37,1
Mechanical Engineer	37,3	35,5	45,7	45,9
Industrial Engineer	8,7	8,2	11,9	12,4
Electrical-Electrical Eng.	25,7	22,2	32,2	30,9
Computer Engineer	4,1	5,1	5,9	7,3
Chemical Engineer	17,3	14,1	18,8	17,8
Mining and Petroleum Eng.	6,8	5,6	8,9	7,4
Metallurgical Engineer	3,5	2,2	4,4	2,9
Geological and Geophysical Eng.	9,7	7,5	12,8	10,0
Geodesical Engineer	5,4	4,6	6,6	6,2
Environmental Engineer	2,1	3,2	3,9	5,5
Other Engineer	11,4	10,6	13,5	15,2
Agricultural and Forestry Eng.	46,3	29,5	64,4	39,3
Veterinary Surgeons	9,5	9,0	12,2	12,0

Source: SPO.



### **c) Legal and Institutional Arrangements**

In order to extend compulsory basic education to 8 years, to set up an effective guiding system starting from the second level of basic education, to ensure rearrangement of educational programmes in line with current requirements and participation of the families, enterprises and local administrations in education expenses, necessary amendments shall be made in the Law on Primary Education and Training No: 222 and Fundamental Law of National Education No: 1739.

Arrangements shall be made in the Law Establishing the Ministry of Education No: 3797, with a view to materializing a structuring in national education on the basis of service; transforming the central organization into a high level decision-making body which would make strategical plans at macro level, curriculum, R&D studies and investigations and carrying out coordination; decreasing bureaucracy; decentralizing authority and responsibility to both provincial units of the Ministry and local administrations; ensuring active participation of provincial organizations of the Ministry, local administrations and the families in educational services.

The Law on Private Educational Institutions, No: 625, shall be rearranged for encouraging private sector to invest in education sector; subsidizing education expenses of the students in private schools partly through tax refund, exemption, scholarship or similar methods; ensuring that the practice of meeting educational budgets of foundation universities partially by the state is applied to private schools at the levels of primary and secondary schools as well; generating new capacities in fields of requirement and enhancing the existing capacity; removing the need for private cramming schools gradually and encouraging dissolution of these institutions within the education system.

Necessary amendments shall be made in the Law on Apprenticeship and Vocational Education No: 3308, in order to improve vocational education, ensure participation of public and private sector agencies and institutions in vocational and technical education; utilize the resources of the Fund for Improving and Extending Apprenticeship, Vocational and Technical Education effectively and provide the parties to participate in management of the fund; make the Vocational and Technical Education Research and Improvement Center operational and the cooperation between school and enterprise more effective.

As for the Law No: 2547, amendments shall be made to free higher education from its bureaucratic and centralized structure; increase authorities of university and faculty boards of directors; bring about freedom as regards generating resource and spending it; enhance effectiveness by improving competition within the system and ensure effective participation of teaching staff in R&D activities of the industrial sector for enhancing the relationship of university-industry to the highest level; enable foundation of private universities or higher education institutions other than foundation. However, Article 130 needs to be amended with respect to founding of private universities, other than foundations.

With a view to establishing a flexible structure related to providing income and spending it, arrangements shall be made in the legislation on the Revolving Fund.

## 2. POPULATION AND FAMILY PLANNING

### a) Present Situation

It is estimated that population growth rate has slowed down in the Sixth Plan period and that it will be realized at the level of about 1.85 percent annually in the period of 1990-1995.

Rapid population increase prevents enhancement of individual welfare and swift realization of the process of economic change, causes difficulties in efforts for sustainable development increases the need for housing, health, education and infrastructure.

Although the structural change in term of demographical aspects throughout the country, exists, the interregional disparities persist.

Especially in the recent years, Turkey has been subject to massive immigration, inflow of refugees and illegal workers. The non existence of statistics related to the demographic, social and economic characteristics of those people creates difficulty in developing economic and social policies with respect to this matter.

It has been decided that the period between two censuses to be ten years as of 1990. For this reason, demographic data collection activities need to be considered as a whole and necessary organisations should be developed in order to monitor changes during the intercensal period.

Existing population registration system is inefficient as regards to its context due to deficiencies in infrastructure and organization. So, the need for development and extension of this system throughout the country on the basis of field studies for collecting and recording data regarding vital events in all the settlements, is crucial.

It is estimated that total fertility rate which was 3.4 percent in the period of 1985-1990, dropped to 2.69 in 1994; infant mortality rate fell from 67 to 46.8 per thousand; annual population growth rate dropped to 1.78 percent in 1994 from 2.17 percent.

In the period of 1990-1994, the distribution of the population as of three main age groups has been estimated as follows: ratio of 0-14 age group decreased from 35.5 percent to 33 percent, whereas ratio of 15-64 age group increased from 60.5 percent to 62.5 percent and of the age of 65 and over increased from 4 percent to 4.5 percent.

Health of both the mother and the baby are negatively affected by factors such as mother's low level of education; frequent, early and late pregnancies; lack of pre-natal and post-natal care; low rate utilizing institutional care and personnel care; unplanned and unwanted pregnancies which amount to 32 percent and poor economic conditions of the families.



Table 7 - Estimates of Demographic Indicators

Demographic Indicators	Thousand	1990	1994
Total Population (End of the year)	Thousand	56 754	61 110
Total Population (Mid year)	Thousand	56 203	60 576
Annual Population Growth Rate (1)	Percentage	1,97	1,78
Crude Birth Rate	Per/Thousand	24,8	22,8
Crude Death Rate	Per/Thousand	6,9	6,6
Total Fertility Rate	Number of Children	2,99	2,69
Infant Mortality Rate	Per/Thousand	57,6	46,8
Expectation of life at Birth			
Total	Years	66,7	67,7
Male	Years	64,4	65,4
Female	Years	69,0	70,0
Distribution of Population by Three Main Age Groups			
0-14 Age Group	Percentage	35,5	33,0
15-64 Age Group	Percentage	60,5	62,5
65 + Age Group	Percentage	4,0	4,5
Distribution of Population by School Ages			
4-6 Age Group	Percentage	7,1	6,5
7-11 Age Group	Percentage	12,0	11,1
12-14 Age Group	Percentage	7,0	6,7
15-17 Age Group	Percentage	6,5	6,6
18-21 Age Group	Percentage	7,9	8,2

Source : SIS, SPO.

(1) External migration is included.

In the provision of family planning services, accessibility, continuity, extension and quality of services, training of the personnel before and after graduation, provision of a good counseling service, motivation of the health personnel to perform services, provision of transport vehicles, medical equipment and other supplies, high turn over rate of the health personnel, intersectoral cooperation and inter institutional have great importance.

Changes occurring in the family structure due to industrialisation and urbanization have also impacts on traditional functions of the family. Against the negative impacts of such changes. It is necessary to back the family up with modern institutions and services, and take measures to increase the family welfare in line with increasing welfare of the country through development.

Improvement in indicators concerning women in the fields of education, health, employment and social security, and amendment of the legislation preventing male-female equality have great importance for enhancement of the social status of women and ensuring progress in male-female equality.

About 60 percent of the infant and child mortality stems from preventable diseases. Lack of physical development resulting from inadequate and imbalanced nutrition, and nutritional diseases stemming from vitamin and mineral deficiencies are frequently observed in children.

Pre-school education have not been sufficiently developed and, 1.4 million children majority of which are girls, leave formal education after the primary school. Only 2 percent of the children who need special training and 4.2 percent of children in need of protection can benefit from educational services.

Desired level of improvement with respect to measures laid down in the Law on Establishment, Duties and Trial Procedures of Juvenile Courts, No: 2253 and child correction in general terms could not be attained due to insufficiencies in the fields of organization, manpower, education, inter-institutional cooperation and coordination.

Problems of the working children with regard to health, education, social security and working conditions, stemming from insufficiencies in legislation, organization and supervision maintain their importance.

### **b) Objectives, Principles and Policies**

Fundamental principle is the improvement of the human resources necessary for development, slowing down the rate of population increase and maintaining population structure consistent with sustainable development objectives and policies.

It is estimated that population growth rate shall decrease to 1.5 percent and total fertility rate to 2.33 percent by the end of Seventh Plan period.

High infant mortality rate which is not compatible with the development level of the society is expected to drop to 35.3 per thousand at the end of Seventh Plan period whereas life expectancy is anticipated to rise to 69.1 years.



**Table 8 - Expected Improvements in Demographic Indicators During The Seventh Five Year Plan Period**

(Mid Year)

Demographic Indicators	Unit	1995	1996	2000
Total Population (End of the Year)	Thousands	62 171	63 221	67 332
Total Population (Mid Year)	Thousands	61 644	62 697	66 834
Annual Population Growth Rate (1)	Percentage	1,71	1,68	1,50
Crude Birth Rate	Per/Thousand	22,4	22,0	20,5
Crude Death Rate	Per/Thousand	6,6	6,5	6,4
Total Fertility Rate	Number of Children	2,62	2,55	2,33
Infant Mortality Rate	Per/Thousand	44,4	42,2	35,3
Annual Number of Births	Thousands	1 381	1 379	1 370
Annual Number of Deaths	Thousands	405	408	431
Expectation of Life at Birth				
Total	Years	67,9	68,2	69,1
Male	Years	65,7	65,9	66,9
Female	Years	70,3	70,5	71,5
Distribution of Population by Three Main Age Groups				
0-14 Age Group	Percentage	32,3	31,7	29,6
15-64 Age Group	Percentage	63,0	63,5	64,9
65 + Age Group	Percentage	4,7	4,8	5,5
Distribution of Population by School Ages				
4-6 Age Group	Percentage	6,3	6,2	5,8
7-11 Age Group	Percentage	10,8	10,6	9,8
12-14 Age Group	Percentage	6,6	6,5	6,0
15-17 Age Group	Percentage	6,5	6,5	6,1
18-21 Age Group	Percentage	8,2	8,3	8,1

Source : SIS, SPO.

(1) External migration is included.

In line with these developments observed in demographic indicators, there will be changes in the relative shares of three main age groups in total population. The percent of 0-14 age

group shall decrease whereas percentages of 15-64 age group and the group of the age of 65 and over will increase in total population.

In order to implement economic and social policies and evaluate to effectively their results, the existing system of vital registration shall be restructured so as to generate reliable and multi-purpose information, and extended to the whole country.

Policies and implementations regarding the immigrants shall be emphasized within a system.

Organizations which would ensure inter-institutional communication, coordination, effectiveness and continuity in implementation with respect to population and family planning shall be developed; They will have the power of imposing sanctions on agencies operating in this field, and obtain nation-wide current and reliable data about population within a system.

It is anticipated that interregional differences in the use of family planning methods shall be reduced. Moreover, use of effective methods shall reach 70 percent, and mother and infant mortality due to pregnancies at risk shall decrease at the end of the Seventh Plan period.

Groups who can not make effective use of services shall be given priority in the provision of mother-child care and family planning services. The quality of the services shall be enhanced as well as ensuring their accessibility and continuity.

Development of programmes for priority groups in family planning services and provision of inter-sectoral coordination shall be promoted within a master plan.

Services for pre-natal and post-natal care, post delivery, and post abortion, family planning services shall be enhanced and safe motherhood project shall be extended throughout the country.

Importance shall be given to training and appropriate employment of health personnel concerned with family planning. They will be provided with continuous and current information.

Active participation of non governmental organizations and private sector in the provision of information, education and communication shall be encouraged.

Population education shall be provided starting from the primary education on-wards and intensified through formal and informal education institutions and mass media.



Figure: 3 -Population Pyramid (2000)

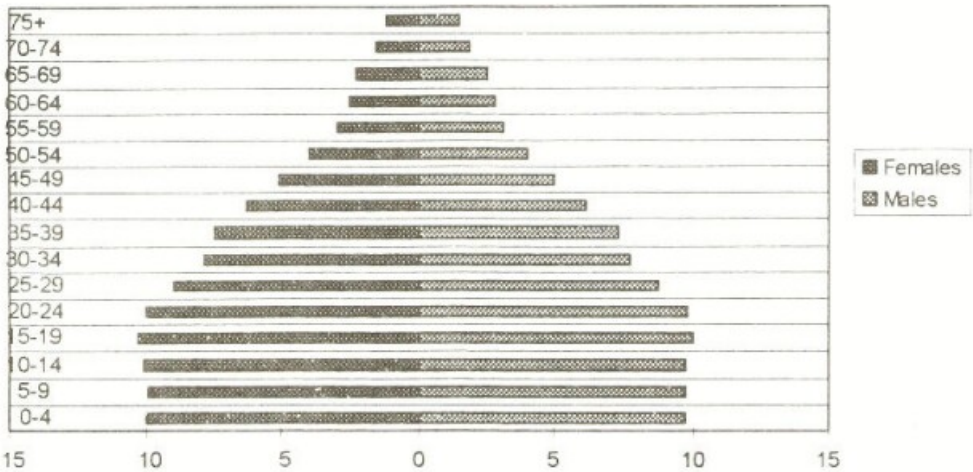
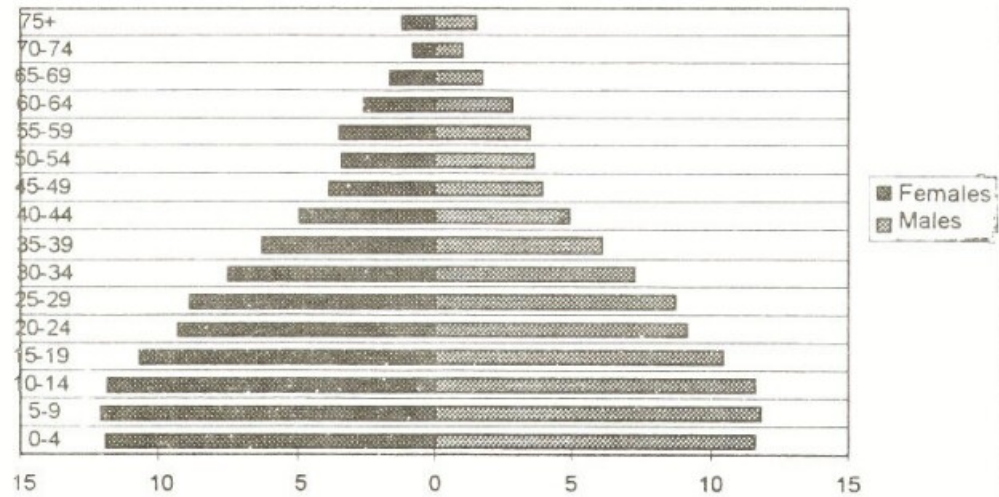


Figure: 2 -Population Pyramid (1990)



### *Family*

Fundamental principle is the maintenance and support of the family which is the building blocks of Turkish society.

Arrangements shall be made to strengthen the family through provision of income continuity, health services and social security, and develop a system for meeting the requirements and solving the problems in cases of crisis. Families shall be trained and supported with respect to child raising and care of the elderly and disabled members of the family.

Attention shall be paid for strengthening of male-female equality in the policies to be implemented for protecting and supporting the family.

### *Women*

Provision of women's participation in every field of the social life as individuals of equal status is the fundamental principle.

Measures will be taken to improve women's status in the fields of education, health, working life, social security and employment, and remove existing inequalities.

Activities will be continued to eliminate factors negatively affecting the status of Turkish women in the society.

Education of girls and women will be emphasized and participation of women in the development process will be supported with a view to increase the welfare of the society and enable women to benefit from welfare at the maximum level.

### *Child*

It is the basic objective to keep children alive and ensure their healthy development, education and protection.

Efforts shall be put to extend child health services and ensure balanced nutrition of children for reducing child mortality. Additionally, mother health and family planning services shall be extended throughout the country on an equal basis to ensure free and conscious choice as regards fertility regulation and decline in maternal mortality rate. All the individuals in the society shall be informed and made conscious in these issues.

Measures for protecting children from abusement and bad habits and preventing them from committing crime shall be considered as a whole; preventive and protective services shall be developed for children who are inclined to crime, problematic, home-leavers, homeless and at risk. Efforts shall be made to rehabilitate children who have committed or are inclined towards crime.



In line with the principle that the ideal environment for caring and bringing up a child is the family, measures for supporting this institution and practices of foster family and adoption shall be given importance. Institutional care shall be improved.

Efforts will be made to include children who have remained out of the education process into the system and provide them vocational education. Solution of the working children's problems regarding working conditions, health, social security and vocational education shall be given utmost attention and efforts will be carried out to generate circumstances for excluding them out of the working life in the long-term.

### **c) Legal and Institutional Arrangements**

Our country being in the process of rapid social, economic and cultural change and the period between two censuses being raised to ten years there exist an urgent data requirement in the intercensal period. In order to extend the existing population registration system country-wide and make it structurally effective so as to enable elimination of data shortage within a sound and reliable system, which is likely to emerge as a result of these developments, necessary amendments which shall be made in the Population Law No: 1587, on re-organization of the Ministry of Internal Affairs, General Directorate of Population and Citizenship Affairs all, and the Law on Establishment and Duties of the Ministry of Internal Affairs No: 3152.

Legal arrangements shall be made to establish a supreme board with the aim of providing services to regions where there is shortage and ensuring necessary supervision, and coordination among the public, private and voluntary institutions working in the fields of population and family planning.

Necessary arrangements shall be realized in the Turkish Civil Code concerning the place of residence, head of the family, surname, representation of family unity, capacity of enmity, age of marriage, property regime, professions and skills of spouses, inheritance, furniture, official marriage and alimony; implementation of the principle of joint ownership of property by a husband and wife in monetary and non-monetary aggregation acquired during the marriage; equal division of family responsibilities and provision of participation of women in the social life on equal terms. Furthermore, the Penal and Tax Laws shall be amended to include rearrangement of factors deteriorating male-female equality and putting women to trouble, with an egalitarian approach. In order to prevent women's exclusion from working life, strengthen family unity and provide adequate care for the children of working mothers, laws regulating working life and articles on pregnancy and maternity leave, opening up of crèches and day nurseries shall be amended.

Adequate number of experts and a sufficient infrastructure will provide a significant opportunity for Juvenile Protection Divisions for ensuring protection of children and preventing their inclination to commit crime. A clause including factors on determination of age shall be added to the draft law envisaging amendments in the Law on Establishment, Duties and Trial Procedures of Juvenile Courts No: 2253, and adequate number of experts and infrastructure will be provided for enabling extension of the courts country-wide. Child observation and

admission centers envisaged in the Law No: 2253, shall be established. Detention and probation houses for juveniles under arrest shall be established and these children will be separated from adults. A special office shall be formed at the Supreme Court for appealing against the decisions of juvenile courts. Working age, branches and conditions shall be supervised through provision of unity and elimination of deficiencies in laws concerning the working life of children. Children shall be protected against industrial accidents and occupational diseases, and their social security shall be ensured.

### **3. HEALTH REFORM**

#### **a) Present Situation**

An improvement has been recorded at the general health level of the society in the Sixth Plan period. Life expectancy at birth rose to 67.7 years in 1994 from 66 in 1989 and infant mortality rate of 0-1 age group dropped to 46.8 from 62.2 per thousand in the same period.

Public sector continued to have the major role in providing health services. 95 percent of the bed capacity and the entire preventive health service units belong to the public sector. 76 percent of specialists, 96 percent of general practitioners, 33 percent of dentists and 98 percent of nurses are employed in the public sector.

In order to ensure effective use of resources and to increase consumer satisfaction through expansion, continuity and quality of services in the health sector, the need for re-structuring of the system with respect to financing, administration and organisation, manpower, provision of services, legislation and information persists.

Inability to provide continuity in the implementation of health policies and to execute decisions made and laws enacted, creates an obstacle to the development of health services.

Health services in Turkey are provided by separate and independent institutions in the public and private sectors. As a matter of fact, there is no effective division of work and coordination among public institutions and these institutions in turn target at various population groups. These factors, cause the investments and the services of the institutions overlap, and result in the inefficient use of resources.

Since the public health institutions, in particular the Ministry of Health and the Social Insurance Organization provide and finance health services simultaneously, cause problems in planning and implementation of services and prevent an effective operation of control mechanism.

Units in the central organizations of the agencies providing health services deal with both the technical issues concerned with development of programmes and the routine works in the carrying out of these programmes. Existing of planning and execution function within the same unit reduces the designated time interval for developing programme and in fact, these units are not able to perform their technical duties.



Besides inadequate resources allocated to the health sector, lack of coordination among institutions, organizational failures, irrational investments, insufficiency in machinery and equipment and faults in the employment policy all lead to ineffective utilization of existing resources. In some places while there is capacity insufficiency in the others there exists idle capacity. \*

Preventive health services such as mother-child care, family planning, vaccination, environmental health and basic health services comprising primary health care providing out-patient diagnosis and treatment services could not be given adequate priority, and resource-consuming in-patient treatment services have been given priority. For the preventive health services, only the services of the Ministry of Health is utilized while the other institutions could not be directed towards this area.

Primary health services could not be developed sufficiently for meeting the needs of the country. Arrangements introduced by the Law No: 224, could not be implemented adequately due to insufficient manpower and equipment needed in health units and health centers in the rural areas. Organizations for solving various health problems in cities getting more crowded due to rapid population increase and migration, could not be realized. As for primary health care, the approach of providing multilateral health services within a small area was adopted; health service units providing similar services were established in both the Ministry of Health and other institutions. As a result, integrated service supply could not be achieved.

An effective patient referral system comprising all levels, from primary health care to the reference hospitals, could not be set up. As a result of this situation, demand for services were misdirected, patient circulation increased, excessive crowdings occurred in city centers especially in big hospitals, health manpower gathered in big settlements and unit costs have increased unnecessarily.

The facts that in-patient treatment agencies could not be managed efficiently and effectively according to the modern management rules and offset their incomes and expenses, that they are not open to competition and they could not be transformed into institutions having administrative and financial autonomy lead to failure in receiving the expected benefit from these institutions.

There are no sound job definitions of the health personnel. Modern supervising techniques and control of on-the-job training are not adequate. In appointment of the personnel, their capability and career system are not considered. Physicians do not work full-time in public health institutions. All these factors have negative impact on service efficiency and cost.

Since cost accounting techniques are not used, all expenses are not reflected on costs. In the pricing of the services provided, real costs are not sufficiently taken into account and only a part of the cost of service is charged from the user or his/her insurance agency. Each person can benefit from the subsidized services paying the same amount without regard to their income level.

This unselective subsidy practice provided for the agencies leads to misallocation of the resources, and those who really need them can not directly benefit from these subsidies.

The need to update the health legislation persists. Legal arrangements on financing, service provision, personnel policies, administrative structure, preventing of community health have not been realized.

Insufficiency of correct and rapid information flow among the levels of services have a negative impact on the decisions of administrations.

As regards planning and providing of health services, establishment and operation of mechanisms necessary for ensuring community participation at all levels could not be realised.

Various health problems due malnutrition are still crucial.

The need for extension of mouth and dental health services persist.

Although significant developments have been recorded in the number of health personnel, problems continue to exist regarding their employment and country-wide distribution. Shortage of specialists in some medical branches could not be removed. 48.5 percent of physicians are accumulated in the three biggest cities. The number of population per physician has decreased to 954 in 1994. As of March 1995, there are 3.055 general practitioner, 2.636 specialist and 136 dentist vacancies in the Ministry of Health and the General Directorate of Social Insurance Organization service units.

Medical faculty hospitals are providing general health services instead of performing their fundamental duties of education and scientific research. This situation leads to interruptions in education and training services and increases in service costs.

Number of beds amounted to 150,565 as of 1994, however, its distribution countrywide is imbalanced. 37 percent of total beds are in three big cities which constitute 24.4 percent of country population. Number of population per bed has been 406 in 1994. Utility rate of the existing beds remain at a rather low level of 58 percent. This rate is even below 35 percent in district hospitals having less than 50 beds, due to incorrect choice of location, deficiencies in manpower and machinery-equipment, habits of the society in using services. Especially in construction of district hospitals in recent years, population criteria have been ignored and unnecessary capacity has been generated in some districts.

The share of total health expenses in GNP was 3.4 percent in 1989 whereas it reached 4 percent in 1994. It is estimated that the share of public in health expenses rose to 64.7 percent from 58.5 percent in the same period.

The rate of population covered by insurance, with respect to health services, reached 60.1 percent in 1993. Within the framework of Green Card practice 3.7 million people were given the opportunity to benefit from in-patient treatment services by the end of 1994.



With a view to improving basic health services and raising the health standards of the people by ensuring accessibility to these services, enhancing effectiveness and efficiency in the provision of health services and administrative capacity of the Ministry of Health, First Health Project was put into practice in eight cities in 1990. In 1994, Second Health Project was initiated to be implemented in 23 development priority cities.

Compulsory service practice for general practitioners was abrogated on March 1995 via amendments made in the Law on Government Service Obligation of Certain Health Personnel, No: 2514.

The Law on Arrangement of Privatization Practices and Amendment of Some Laws and Decrees, No: 4046 enabled the privatization of the operation rights of in-patient treatment institutions

Private health insurance practice could not be extended.

**Table 9 - Distribution of Hospitals and Patient Beds by Type of Institution**

(Number)

Institutions	1989		1994	
	Number of Hospitals	Number of Patient Beds	Number of Hospitals	Number of Patient Beds
Ministry of Health	549	68 258	666	77 753
Ministry of National Defense	42	15 900	42	15 900
Social Insurance Organization	91	20 129	115	25 196
State Economic Enterprises	15	2 146	11	2 099
Other Ministries	3	780	2	680
University (Medical Schools)	24	17 749	29	19 852
Municipalities	5	1 160	5	1 160
Foreign	8	670	6	560
Minorities	5	934	5	934
NGOs	10	621	10	741
Private	102	3 614	133	5 690
<b>TOTAL</b>	<b>854</b>	<b>131 961</b>	<b>1 024</b>	<b>150 565</b>

Source: Ministry of Health, SPO.

**Table 10 - Number of Health Centers and Health Posts by Years**

Years	(Number)	
	Health Centers	Health Posts
1989	3 304	10 731
1990	3 454	11 075
1991	3 672	11 262
1992	3 901	11 490
1993	4 226	11 630
1994	4 575	11 878

Source : Ministry of Health, SPO.

**Table 11 - Health Manpower Situation by Years**

Health Manpower	1989	1994
Number of Physicians	46 708	64 000
Population per Physician	1 190	954
Number of Dentists	10 132	13 200
Population per Dentist	5 484	4 630
Number of Pharmacist	15 201	17 500
Population per Pharmacist	3 655	3 492
Number of Nurses	43 374	61 500
Population per Nurse	1 281	994
Number of Midwives	27 805	39 700
Population per Midwives	1 988	1 540
Number of Health Officials and Technicians	18 869	38 200
Population per Health Official and Technician	2 945	1 600

Source : Ministry of Health, SPO.

### **b) Objectives, Principles and Policies**

The system shall be restructured with respect to financing, administration and organization, manpower, service supply, legislation and information in order to ensure effective use of resources consumer satisfaction, continuity, quality and widespread use of services in health sector.



Health policies shall be given a continuous nature and laws shall be enforced resolutely.

Among the public institutions providing health services, division of work and cooperation in investment planning, in service supply and in educational activities shall be ensured. Existing infrastructure shall be reorganized so as to enable all individuals make use of them, not only certain population groups. Investment planning, manpower and equipment supply shall be considered as a whole.

In the places where existing physical infrastructure is utilized at low capacity, no new investments will be allowed and investment needs shall be reviewed within the framework of rational criteria.

A simple organisation shall be set up for preventing provision of similar services for the same population group by various service units. Thus, various basic health service posts providing similar services shall be transformed into a uniform institutional structure providing integrated health services. The model of health posts and centers in rural areas shall continue to be implemented. Meanwhile, the system of family general practitioner shall be set up in the cities on a small population basis. In urban areas where population density is high, practice of district clinics shall be made widespread. In this context, required legal arrangements shall be carried out.

Regional health authorities shall be annulled and district health directorates shall be established. In cities and in large districts health centers for training shall be instituted according to population size and existing mother and child care centres shall be utilized for this purpose.

Provision of services, and financing shall be separated in the public institutions providing health services in order to enable them to make rational planning, provide services effectively and realize supervision.

The Ministry of Health shall be provided with a structure to protect public health and introduce standards and norms, whereas its role in providing direct in-patient treatment services shall be gradually diminished.

Duties, authorities and responsibilities of central administrations with respect to health services shall be reduced, and those of provincial health administrations shall be re-specified. Role of local administrations in providing services shall be increased.

At each level of health services, participation and contribution of the community shall be provided.

Health sector shall be allocated more resources and existing resources shall be utilized more efficiently through effective coordination and cooperation. Public resources shall be utilized primarily for preventive health services having high financing effectiveness.

Primary health services shall be strengthened by improving the manpower and infrastructure capability of units providing first level health care. Within this framework, programmes shall be developed with respect to combat with communicable diseases, mental health, school health, protection from addiction, mouth and dental health, health of the elderly, care for the handicapped, home-care services, training services regarding health and nutrition.

In order to reduce environmental risk factors negatively affecting the human health, an intersectoral cooperation programme shall be developed.

Food production policies shall be formulated taking the nutritional problems into consideration, and production of salt having iodine, fluoridation of water, enrichment of bread or flour will be encouraged.

Refik Saydam General Hygiene Institution shall be converted into a national laboratory to provide reference services.

A patient-referral system comprising all levels of services shall be set up and within this framework individuals will be given the opportunity to choose physicians and hospitals.

For providing better and effective health service, hospitals shall be given administrative and financial autonomy. Their administrative structures shall be reinforced by modern management techniques and legal arrangements shall be made to this end.

Through use of cost accounting techniques in hospitals, all the expenses shall be reflected on costs and pricing shall be made on the basis of real costs. In this way, public subsidies shall be abolished progressively in the hospitals operating in market conditions and offsetting their expenses by their income.

An effective manpower planning shall be carried out to ensure balance in its distribution among the regions and at rural-urban level, and distribution as of professions and professional specialization fields. Cadre standards shall be developed on the basis of work load. Duties, authorities and responsibilities of professional groups shall be rearranged and a waging system ensuring balanced distribution of the personnel shall be adopted.

With a view to training health care personnel suitable to the country's conditions, curriculum shall be reviewed. Continuous post-graduate education and on-the-job training shall be institutionalized, and a continuous monitoring system shall be developed in which all the agencies training and employing health care personnel shall be represented together. Arrangements will be made to raise new types of manpower needed.

Mother and child care and family planning, and preventive health services against communicable and epidemic diseases and others as a public service shall be continued to be provided free of charge; whereas, costs of treatment services shall be paid by the users.

People who have no social security as regards health services shall be insured. A general health insurance system shall be set up in the long-term by ensuring unity in norms and



standards among insurance agencies. Insurance premiums of those people who do not have solvency shall be partly or completely paid from public resources. Within this context, necessary legal arrangements shall be made.

A health information system shall be developed to ensure realistic and correct information flow among service echelons, and a uniform recording system shall be set up in which individual health files are included.

New legal arrangements shall be made comprising issues such as financing and provision of health services, personnel policies, administrative structure, protection of community health and the existing legislation shall be updated.

Policies for solving problems in production of blood products, vaccine and serum and regulating rational medicine use shall be given priority.

**Table 12 - Targets Related to Health Infrastructure and Manpower in Seventh Plan Period**

	1994	2000
Number of Patient Beds	150 565	180 000
Public	142 640	168 000
Private	7 925	12 000
Population per Patient Bed	406	374
Bed Occupancy Rate (%)	58	65
Number of Health Centers	4 575	5 100
Number of Physicians	64 000	83 500
Population per Physician	954	806
Number of Dentists	13 200	16 800
Population per Dentist	4 630	4 008
Number of Pharmacists	17 500	21 000
Population per Pharmacist	3 492	3 206
Number of Nurses	61 500	104 000
Population per Nurse	994	647

Source : Ministry of Health, SPO.

R&D activities in health sector shall be encouraged.

Quality assurance programmes shall be implemented in utilizing medical devices technology. All devices shall be calibrated periodically and necessary physical infrastructure shall be set up for biomedical services. Priority shall be given for training of required manpower.

Forms of health care unit building projects, functional and suitable to country conditions, shall be developed and high quality construction for these buildings will be sought.

Private sector activities in the health sector shall be encouraged.

### **c) Legal and Institutional Arrangements**

For enabling individuals to live in good health, a Basic Health Law shall be enacted for arranging the issues such as protection of public health; preventive, treating and rehabilitative health services; determination of fundamental principles in provision of these services and professions in health sector.

A Law on Primary Health Care and Family General Practitioners shall be enacted for providing effective, qualified and efficient primary health care services in the primary health posts, health centers, public health centers and similar units as well as family general practitioners service units, and within this framework rearranging health organization at provincial and district levels with respect to establishment, operation, provision and utilization of services.

With a view to providing high quality, effective, efficient and accessible secondary and tertiary level health services, Basic Law on Hospitals and Health Care Enterprises which has been submitted to the Turkish Grand National Assembly (TGNA) shall be enacted. This law shall ensure transformation of hospitals into enterprises autonomous with respect to administration and finance, and arrange fundamental principles regarding establishment, operation, provision and utilization of services.

In order to provide health security for those who do not have the right to benefit from social security and social insurance aid, to ensure transition to general health insurance system and integration of existing social health insurance practices within the framework of a general health insurance system, and to assure management of this system by a single organization, the Law on Establishment and Operation of Health Finance Agency submitted to the TGNA shall be enacted.

Regulation on Medical Specialization shall be rearranged to specify; medical specialization branches known in Turkey, and necessary conditions to become a specialist, procedures and fundamental principles of medical specialization education and specialization authority. In line with this, necessary amendments shall be carried out in the Law on Mode of Practice of Medicine and Its Branches, No: 1219.

Law on Duties and Establishment of the Ministry of Health shall be enacted for realizing arrangements to help people live in the society as individuals mentally and physically healthy



and giving the Ministry of Health a structure which determines policies, standards and norms, arranges and supervises health sector and provides preventive health services instead of a structure which provides direct treatment services, operates hospitals and employs personnel. Within this framework necessary amendments shall be made in Decrees No: 181 and 210.

#### **4. PROJECT FOR INCREASING EMPLOYMENT AND EFFICIENCY OF THE LABOUR MARKET**

##### **a) Present situation**

In 1994, the total labour force reached 20.4 million and total employment 18.3 million. In the Sixth Plan period, the low level of total employment increase was concentrated in the services sector.

Although migration from rural to urban areas and related problems continue, 45 percent of total employment is in the agricultural sector which has a low level of productivity. Of those working in the agricultural sector, about 60 percent are unpaid family workers, and 80 percent of these are women. In rural areas, although a decline has been observed in the share of the 12-14 age group within the total labour force, this share remained at the level of 4.5 percent. This ratio dropped to 1.9 percent in the urban areas. The labour force participation rate of women in the urban areas is 17 percent.

Average labour productivity in non-agricultural sectors and in public sector in general is low compared to international standards.

It is observed that there is a certain decline in employment in the large-scale manufacturing industry enterprises whereas there is an increase in the small-and medium-size enterprises. Technological development, including technology adaptation capacity, has remained below the level necessary for enhancing international competitiveness. As a result of this, technology-related activities which would compensate for short-term employment reducing effects occurring in enterprises where transition to automation is realized, could not be generated.

Although it slowed down, the population growth rate is still high but its effect on labour supply has remained limited due to increases in schooling rates and migration to urban areas. Unemployment has remained at a relatively low level until 1994 the when structural problems have led to an economic contraction. In 1994, the open unemployment rate rose to 10.5 percent and the underemployment rate which is as important the rate of unemployment, rose to 9.3 percent. The rate of unemployment idle because of open unemployment plus underemployment has reached 19.8 percent in 1994. Unemployment rates in 1993 have been 7.6 percent in rural regions and 11.4 percent in urban areas. This rate has exceeded 30 percent among young people graduated from upper secondary schools and universities in the cities.

Table 13 - Developments in The Domestic Labour Market

(15+Age) (In Thousand)

	1990	1991	1992	1993	1994(1)
Civilian Labour Force	19 954	19 967	20 196	20 232	20 424
Labour Force Participation Rate (Percent)	56,7	56,2	55,5	54,2	53,2
Civilian Employment	18 364	18 421	18 600	18 702	18 285
Agriculture	8 731	8 714	8 169	8 397	8 166
Industry	2 773	2 837	3 047	2 916	2 880
Services	6 860	6 870	7 385	7 389	7 239
Unemployed	1 590	1 546	1 596	1 530	2 139
Underemployed	1 271	1 373	1 535	1 383	1 904
Unemployment Rate (Percent)	8,0	7,7	7,9	7,6	10,5
Underemployment Rate (Percent)	6,4	6,9	7,6	6,8	9,3
Rate of Unemployment +Labour Force Idle Because of Underemployment (Percent)	14,4	14,7	15,5	14,4	19,8

Source : SIS, SPO.

(1) Estimate

Unemployment has become widespread in Eastern and Southeastern Anatolia and in some parts of the Black Sea region and Central Anatolia.

It is anticipated that labour supply shall gain speed compared to the previous period, because increases in schooling rates shall slow down after some time as it has been observed in the Southern European countries and the labour force participation rate of women in urban areas shall increase. Owing to low industrial investments, existing capacity to create productive employment is not at a level to meet this increase in the labour force supply. At the threshold of a customs union with the EU, the requirement to increase international competitiveness has gained a more critical nature with respect to employment as well.



The ratio of primary school graduates within the total labour force is about 75 percent. The apprenticeship system could not be developed sufficiently. The low qualification level of the labour force hinders increases in employment.

Furthermore, excessive changes and premiums related to employment, increase labour cost and have a negative impact on employment.

The restructuring of the Employment Agency could not be realized and thus employment services could not be sufficiently improved. Professional standards could not be specified at the desired level. In 1995, a draft law was submitted to the TGNA concerning reorganization of the Employment Agency under the name of Turkish Employment Agency to provide comprehensive and effective employment services.

The Labour Adjustment Project aiming at providing new employment opportunities for workers who will be made redundant as a result of privatization, and the Employment and Training Project directed towards creating employment for the unemployed through training have been put into practice in 1994.

#### *Labour Matters*

Studies have continued for improving the labour legislation in conformity with the norms of the International Labour Organization (ILO) and harmonization conditions with the EU. The number of ILO Conventions approved in the Sixth Plan Period rose from 28 to 36. These conventions are concerned with the improvement of rights and freedoms as regards trade unions and job security.

Draft Laws with respect to giving trade union rights to civil servants and rearranging job security so as to prevent unjustified abrogation of labour contract are on the agenda of the TGNA.

Studies could not be completed for formulating a legislation in conformity with Turkey's conditions and international standards which would consider enhancing flexibility in the labour market and organize the extension of new types of work.

An Economic and Social Council was set up by a Prime Ministry Circular in 1995.

In the Sixth Plan period, the share of trade union members among registered workers rose from 55 percent to 69 percent. Days spent in strikes and lock-outs decreased considerably in 1992, 1993 and 1994.

A real improvement was realized in wages in the Sixth Plan period. Civil servants have benefited from this improvement at the lowest level whereas public sector workers were the group which benefited the most.

**Table 14 - Index of Real Increases in Labour Costs**

(1989=100)

	1990	1991	1992	1993	1994
Labour Cost					
Public	127	181	197	221	204
Private	117	173	171	174	150
Cost of Civil Servants' Salaries	123	128	136	137	102
Annual Average of Minimum Wage (1)	113	129	142	150	118

Source : SPO.

(1) Annual average minimum wage for workers 16 age and over in industry and services sectors.

Problems in the functioning of the labour market persist due to lack of correlation between wages and productivity, competence, seniority and career which has completely weakened in the public sector, the fact that those employed in the public sector form 40 percent of wage earners, lack of institutionalization, and uncertainties in security in some fields.

Owing to distinctions between agricultural-nonagricultural and registered-nonregistered, the fragmented structure of the labour market continues to prevail. In the nonregistered sector, an expansion is observed towards activities surpassing small-scale enterprises. Since employment in nonregistered sector is widespread among the wage-earners, labour relations are negatively affected.

There is a need for concluding the work under way to set up a Labour Market Information System for taking effective policy measures on the operation, structure and development of labour power, and produce wage statistics, which form an inseparable part of this system, conforming with international definitions.

Studies for improving workers' health and job security and increasing the effectiveness of supervision in working life maintain their importance.

#### *Problems of Workers Abroad*

The number of workers and their dependants abroad amounted to 3.1 million in 1994, 1,3 million of which were workers.



Turkish nationals living in Western European countries are gradually passing from a worker to an employer status, becoming a part of the societies they live in. They want to obtain citizenship of the foreign country they work and reside in, with a view to living in better conditions and benefiting from economic, social and political rights. It is important to utilize Turkish capital abroad so as to support Turkish economy.

Dual citizenship has been incorporated into the Turkish legislation as an institution. However, some countries put forth the condition that the applicants should renounce their original citizenship. Meanwhile, delays occur in the procedures for giving permission to leave Turkish citizenship. Moreover, such a provision prompts worries about properties and heritage in Turkey although their rights are protected by laws. The fact that Turkish citizens abroad can not adequately use their rights to elect and be elected is another problem.

Our citizens working abroad wish to benefit more from counseling opportunities in both legal issues such as social security, residence and working permit, and in other financial and social issues as aids given to the workers and investment facilities.

Turkey is an migration generating country especially to European countries. Her citizens abroad face various cultural problems. Turkish citizens generally live in the same zones and use common residences. They are obliged to provide economic support for their relatives in Turkey. These facts lead to their exclusion from the society and make them form introverted units.

In the Sixth Plan period, Turkey has become an immigrating country besides being an emigration country. Thus, legislation on employment of foreigners in Turkey on the basis of wages, salaries and self-employment is disorganized and complicated, and insufficient in the developing conditions of the labour market. Provision of working permit for foreigners by various agencies and institutions prevent the monitoring and supervision of labour market and effective implementation of services.

### **b) Objectives, Principles and Policies**

The basic objective is to increase productive employment through realization of a high growth rate based on stable, investment-intensive and competitive economic conditions.

Within this framework, the most effective factor shall be the realization of industrial sector investments having an internationally competitive technological level and services sector investments having a high value added component.

The development potential of employment shall be enhanced by upgrading the quality of manpower in line with technological development.

The labour force required by the envisaged economic structure shall be formed through training. The legislation concerning the arrangement of employment shall be reviewed to have a structure conforming with contemporary conditions. Institutionalization shall be enhanced

and occupational standards improved. All of these factors shall provide effectiveness for labour market and thus increase employment.

The employment of skilled manpower shall be increased by developing sectors which would create high value added through use of advanced technology. The employment potential of small-and medium-size enterprises will also be utilized at the maximum level.

Small and medium-size enterprises and individual undertakings shall be backed up by contributions in the fields of project studies, financing, organization and technology, and of entrepreneurship shall be incorporated in education.

With a view to stimulating local economic potentials in this direction, enterprises which would have competitiveness in the market shall be developed through the use of local natural, human and financial resources with the indirect encouragement and support of the public sector at the beginning. Solutions for realizing concrete projects bearing productive economic activity and employment potential shall be put into practice through a small, flexible and effective unit which would take the local requirements and capacities into account. These enterprises shall comprise those which would operate or expand their activities in the fields of especially animal husbandry, apiculture, fisheries, vineyard products, various food products, carpet weaving, handicrafts, construction material, furniture making, shoemaking, ready-wear products, plastic goods, metal works, medical equipment, certain electronic products and the like, and in tourism and certain fields of services. In general, rural industries shall be supported. Efforts shall be made to put into operation investments which have not been completed and will gain a competitive potential by a relatively limited support.

Within the scope of the Southeastern Restoration Project and in regions where there is high rate of unemployment, special employment projects shall be implemented in the fields of certain infrastructures for meeting local requirements, housing construction, cultivation of land, afforestation, protection of environment and the like.

Excessive and imbalanced employment in the public sector shall be tried to be decreased.

Studies on the training of intermediary manpower shall be given importance.

Regarding the increase of employment and contraction of the dimensions of non-registered economy, additional burdens on wages which turned out to be some kind of employment tax shall be lowered to the level of EU countries.

Arrangements shall be made for constituting a secure and flexible labour market. Emphasis shall be placed on work comprising programmes for teaching skills and re-education to enable manpower to respond better to market conditions. Within this framework, in the scope of globalization process and harmonization policies with the EU, active labour market policies shall be given importance, and the Employment Agency shall be re-organized under the name of the Turkish Employment Agency and given a new structure for providing modern employment services.



For those people who will become redundant in several sectors due to the customs union and in certain enterprises as a result of privatization, comprehensive programmes shall be developed and implemented for generating new employment opportunities, as well as providing support for those who will establish their own businesses.

Studies shall be embarked upon for implementing and disseminating new technologies so as to increase employment.

It is estimated that the total labour force shall reach 22.462 thousand in the year 2000. In line with the objectives envisaged, it is expected that total employment shall be 20.737 thousand people and the unemployment rate about 7.7 percent.

**Table 15 - Developments in Domestic Labour Market**

(15+Age) (In Thousand)

	1994	2000
Civilian Labour Force	20 424	22 462
Labour Force Participation Rate (Percent)	53,2	50,3
Civilian Employment	18 285	20 737
Agriculture	8 166	8 427
Industry	2 880	3 494
Services	7 239	8 816
Unemployed	2 139	1 725
Underemployment	1 909	1 535
Unemployment Rate (Percent)	10,5	7,7
Underemployment Rate (Percent)	9,3	6,8
Rate of Unemployment + Labour Force Idle Because of Underemployment (Percent)	19,8	14,5

Source : SPO. *Labour Matters and Industrial Relations*

The fundamental principle is assure peaceful industrial relations and develop those by ensuring continuous dialogue between the state, the workers and the employers.

It is a basic principle to renew labour legislation in line with harmonization with the EU and norms of the ILO, increase flexibility in the labour market and organize new sorts of work. Statutory working hours shall be shortened without reducing efficiency and studies shall be started to enable working on the basis of flexible hours.

Efforts will be made to determine wages according to the work, competence, efficiency, seniority and career, and a wage system shall be set up in connection with growth policies, new work types and the development of employment.

Prevalence and effectiveness of supervision in working life shall be increased, and services on workers' health and job security shall be enhanced.

Education and research activities of the trade unions shall be supported and they will be encouraged to make social and cultural investments in favour of their members.

Effort for setting up a developed Labour Market Information System necessary for the effectiveness of labour market policies shall be concluded so as to ensure conformity of wage statistics with international definitions.

#### *Problems of Workers Abroad*

Measures shall be taken to ensure that workers and their families abroad live in security, protected from every kind of discrimination, to solve their economic and social problems, to raise their level of education, to ensure their integration with the society they live in and to support their economic activities.

Turkish employer organizations abroad shall be encouraged to unite in occupational problems and establish a joint commercial center. Thus, circumstances shall be created for the effective solution of the problems of entrepreneurs abroad, while more efficient utilization of the capital abroad shall be ensured so as to support the Turkish economy.

#### **c) Legal and Institutional Arrangements**

Arrangements shall be made in Labour Law No: 1475 and other legislation concerned to specify with flexible hours, part-time jobs and other non-standard jobs.

The law on the Turkish Employment Agency, forwarded to the TGNA, shall be enacted to provide a modern and effective function and a structure for the Employment and Recruitment Agency in putting active labour market policies into practice and administering unemployment insurance.

The Unemployment Law which is on the agenda of the TGNA, is to be enacted. It will provide income security for those who are made redundant and ensure effectiveness in the functioning of the labour market by eliminating the problems arising from the threat of becoming unemployed without any such security.



The Job Security Law which arranges job security so as to prevent unjustified abrogation of labour contract and eliminates uncertainties in the case of lock-out shall be enacted.

Laws on Trade Unions, Collective Bargaining, Strike and Lock-out shall be reviewed, and a Law on Civil Servants' Trade Unions, Collective Bargaining and Strike which arranges the trade union rights and liabilities of civil servants shall be enacted.

Economic and Social Council shall be provided with a legal framework.

Studies for amending legislation on workers' health and job security so as to follow technological developments shall be completed.

A Law on Agricultural Labour shall be enacted for those who are paid workers in the agricultural sector.

Within the framework of public administration reform, the Ministry of Labour and Social Security shall be reorganized and amendments shall be made to the legislation concerned to put an end to the confusion in public employment.

According to the Law on Turkish citizenship No: 403, procedures to obtain permission for renouncing Turkish citizenship take a long time. In order to encourage dual citizenship abroad, amendments shall be made in the said law to facilitate renouncing and re-admission to citizenship. Furthermore, improvements shall be made to protect the rights of those who renounced Turkish citizenship concerning to reside and work for a certain period, to have real estate, and heritage.

Establishment of Turkish representations in the regions and countries where Turkish workers and employers concentrate and where there is no representation shall be encouraged. In order to provide complete and correct information for our citizens, institutions concerned as well as offices of advisors and attaches shall be reinforced by consultants in law and experts on education, economy and finance who will be trained specifically according to the conditions of the countries they will be assigned.

The legislation concerning working of foreigners in Turkey shall be rearranged taking into consideration the changing conditions of Turkey and the world, and disorganization in the provisions concerned shall be removed.

## II. AGRICULTURE, INDUSTRIALIZATION AND INTEGRATION WITH THE WORLD

### 5. STRUCTURAL REFORM PROJECT FOR AGRICULTURAL POLICIES

#### a) Present Situation

In the year 1990, the ratio of the agricultural sector to GNP remained at 17.5 percent, but in the recent years this figure has fallen to 15 percent. Despite this phenomenon, the share of agriculture within employment preserves its importance with a ratio of 45 percent. Although the importance of agriculture is diminishing within the economy, the means of subsistence of an important part of the population still depends on agriculture.

Within the Sixth Plan period, agricultural output increased annually by 1.7 percent on the average, but a decrease of 1.3 percent in its export and 5 percent in its import has been observed during the same period.

According to data obtained in the year 1994, 66.7 percent of the agricultural output consists of plant products, 25.2 percent of animal products, 2.7 percent of forest products and 5.3 percent of fisheries.

Area used for farming is shrinking due to the absence of land use plans and the increase of non-agricultural use of agricultural land and erosion. Furthermore, the improper distribution of land ownership causes an increase in the number of small farms.

According to the General Agricultural Census, of 1980, the number of agricultural holdings was 3 million 434 thousand. This figure rose to 4 million 92 thousand in 1991. 99 percent of these holdings is below 50 hectares. In the year 1980, the share of holdings below 5 hectares within overall was 61.1 percent, whereas in the year 1991 this figure increased to 65.4 percent.

In 1991, the economic activity of 96.4 percent of those holdings consisted both of plant production and animal husbandry, while 3.6 percent dealt only with animal husbandry. According to the results of the agricultural census of the year 1991, 71.9 percent of the livestock holdings occupied with cattle husbandry, having 5 or less animals; the holdings dealing with sheep-goat husbandry occupied 31.6 percent with the number of animals being below 20.

In view of these facts, the income of those occupied in the agricultural sector remains low in comparison with the other sectors. In addition to the disadvantage of this sector as regards income, there exists also a great discrepancy in the distribution of income within the sector itself.

Agricultural establishments are not working in coordination in basin-approach implementations, constitutes a handicap in the rational use of resources.



The agricultural support policies pursued, could not restore stability in the income of the producers. Furthermore, the support policies have resulted in support prices which are higher than world market prices. They have also led to excessive extension of the area sown with regard to certain crops and hence overproduction, in turn leading to excessive purchases by the state, which then faces the high cost of stocking.

The fact that the agricultural establishments and the enterprises are not capable of pursuing sufficient and regular registration system, makes it difficult to obtain sound statistical data. This in turn, continues to be a problem in generating policies concerning the agricultural sector.

Research, training and extension services pertaining to agriculture are not at a satisfactory level.

Organization at producer level oriented towards producer steering agricultural production, marketing, price formation and providing services to producers are insufficient. The dispersed structure formation of authorization and insufficient coordination is still persisting.

In spite of certain positive practices, animal husbandry could not achieve the desired level. Although the number of livestock in our country is much higher than in most countries having a developed agricultural sector, productivity per animal is considerably low. 65-70 percent of the cattle and 90-95 percent of the sheep consists of native animals. Aside from the high ratio of low-yield native animals, the insufficiency of animal shelters, care and feeding conditions, inadequate know-how and marketing opportunities for producers, lack of capital necessary for the development of commercial enterprises, unsatisfactory level of veterinary services, insufficient number of animal husbandry unions and cooperatives throughout the country, are the other major problems of the sector still predominant.

According to the Land Law, which is still in effect, but is no longer able to respond to the requirements of the sector to a great extent, the meadows are the common property of the village. Thus, the unconscious use of these meadows by the villagers, and converting them into arable land, led to the shrink and deterioration of the quality of meadow area. The arable land for fodder crops in our country, which covers an area of 2.5-3 percent within the overall arable land is still far away from being at a satisfactory level. If compared, the fodder crops cultivation area in countries with a highly developed animal husbandry, covers 25-30 percent of the overall arable land.

As regards forestry, activities regarding to improve conditions in forest areas, whose ecosystem has been distorted and biological diversities lessened, continued during the Sixth Plan period. In this connection, afforestation was conducted on 206 thousand hectares of land erosion control was realized on 33 thousand hectares of land and range land improvement were realized in turn on 6 thousand hectares of land. But these activities remained at the level of only one third of the works implemented in the Fifth Plan. In addition, 68 thousand hectares of forest assets were lost by fires and 113 thousand hectares were excluded from the forest regime in pursuance to various laws.

With a view to exploit, protect and improve forests in the most rational way, 121 thousand km of the overall 202 thousand km forest roads have been completed by the end of the year 1994. Furthermore, stabilized roads, enabling implementation of works throughout the year especially in beech forests now amount to nearly 20 thousand km.

In order to be effective in combating with forest fires, parallel to enlightening public, 893 fire watchtowers have been established together with 715 first-intervention teams.

In forestry, average annual wood production of both the public and private sectors, amount to approximately 29 million m<sup>3</sup>. Out of this amount, about 68 percent is used as firewood. In developed countries this ratio stands at 5 percent. In order to close supply gap within the country, wood import starting in 1985 reached to 2,3 million m<sup>3</sup> in 1993.

In order to bring a solution to insufficient forest cadastral works carried out within the forest-villager-state network, works have been continued in an area of approximately 2.3 million hectares within the Sixth Plan Period. By the end of the year 1994, the cadastral works were completed on 64 percent of the 20.2 million hectares of forest lands.

In spite of these progresses, the main problems of the sector are still ongoing, because facts such as the low range of high-quality woodland, amounting to only 11 percent of the overall forest area; constantly increasing, desertification deforestation, flood, landslide, soil erosion; diminishing of biological diversity; incomplete cadastral works; inadequacy of management plans regarding exploitation objectives and multi-purpose utilization; low level of annual afforestation and erosion control activities; shortage of National Parks, Protection and Reservation areas incapability of preventing forest fires; increase of forest deaths resulting from acid rains, inefficient practices in protecting the environment, landscape and ergonomic implementations and low level of the living conditions of the forest villagers, are prevailing.

As regards fishery, a slight increase in production was observed until the year 1988, which then again started to fall down within the following years. This shrinkage in the production is mainly attributable to excessive hunting, pollution and ecological changes. As a result of this fact, a decrease in exports and an extensive increase in imports has been witnessed.

The production of fisheries, which amounted to 676.200 tons in the year 1988, fell to 364.700 tons in the year 1991, but started again to rise to 556.044 tons in the year 1993 and 601.100 tons in 1994.

An agreement has been signed among Black Sea Countries in order to prevent pollution which has an important effect on the shrinkage of production in fisheries. In addition, studies are being conducted under the coordination of our country, with a view to preserving and improving fishery in the Black Sea.

A master plan will be prepared for Fishery Production and Farming in the Inland Waters and Seas that will be implemented within Fishery Improvement Projects.



The fishery sector is still confronted with a series of problems. The inefficiency in carrying out protective and inspection services aiming at preserving aquatic life against diseases and parasites, the inefficiency in improving farming and open sea fishery and the inefficiency regarding research and development activities within the inland waters and seas, are some of the major issues besetting the sector. In addition, background of producers is still insufficient, cooling and deep freezing facilities at marketing stage are not at a satisfactory level, the organization of producers is also still inadequate and inefficient. Besides, the lack of a structure in the public sector for guidance resource-administration and improvement is also constituting a problem in this sector.

The fact that the annual output capacity of fishery resources and the factors affecting it are not well known, constitutes a hindering factor in preserving, improving and the efficient and sustainable utilization of resources.

As of the end of 1994, the construction of 127 fishermen shelters, 44 shelters and 58 hards have been completed within the whole planned period.

Whereas within the Sixth Plan period alone, the construction of 14 fishermen shelters, 17 shelters and 23 hards have been realized.

#### **b) Objectives, Principles and Policies**

The basic targets are provision of adequate and balanced nutrition of the growing population and ensuring an increase in output, and exports by emphasizing those products in which a comparative advantage exists. In addition, as one of the targets an increase and stability will be provided in producers incomes.

In view of the fact that agricultural land has reached the marginal limits, it is quite evident, that increasing the production will only be possible by increasing productivity.

For this reason irrigable land will be irrigated by making use of modern irrigation systems, which are convenient to the environmental conditions, with a view to extend areas to be irrigated, especially in the Konya Plain and Central Anatolia.

Given this situation, to increase productivity and quality of production is only possible by extending the irrigated areas, by the widespread utilization of high quality seeds and purebred animals by the farmers. Moreover productivity and quality increase will be ensured by the prerequisites such as carrying out soil analyses, knowledgeable utilization of fertilizer, the proper choice of equipment, combat against diseases and pest, extension and research results made available for farmers. Furthermore stress will be placed upon training of farmers and technical personnel.

Agricultural policies will be determined in consideration of the obligations of our country under the terms relating to agriculture of the agreement setting up the WTO and of anticipated developments in the Common Agricultural Policy of the EU.

Agricultural support policies will be based on the principle that production should be developed in accordance with the signals given by the market under conditions of free competition. Public sector resources set aside for this purpose will be restructured in a manner availing more rational utilization.

State interventions in the prices of agricultural products will duly be reduced, and instead the policy of providing direct income support to the registered target group will be followed. Subsidies on inputs will gradually be phased out. The production of crops for which there is excess supply, will be limited by means such as reducing the areas planted with them according to the quality and type of crop and soil conditions. Instead, a trend will be created towards the production of crops for which there is an internal and external demand.

Land consolidation and in-farm services will be made more effective in the areas opened up to irrigation within the scope of the Southeastern Anatolia Project (GAP). Products in which we have a comparative advantage will be given priority when determining the crop pattern.

It is estimated that within the Plan period the usage of chemical fertilizer will increase by 4.5 percent annually and rise from 5.1 million tons in 1995 to 6.4 million tons in 2000.

The environmental aspect will also be taken into account while increasing plant production. The principle of not harming the environment will be established for the use of fertilizers and agricultural chemicals.

The consumption of protein containing food such as meat, milk and eggs mirrors in this respect the level of civilization of a country. Thus, special importance will be attached to animal husbandry both in order to increase the protein content in nutrition and to increase the levels of income of breeders.

Especially, good breed animal and cow and cattle breeding will be improved and increases in production and productivity will be achieved. As breeds are improved in consideration of the geographical and socio-economic conditions of the country, better feeding and care will be provided for the animals and commercial livestock rearing will be developed, the output of animal products will be increased.

Furthermore, importance will be placed upon the improvement of meadows, the procurement of feeding materials to breeders at world prices, the production of fodder crops and combat against animal diseases.

As regards animal husbandry, in order to increase the number of purebred breeds in the cattle population, high-yield breeds will be made available within the country or from abroad. Besides, artificial insemination, which is also an important factor in transforming the native breeds to high yield breeds will be carried out more efficiently.

Native breeds will be held and raised at special places in certain numbers and preserved as genotypes.



In addition to considerations of genotype, animal breeding on contract will be made widespread. Furthermore, improving animal breeding through fattening projects to be implemented especially in East and Southeast Anatolia is one of the main targets.

In this connection, the establishment of capital enterprises engaged in animal breeding will be supported.

Besides, with a view to increase the share of the producer within the prices, which have been fixed within the free market, and to make it able that agricultural goods are being marketed within a competitive environment, commodity exchanges, market halls and related infrastructure will be improved, futures markets will be set up.

The establishment of Unions of Producers and the development of cooperatives with a view to carrying out activities for guiding agricultural production, assisting, marketing and providing services to producers will be encouraged. In addition, the management of the Agricultural Sales Cooperatives will be made autonomous and their production and processing units and share companies will be privatized.

A system of insurance of agricultural products will be developed to ensure a stable income for farmers.

The seed production, grafting on plants, artificial insemination, and agricultural combat that will be carried out by the private sector, will be encouraged.

As a prerequisite for smooth implementation of agricultural policies and sound statistics, all producers will be registered, besides, holdings will be the subject of registration regarding scope of holdings, product and production.

As far as the activities in the agricultural sector are concerned, the method of remote sensing will be pursued. The collection of statistical data and their publication will be based on a system.

The planning, exploitation, protection and development of the forest will be carried out in accordance with their yield, to be determined within the framework of the ecosystem approach, and by considering capacity suitable for establishing National Parks and the like. Furthermore, they will be planned and exploited, in line with the principle of sustainable, balanced and multi-purpose utilization by taking into account the biological diversity, protection of the environment, landscape and ergonometical criterion of the forest. The management and silviculture plans will be re-arranged and implemented by taking into consideration products other than services, diverse functions and exploitation aims of the forest.

Cadastral works covering an area of 6 million hectares of woodland will be carried out, as foreseen in the Seventh Plan period, in order to determine legal limits of the forest area and to ensure security of this area. In addition works on 15 thousand km of new roads and stabilized

roads of about 4 thousand km will be finished aiming at operating, protecting and developing forests more efficiently.

It is of paramount importance to preserve balance of plant-soil- water resources, which play a great role in achieving a sustainable development, by preventing such phenomena as deforestation, desertification flood, landslide, pollution, soil erosion and avalanche, and besides to diminish the domestic supply gap for wood. To this end, it is expected that within the Seventh Plan Period, afforestation works covering an area of 250 thousand hectares, as well as 50 thousand hectares erosion control, 18 thousand hectares of range land improvement works will be carried out. Throughout the country, it will be considered as the primary concern to establish forests of a nature resisting to pests and diseases, preventing the formation of biological wastelands. Besides fire control roads and paths will be included into these areas.

Special importance will be attached to National Parks, Nature Reserves, Natural Parks, various Conservation Areas and Forests under protection. These areas will be extended and made widespread both in order to protect and preserve natural and cultural values and to make it possible that research works and studies concerning the benefits of the forest be carried out in a convenient environment.

Treasury land deemed to be favorable for afforestation from technical, economical and social point of view, will be included into the forest regime.

As regards efficient combat against forest fires, the number of fire brigades will be increased, the usage of modern tools will be enhanced; early warning, transportation and communication systems will be improved and introduced. In addition to these measures, mixed forests which are more resistant to fire will be planted and emphasis will be placed on the enlightenment of the public.

The principle of not harming the forests and the environment will be taken into account as activities on forest areas are being realized by different establishments.

The state will grant support to the establishment of private forests and social and community forestry activities aiming at elevating prosperity of the forest villagers and at the same time securing a more efficient protection and improvement of the forests. Special importance will be given to the ecosystem of public forests and conservation of public rights in the process of the establishment of private forests or in excluding some of the area from the forest regime.

As regards the fishery sector, the main targets are protection and control of natural environment, increase of output by the effective and continuous utilization of resources, improvement of farming and open sea fishery, completion of the infrastructure, efficient re-organization of the institutional structure, completion of international agreements and improvement of cold-storage and freezing facilities at marketing stage of goods. In order to increase employment, this sector will be evaluated and exportation will be encouraged.



R&D activities will be continued in order to increase fishery potential of inland waters, lagoons and seas.

Given this situation, it has been estimated, that the agricultural output will increase annually by approximately 2.9- 3.7 percent within the Seventh Plan period.

### **c) Legal and Institutional Arrangements**

An Undersecretary for Animal Husbandry attached to the Prime Ministry will be established, to carry out all studies with a view to enhancing and improving animal husbandry.

In order to improve the fishery sector, a General Directorate for Fisheries will be established.

In addition, a Council for Agricultural Restructuring, with the target of solving structural problems in the agricultural sector, will be established. This council will be composed of representatives of the public and private sectors, who are in the position of formulating policies and guiding activities aiming at achieving the targets of the agricultural policy.

The Ministry of Agriculture and Rural Affairs will be rearranged by a new law, so as to ensure more efficiency in the conduct of its tasks vested by law.

Efforts will be made for the setting up of a Central Apiculture Research Institute for improving apiculture.

In order to provide the Agricultural Sales Cooperatives' Unions with an autonomous structure, which will enable them to function more efficiently and provide producers with better services, the Laws No: 3186 and No: 2834 on Agricultural Sales Cooperatives and Unions will be amended. This amendment will also cause the separation of the production and processing activities.

Because, animal husbandry is depending on meadows to a great extent in our country, the meadows are of utmost importance as a cost reducing feature. Since, no legal arrangements have been carried out concerning determination, allocation and functioning of the meadows until now, arrangements on these matters could only be realized within the related provisions laid down in different laws. Thus, to fill in this legislative gap, a new Law on Meadows will be adopted so as to regulate the determination, allocation and proper utilization of meadows, mountain pastures and sheltered places for the winter.

Law No: 1177 on Tobacco Monopoly, Law No: 1196 on Agricultural Sales Cooperatives for Tobacco and it's Regional Unions and General Union of Turkish Tobacco Sales Cooperatives, Law No: 196 on Subsidization of Tobacco Producers' and Sales Markets will be up-dated.

Necessary institutional arrangements will be made to enable the General Directorate of Monopoly to ensure the separation of leaf tobacco establishments and cigarette industry activities, in terms of organizing as different units.

A Law on Producer Unions will be adopted in order to establish producer unions, which shall be in the position to set up the necessary infrastructure so as to render useful services in terms of production and marketing of the concerned products, besides to ensure achievement of development characteristics proposed within the framework of structural integration.

The Law No: 6964 on Chambers of Agriculture and Union of Chambers of Agriculture will be amended in order to endow the Chambers of Agriculture with a more democratic administrative structure.

Amendments will be made to the Law No: 5590 on Chambers of Turkish Trade, Industry, Maritime Trade and Unions of Trade Stock Exchange in an attempt to ensure widening of the extent of agricultural commodities, handled within the free market, re-arrangement of present commodity exchanges and establishing of Specialized Crop Exchanges.

A Law on Wholesale Market Places for Production Regions will be furnished in order to improve marketing possibilities of, especially fresh fruit and vegetable producers and producer unions and cooperatives to direct their productions according to signals given by the market and lastly to make them obtain a greater share from the market prices.

Articles within the Sugar Law, not responding to the requirements, will be rearranged to increase active operation of the private sector in the sugar industry.

A law on Declaration of Mobilization for National Afforestation and Erosion Control will be adopted, in order to cover the shortage in the domestic wood supply and to prevent desertification and soil erosion.

## **6. INDUSTRIALIZATION APPROACH**

### **a) Present Situation**

During the 1989-1993 period the growth rate of the manufacturing industry output increased annually by an average of 6.8 percent. Due to changes in the demand composition observed during the same period, the structure of the manufacturing industry passed through a transformation of utmost importance. As the result of the remarkable increase in the demand and production of motor vehicles, durable consumer goods and electronics and the production of sectors which generally produce investment goods, increased annually by an average of 16.4 percent. Thus, the share of the mentioned sectors within the overall manufacturing industry output, which was 13.9 percent in 1989, rose to 19.6 percent in the year 1993. In comparison to this phenomenon, an increase in the consumer goods sectors output could be witnessed at an annual average rate of 3.9 percent. Consequently, its share within the overall manufacturing industry, which amounted to 46.7 percent at the beginning of the period, dropped to 41.7 percent towards the end of the same period. As regards intermediary goods, the share of this sector within the overall manufacturing industry was adversely effected with a regression of 38.7 percent in 1993, which was 39.4 percent in 1989.



Until the beginning of the year 1994, there was an increase in demand and production, but along with the April 5 Economic Measures Implementation Plan, a contraction in domestic demand was observed. The durable consumer goods and motor vehicles industries, which had confronted with a larger demand, were the most affected sectors by the contraction of demand in 1994. This development, had negative impact on the production of certain sectors which are not export oriented, but did not have much effect on the production of the textile and ready-made garments, paper, glass and iron and steel industries, which could record considerable increases in their sectoral export figures.

In the Sixth Plan period the output of the manufacturing industry rose annually by an average of 4.1 percent.

Imports have been realized as US \$ 23.3 million with an annual average increase of 9.8 percent. Thus, the share of the manufacturing industry within overall imports amounted to 83.2 percent.

Exports of the manufacturing industry, on the other hand, displayed an annual advance of 8.7 percent in average, thus achieved the level of US \$ 18.1 million. Furthermore, the share of the manufacturing industry within overall exports amounted to 92.9 percent.

In order to protect the manufacturing against unfair competition in imports, necessary legal arrangements took place made in the year 1989 and consequently satisfactory results have been obtained. In addition, a Decree on Monitoring and Protection Measures in Imports put into effect in 1994.

The factors which lend competitive strength to our industry are the natural resources, its geographical proximity to the EU market, the progress made in infrastructure and the telecommunications systems, the existence of a large domestic market and the liberal economic policies in force.

One of the most important issues of our industry, preceding customs union with the EU, is the probability of weakness in competitiveness of some industrial sectors. The basic factors detracting from the competitiveness of industry are the inability in maintaining macroeconomic stability, the chronic high inflation rate, the high cost of capital and basic industrial inputs, the instability of the institutional structure, inability to keep pace with technological developments, the failure of industry to reach the level at which technology is actually produced and inadequacy of capital accumulation, problems of scale and the failure to achieve product quality and a concept of after-sales service matching up to international standards.

It has been observed, that resources allocated for the promotion of the industry have not been used realized due to inefficiency of the control mechanism. Consequently, efficiency in resource allocation has not been realized.

During the Sixth Plan Period, the interest of the domestic and foreign capital towards the mining sector, did not meet the expectations. Thus, the public sector maintained a significant weight in this sector.

Inadequacies in the generation and implementation of educational policies geared to training the manpower needed by the industry are still persisting.

In the vigorous attempt towards increasing world trade volume, obstacles that may arise in international trade have been reduced and multinational companies have come into being. As a result, the global approach of marketing commodities produced for the world market instead of marketing new technologies is being pursued more and more. Given this situation, which renders it difficult to make technology transfers, the importance of creating one's own technology is increasing. In the Sixth Plan period no major progress was made as far as the development of technology is concerned. Besides; because sufficient resources could not be allocated to R&D activities, the manufacturing industry did not take on a structure capable of producing technology.

Problems of the small and medium sized enterprises stemming from inadequacies concerning financing, research, product and quality improvement, marketing, technology and productivity, are still prevailing.

Difficulties faced at and obtaining current information improving a data base, which the industry requires has continued in the Sixth Plan period.

Increasing the ability of industry to compete in international markets has considerable importance to achieve a sustainable export performance, taking into consideration the factors which are effecting competitiveness other than price. Closing the technology gap with the developed countries and increasing the quality of products, developing trade marks acceptable in international markets, producing environment-friendly goods and diversifying both products and markets are all therefore highly desirable.

The production and application of technology has become the basic element that determines the competitiveness of industry. Supremacy in the area of science and technology is therefore crucial to achieving a constant rise in social welfare. The importance of developments to be brought about in the organization of industry is also increasing. In this context, the use of advanced technology must be increased and greater flexibility of production must be achieved.

Twenty-five organized industrial zones were completed during the period of the Sixth Plan, covering a total area of 5,600 hectares and incorporating 3,370 plots of land for use by industry. As of the end of 1994, 37 organized industrial zones had been set up in all, with a total area of 8,800 hectares and incorporating 5,320 industrial plots.

The Small and Medium-Size Industry Development Administration is currently providing financial, technical and management consultancy services for small and medium-size enterprises in 38 centers. However, desired level of services could not be achieved yet.



Small industrial enterprises still face substantial problems related with technical information, quality, marketing and research and especially financing at the investment and operating stages.

The number of work places established in small scale industrial zones amounted to 65.000 by the end of 1994, the number of people employed in these work places amounts to 371 thousand. The erection of further 40.058 work places within the scope of small industrial zone projects, formulated in the 1995 Investment Programme are still continuing. It is estimated that after the completion of these work places additional 230 thousand people will have job opportunities.

According to the General Census for Industry and Workplaces, in 1992 the number of enterprises amounted to 1.1 million, number of those working at these work places to 3.7 million. This figure does not include work places not having the characteristics of an enterprise and taxi drivers. The share of manufacturing industry enterprises within the overall enterprises is 18.3 percent.

46 percent of those working for these enterprises, have been employed at the manufacturing industry enterprises in the year 1985, but this percentage dropped to 41 percent in 1992.

The overall number of persons employed in the manufacturing industry is 1.527.982, 35.5 percent of which is working at work places employing 1-9 persons, 46.6 percent are working at workplaces employing more than 100 people.

The share of manufacturing industry enterprises employing 1-9 people amounted to 94.5 percent in the year 1985, but dropped to 94.3 percent in the year 1992; the share of manufacturing industry enterprises employing 10-49 people declined from 4.1 percent to 4 percent, the share of those enterprises employing 50-99 people, on the other hand, rose from 5.4 percent to 6.4 percent.

The distribution of the value added generated by manufacturing industry enterprises employing 10 and more people, the enterprises employing 10-49 persons is about 7 percent; of those employing 50-99 people about 5.8 percent, of those employing 100-199 people 8.5 percent; of those employing above 200 people about 78.7 percent.

Between the years 1992-1994, 31.4 percent of the incentive certificates amounting to TL 224.4 trillion has been granted to small and medium sized enterprises for completely new fixed investments.

## **b) Objectives, Principles and Policies**

Industrialization will be one of the basic elements of development in the Seventh Plan Period.

The development of the industry will be ensured by setting up a proper macroeconomic environment. The industrial output is expected to rise by an annual average rate of 6.0-7.8 percent.

An industrial structure will be composed, mainly by private sector within the framework of integration with the world market and with the EU, equipped with the prerequisites of being outward oriented, having a great competitiveness and being export oriented, capable of utilization of raw material and human resources in the most rational way.

The main target of the mining sector is to gain largest value added from mining resources and to meet raw material and energy requirements safely and economically.

As far as industrialization is concerned, the basic aims are to improve productivity, quality and standardization, the spread of flexible production system and utilization of modern technologies; the integration of small and large industries, and to take on a production structure with a higher value added.

In this context, the right climate will be provided for effective development. And instead of protection policies, strategies will be followed that support the opening up of firms to foreign competition and the formation of powerful enterprises with an influence on international markets.

Structural problems will be solved within a program. Special attention will be attached to those sectors having troubles concerning competitiveness. And, privatization will be speeded up.

As regards encouragement of the industry, activities rather than specific sectors will be subject to support as a basic principle.

The subsidy system will be simplified and rearranged. The subsidy instruments will be harmonized with our international obligations and made more efficient.

With a view to increasing efficiency of the subsidy system, the source for the system will be predetermined and budgeted.

Investments geared towards R&D and technological renewal, the development of new employment opportunities, preserving the environment, increased competitiveness for small and medium enterprises and the reduction of regional discrepancies in levels of development and maintaining the structural harmonization for Customs Union with EU will be supported.

Technology transfer by way of foreign capital investments will be encouraged, especially, in those production areas where the utilization of high technology is greatly needed. Thus, a policy, where technology transfer and creation of technology are taken as complementary features, will be pursued.



Support will be provided to R&D studies, engineering and consultancy with a view to improving competitiveness of the industry, especially of those industries using advanced technology; in addition, special importance will be placed upon improving R&D activities in cooperation with universities and the industry.

The necessary infrastructure will be put in place in order to raise the quality of industrial commodities by spreading quality warranty systems and establishing a measuring system which shall be internationally monitored, and an accreditation mechanism.

Importance will be attached to the spread of modern and environment-friendly technologies, improving productivity, quality production and standardization, developing trademarks acceptable in international markets, protection and development of export potential, continuity and diversity in exports and increased activity in new markets. Attention will be paid to the balance between competitive strength and the conservation of the environment.

In the industrialization context, industry will be protected against unfair foreign competition; specialized customs departments will be upgraded to prevent import of commodities of low quality and not conforming to standards.

It is aimed to provide inputs at world prices in order to protect and improve competitiveness of the industry.

The intermediary goods investments abroad will be promoted that would serve for the improvement of competitiveness in exports.

Encouragement will be provided to the organizing of the private sector in terms of introducing and marketing of export oriented industrial commodities abroad.

Small and medium size enterprises are quick to adjust to economic change and innovations and they have a high capacity to create employment. These enterprises will be supported and developed through a special programme taking account of the problems of adjustment they may face in the customs union process. The necessary legislative arrangements will be made to allow for more financing opportunities to be available. The institution of risk capital, which is important for putting productive ideas into production and for contributing to technological progress, will be put into effect along with a credit guarantee fund, and R&D activities will be encouraged.

Small and medium-size enterprises will be guided towards producing goods and services that are demanded in the foreign markets, and support will be provided for enterprises active in the same fields to form multi-partnered export companies so that they may come to own a world brand name.

Encouragement will also be provided in accordance with principles of economic productivity, for these enterprises to increase their competitiveness through raising their technology levels, improving quality, increasing productivity and ensuring the integration of main and sub industries. Special importance will be attached to the development of sub industries.

A programme will be worked out by The Small and Medium-Size Industry Development Administration with the aim to train new entrepreneurs on subjects like technological developments and new management techniques and to provide financial, technical and management consultancy services for their projects.

Manpower the industry is in need of will be trained.

National data centers will be improved so as to serve the industrialists and it will enable information to be spread and efficiently utilized.

Encouragement will be provided for the transfer of present establishments to organized industrial zones. Support will only be provided for investments of establishments, at organized industrial zones, which are scarcely settled, if not otherwise required.

Efforts will be made, to make the TS-ISO 9000 Quality Assurance System, comprising training and consulting services, common under not only the big enterprises, but also well-known for the medium size establishments.

Studies on determining factors which are effective in the increase of productivity on sectoral basis, will be carried out by the National Productivity Center; cooperation with the productivity establishments of other countries will be strengthened.

### **c) Legal and Institutional Arrangements**

A Law on Food will be adopted, aiming at protecting public health and consumer rights within the food industry serve in the direction improving competitiveness, creating a favourable environment for the improvement of product and quality, and upgrading the technological and hygienic conditions of present plants. Furthermore, the development of laboratories, capable of carrying out analysis which are acceptable in the international markets, will be ensured.

In order to ensure harmony in the legislation and efficiency in its practice, Law No: 3213 will be revised and rearranged through the inclusion of subjects regulated in the Salt Law and Regulation on Quarries.

The General Directorate of Mineral Research and Exploration will be restructured so as to provide institutionalization, which will be small from physical point of view, but of a high technical capacity in order to raise productivity and quality in carrying out basic geological survey and exploration works.

An Accreditation Institute will be established to carry out accreditation works on institutions, subject to product and quality assurance, and personnel and laboratory accreditation.



## 7. PROJECT FOR A LEAP FORWARD IN SCIENCE AND TECHNOLOGY

### a) Present Situation

Science and technology policies have not been determined in conjunction with other sectoral policies and have not been taken up as the main axis of development of national strategies, policies and development plans for developing the production of goods and services. It has not therefore been possible to integrate technology with scientific progress, and the increasing technological capability with the system of education. As a result, the share of GNP set aside for R&D has remained below 1 percent, and the target of 15 full time-equivalent research staff per every 10 thousand member of the economically active population has not been achieved.

The proportion of the GNP set aside for R&D activities in EU countries amounts to 2 percent, in the USA to 2.8 percent and in Japan to 3 percent. In Turkey, this figure is around 0.5 percent.

The full time-equivalent research staff per every 10 thousand member of the economically active population in Turkey is 7.5; in the EU countries, in turn, this figure is 40, in the USA 80 and in Japan 90.

The aim of increasing the scientific and technological capability foresees, catching up with technology acquisition by transfer; its assimilation; ensuring its utilization through diffusion and fusion to all the spheres of economic activities, especially in industrial production.

Acquiring and assimilating of advanced technology and utilizing it by disseminating to all the spheres of the economy; gaining the ability to innovate a better one and to upgrade this ability for generating science which is the source of technology is a process all by itself. In order to place this process on a sound and systematic base, it is of great importance to enhance the education system and to encourage cooperation among R&D institutions, universities and producers.

There is an urgent need to establish integrity between the national strategies and policies set up for science-technology-industry and those for education-training and R&D. It is of quite importance, that the parties concerned are in full determination in the execution of the mentioned strategies and policies.

In the advanced technology fields such as informatics, telecommunication, bio-technology, aviation, nuclear energy and production and investment activities, technologies related to these are not at a satisfactory level. Since R&D cooperation between universities and industry is inevitable in catching up advanced technologies, the need to improve cooperation, set up within the framework of an integrated strategy, is still continuing. In spite of the fact that there exists a detailed statistical data inflow concerning the whole industrial and R&D activities of the country, strategic priorities on product basis cannot be easily determined, because a sound inventory on technology has not been set up.

R&D activities have still not been properly institutionalized in public and private organizations engaged in the production of goods and services. Similarly, the technological infrastructure has not been developed within the framework of an overall policy so as to provide economic benefit.

It is essential, that technology be placed on a fundamental infrastructure. But, technological investments, resources of which are received from the production-based economy, aiming at restoring, operating that fundamental structure so as to be most beneficial from the socio-economic aspect, and to activate manpower potential hence created, can not be realized by the implementation of directed policies and financial support of the public sector.

In this manner, technological infrastructure investments geared to providing service on national scale, will entail the operation of a series of production units to be established within the framework of industrial development so as to provide economic benefit. Furthermore, these investments will also constitute the dynamics of the infrastructure to be improved and ensure the achievement of technological capability. Scientific and technological capability will improve Turkey's scientific research and production capability and hence catching up and creating generic technologies will be possible.

Institutional structures could not be realized for the following activities: providing funds for the infrastructure of the science and technology, including manpower; rearrangement of R&D incentives, setting up R&D support funds administration of these funds by realizing of strategical priorities, supporting creativity and creative entrepreneurship by establishing technoparks and venture capital companies.

Upgrading the scientific and technological capability will avail Turkey to become industrialized alongside developing and generating technology, and thus keep pace with the technological developments throughout the world. This on the other hand, will enable realization of improvements and an advance in sustaining economic buoyancy of the country. In addition, it will be possible to set up the prerequisites of the future and an information society.

Today, we are in an information age and a post-industrialization society in terms of social, political and economic impacts. This phenomenon is characterized by radical transformations in the technological base of the production systems and working process. The extraordinary developments in the fields of microelectronics, computers and telecommunication technologies and, as their outcome, the information technologies, are all attributable to this great transformation.

This important feature again, is being supported by the rapid and wide-scoped developments in the fields of new technologies considering business organization, flexible manufacturing/automation technologies, advanced material technologies, advanced polymers, new conductors, fibers optics, carbon fibers, high technology ceramics, bio-medical materials, composites and bio-technologies.



Technological content of the production is progressively increasing due to the transformations in technology placed on a scientific basis. Advanced technology has been bringing competition advantage to the factors of production.

A certain progress has been achieved in terms of the telecommunications infrastructure, which will be the instrument to carry the country into the 21st century and enables it to leap towards the information society. However, the stage of integrating economic needs and generic technologies, which is a major preoccupation of the developed countries, has not been reached.

Our country still could not achieve the desired level with regard to generating technology, which has become one of the most important production input.

As regards financing of the basic research for the setting up of the science and technology infrastructure, sufficient and continuous resources could not be ensured; the available resources on the other hand, are not being utilized efficiently. Furthermore, resources capability allocated to systems, which are encouraging applied research in the fields of commodity and service production, are quite inadequate. Since, shortcomings in terms of generating new technologies are persisting, there are still difficulties in gaining international competitiveness.

Besides, there are deficiencies concerning organization and coordination of the technological system, which shall step up the science and technology generating of the country and institute competitiveness, as the most important features of the country vis-à-vis a world within a globalisation process.

Work has begun on developing cooperation between the public and private sectors in order to make scientific and technological activities more effective. In the context of cooperation between universities and industry, technopark activities are still going on. In addition, studies on setting up the infrastructure for internal and external information networks, in order to obtain, utilize and spread technological information, are not completed yet. But until now, these efforts proved to be inadequate, especially in ensuring the prevalence of international networks and telematic facilities, which are now being used at obtaining data and achieving technology.

The legislation on the personnel rights of research staff, as to who will be in charge of carrying out research activities at technology development regions, country and abroad, for the setting up of the technological infrastructure and shall be rearranged as a research personnel legislation.

Besides, public procurement policies, having the nature of contributing to the enhancement of the R&D capacity of the country in the fields of advanced technology, especially in the defense industry and in the field of energy, shall be rearranged.

There is lack of experience in the implementation of big R&D projects, and conducted by a large number of researchers engaged in determined objectives.

Inadequacies in the approaches and policies geared to ensure the establishment of producer companies, oriented to cover the technological requirements of the public and private sectors, and to guide them towards generating new technologies and products, are still persisting. An important part of the technology requirement of the industry has been covered by simply transferring it. To this end, foreign exchange in considerable amounts is being spent for science and technology products each year by Turkey despite her limited resources.

Certain universities' missions are to develop in view of their concrete advances in the field of technology and their nature being centers of excellence supporting scientific production. It is still of utmost importance when arranging lecturing and research programmes of university systems, to include scientific disciplines supporting advance areas to the programme.

The university systems, shall not only pursue lecturing and research activities geared to a mission, it shall at the same time be able to respond to urgent requirements of the society in the path towards a highly developed society.

As an outcome of support provided to R&D investments carried on during the Sixth Plan period, and due to the enhancement of the research potentials of the universities, developments have been recorded in the fields of science and technology. Besides, in terms of scientific publications, our country achieved a certain progress. In the year 1986, our country occupied the 44th place in the international range of publications with 520 publications, in 1994, the number of publications rose to 1.789, with Turkey rising to the 34th place.

Work has begun on developing cooperation between the public and private sectors in order to make scientific and technological activities more effective. Five technoparks have been established in the context of cooperation between universities and industry, and two high technology institutes have been set up.

The need to encourage entrepreneurship and creativity in the sphere of science and technology is still crucial. Sound and harmonious policies shall be formulated so as to provide the establishment of proper financing bodies and venture capital companies, which should endow technological support and development centers with the necessary facilities and support the setting up of technoparks and research institutes, which take the R&D units of the universities and the public sector as the primary concern.

### **b) Objectives, Principles and Policies**

With the aim of transforming into an information society it is basic to support scientific and technological activities.

The objective is to disseminate advanced technology applications by supporting both public and private sector activities, and the rational use of information within the decision making process.



The necessary infrastructure will be put in place in order to raise the level of scientific and technological research, which shapes and determines economical and social development. During the Plan period the proportion of GNP that is devoted to R&D activities will progressively be increased to 1.5 percent by the year 2000; likewise the number of research staff per 10 thousand member of the economically active population will be raised to 15.

Manpower is the most valuable resource of Turkey and it will always constitute the primary resource regarding all kinds of advances. In short, manpower is a key factor to enhancing the science and technology potential. On this basis, manpower shall be considered as an important strategical source and handled as such.

Necessary resources will be provided for implementations regarding raising both the quality and quantity of skilled manpower. Furthermore, education and training, together with R&D activities, which will function and develop in due integration, will be supported.

Support will be provided for increasing the share of the private sector in R&D expenditures.

In designing policies concerning the management of the scarce financial resources of the country, priority will be devoted to science and technology, education and training, regarding social, economic and long term national interests which have to be maintained and the smallest amounts will be again in R&D fields.

Efforts will be made to raise the scientific and technological capability, train the necessary manpower and reach the stage at which technological innovations and inventions can be made.

The education training system will be upgraded to provide; the acquisition of new technologies; its assimilation by learning; its wide use through dissemination to the economic activities, ability to reproduce the technology at a higher level; improvement of capability to produce science which is the source of technology; and a regular and systematic base for all these. In this connection, national R&D network, comprising of public and private R&D institutions and the universities, will be established.

Works on setting up the infrastructure for international information networks and telematics services, capable of ensuring that information and technology in the field of advanced technology will be acquired, produced and used, will be accelerated.

The restoration period based on flexible manufacturing/flexible automation technologies, avails the opportunity for each branch of industry to adjust itself to technological advances. Within this process, dynamics will be constituted in order for the industry to increase its competitiveness to keep in step with the generic technologies of the age.

Special importance will be placed upon international cooperation in science and technology, in particular with the EU, Japan and USA.

Efforts will be made to ensure that attempts towards improving the national defense industry shall be planned by taking into consideration the enhancement of the technological capacity of the country and hence allocation of resources shall be realized according to the targets of this Plan.

Support will be provided for joint research attempts to be conducted by technological support and development centers, technoparks and technology institutes, research pre-competition consortiums, public research institutions and universities and industry establishments of the private sector. In connection with the formulation of policies, aiming at encouraging R&D units of a wide scope and of a great capacity to employ research staff, special care shall be given at generating these policies, so as to provide establishment of research institutions in a complementary manner, to ensure that the national R&D network will be handled as a whole and to ensure that advances in science and technology will be arranged as advanced technology areas.

Policies pursued in the fields of teaching the methods and techniques to be applied at the R&D units feasibility studies and at commodity and service production stages, at the preparatory stages of R&D projects, at the stage of selection of projects, at the monitoring, evaluation and guiding of project implementations, setting up and spreading of disciplines, shall be considered as an integral whole aiming at improving the R&D network.

Public procurement policies shall be set up by taking into consideration the upgrading of science, technology and industrialization capacity.

In order to make utmost use of the research capacity, an approach will be pursued that will strengthen the cooperation between research and application. To this end, the public procurement policies will be rearranged, so that, the utilization of national R&D studies will be encouraged, covering requirements of the defense area too.

Arrangements will be made, to ensure that the GATT rules and the EU policies and the right of protection accorded to the national industry will be applied to the greatest extent possible with the public sector purchasing goods of high technology.

The implementation of rearranged public procurement policies will ensure, that the Turkish producers will supply commodities and services at world standard and prices. Subjects such as standard, quality assurance, metrology, professional and institutional accreditation and auditing shall be rearranged in cooperation with the public and private sectors.

Importance will be placed upon R&D in sectors using advanced technology and high-level of information and skills, especially in such fields like design work, generating of products, information-communication, nuclear and new materials technologies, space and military technologies, medicine, environment, robotics and biotechnology. Besides, telematics services will be made available to all sectors.



Legislation will be rearranged with a view to improving working conditions of research staff, so that a better realm for generating technologies and upgrading the capacity will be set up, in accordance with the importance and weight the R&D activities are bearing.

Support will be provided for venture capital implementations, which will make it possible that financing opportunities will be provided for producers at the stage of converting technological data obtained from R&D activities into commodities.

Cooperation between universities and industry will be encouraged and arrangements will be made to support the establishment of technology centers, technology institutes and technoparks through cooperation with foreign and domestic industrial enterprises.

Efforts will be made in order to become internationally competitive in the area of information technology. Programmes will be arranged in order to train the manpower needed in this context. The software sector will also be supported.

A quality certification system will be set up in order to raise the software production at a certain standard. In addition, software property rights will be included into the scope of protection.

Maximum benefit will be obtained from the transfer of advanced technologies and from the technical cooperation engaged in during production.

Necessary arrangements will be made, to conduct programmes by the mass media for the enlightenment of the society, to ensure a transcendence to the information society.

The legislation that constitutes the industrial property rights system will be adjusted to the conditions of the day in harmony with the EU. New provisions of law shall be laid down in those areas, where the system as it stands offers no protection. Thus, legislative arrangements will come into being that protect scientific and technological discoveries and the rights pertaining thereto and encourage innovation and R&D activities.

Intellectual property rights will be protected in a way that encourages and rewards creative activity. The scope and standards of protection will be raised to the level adopted in international agreements, with EU legislation also being taken into account.

Work on setting up international information networks will be speeded up.

### **c) Legal and Institutional Arrangements**

A Patent Law, arranging Intellectual and Industrial Property Rights will be enacted; arrangements ensuring the application of new ideas and technologies and the smooth functioning of venture capital applications will be made.

Legal arrangements will be set up, in order to enable the establishment of Technology Development Regions within the close cooperation between universities and research institutes and foreign and domestic industrial establishments.

Legislation will be set up in order to arrange the usage of national and international information networks, to maintain security, to include communication on R&D activities into the scope of incentive systems and to regulate commercial activities, realized through these networks.

Importance will be attached to encouraging the establishment of enterprises, playing an intermediary role in the commercialization of R&D outcomes.

Support will be provided to set up technology institutes, aimed at generating and improving sectoral technologies and making them available to the public and private sectors.

Legal arrangements will be made to convert Marmara Research Center, under the Turkish Institute of Scientific and Technological Research (TUBITAK), into a High Technology Institute.

Necessary amendments will be made in the Higher Education Board (YÖK) Law No: 2547, so as to improve cooperation between university and industry and to provide the participation of academic staff to R&D activities to be realized in the industry and at the technoparks.

A semi-autonomous Metrology Institute will be set up in order to issue first degree standards and accreditations.

The Law No: 278 of the TUBITAK will be amended, where necessary, so that this organization will be turned into an institution, not only engaged in R&D activities, but also monitoring incentives and projects on R&D activities and delivering opinions on the related issues.

## **8. PROJECT FOR OPENING UP TO AND INTEGRATION WITH THE WORLD (ADJUSTMENT TO THE EU)**

### **a) Present Situation**

As the concepts like democratization, supremacy of law, human rights, an outward oriented and competitive market economy, are gaining importance as common values, and commodity and financial markets, know-how and technology are transcending the borders, the world is going through a process of economic, and in a sense political and cultural globalization. In this context, a country can hardly develop efficient and sound policies independent of the developments observed in the other countries. Furthermore, the idea of liberating world trade in a multilateral manner, which had been brought into focus in the 1980s by highly industrialized countries in order to get rid of the stagnation they were undergoing, has been accepted in general at the negotiations of the Uruguay Round.



Alongside with these developments, regional integration movements are rapidly progressing. Regional integrations have a spectrum of appearances; they range from cooperations and preferential trade agreements signed among countries of the same region, to free trade zones, customs unions and political integrations. Likewise, these formations have different objectives like mutually increasing the volume of trade or achieving economic, monetary and political union. Within this context, the main integration movements may be listed as: EU, EFTA, AFTA (Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand), NAFTA (USA, Canada and Mexico), MERCOSUR (Argentina, Brazil, Uruguay and Paraguay) and APEC (Australia, New Zealand, AFTA countries, Japan, South Korea, USA, Canada, Mexico, China, Hong Kong, Taiwan and Papua New Guinea).

The strengthening of regional integrations will not have an adverse impact on the globalization process. Furthermore, after the establishment of free trade zones or customs unions, the trade relations of the countries within these formations, depending on their growth rates, will increase with those countries remaining out of these movements.

Within the framework of these developments, Turkey has started to renew her policies with the aim of opening up from the 1980s on.

From the beginning of the 1980s, Turkey has endeavored to transit to market economy and to an economic system based on free competition and outward orientation. To this end, policies have been pursued towards achieving the real interest rate and flexible exchange rates, and the liberalisation of foreign trade and capital movements. Turkey, who has taken important steps towards opening up in line with globalisation, at the same time took her place within regional integration and cooperation movements. Over the recent years, while putting the GATT Uruguay Round resolutions into practice, Turkey has made a considerable progress in the path to full membership to the EU.

With the entry into force of the Uruguay Round Agreement, as of the beginning of 1995, a considerable amount of liberalization and increase in the volume of world trade are expected. In relation to subsidies, anti-dumping, customs valuation, technical barriers to trade and safeguard measures, multilateral rules and principles have been developed, dispute settlement procedures have been improved, trading activities in textile, agriculture and services sectors have also been incorporated into the Agreements. In addition, new rules have been introduced concerning intellectual property rights and trade related investment measures. WTO was established to administer and monitor the implementations of the resolutions of the Round.

Turkey who acceded to GATT in 1951, benefited for a long time from the provisions concerning the developing countries in all of its undertakings to GATT. However, establishment Agreement of WTO and its annexes require that developing countries should also liberalize their foreign trade regimes. Furthermore, with this Agreement, the international trade has gained new dimensions and the system based on competition has been fortified.

The Agreement and its annexes, setting up the WTO was approved by the Council of Ministers Decree No: 95/6525 according to the Law No: 4067, of January 26, 1995 and, thus put into

force as of December 31, 1994. In this connection, Turkey has undertaken the obligations imposed on the members by the new system.

The relations between Turkey and the EU, are maintained and developed within the framework of the association regime set out by the Ankara Agreement signed between the European Community (EC) and Turkey in September 12, 1963 and entered into effect on January 1, 1964.

The Ankara Agreement establishing the association relations between Turkey and EC provides for three stages of progress being preparatory, transitional and final with the ultimate aim of realization of Turkey's full integration with the EC.

The Association regime which is based not only on the Ankara Agreement, but also on the Additional Protocol, signed on November 23, 1970, and came into force on January 10, 1973 is now at the transitional stage. Within this stage the process of realization of a gradual establishment of a customs union concerning the industrial products, ensuring free movement of workers, applying a progressively extending preferential trade regime on the agricultural products and harmonization of Turkish legislation in the fields set out by the Additional Protocol, are to be started. Furthermore, it has been envisaged that the process of free movement of services has to be mutually initiated as far as the prevailing conditions allow.

Within this framework, the EC abolished customs duties and charges having equivalent effect, imposed on Turkish industrial products, other than certain textile and fuel-oil products, as of January 1, 1971 in accordance with the Provisional Agreement which puts, the provisions on trade the Additional Protocol's into effect. The customs duties imposed by EC on Turkish agricultural products, through reductions progressively applied from January 1, 1981 on, was abolished entirely on January 1, 1987. However, the continuation of protectionism by the Community, through applying non-tariff barriers to protect its agricultural products and furthermore providing concessionary regimes to third countries through diverse agreements, renders the preferential regime applied to Turkey quite inadequate. In addition, the Community continues to impose quotas on woven and ready-to-wear goods of Turkish origin and initiates anti-dumping and anti-subsidy proceedings for commodities, whose share is increasing in the Community market, but refrains from applying the provisions of the Additional Protocol relating to state aids to be granted in order to ensure economic development of Turkey.

The free movement of workers between Turkey and the Community countries, which was supposed to be realized as of December 1, 1986, could not be materialized. Nevertheless, with the decisions taken by the Association Council in 1976 and 1980, certain steps have been taken for the improvement of the working conditions of Turkish nationals employed working in Europe. Despite the case-law developed by the Court of Justice that these decisions are binding on the national authorities of the EC Member States, their enforcement could not be ensured.

Turkey has undertaken to fulfill its obligations concerning the gradual reduction of the tariff rates on the industrial products of EC origin according to the 12 and 22 year lists designated



for 1985 and 1995 calendars as it is scheduled by the Additional Protocol and, to align progressively to the common customs tariff applied towards the third countries. As of 1995, the total reduction on the 12 and 22 year lists reached 95 and 90 percent level respectively while total customs tariff alignment to the same lists have been 90 and 85 percent respectively. With 1993 Import Regime, concession was granted to certain agricultural products of EC origin for the first time, and in 1994 the preferential list was extended.

Besides the association relations, the Ad Hoc Committee meetings held with the EU Commission in 1988 in the aftermath of Turkey's application for full membership on April 14, 1987 revitalized the EC-Turkey relations.

The Association Council, which is an important decision making body of the partnership, has started to become more effective and convened on September 30, 1991 after a long interval.

As a result of the studies initiated by the Association Council which convened on November 9, 1992 the Steering Committee was established with a view to determining and supervising the studies to be implemented for the realization of the customs union by the year 1995.

Within the framework of the Customs Union Working Programme, which has been worked out by the Steering Committee, an Association Council Draft Resolution, which comprises all aspects for the proper functioning of the customs union to be established between Turkey and the EC, has been drawn up. This Draft Resolution was resolved by the Association Council convened on March 6, 1995.

By the Decision No: 1/95 of the Association Council dated March 6, 1995, the process of establishing a customs union for industrial commodities between Turkey and the EC has been started. The same Decision, together with the two texts attached to it, designates the development path of the final stage of the association relation between Turkey and the EC, which is to start on January 1, 1996. The Association Council Decision No: 1/95 lays down the provisions for the full functioning of the customs union concerning the industrial products to be established between EC and Turkey by December 31, 1995 as envisaged in the Ankara Agreement and the Additional Protocol. This Decision not only sets out the required harmonization, concerning the legislation on customs and foreign trade, to be carried out by Turkey, which have a direct bearing for the full functioning of the customs union at the mentioned date, it also designates the EC legislation, which has to be taken into account in the harmonization of Turkish legislation in the fields of competition law, law on intellectual and industrial property rights, industrial legislation. An important part of the Association Council Decision is concerned with the designation of the necessary measures to be taken and necessary procedures to be pursued with a view to ensuring the sound functioning of the customs union beginning with 1996 and its aftermath. To this end, the Decision brings out new arrangements complementary to the institutional aspects of the Association especially from the point of view of especially consultation procedures.

According to the Article 63 of the Association Council Decision, at the Association Council meeting to be held in October 1995, Turkey or the Community, and its member states may



request its postponement to July 1, 1996 if the provisions referred to in the Decision of 1/95 have not been met. In such a case deferment will be applied.

The second text passed by the Association Council, convened on March 6, 1995, is a Resolution on Improvement of the Association Relations. This Resolution puts forth the general framework of works to be carried out on subjects, which are deemed to be major factors in determining the method of development of Turkey-EC relations at the final phase of the Association Regime. Within this framework, it has been accepted in principle, to conclude negotiations for achieving free movement of European Coal and Steel Community (ECSC) products and for the extension of reciprocal concessions on agricultural products within the year 1995. The Association Council also deems it necessary to start an appropriate dialogue between the two parties concerning information and opinion exchange on macro-economic matters and to broaden the scope of the cooperation between them. Thus, priority fields for such a collaboration are being determined.

The third text taken up at the Association Council of March 6, 1995, is the Community Declaration on Financial Cooperation. In this Declaration, the Community undertakes to resume its financial cooperation with Turkey along with the entry into force of the customs union and to decide on detailed arrangements for it in the second half of 1995.

In order to enable the effective implementation of the subjects considered at the Association Council Meeting of March 6, 1995, the Association Council Decision has to be approved by the European Parliament. The Foreign Minister of the Turkish Republic, in turn, declared expressively at the Association Council Meeting of March 6, 1995, that in case the Association Council Decision will not be put into implementation, Turkey will reserve her rights born out of the Ankara Agreement and the Additional Protocol.

#### *Relations with the Turkic Republics*

After the dissolution of the Soviet Union in 1991, the Caucasian and Central Asian Turkic Republics gained their independence. Right in the aftermath of their independence, Turkey established relations in various fields with these countries, which are in continuous progress. In this respect, the Ankara Declaration has been accepted at the Turkic Summit, convened in Ankara in 1992. Important developments have been achieved in terms of cooperation in the fields of trade, tourism, education and culture. However, greater efforts are needed to strengthen cooperation on sectoral basis.

#### *Relations Between Turkey and the Islamic Countries*

The activities concerning the improvement of the multilateral economic cooperation among Turkey and the members of the Organization of the Islamic Conference (OIC) are proceeded within and the framework of the activities of the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Conference (COMCEC). Among the various activities of the OIC, especially works in the field of economic cooperation are mostly attracting the attention of Turkey since the second half of the 1970s.



With the joining of the countries in Central Asia, Caucasia and the Balkans, the COMCEC has expanded and hence gained a new dimension and meaning for Turkey.

In this context, the Long Term Trade Financing Scheme was established within the Islamic Development Bank (IDB) in 1987. The utilization of the scheme by member countries in terms of import financing increased progressively. Turkey was among the countries benefited most from the said scheme.

A corporation has been set up within IDB for the implementation of the Export Credit Insurance and Investment Guarantee Scheme, which is another project of COMCEC. The agreement on the establishment of this corporation has been signed and ratified by member states with the necessary majority. The corporation will have started its activities on export credit insurance and investment guarantee as of July 1995.

The Framework Agreement on the Establishment of A Preferential Trade System Among OIC Member Countries, which is aiming at setting up a preferential trade system, which is not inconsistent with the present international undertakings of the OIC member countries, has been concluded and submitted to the member countries for signature and ratification. The negotiations for a preferential regime, will be launched, when the Agreement has been signed and ratified by ten member states. Turkey has already ratified this Agreement.

A methodology document has been accepted by COMCEC on the harmonization of standards among OIC member states and the drawing up of new standards. Studies, on the other hand, on the setting up of an Islamic Countries Standards and Metrology Organization, have advanced.

A strategy document, comprising new approaches and principles towards enhancing economic cooperation among OIC member countries was accepted by COMCEC in 1993. In addition, the New Action Plan on Economic Cooperation Among OIC Member Countries was adopted at the 10th COMCEC meeting and afterwards at the 7th Islamic Summit. Within this context, studies have been started, so as to provide participation of the private sector to the COMCEC activities.

Furthermore, studies have been conducted to convert COMCEC into a forum, where international economic developments which interest the member countries, will be taken up and discussed.

#### *Economic Cooperation Organization (ECO)*

The ECO, whose founding members are Iran, Turkey and Pakistan, started its activities in 1985, as a continuation of Regional Cooperation for Development (RCD). With the memberships of Afghanistan, Azerbaijan and Central Asian Republics, the role and the importance of the organization in regional cooperation have been increased.

Within the framework of ECO, cooperation activities in the fields of economy and trade, transport and communication, agriculture, industry, energy, public works and infrastructure,

education science, culture, health, environment and control of narcotics are being carried out. Within this scope, the projects for the establishment of an ECO Trade and Development Bank located in Istanbul, an ECO Reinsurance Company in Pakistan, an ECO Maritime Company and an ECO Air-Lines Company in Iran, are presently at an advanced stage. In the realm of transport, a framework plan has been drawn up to ensure concrete cooperation among the members. On the other hand, a Preferential Tariff Protocol has been signed and ratified. The necessary administrative arrangements for the implementation of this Protocol are about to be concluded. In addition, studies have been launched with a view to increasing the efficiency of ECO.

ECO is aiming at closing the loopholes in the field of regional cooperation and globalisation in Eurasia. Turkey places great importance upon the establishment of a wealthy ECO region, which is integrated not only within its member countries, but also integrated with the world, and endowed with a well developed infrastructure.

#### *Black Sea Economic Cooperation (BEC)*

The BEC has completed its activities concerning structural problems to a great extent after the signing of the Summit Declaration on June 25, 1992. The BEC, which constitutes a multilateral and multi-sectoral cooperation model, aiming at improving and diversifying economic relations among member states, with the acquired pre-requisites for this, like being backed-up by the parliament, institutionalization of the private sector, coordination centers for economic information and statistical data exchange, a bank, working groups, methods and procedures has now reached the phase of preparing projects and obtaining concrete results.

#### *NAFTA*

The North American Free Trade Agreement, signed among USA, Canada and Mexico on August 12, 1992, envisages the abolishment of barriers having restricting affect on trade and investments and to establish a free trade zone in this region.

NAFTA, which has a population of 360 million people and a GNP of US \$ 6 trillion as of the year 1992, constitutes an important commercial block. The USA owns a share of 85 percent within the overall production and lodges 70 percent of the population living in this region.

Within the commercial relations among the NAFTA countries and Turkey, weight is placed especially on relations with the USA. As of the year 1994, the share of USA within the total export of Turkey was 8.4 percent, while within the total import was 10.4 percent.

#### *Pacific Region*

The Pacific territory has in the recent years, become one of the most important centers of economic attraction.



The most outstanding cooperation attempts in this region are AFTA (Community of Southeastern Asian Nations), the Asian Development Bank and APEC (Asian Pacific Economic Cooperation).

The member countries of AFTA are Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand and within the framework of AFTA, a preferential trade regime has been developed.

Today more than 15 thousand commodities are covered by this preferential trade regime.

The Asian Development Bank, to which Turkey is a member in the status of ex-region developed country (donor) since July 6, 1990, has 53 members.

### **b) Objectives, Principles and Policies**

In accordance with her goal of opening up to the world and integrating with the world economy, Turkey, on one hand will make vigorous attempts to adjust to the general principles and rules set out by the WTO, regarding the smooth functioning of international trade and on the other hand will try to take utmost benefit from the opportunities to be ensured by the regional integrations. Within this framework, while making efforts towards the realization of the customs union with the EC, Turkey will further develop her relations the EFTA countries, BEC, ECO, the Islamic Countries and the Turkic Republics.

The fundamental objective is to avail the Turkish citizen to take utmost benefit from the globalisation process. To this end, in implementing economic and social policies, besides taking into account the changing conditions regarding the international movements of goods, services and capital, attention will also be paid to the progressive establishment of the customs union between Turkey and the EC, with the ultimate goal of fully participating to the EU.

Turkey has obligations towards the WTO, stemming from being a member to its Founding Agreement. However, Turkey's obligations towards the EC, within the framework of the establishment of the customs union, is in harmony with and complementary to her obligations to the WTO.

The engagements Turkey has undertaken towards the GATT, in the status of a developing country, are far behind those engagements she has made towards the EC. However, Turkey, has to give the same tariff concessions as the EC has undertaken at the end of the Uruguay Round as soon as the customs union is realized. In addition, works on adjusting legislation, as a requirement of each agreement within the Uruguay Round package, will be carried out considering the effects of the customs union to be realized with the EC.

Since the relations between Turkey and the EC have now come to the stage of setting up a **customs union**, as a result of the Association Council Decision of March 6, 1995, Turkey has to design her policies within the Seventh Plan period by considering free movement of goods within the process of building up a customs union.

Within the Seventh Plan period, besides the policies regarding the free movement of goods, institutional assignments and policies have to be formulated comprehensively in order to speeding up the integration process with the EC and ensuring the development of new policies coherently on the other subjects set out by the association regime especially considering the free movement of agricultural goods, capital, services and persons which are left out of the scope of the customs union.

Within the next five years period, the progress recorded in the fields of harmonizing policies and legislation of Turkey with those of the Community regarding not only the proper functioning of the customs union, but also, the other fields of the association regime, will be of great importance in designating Turkey's place in the widening process of the EU, which will take place in the near future.

To this end, works carried out regarding the coordination of policies between Turkey and the EC and the approximation of legislation in the fields set out in the Association Council Decision of March 6, 1995, will be completed swiftly and the institutional structure needed in this respect will be set up as soon as possible.

In order to ensure the adjustment of the industrial sector to the new competition environment to be created by the customs union and improve infrastructural links (road transport, ports, airports, railroads, telecommunication, electricity) and close the gap between the Turkish and the Community economies, there is a need of considerable amount of financial resource, in particular, long-term credits and technical assistance.

Necessary measures will be taken to bring the level of financial cooperation which is one of the fundamental instruments of the Turkey-EC association regime, to a state conforming to the needs of Turkey. Accordingly, the opportunities, primarily in the favourable areas, will be sought to include Turkey with the most favourable financial terms to the programmes which are open to member states in various fields.

For a smooth adjustment to globalization and successful integration with the EC, an environment has to be created which will accelerate the capital inflow to Turkey, will ensure technology transfers and will contribute to the increase of fixed capital stocks. In order to speed up foreign capital inflow, privatization activities will be accelerated and the practice of permit will be abolished progressively and replaced with registration obligation for demands below a certain limit.

Attempts will be made for the implementation of those provisions related to the free movement of persons, set forth in the Ankara Agreement and the Additional Protocol. Initiatives will continue to be made to have the rights of free circulation of labour and to improve the legal status of the Turkish workers and their families in the member states, acquired in the context of the Association Council Decision, and to be put into effect by EC member states.



Works will be conducted on seeking opportunities for approximating the agricultural policy to that of the Community, in order to ensure progressively the free circulation of agricultural goods between Turkey and the Community in the light of negotiations to be made between the parties by taking into consideration the results of the GATT Uruguay Round. In order to ensure progressive free movement of services according to the principles laid down in the Ankara Agreement and the Additional Protocol, the required measures will be taken considering the results of the negotiations to be made with the Community while necessary measures are also being taken regarding the liberalization of the trade in services in the framework of the General Agreement of Trade in Services.

The physical infrastructure, necessary for the systematic and swift data flow in every field between the EC and Turkey, will be set up in the Seventh Plan period.

Within the process of integrating with the EU, the prerequisite for being successful both in designing and implementing of policies, and ensuring proper functioning of the reorganized institutional structure, is to make use of qualified manpower and specialized personnel, with the ability to approach problems in the fields of economy, foreign policy and law with an understanding required in international relations. Accordingly, higher and technical education systems and programmes will be rearranged so as to place importance on international subjects and norms and to bring them into line with the programmes applied in developed countries.

#### *International Technical Cooperation*

Measures will continue to be taken to encourage the active participation in economic and scientific cooperation activities and to take utmost benefit out of the results of these activities. Furthermore the participation of voluntary institutions and private establishments to technical cooperation will be encouraged. In the international, economic and technological cooperation, priorities of Turkey and of those countries to which Turkey is granting technical assistance, will be taken into account.

The Turkish Technical Assistance scheme will be used as an important cooperation instrument, taking into consideration the possibilities of our country in the enhancement of relations with developing countries but especially with the newly founded Turkic Republics, the countries of the region and the countries member to the OIC.

#### *Relations with the Turkic Republics*

Activities, pursued with a view to enhance economic, commercial, social and cultural relations with the Turkic Republics, will be further developed in the Seventh Plan period.

Priority will be placed on developing our commercial relations with the Turkic Republics, measures taken in this connection will be diversified; within this framework harmonization of present standards, improvement of preferential trade in this region, arranging of fairs and establishment of trade centers will be encouraged.

Student exchange programmes, scholarships and similar activities with these countries will be further carried on; moreover the proper environment for the exchange of students and lecturers between universities will be created.

Necessary measures will be taken to facilitate the free movement of labour, goods, services and capital among the Turkic Republics.

Rearrangements will be made in our administrative organisation scheme, by taking into consideration the handicaps which are observed at the coordination of the relations with these countries.

Contributions made to the economic restructuring efforts of the Turkic Republics will be maintained and furthestmost increased.

Priority will be given to cooperation projects in the fields of transport, communication and energy.

Support will be provided for ensuring the necessary infrastructure and information, to enable Turkish entrepreneurs, small traders and artisans to set up business in the Turkic Republics.

#### *Relation with the Islamic Countries*

Within the Seventh Plan period, Turkey will achieve a conformity between her ultimate goal of full membership to the EU and her role within the framework of COMCEC and continue to effectively participate in the economic cooperation activities of the COMCEC.

Within this framework, efforts will be directed to put Turkey on a privileged status concerning improving the relations between Europe and the OIC member countries.

Economic and commercial cooperation projects on the agenda of COMCEC, will be tried to be activated as soon as possible, since Turkey will take the most benefit from these projects considering her level of economic development.

In the light of the New Economic Cooperation Strategy and the New Action Plan, the activities of COMCEC will be concentrated on sub-regions that are important for Turkey, and will be turned into a platform that can attract the interest of the private sector and in the cooperation activities, importance will be given to this sector.

Measures will be taken in the coming period in order to enhance further bi-lateral economic and commercial relations to achieve a stable structure with Islamic countries, especially with our neighbours.

#### *Economic Cooperation Organization*

Support will be provided for the activities of the Organization in the coming period, by taking into consideration that ECO constitutes an additional platform within the national policies



towards Azerbaijan and the Central Asian Republics. In this connection, efforts will be made for the restructuring of the Organization according to new conditions and thus increase its effectiveness. Furthermore importance will be placed on concrete and realistic economic cooperation projects to obtain substantial results.

#### *Black Sea Economic Cooperation*

In our relations with the BEC countries, weight will be placed on the private sector, thus, entrepreneurship will be encouraged. Within this framework necessary measures will be taken to improve working conditions in the BEC countries, to facilitate individual and collective attempts of concerned enterprises and companies in matters such as to obtain visa, to support small and medium size enterprises, to abolish progressively barriers on trade and to enhance cooperation at the free trade zones.

The efficient utilization of the funds of the BEC Development Bank will be ensured in the financing of joint projects to be realized in the BEC region.

Efforts will be made, to enhance cooperation in the fields of especially trade, transport, communication, economic and commercial information exchange.

Cooperate efforts concerning protection and conservation of the environment, in particular exploitation and improvement of the bio-production capacities of the Black Sea will be encouraged.

Necessary measures will be taken to ensure the continuation of the revival in our trade with the BEC countries.

#### *NAFTA*

In the Seventh Plan period also, importance will be placed on the enhancement of our commercial and economic relations with member countries of NAFTA, in particular the USA, which constitutes one of the most important commercial blocks in the world.

#### *Pacific Region*

Turkey will display efforts to take utmost benefit from the opportunities provided by the Asian Development Bank.

Importance will be given to vitalize our bilateral relations concerning trade, economy and technology of the countries of the Pacific Region in the coming period, especially with Japan which has a great foreign trade potential for Turkey.

### **c) Legal and Institutional Arrangements**

For the smooth functioning and development of the customs union, to be established between Turkey and the EC, the Turkish law has to be adjusted to that of the EC. The subjects

necessary for a smooth adjustment and statements as to what adjustments should be made in the Turkish legal order are given in the Annex. The general framework of amendments that are to be made, by the main fields is given below.

In the Seventh Plan period, in line with the policies to be pursued and works to be carried out on harmonizing Turkish legislation with that of the EC, certain institutions have to be established.

The coordination of economic policies has a crucial role in the process of integrating with the EU. To this end, an institutional structure will be established, in order to ensure the effective functioning of the mechanism, necessary for the coordination of the policies of the parties.

In addition, in order to provide information flow and coordination among various institutions, necessary institutional arrangements will be made to formulate policies, to service effectively and to improve relations with the EC in line with the main strategy to be followed within the process of integrating with EU.

The Competition Board and the Competition Authority provided by the Law on Protection of Competition will be set up and be operating.

In the field of industrial property necessary physical infrastructure will be ensured, which is required for the effective functioning of the Turkish Patent Institute.

The accreditation system, which is of utmost importance for the effective implementation of industrial legislation, shall be made to function at national level. To this end, the completion of the necessary institutional structure will be ensured.

The effective functioning of the Board of Evaluation of Unfair Competition in Importation and the Board of Evaluation for Surveillance and Safeguard Measures in Importation, which have been set up in order to put in line the Turkish foreign trade policy with the common commercial policy of the Community will be ensured. A Board of Evaluation for Commercial Rights, which is foreseen in the Draft Decision on the Protection of Turkey's Commercial Rights against Illicit Commercial Practices and the Board of Evaluation for Surveillance and Safeguard Measures in Import of Textile Products foreseen in the Draft Decision on Surveillance and Safeguard Measures in the Import of Textile Products, will be established.

In order to ensure a better functioning of the market economy in the process of a customs union, there is urgent need to set up Consumer Courts as foreseen in the Law on the Protection of Consumers, a Council of Consumers and Arbitral Tribunal for Consumer Problems and an Advertisement Committee. In the same direction, specialized courts will be established swiftly, so as to service in the implementation of legislation on intellectual and industrial property rights.



*Necessary Arrangements for the Harmonization of Turkish legislation with the EC legislation*

Necessary amendments will be made in the legislation on industrial standards and certification system. As set out in the Association Council Decision, the harmonization of legislation will be completed within five years. But in order to ensure the free circulation of goods, priority will be given to harmonization of legislation in this field. At the same time, physical and technical barriers to the free circulation of goods will be abolished. When carrying out rearrangements concerning these items, issues like security of human life and health, protection of plant and animal species, protection of the environment, energy saving and protection of the consumer will be of primary concern.

Harmonization with the Community legislation on the instruments of trade policy will also be realized. In addition, as far as the customs union is concerned, a legislation similar to the legislation of the Community, which regulates commercial relations of the EC with third countries, will be put into effect by Turkey within the five years period.

The harmonization of the Turkish customs legislation with that of the EC which is one of the most important arrangements, regarding the smooth functioning of the customs union will be completed in this period. As far as the trade of processed agricultural products is concerned, there is also need for harmonization with the EC legislation. In this respect, the protection rate on the industrial content of the processed agricultural products will be abolished progressively within three years.

In the field of intellectual and industrial property rights, harmonization with EC legislation and participation to the international agreements will be ensured and necessary domestic legal arrangements will be completed. In this manner, prior to the coming into force of the Association Council Decision, Turkey's accession to the Paris Text of the Bern Agreement, Agreement of Rome, Geneva Text of the Nice Agreement and the Agreement on Patent Cooperation, will be secured. Within at most three years after the Association Council Decision has been put into effect, on the other hand, the Agreement on Intellectual Property Rights concerned with trade will be applied and accession to the Madrid Agreement Protocol, Budapest Agreement, the Geneva Text of the International Agreement on the Protection of New Plant Species will be provided.

Furthermore, new legislation on the protection of the rights in the fields of copyrights, patent, trademark, industrial design, geographical marks and protection of data bases, will be put into effect upon the necessary domestic legal arrangements have been made, prior to entry into force of the Association Council Decision.

In order to attain the economic integration, which is the goal of the customs union, the legislation aiming at protection of the economic competition in the market, will be implemented effectively.

The Turkish legislation on state aids will be adapted in line with the corresponding EC legislation. Those state aids, which will have a direct relevance to the development of the least developed regions of Turkey and the facilitation of structural adjustments that the customs

union requires, will be designated so as to benefit from the special derogations for Turkey set up by the Association Council Decision. Legislation on aids, concerning the textile and clothing sectors will be adapted to the respective EC legislation before the entry into force of the Decision. Legislation concerning the other aids, will be adapted to respective EC legislation within two years after the entry into force of the Decision.

Amendments will be made in the legislation, in line with the principles of the Community legislation and its jurisprudence, concerning public and private enterprises to which special or exclusive rights are granted within a year after entry into force of the customs union.

Legislation concerning the state monopolies of a commercial character, will be rearranged within two years as of the entry into force of the Decision, so as not to discriminate between the Community and the Turkish nationals, in the conditions of the procurement and marketing of the goods.

In the field of public procurement, amendments will be made in the Turkish public procurement legislation, in order to ensure competition and transparency.

In the realm of protection of the consumer, Turkish legislation will be put in line with the corresponding EC legislation, by realizing amendments in conformity with EC principles, in order to protect the health, security and economic interests of the consumer.

In the field of Company Law, necessary amendments will be made to the provisions of Turkish Commercial Code and the related legislation concerning the establishment, capital, merger and supervision of corporations, in conformity with EC norms.

In the field of transport, Turkey's accession to international agreements to which she is not yet a party will be availed. Arrangements, in conformity with EC legislation, will be made concerning highway, railway, air transport and combined transport.

In the realm of tax law, priority will be given to arrangements on indirect taxes, according to principles set out by the EC legislation.

## **9. PROJECT ON DEVELOPING THE REGULATORY AND SUPERVISORY FUNCTIONS OF THE STATE**

The intervention of the state into the economic life has been scaled down to a minimum in addition its legislative, regulatory and supervisory functions on the market mechanism have come to the fore in developed countries in the recent years. More importance has been placed on the function of the state to supervise the conformity with the economic activities with the rules of the market mechanism, rather than on its function concerning economic activities like directly producing and distributing.

The legislative, regulatory and supervisory functions of the state, with the utmost aim to increase social welfare, entail to regulate competition and property rights between producers and sellers of goods-services on one hand and between producer and sellers, and the



purchasers on the other hand. In this respect, to guarantee the rights and opportunities of the public to acquire information within the rules set out by the state, constitutes one of the fundamental duties of the state.

## A. COMPETITION LAW AND POLICIES

### a) Present Situation

Until the end of the year 1994 an exclusive legislation, putting in order the issues on competition, did not exist. The legislation in effect, could not be enforced until now. This circumstance in turn, has laid the groundwork for the formation of markets of an oligopolistic nature. In this environment, the profit maximization efforts of certain enterprises are confined only to price adjustments. In the realm of cost reducing, the principles of quality and productivity in the production process are ignored. If the overall production figures of four of the major companies, engaged in one of the sub-sectors of the manufacturing industry, are recording an output more than the 50 percent range of the sub-sector production, in that case it is generally accepted that company concentrations are deemed to have reached a critical level and an oligopolistic structure has come into being. In this respect, it can be witnessed that 58 percent of the manufacturing industry sub-sectors are surpassing the critical level of company concentration.

**Table 16 - Number of sectors where the first four firms in the manufacturing industry exceeds 50 % of the sub-sector production**

Year	Total Number of Sectors (1)	Number of Sectors Surpassing the Critical Level (2)	Share Percentage (2/1)
1976	68	33	48
1980	84	49	58
1985	83	48	58
1990	83	48	58

Source: VIth. Five -Year Development Plan, Competition Law and Policy Special Committee Report

The world economy is undergoing constant transformations, which are accelerating the process of formation of a more competitive economic environment within the global markets. In Turkey however, a fair competition climate is still not at a satisfactory level, in spite of the progress recorded in term of liberalizing the foreign trade regime and privatization efforts. This fact again, has direct relevance to the occurrence of problems, concerning the effective use of resources, which are scarce in any case, and the integration into the world economy.

In order to remedy the mentioned problems and to ensure a competitive environment in the markets, a Law No: 4054 on the Protection of Competition, which places the protection of competition on a legal foundation and prevents illegal competition restrictions has been put into effect after being published in the Turkish Official Journal, dated 13.12.1994.

The efforts to protect competition are geared to establishing and maintaining a right climate for competition in the country to ensure efficiency in economy and enhance social welfare. Legislation on Competition designates the practices, decisions and attitudes which threaten to cause restriction, distortion or prevention of competition and arranges sanctions to be imposed on them.

The studies on setting up of a Competition Board and a Competition Council, which will be in charge of implementing the Law on Protection of Competition, is still continuing. The Competition Council, in particular, will be endowed with the authority to examine and investigate, if need be, to impose sanctions on all kinds of attitudes having distorting and preventing effect on competition in the markets.

### **b) Objectives, Principles and Policies**

With the implementation of the competition policies, along with the attainment of efficiency in economy, positive contributions will have been made to the increase of social welfare. The sharing and control of commodity and services markets and resources and determinants of these will be prevented so that the Turkish market will be accessible and the uncertainties in the markets will be diminished to the least extent.

Within this framework, legislation and arrangements which allow the intervention of the state to economy and the markets, will be reduced. State aids will be rearranged in a manner not distorting competition and the equality between enterprises. Arrangements towards the SEEs which are not within the scope of privatization will be revised, especially competition distorting affects of those SEEs with monopolistic nature will be diminished and they will be endowed with an operation scheme similar to those of the private sector establishments.

Taking this aim and the general framework into consideration, the fundamental targets of the competition policies can be formulated as the ensuring of an efficient control mechanism on agreements, decisions and concerted practices having competition distorting affects; the prevention of monopolization and abuse of a dominant position which eliminates competition; the conservation of equality of opportunity among all enterprises active in the markets; the need to take measures to improve economic power of small and medium size enterprises; and at last, the protection of legal rights and interests of the working people and consumers.

Competition policies will be generated in line and in harmony with the other social and economic policies of the state. In this respect, the Competition Board, which will be responsible to enforce competition law within the framework of the Law on Protection of Competition, will designate competition policies in cooperation with the other related institutions of the state.



One of the main instruments of setting up a competition environment in economy is privatization. But, privatization activities to be realized prior to certain legal and institutional arrangements on competition to be made, will have adverse affects rather than creating a competitive environment. Thus, privatization activities shall be realized by also taking into **consideration** the mergers and acquisitions of enterprises. In this regard the relation between competition law and privatization will be handled by taking into account those results obtained by other countries applying similar practices in this subject.

The role they play in increasing productivity is another important aspect of the competition policies. In a competitive market structure productivity will be the main feature in economy. In this framework, capital formations will be directed towards productive sectors, and practices of the trading sector incompatible with competition rules, will be terminated.

In the financial sector, the discrepancies concerning legal obligations among instruments of similar nature will be eliminated and efforts will be made to establish a competitive environment among them.

Importance will be placed on informing and educating the population on competition. Thus, by way of an auto-control system, to be created by constantly informing the society, the markets will be under supervision of the society. Furthermore, the subject of competition will be included into the program of Higher Education, as a separate discipline.

### **c) Legal and Institutional Arrangements**

Although the Law on Protection of Competition sets out the general framework, arrangements like notifications, exemptions and prohibitions, in order to clarify ambiguities in the application of certain practices foreseen in this Law, will be constantly renewed by the Competition Board in accordance with the changing economic conditions.

Legislation on the enhancement of liberal markets and competition systems will be overhauled by the Competition Board; especially the Law on Public Procurement, Law on Municipalities, Tax Laws and legislation on industrial property rights will be re-arranged in accordance with competition rules.

## **B. INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS**

### **a) Present Situation**

The Turkish Legislation on intellectual and industrial property rights, which is still in force, is far behind the developments witnessed throughout the world. Especially in the fields of new protective measures necessitated by technological developments, no re-arrangements have been launched until now. In this respect, it is of utmost importance to update legal and administrative arrangements concerning protection of intellectual and industrial property rights.

With the Law No: 5846 on Intellectual and Artistical Works of Art, certain protection will be ensured to software programmes, data bases, neighboring rights and to similar areas. But the Law is inadequate, considering the prevention of infringements on works of art under protection and considering sanctions imposed, constituting a deterrent to further infringements.

The protection of inventions, is being ensured within the scope of the Patent Law of 1879 to a certain extent, but does, as regards both its scope and sanctions, not respond to the needs of Turkey, having attained a certain level of development. The Law No: 551 on trademarks on the other hand, comprises only trademarks of commodities; trademarks of services and geographical indications are not included within the scope of this Law. Business titles and names are protected within the provisions of the Turkish Commercial Code, but because of an inadequate technical infrastructure, efforts for protection are not at a satisfactory level. In terms of protecting industrial designs, on the other hand, no legal arrangements have been realized at all.

In order to remedy these gaps, alongside with rearrangement works within the framework of harmonizing Turkish legislation with EU legislation, works are carried on to evolve new legislation for the areas not under protection. Within this framework, a Draft Law, amending Law No: 5846 on Intellectual and Artistical Works of Art, has been adopted at the TGNA on June 7, 1995. The Patent Law, on the other hand, is still on the agenda of the TGNA. Studies on legal arrangements concerning industrial designs and geographical indications, are continuing.

A Turkish Patent Institution, responsible for the enforcement of the legislation on protection of industrial property rights, has been set up, but problems concerning technical infrastructure and appropriate staff are still prevailing.

## **b) Objectives, Principles and Policies**

### *Intellectual Property Rights*

Books, tapes etc., which contain a work of art, shall be furnished with an explanatory expression, stating that these works are protected within the scope of intellectual property rights and that a reproduction of these works without prior permission is prohibited and subject to punishment.

Efforts will be made to impose punishment of a deterrent nature, in order to prevent further infringements on industrial property rights.

The proper infrastructure will be set up, so as to provide the surveillance and the follow-up of common rights, which are hard to be followed-up as a consequence of technological developments.



International agreements on intellectual property rights will be evaluated by considering the commitments they would impose on Turkey and to those considered useful for the country, efforts will be made to become a party.

The subject of intellectual property rights, will be included to the program of Law Faculties, as a compulsory course and will be included in making article of advocates, and training of judge and public prosecutor candidates.

#### *Industrial Property Rights*

The industrial sector, small and medium size enterprises, universities and researchers will be furnished with the necessary information with the purpose of introducing them to the new practices such as utility models, compulsory licenses and in addition enlightening them on the scope of protection, patent and utility models. Besides, information will be given on procedures of application for these practices, which will be applied after the enforcement of the Draft Patent Law.

Necessary infrastructure will be set up and importance will be placed on education, in order to train skilled personnel, for the smooth implementation of the Patent Law, which will replace the Patents Law of 1879, which is still in effect.

The Turkish Patent Institute, which will be in charge of implementing the legislation on industrial property rights, will, alongside with it's responsibility to carry out enrollment, certification and registration procedures, keep track on national and international technological innovations and place the compilations thereof at the disposal of the public.

International agreements on industrial property rights, will be evaluated by considering the commitments they would impose on Turkey and to those considered useful for the country, efforts will be made to become a party.

Special importance will be placed to educate the society on industrial property rights and necessary arrangements will be made to include this subject to the curricula of Higher Education.

Necessary arrangements will be made to enhance the technical infrastructure within the concerned organization, in order to increase the level of protection of commercial titles and enterprise names.

### **c) Legal and Institutional Arrangements**

#### *Intellectual Property Rights*

Legal arrangements will be made in order to protect the property rights for the use of and benefiting from new concepts regarded as intellectual work, such as software programmes, which come into being in line with technological developments.

### *Industrial Property Rights*

The Law No: 551 on Trademarks will be reviewed and updated. Trademarks for services will be included into the scope of protection. Furthermore, the protection of trademarks will be based on registration, whereby the system of publishing the registered trademark and the opportunity for the registration of a trademark to be opposed, will be made essential. In addition, the international classification system will be adapted.

As regards geographical indications (names and signs indicating origin) the most suitable method of protection will be designated in accordance with the conditions of the country.

In order to serve the industry, designer and consumer, a special legislation on industrial designs will be drawn up, which will foresee the investigation of objections made to trademarks subject to registration.

Special protection measures will be generated and put into effect, so as to provide encouragement for the development of biotechnologies and semi-conductive technologies.

Appropriate arrangements on the Customs Law and legislation on industrial property rights, will be made in order to prevent trade of counterfeit goods.

## **C. PROTECTION OF THE CONSUMER**

### **a) Present Situation**

The legislative and supervisory functions of the state have come to the fore in recent years. In view of the point reached in the process of opening up the economy, it has become very important to provide a healthy environment for competition and to protect consumer rights. Serious legislative arrangements have been made to this end. There is also a great need, that the state should inform the economic agents on a rapid and reliable basis.

Faced with the conditions of the free market economy, which are constantly changing due to developments in the economic, social and technological fields, alongside with the increase of commodities in number and in kind, the need to provide the right environment for ensuring protection of health and safety of the consumer, furthermore to protect economic interests of the consumer, to take measures of an enlightening, informing nature, to indemnify losses of the consumer, to safeguard from environmental dangers and to support consumers to set up their own voluntary consumer organizations, is as crucial as ever.

A Law on Protection of the Consumer has been adopted. But a legal arrangement on the establishment of a Consumer Council, Arbitration Board, Advertising Council and Consumer Courts, as foreseen in the Law, have not been concluded yet.

Consumers are obliged to sign contracts, which have been issued under the sole control of the banks, because of the fact that contracts on consumer credits, are until now, not subject to



legal terms, in scope and form. Thus, the need to place consumer credits on a sound structure for the benefit of both the consumer and the bank still persists.

Standard contracts, used in services such as electricity, water and natural gas distribution, services in the realm of banking, sales on credit, transport, cargo and the like are in need of rearrangements so as to provide for the protection of the consumer.

There are still shortcomings in the legislation regarding traveling contracts which should cover issues like protection of the touring consumer against seduction and misleading promotion, ensuring that during the period of the contract the general conditions stipulated in the contract will be valid and providing that indemnity rights will prevail also after termination of the travel.

Arrangements which have been made by taking into consideration the protection of the environment, in order to settle the issues on guarantee, maintenance and repair services assuring reliability of all kinds of goods used by the consumer are still inadequate. The need for the harmonization of the product standards with the EC still persists.

Problems on inspection within the production and marketing stages of all kinds of foodstuff, concerning production, deep-freezing, storing, transport, packaging, labeling, additives, pollutants, contaminants, pollution, nutritive value, statement of date of production and date of expiry, are persisting.

Works on informing about consumer education have been launched. Despite the growing awareness of the consumer, increase in the number of voluntary consumer organizations and the establishment of a Directorate General for the Protection of the Consumer and of Competition, works towards a proper and sound consumer awareness, able to claim his rights, are not at a satisfactory level. Adequate data flow, necessary to enable the consumer to make a sound and right choice and to enable maximum utilization of economic resources and conservation of environment could not be provided.

Problems concerning consumer organizations and the right to be represented by organizations so as to deliver opinions at the standards of developed countries are persisting.

### **b) Objectives, Principles and Policies**

It is of utmost importance both from point of view of increasing efficiency in economy and protection of consumer rights to enhance the environment for competition with the aim of placing weight on the legislative and supervisory functions of the state.

Legal arrangements made in the field of consumer protection, efforts made to ensure a proper functioning of the administrative structure and encouragement of organizing activities, especially through training, will have the effect that the present human resources of our country will be enhanced; quality of services and goods will be improved; a more rational use of the resources of our country will be ensured, economic losses will be prevented by the supply of more reliable and high-quality products.

Protective measures concerning consumer rights will be improved; necessary arrangements will be made, including harmonization of legislation within the scope of works on harmonizing with EC legislation and; importance will be placed on activities regarding increasing the awareness of the consumer.

Works on ensuring conformity with world standards with the certification system related to the quality, proficiency and guarantee certification of industrial goods and services and certification on the peculiarities and promotion of goods and services will be speeded up.

In order to get a well established consumer consciousness, by both formal and informal education and audio-visual mass communication means, will be utilized intensively especially in the field of rights and responsibilities of the consumer.

Efforts will be made to create a climate of active cooperation among related institutions in the formulation of educational programmes and re-training of the educators.

Support will be given to independent consumer organizations so as to arise attention of the public opinion.

Laboratories of public institutions and establishments will be at the disposal of consumer organizations without charge, in order to enable them to provide more help to the consumer in making sound choices.

The representation of consumer in the process of generating legal and administrative arrangements and policies in the field of protection of the consumer will be ensured.

### **c) Legal and Institutional Arrangements**

A Consumer Council, pursuant to in the Law on the Protection of the Consumer, will be set up in order to solve consumer problems, to make researches on measures concerning needs of the consumer to protect consumer interests, and to deliver opinions on measures to be taken; an Advertising Board will be set up in charge of designating and investigating guidelines to be followed in the advertising activities; at last, an Arbitration Board will be set up in order to settle conflicts between consumer-seller in the provinces and towns. For the settlement of disputes arising out of the implementation of the Law, Consumer Courts will be established.

Works will be carried out regarding legal arrangements on contracts, issued in connection with consumer credits, with a view to preventing losses of the consumer; works which have started concerning credit and bank cards, will be concluded soon. Arrangements will be made on General Conditions of Procedure which will ensure the establishment of standard contracts, to protect the consumer against unjust clauses to be found in contracts, issued in the fields of banking, sales on credit, transport.



The deficiencies in the legislation on general product safety, which comprises guaranteeing reliability of all kinds of products to be used by the consumer, human health and safety and environmental protection will be remedied.

The regulation on the production, storing, transporting, packaging, labeling, warehousing and inspecting of hazardous and dangerous chemicals will be rearranged.

Because legislation in effect is inadequate, new arrangement will be made on the production, marketing, packaging, pricing of drugs, and designating drugs subject to prescription.

In order to protect touring consumer against injustices and losses they may encounter, arrangements concerning touristic travels will be made either by making a supplement to the Law on Debts or adopting a new law.

Advocates, physicians, financial consultants and those working in the fields of services, considered as public service according to their own laws, will be covered by an occupational insurance. Necessary legal arrangements will be made on professional responsibility, which comprises the responsibility of those giving service and indemnity of consumer losses.

#### **D. ACQUIRING AND UTILIZING INFORMATION**

##### **a) Present Situation**

The information infrastructure is inadequate. Problems exist in the areas of determining standards for national data bases, developing a national information system and statistical infrastructure, developing and implementing technical methodologies that can be used in various processes in connection with data bases and data transmission, and making the required legal arrangements.

There is no adequate cooperation and coordination between public and private sectors in the fields of gathering, processing, preserving and utilization of data; considerable delays are observed in conveying the acquired data to the user.

There are no legal arrangements adequate to designate working principles with respect to software technologies.

##### **b) Objectives, Principles and Policies**

In the process of integration with the world, mutual flow of information and freedom of the individual to have free access to information is of prime importance. Arrangements will be made enabling all individuals and organizations to have access to information, which is of prime importance from the point of view of integration with the world, functioning of democracy and reduction of rent revenues with distorting effect.

The main target in this context, will be to take the necessary steps towards an information society, to set up a structure which enables to generate, compile and supply data to the further use through information networks.

An information infrastructure will be developed, composed of services and technologies, also including information super highways for providing information that can be used.

An infrastructure will be ensured, to solve problems on interinstitutional organization and coordination in connection with information infrastructure.

Interinstitutional data transmission will be brought to an efficient level by ensuring the use of compatible methods and organizations in forming and processing data bases of institutions. Sharing of information among institutions will be ensured by designating information and sectors of priority.

It is of utmost importance, that those working in the informatics sector will have an education appropriate to the job description. Universities and their curricula will be restructured according to informatics discipline. In addition, arrangements will be made to open the departments at the universities for training intermediary manpower.

An institutional structure will be set up in order to re-train users and managers and those coming from sub-branches in the field of informatics as well as specialists in this field.

### **c) Legal and Institutional Arrangements**

The infrastructure of the State Institute of Statistics (SIS) will be fortified in respect to gathering, processing, preserving and dissemination of information so as to perform a role as coordinator within the National Information System.

## **10. FINANCE REFORM, INCREASING THE EFFICIENCY OF THE FINANCIAL MARKETS, INTEGRATION WITH THE WORLD AND THE NEED TO SPREAD CAPITAL OWNERSHIP**

### **a) Present Situation**

Important steps have been taken towards liberalization of the financial sector since 1980 within the process of transition to market economy. Domestic financial movements had been liberalized in the first half of 1980s whereas legal and institutional arrangements towards integrating domestic financial sector with the world had been realized in the second half of 1980s and international capital movements liberalized in August 1989.

As an outcome of these arrangements, the variety of financial instruments available increased but a parallel deepening of the financial system has not been achieved.



The ratio of financial assets to GNP showed an upward trend in 1991-1994 period while a downward trend observed in 1989 and 1990. High increases in foreign exchange deposit accounts have been a determining factor in the developments after 1990. In fact, while M2/GNP ratio declined constantly in 1989-1994 period, M2Y/GNP ratio, which also comprises foreign exchange deposit accounts, showed an upward tendency. According to provisional data by Central Bank, M2/GNP ratio decreased to 16.5 percent in 1994 from 20.5 percent in 1989, while M2Y/GNP ratio increased to 32.6 percent from 25.2 percent, as indicators of financial deepening.

The high real increases in wages and salaries after the second half of 1989 onwards and the high interest burden caused a steep rise in public sector deficits and after 1992 public sector savings turned out to be negative. Private savings meanwhile increased with the help of the new financial instruments and high interest rates but because of the downward trend in public sector savings, total domestic savings/GNP ratio registered a decline. In the meantime, high public sector deficits made it difficult to follow an effective monetary policy in achieving price stability.

As a consequence of growing capital markets and public sector demand on quite a larger part of private savings, the share of banking sector within overall financial assets decreased from 72.7 percent in 1988 to 56.1 percent in 1993.

Inadequacy of offering securities to public by companies and unsatisfactory efforts of privatizing SEEs have been the main factors behind preventing the spread of capital ownership.

In addition to short position operations, the banking sector was able to create funds by issuing new instruments after 1992 such as Repurchasing Agreements (REPO), Asset Backed Securities, A-Type Mutual Funds. The fact that the funds created by issuing new instruments are not subject to obligations as it is the case of deposit accounts provided to the banks to create bank money and weakened the control of the Central Bank over monetary aggregates.

Banks invested a large part of their funds to public sector securities due to the factors such as the economic policies being pursued, legal obligations, high borrowing requirement of public sector and tax advantages. Private sector securities account for only a small proportion of the bank's securities portfolios.

As inflationary expectations persisted, finance sector institutions had trouble in making predictions and this situation prevented the creation of long-term sources of finance consequently, the maturity of deposits and credits got shorter. The reflections of the same trend could also be witnessed in the domestic borrowing maturity structure of the Treasury.

The emergence of new instruments and institutions alongside with the abolition of foreign exchange controls and the gradual reduction of public control over interest and exchange rates intensify the need for supervision and early warning system in the financial sector.

Rating institutions providing investors with information on the risk associated with financial instruments have not come into being and a healthy structure has not been created for the activities of independent external auditing organizations.

Furthermore, impartial taxation structure among financial instruments has not been created.

The capacity of creating funds by insurance system has not been fully utilized mainly due to the unawareness of private insurance concepts in public, inadequate diversity in insurance products and insurance education. In addition, problems arising from the collection of premiums also constitute a handicap in insurance sector. Thus, premiums in insurance sector which plays an important role in creating medium and long term funds is inadequate. In fact, the ratio of total premiums to GDP is 0.8 percent in 1990 compared with 9.7 percent in UK, 8.9 percent in the USA, 3.4 percent in Portugal and 1.6 percent in Greece.

### **b) Objectives, Principles and Policies**

Increasing the efficiency of the financial sector by ensuring financial deepening, ensuring the integration of the financial markets with international markets and spreading capital ownership throughout the society are the main goals to provide the funds needed by economic activity.

Policies, towards developing and diversifying the financial instruments and increasing financial savings, will be implemented by taking into account the economic conjuncture and financial deepening will be enhanced.

#### *Banking*

In order to reduce the share of public sector in financial sector and ensure the use of fund more efficiently with market forces, the privatization efforts towards public sector commercial banks with the exception of Ziraat and Halk Banks will be seeded up. The public banks which are not in privatization process will be re-organized and their capital structure will be strengthened consistent with their specialized duties.

Necessary arrangements will be made for creating a competitive environment for the banking sector.

The scope of guarantee as regards deposits will be narrowed and the Savings Deposit Insurance Fund will be restructured.

Deposit reserve requirement ratio and liability requirement ratio which place additional burdens on credit costs, will be brought closer to international standards and tax on banking and insurance transactions, Resource Utilization Support Fund deductions and Stamp Duties will be reduced gradually by taking account of economic conjuncture.



Necessary arrangements will be made for improving international competition by increasing owner's minimum equity and bringing up the financial structure of the banks to international standards.

Works will be conducted to state explicitly the criteria in the Law of Banks for monitoring of the activities and placing them outside the system.

Necessary arrangements will be made for establishing a Risk Centralization which will be active in terms of companies and consumers.

Ratings of banks will be realized in accordance with standards to be drawn up and arrangements will be made towards creating a healthy climate between independent auditing institutions and banks and enhancing auditing activities.

#### *Capital Market*

It is essential that the capital market will operate within a transparent and efficient auditing-monitoring system in such a way that the savers will be protected. Support will be given to the introduction of new financial instruments and services to the capital market.

Necessary technical infrastructure will be provided and necessary legal arrangements will be realized in order to integrate Istanbul Stock Exchange Market with the global capital markets. In this context, legal arrangements for providing financial data to investors in a timely and accurate way, will be made.

Standard ratios, in particular solvency ratios, will be set out for intermediary institutions of capital markets and internal auditing system for those institutions will be established. Institutional investing will be further enhanced.

In order to increase the efficiency of the supervisory system in capital market, automation process will be speeded up, number of auditors will be increased and legal arrangements for protecting small investors will be made.

Measures will be taken to prevent insider trading and price manipulation activities in order to create and maintain a proper climate for competition in the capital market.

Because the basic information and documents which constitute a base for rating differ remarkably and the securities issued by the firms show differences in terms of structure, the arrangements for establishing rating institutions will be made by considering different systems for each instruments. Companies which issue their securities to the public will have the priority for rating.

### *Insurance*

Expanding insurance services headed by health, life and the obligatory forms of insurance, improving the quality of service and the insurance education and ensuring the insurance sector as a complementary part of the existing social security system will be the main policies. Furthermore, the funds accumulated in insurance sector will be made available to the economy through various investment channels.

In order to enlighten the population on the subject of insurance and to raise the awareness on the same subject, importance will be placed at each level.

Professional Liability Insurance for Authorized Audits, Liability Insurance for Transport Vehicles at Seas, Lakes and Rivers, Medical Liability Insurance, Commodity Liability Insurance, Liability Insurance for Travel Agencies will be covered under the obligatory insurance list. It will be secured that insurance companies take their place in the capital market as institutional investors.

### *New Financial Instruments and Institutions*

Legislation works concerning futures and forward contracts will be carried on. In this context, standardization process of the commodities which are found eligible for futures and forward contracts will be completed and institutional structuring will be ensured.

Venture Capital Investment Partnership which is important for financing small and medium size enterprises will be supported and improved.

In order to encourage the companies to issue their securities in capital markets, the practice of Shares ex Right of Vote will be supported.

The establishment of futures markets based on commodities starting with cotton and on Stock Exchange Market Index will be realized.

Necessary measures will be taken to ensure the development and institutionalization of Stock Exchange for Valuable Minerals which is in the State of operation.

The practice of Gold Deposit Account, Gold Certificate and Gold Credits will be improved in order to take the savings on gold into the financial system.

### **c) Legal and Institutional Arrangements**

Necessary amendments will be made to the Banking Law 3182 in order to establish an efficient monitoring and auditing system, to raise the banks up to the level of international standards by enhancing their capital structure, to state explicitly the criteria concerning the banks excluding from the system and to restructure Deposits Guarantee Scheme.



Deduction rate for Resource Utilization Support Fund which is set by Council of Ministers in accordance with the Article 40 of the Law 1211 on the Central Bank will be phased out by taking into account economic conjuncture.

Rearrangements of legislation, on Special Financing Institutions will be ensured in line with the Banking Law.

In order to reduce the ratio of Stamp Duties and Bank and Insurance Transaction Taxes, Stamp Duties Law 488 and Excise Tax Law 6802 will be rearranged.

Harmonization of the legislation with EC on the issue of integrating Istanbul Stock Exchange Market with international markets will be ensured. In this framework, legal amendments will be made to the Law 2499 on Capital Markets in order to raise the standard of financial data that the firms having shares in the stock exchange market oblige to inform public, up to international level and to prevent insider trading.

New legal arrangements will be made so as to regulate establishment, activities and supervision of rating institutions.

To ensure the efficient operation of the insurance sector a Law on Private Insurance Contracts, a Law on the Regulation and Supervision of Insurance a Law on Establishing a Chamber of Insurance Experts, a Regulation on Life Insurance Providing Profit, a Regulation on Insurance Actuaries, a Regulation on Insurance Specialization Committees will be enacted.

Rearrangements on tax laws will be realized to ensure impartiality in imposing of duties, taxes charges and similar financial obligations among financial institutions and instruments.

### **III. STRUCTURAL REFORM PROJECTS DESIGNED TO INCREASE EFFICIENCY IN THE ECONOMY**

#### **11. STRUCTURAL REFORMS CONCERNING TAXATION**

##### **a) Present Situation**

Although, a great deal of tax arrangements have been realized during the Sixth Plan Period, the tax burden continued to be lower in comparison with the average of OECD countries and its distribution by sectors and production factors continued to be imbalanced.

In 1992, the ratio of tax revenues, including social security premiums, to GNP in Turkey was 22.4 percent, whereas the average for the OECD countries was 38.8 percent. By excluding social security premiums, the ratio amounts to 17.9 percent and 28.9 percent respectively.

The effective burden of taxes levied on incomes on assessment basis amounted to 11 percent in 1993. This rate was 2.7 percent in the agricultural sector, 16.9 percent in the income of

non-agricultural wages and salaries, 0.4 percent in rental revenues, 5.9 percent in interest revenues and 11.3 percent in the revenues of other non-agricultural factors.

Tax amounts paid per tax-payer are constituting an important indicator concerning the weight of the tax burden and its distribution. By the year 1994, taxes paid by tax-payers which are fulfilling their tax obligation by annual declaration amounted to TL 16 million in average, taxes of wage-earners which are deducted from their wages to TL 23 million, and taxes of tax-payers subject to lump-sum obligation amounted to TL 3.4 million on the average. The corporate tax collection, on the other hand, per tax payer amounted to TL 224 million.

The concentration of income taxes on wages casts adverse effects on the competitiveness of the industry, thus on the path to integration with the EU within such an open economy.

Audits made between 1984-1992, disclose that the difference between the declared and the actual tax bases stands at 46.1 percent. This means, that every tax base of TL 145 is reflected as TL 100. This again gives hints on the dimension of tax losses and tax evasions.

Another indicator for tax losses and evasions is the effective Value Added Tax rate (VAT). In the year 1991 the weighted legal VAT rate, on the agricultural sector was about 6.5 percent, but the effective VAT rate is being calculated as 1.8 percent. While the weighted legal VAT rate in the services and industrial sectors is 12 percent, the responding effective VAT rate for the services sector is 4.7 percent, that of the industrial sector 9.6 percent.

The lack of a hierarchical connection between the central office of the tax administration and regional revenue offices, the fact that tax-payers are inspected by four different auditing units without any inter-linkage, the low level of education of the staff, improper and inadequate transmission of data flow to the central decision bodies by the revenue offices, the lack of necessary qualitative and quantitative structure for improving auditing activities, the fact that more importance has been placed on the function of the tax administration as tax collector, are the most outstanding factors which account for the growing tax losses and tax evasions.

The fact that an efficient tax collection system could not be achieved, forced the tax administration to keep away from the unitary system. This caused the deterioration of the horizontal and vertical equality in taxation, which again caused the society to lose its habit of making tax declarations. Thus, it was inevitable, that arrangements on increasing efficiency of the tax administration turned the eyes towards the registered sectors. This fact in turn harmed the principle of justice equality in the realm of taxation and entailed concessions. Because of these, income taxes turned out, in a way, to be employment taxes and lump-sum taxes while corporation taxes decreased to low levels, on the effective bases, due to tax exemptions and allowances.

While the rate of the legal corporation tax in the period 1986-1991 amounted to 46 percent, the effective rate remained at about 26 percent. In respect of banks, this ratio falls down to the level of about 10 percent. The share of the income tax imposed on wages amounts to about 55 percent within the overall gross assessment and its share within the overall tax revenues is above 21 percent. In addition, the fact that 90 percent of the tax-payers by



declaration are being taxed according to their standard of living, indicates that this tax has been turned into a lump-sum tax.

With the tax laws adopted towards the end of 1993 and the beginning of the year 1994, efforts have been made to change this structure of the tax system. Within this framework, tax concessions have been abolished or narrowed down to a great extent. Moreover, the progressive transition to a unitary system has been achieved, the opportunity to endow each citizen with a tax number has been inaugurated, punishment by pillory has been made operational, tax fines have been increased, rearrangements toward narrowing the scope of lump-sum taxation have been made.

Although these arrangements constitute a great step towards the solution of the mentioned problems, the need to bring unregistered economic activities within the scope of the tax system, to redistribute the tax burden on the basis of economic efficiency, to simplify the tax system and to restructure the tax administration and inspection of taxation, still prevails.

### **b) Objectives, Principles and Policies**

The principle objective of tax arrangements are to include unregistered economy within the scope of taxation, to ensure economic efficiency to encourage investments and to restore equality in taxation.

By taking into consideration the tax policy and taxation structure of the EU, the basic strategy with regard to taxation will be to establish a system, which encompasses all economic activities, reduces the level of taxation on production factors, stresses tax on consumption and taxes rental earnings from real estate.

Efforts will be made to endow the tax system with a structure, which lessens the tax burden on the wage earners and which takes into consideration competitiveness of the economy according to changing conditions. Within this scope, the tax burden on low-income groups will be lessened by way of rearranging income tax tariffs and abolishing progressively deductions on encouraging working people to make savings and housing aids, which have a negative impact on employment.

In the period of the Seventh Plan, the administration and inspection of taxation will first and foremost be rendered more effective, and the administration will be restructured with a view to minimizing tax losses and evasion. Each citizen will be given a tax number, the structuring of tax administration on regional basis will be completed, the tax administration will be automated, the system of documentation will be settled, coordination between the inspection units will be ensured, effective use will be made of Authorized Independent Audit Systems and the tax laws will be made clearer and more comprehensive.

Tax exemptions and allowances, set out in the Laws on Income, Corporation and VAT will be reviewed and reduced to minimum, the efficiency of investment incentives on the other hand will be enhanced.

The scope of the lump-sum taxation system, which has a distorting effect on the system of documentation in taxation, will be narrowed down by regions and by sectors, by way of encouraging declaration system by the Law on Income Taxes. Transition to the unitary system will be realized progressively within the time schedule, set out in the Law on Income Taxes. The application of withholding tax will be used not as a final taxation instrument, but as a means of auto-control and taxation in advance.

The implementation of taking the living standard as a base in taxation, which gives the income tax a lump-sum tax appearance, will be terminated, after the system of documentation has been settled and a certain level of supervision has been attained. But until the termination of this practice, necessary arrangements will be made to ensure a more sound and just designation of living standard indicators and additional indicators set out in the Law on Income Taxes.

A Tax Consultancy Council, with given terms of reference, regarding authorizations and responsibilities will be set up with the participation of representatives of academic institutions, labor-employer organizations, institutions and organizations of the private sector in order to re-structure tax policies in accordance with the main preferences of the society and requirements of the country.

In line with the re-structuring of tax, the tax administration and auditing, the Income and Corporation rates will be reduced progressively. The VAT, on the other hand, will be given a structure by also considering restrictions of the EU on VAT. Within this framework, the VAT exemptions and allowances will be harmonized with those of the EU, rate differentiations will be contracted.

Urban rents born out of a rapid urbanization and amendments made in the legislation on resettlement will be subject to taxation. Property tax will be increased at a reasonable rate and indexed to inflation. Rates of title deed fees, on the other hand, will be reduced and the collection of these charges according to real values will be ensured.

Importance will be placed on consumption taxes, by taking into consideration the implementation throughout the world and the negative impacts of income taxes on savings and investment.

Selective Consumption Tax (SCT) will be introduced by taking into account financial effects to be created by the customs union. However, the rates of the SCT will be determined by taking into consideration sectoral impacts. On the other hand, a number of taxes levied on consumption will be considered within SCT and gathered under a single name; thus the tax legislation will be simplified. Within this framework, consumption taxes such as petroleum consumption tax, additional vehicle purchasing tax, additional VAT, federations' fund levies, education, youth, sports and health services tax, defense fund levies imposed on liquor and tobacco, earthquake fund levies, will be united under the SCT.

The practice of user fees for public services will be made wide-spread and current fees will be increased to a realistic level.



In line with ensuring the efficiency of the documentation and auditing system and reducing tax rates, the tax system enable the extensive implementation of inflation adjusted accounting.

With the fortification of the tax administration and establishment of a documentary system, alongside with amendments in the tax system within the Plan period, the ratio of tax revenues to GNP, which amounts to 18.1 percent in 1995, will be raised to a level above 20 percent.

As a consequence of the limitation of exemptions and allowances, the broadening of the tax base and transition to the unitary system, the ratio of direct taxes to GNP, which was 6.4 percent in 1995, will be raised to around 7 percent by the year 2000; the ratio of indirect taxes to GNP on the other hand, being 11.4 percent in 1995, will be raised to a level above 12 percent.

### c) Legal and Institutional Arrangements

Arrangements	Related Legislation	Explanation
Reducing the tax burden on the wage-earner and taking into consideration the competitiveness of the economy	Law No. 193 on Income Tax Law No. 3417 (ÇTTH) Law No. 3320 (KEY)	Amendment to the Income tax tariff (article 103) and special reduction (article 31)
Restructuring of the tax administration and inspection system, ensuring automation of tax administration.	Decree having the force of Law No. 178 on the Organization and Function of the Ministry of Finance	Administrative arrangements and legalization of bylaws on regional revenue offices
Endowing each citizen with a tax number	Law No. 213 on Tax Procedure	Article No: 8 on authorization for endowing each citizen with a tax number, administrative arrangements
Ensuring coordination and efficiency of taxation inspection	Decree having the force of Law No: 178 on the organization and Function of the Ministry of Finance Law No: 4709	
Reviewing exemptions and allowances and reducing them to the minimum	Law No: 193 on Income Tax Law No: 5422 on Corporate Tax Law No: 3065 on Value Added Tax	Articles arranging exemptions and allowances and reductions
Narrowing Lumpsum taxation system by regions and sectors	Law No: 193 on Income Tax	Article No: 51 on Council of Ministers authorization narrowing for the scope of lump- sum taxation by work groups, sectors, provinces and towns and population criteria
Completing the transition to the unitary system, terminating of the application of withholding tax, used as a final taxation instrument	Law No: 193 on Income Tax	Articles on collection of revenue and submitting annual declarations (No: 87) and on designating rate of withholding tax (No: 94)
Terminating gradually the implementation of taking the living standard as a base, designating indicators in a more justly manner	Law No: 193 on Income Tax	Articles arranging living standard basis (provisional No:35) and indicators (Annex to article No: 116)
Establishment of a Tax Consultancy Council		Arrangement of jurisdiction and terms of reference of the Tax Consultancy Council
A general reduction of tax rates	Income Tax Law No: 193 Corporate Tax Law No: 5422 Value Added Tax Law No: 3065	Articles arranging income tax rates (article 103), corporate tax rates (article 25) and VAT rates (article 28)
Introduction of selective consumption tax and	Law on Selective Consumption Tax	Uniting consumption taxes under a



<p>harmonization with EU tax policies</p>	<p>Law No: 3065 (Additional VAT)          Law No: 3238 (SSDF levies)          Law No: 3418 (Education Health Tax)          Law No: 3289 (Federation Fund)          Law No: 1571 (Earthquake Fund)          Law No: 1318 on Financing (Vehicle Purchasing Tax and Additional Vehicle Purchasing Tax)          Law No: 3074 (Petroleum Consumption Tax)</p>	<p>single tax, with the enactment of Selective Consumption Tax Law,           Harmonization of articles on VAT exemptions and allowances (11:17) and on VAT rates (article 28) with EU legislation.</p>
<p>Taxation of urban rents and full coverage of the value of real estate by the real estate tax.</p>	<p>Law on Real Estate Tax No: 1319          Law on Fees No: 492</p>	<p>Articles on payment duration of Real Estate Tax Declarations (article 23) or on payment of Real Estate Tax (article 30) Articles arranging title deed fees (articles 57-70)</p>
<p>To make user fees wide spread</p>	<p>Law No: 492 on Fees          Law No: 2464 on Municipality Revenues          Law No: 2547 on Higher Education          Law No: 6200 on General Directorate of DSI          Law No: 3202 on General Directorate of Rural Services          Budget Law</p>	<p>Increasing current user fees to realistic levels and widening their scope by including remaining public services</p>

## 12. SOCIAL SECURITY REFORM

### a) Present Situation

In the realm of social security, imbalances are existing between the active insured, paying premiums and those passive insured, benefiting from the system such as, the retired, invalid, widow, widower and orphans. The ratio of active insured to passive is far below the international minimum level. In the year 1993, this ratio decreased to 1.8 for the Retirement Fund (Emekli Sandığı), 2.3 for the Social Insurance Institution (SSK) and to 3.7 for the Social Security Organisation of Craftsman, Tradesmen and Other Self Employed (Bag-Kur). Early retirement and the fact that the economically active population could not adequately be included in the social security scheme, accounts for the preceding ratios.

The proportion of the population, covered by social security systems rose from 71.2 percent in 1989 to 78.2 percent in 1993. But the proportion of active premium-payers to the total population has reached only 15.6 percent.

The relation between the amount of premium obtained and pensions paid by the social security institutions could not be established. In addition, premiums of SSK and Bag-Kur are not collected on time. The rate of SSK premium collection amounted to 74.4 percent, Bag-Kur on the other hand, realized a percentage of 55, which is extremely low. Without taking steps towards raising the premium collection rate, it is not possible to establish actuarial balances.

Social security institutions have failed to use placements productively, and arrangements have been made on the legislation of the institutions without considering actuarial balances. Pardons on delayed interest payments, accrued concerning premium liability to SSK and Bag-Kur and paying subsequently premiums for periods not covered under a social security scheme, have adverse effects on these institutions.

In the year 1992, the age limit for the right of retirement has been lifted, thus women may be granted with the right of retirement after 20 working years. The same is valid for males after 25 working years. To grant the right for pension, without considering the issue of facing the risk of aging, is endangering the sustainability of the system.

The burden of payments for which no premiums are collected and other obligations which are not compatible with insurance principles, are distorting the financial structures of social security institutions. As a consequence, social assistance provided from social security institutions pensions remain at a low level.

In 1994, financial deficits of SSK amounted to TL 26.2 trillion, of Emekli Sandığı TL 0.2 trillion and of Bag-Kur TL 8.9 trillion totaling an overall deficit of TL 35.3 trillion. The same year TL 20 trillion have been transferred from the budget to Emekli Sandığı for payments against bill, whereas TL 15 trillion has been transferred to SSK from the budget, besides TL 11 trillion which have been given to SSK as an extra-budgetary loan, the total reaching TL 26 trillion. Bag-Kur, on the other hand, received a TL 3 trillion transfer from the budget.



The social security organizations, financial deficits which have started to appear over the last few years amounted to 0.2 percent of GNP in 1991, which rose to 1.5 percent by the year 1994.

Faced with financial bottlenecks, the social security institutions are in need of restructuring to enable them to meet their obligations by their own financial resources. This in turn requires basic amendments to the relevant laws in accordance with international social security norms.

The organizational scheme of social security institutions could not be improved. Due to the fact that the social security scheme is composed of different institutions, showing differences according to the status of the insured they cover and due to their countrywide organizational schemes, resources are wasted.

There are great discrepancies between social security institutions, in terms of the insurance programmes they apply, conditions for gaining the right to pension, minimum and maximum level of pensions, ratio of premiums, social assistance aids and other social facilities and obligations.

Health services are also conducted by social security institutions while these are not among their main fields of activity. But, since these services require a great deal of resources and special skill, the social security institutions are unproductive in this area.

The need to update social security agreements, signed in order to protect the rights of Turkish workers abroad, concerning living-standards and social security and to remedy deficiencies stemming from improper implementation, still remains a problem. Furthermore, the need to conclude social security agreements with those countries where agreements of this kind are lacking, is still persisting.

Moreover, in the realm of providing social services and aids, the work carried out is still disorganized and inadequate. This, in turn, makes it as important as ever to set up an efficient social assistance system throughout the country.

**Table 17 - The Population Covered By Social Insurance Programmes**

INSTITUTIONS	(Person)	
	1989	1993
I. THE PENSION FUND	8 258 729	10 088 082
1. Active Insured	1 500 000	1 812 000
2. Pensioners	810 368	999 807
3. Dependants	5 948 361	7 276 275
4. Active Insured/Passive Insured (1/2)	1,9	1,8
5. Dependency ratio ((3+2)/1))	4,5	4,6
II. THE SOCIAL INSURANCE INSTITUTION (SSK)	17 916 404	22 545 302

1. Active insured	3 271 013	3 976 202
2. Voluntary active insured	266 569	438 843
3. Active insured in agriculture	74 407	177 145
4. Pensioners	1 478 286	1 999 007
5. Dependants	12 826 129	15 954 105
6. Active insured/Passive insured $((1+2+3)/4)$	2,4	2,3
7. Dependency ratio $(5+4)/(3+2+1)$	4,0	3,9
III. THE SOCIAL SECURITY ORGANIZATION OF CRAFTSMEN AND TRADESMEN AND OTHER SELF EMPLOYED (BAG-KUR)	12 935 569	14 028 954
1. Active insured	1 943 408	2 002 266
2. Voluntary active insured	107 607	92 068
3. Active insured in agriculture	711 049	776 634
4. Pensioners	544 914	777 968
5. Dependants	9 628 591	10 380 018
6. Active insured/Passive insured $((1+2+3)/4)$	5,1	3,7
7. Dependency ratio $(5+4)/(3+2+1)$	3,7	3,9
IV. THE PRIVATE FUNDS	393 549	261 369
1. Active insured	82 589	73 205
2. Pensioners	29 260	45 857
3. Dependents	281 700	142 307
4. Active insured/Passive insured $(1/2)$	2,8	1,6
5. Dependency ratio $(3+2)/1)$	3,8	2,6
V. SOCIAL INSURANCE COVERAGE WITH RESPECT TO HEALTH SERVICES	28 989 047	36 104 360
VI. GENERAL TOTAL	39 504 251	46 923 707
1. Active insured	6 797 010	7 863 673
2. Voluntary active insured	374 176	530 911
3. Active insured in agriculture	785 456	953 779
4. Pensioners	2 862 828	3 822 639
5. Dependants	28 684 781	33 752 705
6. Active insured/Passive insured $((1+2+3)/4)$	2,8	2,4
7. Dependency ratio $(5+4)/(3+2+1)$	4,0	4,0
VII. RATIO OF INSURED POPULATION WITH RESPECT TO HEALTH (%)	52,2	50,1
VIII. RATIO OF INSURED POPULATION (%)	71,2	78,2

Source: The Retirement Fund, Social Insurance Institution (SSK), Bağ-Kur, SPO.

## b) Objectives, Principles and Policies

Social security system shall be extended to cover the whole population. In line with the principle to include the whole population in the social security system, 92.6 percent of the population shall be covered by the social security programmes. The whole population shall be



given the opportunity to benefit from social security services until the end of the Seventh Plan period by increasing social aids and services.

Bringing together social security institutions under a unified structure shall be one of the primary objectives of the Seventh Plan.

The social security system shall be restructured in order to ensure norm and standard unity in terms of social insurance institutions and insurance branches to comply with the unified structure approach and social aid and social service institutions shall also be included in this structure.

The Fundamental Security Law to determine the basic principles of social insurance, social aid and social services shall be enacted.

The organisational structure of social security institutions shall be made having the structure appropriate for decentralization principle by abandoning the centralist structure. The institutions shall be autonomous regarding administration and finance.

All units of social security institutions shall have an on-line computer system. By this system, lists indicating working period and earnings based on premium shall periodically be sent to the insured.

Arrangements shall be made to give a citizenship number for everybody enabling the use of a single number for social security, taxation, military service and similar obligations.

In the Seventh Plan period, the financial structures of the institutions shall be improved in accordance with general social security principles and in parallel with this, confidence of the public in social security institutions shall be increased by raising incomes and pensions. Therefore, the state shall provide a social security service that guarantees the minimum income level and shall support private insurance programmes to meet additional social security services.

Insurance services of social security institutions shall be met by their own financing capacities within the principle of burden-favour balance. The provision of insurance services for which no premium was paid shall be avoided.

The Pension Fund (Emekli Sandığı) shall be foreseen to operate within the principle of insurance through practices concerning the public personnel regime, and the social insurance characteristics of the institution shall be preserved.

The resources of Emekli Sandığı, SSK and BAG-KUR to be increased through subjecting to premiums the portions of the incomes of the working people which are not subject to premium and acceleration of collections shall be managed according to financial principles. The possibility to pay higher premiums shall be introduced for those who wish to receive a higher pension.

Social security institutions will be made to generate funds. The state shall continue to support the social security system on the basis of the concept of social state. The state shall avoid all sorts of interventions leading to the reduction of the incomes and the increase the expenditures of social security institutions. Applications like penalty payment remittals for premiums which were not paid and the insurance of the services which are not insured through borrowing shall not be made.

In order to increase the ratio of active insured to the passive insured of the institutions, the minimum period of premium payment towards retirement shall be increased, the minimum level of age for retirement shall be instituted.

The reasons of avoiding for being insured and for employing without insurance shall be eliminated and the whole population shall be provided with social security legally.

Provisions of the Law No: 3320 on giving credit for housing purposes to civil servants, workers and the retired and the Law No: 3417 on Encouraging the Employees for Savings and Evaluation of these savings, which make the employment of the worker to be insured difficult and bring heavy burden on employers, shall be revised.

The unemployment insurance system shall be instituted.

The practice of family allowances shall be organized as an insurance programme.

Actual and nominal service increments in social security institutions shall be re-evaluated within the framework of the conditions and technological changes of the day.

Health services presented by social security institutions shall be provided by means of purchasing; hospitals shall be given a structure so as to work within an understanding of productivity and profitability. Thus, the insured people shall have the freedom to choose their hospital and physician.

In BAG-KUR, aids provided taking into account actuarial balances, the period of premium payment and the amount of premium shall be taken into consideration. The private insurance system shall be supported as an additional and optional system to supplement the existing one and in this context, private health and private retirement insurances shall be encouraged. Furthermore, supervising services in order to provide confidence in private insurances shall be increased.

Work on necessary arrangements in order to protect social security rights of Turkish workers and their families working in countries having or not having bilateral social security conventions with Turkey shall be continued as well as work on social security legislations of the parties and bilateral social security conventions.



The social security problems of the people of Turkish origin who are obliged to emigrate to Turkey shall be solved through cooperation to be made with the countries they come from.

Within the framework of a wide concept of social security, the services directed towards the elderly, the handicapped, those requiring special care and other risk groups shall be developed swiftly and a Social Aid and Service Institution in charge of the arrangement and administration of all types of social aid and services undertaken by the public shall be instituted and effective utilization of resources shall be ensured through supporting voluntary activities. The private sector shall be encouraged in this field in order to provide service for certain income groups.

**Table 18 - Developments In Population Covered By Social Insurance Programmes**

(Thousand Person)

Years	Number of Active Insured	Number of Depandants	Total Insured Population	Ratio of Insured Population (Percent)
1995	10 208	40 831	51 039	82,1
1996	10 667	42 455	53 122	84,0
1997	11 147	44 142	55 289	86,0
1998	11 649	45 896	57 545	88,1
1999	12 173	47 718	59 891	90,3
2000	12 721	49 611	62 332	92,6

Source: SPO, Retirement Fund, Social Insurance Institution (SSK), Bağ-Kur.

### c) Legal and Institutional Arrangements

Draft Laws to eliminate the financial difficulties of SSK and BAG-KUR shall be enacted in priority and urgently. The Fundamental Social Security Law to determine the basic principles and institutions of social insurance, social aid and social services with a view to facilitating the transition to norm and standard uniformity, shall be enacted.

No amendments exceeding the capacity of institutions shall be made in the Fundamental Social Security Law without indicating the source.

In the Fundamental Law, arrangements like penalty payment remittals and insuring the services without insurance by means of being indebted shall not be included.

A minimum Retirement Pension consistent with the needs of people and the realities of the country shall be specified in the Fundamental Law.

Emphasis shall be attached to the use of international social security terminology in the Fundamental Law.

In the Draft Law prepared, with the aim of overcoming the financial bottlenecks of SSK, restructuring the institution in the modern sense and giving it a more autonomous structure; arrangements shall be made to raise the retirement age and to gradually increase the number of days for premium payment; to increase optional insurance, group insurance and social security support premiums together with disability, elderliness and death-insurance premium ratios for those working at heavy and weary jobs, to move gradually to a single chart system in the calculation of payments of the retired at a date to be determined by the Council of Ministers so as to remove the imbalances of income among those who retired at different dates and to improve the payments for the retired.

With a view to overcoming the financial bottlenecks of BAG-KUR arising from the active insured not paying premiums timely and the increase of insurance payments frequently, legal arrangements shall be made with regard to deducting premiums of village and ward headmen by provincial special administrations, converting the social aid into base salary, introducing social security support premium application, elevating the automatic level raising limit from 6 to 13, the participation of the representative of the insured in agriculture in BAG-KUR Board of Directors, seeking the condition that tradesmen, craftsmen and the self-employed are members of BAG-KUR and they do not have premium debt in reimbursement, guarantee remittances and crediting procedures. Legal arrangements regarding the General Health Insurance, Unemployment Insurance, Family Allowances Insurance Laws and institutions to provide these services shall be made. Legal arrangements shall be made with a view to purchasing health services until social security institutions transfer health services to the General Health Insurance Institution.

The time schedule regarding arrangements envisaged shall be as below.

In 1995, arrangements in order to reduce social security expenditures and increase income together with the arrangements to close actual deficits until the financial balance of the state is established, shall be realized. The conditions of benefiting from insurance programmes shall be re-evaluated for the system to become self-financing. The retirement age shall be determined by taking into consideration the actuarial balances of social security institutions and the characteristics concerning the social, economic and population structure.

In 1996, legal arrangements regarding the Fundamental Social Security Law and Unemployment Insurance and Family Allowances shall be materialized by taking existing legislation and institutions into account.

In 1997, 1998, 1999, legislative harmonization work shall be completed within the framework of the Fundamental Social Security Law.

After 2000, social security institutions shall begin to give service as a single body so as to prevent the wasting of resources by completing restructuring studies.



### **13. PROJECT FOR INCREASING THE EFFICIENCY OF PUBLIC SERVICES AND REDUCING WAGE INEQUALITY IN PUBLIC SECTOR**

#### **A. GENERAL**

##### **a) Present Situation**

The need to improve public management in terms of organization, operation and personnel structure in order to adapt to changing conditions are increasing gradually. In this framework, re-evaluation of the role of the state regarding public services, reducing the size of the organizational structure of the state and making it more functional improving unbalanced employment and establishing a public-oriented administration approach, maintain its importance.

A new regime of wages should be put into effect in order to establish the balance among public personnel in terms of wages, additional payments, social rights and benefits; to remove differences of wages at institutional and sectoral levels among personnel who are in the same grade and to introduce the principles of career, merit, transparency and equal pay for equal work based on job definition without distorting hierarchy and to make codification of legislation.

Inequity of wages in public sector arises from the subjects such as deterioration of the ratio between real wages and additional payments in favour of additional payments gradually, occurrence of various types of payments and whether or not wage factors are included in the taxable value.

Administrative methods and procedures are required to be simplified. Practices based on declaration basis in the units providing direct service to the public should be developed and unnecessary formalities should be abolished.

Globalisation process in the world economy, the need for institutions to enable different sections of the society to specialize in various subjects, to leave resource allocation to market mechanism gradually and the need to follow a balanced and coherent approach among economic management units bring restructuring of economic management into the agenda.

##### **b) Objectives, Principles and Policies**

In restructuring of the public administration, re-evaluation of public services by determining which activities the state is going to execute directly or continue to execute and on which activities it will play protecting -supporting- leading or supervising role provision of harmonization between the task and administration, increase service efficiency, transparency, employment of personnel in required numbers and quality, ensure equality in wages, participation and establishment of a public-oriented management approach shall be the main objective.

Inefficient and expensive state structuring and operation, and abuse of public resources for private interests shall be prevented and rearranged in the light of the principle of savings and efficiency.

The role of the state shall be redefined within the framework of globalisation and integration policies and all public agencies and institutions shall be given a harmonious structure to conform with the task they undertake.

With a view to reducing the work load of the Council of Ministers, framework of the subjects to be taken up by the Council of Ministers shall be defined by a law.

The state shall minimize its economic activities, avoid to grant subsidies, not put pressure on financial markets, it shall undertake the task to provide general guidance in order to make rules and remove medium-term uncertainties by forming the most appropriate macroeconomic environment for efficient resource allocation.

The distribution of public duties and powers among the central organization, local institutions of the central organization and local administrations shall be revised regarding the principles of deconcentration and decentralization; in this context, certain services provided by the central organization shall be transferred to the authority and responsibility of local administrations and provincial units starting with Special Provincial Administrations.

In order to ensure socio-economic stability and work peace, the Economic and Social Council to constitute reconciliation shall be given a legal foundation and a structure where all parties are widely and equally represented.

A supervisory system shall be established in order to evaluate performance after a re-evaluation of supervisory agencies and supervisory units of respective agencies and institutions.

In order to settle disputes effectively and rapidly encountered in public administration-individual relations, because of the dependency of the judiciary on strict operating rules and long procedures, a Public Supervise (Ombudsman) System which has arisen as a result of the need for an independent body to supervise the administration other than the judiciary shall be established. Ombudsman system dealing with public complaints also exist in the body of the EU and in various member countries.

A reform package having a wide scope to solve problems of public personnel regime shall be prepared and put into implementation with the contributions of all institutions concerned.

In the restructuring process of the public sector, employment therein shall be reviewed for a satisfactory structure in terms of numbers, quality, efficiency and the level of wages; manpower planning shall be undertaken in order to equip the public administration with sufficient quality and quantity of personnel and the use of personnel sources for efficient and



correct employment; norm cadres based on job analysis shall be formed to increase efficiency and public manpower inventory shall be made for the evaluation of present in the light of the desired.

The present system of wages shall be abolished by removing the inequity of wages and additional payments, and social rights and benefits shall be removed, by abolishing the present system of wages; a new system of wages shall be introduced regarding the formation of organizational and sectoral balance in terms of wages, social rights and benefits among public personnel and the implementation of the principle of equal pay for equal work. At this stage, the distinction between civil servants who are doing the principal and continuous tasks of the state and workers shall precisely be defined after making necessary amendments to legislation.

The state shall be availed to introduce non-standard working methods and the areas and the extent to which this will take place shall be defined.

Financial and social rights of public personnel in civil servant status shall be arranged in a single and joint law through codification in legislation, therefore, sameness and transparency of wages in fundamental principles shall be ensured.

High level training shall be imparted to civil servants to be appointed in administrative post; their appointments, qualifications, wages and their removal from office shall be regulated by special arrangements; those not showing the required performance shall be shifted to other public duties appropriate with their education and qualifications without not taking into consideration their previous wages. In this framework, particularly in management of economy and finance a rational-productive bureaucracy model regarding the public institutions and units carrying out service production in a wide sense and creative functions shall be adopted instead of legal-rational bureaucracy model.

In new arrangements to be made; the minimum amount of wages shall be free of taxation and brought to a level which can provide an acceptable living standard for public personnel; the wages for those performing the duties which concern service production, require creativity and special qualifications shall be at a level to compete with the private sector; additionally, performance shall be evaluated as a certain percentage of the wages.

In order to remove the imbalance between wages of the working and the pension payments of the retired, a harmonious relation between social security reform and public personnel reform shall be established.

A public-oriented administration approach and transparency principle in state-citizen relations shall be the main objective; implementations based on declaration shall be developed and unnecessary formalities shall be abandoned.

Particularly for jobs related to service production, public agencies and institutions shall define clear targets for service production and shall carry out their work as in a project study in

principle. By taking into account of the targets, personnel carrying out the related projects shall be informed of expenditure limit and project period; although certain standards of success shall be determined, wide tolerance in assessment shall be given for the method to be followed in order to reach the targets and personnel performance shall be evaluated according to the result obtained.

With a view to benefiting consciously from modern technology in public administration, importance shall particularly be attached to the establishment and development of computer systems; disorganization and wastefulness shall be prevented.

Transitional Law on the Judgment Procedures for Civil Servants shall be rearranged according to conditions and requirements of the day.

### **c) Legal and Institutional Arrangements**

In order to make the state more functional by means of reducing the size of its organizational structure; the Establishment and the Principles of the Duties of the Ministries Law No: 3046, the Prime Ministry's Institutional Framework Law No: 3056 State Economic Enterprises Decree Law No: 233 and establishment laws of all public agencies and institutions shall be reviewed and necessary amendments shall be made.

With the aim of reducing the work load of the Council of Ministers, the legal framework of the subjects to be decided through the Council's negotiations shall be defined in a law, by taking into consideration of the general executive authority, economic and financial arrangements and subjects regarding appointments. For this purpose, establishment laws of institutions, Law on Assignment No: 2451 and laws regulating general arrangements shall be reviewed and necessary extractions shall be made.

By taking decentralization principle into account, with the aim to leave certain services of central administration to the authority and responsibility of local administrations and provincial units starting with Special Provincial Administrations, amendments shall be made in Special Provincial Administration Law No:5442, the Establishment and the Principles of the Duties of Ministries Law No: 3046 and on establishment laws of all public agencies and institutions. Besides, Municipal Revenues Law No: 2464, Municipalities Law No: 1580, Metropolitan Municipality Law No: 3030, Village Law No: 442, Special Provincial Administrations Law and tax laws shall be amended and local administrations shall be strengthened in regard to their administrative and financial aspects.

A law shall be put into force related to the Economic and Social Council for the purpose of service efficiency.

Court of Auditors Law No: 832, amendments regarding Final Account Law, Law No: 3346 on the control of the State Economic Enterprises and Funds by the TGNA and provisions concerning supervisory units in the establishment laws of public agencies and institutions shall be reviewed in order to introduce a supervisory system concerning performance.



Additionally, a law related to the establishment of Public Supervisory (Ombudsman) system shall be put into force.

In order to realize the reform of public personnel regime, Civil Servants Law No: 657 shall be abolished; all financial and social rights and benefits on Turkish Armed Forces Personnel Law No: 926, Judges and Public Prosecutors Law No: 2802, University Lecturers and Assistants Law No: 2914, Decree Laws No: 233 and 399 regarding State Economic Enterprises shall be removed; wages regime of all public agencies and institutions shall be placed in a single and joint law.

In new personnel regime law to be reorganized, attention shall be placed to ensure that imbalance among wages and additional payments, and social rights and benefits shall be removed, institutional and sectoral balance shall be formed and a new system of wages towards the implementation of the principle of equal pay for equal work shall be established.

A new category shall be formed in new personnel regime with a view to realizing rational-productive bureaucracy model in public agencies and institutions performing creative functions for service production. Procedures and principles of training top level officials shall be arranged separately.

Articles 51, 53 and 128 of the Constitution should be amended in order to make the distinction between the civil servants who are performing principal and continuous duties of the state and the workers.

Legal arrangements shall be completed for civil servants for them to fully benefit from the right to be organized.

In order to place a public-oriented management approach and develop practices based on declaration in state-citizen relations, laws in force shall be reviewed and formalities shall be reduced especially in services related to trade, starting a business, customs, population and traffic.

## **B. JUDICIAL AND SECURITY SERVICES**

### **a) Present Situation**

It is required that institutional structure in judicial services should be reviewed, cadre deficit of judges, public prosecutors and judicial support personnel should be eliminated, law education should be re-evaluated, rules of law should be improved and infrastructure should be modernized.

Geographical distribution of duty areas of institutions which undertake public security services include different areas on provincial level. On the other hand, daily and seasonal high level of changes of population between urban and rural areas make the operation of agencies difficult.

Inefficiency in support services regarding personnel employment continues. Specialization to ensure continuity and efficiency in service has not fully been ensured. In spite of the increase in the amount and type of crime, the technical equipment insufficiency in security services, continues.

A permanent personnel structure in the Coastal Security Command could not be constituted.

Existence of a legal and an organic and functional connection and integration between institutions which undertake public security services and the Ministry of Interior has not been achieved. Thus, it reduces the efficiency of the Ministry and the agencies.

Security Forces have still not achieved the desired level of performance in helping the public. It performs only law enforcement services. In undertaking the services, the need for transparency and the reduction in bureaucracy continues.

### **b) Objectives, Principles and Policies**

Fundamental arrangements shall be made in the structure of agencies, rules of law and policies regarding judges, public prosecutors and judicial occupational personnel for the purpose to receive just, rapid, effective and economic results in judicial services.

Higher Courts shall be established to reduce the work load of the Supreme Court of Appeals, thus avail it to work as a court of jurisprudence.

Laws regarding the trials of law and penalty and execution- bankruptcy procedures shall be taken up to prevent delays arising from the structure of laws and appropriate amendments shall be made.

In case, draft laws of the reform package which is now on the TGNA agenda in order to restructure courts, rearrange trial procedures, remove provisions of laws congesting the judiciary, simplify the language of laws and introduce the principle to solve certain disputes by reconciliation before a council enact, a significant step shall have been taken in accelerating the judicial system.

The establishment and management of penalty execution institutions and prisons shall be rearranged.

Necessary amendments shall be made for felonies and misdemeanors placed in Penal Code through a re-evaluation.

Judicial and administrative police duties executed by the same institution and personnel shall be separated; Judicial Police Force shall be formed under the office of Chief Public Prosecutor directly, in order to provide the collection of evidences of crime, catching



offenders, delivering them to judicial authorities and executing all investigation procedures involving them.

In order to prevent the dragging on of the disputes between the state and the individuals, authority and responsibilities of public lawyers shall be rearranged.

Deficiencies of physical infrastructure in judicial services shall be completed; judicial system shall be reinforced with modern equipment and devices and the use of computers shall become widespread.

Basic principle in security services is to realize the service by timely and effective resource utilization.

Support services and the management of these services by civil personnel in the respective institutions shall be all availed and importance shall be attached to specialization.

Public relations which is the most effective factor for ensuring a realistic and useful transparency in administration shall be developed multilaterally.

A master plan study shall be carried out in order to define principles and standards of services by taking into consideration the change in population structure and settlement units and the increase in mobility of crime and criminals, restructure of all concerning institutions and envisage a joint study and cooperation in support services constituting the infrastructure.

Intelligence services regarding the provision of security of public order shall be strengthened.

Law on the Higher Council of Judges and Public Prosecutors, No: 2461 shall be rearranged to provide the judiciary with autonomous structure and in line with the principle of the supremacy of law.

### **c) Legal and Institutional Arrangements**

Arrangements to be made on the law regarding Criminal Trial Procedures, No: 1412, on the crimes specified as organized crime and crimes violating general public order and for taking those who committed heavy penalty crime into custody so as to be the first, it is necessary to make amendments on the Establishment and Functions of General Courts and Supreme Courts, on the Law regarding Civil Procedure, on the Law of Lawyers, on the Law regarding the Establishment, Functions and Trial Procedures of Labour Courts; amendments of the Law of Execution and Bankruptcy, determination of the establishment, functions and authorities of Conciliation Boards, amendments on the Establishment and Functions of Regional Administrative Tribunals, Administrative Tribunals and Tax Tribunals, No: 2576, and on the Law of Real Estate Rents, No: 6570, turning certain punishments into administrative pecuniary punishment foreseen in certain codes, amendments to be made on the Law on Regulating the Payments by Cheque; amendments to the Law on the Flat Ownership and amendments to

separate Judicial and Administrative Police duties and to establish Judicial Police Force are required.

Legal status of market and ward watchman systems shall be determined.

Coastal Security Command shall have permanent personnel structure.

## **14. REFORM FOR STRENGTHENING OF LOCAL ADMINISTRATIONS**

### **a) Present Situation**

In the Sixth Plan period, the number of municipalities has risen from 2.061 to 2.716 and the population living within municipal boundaries from 38 million to 45.6 million. The ratio of population living within municipal boundaries to total population reached 74.6 percent; the share of metropolitan municipalities within total population of municipalities was recorded as 42.6 percent. The number of provinces, districts, municipalities and metropolitan municipalities show a rapid increase. The number of special provincial administrations rose from 73 in 1990 to 76 in 1994.

With regard to the establishment of provinces, districts, municipalities and metropolitan municipalities, arrangements to achieve optimum scale in supplying services are greatly needed.

Tasks assigned to local administrations by their own legislation have come to be executed by the central administration in time, while effectiveness and efficiency of public services being reduced.

Due to local services being performed by the central administration to a large extent, priorities of public needs not being determined so as to an effective programming within the direction of public preferences not being undertaken, the administrative effectiveness and efficiency are affected adversely in decision making and implementation stages.

12 percent of public expenditures belongs to local administrations, and the rest goes to central administration. This ratio is around 50 percent in European countries.

Local administration units within the same administrative boundaries are not working in coordination with each other; local administrations are not able to participate in planning services regarding the meeting requirements of local nature and solving their own problems.

Arrangements could not be made to enable the representation of all public segments including public workers by increasing the authorities of local administrative councils.

Communication should be provided between local administration and local population in the process of decision making, implementation and monitoring of local services.



**Table 19 - Number and Population of Municipalities**

Population Size	1990	1994
Less than 2000		
Number of Municipality	127	167
Population (Thousand)	216	274
As Percentage of Total	0,6	0,6
2.000-5.000		
Number of Municipality	1 064	1 511
Population (Thousand)	3 405	4 797
As Percentage of Total	9,0	10,5
5.000-20.000		
Number of Municipality	587	693
Population (Thousand)	5 320	6 239
As Percentage of Total	14,0	13,7
20.000 +		
Number of Municipality	231	253
Population (Thousand)	14 675	14 844
As Percentage of Total	38,7	32,6
Metropolitan Municipalities		
Number of Municipality	8	15
Population (Thousand)	14 338	19 425
As Percentage of Total	37,8	42,6
TOTAL		
Number of Municipality	2 061	2 716
Population (Thousand)	37 953	45 579
As Percentage of Total	100,0	100,0

Source : SPO.

(1) The district and low-level municipalities within Metropolitan Municipalities are included in the total as 44 in 1990 and 77 in 1994.

A complicated administrative, financial and legal structure has been formed in terms of task, authority, responsibility and resource apportionment; but, since balance between service and resources could not be established among central and local administrations within the framework of the principles of wholeness of administration and decentralization and the lack of coordination could not be removed among them.

It is required that legal arrangements concerning sharing of task, authority, responsibility and resources among central and local administrations should be re-arranged and total revenues and the share of own revenues within total revenues should be increased with the aim to reorganize organizational structure of local administration by placing emphasis on decentralization approach.

The principle of “beneficiary pays” principle in local administration services could not be materialized.

Necessary organization could not be made for local administrations in order to enable them to learn techniques to make their plans, programmes, budget and financial analyses. Studies could not be started to rearrange budgeting and accounting systems so as to enable them to measure the services, define alternative costs and conduct feasibility analysis.

Studies could not be made to determine norm cadre concerning local administrations in the Sixth Plan period. It is necessary to make manpower planning in order to ensure rational resource utilization and efficient service production in the said administrations.

Regarding the municipalities whose historical background goes back to 1856, a Municipality Law No: 1580 was enacted in 1930. This and other laws enacted in the first years of the Republic have conferred all the tasks, authorities and responsibilities on to municipalities. However, an important part of these tasks and authorities in time have been undertaken by central administration due to economic, technological and other reasons. It is impossible to solve the growing problems of cities with this structure of municipalities formed as a result of this process.

Despite the upturn in urban service demand arising from the increase in number of municipalities and population, the share of their own revenues within municipal revenues could not be increased, sufficient resources could not be generated and the larger part of municipal expenditures have been financed by total tax revenues of the central government.

An important part of tax revenues and non-tax revenues of municipalities are not collected directly from the inhabitants of the district. This causes decline in the expectations of inhabitants for municipal services and limits the development of local democratic monitoring mechanisms.

A large part of the duties and charges included in the Law of Municipal Revenues are defined as fixed and not increased by years. Revenues to be collected do not meet the cost of collection. For this reason, municipalities give up these revenues.

Quite a larger part of municipal revenues cause confusion in terms of the tax-payer, the subject and the basis. For this reason, serious difficulties exist in tax assessment and collection.



Property tax consisting an important and stable source of revenue in many countries, is an insufficient source of revenue for local administrations because taxable value does not reflect the real market value of the real estate and remains as fixed during declaration period.

In the Sixth Plan period, the share of personnel outlays of municipalities within total expenditures has risen against investment expenditures particularly.

Arrangements should be made for municipalities to make a Master Plan in which they will determine investment priorities in parallel with increasing service demand of municipalities and also financing possibilities for investment projects.

Arrangements are required to provide coordination and cooperation between central administration and municipalities in terms of technology, standards and finance for implementation and the removal of problems of important projects of municipalities as urban transport, solid waste, natural gas, geothermal energy, drinking water, sewerage and treatment.

Designing and implementing of urban transportation plans are required in order to analyze transportation requirements of metropolitan municipalities consistent with urban development plans.

The number of metropolitan municipalities established in three cities in 1984 by the Law No. 3030 rose to eight later, and in 1993, seven more metropolitan municipalities were established by the Decree No: 504 raising the number of them to fifteen. Decree No: 504 has brought a new local administration unit to Turkish administrative system under the name of sub-division municipalities of metropolitan cities by changing the necessity to establish district municipality set out by the Law No: 3030 for seven metropolitan municipalities.

An additional share is given to metropolitan municipalities from the collection of general budget tax revenues of the center of the provinces they are located in. This increases the demand from other municipalities to become metropolitan municipality, emphasizing decentralization with the result of constitution of pseudo metropolitan cities.

A structure which emphasize decentralization principle could not be formed regarding the sharing of task, authority, responsibility and resource between metropolitan municipalities and district municipalities while developing cooperation and coordination with respect to inter-and-intra-administration relations.

It is important to re-evaluate metropolitan municipality model and resource apportionment.

Special Provincial Administrations, whose historical background go back to 1860's, could not be given the place and legal arrangements they deserve in the administrative system despite the changes made in 1987.

Administrative and financial problems of special provincial administrations whose efficiency and strength decrease gradually, continue.

Large reductions were observed due to urbanization in the dynamics of villages as local administrative units whose historical developments go back. They were organized by Village Law No: 442 in 1924 and have become the least important units within local administrations, in time.

Providing a rational service to villages is rather limited due to their present population and dispersed structure of settlement, and financial and administrative deficiencies.

Preparatory studies could not be initiated regarding the establishment of special district administrations to increase efficiency in local services in rural areas and to form a graded structure among special provincial administrations, village administrations and municipalities.

Bank of Provinces could not be converted to a specialized investment bank for local administrations in the Sixth Plan period.

**Table 20 - Ratio of Local Governments' Revenue to GNP**

	(Percent)						
Revenue	1989	1990	1991	1992	1993	1994(1)	1995(2)
Revenue of Municipalities	1,79	1,87	2,07	2,14	2,42	2,42	2,14
Revenue of Special Provincial Administration	0,23	0,27	0,27	0,27	0,30	0,26	0,22
Revenue of Villages	0,05	0,06	0,06	0,05	-	-	-
Total Local Governments' Revenues	2,07	2,20	2,40	2,46	2,72	2,68	2,36

Source: SPO

(1) Estimates.

(2) Denotes the Annual Programme target



**Table 21 - The Share Allocated to Local Government from the General Budget Tax Revenues**

(Current Prices, Billion TL.)

Share	1989	1990	1991	1992	1993	1994(1)	1995(2)
Tax Revenues of Municipalities According to Law No 2830 (3)	1 350	2 480	4 829	8 175	15 667	28 185	50 010
(Percent)	49,1	50,6	51,6	51,5	50,8	49,1	52,4
Tax Revenues of Metropolitan Municipalities According to Law No 3030 (4)	752	1 382	2 617	4 695	9 603	21 001	33 609
(Percent)	27,3	28,2	28,0	29,6	31,2	36,6	35,2
Municipalities Fund (Percent)	350 12,7	577 11,4	1 067 11,4	1 604 10,1	3 142 10,2	3 500 6,1	4 500 4,7
Shares Allocated to Special Provincial Administration	197	355	647	1 072	2 089	4 160	6 657
(Percent)	7,2	7,2	6,9	6,8	6,8	7,2	7,0
Special Provincial Administration Fund	31	37	59	105	107	380	250
(Percent)	1,1	0,8	0,6	0,7	0,3	0,7	0,3
Local Governments Fund (Percent)	70 2,5	91 1,9	133 1,4	221 1,4	218 0,7	155 0,3	405 0,4
TOTAL (Percent)	2 750 100,0	4 902 100,0	9 352 100,0	15 872 100,0	30 826 100,0	57 381 100,0	95 431 100,0
Ratio of Total General Budget Tax Revenues to GNP (Percent)	1,19	1,23	1,47	1,44	1,54	1,47	1,37

Source : SPO.

(1) Estimates

(2) Annual Programme Target

(3) 6 percent of total General budget tax revenues are allocated to local governments according to Law No 2380.

(4) 5 percent of general budget tax revenues generated in provincial centers are allocated to metropolitan municipality of this province according to Law No. 3030.

**Table 22 - Property Tax Revenues of Local Governments and Its Share in GNP**

(Current Prices, Billion TL.)

	1989	1990	1991	1992	1993	1994(1)	1995(2)
Municipality	143,8	498,5	473,9	625,7	752,0	3 946,0	3 000,0
Special Provincial Administration	12,7	41,4	51,1	33,1	46,6	263,0	207,0
TOTAL	156,5	539,9	525,0	658,8	798,6	4 209,0	3 207,0
Share in GNP (Percent)	0,07	0,14	0,08	0,06	0,04	0,11	0,05

Source : SPO

(1) Estimate

(2) Programme Target

**Table 23 - Revenues and Expenditures of Municipalities**

(Current Prices, Billion TL.)

	1989	1990	1991	1992	1993	1994(1)	1995(2)
Revenue	4 119	7 433	13 134	23 670	48 404	94 588	149 304
Expenditure (Percent)	4 399	7 950	15 515	29 823	60 059	101 231	149 304
	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Current Expenditure (Percent)	2 169	4 699	8 057	15 827	30 359	51 622	76 420
	49,3	59,1	51,9	53,1	50,5	51,0	51,2
Personnel (Percent)	1 373	3 424	6 047	12 374	23 980	42 269	62 600
	31,2	43,1	39,0	41,5	39,9	41,8	41,9
Investments (Percent)	831	1 226	2 431	6 230	13 887	17 018	22 125
	18,9	15,4	15,7	20,9	23,1	16,8	14,8
Current Transfers and Increase in Fixed Assets (Percent)	1 399	2 025	5 027	7 766	15 813	32 591	50 759
	31,8	25,5	32,4	26,0	26,3	32,2	34,0

Source: SIS, SPO.

(1) Estimates

(2) Programmes



**Table 24 - The Shares Allocated to Metropolitan and Other Municipalities from the General Budget Tax Revenues.**

(Current Prices, Billion TL.)

	1989	1990	1991	1992	1993	1994(1)	1995(2)
Tax revenues of Municipalities According to Law No. 2380 (3)	1 350	2 480	4 829	8 175	15 667	28 185	50 010
Tax Revenues of Metropolitan Municipalities According to Law No. 3030 (4)	752	1 382	2 617	4 695	9 603	21 001	33 609
TOTAL	2 102	3 862	7 446	12 870	25 270	49 186	83 619
Total Municipal Revenue	4 119	7 433	13 134	23 670	48 404	94 588	149 304
Ratio of shares allocated to municipalities to Total Municipal Income (Percent)	51,0	52,0	56,7	54,4	52,2	52,0	56,0

Source : SPO

(1) Estimates

(2) Annual Programme Target

(3) 6 percent of total General budget tax revenues are allocated to local governments according to Law No. 2380.

(4) 5 percent of general budget tax revenues generated in provincial center are allocated to metropolitan municipality of this province according to Law No. 3030.

**Table 25 - Revenues and Expenditures of Special Provincial Administrations**

(Current Prices, Billion TL.)

	1989	1990	1991	1992	1993	1994(1)	1995(2)
Revenue	522	1 069	1 718	2 946	5 913	9 962	15 009
Expenditure	512	807	1 327	2 468	5 347	9 593	14 475

Source : SPO

(1) Estimates

(2) Programme

**Table 26 - Village Budgets**

(Current Prices, Billion TL.)

Revenue	1988	1989	1990	1991	1992
From a work by the united efforts	14,9	26,9	49,1	81,4	121,8
Others	61,5	91,6	176,9	294,4	417,1
Total Revenue	76,4	118,4	226,0	375,8	538,9
Average Revenue Per Village (Million TL.)	2,2	3,4	6,4	10,6	15,2

Source: SIS

**b) Objectives, Principles and Policies**

In the year 2000, it is estimated that the ratio of population within the boundaries of municipalities to total population will reach 84.9 percent and the ratio of the population of metropolitan municipalities to total population of municipalities to 43 percent.

Comprehensive restructuring of local administrations shall be undertaken together with public administration reform.

The central and local administrations will be designed to have a structure based on division of work and coordination consistent with the principle of administrative wholeness and "unitary structure".

With a view to increasing efficiency in service production and rational use of resources, and performing public services in the framework of decentralization principle, local administrations which form the foundation of democratic structuring and regional development shall be strengthened by reorganizing their structure and work order.

In this framework, organizational structure of local administrations shall be reorganized by placing emphasis on decentralization approach. Work studies shall be launched in order to arrange authority, responsibility and resource sharing between central and local administrations.

Public services which become more effective and efficient when carried out by local administrations and meet common local needs of the public shall be carried out by local administrations.

For this purpose, certain services provided by central administration such as tourism, environment, culture, sports, rural and social services shall be given to the authority and



responsibility of local administrations starting from special provincial administrations and extending to others, and shall be applied to other sectors during the Plan period.

Local administrations, after performing the duties which are conferred upon them by laws, shall be given authority to perform public duties of local nature which are not prohibited or given to other administrations by laws.

Services required to be performed by central administration due to service integrity, service areas and technological reasons shall be carried out by provincial authorities on deconcentration basis.

Dependency of local administrations on central administration shall be reduced by providing regular and continuous income sources for them to perform public services and make necessary financial planning.

A resource planning, consistent with the sector and service planning, involving from central to local administrations shall be realized; resources of local nature shall be shifted to local authorities which shall perform their duties with their own resources.

In pricing of local services, balance shall be established between costs and prices and those who benefit from the service shall pay the real cost of it.

In order to increase own resources of local administrations, in determination of the rates and amounts of the taxes and charges to be collected, local councils shall be conferred authority on condition that minimum-maximum figures shall be determined by central administration.

Budgeting and accounting systems of local administrations shall be developed; studies shall be made in order to provide effectiveness in resource utilization; new models shall be constituted in meeting the service needs.

Necessary organization shall be formed within local administrations in regard to learning techniques, make their plans, programmes, budgets and financial analysis. Studies shall be started to rearrange budgeting and accounting systems so as to enable them to measure the services, determine alternative costs and conduct feasibility studies.

With a view to providing services concerning more than one local administration, unions of local administration shall be supported.

In the framework of manpower planning, norm cadre studies in local administrations shall be conducted to ensure personnel employment appropriate for their need.

Arrangements shall be made in order to appoint professional officials for responsible posts at executive bodies of municipalities.

Provincial Local Management Model and District Local Management Model shall be constituted and put into implementation. Provincial Local Management Model which shall be in connection with local administration units within the province, shall plan service needs and resources of the province, provide cooperation and coordination between these units and carry out public service regularly. District Local Management Model shall organize these duties at district level.

In line with local administrations management model which shall be autonomous in terms of administration and finance, necessary arrangements shall be made in the organization, task and financial legislation of local administrations.

Villages, municipalities and special provincial administrations shall be reorganized in accordance with local administrations management model and the Framework Law. In this context, metropolitan municipality implementation shall also be reviewed.

Provincial Local Management having the public legal personality shall be established with the aim to make local public services more efficient through cooperation and coordination among local administration units within the province.

District Local Management shall be constituted having the nature of public legal personality to organize the tasks of Provincial Local Management at district level.

Villages, municipalities and special provincial administrations shall be reorganized as new local administration units autonomous in terms of administration and finance.

With the implementation of new Provincial Local Management Model, the model of metropolitan municipality shall be revised.

Bank of Provinces shall be converted to a specialized investment bank to apply the rules of autonomous and real banking.

A structure shall be formed in the decision-making body of each local administration in the province for the representation of sub-local administration units having members chosen by direct election.

Local administration councils shall be given a qualitative, functional and active structure and shall be provided with wide representation including public employees as well.

Arrangements shall be made to ensure public participation and supervision in decision making and implementation procedures of local administrations.

Criteria in establishing province, district and municipality shall be determined so as to provide optimum size in performing services by taking into account economic potential, structure of population, historical, geographical and cultural specifications of settlements.



Cooperation and coordination between central and local administrations shall be made in terms of planning, implementation, determination of standards and financing of important projects such as urban transportation, utilization and treatment of solid waste, natural gas, geothermal energy establishments, carried out by local administrations.

Study of urban transportation master plan shall be accelerated to meet the requirements of urban transportation, consistent with urban development plan decisions; mass transportation systems to be based on plan priorities shall be emphasized.

For the purpose of measuring effectiveness and efficiency and facilitating the supervising of local administrations, an information bank providing the collection of data regarding local administrations based on regular, reliable and certain standards shall be constituted.

### **c) Legal and Institutional Arrangements**

Studies regarding the enactment of the Framework Law defining basic principles of task, authority, responsibility and resource sharing between central and local administrations shall be completed in the first year of the Plan period in accordance with provision of efficiency, rational resource utilization and democratic and participatory deconcentration principle in public services.

A law on the establishment and the functions of a Ministry of Coordination shall be enacted to carry out duties and authorities divided into different service ministries and their units, in order to ensure cooperation and coordination between local and central administrations, to support administrative, financial and legal initiatives of local administrations as to planning, infrastructure, transportation, housing and urban services.

All laws regarding local administrations transferring task, authority, responsibility and resource to central administration shall be arranged according to the principles of task, authority, responsibility and resource sharing.

Laws of ministries and their dependent and related institutions shall be arranged in accordance with the task, authority, responsibility and resource sharing between central and local administrations.

In this context, in line with the Framework Law defining the principles of authority and tasks of local administration and the local administration management model autonomous in terms of administration and finance in relation to the organization, task and revenue of local administrations; necessary amendments shall be made on Village Law No: 442, Municipality Law No: 1580, Metropolitan Municipality Law No: 3030, Special Provincial Administration Law No: 3360, Law on the Election of Local Administrations, Headman of Neighbourhood and Elderly Council, No: 2972, Law on the Revenues of Municipality, No: 2464, Law on giving share to Municipalities and Special Provincial Administrations from the General Budget Tax Revenues Law No: 2380, Law on Real Estate Tax, No: 1319, Provincial Administration Law No:

5442, Law on Public Works No: 3194 and Law on the Establishment of the General Directorate of the Bank of Provinces No: 4759.

## **15. STRUCTURAL CHANGE PROJECT IN INFRASTRUCTURE SERVICES**

### **A. GENERAL**

#### **a) Present Situation**

In the extension of infrastructure services, there is, generally, a deficiency in national policy and disaggregation in authority.

There is lack of coordination in planning, implementation and supply of infrastructure investments and services.

A reliable and accessible database to form the basis for plan studies does not exist because activities of surveying, in numeration and observation are not sufficient.

Proper emphasis is not attached to the planning process and the complementary feasibility approach; investments are usually initiated without taking into consideration technical, economic and financial feasibility studies and priorities.

Neglecting the importance of project formulation in infrastructure investments turns out to be a cost increasing factor.

In planning, implementation, utilization and maintenance of infrastructure, mental, physical, financial participation of users are either insufficient or inexistent.

A system to have large infrastructure projects audited, concerning finance, technique, reliability and service performance by an independent organization after their completion, does not exist.

Sufficient resources are not allocated for the operation and maintenance of infrastructure after completion.

Even priority projects are not allocated timely and sufficient resources for the reason that infrastructure project stock is formed above financing capacity of the country.

Legal framework assuring competition rules in infrastructure could not be formed. Legal problems arise due to contradictions among related laws on the same subject preventing the attainment of the objectives. Additionally, existing laws could not be implemented in line with their objectives.

Qualified manpower deficit is increased, job efficiency and quality is affected adversely owing to insufficiencies and imbalances of education and personnel policy.



R&D institutions, studies and resources for infrastructure techniques and technologies are insufficient.

### **b) Objectives, Principles and Policies**

Meeting infrastructure requirements of the country without forming a bottleneck for economic and social development is the main objective. It is the fundamental task of the state to determine, plan and meet this requirement in medium and long terms.

Infrastructure planning shall be designated at national and international levels and master plans shall be prepared for each sector.

Projects inconsistent with master plan, whose technical, economic and financial feasibility are not proved by a sufficient report and/or those which are not priority projects shall not be included in project stock.

Public project stock shall be reviewed and re-evaluated according to the present requirements and conditions; projects not having economic priority and financial feasibility shall be extracted from the investment programme.

Emphasis shall be placed on the process of preparation, implementation, monitoring and control of infrastructure projects.

A system shall be established to have large infrastructure projects audited by an independent institution following their completion regarding finance, techniques, reliability and service performance.

Institutional environment shall be developed in order to provide infrastructure services by means of private sector or foreign investment. By taking characteristics of the sectors into account, institutional arrangements to improve competitive environment shall be made with the purpose of increasing welfare of the consumer.

With a view to increasing efficiency in meeting infrastructure requirements and benefit non-public resources, new financing models shall be investigated; in this framework, importance will be attached to the implementation of BOT model and similar. Until the solution of legal problems casting obstacles to BOT model, priority projects shall be carried on with available public funds.

Necessary resources shall be provided on time for the continuation of infrastructure services.

Reliable and accessible data banks shall be formed for each sector.

### **c) Legal and Institutional Arrangements**

Investments and services shall be realized through opening tenders in all fields in which contracting firms are active, and investing public institutions shall be restructured in this direction.

In principle, the use of infrastructure services shall be possible after paying the price and/or participating in investment costs, tariffs and systems to determine and collect these, shall be made more effective.

The privatization of infrastructure systems inclined to monopolize together shall be constituted through a regulatory institutional mechanism, protecting consumer rights.

## **B. ENERGY**

### **a) Present Situation**

Important developments have been recorded in primary energy and electricity consumption during the last forty years. In this period, primary energy consumption has increased by an average of 5.2 percent and electricity consumption by 11 percent, annually. Despite high growth rates, primary energy and electricity consumption are quite below the levels of developed countries.

In the Sixth Plan period, primary energy production has increased by an average of 3.2 percent annually and reached 32.6 million tons of oil equivalent at the end of the plan period. The most significant developments in production are observed in hydraulic energy and oil production. Oil production reached 4.5 million tons in 1991, the highest level in its history. Thus, the share of indigenous oil in total oil supply rose to 20 percent. However, this development could not be maintained in the following years, and production of oil has entered into a regression period.

Another important development in the sphere of oil is the joint production initiatives in foreign countries. Positive results have been taken from the investments made particularly in Egypt and Kazakhstan in this field. Initiatives regarding joint oil production in Azerbaijan and other Middle Asian Turkic Republics presently continue.

In 1980's, lignite investments were given emphasis. As of 1994, production capacity reached 80 million/ton-year. However, owing to the fact that electricity demand was not realized as envisaged and hydroelectric power plants were given priority in electricity generation, expected increase was not realized in power plant based on lignite, demand and capacity utilization rates in lignite production remained at low levels.

As of the end of 1994, total primary energy consumption reached 64 million tons of oil equivalent. Oil products constitute the largest item with 40 percent share in the sector which has approximately 49 percent dependency on import resources. The share of power plants



and industry show increase in consumption while the share of residences decrease in time. Shares of these two sectors within total consumption are presently at the level of 30 percent.

As of the end of 1994, installed capacity and production capacity of electricity power plants reached 20.857 MW and 101 billion kWh, respectively. As of 1994, electricity demand which amounts to 78 billion kWh was met continuously with a high reserve margin. However, it is crucial to ensure the continuity of investments in order to meet electricity demand continuously and safely in the coming years which is increasing rapidly.

Necessary investments in the sector with regard to meeting the requirements of a growing population and a developing economy were inadequate in the last periods. Investments realized after 1990, although the demand was doubled, were reduced to the level of half of the investments realized in the period between 1977-1987. Contribution expected from privatization studies and private sector could not be provided, public investments were reduced and difficulties in existing legislation of environment and its implementation affected negatively the continuity of investments as planned and the possibility of electricity shortage has come to the agenda for the near future.

High rate losses in distribution lines and networks is an important problem causing electricity shortage in the sector.

A structure could not be constituted for public and private companies to work together in the sector. Private sector activities in electricity sector are arranged by three separate Laws, Law No: 3096, Law No: 3974 and Law No: 4046. There exists lack of harmony regarding privatization implementations between Laws No: 3974 and 4046.

While uncertainties exist for under which principles and mechanisms competition shall be provided after privatization, the possibility to establish a system in the sector in which competition and free market economy shall prevail is getting difficult due to power plant projects realized through BOT model by giving purchasing and price guarantees.

In the framework of Law No: 3096, certain matters are not clear, in the contracts signed with distribution companies, such as how new investments shall be realized and by whom they shall be realized. For this reason, even in the regions transferred to private companies, investments are carried on to be realized by public sector.

In hydroelectric power plant-dam projects or thermal power plant projects including the operation of large coal fields, it is not clear how expropriation shall be made and who shall pay the cost of it.

There are difficulties in realization of multi-purpose hydraulic projects which have benefits as energy, irrigation and drinking water, and dam and power plant projects on trans-boundary rivers through BOT model. On the other hand, in private sector projects, river-basin development plan based on optimum utilization of water sources is not applied effectively.

**b) Objectives, Principles and Policies**

Basic principle in energy sector is to meet the energy demand of increasing population and developing economy continuously and with the lowest cost possible.

In the framework of the expectations of economic growth and population increase aimed at in the Plan period, it is estimated that total energy demand shall increase by an average of 5.3 percent annually and shall reach 85.8 million tons of oil equivalent in the year 2000.

The rate of primary energy production is less than the increase in demand, therefore, the share of import resources within consumption shall continue to increase.

Studies of long-term electricity demand based on alternative growth scenarios indicate that demand shall reach 120-130 billion Kwh in the year 2000 and 240-270 billion Kwh in the year 2010. Importance shall be attached to electricity energy investments to meet the increasing demand on time. In the Plan period, new and large capacity power plant projects shall be started. Giving importance to distribution and network investments in line with the objectives to reduce losses and improve networks shall be continued.

In the plan period, electricity demand is expected to reach 122 billion Kwh by the end of the period with an average annual increase of 8 percent. In order to meet this demand with a 13 percent reserve, it is estimated that installed capacity of power plant shall rise up to 27.930 MW by an addition of 6.650 MW and production capacity to 138 billion KWh.

With these developments, total energy consumption per capita shall reach 1.285 kg. oil equivalent and electricity consumption per capita to 1.825 Kwh in the year 2000.

By taking into account the diminishing natural resources, and expected increases in costs and increase in demand, it is basic to establish a reliable and low cost energy supply system in the long term. Thus, development of indigenous energy resources and their share in consumption shall increase in time, projects necessary for provision of imported energy sources shall be initiated, diversification shall be made in terms of fuel type and country origin.

Mining investments aimed at production of energy resources shall be given emphasis, spreading of renewable energy sources utilization and transfer and adaptation of nuclear technology shall be attached importance.

Energy intensities in industry and in all sections of social life shall be reduced and energy efficiency and conservation programmes shall be realized since indigenous energy resources are insufficient and expensive in terms of quantity and quality, and expensive, also import energy sources require foreign exchange and excessive use of energy creates environmental problems.



Table 27 - Developments of Primary Energy and the Production and Consumption of Electricity Energy

	Unit	1989	1994	1995	2000	Annual Average Increase (%)	
		Realization	Realization	Realization Estimate	Estimate	VI. Plan	VII. Plan
<b>PRIMARY ENERGY</b>							
PRODUCTION	BTEP	27 827	32 553	33 955	40 885	3,2	3,8
CONSUMPTION	BTEP	52 149	63 982	66 200	85 800	4,2	5,3
Consumption per capita	KEP	948	1 057	1 074	1 284	2,2	3,6
<b>ELECTRICITY</b>							
INSTALLED CAPACITY	MW	15 806	20 857	21 277	27 930	5,7	5,6
Thermal	MW	9 209	10 993	11 413	15 770	3,6	6,7
Hydraulic	MW	6 597	9 864	9 864	12 160	8,4	4,3
PRODUCTION	GWh	52 043	78 256	84 100	122 000	8,5	7,7
Thermal	GWh	34 103	47 681	51 400	83 000	6,9	10,1
Hydraulic	GWh	17 940	30 575	32 700	39 000	11,3	3,6
IMPORT (EXPORT)	GWh	559	(539)	(500)	-	-	-
CONSUMPTION	GWh	52 602	77 717	83 600	122 000	8,1	7,9
Consumption per Capita	kWh	956	1 284	1 356	1 825	6,1	6,1

BTEP : Thousand tons of petroleum equivalent KEP: Kilogram petroleum equivalent;

Gwh : Million kilowatt-hour

Note : In estimates for 2000; 6 percent average economic growth has been taken as basis within 5-6.6 percent growth interval envisaged in GDP for Plan period.

**Table 28 - Ratios of Primary Energy Consumption and Resources**

	1989 Realization			1994 Realization			1995 Realization Estimate			2000 Estimate			Annual Average Increase (%)		
	Amount	% Share	% Share	Amount	% Share	% Share	Amount	% Share	% Share	Amount	% Share	% Share	VI, Plan	VI, Plan	VII, Plan
Hardcoal	4724	9.1	6428	10.0	6610	10.0	8000	9.3	8000	9.3	6.4	3.9			
Lignite	10383	19.9	11295	17.7	11440	17.3	16100	18.8	16100	18.8	1.7	7.1			
Petroleum	21598	41.4	25850	40.4	26180	39.5	32900	38.3	32900	38.3	3.7	4.7			
Natural Gas	2878	5.5	4923	7.7	6100	9.2	11700	13.6	11700	13.6	11.3	13.9			
Hydraulic Energy	4485	8.6	7644	11.9	8175	12.3	9750	11.4	9750	11.4	11.3	3.6			
Geothermal Energy	16	0.0	20	0.0	20	0.0	50	0.1	50	0.1	4.6	20.1			
Electricity Import	140	0.3	(135)	-0.2	(125)	-0.2	0	0.0	0	0.0	-	-			
COMMERCIAL ENERGY	44224	84.8	56025	87.6	59400	88.2	78500	91.5	78500	91.5	4.8	6.1			
Wood	5345	10.2	5482	8.6	5400	8.2	5000	5.8	5000	5.8	0.5	-1.5			
Animal and plant residue	2580	4.9	2475	3.9	2400	3.6	2300	2.7	2300	2.7	-0.8	-0.8			
NON-COMMERCIAL ENERGY	7925	15.2	7957	12.4	7800	11.8	7300	8.5	7300	8.5	0.1	-1.3			
TOTAL	52149	100.0	63392	100.0	66200	100.0	85800	100.0	85800	100.0	4.2	5.3			
Consumption per capita	946		1057		1074		1284		1284		2.2	3.6			

KEP: Kg Petroleum Equivalent



**Table 29 - Sectoral Distribution of Primary Energy Consumption by Resources**

Thousand

	1980			1984			1985			2000									
	Realization			Realization			Realisation Estimate			Estimate									
	Heat.	Trans.	Emer.	Heat.	Trans.	Emer.	Heat.	Trans.	Emer.	Heat.	Trans.	Emer.	Total						
Harical	835	21	117	474	570	5	688	5165	700	10	680	5240	6610	1000	6000	8000			
Light	3084	5	4758	2558	10383	1817	8000	2578	2100	7240	2100	11440	2800	10800	2800	18100			
Petroleum Products	2014	7632	1200	8952	3329	10680	1828	8633	3100	10960	2080	10100	28180	3200	2100	13400	32800		
Natural gas	6	2468	404	2878	737	2883	1503	4923	600	3000	2200	8100	1700	6200	3800	17700			
Hydraulic energy	4485			4485			7844			8175			8175			8750	8750		
Geothermal energy	48			18			20			20			20			50	50		
Electricity input	140			140			(135)			(125)			(125)			0	0		
COMMERCIAL ENERGY	8819	7658	13184	18583	44224	6553	18828	18178	58025	8800	10810	21650	18840	8580	14200	28700	28100	78500	
Wood	5345			5345			5482			5400			5400			5000	5000		
Animal and plant residue	2580			2580			2475			2400			2400			2300	2300		
NON-COMMERCIAL ENERGY	7925			7925			7867			7800			7800			7300	7300		
Sectoral Total	14744	7650	13184	18583	52148	14510	18828	18178	83882	1480	10810	21650	18840	66200	15800	28700	28100	65800	
Percent Distribution	28.3	14.7	25.3	31.6	100.0	22.7	19.7	30.0	100.0	22.1	16.5	31.8	28.7	100.0	18.4	18.6	34.6	30.4	100.0

Note: Others included in industry

**Table 30 - Installed Capacity, Production Capacity and Production Values in Electricity According to Fuel Type**

	1989			1994			1995			2000			Annual Average Increase (%)					
	Realization			Realization			Realization Estimate			Estimation			VI. Plan			VII. Plan		
	Installed Capacity (MW)	Capacity (Gwh)	Production (Gwh)	Installed Capacity (MW)	Capacity (Gwh)	Production (Gwh)	Installed Capacity (MW)	Capacity (Gwh)	Production (Gwh)	Installed Capacity (MW)	Capacity (Gwh)	Production (Gwh)	Installed Capacity	Capacity	Production	Installed Capacity	Capacity	Production
Hydrocal	332	1980	317	353	2119	1981	353	2119	1900	850	5100	3600	12	1.3	44.3	192	192	13.6
Lignite	4736	21910	19952	5884	35184	28201	6284	37704	27900	7670	46020	41000	4.4	4.7	5.6	41	41	8.0
Fuel-Oil	1545	8800	4269	1533	8738	5550	1533	8738	6000	1520	8700	6100	-0.2	-0.4	5.7	-0.2	-0.1	0.3
Nuclear Other	546	445	38	404	330	48	404	330	70	400	300	100	-5.8	-5.8	4.8	-0.2	-1.9	7.4
Natural gas	2036	12200	9524	2824	18358	13822	2824	18358	15450	5270	34255	32000	8.8	8.5	7.7	13.3	13.3	15.7
Geother mal	15	90	63	15	90	79	15	90	80	60	315	200	-	-	4.6	32.0	28.5	20.1
THERM AL	9209	51985	34103	10893	64616	47881	11413	67338	51400	15770	94680	83000	3.6	4.7	6.9	6.7	7.1	10.1
HYDRA ULIC	6597	24225	17940	9884	38414	30575	9884	38414	32700	12180	43010	39000	8.4	8.4	11.3	4.3	3.4	3.6
TOTAL	15806	75690	52043	20957	101200	76256	21277	103750	84100	27950	137700	122000	6.7	5.9	8.5	5.6	5.8	7.7



Table 31 - Electricity Consumption by Sectors

(Gwh)

	1989	1994	1995	2000	Annual Average Increase (%)	
	Realization	Realization	Realization Estimate	Estimate	VI. Plan	VII. Plan
Households	8 436	14 000	15 400	21 000	10,7	6,4
Commercial Places	2 300	4 100	4 500	7 300	12,3	10,2
Official Dpt.	1 278	2 550	2 800	3 500	14,8	4,6
General Lighting	916	2 750	2 950	4 000	24,6	6,3
Industry	27 603	34 700	36 900	58 000	4,7	9,5
Other	2 587	4 700	5 100	7 500	12,7	8,0
NET TOTAL	43 120	62 800	67 650	101 300	7,8	8,4
Losses	9 482	14 917	15 950	20 700	9,5	5,4
GROSS TOTAL	52 602	77 717	83 600	122 000	8,1	7,9
Net Consumption per Capita (kWh)	784	1 038	1 097	1 516	5,8	6,7
Gross Consumption per capita (kWh)	956	1 284	1 356	1 825	6,1	6,1

### c) Legal and Institutional Arrangements

It is necessary to realize investments in a planned and continuous manner in order to meet electricity demand cheaply and continuously. An attractive and appropriate environment shall be created for private investors and entrepreneurs in order to increase the share of private sector in investments and operational activities and increase the contribution of private domestic and foreign financing.

In energy sector, a decision making mechanism and an institutional structure shall be established making arrangements for private and public sector activities, protection of consumer rights by constituting a competitive environment and assuring the implementation of necessary investments regarding resource, pricing, conservation, environment, distribution and investment policies.

For getting the maximum benefit from geothermal resources, studies shall be completed regarding the removal of legal loopholes in this field.

## C. TRANSPORTATION

### a) Present Situation

In the Sixth Plan period, transportation investments occupied the first place within total public investments with a share of 30.6 percent. On sub-sectoral basis, the share of highway investments within public transportation investments was 80 percent and the remaining 20 percent was divided among railway, maritime, airways and pipeline sectors. The main reason of highway investments holding the largest share is that the ongoing motorway investments had 47 percent share among transportation investments, in this period.

Highways constituting the major portion of the structure of transportation sector persisted in the Sixth Plan period. 95 percent of domestic passenger transport was realized by highway transportation in this period. For domestic freight transport, the share of highway transportation has increased due to the closing down of Iraq-Turkey Crude Oil Pipeline in 1990 and period average which was 75 percent in the Fifth Plan period attained 80 percent level in this period.

The lack of a dynamic Transportation Master Plan which is in agreement with other sector investments and tackle the transportation sector as a whole, create problems and continues to negatively affect the development of the sector,.

Determination of the sectoral objectives and policies single handedly cannot be made possible and decisions which will be effective for a long time are taken without availing necessary coordination among related institutions.

The process of privatization is dragging on for the reason that privatization programmes and control mechanisms appropriate for characteristics of transportation systems could not be established.

In general, the share received from international transportation could not reach the desired level due to the fleet ages being above economic operating criteria.

A total of 1.566 km. motorway construction together with connection roads continued in the period; as of the end of 1994, 1.074 km. of these motorways were put into service, and the total motorway network reached 1.167 km. together with other motorways which were constructed before. Contractual works for the Izmit Bay Crossing Bridge and Çanakkale Bridge through BOT Model have been initiated.

Highway infrastructure could not be built appropriately for the traffic, domestic transportation could not be organized, legal and structural adjustments to make traffic services effective could not be realized despite the increasing number of motor vehicle fleet and accidents, and these are deemed as the basic problems of highway transportation.

In 1985, standard axle load permitted for motor vehicles was increased from 10 tons to 13 tons, making highway transportation more attractive by decreasing the cost of transportation



per unit. The competition brought about by the idle capacity created together with the tendency of our transporters to overload, exposed our roads, which are not appropriate for carrying 13 tons of axle load, to be worn-out excessively. Furthermore, the construction of weight control stations could not be realized in this period.

Emphasis was given to the efforts to improve the geometric and physical standards of existing roads instead of capacity increasing investments for state and provincial roads. The ratio of asphalt paved roads which was 79 percent in 1989 rose to 84 percent by the end of 1994. The length of asphaltic concrete paved roads, which should be 17.000 km. for state and provincial roads according to a daily average traffic of 500 heavy vehicles, reached 4.750 km. by the end of 1994. This causes high maintenance and repair outlays to which sufficient resources could not be allocated within existing financial capacities.

Existing railway system cannot meet transport demands sufficiently since railway infrastructure and management has fallen behind the developing technology and management techniques

Within the Sixth Plan Period, necessary developments could not be realized concerning geometric standards of existing railway network. In this period, 662 km. railways were renewed, electrification works were given priority and the length of electrified lines which was 479 km. in 1989 reached 955 km. by the end of 1994.

No developments could be made for autonomous part administrations and/or privatization in order to achieve a modern structure of administration.

Within this period, container traffic at our ports recorded a significant upturn and the number of containers which were 267 thousand in 1989 reached 487 thousand by the end of 1994.

The tonnage of Turkish merchant fleet reached 8.493 thousand DWT for ships over 300 GRT by the end of 1994. The tonnage of the fleet reach 9.500 thousand DWT when leased ships are included. However, the renewal and reducing of the age of the fleet, and equipping with ships conforming to international technological developments could not be attained.

The Turkish Airlines Fleet having 36 planes and 5.646 seat capacity in 1989 reached 60 planes and 9.947 seat capacity by the end of 1994. Within this period, private sector aviation companies which utilize medium and large frame aircraft has recorded important developments regarding the fleet and reached 44 planes and 7.683 seat capacity by the end of 1994. An important development observed in the fleets was in plane quality; by the end of the Sixth Plan period, the share of new generation planes matching international noise and environmental standards in Turkish Airlines fleet increased to 90 percent and in the private sector companies fleet to 50 percent.

The number of airports operated by the General Directorate of the State Airports Enterprise which were 19 in 1989 reached 22, with the starting of operation of the Denizli (Çardak), Mus and Sinop Airports, 14 of them having international status.

By the end of the Sixth Plan period, the number of passenger arrivals and departures reaching a total of 22.3 million, 13.5 million of which were on international lines, intensified at Atatürk, Antalya, Esenboga, Adnan Menderes and Dalaman Airports. International lines terminal investments for the Atatürk and Antalya Airports maintain their significance and priority for the sector.

In spite of these developments in the sector, civil aviation authority could not be provided with a structure to enhance efficiency in view of decision making, execution and control. Moreover, private aviation firms which are developing in terms of number, fleet market share, could not achieve a stable structure. For this reason, loss of financial resources and confidence arising from the closing down of the firms, seen rather frequently, affect the sector adversely.

The most important development of pipeline transportation with the Sixth Plan period was the closing down of Iraq-Turkey Crude Oil Pipeline as a result of the Gulf crisis in August 1990. This has not only affected pipeline and crude oil transportation adversely, but also hindered programmes of other investments planned in the sector.

No developments could be achieved in the construction of new crude oil pipelines and in the transportation of refinery products to consumption areas through pipelines which is more economic and safe than transportation through highways. The need for natural gas pipeline and storage investments to increase the alternatives for the natural gas supply sources and to ensure the security of supplies, maintains its significance.

Due to the failure of the explicit determination of the authorities and responsibilities, as well as technical criteria and standards in the urban mass rail transit systems and the integrity with other mass transit systems, the desired efficiency cannot be attained.

Despite the rapid increase in the number of automobiles, due to the failure to achieve sufficient levels in the mass transit systems, bottlenecks encountered in the urban of highway infrastructure have reached large dimensions in the recent years.

### **b) Objectives, Principles and Policies**

The main objective is the establishment of an environmentally compatible transportation infrastructure, in order to provide the largest possible contribution to achieving development objectives through economic, rapid and safe service by creating a harmonious integration among transport modes.

With the purpose of reaching this objective, increasing of productivity in the sector, effective utilization of existing capacities, provision of infrastructure to shift domestic freight transports usually made through highways to railway, maritime and pipeline transportation and the realization of legal and institutional arrangements are aimed.

A dynamic Transportation Master Plan tackling the transportation sub-systems so consistent with economic and social development of the country and as complementing each other, shall be prepared and its continuity in implementation shall be provided.



Necessary activities shall be carried out in order to reinforce transportation links within the framework of Black-Sea Economic Cooperation.

Privatization programmes appropriate for the characteristics of transportation systems and control mechanisms shall be developed and emphasis shall be given to the BOT Model in the realization of investments.

In the process of integration with the EU, harmonization shall be made in the transportation policies; transportation infrastructure required by the developing economic and international relations with Independent Turkic Republics shall be realized in favor of benefit and capacities of the country.

Rehabilitation and maintenance-repair services shall be carried on without hindering, in order to benefit from existing transportation infrastructure in the most effective way.

In the investment decisions, the subject of environmental impact assessment shall be given emphasis, adverse effects of transportation systems to the environment shall be reduced to a minimum.

Investments programmed for ports and airports shall be accelerated and new capacities shall be provided at the necessary locations.

In order to ensure effective utilization of existing motorways, ports and airports, construction of roads to connect them to main highway and railway axes shall be given priority.

Works for improving the superstructure of state and provincial roads shall be placed emphasis, while the ratio of asphalt paved roads being increased to cover all state roads and 85 percent of provincial roads within the Plan period, the length of asphaltic concrete roads appropriate for heavy vehicle traffic shall reach 8.500 km. by the end of the period.

With the investments to be completed within the Plan period, approximately 500 km. dual carriage highways shall be put into service and geometric standards of 5.500 km. of the roads shall be improved.

Regarding rural roads; the construction of group village roads shall be given priority and these roads, including the rural roads, reaching the village centers shall be asphalt paved with priority within a rational programme. During this period, 16.500 km. asphalt, 50.000 km. stabilized and 2.000 km. concrete village roads shall be constructed.

Highway infrastructure networks shall be determined again in terms of "organization" and operation, and a rural road network shall be defined to ensure access to settlement units of certain sizes from the most convenient point, with an approach of making unit consolidation attractive.

Motorway investments which are in progress shall be re-evaluated; the construction and operation of those found appropriate shall be transferred to private sector; motorways to be constructed from now onwards shall conform to the Transportation Master Plan and feasibility studies shall be taken as basis; priority shall be given to the BOT Model for these investments.

Training, control and engineering services to increase highway safety shall be developed and the control of vehicles by technical methods shall be extended with the aim of reducing adverse effects of vehicles to the environment.

Modern methods of railway operation, following the demands of the clients closely and capable of adapting to the changing market conditions shall be implemented in order to take the necessary share from the upturn of demand in railway transportation.

Modernization and improvement investments shall be given emphasis so as to benefit from existing railway network at the utmost level. A total of 2000 km. road renewal and 1.300 km. electrification works, provision of 60 electrified mainline locomotives, 250 passenger and 2.500 freight railway cars shall be realized. Moreover, a total of 80 km. new railways shall be put into operation.

A dynamic shipping policy shall be established to follow world shipping sector closely, and providing an opportunity for the arrangements to ensure adaptation to developing national and international conditions. Within the Seventh Plan period, the merchant maritime fleet is anticipated to reach 13.0 million DWT including renewals. The share obtained from world maritime transportation shall definitely be raised to higher levels.

Port management shall be provided with a structure so as to be in harmony with developments in national and international trade within a modern approach, and port capacities shall be at the utmost level and the highest share shall be taken from transit transportation utilized as provided by the geographical location of the country.

In parallel with the increases in the container traffic, investments for new container terminals, starting with the Derince and Iskenderun terminals, shall be materialized. At the end of the period, container traffic at our ports is expected to exceed 1 million units.

As for airport investments, priority shall be given to raising service capacities and standards of existing airports, especially for the Atatürk and Antalya airports.

Airport investments shall be given emphasis in regions with inadequate air transportation infrastructure but high tourism and export potential.

Within the Plan period, it is anticipated that Isparta, Bodrum, Samsun-Çarsamba and Sanliurfa conventional airports shall be completed and the number of arrivals and departures at airports, operated by the General Directorate of the State Airports Enterprise shall reach 30 million on international lines and 45 million in total, by the end of the period.



New natural gas pipeline and storage investments shall be planned so as to eliminate the dependency on a single source and to increase the safety of supply by increasing alternative sources of supply. International crude oil and natural gas pipeline investments to reinforce our country in terms of economy and politics shall be given emphasis.

Urban transportation investments shall be based on long-term plans integrated with land use plans, taking mass transportation as the basis.

By evaluating the private sector contribution with a new approach in urban transportation, the utilization of private sector resources in transportation sector shall be extended through organized entrepreneurs.

In order to comply with the tonnage restrictions on freight transportations on inter-city highways, weight control stations shall be established and regular supervisions shall be made. In passenger and freight transportations on highways, and in training and supervision of drivers, the efficiency having professional organizations of public institution nature shall be increased and joint studies shall be conducted with these organizations to achieve a modern level of traffic order.

**Table 32 - Developments of Passenger Transport in Transportation Sector**

(Million Passenger-Km)

Sub Sector	1989 Realization	1994 Realization Estimate	1995 Estimate	2000 Estimate	Annual Average Increase (%)	
					VI. Plan Period	VII. Plan Period
<b>DOMESTIC</b>						
Highway (1)	98 270	127 948	138 000	199 000	5,4	7,6
Railway	3 648	3 881	4 000	5 100	1,2	5,0
Maritime (2)	167	50	60	60	-21,4	0,0
Airline (2)	1 087	2 278	2 536	4 235	15,9	10,8
<b>TOTAL</b>	<b>103 172</b>	<b>134 157</b>	<b>144 596</b>	<b>208 395</b>	<b>5,4</b>	<b>7,6</b>
<b>INTERNATIONAL</b>						
Maritime (2)	64	190	210	300	24,3	7,4
Airline (2)	3 959	6 855	7 747	13 238	11,6	11,3
<b>TOTAL</b>	<b>4 023</b>	<b>7 045</b>	<b>7 957</b>	<b>13 538</b>	<b>11,9</b>	<b>11,2</b>

(1) Transport realized only on the State Roads.

(2) Transport realized by public sector only.

Table 33 - Developments in Freight Transport in Transportation Sector

	(Million Ton-Km)					
	1989	1994	1995	2000	Annual Average Increase (%)	
	Realization	Realization Estimate	Estimate	Estimate	VI. Plan Period	VII. Plan Period
<b>DOMESTIC</b>						
Highway (1)	57 950	86 382	92 000	121 400	8,3	5,7
Railway	6 541	8 050	8 800	14 750	4,2	10,9
Maritime (3a)	7 152	595	1 000	1 200	-39,2	3,7
Airline (3a)						
Including Passenger	96	199	229	376	15,7	10,4
(3b)						
Cargo + Post + Pipeline	9	14	16	26	9,2	10,2
Pipeline						
Crude oil	9 863	3 170	3 225	9 800	-20,3	24,9
Natural gas (Million Nm3) (4)	3 044	5 000	6 000	10 000	10,4	10,8
<b>TOTAL</b>	<b>81 515</b>	<b>98 211</b>	<b>105 041</b>	<b>147 176</b>	<b>3,8</b>	<b>7,0</b>
<b>INTERNATIONAL</b>						
Railway	1 030	183	300	550	-29,2	12,9
Maritime (2a)	323 291	439 100	450 000	900 000	6,3	14,9
Public (2b)	34 265	35 480	34 500	42 000	0,7	4,0
Airline (3a)						
Including Passenger	441	853	981	1 697	14,1	11,6
(3b)						
Cargo + Post + Excess Baggage	78	218	250	432	22,8	11,6
Pipeline						
Crude oil (transit)	45 960	0	0	45 000	-	-
<b>TOTAL</b>	<b>370 359</b>	<b>439 501</b>	<b>450 550</b>	<b>945 982</b>	<b>3,5</b>	<b>16,0</b>

(1) Transports realized only on the State Roads. Vehicle fullness rates and transport distances were revised in 1993.

(2a) Includes all international maritime trade shipments.

(2b) Transportation made by public sector. Not included in the total since it was included in international maritime trade shipment trade.

(3a) Transportations only made by public sector only.

(3b) Includes only the passenger weight and baggage (up to 20/kg/passenger) (not included in total)

(4) Includes only the natural gas transports in the Commonwealth of Independent States-Turkey pipeline (not included in the total)



### **c) Legal and Institutional Arrangements**

A separate unit responsible for the coordination of agencies working in transportation sub-sectors shall be established within the Ministry of Transportation. This unit shall primarily provide the establishment of a database containing healthy and up-to-date information in the sector.

Large and secure partnerships and organizations shall be encouraged for inter-city highway transports, particularly freight transports. Thus transport activities shall be provided with a healthy structure by legal arrangements and the insurance system shall be updated.

Provisions of the Turkish Trade Code defining responsibilities of the highway transporters shall be rearranged in line with the CMR Convention.

For the purpose of determining the state policy to solve the traffic problem, designating the targets for highway safety and increasing effectiveness, a new board to provide coordination among the ministries shall be established and necessary amendments shall be made in the existing legislation.

It shall be provided that investing public organizations operating in the highway transportation sector shall incline towards contract construction, reduce labour force and machinery parks and re-establish their organizational structures mainly as control mechanisms.

In order to find a solution to problems arising from deficiencies in the organizational structure of railways, restructuring programme of the General Directorate of the Turkish Republic State Railways shall be completed and put into operation with a short period of time.

Port Management shall be made ready for international competition by means of providing with an autonomous structure or privatization.

With the purpose of providing complete adaptation for the world maritime trade conditions, necessary amendments shall be made on the subjects such as maritime insurances, environment, leasing, ship agency legislation and the establishment of maritime courts.

Civil aviation authority shall be provided with an autonomous and powerful structure and improved regarding personnel quantity and quality.

In order to increase the capacity utilization of existing short take off and landing airports (STOL), feeding airlines system shall be established, necessary legal amendments shall be made to determine the institution to be responsible for the construction, ownership, operation and perpetuation of STOL airports.

Regarding the transportation of refinery products via pipelines which is more economic and secure than transportation through highways, arrangements regarding the effective use of

product existing product pipelines shall be given priority and new product pipelines shall be planned.

Local transport organizations of participatory nature, for providing the planning, coordination and control of the modes of urban transportation from one center shall be developed. A unit for directing inner-city transportation shall also be formed at national level.

## **D. COMMUNICATION**

### **a) Present Situation**

In the Sixth Plan period, a telephone penetration rate of 20 percent has been reached with the addition of 7 million new main lines into the communication network. Taking into consideration the large household size in Turkey which is about twice as big as that of western countries, telephone penetration rate in Turkey is comparable to average 60 percent level of the developed countries therefore, the basic telecommunication infrastructure may be presumed to have been established in Turkey, considering a high level of digitalization as well both in transmission and switching capacity.

State telecommunication administration enjoys a legal monopoly over the basic network and value added services. Rearrangement of the telecommunication law in order to liberalize the market and to privatize the telecom administration, in line with the resolution of the Constitutional Court was realized. Problems arising from the lack of regulatory environment to establish a competitive market still persist.

### **b) Objectives, Principles and Policies**

The establishment of telecommunications, broadcasting and information transfer network performing low cost, efficient, rapid, high quality and reliable services in a competitive environment and offering increased consumer choice is the main objective.

In the Sixth Plan period, state monopoly on electronic media was abolished and private broadcasting channels have started to operate in a more competitive environment. In the Seventh Plan, survival of private broadcasting operators together with state owned broadcast channels is aimed without creating any frequency interference to disturb consumer reception.

Telecommunications network expansion and intensification shall be carried out giving priority to business communities.

To form the information society, information network planning shall be made so as to establish an information infrastructure enabling the widespread use of information produced. Adaptation to necessary standards shall be ensured for this network to integrate global information networks.

It is estimated that radio and television channels shall enhance in terms of broadcasting and programme.



State monopoly shall be abolished in telecommunications starting with value added services and requisite arrangements shall be made in order to establish free competitive environment. With a view to increasing average telecommunication income per line, offices and cities shall have priority in expanding the network, proper tariffing policies shall be determined.

**Table 34 - Developments in the Capacities of the Communication Services**

	1989	1994	1995	2000	Annual Average Increase (%)	
	Realization	Realization	Realization Estimate	Estimate	VI. Plan Period	VII. Plan Period
Switching capacity (Thousand Lines)	6 488	13 850	14 500	24 000	16,4	10,6
Number of Telephone Subscribers (Thousand)	5 862	12 195	13 400	23 000	15,8	11,4
Telephone Subscribers Density (Subsc/100 person)	10,6	20,0	21,2	32,8	13,5	9,1
Telephone Traffic (Million)	20 914	60 800	67 000	125 000	23,8	13,3
Rural Telephone Connection	37 644	45 500	46 000	49 000	3,9	1,3
Number of Pay Phones With Card	35 697 682	55 800 18 700	70 000 32 000	150 000 140 000	9,3 93,9	16,5 34,3
Local Telephone Plants (Thousand Pair Line)						
Principal Network	10 341	20 850	22 000	41 000	15,1	13,3
Local Network	14 372	28 450	30 000	60 000	14,6	14,9
Fiber Optic Cable Length (km)	1 546	24 850	29 000	110 000	74,3	30,6
Radio-link Systems (Receiver-Transmitter)	4 752	6 178	6 400	7 200	5,4	2,4
Mobile Telephone Subscriber	15 606	172 800	260 000	1 120 000	61,8	33,9
Analog (NMT,450)	15 606	91 500	100 000	120 000	42,4	3,7
Digital (GSM + PCN)	0	81 300	160 000	1 000 000		44,3

Pager Subscriber	7 046	115 016	150 000	700 000	74,8	36,1
Data Subscriber	1 788	8 788	10 000	100 000	37,5	58,5
Cable TV Subscriber	0	263 000	350 000	3 000 000	-	53,7
TV Coverage of Population (%)						
TV1	92	98,3	99,0	99,0		
TV2	75	97,0	97,5	99,0		
TV3	15	94,0	95,0	97,0		
TV4	0	72,0	80,0	90,0		

All value added telecommunications services dependent on telephone main network shall be liberalized, criteria to form and sustain full competitive environment shall be implemented in issuing license to companies.

Privatization of telephone main network shall be carried out within a strategy to be determined. The state shall carry on its presence and efficiency at an extent to organize competitive environment in the sector.

In postal services, studies to extend automation with the aim of ensuring productivity, reliability and speed, shall be continued and studies to abolish state monopoly shall be initiated.

Local time sharing broadcasting capacities shall be developed in order to benefit from restricted frequencies at the highest level.

Certain channels of the Turkish Radio and Television shall be privatized under license so as to convey broadcasts to large masses.

With a view to sustaining broadcasting frequency monitoring services and technical control shall be provided by the state authority.

At the end of the Seventh Plan period, it is estimated that the telephone penetration rate shall reach 33 percent, cable TV subscribers 3 million and the length of fiber optic cable 110 thousand km.

### c) Legal and Institutional Arrangements

New legal amendments which may be necessary in telecommunications sector in order to provide integration with the world shall be made.

An independent regulatory body shall be constituted in telecommunications sector with a view to realizing liberalization and privatization by means of abolishing monopolist structure, providing real competitive environment and protecting consumer rights. As a result of



integration of telecommunications, electronic broadcasting and informatics sectors due to technological developments, studies for required legislation and coordination shall be initiated with the aim of preventing any authority dispute among institutions arranging these services,

## **E. URBAN INFRASTRUCTURE**

### **a) Present Situation**

In line with the economic and social development and the population increase, demand for municipal water, sewerage and treatment services increases gradually both in quantity and quality.

The largest share in financing municipal water, sewerage and treatment facilities which are the most important urban infrastructure investments belong to central administration. The Municipalities Fund which is under the authority of the Bank of Provinces is used as donation, the return of investment expenditures of the State Hydraulic Works (DSI), for municipal water purposes, could not be realized fully due to inflation. This increases the number of municipalities demanding service from central administration excessively, reduces the efficiency in resource allocation and limits the possibility to find funds for new investments. Municipalities are not able to make their own investments for municipal water, sewerage and treatment due to financial and technical difficulties, therefore, investment demands from central administration institutions intensify.

Water and waste-water pricing tariffs of municipalities are not based on modern management principles, therefore, maintenance and operation outlays of existing facilities are not met sufficiently and the possibility to generate funds for new investments is not created.

In general, a considerable part of municipalities suffer from the lack of qualified personnel in sufficient numbers who are able to operate these facilities and desired benefit is not obtained due to unproductive operation.

Maintenance, repair and partial renewal works are not sufficiently realized on time, thus, causing water waste reaching to 50 percent country-wide. For this reason, rehabilitation of existing network is quite important.

Although priority is given for the provision of drinking water according to the Law on Underground Waters No: 167, because of the allocations made before to other sectors other than drinking water, provision of water from long distances increases the cost of investments. This condition is also the same for surface water resources.

Required flow of information and cooperation among institutions responsible for providing municipal water could not be provided country-wide, thus, problems arise in determining investment priorities and ensuring harmonization.

Lack of urban infrastructure maps, constitute bottlenecks in the maintenance and repair of water and sewerage networks.

In Turkey, deficiencies in the conservation, planning and management of underground and surface waters exist. Uncontrolled construction in the areas near drinking water basins, particularly, in large cities affect resources and the quality of drinking water, adversely.

It has been decided that Izmir Sewerage Project and Izmit Municipal Water Project shall be realized through BOT model in 1995.

Roads of 89 percent of villages and settlement units smaller than village were constructed and electricity has been taken to 97 percent and telephone services to all villages. Of these 62 percent has healthy and sufficient drinking water, 17 percent has healthy but insufficient drinking water while 21 percent has no drinking water at all. Network distribution systems have been established for 30 percent of rural settlements having healthy drinking water. Only 0.3 percent of villages have sewerage systems.

As of 1994, 7.803 families were provided the opportunity of resettlement and 8.180 families received housing credit. In the plan period, it is estimated that approximately 60 thousand families shall be obliged to leave their homes as a result of the implementation of public investments and 15 thousand of these families are expected to demand resettlement from the state. Moreover, approximately 5 thousand nomadic families are awaiting to benefit from public resources in order to settle in rural and urban areas.

#### **b) Objectives, Principles and Policies**

A new structure for the management of water resources whose importance are gradually increasing shall be instituted.

Meeting the drinking water need of the settlement units with none or insufficient drinking water shall be the primary objective.

The works shall be completed in order to meet long term municipal water requirements of cities.

Pay back system of municipal water dams constructed by the DSI shall be rearranged.

Emphasis shall be placed for activities to decrease water losses to reasonable levels.

Harmony in construction of municipal water, sewerage and treatment facilities, the use of technology appropriate for conditions of the country, region and settlements shall be given emphasis.

The construction of municipal water, sewerage and treatment installations shall be encouraged through BOT model.

Cooperation shall be developed between the Bank of Provinces and municipalities in carrying out municipal drinking water and sewerage services.



Basin-based approach shall be given emphasis in domestic waste water treatment projects to be conducted by the Bank of Provinces.

Efforts shall be initiated for water and waste water tariffs to be determined according to modern management principles so as to compensate the costs of operation, maintenance and repair and to generate funds for new investments.

Water and sewerage administrations shall be established in municipalities with population over 100 thousand.

Municipalities shall prepare infrastructure maps of utilities related to urban infrastructure and develop programmes for preventing water losses.

All villages shall receive drinking water.

Resettlement implementations in rural areas shall be accelerated in line with the policies to be determined.

In the planning, implementation and management of infrastructure investments which are placed within the context of development of land and water resources, mental, physical and financial participation of the users shall be ensured. Therefore, the effective use of resources and existing infrastructure shall be assured and the burden on the public sector in this field shall be reduced. With a view to ensuring production increase, disaggregation of agricultural lands shall be prevented, land consolidation and ownership arrangement shall be ensured and basin-based implementations shall be initiated through country-wide planning studies on use of land and water resources.

### **c) Legal and Institutional Arrangements**

For the purpose of rational utilization of underground and surface water resources in different sectors, a Water Law shall be drawn up so as to eliminate disorganization of legislation on water which has strategic importance and include institutional reorganization concerning planning, management and conservation. Within this context, pay back system of municipal water investments made by DSI shall be rearranged and the BOT model shall be made operational.

According to Municipalities Law No: 1580, municipal water and waste water tariffs are determined by Municipality Councils. With a view to providing the municipal water and sewerage services efficiency and funds for new investments, amendments of legislation shall be made in order to determine water tariffs according to objective principles.

Amendments of legislation shall be made in order to meet municipal water and sewerage services effectively in municipalities with population over 100 thousand through Municipal Water and Sewerage Administrations which are autonomous and have their own budgets.

Legislation shall be made up for the planning and implementation of the required environmental impact assessment and the resettlement projects to be carried out along with the main project simultaneously.

## **F. RURAL INFRASTRUCTURE**

### **a) Present Situation**

In the development of land and water resources, efforts concerning the formation of agricultural infrastructure, management and effective use of resources maintain their importance.

By the end of 1994, cumulative area of public irrigation schemes reached 3 million 189 thousand hectares, and with the farmer-developed schemes on top, 4 million 244 thousand hectares of the 8.5 million hectares of land that can economically be irrigated has been covered with irrigation schemes. However, this level attained, has put forth the necessity to ensure the participation of users to these services carried out by the public sector, for the purpose of better execution of the management-operation and maintenance of these investments, rational water use, continuity of facilities and enhancing economic productivity.

Within the scope of the activities regarding the provision of yield increase in irrigated lands, land consolidation and on-farm development services have been accelerated and 789 thousand hectares has been reached by the end of 1994. However, these activities are required to be implemented before providing irrigation services.

As of the end of 1994, 163 dams were constructed and put into operation for the purposes of irrigation, energy, municipal water, and flood control. Of these dams, 123 are only irrigation purpose or multipurpose dams including irrigation purpose and 22 of them were completed in the Sixth Plan period.

As of the end of 1994, within the Southeastern Anatolia Project, 4 percent of irrigation schemes were completed in the Euphrates Basin and 3 percent in the Tigris Basin and in this way 87 thousand hectares of land have been availed irrigation. Investments of 315 thousand hectares of land are in progress in both basins. In this context, Atatürk Dam has been completed and water has been flown to 30 thousand hectares of land from Sanliurfa T1 Tunnel.

A comprehensive policy specified countrywide does not exist with regard to the planning and management of the potential of land and water resources.

Sufficient emphasis is not placed on data collection, survey and research studies regarding the determination of the potential of land and water resources.

The inadequacy of legislation concerning the allocation, use and management of land and water resources which are scarce, causes the waste of natural and economic resources.



When the project package on the Investment Programme and the size of awaiting project stock are taken into consideration, it seems impossible to meet countrywide agricultural infrastructure requirement with existing investment possibilities at desired level and duration.

In designing investment policies, mental, physical and financial participation of the users of investments can not be provided.

Due to growing project package on the Investment Programme, the projects carried on within the framework of the objectives of the development plan and budget conditions are no longer economical and benefit expected from projects can not be achieved on time.

Adequate coordination can not be provided in realization of services of the same and complementary nature of investing institutions.

Institutions investing in agricultural infrastructure are not organized according to basin integrity approach, which prevents the rational use of resources.

Due to the fact that training of farmers at sufficient level and quality could not be assured in line with the developments in agricultural technologies in the completion stage of the irrigation infrastructure, expected benefits can not be achieved.

The limited extension of controlled irrigation systems and low irrigation tariffs cause the waste and unconscious use of water and drainage problems.

Studies conducted regarding the determination of soil potential have been completed at preliminary level. However, these studies are required to be updated and detailed, and land use planning based on these studies should be introduced.

Due to the lack of land use plans and the increasing non-agricultural use of agricultural lands, area of agricultural lands is decreasing, and land consolidation services to improve the imbalance in the distribution of land ownership can not be realized adequately due to deficiencies of legislation.

In agricultural infrastructure services, failures of the method followed in the repayment of investments realized by the DSI and absence of repayment practice of the General Directorate of Rural Services (GDRS) investments are the reasons that the facilities are not adopted by the users as their own and used rationally.

### **b) Objectives, Principles and Policies**

Within the agricultural policy implemented, main objective is the formation of infrastructure concerning the provision of agricultural development which is balanced, sustainable and in harmony with the environment.

In this framework, projects to contribute to the economy of the country in a short period shall be accorded priority.

In the plan period, irrigation schemes on a total of 735 thousand hectares of land shall be constructed and by placing emphasis on land development activities, on-farm development services shall be realized on 290 thousand hectares to make maximum benefit out of irrigated lands.

For increasing the efficiency of agricultural water use, controlled irrigation and methods providing economy in irrigation water shall be generalized.

Preliminary studies conducted for the determination of soil potential shall be updated to form basis for irrigation projects and detailed soil analyses shall be accelerated and land use planning shall be initiated.

Land consolidation and on-farm development services shall rapidly be completed in irrigated lands and primarily land consolidation shall be made in the fields for which the construction of irrigation schemes is planned.

**Table 35 - Developments of Land and Water Resources in Public Sector**

(Hectare)

	Irrigation	On-farm Development Services
Vend of V. Plan Cumulative	2 753 660	617 926
1990	91 118	21 915
1991	98 831	36 022
1992	84 561	17 874
1993	81 976	47 709
1994 (1)	79 030	47 920
VI. Plan Period	435 516	171 440
End of VI. Plan Cumulative	3 189 176	789 366
1995 (2)	72 000	50 000
VII. Plan Period Estimation	735 000	290 000
End of VII. Plan Cumulative	3 996 176	1 129 366

(1) Realization estimate

(2) Programme

Use of agricultural lands, particularly irrigated agricultural lands, for non-agricultural purposes shall be prevented.

In realization and management of agricultural infrastructure investments, by ensuring mental, physical and financial participation of the users, resources shall be created for new investments and effective utilization of existing infrastructure shall be assured. Thus, the burden on public sector shall be reduced in this field.



The transfer, to the users of irrigation facilities operated by the DSI shall be accelerated and the transfer and implementations of repayment of investments materialized by the GDRS shall be ensured.

Speeding up the activities within GAP, the lands at the stage of irrigation to contribute to agricultural output will be availed in short term and with this aim, coordination among related institutions will be effectuated.

Rehabilitation of dangerous and threatening lakes and rivers shall be attached importance.

### **c) Legal and Institutional Arrangements**

In parallel with population increase, urbanization and development in our country, demand for water has increased considerably. Due to water resources being scarce and not being distributed equally in the country in terms of location and time, management of water resources has become very complicated. Lack of a legislation on the allocation and utilization of particularly surface water resources cause the wasting of natural and economic resources. For this reason, a Water Law of framework nature shall be enacted in order to fill all legal loopholes like allocation, conservation and planning of sectoral and inter-sectoral utilization of surface waters and so as to comprise updated the Underground Waters Law No: 167.

A Land Law of framework nature shall be enacted with a view to improving all institutional and legal difficulties like allocation, conservation (against erosion, disaggregation, pollution, aridity), classification, sectoral and inter-sectoral utilization, planning for production and covering all loopholes.

In order to carry out land consolidation services effectively and harmoniously realized by the General Directorates of Rural Services and Agricultural Reform, by ensuring these services to be included in the Land Law envisaged shall be assured to be carried out within the framework of regulations.

Legislation within the authority of different institutions concerning the prevention of use of agricultural lands for non-agricultural purposes shall be ensured so as to facilitate coordination and implementation among institutions and impose sanctions.

With a view to eliminating difficulties arising in the determination and collection of expenditures of investments and as well as operation, maintenance-repair in irrigation networks operated by the public, required amendments shall be made on the Law of Establishment of the General Directorate of the State Hydraulic Works, No: 6200. Certain articles of Form of Unions Regulation shall be changed and the harmonization with the structure of special irrigation services will be ensured and for the purpose of shortening the realization process, approval of Irrigation Union Regulation will be realized by Ministry of Internal Affairs instead of Council of Ministers. Therefore, the cost of irrigation shall be placed on a realistic basis, and reimbursement and transfer shall be encouraged. Within the same

framework, amendments to provide the transfer and reimbursement of investments realized by the GDRS shall be made on the Establishment Law of the General Directorate No: 3202.

Amendments shall be made on the Laws of Establishment of the DSI, No: 6200 and the GDRS, No: 3202 in order to provide the users participate at each stage and to create resources for investments. In this context, studies shall be initiated regarding the establishment and the participation of irrigation organizations beginning from the planning stage of the investment. For this purpose, Law No: 2032 shall be abolished.

For rational utilization of resources, coordination among related institutions shall be provided and in basins in which application of basin integrity seem possible, the number of regional organizations and administrative borders shall be reviewed by taking basin integrity into account.

With a view to providing the carrying out of agricultural infrastructure activities more effectively, a new General Directorate shall be constituted so as to realize irrigation, soil conservation, land consolidation, on-farm development and drainage services carried out within the body of the GDRS.

## **G. TOURISM**

### **a) General Situation**

The number of beds certified by the Ministry of Tourism was 146 thousand in the sector in 1989 and reached 314 thousand by the end of the Plan period. In 1989, 4.5 million tourists who came to Turkey left 2.6 billion dollars and in 1994, the number of tourists rose to 6.7 million and tourism revenue was realized as 4.3 billion dollars.

Despite positive developments in the Sixth Plan period, deficiencies continue on important matters like bed capacity, technical infrastructure (sewerage, water, road, garbage collection and destruction, treatment) information and marketing, tourism education and training, transportation (air, sea and ground), tour operation and travel agencies. Mediterranean-Aegean Tourism Infrastructure and Coastal Management Project (ATAK) is not going on as planned owing to local administrations and users not participating in financing of infrastructure efficiently and limited public financing. On the other hand, insufficiency of yacht harbours and their long construction process due to resource difficulties affect the sector adversely.

Additionally, problems arising from tourism not being diversified prevail.

### **b) Objectives, Principles and Policies**

The primary objectives of tourism sector are the development of a highly competitive nature and productive tourism economy, meeting the expectations of local people and tourists from tourism, enriching natural and cultural values and providing their continuity.



In the Seventh Plan period, it is anticipated that tourism revenue will reach US \$ 10.3-13.8 billion in the year 2000, with a net tourism revenue reaching US\$ 8.5-11.9 billion by the end of the Seventh Plan period.

It is estimated that the number of tourists and visitors coming to Turkey in the Seventh Plan period shall reach to 13-17 million and the number of citizens going abroad to 4.5-4.8 million.

It is expected that the bed capacity of hotels certified by the Ministry of Tourism shall reach approximately 800 thousand with the completion of facilities under construction and at project stage, by the end of the Plan period, total bed capacity shall achieve 1.3 million together with the ones certified by the municipalities.

In the Seventh Plan period, it shall be the principle to benefit from existing super-structure more efficiently and to protect environmental and natural capital.

Activities to develop golf, winter, mountain, pasture, thermal, health, yacht, caravan, cruising, congress and animation tourism shall continue in order to improve the seasonal and geographical distribution of tourism and to create new potential fields by taking consumer preferences changing in foreign markets into consideration.

In regions in which tourism activities become intensified, local administrations and the people shall be ensured to participate in decisions related to tourism.

Attention shall be paid in implementation of physical plans according to their purposes in the sector.

Depending on new tendencies in the demand pattern, development of small size enterprises in the sector shall be given priority.

Domestic touring services shall be extended, participation of private sector as well as public sector in providing new financial resources in order to develop and implement the information and marketing activities.

Emphasis shall be placed for required arrangements and technical measures to integrate tourism superstructure with a sufficient infrastructure, necessary arrangements shall be made with a view to rapid implementation of ATAK Project.

In accordance with "users and polluters shall pay" principle, participation of users in financing technical infrastructure to be realized by public sector shall be ensured.

A dynamic and strategic Tourism Sector Master Plan (TUSAP) will be put into practice to provide sound development of tourism sector in the long term.

Certificate system in order to raise service quality in the sector shall be initiated.

In priority regions, organizations for marketing of existing second homes shall be developed.

**Table 36 - Developments in Tourism Sector**

	1989 Realization	1994 Realization	1995 Estimate	2000 Estimate	Annual Average Increase (%)	
					VI. Plan Period	VII. Plan Period
Number of tourists coming to Turkey (thousand)	4 459	6 671	7 750	13 000-17 000	8,4	10,9-17,0
Number of citizens going abroad (thousand)	2 464	3 435	3 500	4 500- 4 800	6,9	5,2- 6,5
Tourism Revenue (Million \$)	2 557	4 321	4 500	10 300-13 800	11,1	18,0-25,1
Tourism Expenditures (Million \$)	565	866	900	1 800- 1 900	8,9	14,9-16,1

### c) Legal and Institutional Arrangements

The Establishment Law of the Ministry of Tourism shall be enacted in order to form a dynamic structure so as to conform the Ministry of Tourism to the economic, social, cultural and technological changes.

With the aim of constituting a structure having international competitiveness within the conditions that customs union shall bring about and in order to discipline tourism agencies and establish an auto control mechanism, the Law of Turkish Travel Agencies and Travel Agencies Union shall be updated.

Law of Sea Tourism shall be enacted for coordination of activities related to sea tourism with a sound structure.

Pension Managership and Turkish Pension Managers Union Law shall be enacted for productive use of local resources and provision of occupational cooperation and auto control among members of the profession.

With a view to solving common problems of tourist guides, to increase their occupational efficiency, to discipline their relations with tourism agencies and each other, a Law of Tourist Guides shall be enacted.



## 16. PRIVATIZATION

### a) Present Situation

The SEEs have made considerable contributions in Turkey to the development of industry, to the utilization of natural resources and to the establishment of infrastructure. They brought modern management techniques and certain production technologies to the country and trained managers and qualified workers. They transferred capital, knowledge, manager, trained labour force to the private sector and met intermediary goods demand of the economy.

However, due to the economic crisis in the 1970s, performance of the SEEs started to decline swiftly. Difficulties in the provision of imported inputs due to financing deficiency and foreign exchange bottlenecks, and energy shortage made structural problems of SEE's heavier together with the efforts to realize important investment projects. Inability to provide relative price adjustment, general in economy, and interventions made for SEE prices have caused the deterioration of price balance among sectors.

From 1980 on, with the constraint of outward orientation in economy, efforts have been initiated regarding the performances of SEEs based on productivity and efficiency in free competition conditions and privatization. Within this framework, the scope of basic goods and services was narrowed and the authority to determine prices for the remaining good and services has gradually been left to institutions in order to form prices under market conditions. In spite of the efforts conducted regarding institutional reform and privatization, success could not be achieved. Measures like freezing their employment and reducing investments have not reduced the burden of the SEEs on the economy.

However, starting from 1980, increasing the prices of products of SEEs and controlling agricultural support purchasing prices and wages and salaries due to the depreciation of Turkish Lira in real terms, and relatively high protection rates in foreign trade regime have caused SEE's deficits decline in real terms.

However, as from 1989 on, appreciation of Turkish Lira against foreign currencies, reduction of protection rates in foreign trade and considerable increases in both wages and agricultural product prices affected the financing of the SEE system negatively and caused the ratio of borrowing requirement of the SEEs within GDP which was 3 percent excluding budgetary transfers in 1988 rose up to 5.9 percent in 1991.

On the other hand, the share of wages and salaries within sales revenue of goods and services was 11 percent in 1988 and rose to 25.8 percent in 1993. The ratio of interest payments to sales revenue of goods and services rose from 6 percent to 10.4 percent in the same period. As a result of increase in wages and salaries not related to economic development and productivity, average wages and salaries of the personnel of the SEEs which was 2.1 times of per capita GDP in 1988, reached 5.2 times in 1993.

Efforts to maintain the activities of non-financial SEEs in this structure make the reduction of public deficits and inflationist pressures difficult. It seems impossible for the SEEs to finance wages and salaries and also interest payments of this size.

Financial deterioration of the SEE system has not only affected public financing but also caused irrational utilization of resources, thus, affecting the operation of market mechanism adversely.

Exclusion of SEEs from economic rules through interventions and interference in their decisions of price, employment and investment cause their problems grow.

In 1980's, decreasing the proportional share of public sector in economy and, thus, increasing economic efficiency through privatization of SEEs maintained its importance. For this purpose, from 1984 on, institutional and legal infrastructure have been tried to be formed regarding the privatization and the management of the state-owned enterprises according to the necessities of the economy by making a series of legal arrangements.

The first legal arrangement concerning privatization was made by the Law No: 2983 in 1984. The same year, matters related to the management and activities of the SEEs were rearranged by the Decree No: 233, based on effectiveness and productivity, and privatization practices were tried to be clarified. In 1986, arrangements were made by Law No: 3291 regarding the removal of problems encountered in privatization practices.

Expected goals could not be achieved in the last decade since privatization implementations initiated, primarily because of privatization not being put into a social consensus basis, and troubles and deficiencies observed in legal and organizational infrastructure of privatization. In this period, practices of privatization was limited at a large extent, to affiliated partnerships and public participation and as of 1994, US \$ 2.3 billion was obtained as privatization revenue. Sufficient legal and institutional infrastructure could not be prepared and its purposes could not be told to public sufficiently which constitute the basic reasons of this condition.

Legal infrastructure could not ensure the detailed level, flexibility and the speed required for privatization, therefore, the need for legal arrangements continue. In order to make privatization practices to be based on secure legal grounds and place them on a wide political reconciliation basis, Privatization Law No: 4046 was enacted in 1994. The payment for Job Loss Compensation was adopted by this law for eliminating adverse effects of employment losses to arise. Studies for legal arrangements are carried on with regard to privatization programs in energy and communications sectors.

## **b) Objectives, Principles and Policies**

Main objective of privatization programme is to bring the productivity and cost structure of economy to competitive levels and to provide free market conditions in line with the integration into world markets, the aim for full EU membership and the customs union process. For this purpose, SEEs shall rapidly be privatized. Therefore, spread of capital



ownership and technological renewal shall be provided on one hand, and reducing public deficits, relieving public pressure on financial markets and decreasing public debt stock shall be made possible on the other.

Privatization program shall be appraised within the framework of purposes mentioned above in a medium and long term action plan comprising the principles, priorities, basis of implementation and timing.

In privatization process; the principles of protection of common benefits of the state and society, securing the rights of employees, developing privatization methods appropriate for the nature of institutions and the conditions which they are in, preventing negative effects of monopolist structure which may arise, providing partner groups to undertake management responsibilities and authorities as well as spread of ownership, constituting golden shares to be owned by the state on strategic matters, its carrying out within absolute transparency shall be taken into account.

In privatization process, priority shall be given to the institutions which act in a competitive environment, produce final goods and services, require large and urgent investment, make losses have no strategic importance in terms of security. The institutions whose privatization seems impossible in a short time concerning the size, fields of activity and characteristics, shall be excluded from the scope of privatization. They shall be included in the scope, after making necessary legal, administrative and financial arrangements. Institutions included in the scope of privatization shall be privatized in advance in order to prevent their being in the scope for a long time.

Methods of privatization and ownership structure after privatization, shall be evaluated by taking into consideration the features of the institutions, private capital accumulation, regional factors and socio-economic expectations and determined according to privatization possibilities. In this context, plants whose privatization is impossible while operating and inert assets of the SEEs shall be privatized by means of liquidation and sale of assets.

In privatization practices, arrangements shall be attached importance to enhance domestic and foreign capital supply and mobility, particularly to enable the activation of unutilized savings. With a view to attracting the demand for privatization, where it is required, alternative financing models shall be applied like management contracts, transfer of management rights and renting.

For the success of privatization practices, special importance shall be attached for constituting public opinion regarding the necessity and the purposes of privatization and enlightening the public and practices shall be carried out within the principle of transparency.

Solving social problems which may arise as a result of privatization shall be given priority, measures shall be developed for regions and sectors having special importance.

With the aim of increasing consumer welfare, efforts shall be made for privatization so as to increase competition and for required arrangements.

Institutional framework shall swiftly be formed to make privatization possible in sectors without competitive markets like energy and telecommunications.

The privatization activities through BOT model shall be carried out harmoniously by taking sectoral characteristics into consideration.

Obligations and responsibilities of buyers shall clearly be specified on the sales contracts. Performance criteria on matters like investment, employment, productivity, etc. shall be indicated particularly in fixed-term sales or sales for which buyer undertakes the obligation and their performances shall be supervised through independent supervisory agencies. In privatization of SEEs having strategic importance, it shall be the primary objective to provide technological renewal, not to constitute foreign monopolies and to hold the Golden Share in order to provide the control of public on critical decisions.

Parallel to these developments; to reduce public activities in manufacturing industry to a large extent; and to limit the economic activities to agricultural support, drilling and processing crude oil, railway transportation, communication and gradually decreasing part of electricity production are aimed in the Plan period.

### **c) Legal and Institutional Arrangements**

In privatization practices of energy and telecommunications sectors, a decision mechanism and institutional structure for pricing, distribution and investment policies shall be constituted regarding the protection of consumer rights by forming a competitive environment and the provision of making necessary investments. In this framework, duties and authorities of the ministries shall be redefined.

## **17. STRUCTURAL REFORM PROJECT FOR THE STATE-OWNED ENTERPRISES**

### **a) Present Situation**

In an environment of outward-oriented economy in which mutual dependency among nations increase, due to state enterprises working with a productivity and cost structure far from competition, competitiveness of the economy is affected negatively. In the process of customs union with EU, owing to the removal of protection factors like customs barriers and foreign exchange rates, a structural change in state management has become indispensable.

Due to the fact that SEEs have excessively large, unproductive and clumsy structures as a result of their undertaking many tasks at the same time, serious difficulties have arisen on public financing on one hand, and on operation of free market on the other.

In order to provide the SEEs not included in the scope of privatization, work within market discipline, the Law enabling the sequestration of all goods belong to SEEs was put into force.



Undertakings belonging to the SEEs which shall not be privatized immediately, general and annexed budget agencies, local administrations, revolving funds and social security institutions are required to have an effective structure for reducing their burdens on the economy.

### **b) Objectives, Principles and Policies**

In order to bring economic efficiency and the cost structure to competitive levels, it is necessary to reduce the burden of state enterprises on economy by ensuring their efficient and productive operation and to raise the quality of goods and services they provide. The state in its economic activity, shall not distort free market prices and shall take into account competition environment and conform to world prices.

Necessary measures shall be taken in order to ensure SEEs which are not appropriate for privatization or whose privatization is impossible in a short period to operate in a self sufficient way and by creating resources for themselves. Resource wasting establishments shall be closed down and those reinforced and designed to keep going by labour force and machinery-equipment transfers among establishments, shall be prepared for privatization.

The financing of activities of the organisations particularly performing agricultural support task and the organisations whose social aims are brought to the fore, shall be based on sound criteria and these activities shall be specified within public financing policy.

The management system of the SEEs to carry on their activities under public ownership shall be rearranged. In this context, relations of the SEEs with central administration shall be restricted by only supervision of financial and economic productivity and efficiency. Within this framework, the SEEs system shall be rearranged regarding management, and a more autonomous structure shall be formed for the appointment of the board of directors and the general director.

Authorities and responsibilities of the management of the SEEs on all sorts of assets and activities including the partnerships shall have a balanced structure.

Privileged status of the SEEs arising from public law shall be abolished and necessary arrangements shall be made to include them in private law. Furthermore, performance criteria system shall be applied, and debt limit system shall be introduced. The usage of the SEEs pricing system as a means of income transfer and subsidy shall be given up.

Excess employment shall be reduced by establishing balance relations between labour force and work load in public undertakings.

By taking the properties of the service into consideration, service production units belonging to general and annexed budget agencies and revolving fund agencies shall be organized as individual enterprises; transferring possibilities of their management by means of transfer of operating rights or management contracts to groups of entrepreneurs shall be studied.

Activities of organizations which have undertaken many tasks at the same time, other than their principal functions, shall be organized separately, reduced to a manageable operating scale and be privatized.

### **c) Legal and Institutional Arrangements**

In order to provide the SEEs to operate autonomously in management and according to market conditions, arrangements shall be made on Decree having the force of Law No: 233 for restricting the relations of the SEEs with central administration by only supervision of financial and economic productivity and efficiency, introducing an effective performance evaluation system, changing the existing process of appointment and ensuring autonomy in decision making.

## **IV. ESTABLISHING REGIONAL BALANCES**

### **18. REGIONAL DEVELOPMENT AND PHYSICAL PLANNING**

#### **a) Present Situation**

##### *Regional Development*

Since each region in the country has different possibilities, characteristics and problems, it is indispensable to have a new planning approach in which sectoral preferences and spatial analysis are handled together.

In the Seventh Plan period, studies for regional development will be benefited from in order to minimize interregional development disparities, to increase the level of welfare of the population living in underdeveloped regions and to stabilize the structure of migration of people.

Although policies and measures for Development Priority Regions made by Development Plans before the Seventh Plan created positive results in improving underdeveloped regions and reducing interregional development disparities, continuing interregional imbalances are still persisting to be a problem.

Although terrorism, dominating especially the certain cities of the Eastern and Southeastern Anatolia is about to be halted, it still gives rise to social unrest, discourages new investments and creates difficulties in running existing plants. This causes speed of domestic migration to exceed urban capacities thus affecting development activities in a negative way.

Insufficiency of qualified manpower and capital observed in the Eastern and Southeastern Anatolia, marketing difficulties and especially the fact that the Iraqi Market is still closed altogether curtail the desire of private entrepreneurs to invest and cause existing plants to run at low capacities.



In the period of the Sixth Five Year Development Plan, implementation in the fields of public finance, investment and personnel policy have been continued by giving priority especially to the First Degree Development Priority Regions made up of relatively underdeveloped cities of the country to help develop more rapidly.

Detailed studies have been carried out and an Action Plan has been put into application for the cities that constitute a geographical unity in the Regions of Eastern and Southeastern Anatolia.

An Urgent Support Program was implemented in 1994 with a view to meeting certain urgent needs of these cities in the regions of the Eastern and Southeastern Anatolia.

The Southeastern Anatolia Project has continued to be implemented as a multi-faceted, integrated development project. Within this framework the Atatürk Dam has been completed and water has been brought to the Harran Plain.

On the other hand, problems existing in relatively developed regions are becoming important and urgent due to rapid development and urbanization.

Problems such as open unemployment in metropolitan areas, land speculation, unplanned constructions, insufficiency of energy and water supply, environmental pollution and difficulty of urban transport are becoming more difficult to surmount.

#### *Physical Planning and Urbanization*

Lack of planning stages between the Development Plans and the Urban Development Plans and confusion of authorization being experienced in processes of various planning activities and applications laid down in the Law of Reconstruction No: 3194 have brought about negative results that irrational decisions were taken in developing and allocating resources of the country and that local investments could not be oriented in accordance with proper choice of sector and location.

Migration movement being in the form of flowing directly into the largest cities by skipping over intermediate size settlements in Turkey where in the past a residential form composed of small and scattered regions was dominant has, due to improper applications, given rise to important social and economic problems of structural changes to rapidly growing urban investment requirements and to imbalances in classifying residential pattern.

In the process of urbanization horizontal balances at country level and vertical balances at population level could not be established.

The ratio of the urban population to the overall population is estimated to have risen to 60.9 percent in 1995. Due to urbanization speed which is estimated as 4.4 percent annually in the period 1990-1995, infrastructural and superstructural investments in cities are insufficient in responding to the needs of the continuously increasing population.

Urban population in Turkey is estimated to be 37.8 million in 1995. The city of Istanbul comprises only by itself 14.9 percent of the total country population. Istanbul is followed by a group of cities having populations of 1 to 5 million comprising 12.4 percent. Therefore the number of cities having population of over 1 million or more increased in the period 1990-1995.

**Table 37 - Population by Settlement Size**

Settlement Size	Population (Thousand)		
	1985	1990	1995
Less than 5.000	22 402	20 991	18 749
5.000-20.000	4 336	4 966	5 568
Over 20.000	23 926	30 516	37 854
TOTAL	50 664	56 473	62 171
Settlement Size	As Percentage of Total (%)		
	1985	1990	1995
Less than 5.000	44,2	37,2	30,1
5.000-20.000	8,6	8,8	9,0
Over 20.000	47,2	54,0	60,9
TOTAL	100,0	100,0	100,0
Settlement Size	Annual Average Growth Rate (%)		
	1985-1990	1990-1995	
Less than 5.000	-1,3	-2,1	
5.000-20.000	2,7	2,4	
Over 20.000	5,0	4,4	
TOTAL	2,2	2,0	

Source: SPO

**Table 38 - Change in Percentage of Urban Settlement Size**

(Percent)

Settlements Size	1985		1990		1995	
	As Percentage of Urban Population	As Percentage of Total Population	As Percentage of Urban Population	As Percentage of Total Population	As Percentage of Urban Population	As Percentage of Total Population
Over 5.000.000	24,0	11,4	23,6	12,7	24,4	14,9
1.000.000-5.000.000	6,9	8,0	18,4	10,0	20,3	12,4
500.000-1.000.000	8,1	3,8	11,3	6,1	15,1	9,2
100.000-500.000	25,4	12,0	22,1	11,9	16,4	10,0
50.000-100.000	11,8	5,6	11,7	6,3	11,9	7,2
20.000-50.000	13,8	6,5	13,0	7,0	11,9	7,2
Total Urban Population	100,0	47,2	100,0	54,0	100,0	60,9
Total Population	-	100,0	-	100,0	-	100,0

Source : SPO



Since planning activities have not been emphasized and priority has not been given thereto in the cities, problems of rent seeking in an illegal way in the cities have increased and problems concerning infrastructure and transport in the larger cities have become difficult to surmount and squatter areas have increased. Unlicensed construction has been encouraged due to the fact that urban land production has not responded to the needs. More than half of the housing premises in large cities are unlicensed constructions.

Although, through certain individual projects, restoration of regions having historical, natural and cultural values has been carried on, these activities have not been placed in the framework of policies based on countrywide criteria concerning application priorities, target area groups and financial sources.

In order to ensure a balanced settlement throughout the country and prevent cities from having extreme physical growth, the need to support alternative urban settlement schemes have always stayed on the agenda. Limited success has been obtained in restricting industrial incentives given to large cities, in orienting physical and financial incentives towards other regions and to medium-size cities and in supporting these cities through infrastructural projects.

Those migrating to cities cannot, adapt themselves to city life by staying away from a culture of information, capital, technology and competition, in an effort not to loose their identities.

Rapid population increases in large cities are not in harmony with economic capacities of these cities, giving rise to unemployment of the young and criminal tendencies.

Use of urban land, apart from housing, is insufficient as compared to the standards of the developed countries. Research studies have shown that land allocation in cities in the period 1970-1990 has been 40 percent to housing, 6.8 percent to industry, 8.8 percent to city streets and squares, 2.2 percent to green areas and 1.1 percent to commercial activities. Cities having limited areas for transport, trade, recreation and public use seem to be almost made up of houses only.

The rapidly increasing rents in urban centers and the fact that the state does not obtain an adequate share of the returns from these created by her infrastructural services have led to the formation of an illegal market.

### *Housing*

Total number of housing units produced in Turkey by 1993 is estimated to be 11.5 million, 8 million of which are placed in regions having population of more than 20 thousand.

Housing problem has become as important as ever today from the angle of economic and social policies created as a result of rapid increase in the population, the migration and the urbanization that have characterized the planned period.

While in the period of the Fifth Plan, the number of housing units produced was 934 thousand, the figure is estimated, in the period of the Sixth Plan, to have increased to 1.3 million accounting for 90 percent of the plan target.

It is estimated that the share of housing sector, by 1994 prices within total fixed capital investments in the Sixth Plan Period was 32 percent in 1990, 31 percent in 1991, 30 percent in 1992 and in 1993 and 39 percent in 1994.

Certain changes have been made with regard to using sources of the Mass Housing Fund with a view to completing rapidly housing units under construction through credits for completion and for infrastructure. Legislative arrangement has been made in order to support building of housing units by contributions of municipalities.

The number of housing units obtained credit from the Mass Housing Administration from its foundation year of 1984 to 1994 has been 911.915, 787.009 of which have been completed. In recent years it is observed that the number of credited housing units is on the decline.

There have existed certain bureaucratic procedures and a problem of finding land at least for 400 housing units in practice, introduced with the context of the regulation entered into force with a view to procuring housing units designed by municipalities and the Mass Housing Administration.

Applications commensurate with the purpose have not been started concerning the Law No: 3320 on Making Contribution to Workers and Civil Servants and Their Pensioners to Purchase Home.

It is getting more important that institutional arrangements should be made so that little savings could be used to find new sources for housing procurement and that the capital market be developed.

The rate of rented houses is increasing as compared to the rate in the previous years. The rate which was 22.8 percent in 1985 rose to 29.7 percent in 1990. While this rate was 4.4 percent in small towns and villages in 1985, it rose to 10.7 percent in 1990.

It is important to undertake a housing census to determine the quality and stock level of housing units.

It is necessary that the Law of Flat Ownership be amended and updated.

## **b) Objectives, Principles and Policies**

### *Regional Development*

The main objective is to achieve economically, socially, culturally and politically coherent development that would contribute to the strengthening of national unity.



The idea that the social and economic interests could be maximized only through national unity will be strengthened.

For the highest economic and social interests, the national resources will be developed, and regional imbalances regions will be reduced to the possible minimum extent.

The living standards of the population in the less developed regions will be approximated to national averages through enhancing their income levels.

Taking account of the interactivity of social, economic, cultural and spatial policies, the sectoral policies will be equipped with spatial dimensions.

To this end; for the relatively less developed regions, mainly the Eastern and Southeastern Anatolia Regions, regional development projects will be set out with a due consideration to local resources and development potentials.

For the Eastern and Southeastern Anatolia regions, a Rehabilitation Project, by which the housing and animal husbandry sectors are to be induced with a view to generating employment possibilities, will be introduced.

Regional development activities and physical plans will be conducted within the framework of sustainable development that requires a special care for the environmental effects of the development and ecological balances. The activities will be consistent with the Development Plans.

To tackle the fast demographic changes and high rate unemployment in the less developed regions and particularly in the Eastern and Southeastern Anatolia regions; local resources will be employed, agricultural development projects will be set out, animal husbandry and fruit-vegetable agriculture and industrial plants with higher value added and related rural processing industries will be supported. Priority will be given to rural employment with higher productivity while the labor-intensive projects of mainly housing sector will be introduced.

In rural areas, guidance and consultancy services will be provided to facilitate the inflow of service and information in modern sense to develop entrepreneurship with the contribution of local authorities and to help cooperative organizations to disseminate in an efficient way.

For all people, a rural and urban spatial organization ensuring a modern living standard will be established. Special attention will be paid to balanced supply of public services nation-wide and to benefiting from the services on a non-discriminative basis.

Sufficient resources will be allocated to the less developed regions so that these regions can integrate with the other regions of the country economically, socially and culturally.

Development policies may be differentiated in accordance with the needs of the regions and provinces.

In those regions which are not eligible for industrial activities, such activities as animal husbandry, agriculture and craftsmanship will be encouraged depending on the regional characteristics.

For a balanced habitation structure nation-wide, a habitation plan in line with the directions of the Plan will be introduced. The habitation plan will be a basis on which the policies could be made for balanced population movements.

To reach a modern living standard, the quality of urban infrastructure and its environment, mainly transportation and communication will be enhanced up to the world standards.

The family planning will be implemented in the regions with a higher birth rate.

When needed, taking into account the social concern, the public will undertake investments in the Priority Developed Regions to give an impetus to development and to create employment.

For the studies on regional basis, the required statistical data will be obtained while the land exploitations and ownership will be investigated for functional regional plans.

To induce the regional development, the rural industries that produce a higher value added through processing the raw agricultural products will be encouraged.

With the aims of achieving more balanced growth between rural and urban regions and establishing optimal size for farm lands, the institutional and legal arrangements regulating the purchasing and selling of unexploited lands and Treasury land will be made.

As a multi-purpose regional development project, the implementation of the GAP will be carried out as scheduled.

The environmental impact assessment studies for the GAP will be put into effect. Similar studies for other regions will be carried out when required.

In the GAP region, on farm development works will be completed before the irrigation. Meanwhile, the farmers of the region will be imparted extension services especially training and land consolidation together with irrigation activities will be handled on a faster pace.

As for the urban infrastructure in the GAP region, especially the issues of municipal water and sewerage will be worked out.

In the Plan period, the organized industrial estates in the GAP region will be completed priority will be given to the smaller ones.

For the provinces of Zonguldak and Bartın which are given priority in the context of privatization practices; the Zonguldak-Bartın Regional Development Project featuring the required infrastructure investments, mapping out the sectoral and spatial development destinations and suggesting new employment fields will be completed and applied.



To minimize the damage to natural and cultural assets, in selecting the locations for settlement and development, the existing natural characteristics and ecological balances will be taken into consideration.

A regional development approach on the basis of sustainability that also cares about cultural and natural assets and is capable to motivate and activate the local resources, will be developed. Also the measures will be taken to minimize the damages caused by natural disasters.

Country-wide maps for land exploitations and earthquakes will be prepared. These activities together with the proceeded cadastration will be reference yardsticks in the regional and physical planning studies.

Within the scope of the regional development projects, measures for the protection of land and water resources will be introduced on the basis of provinces.

As for the public investments to be placed in regions where settlements are many and highly dispersed, such as in Eastern and Southeastern Anatolia, priority will be given to selected regional development centers. These centers will be furnished with social, physical and technical infrastructure investments enough to be benefitable also for the peripheral settlements.

To this end, in the planning of rural area settlement order, within a special emphasis on the Eastern and Southeastern Anatolia Regions, the central habitations will be supported so as to be able to be benefitable for the rural peripheral settlements.

The dispersed settlement structure in our country, besides the above mentioned investment policies will be backed by other encouraging measures with the result of achieving a more effective distribution of services and infrastructure.

To encourage the investments and to increase the productivity in the Development Priority Regions, state aids will be granted to private sector. The aids will be intensified in such regional development centers which are able to reach the appropriate demand threshold.

In relatively lesser developed regions, the transportation infrastructure will be given special attention to have these regions integrate with more developed markets.

In orienting the private sector investments to the selected regional development centers, the organized industrial estates, as a convenient instrument, that not only allow for an orderly urban development but also helps industrial activities benefit from external economies, will be used to a maximum extent.

The organized industry sites in the less developed regions, either on the stage of construction or nationalization or blue-print will be completed in the Plan period.

In the provinces defined as developed and normal regions, the activities to establish the specialized Organized Industrial Estates will be speeded up. The R&D activities and university-industry cooperation will be encouraged to enable the sites to use new technologies.

To enforce the relations between regional industrial centers and small industrial estates, some selected industries will be promoted.

Small and Medium Size Industries Development Organization (KOSGEB) will implement projects to encourage entrepreneurship in less developed regions, especially the in Eastern and Southeastern Anatolia Regions. Under the projects, these enterprises will be financially supported through The People's Bank of Turkey.

Export capabilities of the less developed regions to the foreign markets will be improved. Accordingly, to increase the exports to the neighbour countries, border trade and free trade zones will be promoted.

In the less developed regions, especially in the Eastern and Southeastern Anatolia Regions, the activities of pasture improvement, land integration and agricultural reform will continue.

The investments falling within the scope of Action Plan prepared for the Eastern and Southeastern Anatolia Regions, will be carried out. In certain cases of emergency, Urgent Support Programs will be set in motion.

In the less developed regions, the projects (e.g. agricultural, manufacturing, tourism etc.) conducted by provincial administrations and municipalities will go on to take support through sufficient resource allocations.

Taking into account the importance of animal husbandry in terms of income and employment especially in the Eastern and Southeastern Anatolia Regions, family farming in this field will be encouraged.

For a more effective public service supply in less developed regions, particularly in the Eastern and Southeastern Anatolia Regions, necessary measures will be taken to tackle the labor shortages in both quantitative and qualitative terms.

The existing organizational structures of public administrations will be adjusted to the requirements of the regional development activities. Taking into account that province is the basic administrative unit, Provincial Development Plans will be prepared in provision of all public Services and provinces will be strengthened commensurate with their importance and in line with the regional planning decisions.

Especially in principal cities of the regions and in their peripheries, the existing green areas will be protected, and new afforestation activities will be realized.



*Physical Planning and Urbanization*

It is estimated that between the years of 1995 and 2000, the population of rural settlements under 5000 people will reduce to 13.7 millions with an annual average decrease of 8.7 percent, the population of semi-rural settlements with 5000-20.000 people will increase to 9.5 millions by an annual average increase of 2.7 percent, the population of urban settlements over 20.000 people will reach up to 47.6 millions by an annual average increase of 4.7 percent.

It is estimated that in the same period, the total population of bigger cities with 1 to 5 millions people will increase from 7.7 millions to 12.5 millions by an annual average of 10.2 percent. It is expected that the population of Istanbul, the biggest city of Turkey, will increase to 11.5 millions by the year 2000, the share of its population within the total urban population will be around 24 percent while the population growth rate per year will be about 4.5 percent. In the period of 1995-2000, policies to slow down the migration to bigger cities of over 1 million population, will be introduced.

**Table 39 - Population Projection According to Settlement Size**

Settlement Size	1995		2000		Annual Average Growth Rate for 1995-2000 Period (%)
	Population	Percentage	Population	Percentage	
Less than 5.000	18 749	30,1	13 419	19,9	-8,7
5.000-20.000	5 568	9,0	6 364	9,5	2,7
Over 20.000	37 854	60,9	47 550	70,6	4,7
<b>TOTAL</b>	<b>62 171</b>	<b>100,0</b>	<b>67 332</b>	<b>100,0</b>	

Source : SPO

**Table 40 - Changes in Urban Population**

	1995		2000		1995-2000 Period Average Annual Growth Rate (Percent)
	Population (Thousand)	Number Urban Settlement	Population (Thousand)	Number Urban Settlement	
Over 5.000.000	9 245	1	11 521	1	4,5
1.000.000-5.000.000	7 699	4	12 528	7	10,2
500.000-1.000.000	5 721	8	4 777	6	-3,5
100.000-500.000	6 204	32	8 309	44	6,0
50.000-100.000	4 496	64	5 488	79	4,1
20.000-50.000 ;	4 488	140	4 927	160	1,9
<b>TOTAL</b>	<b>37 853</b>	<b>249</b>	<b>47 550</b>	<b>297</b>	<b>4,7</b>

Source: SPO ↓

It is estimated that the share of urban population which is estimated as 60.9 in 1995 will go up to 70.6 percent in 2000, and the urbanization growth rate which followed a slower pace in 1990-1995 period will rise again in the period of 1995-2000 having been affected by internal and external socio-economic factors.

**Table 41 - Urbanisation Rate and Urbanisation Ratio**

(Percent)

Year	Average Annual Growth Rate	Percentage to Total Population
1990	5.0	54.0
1995	4.4	60.9
2000	4.7	70.6

Source: SPO

In the planning of settlements, the process of planning-implementation-monitoring will be revised in a way that it will serve for integration and orientation.

The living quality and environment in the cities will be improved.

For the sake of horizontally and vertically balanced urbanization, a due attention will be paid to the fact that the public investment and subsidy policies should not encourage the ongoing migration to the metropolises. Instead, the migration will be directed to the regional centers and medium sized cities. The cities that are to be developed to this end will be furnished with industrial subsidies, infrastructure, services and housing investments.

In urban planning, the data base and organizational structure will be improved while new approaches and technologies will be used.

The regulations in effect pertaining to the preparation of local reconstruction plans and making the necessary changes in master reconstruction plans and implementation of rehabilitation reconstruction plans and amendments to such plans will be revised.

Urban land supply, infrastructure and housing issues will be tackled cohesively on an integrated basis. To avoid leaving leeways for squatters, the measures that enable the state to benefit from the generated value added will be taken.

It is targeted that one city, at minimum, will become, by the end of the Plan period, an international center.

A special importance will be given to specialization among the cities.

Necessary measures will be taken for the protection and restoration of natural, cultural and historical heritage in the cities. Accordingly, the architectural style and other properties that contribute to the identity of the cities will be protected and improved.



To avoid a uniform urbanization, the standardized construction regulations will be modified in order to diversify the identities of the cities.

The contribution of private sector will be sought in urban services as well as in recreation and intellectual activities.

For the population migrated to the cities, orientation programmes by means of educational institutions, voluntary and civil organizations and mass media will be implemented.

### *Housing*

In less developed regions, principally in the Eastern and Southeastern Anatolia Regions, housing production will be increased through new projects.

It is estimated that during the Seventh Plan period, additional housing requirement, caused by demographic changes, in the settlements with a population less than 20 thousand will be 148 thousand, while, 2.142 thousand in the settlements habitations with a population more than 20 thousand. In addition to this, about 50 thousand houses per year will be needed for some other reasons like renewals and natural disasters. Consequently, the total housing requirement in the Plan period is 2.540 millions.

**Table 42 - Housing Requirements**

(Thousand)

Years	Demographic Requirement			Renovation and Disaster Housing Requirements	Total Housing Requirements
	Population of Cities under 20000	Population of Cities over 20000	Total		
1996	28	382	410	50	460
1997	29	419	448	50	498
1998	29	434	463	50	513
1999	30	436	466	50	516
2000	32	471	503	50	553
<b>TOTAL</b>	<b>148</b>	<b>2 142</b>	<b>2 290</b>	<b>250</b>	<b>2 540</b>

Source: SPO

To cope with the housing problems caused by faster urbanization and increasing population, the housing production will be encouraged through appropriate instruments that will not constitute an extra burden for the government budget.

All practices concerning urbanization, will be handled in a comprehensive manner and urban land, housing and infrastructure and implementation will be conducted by central and local administrations in coordination.

The legislation pertaining to the squatters will be amended to match the actualities.

Wide use of modern housing technologies will be encouraged.

The legislation pertaining to the natural disasters will be amended to match the actualities.

In Turkey, where 92 percent of her area is under earthquake risk, to avoid the natural disasters and to minimize its damage, necessary measures will be taken.

Periodical censuses for housing will be launched. In order to get updated data, a Housing Data Bank will be established.

### **c) Legal and Institutional Arrangements**

To speed up the efforts for development in regional and provincial levels and to remove the malfunctions, necessary amendments to such legislation as Provincial Administration Law, Local Administration Law, Reconstruction Law and Municipalities Law will be made.

Should the draft law amending the Provincial Administration Law No: 5442 be enacted, the governors might employ personnel with appropriate expertise in project development and provincial planning.

Local governments will be enforced through some amendments to the Local Administration Law No: 3360. By means of the amendment, certain services presently falling into the category of village services will be conducted by local administrations.

The Law of Municipalities No: 1580 will be revised in light of actual needs. Accordingly, the authority and responsibilities of the municipalities will be enforced under the principle of decentralization. The measures taken will ensure the efficient use of resources by the municipalities.

Certain amendments to the Law of Reconstruction No: 3194 are also required. The amendments should introduce provisions concerning the followings: The distribution of authorities and responsibilities between central and local governments should be well-balanced in order to avoid the lack of coordination and authority interferences in the process of planning and implementation. The activities related to construction at all levels from central to local including the preparation and implementation of reconstruction plans, their compatibility with one another, objection terms, finalization of the plans and the rules for modifications should be clearly spelled out in the amended law.



The amendments to the Law of Reconstruction No: 3194 should also set out provisions to cover: the means ensuring a fast and flexible implementation of a plan with the contribution of new technologies, the responsibilities and sanctions for those who are involved in the plans.

Other amendments should include provisions that stipulate the introduction of clearly set out rules for the modification of plans by the subsequent regulations about reconstruction plans in general including local and uniform reconstruction plans. Further to the projected improvements, the authority for the preparation of local reconstruction plans will be given only to the concerned public administrations while a coherent integration between such local plans and regulatory city plans will be ensured. In the stages of planning and implementation, importance will be placed in avoiding a uniform urbanization; thus, the cities will be diversified on the basis of their individual historical, geographical and architectural merits.

In order to put an end to the implementation of reconstruction plans that presently allow a leeway for unfair benefits and illegal practices, the provisional articles regulating the reconstruction plans of the Laws No: 2981 and 3290 pertaining to Pardons in Construction will be repealed.

The Law No: 7269 pertaining to Measures and State Aids in the Case of Natural Disasters Affecting General State of Life will be revised with a view to implementing the decisions swiftly in emergency cases before and after the natural disasters, and to secure an effective coordination between related bodies.

In mass settlement areas, managerial and operational matters will be re-regulated through several arrangements including the amendments to the Flat Ownership Law.

For converting the squatters, that account for more than half of the bigger cities, into legal dwellings; transferring the generated benefits to governments; making auto-financing projects to renovate and modernize the cities, amendments will be made to the Law of Squatters No: 775.

An organization, will be established to deal with the purchase and sale of the agricultural lands under the Treasury possession and the unexploited agricultural lands.

For an orderly settlement habitation in rural areas and for the settlement of immigrants from foreign countries, the Settlement Law No: 2510 will be revised to match the actual state of conditions.

To allow the up-dating of out-of-date land survey data which are no longer precise, the Law pertaining to the Renewal of Maps of Deeds and Cadastral Registration Maps No: 2859 will be amended.

The Cadastral Law No: 3402 will be amended to allow for mapping out the lands which are, under the possession of the Treasury but not surveyed and, eligible for being private real-estate.

For a more comprehensive and precise data collection and supply, a Data System for Land Registration and Cadastral Information will be established under the Directorate General for Land Registration and Cadastral Survey.

## **19. ARRANGEMENTS REGARDING METROPOLISES**

### **a) Present situation**

Arrangements regarding metropolises are one of the fundamental structural transformation projects that will be attached priority in the Plan period with a view to working out the problems faced by such cities and , to be able to transform them into nationally and internationally modern metropolises.

In addition to the increase in desire to live in the cities, the concentration of industry and trade in certain major cities and the greater opportunities for finding jobs in comparison with other places, have increased the tendency to migrate to these centers.

As a result, apart from unemployment, problems of settlement, housing, environment, infrastructure, transport, health, education and public order have all increased.

The existing legal and administrative structure could not supervise and manipulate the adverse effects of intensive migration to the metropolises.

Given the deficiencies in the cooperation between municipalities and central government administrations and the failure to carry out the necessary inspection work effectively, public land has been occupied and unplanned urban growth has taken place.

Industry having greatly developed within the metropolises, the areas available for settlement has been limited, traffic has become congested at certain points and additional burdens have been placed on the environment and the urban transport network.

Istanbul, as the greatest of the metropolises, accounts for one third of the country's industrial employment, one third of its imports and one fifth of its exports. 24 percent of all Turkey's industrial establishments are located in Istanbul, along with 20 percent of all her commercial enterprises. Istanbul has entered a growth process with economic and social problems that can hardly be dealt with.

Solid waste management systems capable of sorting and recycling waste and storing it in a regular and safe manner without damage to the environment have not yet been set up. Unhealthy dump areas are emerging since dump areas are not defined on reconstruction plans.

The transport infrastructure and mass transport services of especially Istanbul is inadequate. The two bridges across Istanbul Straits, providing for urban and transit traffic are inadequate and a third crossing is needed.



About 40 thousands vessels a year, a half of which are foreign flag vessels, transit the Bosphorus. Of the 444 sea accidents registered between the years of 1952-1991, 35 percent occurred within the past 4 years. This situation constitutes serious problems with respect to sea transportation in Istanbul and safety in Bosphorus.

Especially in Istanbul pollution is increased by the uncontrolled and high carbon monoxide content of gas emissions from motor vehicles, and by the widespread use of low-calorie coal with high sulfur content.

Through amendments to the Law No: 4102, the Law on the Protection and Security of Certain Institutions and Establishments No: 2495, foresees the possibility of setting up private security organizations in shopping centers, commercial and touristic places in Istanbul and in the other cities has been introduced.

### **b) Objectives, Principles and Policies**

Metropolises, through displaying their foremost characteristics as financial, touristic, cultural and artistic centers, will be promoted into modern cities on a par with international standards.

In order to remove the imbalances caused by migration that has placed a hardly bearable burden on metropolises, site selection of industries will be re-oriented. To this end, countrywide development of growth poles will be supported. Thus, service and job opportunities enjoyed by bigger metropolises like Istanbul will be availed in these centers as well.

To handle the problems of metropolises and peripheral provinces, and regional development plans will set in where needed to designate the mid-term social and economic development pattern.

Within this framework, by means of commercial, industrial and housing policies to be developed, environmental and spatial qualities will be protected and urban growth will be taken under control. To accomplish this, reconstruction plans will be drawn up for metropolises and neighbouring provinces in a manner that all above mentioned components will be well integrated to one another.

Since the existing administration system is incapable of meeting the needs of the metropolises through a dynamic regional structure, public administrations will be revised in order to improve the efficiency of local governments. To this end, provincial special administrations will be made more effective.

It is aimed that Istanbul, going beyond its present identity as a regional metropolis developed throughout the history, will transform into a modern metropolis in international standards. To this end social, cultural and economic functions of Istanbul will be enforced through ensuring a planned development.

Since the spatial dimensions of Istanbul requires security services different from those in other cities, security organizations will be restructured.

In financing the investments and services in metropolises the contribution of local resources will be increased.

For achieving a countrywide balanced industrialization, the industrial facilities in Istanbul and peripheral area, that cause serious problems, will be encouraged to re-locate in other regions. Accordingly, the industrial intensity in Istanbul and its periphery will be lowered and general investment incentives in some sectors will be limited.

To avoid the central concentrations in metropolises, satellite settlements will be created and, Istanbul, for example, will have a multi-central structure by diffusing urban functions.

In addition to the Regional Development Plans covering metropolises and peripheral cities; the physical plans, upon which the development areas will be determined, will be made consistent with the Regional Development Plans.

Within the periphery of metropolises, urban development areas will be planned.

Mainly through the use of public lands, planned building plots provided with infrastructure will be generated, and the shortages in housing will be met through the mass-housing practices there by accruing revenues for the public sector.

For those who illegally occupy and/or construct a building on Treasury lands and particularly on preservation, historical and forestry sites there by acquiring a benefit, deterrent penal measures will be introduced through amendments to the relevant laws.

With a view to shifting, in Istanbul where the volume of urban traffic is 5 million passengers a day, the transportation burden on roads partly to the sea and railroad transportation, an Urban Transportation Master Plan will be prepared and implemented. Similar plans will be put into effect for other metropolises when needed.

Mass and individual transport vehicles will be subject to effective and perpetual checks with respect to traffic safety and general health conditions. Emphasis will be put on education on traffic, and legal arrangements will be made to introduce effective measures deterring the traffic crimes.

In metropolises, primarily in Istanbul where the number of registered motor vehicles amounts to about 1.2 million, land plots suitable for serving as parking lots will be assigned. Necessary arrangements will be done to allow the land plots belonging to real persons to be used as parking lots.

To alleviate the concentration of maritime traffic in Istanbul, the capacity of the Derince Harbour will be increased.



The construction of Istanbul and Ankara subways, which are expected to be important in the solution of problems of transportation and traffic , will be completed as scheduled. Another project that will be launched in the Seventh Plan period is the third link across the Bosphorus upon type of which will be decided by the relevant project study.

Measures for cleaning up and preventing pollution in the Gulf of Izmir will be supported and alternative harbours will be developed.

Considering the increasing number of flights and passengers, the capacity of Atatürk Airport, that already serves domestically and internationally for 7,5 million passengers per year, will be increased. Furthermore, in the Seventh Plan period another airport and technopark meeting the need of the Anatolian side will be constructed.

In order to prevent the adverse effects of dumps to the environment, additional dump areas will be allocated and solid waste management systems capable of sorting and recovery and storing in a regular and safe manner without damaging the environment will be set up. And, private sector will be encouraged to venture in this field.

Priority will be attached to the rehabilitation of dumps in metropolises.

Works on making natural-gas a wide-spread utility in metropolises will be accelerated; and existing projects with lower capacity will be revised to this end.

Furthermore, measures will be taken for securing of the use of high-calorie coals together with imported ones and, to prevent the illegal use of the low-calorie coal in the cities.

Importance will be given to heat insulation in new buildings for the purpose of energy saving. The relevant regulations will be implemented effectively.

Regulatory arrangements will be made introducing the stack filters and treatment facilities as basic requirements for the industry.

Regulatory arrangements, providing the private sector to collect the rubbish and bilge of the vessels sailing in the coasts, the straits and the Marmara Sea, will be made.

The public services supplied in metropolises will not be subsidized and, in financing the services the local resources will also be made use of.

For the safety of transit sailing in the Bosphorus, an organizational structure to serve for controlling and providing emergency aid will be established.

The urban security services already conducted under the standing regulations, will be organized and administered subject to special regulations of in face of huge sizes and populations of metropolises.



District administrators in metropolises will be given sufficient authority to handle the issues within their district limits.

### **c) Legal and Institutional Arrangements**

To take the necessary measures concerning the metropolises and to eliminate the malfunctions, amendments will be made to the Provincial Administration Law, the Law on Squatters, the Land Office Law, the Law pertaining to the Development of Forest Peasants, the Bosphorus Law, the Law on the Preservation of Cultural and Natural Entities, and the Metropolitan Municipality Law.

An amendment to the Provincial Administration Law, No. 5442 will allow the governors to employ personnel with appropriate expertise in project development. Hence, in metropolises, provisions will be provided to employ expert manpower in provincial planning activities.

The penal provisions of the Law on Squatters No: 775, have already exhausted the power of exercise with respect to obstructing the construction of squatters and illegal buildings. The usurpation of the lands belonging to public offices or natural persons has not been prevented. Upon the enactment of the Draft Law in concern in the TGNA, measures with dissuasive effects will have entered into force.

The provision of the Law No: 775, laying down the rules for transferring the lands from the Treasury and special administrations to municipalities and stipulating that only the municipalities established before the year of 1966 are authorized to exercise this right of transfer, will be amended on the grounds that it constitutes an unfair practice against the municipalities founded after 1966.

An amendment, that has been submitted to the General Assembly of TGNA, to the Land Office Law No: 1164 will provide the Land Office with the authority of selling land plots not only via public offices but also via private legal persons. With the enactment of the Draft, the process of producing urban land plots and housing will be sped up, mass-housing practices will be promoted and, municipalities will be benefited through dividends allocated out of the proceeds from the sale of real-estates belonging to the Treasury.

With enactment of the Draft in the TGNA that introduces an amendment to the Law on the Development of Forest Peasants, No: 2924, the sale of the lands already deforested and urbanized will be made possible through which the state will be able to benefit from the proceeds of the sale itself and other subsequent transactions by means of the charges on title-deeds as well. Predictably, there is considerable amount of land, about 150 million square-meters only in Istanbul, that the Treasury will be able to benefit from.

Adoption of the Draft Law on the Establishment and Functions of the Administration of Istanbul Drinking Water Basins and the Bosphorus Preservation and Construction that is already under review of the TGNA Commission of Public Works, Construction, Transportation and Tourism will ensure the preservation of the Bosphorus and the drinking water basins



and, that illegal practices and practices not conforming to the Reconstruction Plans will not be allowed.

Enactment of the Draft Law amending the Law on the Preservation of Cultural and Natural Entities, No: 2863, will provide the possibility of transferring the civil architectural values that should be reserved such as palaces, villas, houses, streets and mansions to the disposal of the Ministry of Culture via the Treasury upon a request by the governor concerned.

Although the Law No: 3030 has provided the metropolitan municipalities with the authority of supervision over the reconstruction plans drawn up by the district municipalities, this provision has been ineffective due to the lack of clarity in the rules about durations. This sort of malfunctions will be removed through an amendment to the said Law.

## **V. PRESERVATION AND IMPROVEMENT OF THE ENVIRONMENT**

### **20. INSTITUTIONAL ARRANGEMENTS IN CONNECTION WITH THE ENVIRONMENT**

#### **a) Present Situation**

Although the concept of sustainable development was adopted in the Sixth Plan, only limited success has been achieved in ensuring that environmental factors are taken into account in all economic and social decisions made. Similarly, insufficient progress has been achieved in terms of organizational and legal arrangements for functional and dynamic environmental management. The responsible institutions from environment management have failed in ensuring coordination, cooperation and division of work between themselves and, in setting up a financing system for the environment and an environmental data base. Further to these failures, the existing legislation is quite short of achieving an effective environmental legislation.

The environment policies in the Development Plans, whereas had previously depended on the passive approaches seeking the means to cleaning up the already built-up pollution, have gradually evolved into more sophisticated ones of which the first is the one depending on strategies on preventing pollution and the second is the one depending on the principle of sustainable development which gives priority to the integration of the environment and economy.

For a sustainable use of the natural and manmade environment, local, regional and central policies and strategies that make use of economic, administrative, legal, political, social and cultural instruments, are needed.

The Ministry of Environment, founded to design basic policies of the environment, to ensure coordination and cooperation between related institutions, is far from fulfilling these functions. The provincial organizations of the Ministry have not been fully functional due to the lack of technical equipment. Furthermore, the lack of clearly set out management rules at the levels

of center, provinces and municipalities has constituted barriers to an effective environment management.

In Turkey, there are plenty of legal arrangements concerning the conservation of environment. The Environmental Law, related regulations and other legislation contain some deficiencies, contrasts and repetitions causing practical difficulties in implementation.

With respect to the environmental legislation, the problem lies within the fact that the Environmental Law No: 2872 has lagged far behind the actualities.

The facts that the provisions of the Law lack the sufficient power of exercise and, neglects environmental conservation, giving importance only to pollution and do not introduce arrangements for participation and education, are all considered as serious obstacles to an effective management.

In order to increase the effectiveness of environmental management, the administration has been elevated to the status of a ministry. However, it still has not taken on a form that enables it to ensure coordination and cooperation with other institutions with responsibilities for the environment.

Since in establishing the organizational structure, the new structure has been built upon the previous one, keeping it as it was, controversies exist in authority, competences and responsibilities between the related bodies. The fact that the same authority has been given to several bodies, together with the failure in ensuring coordination and cooperation, has taxed the success in the environment conservation services.

The same uncertainties observed in central body hold for local administration bodies and for environmental activities of municipalities. The Environmental Law and other related legislation have given the supervisory authority to municipalities and local administrative bodies. However, due to the insufficiencies in technical equipment, infrastructure, qualified personnel and resources, the said authorities have turned out to be useless.

International rules, particularly the Agenda 21 Action Plan adopted upon the 1992 Rio Environment and Development Conference, have a binding nature for the countries. Under the circumstances, with a view to fulfilling international obligations Turkey has yet to set up a legislative basis through which a sustainable development could be carried out.

Strategies on management of natural resources and conservation of environment should comprise of a large scope financing mechanism. Until now, the resources devoted to the subject of environment have been in the nature of partial approaches aiming to solve problems after they have emerged. Works to internalize environmental costs have not been launched. The financial resources made available for environmental issues have not been used in line with their purposes. A financial system for the environment conforming to organizational and legal structure is still in need of being put forth systematically.



Works on ensuring the basic instruments of an effective environmental management such as planning, setting up data-base systems, research, analysis, monitoring systems and inventory are inadequate.

The already set out environmental standards are deprived of a R&D basis. Additionally, these standards are to be kept updated especially with the EU and international standards. The data and information systems are insufficient. There are barriers of access to information. Planning activities are conducted by central government and municipalities. Planning activity, with a function of reflecting basic economic, social and environmental policies spatially, has not been performed in a way that it could reflect the coherence between macro policies and micro policies on all scales spatially. In order to be capable of fulfilling this function, an institutional and legal structure, furnished with clear strategies, objectives and policies, has to be set up.

The current reconstruction planning system and its legal basis, the Construction Law No: 3194 and other regulations concerned have defined the principles of reconstruction planning in various scales and set out the main objective as the regulation of construction. The environment, in the current planning system, is confined to the measures restricting the constructions in certain areas whereby excluding the measures for a modern environment and its ecological factors.

A Regulation on Environmental Impact Assessment, which is an effective method to determine the impacts of economic and social activities on the environment, has been put in effect. However, inadequacies in data and information upon which the assessments depend and in qualified manpower, have already hampered the implementation of the regulation.

The growing awareness about environmental issues is one of the key indicators of democratization process. Accordingly, the participation of people in environmental management and decision-making process is to be ensured. In recent years, works to set up local pressure groups by means of voluntary bodies, have been of importance. Although, the environmental studies have been introduced into the formal education system with a view to extending the participation, it is hardly sufficient. All segments of the society have to be educated to this end. Taking into account the importance of professional training on the environment, the development of training programmes is inevitable. The criterion of environmental sensitivity has to be applied as a yardstick in assessing the activities of technological development, improvement and transfer. Although favorable initiatives to this end have been taken by private sector, financial support is still needed for a concrete step further.

Legislation on solid waste, chemical, medical waste and environmental impact assessments has been completed. The infrastructure for keeping track of the quality of the air and of inland and marine waters has been developed to a certain extent. Work on forming the infrastructure for the gathering of environmental data has been sped up.

At the same time, relatively little has actually been done to solve problems such as air and water pollution, household and industrial wastes, soil quality and erosion.

Works to evaluate the impacts of the decisions about environment trade taken by international organizations are being carried out.

### **b) Objectives, Principles and Policies**

In line with the principle of sustainable development, with a due attention to human health care and natural balances, to ensure a management of natural resources that promises a better natural, physical and social environment will be fundamental.

Conservation of the environment will be handled as a whole in modern sense with coherent components of economic, commercial, social and political nature. Priority will be given to strategies involving measures for preventing pollution, rather than passive approaches which conceive of pollution as an inevitable by-product of development and seek to clean it. In the implementation of measures for the protection of the environment, arrangements will be made whereby unfair competition stemming from polluters of the environment will be prevented.

Economic instruments will be used to integrate environmental policies with economic and social policies. In the management of the environment, an appropriate combination of instructive and incentive measures will be used.

In contributing to the prevention of global pollution at an international level, the principle of common responsibility but varying participation will be followed.

Waste and pollutants of any kind will not be allowed into the country. Works with respect to minimizing, recycling and reevaluating the waste will be supported.

For an effective environmental management, a National Strategy of the Environment will be drawn up. The distribution of authority and responsibilities among the Ministry of the Environment, other concerned ministries and local bodies will be revised. Meanwhile, lacks and ramblings in related legislation will be eliminated.

In line with the principle of securing a balanced interface between development and environmental policies, mechanisms will be developed in regard to undertaking work-division and cooperation between the parties who are directly or indirectly concerned with environmental matters. These mechanisms will be backed by an effective environmental control system. Accordingly, in local administrations, departments dealing with environmental matters will be established.

Taking account of the trans-boundary characteristics of environmental issues, expertise on international dispute settlement will be improved. Importance will be given to securing coordination and information flow between the bodies concerned.

The strategies defined and agreed upon on a nation-wide basis will be further specified on regional and ecological basin scales while recognizing the authority of local initiatives in the process of decision-making, monitoring and inspection.



In order to assess and develop management methods for environmental risk, to adopt and use environment friendly technologies, to determine the effects on the environment of all kinds of activity by means of environmental impact assessment and to minimize adverse effects, necessary measures especially for the adoption and putting into practice of an efficiently functioning environment management system will be taken.

The environmental impact assessment will be made an effectively functioning system; infrastructure for environmental monitoring and measurement will be set up; environmental inventories, statistics, standards, research and development for environment-friendly technologies and data information access systems will be developed; indicators for development and environment will be prepared as references to the decision-making process.

It will be ensured that inventories and researches by country, region, subject and sectoral levels should be undertaken under a dynamic and multi-dimensional approach.

Policies will be developed, with the recognition that environmental issues play a determinant role in economic, political, social and commercial relations throughout the world, through which the international credibility of Turkey could be upgraded. Further to this policies, activities on development and environmental matters of international organizations will be keenly followed.

The policies pursued and decisions taken for the solution of environmental problems will be kept in accordance with EU norms and international standards.

The commitments made by agreements regarding environment will be evaluated and in order to ensure that the economy will not be adversely affected from environment related trade protection measures, detailed studies will be undertaken.

With a view to including trading elements into environmental policies and environmental elements into trade policies, importance will be given to such subjects as harmonization of environment standards, determination of influences of economical instruments and free trade on environment, waste administration, use of trading measures for environmental purposes and developing capacities with regard to production, processing methods and technology.

With the aims of protection, improvement and development, the financing system for the environment will be revised; the allocations from the general budget for environmental investments will be increased. The allocated funds will be secured to be used in line with their purposes. And, contribution of other funds to environmental matters will be ensured.

Works will be started to internalize environmental matters into the national income accounts.

In order to utilize the international funds for environmental protection, projects will be prepared in line with national priorities. The capacities of the decision making bodies in respect to the use of such funds will be enforced.

Nation-wide compromises are required in the studies for the prevention and solution of environmental problems. This compromise will be realized for the harmonization of the development and environmental policies.

Struggle with erosion causing a great number of adverse influences will be speeded up and its scope be expanded. Together with the measures taken by the state in this respect, support will be given to the efforts of voluntary institutions.

To promote the environmental awareness in line with the aim of achieving a sustainable development, arrangements will be made informal and informal education while voluntary initiatives will be encouraged.

The extension of information and awareness creating activities in relation to environmental protection will be linked to the needs of the target population; and the principle of life-time education will be followed bearing in mind the strategic priority of education in environmental protection.

Environment-friendly and environment conscious attitudes and behaviours will be regarded as a substantial part of all aspects of the life and; concerns about environmental protection will become one of the dominant common values.

Importance will be given to meet such needs as technical equipment, facilities and qualified personnel of the bodies with legislative and supervisory authorities and responsibilities with regard to environmental matters. Thus, the effectiveness will be improved in the struggle against pollution.

In all kinds of legislation, the provisions that distort the compatibility between economic development and environmental protection will be amended; the controversies between legislative arrangements directly or indirectly related with the environmental issues will be removed.

In order to extend incentives for the construction and operation of the treatment plants, which are effective in the solution of environmental problems, opportunities of providing energy at world prices will be investigated.

### **c) Legal and Institutional Arrangements**

It is required that the articles of the Constitution those which are directly or indirectly concerned with environmental matters should be amended in line with the principle of a sustainable economic development.

The Environment Law No: 2872 in force, that regulates the arrangements and measures to be taken for the protection and improvement of the environment in both urban and rural areas in conformity with the economic and social development targets, will be updated.



The Law on Forests No: 6831 will be amended with a view to extending its scope to the protection and improvement of the forest resources.

Revision will be made to the Law No: 2634 on Encouraging Tourism, which includes regulations concerning protection of natural environment in allocating public lands, primarily forest areas, to tourism investments and concerning investments to be made in areas designated as centers of tourism.

The Law of Resettlement No: 3194 that imposes uniform arrangements will be amended with a view to conforming with the actual realities and integrating the natural environment to the planning process.

The Law of Coasts No: 3621, that allows constructions beyond the coastal band of one-hundred meters width, will be revised in order to enlarge its scope to cover also the topographic features and natural resources.

Since the Law on the Protection of Cultural and Natural Entities No: 2863 provides measures mainly confined to the protection of cultural values, it will be amended in regard to include measures about natural values.

## **CHAPTER FOUR**

### **MACROECONOMIC POLICIES AND PROJECTIONS**

#### **I. MACROECONOMIC POLICIES**

##### **1. FISCAL POLICY**

As a consequence of the reforms to be realized in the process of structural adjustment, fiscal policies will be of central importance. To this end, the practices which might reduce the flexibility and effectiveness of fiscal policies will be refrained; the public sector borrowing requirement will be reduced; and in financing the deficits, a borrowing policy with such an interest and term structure that would not disturb the stability of the financial markets will be pursued.

In order to realize the projected growth in the economy and to induce the private sector investments, the share of the investments in total public expenditures will be increased, as the share of current expenditures will stand still whereas the share of current transfers will be reduced. Through the enforcement of financial structures of the social security funds, possible increases in the deficit of these institutions will be avoided.

By refraining from wasteful expenditures, public sector expenditures will be subject to a sparing and efficient management. Accordingly, a fiscal discipline with transparency and strict auditing will be given due importance.

By preparing annual budget on a 10 digit basis, transparency will be improved. Programme-Budget application will be made more efficient by emphasizing cost-benefit relation. Budget expenditures will be audited in detail and non-functional expenditure items will be eliminated in the budget.

Personnel requirement in public sector will be met through personnel transfer among public institutions rather than recruitment. The practice of employing seasonal workers will be subject to stricter discipline and a balance will be set between the work load and the number of employees.

For a more effective fiscal policy, the principle that certain revenue items should not be allocated to certain expenditure will be complied with as far as possible. The extrabudgetary and revolving funds which are no longer functional or have exhausted their life-span will be repealed and annexed budget institutions will be reviewed.

A tax policy which is gradually to increase the tax burden but associated with a more fair distribution, covers the unregistered economy and supported with a more effective taxation management and auditing will be followed. In public services, the practice of "user fee" will be made widespread while existing practices will be carried out with more realistic charges.



To ensure a sustainable borrowing level, great attention will be paid to secure that the increases in the public debt stock do not exceed the public fixed capital investments. Further to this effort, the interest burden will be eased through reducing the share of the debt stock in GNP and extending the term structure of the debt. This process will be backed by the increased revenues from privatization. Thus, the public borrowing requirement and the consequent debt stock will be reduced.

For local administrations, revenue generating measures will be taken; efficient use of resources and spending discipline will be ensured. To enable them to follow employment policies consistent with their financial conditions, the local administrations will be furnished with appropriate regulations.

Agricultural support purchasing activities will be carried out without causing monetary expansion and financed under the market conditions with an utmost care of minimum cost to public sector. The public subsidies in the fields of investment, export and agriculture will be limited through the inclusion of such supports into the budget.

## 2. MONETARY POLICY

The basic objectives of the monetary policy in the period of the Seventh Plan, will be to ensure price stability, to increase trust in Turkish Lira, and to ensure that the financial markets, are able to develop and deepen under market rules. To this end, monetary expansion will be consistent with the growth and inflation targets, and any development that affect savings and investments on financial instruments in TL terms negatively will be prevented by implementing exchange and interest policies which are acceptable in the market.

Central Bank will employ the instruments of open-market operations, interbank money market and foreign exchange market to policy. In the Plan period, the reserve ratio on deposits and minimum reserve requirements will be gradually reduced by considering economic conjuncture and the objective of curbing inflation.

Upon the establishment of fiscal discipline and the reduction in public sector deficit, a monetary program consistent with the mid-term economic policy and targets will be implemented. In this context, the role of Central Bank in financing public sector deficit will be restricted.

The practices and arrangements, that enforce the autonomy of Central Bank will be maintained.

## 3. INVESTMENT POLICIES

An economic and institutional environment, that facilitates the growth of investments in order to obtain high value added in production and to increase the competitiveness of the economy, will be established.

In the Seventh Plan period, the investment policies are those that would enhance the production, productivity, competitiveness and exports thereby ensuring a sustainable economic and social development while reducing the public deficits and inflation rate. The public investments will be scheduled in such a way that public sector could effectively accomplish its basic functions and realize the projected sectoral structure.

In the framework of the principle of social state, the public investments will be directed mainly to the sectors of education and health, and eliminating the disparities among regions, and the traditional public services. To clear the path towards economic and social development, priority will be given to such infrastructure investments as irrigation, energy, harbours, airports and the links connecting them with the main road and railway networks, municipal water supply, sewerage and treatment facilities.

In the field of infrastructure, with a special emphasis on energy and transportation, the nation-wide policies will be introduced and the related investment projects will be conducted in the framework of master plans.

Taking into account the long-term social benefits and economic profitability, especially labor-intensive investments in Development Priority Regions will be supported by the state.

The existing stock of public projects will be reviewed on the basis of economical, technical and social feasibility criteria and foreseen priorities to achieve a rational structure.

In allocating resources for public investments, in order to ensure the optimal allocation of rationed resources, the projects that will be given priority are those with partial external finance and those linked and/or deemed appropriate to be run simultaneously with some others and those already implemented to some extent. Taking account of the due concern that the project stock of public sector should be kept at optimum, in setting out the new projects, a selective approach will be followed. Thus, the projects promising highest return in the shortest term which are financially, economically, socially and environmentally feasible will be principally selected.

The private sector share in infrastructural investments will be increased. Accordingly, in financing the investments and services that require advanced technology and large amount of funds, the BOT model will be employed. Of the investments carried out by the public sector, those which are eligible will be sold or transferred to private sector for operation. Further to this approach, public sector will be restructured with a view to reducing excess employment and increasing productivity.

The cost of some infrastructure investments such as irrigation will be paid back by users in order to decrease cost of investment and increase efficiency of use.

Besides the ongoing privatization practices in manufacturing sector, policies to lower the share of public sector within aggregate investments will be maintained while, for the remaining public enterprises, a central importance will be placed on the renewal and



modernization projects which could work out the difficulties and improve capacity utilization, product quality, efficiency and competitiveness.

Through accelerating the privatization practices of SEEs, more resources will be secured for social and economic infrastructure investments. The investment programmes of the enterprises within the scope of privatization practices will be aligned with privatization strategies.

To promote the private sector investments, a stable and reliable environment will be achieved. Accordingly, the principles of transparency, generality and impartiality will be enshrined in the application of relevant promotion measures. State aids will be budgeted after being revised for the sake of attaining far more effectiveness.

In the Plan period, all state aid practices will be coherently concentrated under a single regulation, consistent with the GATT Subsidies Code and the EU legislation, by which the state aid schemes, with the use of minimum number of aid instruments and red-tape, would be flexible enough to respond the market conditions. Aid policies and schemes will be made with a view to lowering unemployment level, supporting small and medium sized enterprises, protecting environment, contributing to the development of Development Priority Regions and accomplishing of customs union. Additionally, aids will be granted to R&D activities of companies on the stages of obtaining, adapting and developing advanced technologies.

The existing liberal policies for foreign direct investments will be maintained while relevant legislation will be enhanced to cover the foreign capital inflow to the largest extent.

A constitutional amendment will be realized in order to ease the operationability of the BOT model at the outset of the Plan period.

#### **4. FOREIGN TRADE AND THE BALANCE OF PAYMENTS**

The basic approach is to secure a stable and sustainable balance of payments. In this context, special attention will be paid to the concern that capital movements should be developed in a way to contribute to the productive capacity of the country.

For a sustainable growth in exports, priority will be given to developing a capacity capable of, producing environment-friendly and good quality export products, improving competitiveness of industry by means of increased productivity and the use of advanced technology, diversifying and developing products matching the quality and quantity demand of exports.

A price policy that set domestic prices on a par with the world prices and realistic exchange rate policy will be followed so as to maintain competitiveness. Adequate resources will be made available to enable EXIMBANK to contribute to the financing of exports through its credit and guarantee mechanisms.

The possibilities of free zones will also be utilized to support exports. The infrastructures of the existing free zones will be improved while sectoral expertise in the zones will be promoted.

In deciding upon foreign trade arrangements and the forms of support to be provided to competitive sectors for production and exports, international obligations will be taken into account.

The necessary arrangements will be made in accordance with the GATT and EU principles and regulations in order to prevent imports from leading to unfair competition, to ensure that imports are in accordance with the country's standards and health conditions and to avoid them causing damage to the environment. Policies in these areas will be made more effective.

A keen care will be taken in promoting foreign capital inflow which plays a great part in integrating the economy with the world economy, expanding the export market and obtaining advanced technology as well as external resources.

The foreign capital contributions to primary infrastructure projects employing the BOT model will be sought to a largest extent. The attractive investing possibilities in Turkey will be advertised abroad. Turkish contractors and investors will be encouraged to invest in other countries.

The requirement for foreign borrowing will expectedly fall due to the anticipated increase in direct foreign capital investments partly induced by the customs union with the EU, and also due to the increase in portfolio investments that will accompany the acceleration of privatization practices. Particular attention will be paid to borrowing for medium and long terms. Short-term capital inflows and the foreign exchange rates will be made to develop in such a way as not to have a negative impact on competitiveness.

## **5. DISTRIBUTION OF INCOME AND THE SPREAD OF WELFARE**

Achieving a fair income distribution and improving social welfare are the main objectives.

In economic and social policies, taking account of the economic efficiency criteria the alleviation of poverty and imbalances in income distribution together with the improvements in social welfare will be given priority.

Productive employment and entrepreneurship will be supported. Aid schemes will be introduced to improve the welfare of lower income groups. The public services benefited by these groups such as education, health and other services will be subsidized. Accordingly, the Social Aid and Solidarity Promotion Fund will be reorganized to effectively serve for improving the welfare of social groups who take place below the poverty line.

Tax burden on the lower income groups will be eased through the modification of income tax tariffs.

In order to increase employment and leave as much narrower room as possible for underground economy, the extra charges on wages which constitute some sort of employment tax will be cut down to even up with the EU countries, thereby net incomes will be increased.



An unemployment insurance scheme will be introduced for assuring redundancy payments.

Utmost importance will be given to education which, through contributing to the skills and productivity of the individuals, increase their welfare. Eight-year-education will be made compulsory and that will be undertaken by the state as public service. As for higher education, principally universities, those who benefit from the service will pay its cost. For those who are not able to afford the payment, an effective subsidy scheme will be set up covering loans, scholarships, boarding and other possibilities.

With the aim of ensuring an adequate, high quality and easily accessible health service for public, a General Health Insurance scheme will be established through which all residents will be insured and, the premium requirements of those who are not able to afford will be met by the state.

The social security system will be extended so as to cover whole population.

To meet the demand for housing, housing production and ownership will be promoted through convenient financing modalities.

Importance will also be given to supporting small and medium sized enterprises which are deemed to contribute great deal to employment and well balanced social welfare.

The income level of the population resident in Development Priority Regions will be approximated to national averages.

In agricultural sector, income distribution will be improved through direct cash grants to the registered small farmers, in addition to the policies designed for stabilization and income generation.

## II. MACROECONOMIC PROJECTIONS

### 1. INTRODUCTION

The model of the Seventh Plan is a macroeconometric model that covers the relationships between real sectoral and public finance variables and monetary aggregates while taking account of the changes in institutional structure in the Turkish economy. In the model, in fixed prices, the private sector consumption and agricultural and industrial exports, the imports investment, consumption and intermediary goods and crude oil and, general level of prices (GNP implicit deflator) are estimated on behavioral basis.

In the model where the GDP is determined considering the demand side, the impact of the imbalances in goods markets, measured through the CES (constant elasticity of substitution) production function on the general level of prices has been taken into account.

In the Plan model, special emphasis has been placed on public sector deficits and finance. In this context, the impacts of the relationships between public deficits, financial markets, and capital movements in balance of payments on basic macroeconomic aggregates have been taken into consideration.

The macro projections derived from the model are based on the following basic assumptions which are in compliance with the policies provided in the Plan:

As of the beginning of 1996, customs union with the EU will enter into force thereby nullifying the tariffs and other protection measures. The projected revenue loss incurred by the reductions will be offset and the share of the revenues from taxes in GNP will be raised up to 20 percent by the end of the Plan period.

Efforts on privatization will be sped up during the Plan period. Public sector fixed capital investments will be maintained, through investing in physical and social infrastructure in order to clear the path to growth, in a way that their share in GNP will go up to 7 percent in the Plan period.

In the Plan period, the reduction in public deficits (except privatizations) will be maintained; the fixed capital investments, aiming at improvements in competitiveness and in supply side of the industries in the process of customs union, will be intensified; a realistic exchange rate policy to avoid the disturbances in the balance of payments and, real wage policies that secure competitiveness and increase employment level, will be followed.

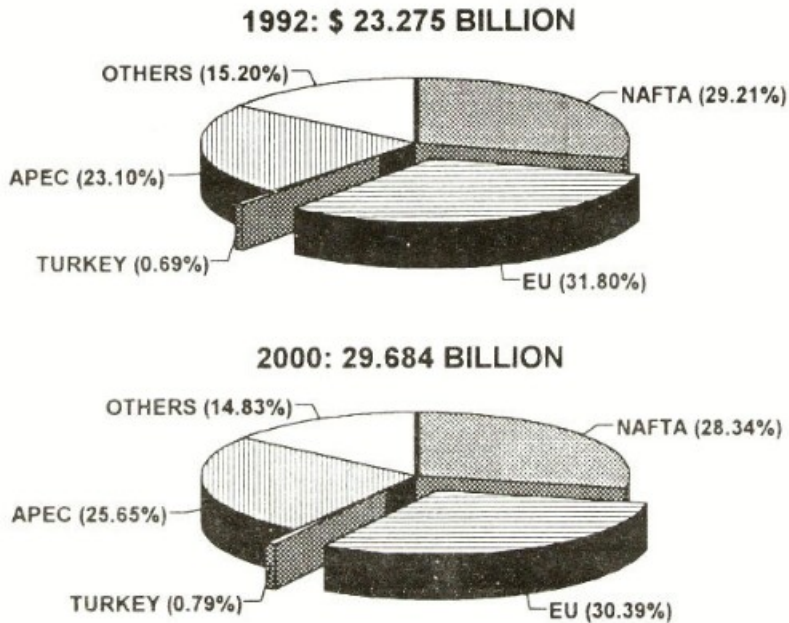
It is estimated that, in the period of 1995-2004, the world output will grow by 3.3 percent a year while the OECD economies 2.8 percent a year. The fact that the volume of world trade is expected to grow by over 6 percent in the same period, will bring about an environment which will help the developing countries integrate with the rest of the world. Furthermore, a customs union between Turkey and EU and, the anticipated stability in the Turkish economy, will induce the foreign capital inflow to Turkey.

It is estimated that the GNP of Turkey will be US \$ 223.6-235.9 billions by the end of the Plan period. Thus, the GNP of Turkey, that accounted for 0.69 percent of the world's GNP in 1992, will take a share of 0.75-0.79 percent within the world's GNP at the end of the Plan period.

Taking the positive contribution of the customs union with the EU into account, the foreign trade volume of Turkey is estimated to reach US \$ 109.4-114.6 billions by the end of the Plan period. The share of Turkey in the world trade volume is expected to rise to 0.85-0.89 percent at the end of the Plan period from 0.51 percent in 1992.



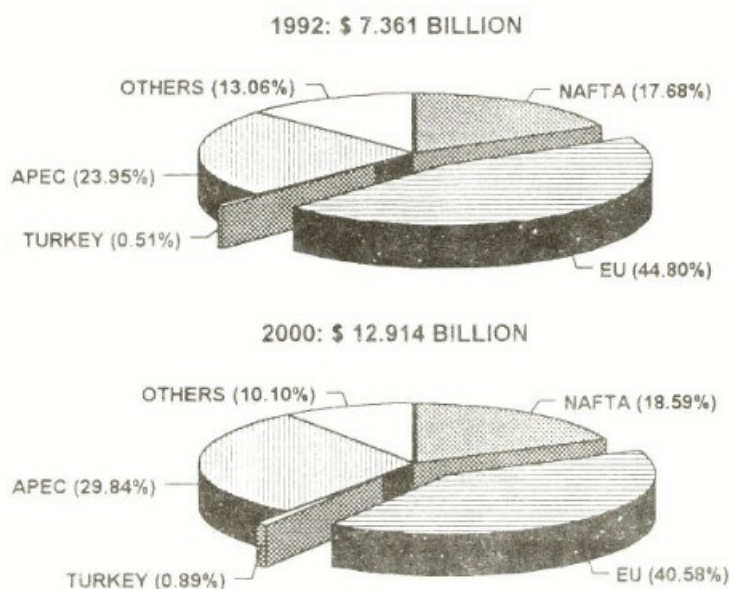
**GRAPHIC: 4- DISTRIBUTION OF WORLD GNP  
(1992-2000)**



**SOURCE:**

1. World Bank, World Development Report 1994.
2. World Bank, Global Economic Prospects and the Developing Countries 1994.
3. OECD, Economic Outlook, December 1994.
4. OECD, Medium-Term Reference Scenario, 1994.
5. IMF, World Economic Outlook, October 1994.

**GRAPHIC:5- DISTRIBUTION OF WORLD TRADE  
(1992-2000)**



- SOURCE:**
1. World Bank, World Development Report 1994.
  2. World Bank, Global Economic Prospects and the Developing Countries 1994.
  3. OECD, Economic Outlook, December 1994.
  4. OECD, Medium-Term Reference Scenario, 1994.
  5. IMF, World Economic Outlook, October 1994.

## 2. NATIONAL INCOME AND PRODUCTION ESTIMATES

The fulfillment of structural adjustment projects together with the revenues from privatization activities are expected to facilitate the necessary funds for public sector investments on one hand; and the consequent decreases in real interest rates because of the reduction in the public sector demand for funds in financial markets, backed by stability in economy and also prospective market niches come by integration with the rest of the world and Europe through the customs union on the other hand all together will serve for inducing the private sector investments.

From this point of view, investments will constitute an essential impetus for the growth. Additionally, a new business organisation in private sector, motivated by the foreign competition, together with managerial and technological know-how will positively affect the



factor markets in respect to having an efficient, flexible and productive structure and, growth in general and total factor productivity in the economy.

The adjustments in the real exchange rate made in 1994 that care about the competitiveness accompanied by the wage policies based on the principle of productivity will be maintained in a way that ensures a sustainable contribution of foreign demand to the growth. The growth scenarios have been set out in line with these assumptions.

In the Seventh Plan period, it is estimated that the GDP will grow by 5.0-6.6 percent annual average. Within the same period, the GNP will grow by about 5.5-7.1 percent annual average.

In the Plan period, since the estimation for population growth is 1.6 percent a year, the annual growth of GNP per capita is expected to be between 3.8-5.3 percent while the GNP per capita will rise from TL 65.5 millions in 1995 to TL 79.1-85.0 millions in the year of 2000 in 1994 prices.

#### A. STRUCTURE OF GROSS DOMESTIC PRODUCT

In the Plan period, it is estimated that the annual average growth rate of value added by the main sectors, will be 2.9-3.7 percent in agricultural sector, 6.0-7.7 percent in industrial sector and 5.1-6.8 percent in services sector. Thus, at the end of the Plan period, it is expected that the share of the agricultural sector in GDP will fall from 15 percent to 12 percent, contrary to the industrial sector where the share will rise from 25.8 to 27 while the services sector will remain at about 59 percent.

**Table 43 - Development of Value Added by the Main Sectors**

(at 1994 Prices, Trillion TL)

	1995		2000	1995-2000
	Value Added (1)	Share in GNP (%)	Share in GNP (%)	Average Annual Change (%)
I. AGRICULTURE	603.7	15.0	13.5 - 13.0	2.9 - 3.7
I. INDUSTRY	1 039.2	25.8	27.0 - 27.2	6.0 - 7.7
II. SERVICES	2 383.2	59.2	59.4 - 59.8	5.1 - 6.8
GDP (at Factor Prices)	4 026.2	100.0	100.0 -100.0	5.0 - 6.6
N.F.I. From Abroad	14.3	0.4	2.7 - 2.5	57.7 - 57.7
GNP (at Factor Prices)	4 040.5	100.4	102.7 -102.5	5.5 - 7.1

(1) Estimate

## B. STRUCTURE OF PRODUCTION

In the Plan period, the production by sectors in constant prices is expected to increase by 2.9-3.7 percent in agricultural sector, by 6.0-7.8 in industrial sector and by 4.9-6.8 percent in services sector, thus, the increase in total production is estimated to be 5.2-6.9.

It is estimated that the growth in agricultural sector will depend largely on the increase in domestic demand while the growth in industrial sector will be especially determined by exports and investments besides consumption. The growth in services sector is expected to result from the increase in domestic demand induced by the growth in industrial sector and the promising developments in tourism sector.

As a result of the projected sectoral developments, at the end of the Plan period, the percentage share of agricultural sector will fall to 11 percent from 12.4 percent in 1995, contrary to the industrial sector, the percentage share of which will increase from 41.8 to around 43, while the share of services sector which is 45.8 percent will be about 45 percent.

**Table 44 - Sectoral Developments in Production**

(at 1994 Prices, Trillion TL.)

SECTORS	1995 (1)	1995 Breakdown Percentage	1995 - 2000 Average Annual Percentage Change (Percentage)	2000 Breakdown Percentage	
AGRICULTURE	826.1	12.4	2.9 - 3.7	11.2 -	10.7
INDUSTRY	2 777.8	41.8	6.0 - 7.8	43.6 -	43.7
SERVICES	3 039.1	45.8	4.9 - 6.8	45.2 -	45.6
<b>TOTAL</b>	<b>6 643.0</b>	<b>100.0</b>	<b>5.2 - 6.9</b>	<b>100.0 -</b>	<b>100.0</b>

(1) Estimate

## 3. GENERAL BALANCE OF THE ECONOMY

Despite the real growth rate of GDP is estimated to be around 5.0-6.6 percent annually, in the Plan period, due to the favourable developments expected in the net factor incomes, from abroad, the GNP is estimated to grow at an annual average rate of 5.5-7.1 percent. The share of the external resources in GNP, increasing gradually, is expected to be around 4.2-3.2 percent in 2000. Thus, the aggregate demand is estimated to increase by an annual average of 6.3-7.6 percent in the Plan period.

In the Plan period, consistent with the growth estimates, it is expected that total investments will increase annually by about 8.8-12.13 percent, therefore, it is expected that their share in GNP will increase from 22.1 percent in 1995 to about 25.8-28.1 in 2000.



In the same period, total consumption is estimated to increase by 5.5-6.1 percent a year. Private consumption is expected to increase by 5.9-6.6 percent per year while public consumption by 2.7-2.6 percent.

In the Pla9 period, depending on the increase in public revenues and the secured reduction in the share of the interest payments in public expenditure, the share of public disposable income at constant prices in GNP is projected to rise up to about 12 percent in 2000 compared to 7.6 percent in 1995.

**Table 45 - General Equilibrium of the Economy (The GNP Growth Rate= % 5.5)**

(at 1994 Prices, Trillion TL)

	1995 (1)	1995 Share in GNP	2000	2000 Share in GNP	1995-2000 Average Change per Year (%)
GNP	4 040.5	100.0	5 287.6	100.0	5.5
N.F.I. FROM ABROAD	14.3	0.4	139.2	2.7	57.7
GDP	4 026.2	99.6	5 148.3	97.4	5.0
EXPORTS OF GOODS AND SERVICES	882.1	21.8	1 621.5	30.7	12.9
IMPORTS OF GOODS AND SERVICES	918.7	22.7	1 980.8	37.5	16.6
EXTERNAL RESOURCES	22.3	0.6	220.0	4.2	-
TOTAL RESOURCES	4 062.9	100.6	5 507.6	104.2	6.3
AGGREGATE DOMESTIC DEMAND	4 062.9	100.6	5 507.6	104.2	6.3
TOTAL INVESTMENT	893.3	22.1	1 361.7	25.8	8.8
Public Sector	194.5	4.8	345.9	6.5	12.2
Private Sector	698.7	17.3	1 015.8	19.2	7.8
TOTAL FIXED INVESTMENT	884.9	21.9	1 342.3	25.4	8.7
Public Sector	188.8	4.7	338.2	6.4	12.4
Private Sector	696.0	17.2	1 004.1	19.0	7.6
CHANGE IN STOCKS	8.4	0.2	19.4	0.4	-
Public Sector	5.7	0.1	7.8	0.1	-
Private Sector	2.7	0.1	11.6	0.2	-
TOTAL CONSUMPTION	3 169.6	78.4	4 145.9	78.4	5.5

Table 45 (continued)

	1995 (1)	1995 Share in GNP	2000	2000 Share in GNP	1995-2000 Average Change per Year (%)
PUBLIC SECTOR DISPOSABLE INCOME	306.2	7.6	631.8	11.9	15.6
Public Sector Consumption	419.1	10.4	478.8	9.1	2.7
Public Sector Savings	(112.8)	(2.8)	152.9	2.9	-
Public Sector Investment	194.5	4.8	345.9	6.5	12.2
Public Sector Saving-Investment Balance	(307.4)	(7.6)	(193.0)	(3.7)	-
PRIVATE SECTOR DISPOSABLE INCOME	3 734.3	92.4	4 655.8	88.1	4.5
Private Consumption	2 750.5	68.1	3 667.0	69.4	5.9
Private Savings	983.8	24.3	988.8	18.7	0.1
Private Investment	698.7	17.3	1 015.8	19.2	7.8
Private Sector Saving-Investment Balance	285.0	7.1	(27.0)	(0.5)	-
TOTAL DOMESTIC SAVINGS	870.9	21.6	1 141.7	21.6	5.6

(1) Estimate

Table 46 - General Balance of the Economy (The GNP Growth Rate: % 7.1)

(at 1994 Prices, Trillion TL)

	1995 (1)	1995 Share in GNP	2000	2000 Share in GNP	1995-2000 Average Change per Year (%)
GNP	4 040.5	100.0	5 681.4	100.0	7.1
N.F.I. FROM ABROAD	14.3	0.4	139.2	2.5	57.7
GDP	4 026.2	99.6	5 542.2	97.5	6.6
EXPORTS OF SERVICES AND GOODS	882.1	21.8	1 788.3	31.5	15.2
IMPORTS OF GOODS AND SERVICES	918.7	22.7	2 106.7	37.1	18.1
EXTERNAL RESOURCES	22.3	0.6	179.3	3.2	-
TOTAL RESOURCES	4 062.9	100.6	5 860.6	103.2	7.6
AGGREGATE DOMESTIC DEMAND	4 062.9	100.6	5 860.6	103.2	7.6
TOTAL INVESTMENT	893.3	22.1	1 596.3	28.1	12.3
Public Sector	194.5	4.8	417.8	7.4	16.5
Private Sector	698.7	17.3	1 178.5	20.7	11.0
TOTAL FIXED INVESTMENT	884.9	21.9	1 570.5	27.6	12.2
Public Sector	188.8	4.7	410.1	7.2	16.8



Private Sector	696.0	17.2	1 160.4	20.4	10.8
CHANGE IN STOCKS	8.4	0.2	25.8	0.5	-
Public Sector	5.7	0.1	7.7	0.1	-
Private Sector	2.7	0.1	18.1	0.3	-
TOTAL CONSUMPTION	3 169.6	78.4	4 264.3	75.1	6.1
PUBLIC SECTOR DISPOSABLE INCOME	306.2	7.6	655.3	11.5	16.4
Public Sector Consumption	419.1	10.4	475.7	8.4	2.6
Public Sector Savings	(112.8)	(2.8)	179.5	3.2	-
Public Sector Investment	194.5	4.8	417.8	7.4	16.5
Public Sector Saving-Investment	(307.4)	(7.6)	(238.3)	(4.2)	-
Balance					
PRIVATE SECTOR DISPOSABLE INCOME	3 734.3	92.4	5 026.1	88.5	6.1
Private Consumption	2 750.5	68.1	3 788.6	66.7	6.6
Private savings	983.8	24.3	1 237.5	21.8	4.7
Private Investment	698.7	17.3	1 178.5	20.7	11.0
Private Sector Saving-Investment	285.0	7.1	59.0	1.0	-
Balance					
TOTAL DOMESTIC SAVINGS	870.9	21.6	1 417.0	24.9	10.2

(1) Estimate

#### 4. INVESTMENT-SAVING BALANCE

To realize the projected growth, an increase by TL 5.604.6-6.439.3 trillions in 1994 prices in fixed capital investment is required within the Plan period. Of the total fixed capital investment to be realized TL 4.280.0-4.918.5 trillions is expected to be made by private sector and the rest of TL 1.323.7-1.520.8 trillions by public sector.

Due to restructuring public sector so as to enable it to fulfill its essential functions and privatization activities, the share of public investment, to be made in the Plan period, within the total fixed capital investment is expected to fall to 23.6 percent from 28.4 percent in the previous Plan period.

With the aim of improving human resources, education and health sectors will take a larger part in public investments. In order to avoid infrastructure requirements from constituting an obstacle to social and economic development, priority will be given to investments in irrigation, energy, in ports and airports and connections of these with the main road and rail networks and in drinking water, sewerage and treatment. Thus, in the Plan period, the real index of public sector investment will increase compared to the Sixth Plan period from 100 to 172.8-184.5 in education sector, to 155.3-167.4 in health sector, in other services sector including the urban infrastructure investments to 123.4-145.3, to 119.4-141.1 in energy sector and to 107.1-120.7 in agricultural sector.

Fixed capital investments are expected to rise by an annual average of 8.7-12.2 percent in the Plan period. Due to the expected fall in real interest rates, the removal to a great extent of the uncertainties caused by inflation and, the expected increase in demand, the private sector fixed capital formation is estimated to rise by 7.6-10.8 percent a year. The rate of increase in public fixed capital investment is targeted to be 12.4-16.8 percent a year.

In line with the policies of having private sector involved in infrastructure projects and accordingly given importance to the BOT model in financing the investments which need advanced technology and large amount of funding, the share of private sector in fixed capital investment will be raised in the course of the Plan period. Thus, the private sector investment which was TL 3,383.3 trillions at 1994 prices (i.e., 71.5 percent of total investments) in the Sixth Plan period, is estimated to reach TL 4,280.9-4,918.5 trillions at 1994 prices (i.e., 76.4 percent of total investments) in the Seventh Plan period.

The share of private sector in all sectors mainly in energy, transportation and tourism is expected to rise in the Seventh Plan period compared with the previous one. Accordingly, the private sector real index of fixed capital investment which was 100 in the Sixth Plan period, is expected to rise to 833.9-971.6 in energy, to 296.6-328.7 in education, to 176.1-199.4 in health, to 170.3-174.5 in agriculture, to 165.9-178.3 in tourism, to 156.4-176.1 in transportation communication, to 155.4-176.2 in other services and to 136.4-157 in manufacturing sector.

The share of fixed capital investment in GNP which is 21.9 percent in 1995 is expected to go up to 25.4-27.6 percent in 2000.

In the Seventh Plan period, priority will be given to investment in education, health, energy, agriculture, manufacturing industry and urban infrastructure. To this end, compared to the previous plan period, the shares of sectors in total fixed capital investment are targeted to rise from 5.1 percent to 5.9-5.5 in agriculture, from 19.8 percent to 22.2-22.1 percent in manufacturing industry, from 5.5 percent to 8.5-8.7 percent in energy, from 2.6 percent to 4.5-4.2 percent in education, from 1.8 to 2.5-2.4 percent in health and from 6.7 to 7.9 percent in other services including urban infrastructure.

To realize the investment foreseen in the Plan period, total domestic savings is required to grow by an annual average of 5.6-10.2 percent. Accordingly, the share of domestic savings in GNP is estimated to realize at the level of 21.6-24.9 percent in 2000 while it is 21.6 in 1995.

Due to positive developments in public sector disposable income and the maintaining the restrained public sector consumption the public sector savings, which is negative in 1995, is projected to reach 2.9-3.2 percent of GNP in 2000, thus decreasing the ratio of public sector deficit over GNP from 7.6 percent in 1995 to 3.7-4.2 percent in 2000. In the Seventh Plan period, it is expected that the private sector saving-investment balance will end up with a surplus of TL 483.8-579.8 trillion at 1994 prices while the public sector with a savings deficit of TL 1,086.2-1,201.1 trillion. The difference thereof TL 602.4-621.3 trillion will be met by foreign savings.



**Table 47 - Fixed Capital Investment by Sectors (The GNP Growth Rate : 5.5 %)**

(at 1994 Prices, Trillion TL)

	VII. Plan Investment Indices														
	VI. Plan Period					VII. Plan Period									
	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total			
Mining	126.0	114.7	240.7	135.0	195.3	330.3	107.1	170.3	137.2	52.4	47.6	100.0	40.9	59.1	100.0
Manufacturing Industry	45.7	35.6	81.3	29.1	35.9	65.0	63.6	100.8	79.9	56.2	43.8	100.0	44.8	55.2	100.0
Energy	63.1	872.6	935.7	53.0	1190.1	1243.1	84.0	136.4	132.9	6.7	93.3	100.0	4.3	95.7	100.0
Transportation-Communication	235.0	23.7	258.7	280.6	197.4	478.0	119.4	833.9	184.8	90.8	9.2	100.0	58.7	41.3	100.0
Tourism	512.4	508.4	1020.8	350.8	795.2	1146.0	68.5	156.4	112.3	50.2	49.8	100.0	30.6	69.4	100.0
Housing	19.5	117.9	137.4	18.5	195.6	214.1	95.0	165.9	155.8	14.2	85.8	100.0	8.6	91.4	100.0
Education	35.2	1491.2	1526.4	11.9	1282.5	1294.4	33.8	86.0	84.8	2.3	97.7	100.0	0.9	99.1	100.0
Healthcare	97.3	27.7	125.0	168.1	82.3	250.4	172.8	296.6	200.3	77.8	22.2	100.0	67.1	32.9	100.0
Other Services	41.8	43.8	85.6	64.9	77.1	142.0	155.3	176.1	165.9	48.8	51.2	100.0	45.7	54.3	100.0
	171.6	147.7	319.3	211.8	229.5	441.3	123.4	155.4	138.2	53.7	46.3	100.0	48.0	5.0	100.0
TOTAL	1347.5	3383.3	4730.8	1323.7	4280.9	5604.6	98.2	126.5	118.5	28.5	71.5	100.0	23.6	7.4	100.0

**Table 48 - Fixed Capital Investment by Sectors (The GNP Growth Rate : 7.1%)**

(at 1994 Prices, Trillion TL)

	VII. Plan Investment Indices														
	VI. Plan Period					VII. Plan Period									
	Public	Private	Total	Public	Private	Total	Public	Private	Total	Public	Private	Total			
Agriculture	126.0	114.7	240.7	152.1	200.1	352.2	120.7	174.5	146.3	52.4	47.6	100.0	43.2	56.8	100.0
Mining	45.7	35.6	81.3	33.5	39.3	72.8	73.2	110.4	89.5	56.2	43.8	100.0	46.0	54.0	100.0
Manufacturing Industry	63.1	872.6	935.7	56.3	1369.8	1426.1	89.2	157.0	152.4	6.7	93.3	100.0	3.9	96.1	100.0
Energy	235.0	23.7	258.7	331.5	230.0	561.5	141.1	971.6	217.1	90.8	9.2	100.0	59.0	41.0	100.0
Transportation-Communication	512.4	508.4	1020.8	413.7	895.5	1309.2	80.7	176.1	128.3	50.2	49.8	100.0	31.6	68.4	100.0
Tourism	19.5	117.9	137.4	21.3	210.2	231.5	109.4	178.3	168.5	14.2	85.8	100.0	9.2	90.8	100.0
Housing	35.2	1491.2	1526.4	13.7	1534.9	1548.6	38.9	102.9	101.5	2.3	97.7	100.0	0.9	99.1	100.0
Education	97.3	27.7	125.0	179.5	91.2	270.7	184.5	328.7	216.5	77.8	22.2	100.0	66.3	33.7	100.0
Healthcare	41.8	43.8	85.6	70.0	87.3	157.3	167.4	199.4	183.8	48.8	51.2	100.0	44.5	55.5	100.0
Other Services	171.6	147.7	319.3	249.4	260.2	509.6	145.3	176.2	159.6	53.7	46.3	100.0	48.9	51.1	100.0
TOTAL	1347.5	3383.3	4730.8	1520.8	4918.5	6439.3	112.9	145.4	136.1	28.5	71.5	100.0	23.6	7.4	100.0

Table 49 - Sectoral Breakdown of the Fixed Capital Investment (GNP Growth Rate: % 5.5)

(Percentage Share)

SECTORS	VI. Plan Period			VII. Plan Period		
	Public	Private	Total	Public	Private	Total
Agriculture	9.4	3.4	5.1	10.2	4.6	5.9
Mining	3.4	1.1	1.7	2.2	0.8	1.2
Manufacturing Industry	4.7	25.8	19.8	4.0	27.8	22.2
Energy	17.4	0.7	5.5	21.2	4.6	8.5
Transportation- Communication	38.0	15.0	21.6	26.5	18.6	20.4
Tourism	1.4	3.5	2.9	1.4	4.6	3.8
Housing	2.6	44.1	32.3	0.9	30.0	23.1
Education	7.2	0.8	2.6	12.7	1.9	4.5
Healthcare	3.1	1.3	1.8	4.9	1.8	2.5
Other Services	12.7	4.4	6.7	16.0	5.4	7.9
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Table 50 - Sectoral Breakdown of the Fixed Capital Investment (GNP Growth Rate: % 7.1)

(Percentage Share)

SECTORS	VI. Plan Period			VII. Plan Period		
	Public	Private	Total	Public	Private	Total
Agriculture	9.4	3.4	5.1	10.0	4.1	5.5
Mining	3.4	1.1	1.7	2.2	0.8	1.1
Manufacturing Industry	4.7	25.8	19.8	3.7	27.8	22.1
Energy	17.4	0.7	5.5	21.8	4.7	8.7
Transportation- Communication	38.0	15.0	21.6	27.2	18.2	20.3
Tourism	1.4	3.5	2.9	1.4	4.3	3.6
Housing	2.6	44.1	32.3	0.9	31.2	24.0
Education	7.2	0.8	2.6	11.8	1.9	4.2
Healthcare	3.1	1.3	1.8	4.6	1.8	2.4
Other Services	12.7	4.4	6.7	16.4	5.3	7.9
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



## 5. THE BALANCE OF PAYMENTS

In the Plan period, the exports of goods and services are expected to amount to US \$ 69.0-73.9 billion as of the year 2000 in current prices with an annual average increase of 15.9-17.5 percent.

In the same period, it is expected that depending on the growth rate of the economy and the prospects of the customs union and the real exchange rate policies, the imports of goods and services will increase to US \$ 79.4-84.4 billions in current prices as of 2000, at an annual rate of 17.5-19.0 percent. It is, therefore, estimated that the ratio of exports of goods and services to the imports of goods and services which is 92.3 percent in 1995, will fall down to 86.9-87.6 percent at the end of the five-year-period.

The annual foreign trade deficit which in 1995 is US \$ 2.3 billion at current prices, is estimated to rise to US \$ 10.4-10.5 billion in 2000.

As of the end of the Seventh Plan period, the following inflows are expected in invisible accounts: US \$ 5.2-5.3 billion from workers remittances, US \$ 1.2-1.3 billion from interest revenues, US \$ 3.2-3.3 billion from entrepreneurial services and US \$ 10.3-13.8 billion from tourism.

In line with the decreasing foreign borrowing, the interest payment on foreign debt is expected to fall down to US \$ 3.8-3.7 billion in 2000.

Under these circumstances, the current account which is expected to conclude with US \$ 1.5 billion surplus in 1995, is estimated to end up with US \$ 3.9 billion deficit in 2000.

The foreign direct investments, which will expectedly amount to US \$ 1.2 billion in 1995, are estimated to gradually increase to US \$ 1.9-3.0 billion in 2000. Likewise, it is expected that the portfolio investments will gradually rise ending up at US \$ 1.7-2.5 billion at the end of the period.

Accordingly, the net foreign loans will not rise significantly. The ratio of the net foreign debt stock to GNP, therefore, is estimated to gradually come down from 41.3 percent in 1995 to 27.1-23.6 percent in 2000.

It is estimated that the real exchange rate of the Turkish Lira against foreign currencies, depending on the developments in current account and capital movements, will be sustained without extreme appreciations or depreciations thereby securing the competitiveness of the economy.

Table 51 - Balance of Payments

	(At Current Prices, in billions of dollars)		
	1995(1)	2000	
<b>A. CURRENT ACCOUNT</b>			
Merchandise Exports	20.4	43.5	44.5
Export (FOB)	20.1	42.7	43.7
Transit Trade	0.4	0.7	0.8
Merchandise Imports (FOB)	(26.5)	(65.7)	(70.0)
Imports (CIF)	(27.9)	(68.8)	(73.2)
Transit Trade	(0.3)	(0.7)	(0.8)
Freight and Insurance	1.6	3.8	4.0
Merchandise Trade Balance	(6.1)	(22.2)	(25.5)
Other Goods, Services and income (Credit)	12.6	25.5	29.4
Travel	4.8	10.3	13.8
Interest	1.0	1.2	1.3
Other	6.8	14.0	14.3
Other Goods, Services and Income (Debit)	(8.9)	(13.7)	(14.3)
Travel	(1.0)	(1.8)	(1.9)
Interest	(4.4)	(3.8)	(3.7)
Other	(3.4)	(8.0)	(8.8)
Total Goods, Services and Income	(2.3)	(10.4)	(10.5)
Private Unrequited Transfer (Credit)	2.8	5.2	5.3
Workers' Remittances	2.7	5.1	5.2
Other	0.1	0.1	0.1
Private Unrequited Transfer (Debit)	0.0	0.0	0.0
Official Unrequited Transfers (Net)	1.1	1.3	1.3
Workers' Remittances	0.1	0.1	0.1
Other	1.0	1.3	1.3
Current Account Balance	1.6	(3.9)	(3.9)
<b>B. CAPITAL MOVEMENTS (EXCLUDING RESERVES)</b>	0.1	5.5	5.5
Direct Investment (Net)	1.2	1.9	3.0
Portfolio Investment (Net)	1.2	1.7	2.5
Other Long-Term Capital (Net)	(1.7)	1.2	2.0
Short-Term Capital (Net)	(0.5)	0.7	(2.0)
Overall Balance	1.7	1.6	1.7
<b>C. TOTAL CHANGE IN RESERVES</b>	(1.7)	(1.6)	(1.7)
IMF	0.4	0.0	0.0
Official Reserves	(2.1)	(1.6)	(1.7)

(1) Estimate



## 5. PUBLIC FINANCE

For a sustainable improvement in public finance, the ongoing adjustment process will be backed by the structural adjustment projects in the Seventh Plan period.

It is targeted that the ratio of aggregate public revenues to GNP, which is 19.3 percent in 1995, will rise to 20.7-20.9 percent in 2000. Within this process, the percentage share of tax revenues in the aggregate public revenues which is 93.5 percent in 1995 will rise to 96.4-97.3 percent in 2000, despite the prospective loss in tax revenues due to the customs union.

In the public sector revenue estimations, the prospective loss in tax revenues due to the realization of the customs union with the EC which will be compensated, has been taken into account. Additionally, depending on the achievements of the Project of Structural Change in Taxation geared to increasing the efficiency of tax administration and the inclusion of the off-the-record economic activities into the scope of the tax system, it is targeted that a fair distribution of tax burden will be achieved and the ratio of tax revenues to GNP, which is 18.1 percent in 1995, will be raised to 20 percent in the year 2000.

Due to the measures under the Project of Social Security Reform to be taken as scheduled in order to enforce the social security organizations financially, it is targeted that in the course of the Plan period the budget deficit of such organizations which are showing a growing tendency will be stabilized.

The ratio of aggregate public expenditures to GNP, that was about 30 percent in the Sixth Plan period as a result of the April 5 1994 Economic Stabilization Measures, fell down to 24.8 percent, in 1995 is projected to realize about 23.7-24.1 percent in 2000. However, a substantial alteration in the breakdown of the expenditures is also projected.

As a result of the financial discipline achieved, while keeping the percentage of current expenditures in GNP constant, the share of the investment expenditures directed to the improvement of economic and social infrastructure and removing the regional imbalances, total public expenditures will be raised. To this end, the ratio of public fixed investments to GNP, which is 4.6 percent in 1995, will be raised to 7 percent in 2000.

With the declining tendency of foreign and domestic borrowings that largely depends on the improvements in curbing inflation and the revenues from privatization activities, it is estimated that the ratio of the interest payments on domestic borrowings to GNP will decline from 7.5 percent in 1995 to 2.4-2.6 percent in 2000 and likewise the ratio of the interest payment on foreign borrowings to GNP will decline from 1.5 percent in 1995 to 1.1-1.0 percent in 2000. Having been affected by these developments, the ratio of current transfers to GNP, which is 11.8 percent in 1995, is expected to fall down to 7.2-7.0 percent in the year 2000.

With sustained public spendings, and holding the number of employees constant during the Plan period it will be possible to improve real incomes of public sector employees.

In conformity with the projected targets of public revenues and expenditures, it is estimated that the ratio of public sector borrowing requirement to GNP, which is 5.5 percent in 1995, will come down to 3.0-3.2 percent at the end of the Plan period.

Through achieving the required reduction in interest payments in the Plan period, the primary surplus in the public finance balances will no longer be needed. Thus, this will allow for the allocation of fundings tally with spendings. Therefore, setting aside the interest payments, it is expected that the primary surplus in the public sector finance balances, which accounts for 3.6 percent of GNP in 1995, will drop to 0.6-0.5 percent in 2000.

**Table 52 - Total Public Sector Revenues And Expenditures (The Growth Rate of GNP : 5.5 %)**

(At Current Prices, Percentage Share in GNP)

	1995 (1)	1996	1997	1998	1999	2000
TAXES	18.1	18.9	19.0	19.5	19.7	20.0
Direct	6.7	7.3	7.4	7.5	7.6	7.7
Indirect	11.4	11.6	11.6	11.9	12.1	12.3
Domestic Taxes	10.2	11.1	11.0	11.3	11.4	11.6
Taxes on Foreign Trade	1.2	0.5	0.6	0.6	0.7	0.7
NON-TAX REVENUES	1.4	1.4	1.4	1.4	1.4	1.4
FACTOR INCOME	1.3	1.0	1.0	0.9	0.8	0.8
SOCIAL FUNDS	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
<b>TOTAL REVENUES</b>	<b>19.3</b>	<b>19.9</b>	<b>19.9</b>	<b>20.3</b>	<b>20.5</b>	<b>20.7</b>
CURRENT EXPENDITURES	10.0	10.0	10.0	10.0	10.0	10.0
INVESTMENT	4.8	5.0	5.3	5.7	6.2	6.8
Fixed Investment	4.6	4.8	5.1	5.5	6.0	6.7
Change in Stocks	0.1	0.1	0.2	0.2	0.2	0.1
TRANSFERS AND OTHERS	10.0	10.4	9.3	8.3	7.5	6.9
<b>TOTAL EXPENDITURES</b>	<b>24.8</b>	<b>25.4</b>	<b>24.6</b>	<b>23.9</b>	<b>23.7</b>	<b>23.7</b>
BORROWING REQUIREMENT	5.5	5.5	4.6	3.6	3.2	3.0
BORROWING REQUIREMENT EXCLUDING INTEREST	(3.6)	(3.0)	(1.7)	(1.4)	(0.9)	(0.6)
BORROWING REQUIREMENT EXCLUDING PRIVATIZATION	8.3	7.0	5.4	4.5	4.0	3.7
BORROWING REQ. EXCLUDING INTEREST AND PRIVATIZATION	(0.7)	(1.5)	(0.9)	(0.5)	(0.1)	0.2
OUTSTANDING EXTERNAL DEBT (NET)	(0.4)	0.8	0.8	0.8	0.8	0.9
DOMESTIC DEBT/CREDIT (NET)	5.8	4.7	3.8	2.8	2.4	2.1

(1) Estimate



## 7. INFLATION

In the Seventh Plan period, inflation rate is expected to decline gradually due to the following policies: Alleviating pressure of the public sector on the Central Bank and the financial markets through cutting down the public sector deficit. This is expected to bring about an efficient monetary policy. An incomes policy compatible with productivity based on wage policy. Improvements to be achieved on structural reforms at large. Accordingly, the change in the GNP deflator, which is expected to be 71.2 percent in 1995, is estimated to come down to about 6.0-8.1 percent at the end of the Plan period.

In the Seventh Plan period, the ratio of the public sector saving-investment deficit to the private sector savings, which was 31.5 percent at constant prices, in the Sixth Plan period, is expected to decline to 22.5-21.6 percent.

The decreasing tendency of the ratio of the public sector borrowing requirement to GNP through the Plan period, will reduce the public sector demand for the funds available in financial markets thus lowering the real interest rates. The funding costs of the private sector through increasing the saving and by the effectiveness of the financial system will be further reduced. This process, also backed by the expanded production as a result of the increases in capacity, will also contribute to the reducing of the inflation rate.

It is expected that the competition to be brought about by the customs union with the EC will cushion the oligopolistic structure particularly common in the manufacturing industry, causing them to price competitively. The process of opening up to the world, the considerable reduction in tariffs, re-structuring of the state so as to improve competitiveness and efficiency will result in easing the accession to the market thereby lowering the inflation, improving the efficiency of resource allocation and increasing prosperity of consumers.

**Table 53 - Total Public Sector Revenues and Expenditures (The Growth Rate of GNP : 7.1 %)**

	(At Current Prices, Percentage Share in GNP)					
	1995 (1)	1996	1997	1998	1999	2000
<b>TAXES</b>	18.1	18.8	19.2	19.8	20.1	20.4
Direct	6.7	7.3	7.4	7.5	7.6	7.7
Indirect	11.4	11.5	11.8	12.2	12.4	12.6
Domestic Taxes	10.2	11.0	11.2	11.6	11.7	11.9
Taxes on Foreign Trade	1.2	0.5	0.6	0.6	0.7	0.7
<b>NON-TAX REVENUES</b>	1.4	1.4	1.4	1.4	1.4	1.4
<b>FACTOR INCOME</b>	1.3	1.0	0.9	0.6	0.6	0.6
<b>SOCIAL FUNDS</b>	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.4)
<b>TOTAL REVENUES</b>	19.3	19.8	20.1	20.2	20.6	20.9
<b>CURRENT EXPENDITURES</b>	10.0	9.9	9.8	9.8	9.9	9.9

INVESTMENT	4.8	5.3	5.8	6.4	7.1	7.8
Fixed Investment	4.6	5.1	5.6	6.2	6.9	7.7
Change in Stocks	0.1	0.2	0.2	0.2	0.1	0.1
TRANSFERS AND OTHER EXPENDITURES	10.0	9.5	8.6	7.3	6.9	6.4
TOTAL EXPENDITURES	24.8	24.7	24.2	23.5	23.8	24.1
BORROWING REQUIREMENT	5.5	4.9	4.1	3.3	3.2	3.2
BORROWING REQUIREMENT EXCLUDING INTEREST	(3.6)	(3.4)	(1.9)	(1.6)	(1.1)	(0.5)
BORROWING REQUIREMENT EXCLUDING PRIVATIZATION	8.3	7.9	5.7	5.0	4.7	4.6
BORROWING REQ. EXCLUDING INTEREST AND PRIVATIZATION	(0.7)	(0.4)	(0.3)	0.1	0.5	0.9
OUTSTANDING EXTERNAL DEBT (NET)	(0.4)	0.5	0.6	0.7	0.8	1.0
DOMESTIC DEBT/CREDIT (NET)	5.8	4.5	3.6	2.6	2.3	2.2

(1) Estimate

By means of further achievements in privatization, the resource allocation in the economy will become more efficient; establishing a competitive environment for the firms, an increase in productivity and setting the domestic prices in line with the international prices will be ensured.

## 8. THE DEVELOPMENTS EXPECTED IN SOCIAL WELFARE AT THE END OF THE PLAN PERIOD

The per capita income, which is US \$ 2,423 at current prices in 1995, is expected to reach US \$ 3,346-3,530 at the end of the Plan period.

The per capita consumption, at constant prices as another indicator for prosperity, is estimated to go up by an annual average increase of 4.2-4.9 percent during the Plan period.

Regulating the public expenditures on a sound basis, considerable improvements in salaries and wages will be achieved in the Plan period.

At the end of the Plan period, it is expected that the population growth rate per year will have risen to 1.5 percent, the infant mortality rate will decline to 35.3 per thousand and the life expectancy at birth will increase to 69.1 years.

In all levels of education, the rate of schooling and the quality of education will be enhanced; the educational level of population and work force will be improved. Further to these developments, the schooling rate in pre-school training will rise to 16 percent while in primary



education, upon the introduction of compulsory education of 8 years the schooling rate at this level will be raised to 100 percent. The other targeted schooling rates are 75 percent in secondary education and 31 percent in higher education.

In the field of health care, the population per bed will decline to 374, while the population per medical doctor will come down to 806.

All population, 92.6 percent of which is to be insured, will be encompassed by a social security scheme.

It is expected that the employment level will reach 20.7 million people thereby reducing the unemployment rate to 7.7 percent.

**Table 54 - Main Social Indicators**

	Unit	1994	2000
Total Population (End of the year)	Thousand	61 110	67 332
Total Population (Mid Year)	Thousand	60 576	66 834
Annual Population Growth Rate	Percentage	1.8	1.5
Infant Mortality Rate	Per Thousand	46.8	35.3
Expectation of life at Birth			
Total	Year	67.7	69.1
Male	Year	65.4	66.9
Female	Year	70.0	71.5
Breakdown of Population by Age Groups			
0-14 Age group	Percentage	33.0	29.6
15-64 Age group	Percentage	62.5	64.9
65 + Age group	Percentage	4.5	5.5
Breakdown of Population by Education Categories			
4-6 Age group	Percentage	6.5	5.8
7-11 Age group	Percentage	11.1	9.8
12-14 Age group	Percentage	6.7	6.0
15-17 Age group	Percentage	6.6	6.1
18-21 Age group	Percentage	8.2	8.1
Ratio of Urban Population (1)	Percentage	59.3	70.6
Rate of Urbanisation	Percentage	4.4 (2)	4.6

**Table 54 (continued)**

	Unit	1994	2000
<b>Enrollment Rate</b>			
Pre School education (4-6 Age)	Percentage	5.1	16.0
Compulsory Basic education (4-8 years)	Percentage	89.8	100.0
Secondary Education (High School and equivalent)	Percentage	53.0	75.0
General High Schools	Percentage	30.6	40.5
Vocational and Technical Schools	Percentage	22.4	34.5
Universities and Other Higher Education	Percentage	26.7	31.0
Formal education	Percentage	12.5	19.0
Open education	Percentage	14.2	12.0
Population per patient bed	Person	406	374
Population per Physician	Person	954	806
Bed occupancy rate	Percentage	58	65
Civilian Labor Force	Thousand	20 424	22 462
Civilian Employment	Thousand	18 285	20 737
Unemployment Rate	Percentage	10.5	7.7
Underemployment Rate	Percentage	9.3	6.8
Unemployment and Underemployment Rate	Percentage	19.8	14.5
<b>Sectoral Structure of employment</b>			
Agriculture	Percentage	44.7	40.6
Industry	Percentage	15.7	16.9
Services	Percentage	39.6	42.5
Ratio of Insured Population	Percentage	80.8	92.6

(1) 20,000 and over populated provinces.

(2) Average of 1990-1994 period.

(3) Average of 1994-2000 period.



**LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID  
DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT  
PLAN**





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# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

## NAME OF PROJECT: EDUCATION REFORM

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Restructuring	Ensuring the effectiveness of the administration in education	Arrangement in the Law no. 3797 on the Organization of the Ministry of Education	It is aimed that central organization of Ministry of Education will be structured in a manner which design policies at macro level, performs the duties of research and development, making programmes, coordination and supervision, lessens bureaucracy, allocates more power and duties to the local units which facilitates the contribution of families to the decision-making processes.
Elimination of the Failures in Vocational Training	Training the manpower in order to meet the economy's demand for qualified manpower and ensuring more contribution by the private sector	Arrangements in the Law No. 3308 on Apprenticeship and Vocational Training,	It is aimed that more contribution of private sector to the decision-making process and training costs and training for qualified manpower will be ensured as well as eliminating of the failures resulting from the implementation of Law No.3308.
Compulsory Education	Extending the compulsory education term	Arrangements in the Law No. 222 on the Primary Education and Education,	It is aimed that 8 year- compulsory education will be introduced
Cost-sharing Education System	Extending the compulsory education term and introducing the cost-sharing education	Basic Law No. 1739 on National Education,	It is aimed that 8 year- compulsory education will be initiated and the contribution of families to the education costs excluding compulsory education will be ensured.
Private Education Institutions	Increasing the share of the private sector in education	Arrangements in the Law No. 625 on Private Education Institutions,	It is aimed that private sector will be encouraged to invest in education via tax exemption, tax rebate, deduction of the expenses of families from the tax, soft loans, subsidized expenditures up to the 45 percent in higher education as in the case of foundation universities, thus the burden of public sector will be lessened.
Higher Education	Elimination of the centralized and bureaucratic structure in higher education, development of the university-industry linkages	- to the Law No. 2537 on Higher Education, - Amendment to the Art.130 of the Constitution	It is aimed to eliminate the centralized and bureaucratic structure in higher education to ensure that the university and faculty administration boards will have higher authorities with respect to generating resources and expenses. It is also aimed that the Art. 130 of the Constitution will be amended with a view to allow the establishment of universities in variety of forms other than foundations

# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

## NAME OF PROJECT: POPULATION AND FAMILY PLANNING

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Improvement and Broadening up of the Population Registration System	Organizing the General Directorate for Population and Citizenship Affairs as an Undersecretariat attached to the Ministry of State	- Population Law, No. 1587 - Law No. 3152 on Organization and Duties of Ministry of Home Affairs	It is aimed that existing population registration system will be broadened up country wide and a more effective structure will be constituted.
Population and Family Planning	Constituting a supreme committee, attached to the Ministry of State authorized to apply sanctions	- Related legislative arrangements	It is aimed that services will be steered in cooperation and coordination amongst the public, private and voluntary institutions of those providing services and necessary supervision will be sustained.
Women Emancipation, Equality between Men and Women	Ensuring the equality between men and women in family life	- Civil Code, Art. 21, 44, 88, 110, 144, 148, 152, 153, 154, 159, 160, 170.	Attribution of full equality to marital relations in family in case of dissolving of family unit and protection of each party from damage.
Women Emancipation, Equality between Men and Women	Ensuring the equality between men and women in social life	- Penal Code, Art. 423, 429, 433, 453, 478 - Judicial Register Law, Art. 8/b - Law on the Duties, Responsibilities and of the Police Force	Reinforcement of measures relating to the attitudes against women, protection of women's human dignity and prevention of violence towards women.
Women Emancipation	Ensuring the performance of maternity duties of the women in working life	- Labour Law, No. 1475, Art. 17, 70, 81 - Civil Servants, Law, No. 657, Art. 104/A, 191.	Ensuring the performance of maternity duties of the working women, and job security, ensuring sufficient care for the children of the working mothers.
Legal Protection for the Child	Ensuring the accurate determination of the age in respect of juvenile delinquency	- Law No. 2253 on the Establishment, Functions and Judicial Procedures of the Juvenile Courts	Considering the age of 0 as one of the age groups in determining the completion of 15 years of age.
Protection for the Child in Working Life	Protection for the children in working life and prevention of their abuse	- Law on General Hygiene, Labour Law, No. 1475, Apprenticeship and Vocational Training Law, No. 3308.	Realization of the unification in the legislations which regulate working of child, preparation of the legal arrangements with a view to protecting of children working in the agricultural sector.
Social Protection for the Child	Development of institutions which are to protect the homeless children	- Law No. 3201 on the Police Force Organization, - Law on Social Services and Child Care Institution, No. 2828	It is required that sections of Juvenile Protection will be equipped with sufficient expert personnel and infrastructure, the cooperation between those and Provincial Social Service Directorates will be enhanced.
Legal Protection for the Child	Broadening up of the juvenile courts countrywide and their restructuring as laid down by the law	- Law No. 2828 on the Establishment, Functions and Judicial Procedures of the Juvenile Courts,	Provision of qualified personnel and infrastructure for juvenile courts and separation of children from elderly criminals through giving effect to the institutions pursuant to Law.



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Legal Protection for the Child	Establishment of an expertise department for juvenile delinquency at the Court of Appeals	<ul style="list-style-type: none"> <li>- Law No. 2253 on the Establishment, Functions and Judicial Procedures of the Juvenile Courts,</li> <li>- Law of Criminal Procedure and other relevant legislation</li> </ul>	Review upon the appeal of decisions given by juvenile courts by an expertise department comprising an expert staff.

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: HEALTH REFORM

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Organization, Supervision, Personnel Regime (Basic Law on Health)	Basic rights regarding health, practices in disorders and extraordinary conditions, measures for the infectious diseases, subjects relating to medical products, pharmaceutical substances, cosmetic and health materials, organ and tissue transplantation, nutrition and food hygiene, protection of specific groups in terms of health, public training and the matters concerning the professions in the field of health.	<ul style="list-style-type: none"> <li>-Decree Law Nos. 181 and 210</li> <li>-Law No. 3201 on Police Organization,</li> <li>-Basic Law No. 3359 on Health Services,</li> <li>-Law No. 224 on Socialization of the Health services,</li> <li>-Law No. 6283 on Nursing,</li> <li>-Law No. 7402 on eradication the of Malaria,</li> <li>-Law No. 1593 on General Hygiene</li> <li>-Law No. 5368 on the Tuberculosis Combat,</li> <li>-Law No. 6197 on Pharmacists and Pharmacy,</li> <li>-Law No. 2238 on the Organ and Tissue Transplantation,</li> <li>-Law No. 1262 on the Pharmaceutical and Medical Drugs,</li> <li>-Law No. 4459 on the Establishment of Organization for the Midwives and Official Health Employees in Villages,</li> <li>-Law No. 3959 on the Opticiancy,</li> <li>-Law No. 992 on the Public Laboratories of Bacteriology and Chemistry where Clinical and Nutritional Research and Analyses carried out and Serum is Produced via Natural Methods</li> <li>-Law No. 1219 on the Mode of Practice of the Medicine and Allied Branches</li> </ul>	It is aimed to maintain the individual life in a healthy environment both physically and mentally; to protect and improve public health, to organize fundamental principles of health services towards therapy and rehabilitation, the provision of health services, service quality, (level), relations among institutions and organizations providing the service and the matters related to professional groups.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
<p>Organization, Supervision and Administration (Law on the Organization and Functions of the Ministry of Health)</p>	<p>Central organization of the Ministry, main executive units and their functions, authorities and duties, consultation and supervision units, subsidiary units and permanent boards, local units and their authorities and duties, organization abroad, attached and affiliated establishments and the matters concerning the authorities and duties of the Ministry</p>	<p>-Law No. 1533 General Hygiene Law -Law No. 3046 -Law No. 224 on the Socialization of the Health Services -Basic Law No. 3359 on Health Services -Civil Servants' Law No. 657 -Decrees Law No. 181, 210 on the Organization and Functions of the Ministry of Health, -Law No. 3017 on the Organization and Personnel of the Ministry of Health and Social Assistance, -Law No. 209 on the Revolving Fund that will be granted to the Health and Rehabilitation Institutions Foundations attached to the Ministry of Health,</p>	<p>It is aimed to realize arrangements providing the living of individuals in physical and mental health in society and to restructure the Ministry of Health as a supplier of direct treatment, manager of hospitals and employer of personnel and enables it to regulate the health sector by determining policy standards and norms, to supervise and to provide protective health services.</p>
<p>Organization Administration and Service Supply (Law on the First Stage of Health-care Services and General Family Practitioners)</p>	<p>Basic principles relating to the establishment, operation, service use and supply of provincial and district health organizations. And the matters regarding the affiliated institutions, their functions and duties, administrative institutions and self-employed persons</p>	<p>-Law No. 224 on the Socialization of the Health Services, -Basic Law No. 3359 on the Health Services, -Law No. 2368 on the Work and Compensation Principles of Health Personnel -Law No. 2514 on the Public Service Obligations of Certain Health Personnel, -Law No. 3046</p>	<p>Purpose is to provide high-quality, productive and efficient first stage health services in medical units, dispensaries, public health centres and the like. General Family Practitioners service units will be ensured within the framework of medical distributive channeling principals, unnecessary overcrowding in hospitals will be prevented and first stage health services will be organized to meet the needs.</p>
<p>Organization, Service Supply and Administration (Law on the Hospitals and Healthcare Enterprises)</p>	<p>Restructuring of public hospitals having the bed capacity of 50 and more as health enterprises which have public legal personality, administrative and financial autonomy, financial balance and competitiveness</p>	<p>-General Account Law No. 1050 -Law No.2886 on Public Procurements, -Civil Servants' Law, No. 657 -Law No. 213 on Tax Procedure, -Labour Law, No. 1475 -Basic Law No. 3359 on the Health Services, -Law No. 224 on the Socialization of the Health services, -Decrees Law, Nos. 181, 210 -Law No. 2219 on the Private Hospitals, -Law No. 4046</p>	<p>It is aimed that basic principles relating to the establishment, operation, service supply and utilization of services of hospitals and health enterprises will be set up in order to ensure the provision of the second and third stage health services of high quality in an effective, productive and easily accessible way.</p>



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
<p>Financing and Organization (Law on the Healthcare Finance Institution)</p>	<p>Establishment, administrative, financial and legal structuring of Health Finance Institution, constitution of a health insurance fund, conditions for the establishment of undertakings in insurance benefits, determination of premium amounts and their collection, contracting</p>	<ul style="list-style-type: none"> <li>-Social Insurance Law, No. 506</li> <li>-Law No. 2866 on Public Procurements,</li> <li>-Civil Servants' Law, No. 657</li> <li>-Law No. 7201 on the Notification Procedure,</li> <li>Labour Law, No. 1475</li> <li>-Basic Law No. 3359 on the Health Services</li> <li>-Decreases Laws No. 181, 210</li> <li>-Law No. 224 on the Socialization of the Health Services,</li> <li>-General Account Law No. 1050</li> <li>-Law No. 832 on the Court of Auditors,</li> <li>-Law No. 3294 on the Encouragement of the Social Assistance and Solidarity,</li> <li>-Law No. 3085 on the Value Added Tax,</li> <li>-Law No. 6183 on the Collection Procedure of Debts due to the State,</li> <li>-Law No. 3816 on the Subsidization of Healthcare Expenses through Green Card by the State for Those Incapable of Affording,</li> <li>-Decree Law No. 190 in the General Cadre and Relevant Procedure,</li> <li>-Law No. 1479 on the Social Insurance for Tradesmen, Craftsmen and Other Self-Employed Persons</li> <li>-Law No. 5434 on the Pension Fund,</li> <li>-Law No. 2925 on Social Insurance for Agricultural Workers,</li> <li>-Law No. 2202</li> <li>-Law No. 2828 on the Social Services and Child Care Institution,</li> <li>-Law No. 4792</li> <li>-Law No. 3418</li> </ul>	<p>It is aimed that health security will be provided for the ones having no right of benefiting from health insurance schemes and transition to the general health insurance system through the implementation of existing social health insurance practices by a single institution being unified in time within the framework of general health insurance system.</p>
<p>Personnel Regime (Medical Expertise Regulation)</p>	<p>Subjects relating to expertise qualifications, proficiency examination, expertise branches and terms, administrative matters.</p>	<ul style="list-style-type: none"> <li>-Law No. 1219 on the Performance of Medicine and Related Professions,</li> <li>-Medical Expertise Regulation adopted by the Decision No. 716229 of the Council of Ministers</li> <li>-Law No. 2547 on Higher Education,</li> <li>-Civil Servants' Law, No. 657</li> <li>-General Hygiene Law, No. 1593</li> <li>-Basic Law No. 3359 on the Health Services,</li> </ul>	<p>It is aimed that medical branches recognized in Turkey and necessary qualifications for being expert in these branches and the principles of the expertise training and expertise authority will be laid down.</p>

# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

## NAME OF PROJECT: INCREASING OF THE EMPLOYMENT AND EFFECTIVENESS IN THE LABOUR MARKET

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Forms of Atypical Work	Constitution of legal base for atypical work forms	<ul style="list-style-type: none"> <li>- Labour Law, No. 1475 and other labour laws.</li> <li>- Social Insurance Law, No. 506</li> <li>- Relevant Regulations and Decrees</li> </ul>	There is legal gap relating to flexible time, part time and other atypical forms of work. The aim is that by filling the gap the legal framework of these forms of work will be constituted.
Job Security	Preventing the opportunity of unfair termination of an employment contract by the employer and the elimination of the uncertainties in collective redundancies	<ul style="list-style-type: none"> <li>- Labour Law, No. 1475</li> <li>- Press Labour Law, No. 5953</li> <li>- Maritime Labour Law, No. 854</li> <li>- Trade Unions Law, No. 2821,</li> </ul>	Within the framework of the existing structure of contract of employment and the principle of freedom of termination in the current structure of the legal system, there is the opportunity of termination of employment contract by the employer by paying the notification and seniority indemnity and without being subject to the burden of showing a reason. Within the framework of the universal principles of labour law, the ILO Convention, No. 158 ratified by Turkey and current developments of labour law, a new job security system in conformity with ILO Conventions, Nos. 135, 158 should be established. It is required that the above-mentioned system will be set up in conjunction with the evaluation of severance pay system and the unemployment insurance scheme.
Law on the Trade Unions for Public Employees Collective Agreement and Strike	Constitution of the legal basis for to the rights and obligations of public employees about unionization and performing union activities	<ul style="list-style-type: none"> <li>- Constitution</li> <li>- Law on the Trade Unions for Public Employees, Collective Agreements and Strike</li> <li>- Amendment with respect to the abolition of the reservations on Articles 5 and 6 of the European Social Charter.</li> </ul>	ILO Conventions, Nos. 87, 98, 151 ratified by Turkey, the European Social Charter, and the Universal Declaration of Human Rights after the ratification of these international conventions and their becoming a part of internal law commit Turkey to realize legal arrangements for the trade union rights concerning the public employees. There are serious expectations in the public opinion on this matter owing to the organizations established by the public employees.



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Economic and Social Council	Completion of legal basis of the Economic and Social Council	- Law on the Establishment, Functions and Authorities of the Economic and Social Council - Drawing up of subsidiary legislation as regards working principles and procedures of the Council	The Economic and Social Council has been set up by the Prime Ministry Communiqué No. 1995/5 in 1995. The need for legal arrangements to eliminate the shortcomings encountered in the functioning of the Economic and Social Council to contribute to the country's development in economic and social spheres, for a consultative organization in which all groups are represented still prevails. Besides it is required that subsidiary legislation as regards working principles and procedures of the Council will be drawn up.
Health and Safety at Work	Renewing the legislation work relating to health and safety at work with a view to keeping track of technological developments	- Labour Law, No. 1475 and other legislations relating to health and safety at work	Renewing the studies on legislative and organizational aspects and keeping track of technological developments could not be achieved sufficiently on the subject of health and safety at work. The loss of workday and workforce due to accidents at work and occupational diseases is significantly high in Turkey. There is an urgent need for the completion of the legislative studies which will allow keeping track of the technological developments and the efficient implementation of these technologies on a legislative and organizational basis with a view to minimizing occupational accidents and diseases.
Agricultural Labour Law	Constitution of the legal basis which will regulate the employment relationships of the wage-earners in the agricultural sector.	- Agricultural Labour Law	The wage-earners in the agricultural sector where the employment environment has unique features are still within the scope of Labour Law, No. 1475 only partially and for limited cases. A comprehensive Agricultural Labour Law which takes into account the sui generis structure and the features of the sector has to be adopted for persons working in this sector
Restructuring the Ministry of Labour and Social Security	Restructuring the Ministry of Labour and Social Security so as to ensure its efficient working as regards the regulation of working life and its functioning as an employment ministry.	- Law on the Establishment and Functions of the Ministry of Labour and Social Security	It is required that Ministry of Labour and Social Security will be furnished with a new and adequate structure in order to keep track of economic developments, carry out the employment policies and to have authority with respect to the regulation of working life.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Restructuring the Public Sector Employment	Legal and institutional regulation relating to the elimination of employment and wage disorder in the public sector	<ul style="list-style-type: none"> <li>-Civil Servants' Law No. 657 and other respective legislations</li> <li>-Carrying out a public sector employment inventory study.</li> <li>-Drawing up and implementing a five year-long project including transitional period in order to constitute the new system (The project, financed by a loan from abroad, which will enter into force by decree)</li> </ul>	Elimination of the problems owing to co-existence of various and different types of employment in the public sector and furnishing the public sector employment with an efficient, reliable and productive system which can meet the needs of Turkey are essential parts of the public sector reform. To this end, it is required that concrete and effective regulations which takes into account the previous studies and considerable experiences like "The Fundamental Principles of the State Personnel Regime" which was adopted in the form of a decree is to be set up.
Establishment of Labour Institution	Reorganization of Employment Office in a comprehensive and strengthened way under the name of İş-Kur Labour Institution with a view to carrying out employment services in conformity with the needs of labour market.	-Law No 4837 on the Establishment and Functions of the Employment Office, Annexes and Amendments.	The Employment Office cannot meet the needs of the labour market sufficiently as regards providing jobs and finding workers. It is required that employment services of the labour market will be carried out on the basis of occupational standards and within the framework of a prompt-working institutional structure. The existence of an institutional structure which meets the above-mentioned needs is essential in order to implement active labour market policies. The Labour Institution will be responsible for the implementation of unemployment insurance scheme and especially for the constitution and maintenance of the relationship between the unemployed and job providing services. Having skilled personnel and a proper institutional structure required for the fulfillment of these functions is also essential.



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
<p>Reorganization and Cadre Needs of Ministries, Public Institutions and Establishments which have organizations abroad.</p>	<p>Establishment of foreign representation offices in regions and countries where Turkish workers and employers are concentrated and where there are no representation offices equipping the foreign representations of Turkey with the personnel qualified to work in the vast field of study involving international Turkish and host country legislation and carry out services in relation to residence, labour, financial and social assistance.</p>	<p>-Provisions relating to the cadre number of representation offices abroad embodied in the organization laws of the Ministries, Public Institutions and Establishments which have organizations abroad.</p>	<p>Whilst the number of Turkish citizens working in the Russian Federation and Commonwealth of Independent States and some of the Asian states is growing in parallel with the investment activities carried out by the Turkish undertakings working in the field of construction, they have serious problems with respect to working life, health, social security and other social matters. Establishment of representation offices in the countries where it is deemed necessary will meet the counseling service demands of Turkish citizens and develop the commercial relations of Turkey with those countries.</p>
<p>Employment of the Aliens in Turkey</p>	<p>Rearranging the legislation provisions relating to employment of the aliens in line with the current requirements, eliminating the lack of organization in the relevant provisions, collection of the basic principles as regards employment of the aliens under a single law, new arrangements in regard to granting of residence permits.</p>	<p>-Law No. 3218 on the Free Zones -Law No. 6224 on the Encouragement of Foreign Capital -Law No. 2634 on the Encouragement of Tourism -Law No. 5683 on the Residence and Travels of the Aliens in Turkey -Law No. 2007 on the Professions and Services Allocated Exclusively to the Turkish Nationals in Turkey -Law No. 2527 on the Freely Performing of the Professions and Crafts in Turkey by the Aliens of Turkish Origin.</p>	<p>Since the topic has been regulated by outdated and a large number of laws, these may cause confusions during implementation. Granting the working permits to the aliens by various institutions and establishments preclude the monitoring and controlling of the labour market and efficient performing of the service. Regulation of the legal employment of the aliens in Turkey in compliance with the current circumstances will ensure peaceful industrial relations and the prevention of illegal employment.</p>

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: STRUCTURAL REFORM PROJECT RELATED TO AGRICULTURAL POLICIES

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
<p>Giving Administrative Autonomy to the Unions of Agricultural Sales Cooperatives</p>	<p>Giving administrative autonomy to the Unions of Agricultural Sales Cooperatives, privatization of their plans, strengthening the functions of cooperatives.</p>	<p>Making amendments to the Law No. 3186 and 2834 on the Unions of Agricultural Sales Cooperatives.</p>	<p>Agricultural Sales Cooperative Unions will be enabled to give better services to its members and, the services concerning cooperative activities will be made more efficient.</p>
<p>Improvement of Pasture Meadows</p>	<p>A draft Law on Pasture and Meadows</p>		<p>This Law will ensure the determination of allocation and proper utilization of pasture and meadows.</p>

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Setting up an Accreditation System	The legal establishment of an accreditation body and necessary arrangements in the Laws of the related public institutions will be made.	Amendments to the Laws such as: -Law on the Establishment of the Turkish Standards Institute -Law on Establishment of TUBITAK -Law on the Establishment of the Ministry of Industry and Trade	Accreditation Services will be provided for institutions which carry out quality system, product and staff certifications for the public and private sector and laboratories by the legal establishment of Accreditation Bodies. The accreditation body will be the supreme supervision and certification institution of the quality infrastructure.
Arrangements in the Legislation on Mining	Legal Arrangements to ensure the uniformity of legislation on mining and effectiveness in implementation.	-Amendments to the Law No. 3213 on Mining -Abolishment of the Law No. 3078 on Salt and Regulation on Quarries	Law No. 3213 on Mining, Law on Salt and regulation on Quarries will be rearranged in order to ensure uniformity in the Legislation and to remove State monopoly on salt production.
Restructuring of MTA	Revision of the Law establishing MTA and the provision of the administrative measures.	Amendments to the Law No. 2804 establishing MTA and the related regulations.	The contribution of MTA to the mining sector will be enhanced through furnishing it with a higher technical capacity and downsizing it physically.

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: PROJECT FOR A LEAP FORWARD IN SCIENCE AND TECHNOLOGY

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Patent Law	Updating the Patent Law	-Law of 1879 on patents -Law No. 6563	Law on patents is before the General Assembly of TCNA
Venture Capital	Drafting a new Law	-Law No. 2499 -Law dated 6.7.1973	Updating the legislation in order to encourage research and development studies
Law on Technopark and Technology Development Regions	Drafting a new Law	-Amendments to the Law No. 2547 -Law on Free Zones -Law on the Head of Development of Small and Medium Sized Enterprises	In technology development regions that will be determined by the Council of Ministers, University-industry relations will be developed, high technology products, research and development and production will be supported, the personnel rights of the researchers to work in Technopark will be protected.
Information Networks	Improvement of Legislation		Use of information networks will be encouraged and the security will be ensured in communication.
Law on Encouragement of the Companies Engaged in Research	Drafting a new Law		Developing and encouraging the intermediary companies which will transmit the results of research and development to the industry.



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Establishment of High Technology Institutes	Establishment of new High Technology Institutes	-Law No. 2547 -Decree Law No. 41 -Law No. 2809 -Laws No. 78 and 190 -Law No. 278	Promotion of technology and training of manpower will be improved by increasing the numbers and quality of High Technology Institutes, the number of which are presently two.
Law on Institute for Metrology	Drafting a new Law	-Law No. 278 -Law on the Institute for Turkish Standards	Giving semi autonomous status to the Institute for Metrology which makes calibration of first degree
Law on the Scientific and Technical Research Council of Turkey (TUBITAK)	Amendments to the Law No. 278 on TUBITAK	-Law No. 278	Restructuring the TUBITAK's research institutes and ensuring the supervision and control of only industrial research and development projects by TUBITAK
Legislation relating to Research Personnel	Drawing up a new legislation	-Law No. 657 on Civil servants -Law No. 2914	Improvement of the employment conditions and personnel rights of researchers.

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

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### NAME OF PROJECT: OPENING UP TO AND INTEGRATION WITH THE WORLD (ADJUSTMENT TO THE EUROPEAN UNION)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Registration and proclamation of companies	Detailed arrangements on registrations and proclamation for corporations will also be applied to the LTD companies and Limited Partnerships with shared capital	Provisions in the Turkish Commercial Code, related to Ltd. companies and Limited partnerships	It is aimed to ensure transparency in company transactions with a view to protect interests of third parties.
Minimum capital of company	Increasing minimum capital of corporations from 500.000 TL. to 25.000 ECU; the same to be applied to Limited companies	Articles 272, 396/final, 507 and 517 of the Turkish Commercial Code (TCC)	The full establishment of a competition environment will be ensured, by complying with the current commercial and economic conditions.
Peculiarities laid down in the Principal Agreement of Corporations subject to Proclamation	Arrangements will be made in accordance with EC legislation to make it compulsory to proclaim the below mentioned aspects (publish) at least once a year -the conditions having restricting effect on the transfer of shares, -names and titles of natural and legal persons, having signed the principal agreement as founders, -the overall amount of debts or the estimated amount of debts and expenditures incurred at the establishment phase of the company, -nominal value of shares engaged	Articles 279 and 300 of the Turkish Commercial Code	It is aimed to ensure a better protection of the interests of creditors and shareholders of the company as well as transparency.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Real capital value, imposed on corporations	Making the publication of expertise report compulsory, regarding the determination of real capital value	Article 3006 of TCC	
Purchasing of own shares by the Corporation	In permitting to purchase own shares, in case of capital reduction, there shall be a restriction as in the EC so as to stay below 10 percent of the company capital	Article 329 of TCC	
Statement of the reason for capital reduction of the corporation in the publication	Introduction of the principle of publishing the reason for reduction into the TCC	Article 396 of TCC	
Issuing of redeemable bills by the company	Ensuring the companies issuing redeemable bills	Capital Market Law No. 2499 and related TCC provisions	
Plenary session Decision quorum, related to capital variation of the company	Since the quorum for decisions in the TCC are low, in comparison to the arrangements in the EC, the condition of 2/3 majority (or at least 50 percent) will be introduced	Articles 388, 391 and 396.	
Merger of Companies	Arranging the taking-over of corporations, without liquidation by corporations, owning 90 percent or more of the shares.	Article 451 of the TCC	It is aimed to protect rights of shareholders and creditors in case of merger of Companies.
	Provisions protecting the rights of the shareholders concerning the method of merger.	Articles 451 and 452 of the TCC	
	Making it possible that ratification of merger is not compulsory in some cases.	Article 452 of the TCC	
	Setting out the detailed provisions, protecting the rights of creditors and shareholders concerning expertise	Articles 394 and 303 of the TCC	
	Abolishment of the conditions that, companies subject to merger shall be of the same nature, and adoption of a single system, which will protect rights of creditors.	Article 147 of the TCC	
	Introduction of provisions, which will state that together with the managers of the company taken over, the experts too are responsible for the rights of the shareholders.	Articles 451, 452 and 453 of the TCC	
Division of Companies	Taking necessary measures in accordance with the EC Legislation to guarantee the rights of interest groups (the partners, creditors and staff of companies subject to division) in the case of division of corporations and cooperatives.	TCC and Law on Cooperatives	As in the case of mergers, in the case of divisions too, it is aimed to take necessary measures in order to prevent losses of partners, creditors and workers due to the division



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Harmonization of Accounting practices of companies	Ensuring the harmonization of accounting practices of companies, included or not within the scope of the Context of the Capital Market Law.	Related Communiqué of the Capital Market Board, Article 74 of the TCC	It is aimed to prepare the annual accounts of companies in line with the arrangements in the EC, in accordance with the principles of the Generally Accepted Accounting Practices and Principle of Informing the Public and to ensure transparency
Preparation of Consolidated Annual Accounts And Financial Tables of Company Groups	Introduction of the rule of "compulsory", rather than "optional", for the preparation of certain tables by the companies covered by the Capital Market Law	Regulation No. 7, Series XI	It is aimed, that proper and reliable information will be furnished, both regarding information on the interrelations of Companies within the group and information required by third persons on these companies.
Preparation of Consolidated Annual Accounts And Financial Tables of Company Groups	Amendments to the Communiqué on The General Accounting System for those corporations not covered by the Capital Market Law, limited companies and limited partnerships with divided shares. Subjecting the main company, in the case of existence of a company not included in the group, but administrating attached partnerships, together with the main company, to consolidation in proportion to the shares of the main company	Regulation on the General Accounting System Communiqué No.7 Series XI Communiqué on the General Accounting System.	It is aimed that proper and reliable information will be furnished both regarding information on the interrelations of Companies within the group and information required by third persons on these companies.
Approximation of the Turkish legislation to that of the EC on independent (external) inspection of companies	Even though the eligibility conditions for being independent inspector set out by the code, no. 3568 are in conformity with the EC legislation, inspection function is optional. Extending the external inspection which, at present, exists only for the companies subject to Banking Code, Stock Exchange Market Code and Insurance Auditing Code, to all companies	Law no. 3568 on Accounting, Financial Advisory and authorized Financial Advisory System	It is aimed that all companies will be subject to external inspection and the inspection will be standardized.
Formation of single member private limited liability company	Giving opportunity to persons and companies to form single member private limited liability companies	Art. 503 of Turkish Commercial Code	It is aimed at giving individual enterprises opportunities to establish undertakings in the form of company in order to enable them to limit their responsibilities with the capital of the company
Protection of economic competition in the market	Making arrangements for ensuring the economic competition in the market not to be distorted	Law on the Protection of Competition.	Prevention of cartelization between undertakings and association of undertakings and prevention of abusing their dominant positions and supervision of mergers and acquisitions will be ensured. Necessary legal arrangement has been made (ACD) <sup>1</sup>

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
SEEs	<p>Ensuring that the concessions acquired by the public enterprises and the enterprises given special or exclusive rights will be brought in line with the EC competition rules.</p> <p>Ensuring the transparency in financial relations between public enterprises and public authorities</p>	<p>Law on the Protection of Competition and the relevant legislation</p> <p>-Law on Regulating the supervision of the Public Economic Enterprises and their Funds by the Turkish Grand National Assembly, no. 3346</p> <p>-Law on Privatization, no. 4046</p> <p>-Decree Law on Public Economic Enterprises no. 233</p>	<p>It is aimed at taking the concessions necessarily given to some enterprises, outside the coverage of competition rules under certain conditions (ACD)</p>
State Monopolies of a commercial character	<p>Adjusting the state monopolies of a commercial character so as to ensure that no discrimination regarding the conditions under which goods are procured and marketed exists between the nationals of EC member states and the Turkish nationals</p>	<p>-Law on Alcohol and Alcoholic Drinks Monopoly, no. 4250, Art. 1-3</p> <p>-Decree on Tobacco and Tobacco Products' Production, Selling and Importation, Charging Fund and the Procedure and Principles for Using this Fund, no. 86/10911</p>	<p>It is aimed at preventing the free movement of goods to be indirectly hindered by creating discrimination between nationals of the EC member states and the Turkish nationals via state monopolies (ACD).</p>
State Aids to the Textile and Clothing Sector	<p>Revision of all aids to the textile and the clothing sector considering adaptation to the rules laid down in the relevant Community frameworks and guidelines in line with the Articles 92 and 93 of the Treaty of Rome.</p>	<p>-Article 3/C of the Law No. 933 dated 7.28.1967,</p> <p>Foreign Trade Law No. 2976, Decree dated 27.12.1994, No. 94/6401.</p> <p>by the Council of Ministers on State Aid to Exports</p>	<p>Related EC legislation introduces a subsidy control system that prohibits all kinds of state aids causing capacity expansion in the sector.</p>
		<p>-Amended Article 2 of the law No.474 dated 5.14.1964,</p> <p>- Amended article 11- Article 3/C of Law No.933 dated 7.28.1967</p> <p>of the Law No.1615 Law No.2976 dated 2.2.1984 dated 7.19.1972,</p> <p>Decree dated 26.12.1994 No. 94/6411</p> <p>by the Council of Ministers on State Aid to Investments. The Council of Ministers' Decree amending the decree No. 94/6411 dated 8.3.1995, No. 95/65689.</p> <p>-Provisional Article 2 of the Law dated No. 3005/2.3.1988</p>	
Aids to Export	<p>Drafting a legislation conforming to Council Decision No.93/112/EEC on the officially supported export credits</p>	<p>-Decree by the Council of Ministers No. 87/11914.</p>	<p>Regarding the Eximbank activities Turkey's participation in the OECD arrangement on officially supported export credits is required.</p>



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
<p>State Aids such as Customs Exemption provided within the scope of Inward and Outward Processing Regimes</p>	<p>Application of substantially similar provisions for State Aids such as Customs Exemption provided within the scope of Inward and Outward Processing Regimes applied in the exportation to third countries</p>	<ul style="list-style-type: none"> <li>-Customs Law and Regime</li> <li>-Amended Article 2 of the Law No. 474</li> <li>-The Law pertaining to ships and shipbuilding dated 1.14.1982 No. 2581 and Decree dated 6.15.1989 No. 89/14239</li> <li>-Decree by Council of Ministers on Import Regime No. 94/6341</li> <li>-Decree by Council of Ministers on State Aids to Exports No. 94/6401.</li> <li>-Decree by Council of Ministers on State Aids to Investments No. 94/6411 and 95/6569</li> </ul>	<p>It is aimed to fulfill the obligations set out by the Association Council Decision (ACD).</p>
<p>State Aids to sectors other than Textile and Clothing</p>	<p>Adaptation of all aid schemes other than those granted to the textile and clothing sector to the rules laid down in Community frameworks and guidelines in line with the Articles 92 and 93 of the Treaty of Rome</p>	<ul style="list-style-type: none"> <li>-Amended Article 2 of the Law No. 474.</li> <li>-The law dated 1.14.1982 No. 2581 and the Decree dated 6.15.1989 No. 89/14239.</li> <li>-The laws No. 202 and No.199 and Amendments there to.</li> <li>-Provisional Article 2 of the Law dated 12.3.1988 No.3505.</li> <li>-The law amending certain articles of the law of Corporate Taxes No.5422, dated 12.24.1980, No. 2362.</li> <li>-The law No. 3986 amending certain articles of VAT Law dated 10.25.1984, No. 3065.</li> <li>-Article 3/C of the Law dated 7.28.1967 No. 933.</li> </ul>	<p>A similar system will be included into the Turkish legislation (ACD)</p>
		<ul style="list-style-type: none"> <li>The Foreign Trade Law No. 2976; Decree of the Council of Ministers No. 94/6401.</li> <li>-Amended Article 2 of the Law No. 474 dated 5.14.1986</li> <li>-Amended Article 11 of the Law dated 19.7.1972 No. 1615; The Law dated 2.2.1984, No. 2976;</li> <li>Decrees of the Council of Ministers Nos. 94/6411 and 95/6569.</li> </ul>	
<p>Institutions subject to Public Procurement</p>	<p>Subjecting all public institutions and agencies to the Public Procurement legislation</p>	<p>Law No. 2886, Article 1 and related special Laws</p>	<p>Proper amendment in accordance with EC legislation will be made with a view to full implementation of the principles of competition, transparency and meeting the needs of the public institutions at the most convenient and economical way, existing both in the EC Public Procurement Legislation and the Turkish public Procurement Legislation with a view to ensure sound functioning of Legal supervision of public procurements.</p>

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Proclamation of the tender	<p>Amendments to the Law No.2886, Articles 44 and 51, in order to render it compulsory that tendering by among certain bidders and tendering by bargaining will also be subject to proclamation.</p> <p>Inclusion of the subject that "the specification which is of great volume and difficult to proclaim may be investigated at site into the scope of subjects to be mentioned in the proclamation.</p>	<p>Law No.2886 Articles 44,51</p> <p>Law No.2886 Article 18 (b)</p>	
Duration of Proclamation for Public Procurements	<p>Complying with the minimum proclamation durations applied in the EC according to types of tenders, such as 37, 40 and 52 days.</p>	<p>Law No. 2886, Article 17</p>	<p>Proper amendment in accordance with EC legislation will be provided with a view to full implementation of the principles of competition, transparency and meeting the needs of the public institutions at the most convenient and economical way, which are the fundamental principals of the EC Public Procurements Legislation and also set out by the Turkish Public Procurements Legislation and with a view to ensure sound functioning of Legal supervision of public procurements.</p> <p>(The Draft Law, which is on the agenda of the plenary session of the TGNA, provides that the proclamation period will be increased from minimum 10 days to 15 days. For tenders, of which the proclamation abroad is where appropriate, this period consists of 45 days)</p>
Proclamation of the Public Award	<p>Making the proclamation of the award compulsory</p>	<p>Law No. 2886, Articles 3,4.</p>	<p>Proper amendment in accordance with EC legislation will be provided with a view to full implementation of the principles of competition, transparency and meeting the needs of the public institutions at the most convenient and economical way, which are the fundamental principals of the EC public tender Legislation and also set out in the Turkish public tender Legislation and with a view to ensure sound functioning of Legal supervision of public procurements.</p>
Methods of Tendering	<p>Narrowing down the scope of the works subject to tender with certain bidders and obtaining at least five valid Bids.</p>	<p>Law No. 2886, Article 44</p>	
Inspection of the Public Award	<p>Informing the refused bidder of the reason for refusal.</p>	<p>Law No. 2886, Article 32</p>	



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Criterion for granting the Public Award	The acceptance of the "most advantageous offer from economical point of view" instead of the criterion of preference.	Law No. 2886, Article 4/8, 2/8	The principles of competition and not discriminating due to nationality will be taken into consideration.
Application for the Tender	Modification of the conditions for registration to the Turkish Chambers for Engineering and Architecture in order to be able to participate in project contests related with engineering and architecture	Regulation on Engineering and Architecture Projects Contests	
Discrimination in granting the Public Award	To provide that the Law No. 2886, Article 28/4 and Decision No. 85/9342 of the Council of Ministers, which grants an advantage of 15 percent in favour of national companies, will also be applied to EC countries (From the point of view of provisions providing certain advantages in favour of national firms).	Law No. 2886, Article 28/4, Decision No. 85/9342 of the Council of Ministers	
Intellectual and Artistic Works	Turkey's accession to the Paris Act of the Bern Convention for the protection of literary and artistic works will be ensured		Pursuant to article 3, Annex 8 of the Association Council Decision, Turkey's accession to the Convention will be ensured before the realization of the Customs Union (ACD).
Copyrights and neighboring rights	Extension of the terms of protection to copyrights and neighboring rights	Law No. 4110 amending Law No. 5846 on Intellectual and Artistic Works	Extension of protection terms to copyrights in Turkish Legislation by taking into account the relevant EC legislation with a view to keeping up with the developments in this field and determination of protection terms for neighboring rights will be ensured (ACD). Necessary adjustments have been made.
	Ensuring the protection of neighboring rights and rental and lending rights		It is aimed at regulating of neighboring rights and rental and lending rights which are not presently covered by Turkish Legislation in conformity with the EC legislation (ACD). Necessary adjustments have been made.
Computer Programmes	Protection of computer programmes		Protection of computer programmes as literary works will be ensured (ACD). Necessary adjustments have been made.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Data bases	Protection of data bases		It is aimed at regulating the data bases which is not completely covered by the Law no 5846 on Intellectual and Artistic Works with a view to protecting data bases and encouraging investments in information sectors (ACD).
Works transmitted by cable or satellite	Protection of copyrights and neighboring rights in satellite and cable broadcasts	Law No 5846 on Intellectual and Artistic Works Law no 3984 on the establishment and broadcasting of radio and televisions	It is aimed at preventing of pirated broadcasting by protecting of copyrights, and neighboring rights in transborder programme broadcasting via cable and satellite (ACD)
Protection of performers, producers of phonograms and broadcasting organizations	Turkey's accession to the Rome Convention for the protection of performers, producers of phonograms and broadcasting organisations will be ensured		According to article 3, Annex 8 of the Association Council Decision, Turkey's accession to the Convention will be ensured before the realization of the Customs Union (ACD).
Patent-Protection	Establishing the rules on compulsory licensing to be of at least the TRIPS standards		The conditions for making licensing agreements compulsory by the public authorities in order to secure the exploitation of the invention will be brought in line with the TRIPS (ACD).
	Patentability of all inventions including agrochemical products and processes		Patentability of all inventions, which is an obligation for Turkey vis a vis to both EC and World Trade Organization, will be ensured (ACD).
	Patentability of pharmaceutical products and processes		Patentability of pharmaceutical products and processes is subject to 3 years of transitional period (ACD)
Term of patent protection	Ensuring the patent protection term of 20 years beginning from the application date		It is aimed at ensuring a term of patent protection in conformity with the norms of the World Trade Organization and the EC (ACD).
Patent classification	The Turkey's accession to the Strasbourg Agreement concerning the international patent classification		Turkey's accession to the Agreement by in which a single patent classification system is established.
Application to International Patent Cooperation Treaty	Turkey's accession to the Patent Cooperation Treaty		According to article 3, Annex 8 of the Association Council Decision, Turkey's accession to the Treaty before the realization of the Customs Union will be ensured (ACD).
Biotechnological inventions	The protection of biotechnological inventions		Regulation for the protection of the processes of plant growing and animal husbandry based on biological principles in line with the TRIPS and the Draft legislation of the EC will be ensured.



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
New varieties of plants	Protection of new varieties of plants		It is aimed at regulating the protection of new varieties of plants in conformity with both the TRIPS and the EC norms (ACD).
	Turkey's accession to the international Convention (UPOV) for the protection of new varieties of plants		Under the Article 6, Annex 8 of the Association Council Decision, Turkey's accession to the Convention within 3 years after the realization of the Customs Union will be ensured (ACD).
Industrial designs	The protection of industrial designs		Regulation of the protection of industrial designs in Turkish Law to be in line with the TRIPS and the EC norms (ACD). Legislation will be ensured.
	Turkey's accession to The Hague Convention concerning the protection of industrial designs		Succeeding the regulation concerning industrial designs, the Accession to the Convention in which the rules for the procedure of international application for industrial designs are determined. (ACD)
Industrial designs classification	Turkey's accession to the Locarno Convention concerning the international classification of industrial designs		Succeeding the regulation concerning industrial designs, Turkey's accession to the Convention on the international classification of industrial designs will be ensured.
Geographical indications	The protection of geographical indications		Indication of the origin of the goods to take place on the package and the protection of this geographical indication in line with the EC legislation will be ensured (ACD).
Topographies of semi conductors	The protection of topographies of semi conductors		Protection of topographies of semi conductors by Turkish Law to be in line with the EC legislation will be ensured (ACD).
Micro-organisms	Ensuring the Turkey's accession to the Budapest Treaty on the international recognition of the deposit of micro-organisms for the purposes of patent procedure.		Pursuant to Article 6, Annex 8 of the Association Council Decision Turkey's accession to the Treaty within 3 years after the realization of the Customs Union will be ensured (ACD).
Trade marks-protection	Drafting a new Law on trade marks	Law No. 551 of 3.12.1965 on trade marks	Turkish trade mark law will be in conformity with the EC legislation and the TRIPS (ACD).
Trade marks-classification	Ensuring the Turkey's accession to the Nice Agreement concerning the international classification of goods and services for the purposes of the registration of marks		Pursuant to Article 3, Annex 8 of the Association Council Decision, Turkey's accession to the Agreement before the realization of the Customs Union will be ensured (ACD).

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
	Ensuring the Turkey's accession to the Vienna Agreement on the international classification of the figurative elements of trade marks		It is aimed at ensuring international uniformity in the procedure relating to trade marks by the realization of Turkey's accession to the Agreement making a class for trade marks which are constituted by or contain figurative elements.
Trade marks - international registration	Turkey's accession to the Protocol of the Madrid Agreement concerning the international registration of trademarks		According to Article 6, Annex 8 of the Association Council Decision Turkey's accession to the Protocol within 3 years following the realization of the Customs Union will be ensured (ACD).
Intellectual and industrial property right infringements	The border enforcement against intellectual and industrial property right infringements		Regulation of preventing the counterfeited and pirated goods to be in free circulation, in line with the EC legislation and as well as the TRIPS will be ensured (ACD).
Know-how and trade secrets	The protection of know-how and trade secrets	Code of Obligations, Article 41 and Turkish Commercial Code, articles 57-58	Protection of know-how and trade secrets in parallel with the EC member states legislation will be ensured (ACD).
Protection of consumers - Harmful substances	Regulation for preventing the accession of food stuffs containing contaminant over a certain level to the market	Regulation on food	In the section of development of cooperation between Turkey and the EC of the Resolution of the Association Council, the protection of consumers was also taken place and the aim of this cooperation was determined as to ensure equivalence between the systems of the parties for the protection of consumers
Protection of consumers - Foodstuffs	Regulation for determining and limiting the tar rates of tobacco products Elimination of the insufficiencies of the provisions regulating the production of infant formulas in line with a certain formulae Taking place of the caution words for pregnant and children on the labels of foodstuffs containing saccharin	Regulation of Food  Regulation on food additives	
Protection of consumers - inspection	Elimination of defects of Turkish legislation concerning the supervision of harmful chemical stuffs and products	Regulation on food  Regulation on the Supervision of harmful chemical stuffs and products	



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Protection of consumers-Inspection	Elimination of defects of Turkish Legislation relating to the norms on monitoring in the means of transport, warehousing and storage of frozen foodstuffs	Regulation on Food	In the section of development of cooperation between Turkey and the EC of the Resolution of the Association Council, the protection of consumers was also taken place and the aim of this cooperation was determined as to ensure equivalence between the systems of the parties for the protection of consumers
	Elimination of defects of Turkish Legislation relating to evaluation of health and safety appropriation in the production and the importation of toys	Regulation on Food	
	Regulation on packaging of foodstuffs having similar production and packaging characteristics by using the sign of "L"	Regulation on Food	
	Regulation on checking the imported products to be in conformity with rules on product safety	Regulation on Food	
	Regulation on ensuring the general safety at the stage of producing and marketing of a product.	Regulation on General Product Safety	
Protection of Consumers-Protection of children	Regulation on the packaging of dangerous preparation, which must be fitted with child-resistant caps.	Regulation on Food	
Protection of Consumers-Information	Ensuring the protection of geographical indications of agricultural products and foodstuffs		
Protection of Consumers-Advertisement	Regulation for defining and eliminating of misleading advertising	Law No 4077 on the Protection of Consumers	
Protection of Consumers -Contracts- Unfair Terms	The protection of consumers against unfair terms in consumer contracts		
Protection of Consumers -Liability of producers	Regulation on the liability of producers for defective products within the framework of "objective liability" principle	Law No 4077 on the Protection of Consumers	
Protection of Consumers -Liability of Service Suppliers	Regulation on the liability of the service suppliers based on prima facie evidence of their fault with a view to protecting the consumers against damages caused by inadequate performance of the service	Law no 4077 on the Protection of Consumers	
Protection of Consumers -selling away from business premises	The protection of the consumers in respect of the contracts negotiated away from business premises	Law No 4077 on the Protection of Consumers	

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Protection of Consumers - Consumer Credits	The protection of consumers in consumer credits	Law No 4077 on the Protection of Consumers	In the section of development of cooperation between Turkey and the EC of the Resolution of the Association Council, the protection of consumers was also taken place and the aim of this cooperation was determined as to ensure equivalence between the systems of the parties for the protection of consumers
Protection of consumers - Time-share property contract	Granting only personal right for the utilization of a real estate by time-share property contracts		
Protection of consumers - Contracts negotiated at a distance	Protection of consumer concerning contracts negotiated at a distance		
Consumer Protection - Travel Contracts	Protection of consumers regarding package tours within travel contracts	Regulation on Travel Agencies	
Consumer Protection - Standardization - Hotel keeping	Harmonization of standard information and symbols required to be present in hotel guidelines with regard to services	Regulation dated 14.10.1993 on Tourism Investments and Qualifications of Tourism Enterprises	
Harmonization of Value Added Tax	Harmonization with the EC, as regards taxation of "vehicle purchases", set out in Law No. 1318 on Financing and "banking and insurance transactions", set out in Law No. 6802 on Expenditure taxes	Law No. 1318 on Financing and Law No. 6802 on Expenditure Tax	Harmonization with EC, concerning these taxes, falling into the VAT content in the community, is aimed.
	Ensuring that the discrepancy between the calculated and the paid taxes, will be related to the taxpayer, or transferred to the next fiscal period.	VAT Law	Harmonization with EC, with regard to methods on reductions in VAT, is targeted.
	To adjust to the "consumption type" VAT model, with the principle of deducting the full amount of VAT, paid for investment goods, wholly at once.	VAT Law	The practice of wholly deducting the full amount of VAT at once for the investment goods having incentive certificates granted by the Undersecretary of Treasury, will be extended so as to cover all investment goods.
	Replacing the principle of "taxation in the destination country" with the principle of "taxation" of the goods in the country of origin.	VAT Law	Since the principle of "taxation" of goods in the country of origin will be put into force by the year 1997 in the Community, it is aimed to ensure harmonization with the EC taxation system.



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Harmonization of Value Added Tax	<p>Inclusion of the below stated exemptions to the context of exemptions:</p> <ul style="list-style-type: none"> <li>-Services of the public postal administration;</li> <li>-Supplies and services of public radio and television corporations not bearing commercial nature;</li> <li>-Bets and Lotteries organized within certain conditions;</li> <li>-Medical treatments and services, realized by physicians and other health personnel and dental services, covering treatment and dental prothesis supplies.</li> </ul>	VAT Law	Harmonization with the EC Tax Law is targeted.
	<p>To abolish those exemptions, excluded in the EC VAT Law:</p> <ul style="list-style-type: none"> <li>-Railway transport vehicle supplies;</li> <li>-Exemptions for the supplies and services of military services</li> <li>-Exemption, concerning activities on exploration for oil;</li> <li>-Exemption for Supplies concerning maritime and air transport vehicles and services given at harbours and airports for these vehicles including services for boats and air-planes owned by private persons for sporting purposes.</li> </ul>	VAT Law	Harmonization with the EC tax Law is targeted.
	Dividing of VAT ratios into two as to lower ratio (5 percent) and higher ratio (15 percent)	VAT Law	Through introducing a two-tier VAT system, harmonization with the EC tax system is aimed.
Harmonization with the Excise Duty System	Abolishment of Article 60 arranging "additional taxes" in the VAT Law and putting this liability into the scope of Excise Duty Law	VAT Law	Because the provisions, laid down in the Article 60 of the VAT Law are concerned with Excise Duties, they will be legalized within the scope of Excise Duties.
	Limiting the context of the Turkish Draft Law on Excise Duties, other than tobacco, alcohol, beer, wine and mineral oils which have been harmonized in the EC.	Draft Law on Excise Duties	To avoid creation of another tax on purchases other than VAT, the scope of Excise Duties will be limited to a certain extent.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Industrial Legislation- New Approach and Free Movement of Industrial Goods	Drafting a new legislation on a "procedure for the mutual provision of information in the field of technical standards and regulations"		Within 5 years, all the Community's legislation on the subject of "removal of the technical barriers to trade" will be included in the internal legal arrangements. The early realization of those arrangements will help the removal of the barriers on Turkish products' access to the EC Countries. On the other hand, the new arrangements in this area will provide better quality products for the consumers, the protection of human health and product liability on a higher degree and a better customer perception of the Turkish products as a result of the adjustment of those products to the international standards (ACD).
	Drafting a new legislation on "General Product Safety" including all industrial products and the basic provisions for manufacturing of these products		
	Drafting a new legislation on "Modular Approach" of the conformity assessment		
	Drafting a new legislation on electrical equipment designed for use within certain voltage limits-LVD (Low Voltage Directive)		
	Drafting a new legislation on simple pressure vessels like nitrogen and oxygen		
	Drafting a new legislation on safety of toys	Regulation on Food Stuff	
	Drafting a new legislation on construction products		
	Drafting a new legislation on electromagnetic conformity (EMC)		
	Drafting a new legislation on safety of machinery		
	Drafting a new legislation on personal protective equipment		
	Drafting a new legislation on non-automatic weighing instruments		



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
<p>Industrial Legislation- New Approach and Free Movement of Industrial Goods</p>	<p>Drafting a new legislation on active implantable medical devices</p>		<p>Within 5 years, all the Community's legislation on the subject of "removal of the technical barriers to trade" will be included in the internal legal arrangements. The early realization of those arrangements will help the removal of the barriers on Turkish products' access to the EC Countries. On the other hand, the new arrangements in this area will provide better quality products for the consumers, the protection of human health and product liability on a higher degree and a better customer perception of the Turkish products as a result of the adjustment of those products to the international standards (ACD).</p>
	<p>Drafting a new legislation on gas appliances</p>		
	<p>Drafting a new legislation on telecommunication terminal equipment</p>		
	<p>Drafting a new legislation on hot-water boilers (efficiency requirements)</p>		
	<p>Drafting a new legislation on medical devices</p>		
	<p>Drafting a new legislation on satellite land station equipment</p>		
<p>Industrial Legislation- Motor Vehicles and Agricultural and Forestry Tractors</p>	<p>Harmonization with EC</p>	<p>Vehicle Law No. 237 Motor vehicles Law No.197 article 2 relating to definitions Highway Traffic Law No. 2918 Highway Traffic Regulation</p>	
	<p>Harmonization with EC</p>	<p>Highway Traffic Law No. 2918 and Regulation on production, modification and assembling of vehicles</p>	
	<p>Harmonization with EC on the Regulation on Production, Modification and Assembling of Vehicles and of its implementation provisions</p>	<p>Regulation on Production, Modification and Assembling of Vehicles and Communiqué on its implementation measures (No.93/94-95)</p>	
	<p>Harmonization with EC on permissible minimum sound level of motor vehicles that accede the traffic for the first time</p>	<p>Regulation on production, modification and assembling of vehicles and Communiqué on permissible minimum sound level of motor vehicles that accede the traffic for the first time (No. 92/109-110)</p>	

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Industrial Legislation- Motor Vehicles and For- Agricultural and For- estry Tractors	Harmonization with EC on the protection of air quality	Regulation on the protection of air quality	Within 5 years, all the Community's legis- lation on the subject of "removal of the technical barriers to trade" will be included in the internal legal arrangements. The early realization of those arrangements will help the removal of the barriers on Turkish products' access to the EC Countries. On the other hand, the new arrangements in this area will provide better quality products for the consumers; the protection of human health and product liability on a higher degree and a better customer perception of the Turkish products as a result of the adjustment of those products to the inter- national standards (ACD).
	Harmonization with EC on prevention of air pollution caused by the exhaust gases of motor vehicles	Communiqué on the prevention of air pollu- tion caused by exhaust gases of motor vehicles (No. 91/1)	
	Making necessary amendments to quaran- tee certificate and after sale service, repair and maintenance services	Communiqué on guarantee certificate and after sale service, repair and maintenance services (No. 90/41:212)	
	Drafting a new legislation harmonized with EC directives on the implementation of relevant standards		
Industrial Legislation- Metrology and Calibra- tion	Harmonization with EC on common provi- sions for both metrology and the methods of metrological control for measuring in- struments	- Metrology and Calibration law - Regulation on the inspection of metrology and metrological instruments - Regulation on the registration of marks and approval of type and system of me- trology and metrological instruments - Regulation on stamping or giving a certifi- cation in lieu of stamping of Metrology and Metrological instruments	
	Harmonization with EC on the inspection and testing of petroleum fuel meters and counters	- Metrology and Calibration Law - Regulation on the inspection of metrology and metrological instruments	
	Harmonization with EC on the determina- tion of the standard mass per storage vol- ume of grain	- Metrology and Calibration Law - Regulation on the inspection of metrology and metrological instruments	
	Harmonization with EC on ancillary equip- ment for meters for fluids other than water	Metrology and Calibration Law	



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Industrial Legislation- Metrology and Calibration	Drafting a new legislation on the measurement and calibration of horizontal and vertical cylindrical tanks used for storage and transportation of crude oil and petroleum products		Within 5 years, all the Community's legislation on the subject of "removal of the technical barriers to trade" will be included in the internal legal arrangements. The early realization of those arrangements will help the removal of the barriers on Turkish products' access to the EC Countries. On the other hand, the new arrangements in this area will provide better quality products for the consumers, the protection of human health and product liability on a higher degree and a better customer perception of the Turkish products as a result of the adjustment of those products to the international standards (ACD).
	Harmonization with EC on the material measures of length which are subject to inspection	-Regulation on inspection of metrology and metrological instruments	
	Harmonization with EC on the examination and testing procedures of cold-water meters	-Regulation on inspection of metrology and metrological instruments	
	Drafting a new legislation on the preparation of alcohol tables		
	Harmonization with EC on the production and inspection of electricity meters	-Metrology and Calibration Law	
	Harmonization with EC on measuring systems for fluids other than water	-Metrology and Calibration Law-Regulation on the inspection of Metrology and metrological instruments	
	Drafting a new regulation on automatic classification through check weighing systems		
	Drafting a new regulation on the principles regarding the manufacture and inspection of hot-water meters with the aim of harmonizing with EC		
	Drafting a new regulation regarding bottles which contain alcohol or other fluids with the aim of harmonizing with EC		
	Harmonization with EC on continuous totalizing weighing machines	-Regulation on the inspection of metrology and metrological devices	
	Inclusion of the metrological instruments which are considered to be necessary concerning the basic principals on the clinical thermometers and their characteristics, dimensions, experimentations into the scope of 'Metrology and Calibration Law'	Metrology and Calibration Law	

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Industrial Legislation- Metrology and Calibration	Harmonization with EC on the inspection principles of alcoholimeters and alcohol hydrometers	-Regulation on the inspection of metrology and metrological instruments	Within 5 years, all the Community's legislation on the subject of "removal of the technical barriers to trade" will be included in the internal legal arrangements. The early realization of those arrangements will help the removal of the barriers on Turkish products' access to the EC Countries. On the other hand, the new arrangements in this area will provide better quality products for the consumers, the protection of human health and product liability on a higher degree and a better customer perception of the Turkish products as a result of the adjustment of those products to the international standards (ACD).
Industrial Legislation Electrical Tools and equipment	Inclusion of the principles related with the systems measuring tire pressure within the scope of "Metrology and Calibration Law"	-Metrology and Calibration Law	
	Harmonization with EC on the principles regarding mechanisms and inspection of non-automatic weighing instruments	-Regulation on the inspection of metrology and metrological instruments	
	Drafting a new Legislation on the noise emission of home appliances		
	Drafting a new legislation on radio interference caused by electrical home appliances		
	Drafting a new legislation on the consumption of energy by home appliances		
Industrial Legislation- Foodstuffs	Harmonization with EC on coloring agents authorized for use in foodstuffs intended for human consumption	Regulation on Food Additives	
	Harmonization with EC on preservatives preventing the activities of the microorganisms and used in foodstuffs	Regulation on Food Additives	
	Harmonization with EC on the specific criteria of purity for preservatives	Regulation on Food Additives	
	Harmonization with EC on the list of additives (antioxidants) for use in foodstuffs	Regulation on Food Additives	
	Harmonization with EC on the production and purity criteria of the cocoa and chocolate products	Regulation on Foodstuffs	
	Harmonization with EC on the detailed specification and characteristics of some types of sugars	Regulation on Foodstuffs	



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Industrial Legislation-Foodstuffs	Harmonization with EC on the detailed specification and purity criteria of emulsifiers, stabilizers and thickeners	Regulation on Food Additives	Within 5 years, all the Community's legislation on the subject of "removal of the technical barriers to trade" will be included in the internal legal arrangements. The early realization of those arrangements will help the removal of the barriers on Turkish products' access to the EC Countries. On the other hand, the new arrangements in this area will provide better quality products for the consumers, the protection of human health and product liability on a higher degree and a better customer perception of the Turkish products as a result of the adjustment of those products to the international standards (ACD).
	Harmonization with EC on the specification and classification of honey	Regulation on Foodstuffs	
	Harmonization with EC on the specification and grouping of fruit juice	Regulation on Foodstuffs	
	Harmonization with EC on the specification and grouping of fruit jams, jellies and marmalades	Regulation on Foodstuffs	
	EC harmonization on the amounts of chemical ingredients and additives used in dehydrated milk	-Regulation on Foodstuffs -Regulation on Food Additives	
	Inclusion of the subject of "permissible level of erucic acid in oils and fats" into the Regulation on foodstuffs	Regulation on Foodstuffs	
	Harmonization with EC concerning the composition, production and marketing of special foodstuffs	Regulation on Foodstuffs	
	Harmonization with EC on the amount and methods of analysis of vinyl chloride	-Law on General Hygiene -Regulation on Foodstuffs -Regulation on Foodstuff Packing	
	Harmonization with EC on the criteria of purity for emulsifiers, stabilizers, thickeners and gelling agents	-Regulation on Food Additives	
	Harmonization with EC on the criteria of purity for antioxidants	-Regulation on Food Additives	
	Harmonization with EC on the methods of analysis for testing of sugars	Regulation on Foodstuffs	
	Harmonization with EC on the specification and labeling of mineral water	Regulation on Mineral Water	
	Harmonization with EC on the safety tests of Food Additives	Regulation of Foodstuffs	

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Industrial Legislation-Foodstuffs	Applying the Community's method of analysis on determining the amount of vinyl chloride	-Law on General Hygiene -Regulation on Foodstuffs -Regulation on Plastics	Within 5 years, all the Community's legislation on the subject of "removal of the technical barriers to trade" will be included in the internal legal arrangements. The early realization of those arrangements will help the removal of the barriers on Turkish products' access to the EC Countries. On the other hand, the new arrangements in this area will provide better quality products for the consumers, the protection of human health and product liability on a higher degree and a better customer perception of the Turkish products as a result of the adjustment of those products to the international standards (ACD).
	Harmonization with EC on food additives analysis	Regulation on Food Additives	
	Approximation of the laws concerning materials made of regenerated cellulose	-Law on General Hygiene -Regulation on Foodstuffs -Regulation on Plastics	
	Drafting a new legislation on the definitions of lactoproteins		
	Inclusion of the "ingredients in the labeling of foodstuffs" and the addition of unincorporated ingredients to the Regulation on Food Additives	Regulation on Food Additives	
	Drafting a new legislation on ceramic articles		
	Harmonization with EC on list of simulants for the migration test on the plastic materials	Regulation on Plastics	
	Drafting a new legislation on the substances used in the preparation on flavorings		
	Drafting a new legislation concerning the extraction solvents used in the production of foodstuffs and food ingredients		
	Harmonization with EC on the specifications of the source material used for flavoring		
	Functional grouping of food additives	Regulation on Food Additives	
	Harmonization with EC on the composition of foodstuffs intended for special nutritional purposes	Regulation on Foodstuffs	



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Industrial Legislation- Foodstuffs	Drafting a new legislation concerning the composition of and the classification of materials of regenerated cellulose		Within 5 years, all the Community's legislation on the subject of "removal of the technical barriers to trade" will be included in the internal legal arrangements. The early realization of those arrangements will help the removal of the barriers on Turkish products' access to the EC Countries. On the other hand, the new arrangements in this area will provide better quality products for the consumers, the protection of human health and product liability on a higher degree and a better customer perception of the Turkish products as a result of the adjustment of those products to the international standards (ACD).
	Drafting a legislation, harmonized with the EC legislation on official control of foodstuffs	Provisions of various legislation	
	Drafting a separate legislation on the hygiene of foodstuffs		
	Drafting a new legislation on marks identifying the lot to which a foodstuff belongs		
	Drafting a new legislation on the method of labeling and calculating of the nutritive elements of foods		
	Drafting a new legislation on organic agricultural products	Regulation on the production of plant and animal products with ecological methods (Necessary arrangements have been made)	
	Drafting a new legislation on the specifications and use of products, and their designation as "Group "Special character" with special certificates of character		
	Drafting a new legislation on baby formulas upon the clarification of labeling and packaging of formulas		
	Harmonization with EC on definitions and groupings of food ingredients and additives	Regulation on Food Additives	
Industrial Legislation- Medical and Veterinary Products	Making arrangements on immunological products		
	Making arrangements on the products made of human blood and plasma		

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Industrial Legislation-Medical and Veterinary Products	Legislation harmonization on analytical, pharmacologic, toxicologic studies in connection with preclinical and clinical research	Regulation on research on pharmaceutical products	Within 5 years, all the Community's legislation on the subject of "removal of the technical barriers to trade" will be included in the internal legal arrangements. The early realization of those arrangements will help the removal of the barriers on Turkish products' access to the EC Countries. On the other hand, the new arrangements in this area will provide better quality products for the consumers, the protection of human health and product liability on a higher degree and a better customer perception of the Turkish products as a result of the adjustment of those products to the international standards (ACD).
	Drafting a new legislation on application principles for coloring agents of medical products		
	Drafting a new legislation for the licensing of high technology medicines of biotechnological origin and for the protection of public health		
	Elimination of the pricing differences of medical products and, drafting a new legislation on products that are included in the national health system		
	Making the necessary arrangements on the import and export of medical products and approximation to the principle of the EC distribution practices	Regulation on stores where hazardous chemical materials used for pharmaceutical, industrial and agricultural area are being sold	
	Categorizing the medicines which are subject to prescription and in connection elimination of the deficiencies regarding their presentation to public	-Law No: 1262 dated; 14.5.1928 on pharmaceutical and medical products -Regulation on procedures on the medical presentation of social pharmaceutical and medical products (OJ 7.9.1990-20628)	
	Drafting a legislation on the use of homeopathic medicines as an alternative means of treatment		
	Drafting a new legislation on the classification, licensing, importing, safety controls, packaging, protection and distribution of veterinary drugs		



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Industrial Legislation- Homeopathic Veterinary Medicines	Drafting a new legislation on the personnel required for licensing, importing, quality, safety and residual controls, laboratory and tools equipment of veterinary products		Within 5 years, all the Community's legislation on the subject of "removal of the technical barriers to trade" will be included in the internal legal arrangements. The early realization of those arrangements will help the removal of the barriers on Turkish products' access to the EC Countries. On the other hand, the new arrangements in this area will provide better quality products for the consumers, the protection of human health and product liability on a higher degree and a better customer perception of the Turkish products as a result of the adjustment of those products to the international standards (ACD).
	Drafting a new legislation on the principles and guidelines of "good manufacturing practices" for veterinary products		
	Drafting a legislation on homeopathic veterinary medicines		
Industrial Legislation- Cosmetics	Harmonization with EC on the legislation and methods of analysis of cosmetic products	Regulation on Cosmetics	
Industrial Legislation- Dangerous Substances and Chemicals	Harmonization with EC on the classification, packaging and labeling of dangerous substances and chemicals	Regulation for the control on hazardous chemicals and products	
	Harmonization with EC on the classification, packaging and marking of dangerous preparations	Regulation for the control on hazardous chemicals and products	
	Harmonization with EC on the restrictions of sale and use of dangerous substances and products	Regulation for the control on hazardous chemicals and products	
	Harmonization with EC on the arrangements concerning batteries and accumulators containing certain dangerous substances	Regulation for the control on hazardous chemicals and products	
	Harmonization with EC on the classification, packaging and labeling of pesticides according to their risks	Regulation for the control on hazardous chemicals and products	
	Harmonization with EC on detergents	Regulation of Foodstuffs	
	Harmonization with EC on aerosol dispersants	Regulation for the control on hazardous chemicals and products	
	Harmonization with EC on the classification and labeling of dyes, varnishes, printing inks, adhesives products	Regulation for the control on hazardous chemicals and products	

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Industrial Legislation- Fertilizers	Drafting a new legislation on fluid fertilizers		Within 5 years, all the Community's legislation on the subject of "removal of the technical barriers to trade" will be included in the internal legal arrangements. The early realization of those arrangements will help the removal of the barriers on Turkish products' access to the EC Countries. On the other hand, the new arrangements in this area will provide better quality products for the consumers, the protection of human health and product liability on a higher degree and a better customer perception of the Turkish products as a result of the adjustment of those products to the international standards (ACD).
	Drafting a new legislation on secondary-product fertilizers that contain calcium, magnesium, sodium and sulfur		
	Drafting a new legislation on fertilizers that contain trace amounts of bore, cobalt, copper, iron, manganese, molybdenum and zinc		
	Drafting a new legislation on new fertilizer additives		
	Drafting a new legislation on ammonium nitrate fertilizers with high nitrogen content		
Railroad Transport	Making a distinction between investment and operational accountings, and the introduction of commercial rules to such operations.	-The Decree in the Force of Law on Public Enterprises 8.6.1984- No.233 -Main Status of the Directorate General of TCDD (03.20.10.1984-No.18559)	By means of the separation between investment and operational activities, the railroad companies should be restructured so as to be competitive.
Road Transport	Ratification by Turkey of AETR dated 1.7.1970		Through the ratification of the Agreement, the working conditions of the vehicle personnel will be improved in line with the international norms
	Ratification by Turkey of ADR dated 30.9.1957		Through the ratification of the Agreement, by means of the harmonization of the dangerous material transport with international norms, safe traveling will be ensured.
	Arrangements for the vocational training of drivers carrying dangerous material		In order to improve the traveling safety, a regulation in line with the EC norms should be introduced on the vocational training of drivers carrying dangerous material.



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Road Transport	Through an amendment to the Regulation of Road Traffic, introduction of the rules stipulating the application of speed limitation devices to motor vehicles falling under certain categories	Road Traffic Regulation (O.J.16.6.1985-18786)	Taking account of the infrastructure of the roads, the use of speed limitation devices will contribute to the safety in traveling.
	Harmonization with the EC legislation that provides for uniform driving license with national and international applicability	Road Traffic Regulation (O.J. 16.6.1985-18786)	To minimize the international redtape, the driver licenses in Turkey should be issued in line with the international rules.
	Harmonization with the EC legislation that enables the non-resident transport companies to supply passenger transport services domestically in a member state.	Regulation on the inter-city Passenger Transport via Roads (O.J. 18.1.1990-20406)	Although the introduction of such legislation will have the Turkish road transport sector face with international competition, priority should be given to the improvement of the competitiveness of the Turkish transport fleet.
	Harmonization with the EC legislation that enables the non-resident transport companies to supply freight transport services domestically in a member state.		
	Harmonization with the EC legislation laying down the common rules applicable for the entry to the international freight transport market within the Community.	Regulation on the International Road Transport for Passengers and Freight (O.J. 20.8.1994-22027)	In order to improve the competitiveness of the Turkish transport fleet in the EC market, the rules regulating the international passengers and freight transport via roads should be modified in line with the EC principles.
	Appropriate amendments should be made in compliance with the EC legislation laying down the common rules for the international passenger transport via buses and autocars	Regulation on International Road Transport for Passengers and Freight (O.J. 20.8.94-22027)	
	Harmonization with the EC legislation concerning the documents used in international passenger transport.		
	Harmonization with the EC legislation regarding the entry into the profession in the field of road transport for domestic and international freight.	Communication on the Travel, Lodging, Inspection, Security and Customs Procedures of the International Freight Carrier vehicles via Roads, and TIR Routes.	
	Harmonization with the EC legislation regarding the entry into the profession in the field of road transport for domestic and international pass.	Regulation on International Road Transport for passengers and Freight (O.J. 20.8.94-22027)	
	Drafting the Transport Law codifying the rules for national and international road transport in accordance with the EC norms.		The draft Law for Transport should be revised so as to contain such provisions in compliance with the EC legislation.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Road Transport	Harmonization with the EC legislation regulating the domestic freight transport		A regulation should be introduced ensuring a rational organization compatible with the EC rules in the Turkish freight transport sector.
Maritime Transport	Introduction of a legislation laying down the regulatory rules for the combined freight transport.		The combined transport sector in Turkey should be organized in a harmonized manner with the EC.
	Appropriate amendments should be made to the Turkish legislation to harmonize with the EC legislation on the implementation of the principle of liberalization in maritime transport services between the member states.	The Law on Coasting Trade and Professional Activities and Trade within the Territorial Waters and Harbours, no. 815.	Although by introduction of such legislation it is aimed to open up the Turkish maritime transport sector to international competition, priority should be given to the improvement of the competitiveness of the Turkish maritime fleet.
	Ratification by Turkey of the Amendment Protocol to SOLAS 1974	Decree by the Council of Ministers (6.3.1990-8/522)	The standards set for the security of Turkish vessels should be enhanced in line with the international norms
	Ratification by Turkey of the MARPOL 1974 and Annexed Protocol 1978 and the Amending Protocol.	Decree by the Council of Ministers (3.5.1990. 90/442)	Measures in line with the international norms should be taken to prevent the sea pollution caused by maritime vessels.
	Ratification of the (C.I.C.1969) International Convention on Civil Liability for Oil Pollution Damage and amending protocols (1984, 1992) by Turkey		The aim is to ensure compliance with international rules in the arrangement of the responsibilities with regard to damages caused by oil pollution
	Ratification of the (FUND 1971) International Convention on the Establishment of an International Fund for Compensation for Oil and amending protocols (1984, 1992) by Turkey		The aim is to ensure compliance with the international rules in compensating for the damages stemming from oil pollution
	Formulation of a Turkish international shipping register	Articles 823, 828, 845, 846 and 847 of Turkish Trade Law	The aim is to increase the competitiveness of Turkish trade fleet through easing of conditions of employment and taxation
Air Transport	Harmonization with the EC Legislation on the entrance of Community Forwarding Companies into intra-Community air routes	Legislation on Turkish Civil Aviation	It is aimed to ensure harmony with EC Legislation in this field, enabling the supply of air transport services will be carried out within a liberalized and fair competition environment.
	Amendments will be made to the legislation on the mutual recognition of licenses of the staff working in the field of civil aviation. Arrangements will be made, so as to ensure that Air Transport services will be carried out at EC Standards. (Granting of business licenses, denied boarding and slot allocation)	Directive SHD-T33, dated 1958  Regulation on Commercial Air Transport Enterprises	It is aimed to amend the rules concerning the granting of Personnel Licenses, in line with EC principles  It is aimed to improve financial, technical and organizational rules on the granting of business licenses in line with the EC principles



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Air Transport	Strengthening the period of announcement of the fare tariffs, which is put into effect with the approval of the Ministry of Transportation	Law No.2920 on Turkish Civil Aviation	Ensuring the provision of an environment where the domestic line fares in Turkey are set under market conditions and shortening the announcement period in harmony with the practice in the EC.
Foreign Trade (import)	Circular No.94/19 of Prime Ministry on the reduction and harmonization of customs duty as required	Law No.474 and 3502 Decree No. 68361, 69499 and 711610	It is aimed to fulfill the requirements of the customs union through abolishing customs duties and charges having equivalent effect against the EC and applying the common customs tariff to the third countries (ACD).
	The abolishment of taxes levied on refinery products of crude oil where crude oil is imported with tax exemptions under the Law on Petroleum	Law No.6326 Art.1125 on Petroleum	
	The abolishment of mining fund on the imports	Law No.3213 on mining	
	Reduction in Mass Housing Fund on imports as required by the Circular No.94/19 of Prime Ministry	Import Regime	
	Harmonization of the provisions of Law and Decrees with the related legislation of EC which grant privilege to the public institutions and agencies in importation	Law No.2767 on Malaria and Syphilis medicine (Quinine and its derivatives can be imported by General Directory of Red Crescent)	Even though such privileges could be given by member states, applications which distort competition are not allowed in the Community. The aim of this harmonization is to prevent the distortion of competition conditions between the public institutions of Turkey and EC (ACD)
		Law No.4250 on Alcohol and Alcoholic Drinks Monopoly and Decision No.93/5132 on Import Regime (Beer and other alcoholic drinks shall be imported only by General Directorate of Monopoly)	
		Law No.3291 on Tobacco and Tobacco Monopoly and Council of Ministers' Decree No. 911/755 dated 5.2.1991 on leaf tobacco cigarettes, cigars, homogenized tobacco shall be imported only by General Directorate of Monopoly	
		Decree No.32 on the Protection of the Value of Turkish Currency (Unprocessed gold shall be imported only by the Central Bank)	

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Foreign Trade (Import)	<p>Drafting a legislation which is conforming to those of Community's regulating common rules for imports</p> <p>Drafting a legislation which is substantially similar to those of Community legislation for administering quantitative quotas</p> <p>Drafting a legislation which is substantially similar to those of Community on common rules for imports from certain third countries</p> <p>Drafting a substantially similar legislation to those of the Community's on protection against dumped or subsidized imports from countries not members of the EEC.</p> <p>Preparation of the legislation similar to that of the EC relating to strengthening General Commercial Policy concerning protection against especially illicit commercial practices</p> <p>Ensuring adaptation to the EC Legislation amending the arrangements concerning the prevention of illicit commercial practices and dumped and subsidized importation.</p>	<p>Decree on Surveillance and Safeguard Measures in importation, and Administering Quantitative Quotas and Tariff Quotas.</p> <p>Import Regime</p> <p>Legislation on the prevention of unfair competition in importation</p> <p>Decree on the Protection of Turkey's commercial rights and the by-law annexed to it.</p> <p>-Law on the Prevention of Unfair Competition in importation</p> <p>-Decree on the Protection of Turkey's Commercial Rights and the by-law annexed to it.</p>	<p>The aim is the harmonization of Turkish foreign trade legislation with EC foreign trade legislation (ACD)</p> <p>The aim is the harmonization of Turkish foreign trade legislation with EC foreign trade legislation (ACD)</p> <p>It is required to review and compare Turkish legislation with the related Community legislation (ACD)</p> <p>It is aimed at protecting Turkey's commercial rights especially against illicit commercial practices and compensating the damages that may arise thereof (ACD)</p> <p>Relevant Turkish Legislation should be reviewed by being compared with that of the EC (ACD)</p>
Textile Imports	<p>Drafting a substantially similar legislation to those of the Community's on common rules for imports of certain textile products from certain third countries not covered by bilateral agreements, protocols or other arrangements by other specific Community import rules.</p> <p>Preparing a substantially similar legislation to those of the Community's on common rules for imports of certain textile products from third countries, covered by the autonomous regime of the EC</p> <p>Drafting a substantially similar legislation to those of the Community's on the arrangements for imports of certain textile products originating in Taiwan</p>	<p>Decree and its annexed Regulation on the surveillance and safeguard measures on the importation of the certain textile products</p> <p>Decree on the surveillance and safeguard measures on the importation of certain textile products</p>	<p>Adaptation of the related Turkish legislation to the Community's Common Commercial Policy with the aim of the prevention of trade diversion which may arise between Community and Turkey (ACD)</p> <p>Adaptation of the related Turkish legislation to the Community's Common Commercial Policy with the aim of the prevention of trade diversion which may arise between Community and Turkey (ACD)</p> <p>With the aim of prevention of the trade diversion between Community and Turkey, an arrangement has to be made in accordance with the requirement of the ACD No 1/95 (ACD)</p>



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Export Regime	The harmonization of Turkish Export Regime with that of the EC	Export Regime	Amendments should be made to Turkish export regime in compliance with EC export regime. The aim of this amendment is to achieve parallelism between the trade policies of each party (ACD)
	Abolishment of Support and Price Stabilization Fund (SPSF) on Exports	Decree No. 88/13384 on SPSF	Trade liberalization is aimed by abolishment of the charges having equivalent effect on export (ACD)
Outward processing arrangements for textile and clothing	Preparation of Turkish Legislation which is substantially similar to that of the Community for administering export quantitative quotas	Export Regime	The Turkish Legislation on administering of quantitative quotas should be harmonized with EC legislation (ACD)
	Drafting a substantially similar legislation to those of the Community's on the outward processing arrangements.	Law and Regulation on Customs	The obligations set out by the Association Council Decision No: 1/95 are to be fulfilled in relation to harmonization of the EC's Trade Policy (ACD)
	Drafting a substantially similar legislation to the Community's in the form of prior authorizations to be granted for the economic outward processing traffic in textile and clothing products and the procedures for issuing and checking such authorizations	Law on Customs and Import Regime	The aim is to ensure the uniformity to the procedures and implementations which are related to the outward processing (ACD)
Customs Legislation	Introduction of a new Turkish Customs Law based on the EC Customs Code	Customs Law	A new Turkish Customs Law based on the EC customs code should be put into force (ACD)
	Preparation of a new customs regulation based on the rules regarding the implementation of customs code	Customs Regulation	A new customs law should be enacted in line with the EC Customs Code (ACD).
	Introduction of Community rules set out for exemptions from customs duty into the customs and import legislation of Turkey	Customs Law and pertaining regulations, Import Regime and regulations	Provisions will be laid down for setting up a customs duty relief system in exports and imports to the third countries in accordance with that of the Community. The goods and condition to which the reliefs whether apply will be set out (ACD).
	Introduction of Commission Regulations setting out the implementation rules for the reliefs into the Turkish legislation.	-Customs Law and pertaining regulations, Import Regime and regulations	The implementation rules for such reliefs as personal property (personal property acquired by inheritance, goods imported on the occasion of marriage, household effects in residential changes, etc.) school outfits, scholastic materials, seeds, fertilizers, educational, scientific and cultural materials, non-relief and free quantities of alcoholic products, perfumes, tobaccos etc. will be introduced into the Turkish legislation (ACD)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Customs Legislation	Making necessary arrangements for adaptation to the conditions of the proof of origin and its acceptance in imports of certain textile products included in chapter 51 or 53-62 of the Common Customs Tariff into the Community	Customs Law and Customs Regulation	The aim is to remove the difficulties which may arise from the changes in the conditions of the proof of origin and its acceptance in textile trade between Turkey and the Community, by this arrangement.
Institutional Structure- Patent Institute	Establishment of the Patent Institute	Decree-Law No 544, on the Establishment and Functions of Turkish Patent Institute	Necessary physical infrastructural conveniences will be ensured in order to make Turkish Patent Institute work effectively
Institutional Structure- Accreditation System	Establishing a structural body with the aim of ensuring the proper functioning of a national accreditation system		With the aim of an effective application of the industrial legislation
Board of evaluation of surveillance and safeguard measures on the importation of certain textile products	Establishing a board of evaluation of surveillance and safeguard measures on the importation of certain textile products.	Decree no. 95/6815, on surveillance and safeguard measures on the importation of certain textile products.	The aim of this decree is to establish and to ensure the proper functioning of the board of evaluation of surveillance and safeguard measures on the importation of certain textile products.
Board of evaluation of surveillance and safeguard measures on the importation of textile products from certain third countries not covered by bilateral agreements, protocols or other specific arrangements.	Establishing a board of evaluation of surveillance and safeguard measures on the importation of textile products from certain third countries not covered by bilateral agreements, protocols or other specific arrangements.	Decree no. 95/6816, on surveillance and safeguard measures on the importation of textile products from certain third countries (not covered) by bilateral agreements, protocols or other specific arrangements.	The aim of this decree is to establish and to ensure the proper functioning of the board of evaluation of surveillance and safeguard measures textile products from certain third countries not covered by bilateral agreements, protocols or other specific arrangements.
The Board of Evaluation of Surveillance and Safeguard Measures in Importation	Constitution of the Board of Evaluation of Surveillance and Safeguard Measures in Importation	Decree No 95/6814 and its annexed regulation on Surveillance and Safeguard Measures in Importation and Administering Quantitative Quotas and Tariff Quotas	Board of Evaluation of Surveillance and Safeguard Measures in Importation will be constituted.
Institutional Structure- Committee for Evaluation of Turkey's Commercial rights	Constituting a Committee for the Evaluation of Turkey's Commercial Rights	Decree on the Protection of Turkey's Commercial Rights, and its annexed Regulation	Enforcement of the Decree will be ensured by constituting the Committee required by the Decree. Necessary legal arrangement has been made.
Institutional Structure- Consumer Courts	Establishing of Consumer Courts	Law on the Protection of Consumers, no. 4077, Article 23	Establishment of Consumer Courts which will handle all disputes that may arise from the implementation of the Law on the protection of Consumers
Institutional Structure- Arbitration Tribunal for Consumer's problems	Drafting a Regulation with a view to establishing Arbitration Tribunal for consumer's problems	Law on the Protection of Consumers no. 4077, Article 22	Establishment of at least one Arbitration Tribunal for consumer problems in each province and district will be ensured with a view to settle the disputes that may arise between consumers and sellers



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Institutional Structure-Council of Consumers	Drafting a Regulation with a view to constituting the Council of Consumers	Law on the Protection of Consumers, no. 4077, Article 21	The Council of Consumers will be established with a view to transmit the opinions on the implementation of the Law on the Protection of Consumer to the relevant authorities and searching the measures regarding consumers problems
Institutional Structure- Advertisement Committee	Drafting a Regulation with a view to constituting the Advertisement Committee	Law on the Protection of Consumers, no. 4077, Article 17	Determination of the principles to be followed in commercial advertisements and announcements and punishment of the people who act contrary to the relevant provision of the Law on the Protection of Consumer and constitution of an Advertisement Committee in charge of taking necessary measures to interrupt advertisements and announcements.
Institutional Structure- Special Courts for Intellectual and Industrial Property Rights	Establishment of Special Courts for Intellectual and Industrial Property Rights		Establishment of special courts in charge of handling the disputes that may arise in the field of intellectual and industrial property rights, will be ensured.

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: PROJECT ON DEVELOPING THE REGULATORY AND SUPERVISORY FUNCTIONS OF THE STATE (COMPETITION LAW AND POLICIES)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Constituting a competitive environment in public procurements	Prevention of State Economic Enterprises and certain institutions which are in the status of public establishment from falling outside the Law and application of the methods in conformity with the competition rules in public procurements	Law no. 2886, on Public Procurements	The fact, SEE's municipalities and certain public institutions are authorized within their own respective legislation, lay the foundations of such practices having negative impact on competition. Besides, there is the need to reevaluate the procurement methods drawn-up in the Law on Public Procurements which are incompatible with the competition rules
Price Adjustments	Abolishing or at least reducing to minimum the municipalities' practices of price quotations for certain goods and services	Law on Municipalities	Price quotations for certain goods and services by municipalities within the borders of municipality cause distortion in market conditions and inefficiency in the allocation of sources

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Reducing the tax exemptions to the minimum	Narrowing the limits of tax exemptions granted under certain conditions	Laws on tax	Reduction of practices which are contrary to equality of opportunity to the minimum and the removal of different practices in banking and financial markets will be ensured
Legislation concerning the protection of intellectual and industrial property rights	Regulation for intellectual and industrial property rights within the framework of competition rules	-Law on Intellectual and Artistic Works -Law on Patents -Law on Trade Marks	

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: PROJECT ON DEVELOPING THE REGULATORY AND SUPERVISORY FUNCTIONS OF THE STATE (INTELLECTUAL AND INDUSTRIAL PROPERTY RIGHTS)

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SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Protection of patent rights	Protection of the rights stemming from patents and utility models	Law on Patents of 1979	An appropriate system of protection for patents and protection of utility models will be ensured
Protection of trade marks	Protection of service marks and regulation of a system for registration, announcement and objection	Law No. 561 of 1965 on Trade Marks	An efficient protection for the types of marks which are not presently under protection will be ensured
Protection of geographical signs	Preparation of a new legislation for the protection of geographical signs		Protection of geographical signs and designations of origin which are not presently under protection will be ensured
Protection of industrial designs	Preparation of a new legislation for the protection of industrial designs		Protection of industrial designs which are not presently under protection, by taking into account the needs of industry, consumers and creators, will be ensured.
Protection of biotechnological products and the products that are produced by semiconductor technology	Preparation of a new legislation for the protection of biotechnological products and the products that are produced by semiconductor technology		Protection of the products which are not presently under protection, in line with the recent developments occurring in the world will be ensured.
Prevention of the trade of counterfeited goods		Amendments to the Customs Code	Prevention of the counterfeited goods supply which are subject to domestic and foreign trade, in the direction of the provisions of international agreements



## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: PROJECT ON DEVELOPING THE REGULATORY AND SUPERVISORY FUNCTIONS OF THE STATE (PROTECTION OF CONSUMERS)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Institutional Structure set out in the Law on the Protection of Consumers	Establishment of the Council of Consumers, the Arbitration Tribunal, Tribunal of the Advertisement Committee and the Consumer Courts	-Law on the Protection of Consumers No.4077	Structuring pursuant to the Law will be ensured
Consumers Credits	Regulation for the credits for consumers	-Law on the Protection of Consumers No.4077 -Decision of the Union of Banks	Prevention of the consumers from being injured by credit contracts and giving a healthy structure to the credit contracts, will be ensured.
Unjust clauses in the contracts	Regulation for General Transaction Terms	-Code of Obligations, no. 818 (Articles 9, 20, 19, 28) -Civil Code, no. 743 (Article 2)	It is aimed at protecting the consumers against unjust clauses in the contracts relating to the services such as banking, transportation and dealings by credit.
Protection of tourists as consumers	Regulation for the contracts for touristic tours	Regulation on Travel Agencies, no. 15369, dated 1975	It is aimed at protecting the tourists against any injustices and damages
Foodstuff	Regulation for all kinds of food and nourishment stuffs	-Regulation on showing the special characteristics of foodstuffs and the goods and materials concerning public health, no. 3/15461 -Regulation on Food Additives -General Hygiene Law No. 1593 -Regulation of National Food Codex Committee (OJ no. 21842, 2.7.1994 dated)	Indication of production, freezing, storage, transportation, packaging, labeling, the dates of production and expiry, nutrition values of all kinds of foodstuffs and the indication of the additives and contaminants that they contain will be ensured and, the problems concerning their supervision in marketing processes will be solved.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Pharmaceuticals	A special arrangement	<ul style="list-style-type: none"> <li>-Law No. 1262 on the Pharmaceutical and Medical Drugs</li> <li>-Law No. 6197 on Pharmacists and Pharmacies</li> <li>-Law No. 2767 on the pharmaceuticals for Malaria and Syphilis</li> <li>-Law No. 992 on the Public Laboratories of Bacteriology and Chemistry where cynical and nutritional research and analyses carried out and serum is produced via natural methods</li> <li>-Regulation on the medical presentation of pharmaceutical and medical drugs (9.7.1990)</li> <li>-Regulation on labeling of pharmaceutical and medical drugs (4.24.1991)</li> <li>-Regulation on pharmaceutical raw materials, primary materials and pharmaceutical and medical drugs to be imported. (11.1.1984)</li> </ul>	Because of the insufficiencies existing in the Turkish legislation, special arrangement covering the production, importation, marketing, prescribing, packaging, pricing and using of the pharmaceuticals will be made.
Harmful and dangerous chemicals and products	Elimination of the insufficiencies in the legislation	<ul style="list-style-type: none"> <li>-Law No. 984 on stores in which poisonous and effective chemicals are sold, which are used in pharmaceutical production, handicraft and agricultural purposes</li> <li>-Law No. 6568 on agricultural quarantine and plant protection</li> <li>-Regulation on the supervision of harmful chemicals and products (7.11.1993, OJ 21634)</li> </ul>	Arrangements covering the production, storing, transportation, packaging, labeling, preservation and supervision of the harmful and dangerous chemicals and products will be made.
Product Safety	Arrangement on the regulation for general product safety	<ul style="list-style-type: none"> <li>-Communiqué No 90/41-42 on guarantee certificates and after sale services, maintenance and repairment</li> <li>-Regulation on imports and Import Regime</li> <li>-TS 10079, characteristics and classification electrical and mechanical home appliances and repairment and maintenance services</li> </ul>	Arrangements covering protection of environment, human safety and health and guaranteeing the safety of products to be used by consumers will be made.



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Responsibility of services and occupational insurance	Ensuring the conformity with the international standards	<ul style="list-style-type: none"> <li>-TS 10956, characteristics and classification for electronic products, repairment and maintenance</li> <li>-TS 5217, safety rules for toys (Part 1, mechanical and physical characteristics)</li> <li>-TS 5218, Safety rules for toys (Part 2, flammability)</li> <li>-TS 5219, toys (Part 3 Chemical characteristics)</li> <li>-TS 2329 toys (Part 4 standards for packaging and Markings)</li> </ul>	
	Ensuring the conformity with the international standards	Law No. 4077 on the protection of consumers	It is aimed that occupational insurance especially for lawyers, doctors, financial advisors and those working in the fields having the nature of public service according to their respective laws and the responsibility of service providers and compensation of consumer losses resulting from the provision of the service concerned, will be ensured

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: PROJECT ON DEVELOPING THE REGULATORY AND SUPERVISORY FUNCTIONS OF THE STATE (PROVISION AND UTILIZATION OF INFORMATION)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Coordination of national information system by the State Institute of Statistics	Establishing and describing the responsibilities and functions of the units relating to information flow including data base and data communication with the relevant institutions especially with the Undersecretariate for State Planning Organization, Undersecretariate for Treasury and Prime Ministry, within the scope of the coordination of national information system and the revision of the organizational structure of the State Institute of Statistics	Law No 196253, on the establishment and functions of the State Institute of Statistics, amended by the Decree Laws, No. 1984219, No. 1999357, No. 1999367 and No. 1990403.	A Law or a Decree Law should be enacted for the structural revision of the State Institute of Statistics in order to enable it to keep in step with the information age. Draft studies on the subject are about to be finalized. The coordinator status of the State Institute of Statistics in National Information System should be determined and the definitions should be made in relation to information flow between State Institute of Statistics and State Planning Organization, Undersecretariate of Treasury, Prime Ministry and other institutions with which cooperation will be undertaken.

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT : FINANCIAL REFORM, INCREASING EFFICIENCY IN FINANCIAL MARKETS, INTEGRATION WITH THE WORLD AND EXPANSION OF OWNERSHIP

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Supervision	-Strengthening the capital structure of banks -Restructuring the Deposit Guarantee Scheme	Necessary amendments to the Banking Law No. 3182 on the Banks	It is aimed that financial structure of the banks to become on a par with international norms and that funds will be raised so as to improve the international competitiveness of the banks.
Funding Cost	-The rates of deduction for the Resource Utilization Support Fund shall be lowered -Lowering of tax rates	-Council of Ministers' Decision based on Article: 40 of the Law No.1211 on the Central Bank of Turkey -Law No.488 on Stamp Duty -Law No. 6802 on Expenditure Tax	-Deduction rates shall be phased out by taking economic trends into account -Arrangements in tax laws are aimed to achieve impartiality in taxation among financial instruments -Lowering the rates of Stamp Duty and Bank and Insurance Transaction Tax
Istanbul Stock Exchange	-Making arrangements regarding insider trading	-Harmonization with the EC legislation shall be ensured -Law No.2499 on Board of Capital Market	Integration of Istanbul Stock Exchange with international markets shall be ensured
Rating Institutions	Arranging activities and supervision of institutions	-Law No.2499 on Board of Capital Market	Investor shall be aware of borrowing risks when rating institutions start operating.
Insuring	Arranging activities and supervision of institutions	-Law on the Private Insurance Contracts -Law on the Regulation and Supervision of Insurance -Law on the Chamber of Insurance Experts will be drafted -Regulation on Life Insurance providing dividend -Regulation on Insurance Actuaries -Regulation on Insurance Expert Committee fees	Increasing the efficiency of Insurance Sector



# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

## NAME OF PROJECT: STRUCTURAL ARRANGEMENTS RELATED TO TAXATION

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Tax Burden	Decreasing the tax burden on wage and salary earners and reducing taxes and similar deductions on employment	-Law No:193 on Income Tax -Law No: 3417 (ÇTTH) -Law No: 3320 (KEY)	Modifying related articles of income tax rate (art. 103) and special reduction (art. 31) and and phasing out the ÇTTH and KEY deductions.
Tax Administration	Restructuring of tax administration and providing automation	Decree Law No:178 on the Establishment and Duties of the Ministry of Finance	Effective implementation of regulations related to regional and provincial organizations and restructuring of the General Directorate of Revenues
Tax Number	Giving a tax number to each citizen	Law No: 213 on Tax Procedures	Effective implementation of authorization Article (art. 8) related to the introduction of a tax number system
Tax Inspection	Provision of coordination and efficiency in tax inspection	Decree Law No:178 on the Organization and Duties of the Ministry of Finance -Law No: 4709	Strengthening the coordination among tax inspection units and enhancing efficiency
Tax Concessions	Reviewing minimizing the tax exemptions and exceptions	-Law No:193 on Income Tax -Law No: 5422 on Corporate Tax -Law No: 3065 on Value Added Tax	Exceptions, exemptions and allowances shall be minimized in conjunction with the introduction of lower tax rates. Exceptions maintained shall be made effective.
Lump-sum Taxation	Applying regional and sectoral restrictions on lump-sum taxation	-Law No:193 on Income Tax	Effective implementation of Article (art.51) concerning the authorization of the Council of Ministers on restricting lump-sum taxation on the basis of business groups, sectors, provinces and districts and population criteria.
Unitary System	Completion of unitary system and termination of the use of withholding tax practices as means of final taxation	-Law No:193 on Income Tax	The collection of revenues and their annual declaration (art. 86-87) and articles (art.94) specifying withholding rates as set out in Law No: 3946, enacted towards the end of 1993, shall conform to the set timetable.
Minimum Taxation	Phasing out the life standard practice and the use of fair indicators and making indicators more just	-Law No:193 on Income Tax	It is aimed to repeal the articles regarding the life standard principle (provisional art.35) and its indicators (bis art.116) after ensuring supervision and automation of tax administration and setting up a certification system.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Tax Council	Establishment of a Tax Consultancy Council		A Council will be established whose authority and responsibilities have been determined by the participation of academic institutions, worker-employer institutions and organizations.
Tax Rate	General reduction of tax rates	<ul style="list-style-type: none"> <li>-Law No:193 on Income Tax</li> <li>-Law No:5422 on Corporate Tax</li> <li>-Law No:3065 on Value Added Tax</li> </ul>	It is aimed to minimize the tendencies to tax avoidance and tax evasion through reducing the tax rates in general by revising the articles regulating income tax rates (art. 103), corporate tax rates (art. 25) and VAT rates (art.28)
Selective Consumption Tax and Harmonization	Introduction of Selective Consumption Tax and harmonization with the EU tax policy	<ul style="list-style-type: none"> <li>-Law on Selective Consumption Tax</li> <li>-Law No: 3065 (Additional Tax)</li> <li>-Law No: 3238 (SSDF Deduction)</li> <li>-Law No: 3418 (Education-Health Tax)</li> <li>-Law No: 3289 (Sports Federations Fund)</li> <li>-Law No: 1571 (Earthquake Fund)</li> <li>-Law No: 1318 Financing Law (Vehicle Purchase Tax and Supplementary Tax on Vehicle Purchase)</li> <li>-Law No: 3074 (Petroleum Cons. Tax)</li> </ul>	Enactment of the Selective Consumption Tax Law with the unification of respective taxes after the abolishment of other consumption taxes; harmonization with the EU of the articles (art. 11-17) regulating VAT exemptions and exceptions and the article (art. 28) regulating the rates.
Urban Rents	Taxation of urban rents and full coverage of actual value of real estate tax	<ul style="list-style-type: none"> <li>-Law No:1319 on Real Estate Tax</li> <li>-Law No:492 on Charges</li> </ul>	Taxation of urban rents is aimed by re-assessment of the articles related to the duration of declaration for Real Estate Tax (art. 23) or the payment of Real Estate Tax (art. 30) and the articles related to Title Deed and Cadastral charges (art. 57-70)
User Charges	Extension of user charges	<ul style="list-style-type: none"> <li>-Law No: 492 on Charges</li> <li>-Law No: 2464 on Municipal Revenues</li> <li>-Law No: 2547 on Higher Education</li> <li>-Law No: 6200 on the DSI</li> <li>-Law No: 3202 on the General Directorate of Rural Services</li> <li>-Budget Law</li> </ul>	It is aimed to raise the existing user charges to realistic levels and to extend them to public services which are not yet covered



# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

## NAME OF PROJECT : SOCIAL SECURITY REFORM

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Basic Law	Basic Law on Social Security	<ul style="list-style-type: none"> <li>- Social Insurance Law, No. 505</li> <li>- Law on Public Sector Retirement Fund, No. 5434</li> <li>- Law on the Social Insurance Institution for Tradesmen, Craftsmen and other Self-Employed Person, No. 1479</li> <li>- Law No. 2925 on the Social Insurance for Agricultural Workers</li> <li>- Law No. 2926 on the Social Insurance for Self-Employed Persons in Agriculture.</li> </ul>	With a view to achieving unification in norms and standards applied by present social security institutions, studies concerning harmonization of legislation which determines the basic rules and institutions of social insurance, social assistance and social services will be realized.
Draft Law on Social Insurance Institution (SSK)	Arrangements concerning the structural change of the Institution, new cadres creation and financial problems	<ul style="list-style-type: none"> <li>- Social Insurance Law, No. 505</li> <li>- Law No. 4792 on Social Insurance Institution.</li> <li>- Decree Law No. 190</li> <li>- Law No. 2925 on the Social Insurance for Agricultural Workers.</li> </ul>	It shall be ensured that supervision services of SSK will be enhanced, the Institution's existing financial bottle-necks will be eliminated, it will be restructured in a contemporary manner and it will be formed as an autonomous institution.
Draft Law on Social Insurance Institution for Tradesmen, Craftsmen and Other Self-Employed Persons (Bağ-Kur)	Arrangements for updating the Institution's Law and, for tackling its financial problems	<ul style="list-style-type: none"> <li>- Social Insurance Law, No. 506</li> <li>- Law No. 2108 on Social Security and Allowances for Village and Neighborhood Headmen</li> <li>- Law No. 2926 on the Social Insurance for Self-Employed Persons in Agriculture.</li> </ul>	It shall be ensured that arrangements eliminating the Institution's existing financial problems would be made, the Institution would be restructured in a contemporary manner and be formed as an autonomous institution.
Draft Law on Unemployment Insurance	Arrangements for the partial compensation of the loss of income for those who are laid off	<ul style="list-style-type: none"> <li>- Social Insurance Law, No. 506</li> <li>- Law No. 4837 on Employment Office.</li> <li>- Labour Law, No. 1475</li> </ul>	It shall be ensured that the rules and implementation principles would be arranged and the insurance benefits required by the Law would be granted to the unemployed persons covered.
Family Assistance	Legal arrangements concerning family assistance on the basis of premium in order to meet family expenses increased by the enlargement of family size covered by the social security scheme	<ul style="list-style-type: none"> <li>- Law No 506 on Social Insurance</li> <li>- Law No.5434 on the Pension Fund.</li> <li>- Law No.1479 on BAG-KUR</li> <li>- Law No.657 on Civil Servants</li> <li>- Labour Law, no. 1475</li> </ul>	Provision of family assistance shall be organized as an insurance programme and legal arrangements shall be made concerning this organization
Single Structure	Arrangements for restructuring of social security institutions within a single structure	<ul style="list-style-type: none"> <li>- Law No.506 on Social Insurance</li> <li>- Law No.1475 on BAG-KUR</li> <li>- Law No.5434 on the Pension Fund</li> <li>- Law No.2925 on Social Insurance of Agricultural Workers</li> <li>- Law No.2926 on Social Insurance for the Self-Employed in the Agricultural Sector</li> </ul>	Restructuring studies shall be completed and the social security institutions shall start the provision of services within a single structure so as to prevent the waste of resources.

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: PROJECT FOR INCREASING THE EFFECTIVENESS OF PUBLIC SERVICES AND ACHIEVING WAGE EQUALITY IN PUBLIC SECTOR

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Organizational Arrangements	Downsizing the organizational structure of the state agencies and making it more functional; providing the public agencies and institutions with an organizational structure conforming with their duties	<ul style="list-style-type: none"> <li>- Law No.3046 on Establishment and Duty Principals of the Ministries</li> <li>- Law No.3056 on Organization of The Prime Ministry</li> <li>- Decree Laws on SEEs Nos.233 and 399</li> <li>- Laws on Establishment of All Public Agencies and Institutions</li> </ul>	<ul style="list-style-type: none"> <li>- Institutions within the central administration, which aim at ensuring coordination between the ministry and other institutions, and provide services for guiding the units established for separate tasks towards certain objectives should be attached to the Prime Ministry.</li> <li>- Institutions which do not have direct relations with a certain Ministry and do provide services for the majority of the Ministries within the central administration and other organizations should be affiliated with the Prime Ministry.</li> <li>- Central administration institutions which can be attached to the ministries but whose affiliation pose obvious drawbacks with regard to their fields of duties should be attached to the Prime Ministry.</li> <li>- Central administration units which do not conform with the basic principles specified should either be attached to or affiliated with the Ministries.</li> </ul>



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Organizational Arrangements			<p>- In order to ensure all these amendments should be made in the laws of establishment statutes of the institutions attached to or affiliated with the Prime Ministry. Moreover, an obligatory provision should be added to the law which would prevent attachment of public agencies and institutions to the Prime Ministry, duties of which do not conform with the basic principles given above, by amending articles 4/d, 16 and subsequent articles of the Framework Law dated 27.9.1984, no. 3046 specifying the establishment and basic duties of the Ministries.</p> <p>- Furthermore, it will be appropriate to transfer the administration of agencies directly to the Ministries they are affiliated with which by their nature do not necessarily to be related with the Prime Ministry.</p>
Council of Ministers	Legal framework of the issues to be discussed and concluded by the Council of Ministers shall be specified by a law.	There is no framework law in effect on this issue. Outlines of the new law to be put into effect and legal framework of the issues to be discussed and concluded by the Council of Ministers shall be determined with respect to general executive authority, economic and financial arrangements and issues on appointments.	Amendments shall be made to Laws establishing the institutions, Law No.2451 on appointments and the laws providing general arrangements.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Ministers of State	Conferring duties and authorities to the Ministers of State stated in Article 4 of the Law on Establishment and Basic Duties of the Ministries, no.3046	According to Article 4 of the Law no 3046, Ministers of State are appointed by the proposal of the Prime Minister and approval of the President with a view to assisting the Prime Minister and ensuring coordination in the Council of Ministers and benefiting from their experiences and knowledge in issues having significance and priority.	Within the framework of the customs union and activities on harmonization with the EU, consideration of duties of the Ministers of State, other than a Minister of State to be entrusted with these studies, within the scope of Article 4 of the Law No.3046 and termination of their relations with the institutions attached to and affiliated with them seems to be adequate for the solution of the problem.
Apportionment of authority, duty and resource among central and local administrations	The transfer of certain services performed by central administration to the authority and responsibility of local administrations, starting with the local provincial administrations	<ul style="list-style-type: none"> <li>-Law No. 5442 on Provincial Administration</li> <li>-Law on Special Provincial Administration</li> <li>-Law No. 3046 on the Establishment and duty Principals of the Ministries</li> <li>-Organizational Laws of Public Institutions and Agencies</li> <li>-Law No. 2464 on Municipal Revenues</li> <li>-Law No. 2380 on allocation from the General Budget Revenues to Municipalities and Local Provincial Administrations</li> <li>-Law No. 1580 on Municipalities</li> <li>-Law No. 3030 on Metropolitan Municipalities</li> <li>-Law No. 442 on Villages</li> </ul>	The transfer of authority by revising stated laws and strengthening local administrations administratively and financially
Economic and Social Council	Provision of an extensive and equal representation structure and a legal basis for Economic and Social Council with the aim of achieving consensus	Economic and Social Council was established by the Prime Ministry Circular No. 1995/5 dated 3.17.1995	A new legislation securing the Economic and Social Council to work effectively and have the power of sanction shall be put into effect.
Auditing	Introduction of an audit system based on performance evaluation	<ul style="list-style-type: none"> <li>-Arrangements on the Law No.832 on Auditing Court and the Law on Final Accounting court</li> <li>-Law on auditing of the SEEs and Funds by the TGNA No. 3346</li> <li>-Provisions related to audit units on organizational laws of institutions</li> </ul>	Improving the administration by auditing, increasing the effectiveness in public services and making amendments towards providing efficient and rapid supply of public services are aimed.
Supervision and public relations	Setting up a Public Supervision (Ombudsman) system.	- There is no legislation in effect	Establishment of the "Ombudsman" system shall be ensured through a new law for the effective and rapid solution of conflicts in administrative-individual relations.



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Personnel Regime	Realization of reform in public personnel regime and the achievement of wage equality in public sector	<ul style="list-style-type: none"> <li>- Law No.657 on Civil Servants</li> <li>- Law No.926 on Turkish Armed Forces Personnel</li> <li>- Law No.2802 on Judges and Public Prosecutors</li> <li>- Law No.2914 on University Academics</li> <li>- Decree Law on the SEEs, nos 233/399</li> </ul>	Laws in the legislation shall be reviewed, financial and social rights and aids shall be specified; the wage regimes of all the public agencies and institutions shall be incorporated into a single and common law, a wage regime shall be formulated for establishing an institutional and sectoral balance and implementing the principle of equal pay for men and women for equal work by eliminating the inequality between wages and supplementary payments, and social rights and aids.
Personnel Regime	Determination of procedures and principles for the training of high level administrators	Special arrangements in the Personnel Regime to be put into effect concerning this issue	Civil servants who are to become administrators shall be given executive training through which they will acquire necessary managerial qualifications.
Personnel Regime- Management Principles	Adoption of rational-productive bureaucracy model for public institutions with creative functions especially regarding economic and financial administration	For the formulation of a separate personnel category for the Rational Productive Bureaucracy Model in the Personnel Reform to be put into effect, special arrangements will be made on appointment, wages and discharge from office of these personnel.	Personnel working for jobs which require creativity in services production will be ensured to remain in public sector and, thus effectiveness in public services shall be enhanced.
Personnel Regime	Making distinction between the civil servants who perform principal and continuous duties of the state and other civil servants	Making amendments on articles 51,53 and 128 of the Constitution, and putting into force of the law on labour unions for civil servants	Distinction shall be made definitely between public personnel other than Turkish Armed Forces Personnel, Judges and Public Prosecutors, Police Officials, Professional Foreign Ministry officials, Territorial Administration Governors and high level official of the Public Institutions and Organizations performing principal and continuous duties of the state according to general administration principals and other public employees with other public employees shall benefit from labour union rights.
Principles of Management	Reduction of bureaucratic red-tape and the establishment of a public oriented management approach and the development of practices based on declaration	<ul style="list-style-type: none"> <li>-Turkish Commercial Code,</li> <li>-Law on General Hygiene,</li> <li>-Customs Laws</li> <li>-Law on Population</li> <li>-Law on Traffic</li> <li>-Law on the establishment and the duty of the Ministry of Industry and Trade</li> <li>-Law on the Establishment and the duty of the Ministry of Internal Affairs</li> <li>-Law on the establishment and the duty of the General Directorate of the Police</li> </ul>	Formalities within the stated legislation and other laws shall be reduced, services especially related to trade, permit to start a business, customs, population and traffic shall be simplified.

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: PROJECT FOR INCREASING THE EFFECTIVENESS OF PUBLIC SERVICES AND ACHIEVING WAGE EQUALITY IN PUBLIC SECTOR (JUSTICE SERVICES)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Justice Reform	Draft Law on Establishment and Duties of General and Higher Courts	Law No.469 on Organization of Courts, Interim Law No.1329 on Justices of the Peace Law No.492 on Charges, Law No.2802 on Judges and Public Prosecutors, Law No.3030 on Administration of Metropolitan Municipalities	Law dated 1924 and No.1924 and 469 arranging organization of general courts is abolished, and judicial courts and office of the public prosecutor are reorganized. Civil courts are established by the removal of the distinction between basic civil courts and civil courts of peace. Higher courts are being established as intermediary courts between general courts of first instance and the Supreme Court of Appeals.
Justice Reform	Draft Code of Civil Procedure	Code of Civil Procedure No.1086 Turkish Civil Code, No. 743	Code of Civil Procedure, No.1086, is abolished and civil procedure is reorganized. A stage of preliminary review is embarked upon in the civil procedure. Basically a written trial procedure is being adopted instead of various trial procedures. Arrangement is being made to generate a modern institution of expert witness.
Justice Reform	Draft Law on Amendment of the Code of Criminal Procedure No.1412 and Some Other Codes	The Code of Criminal Procedure, No.1412 Law on Granting of Compensation to Persons Illegally Arrested and Taken Hold of, No.466	Name of the code is changed and an amendment is made enabling the judge to decide for acquittal at the first stage without a trial if necessary conditions are present.
Justice Reform	Draft Law on Establishment, Duties and Trial Procedures of Labour Courts	Law No. 5521 on Labour Courts,	Scope of duty of the Labour Courts are expanded and the judge is given some authority which would secure the collection of evidences on his own initiative if necessary. Law No.5521 on Labour Courts.



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Justice Reform	Draft Law on the amendment of certain Articles of Law No. 2004 on Execution and Bankruptcy	Law No. 2004 on Execution and Bankruptcy	Arrangements are being made to ensure a faster and reliable exercise of execution proceedings and, the principle of payments to creditors by way of the bank is being introduced. Telecomm. instruments which are indispensable for the debtor to exercise his prof., are not within the scope of possessions to be sequestered.
Justice Reform	Draft Law on the Establishment of Councils in charge of bringing about Reconciliation and on the Terms of Reference of these Councils		With this Law disputes, originated from private law relations between persons and the administration, regarding pecuniary claims, which are falling within the duties of the general courts, will compulsorily be subject to reconciliation boards. If reconciliation cannot be reached there is the opportunity to take judicial action.
Justice Reform	Draft Law on the Amendment of certain Articles of the Law on the Establishment and Functions of District Administrative Courts, Administrative Courts of First Instance and Tax Courts.	Law No. 2576 on the Law on the Establishment and Functions of District Administrative courts, Administrative courts of First Instance and Tax Courts	The formation of District Administrative courts is being changed. The scope of disputes, which will be settled by a single judge at the Administrative and Tax Courts, will be widened.
Justice Reform	Draft Law on the Supplement of certain Articles to the Law No. 6570 on Real Estate Rentals	Law No.6570 on Real Estate Rentals	Arrangements are being introduced, towards ensuring uniformity at the determination of rentals throughout the country by ensuring the establishment of a commission by the Prime Ministry, in charge of fixing rentals.
Justice Reform	Draft Law on Converting certain penalties into administrative pecuniary fines	Law No. 2920 on the Turkish Civil Aviation, Law no. 2860 on Collection of Benefactions, Law No. 2908 on Societies and various Laws.	With the aim of accelerating the judicial process, Public Pecuniary Fines, set out in special Laws and imprisonment convertible into pecuniary fines, are being converted into administrative pecuniary fines.
Justice Reform	Draft Law No. 3167 regarding amendments to the Law on Regulating the payments by cheque and the protection of cheque bearers	Law No. 3167 on Regulating the payments by cheque and the protection of cheque bearers	Removal of failures of the law, effective protection of cheque bearers and elimination of the accumulation at courts are aimed. New arrangements are being introduced concerning the opening of checking account by the banks.
Justice Reform	Draft Law regarding the amendments of certain articles, the abolition of certain articles of the Law on Flat Ownership and inclusion of certain articles to the law regarding mass housing	Law No.634 on Flat Ownership	Comprehensive provisions are to be added to the Flat Ownership Law in order to remove the difficulties regarding mass housing.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Justice Reform	Draft Law regarding the amendments to the Law of Advocates No. 1136	Law of Advocates No. 1136	Fundamental changes are to be brought about with a view of ensuring the execution of the advocacy profession in the most effective way
Justice Reform	Draft Law on Judicial Police Force		Judicial and administrative police force duties are to be separated and Judicial Police Force is to be formed under the Chief Public Prosecutor.

## **LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN**

### **NAME OF PROJECT: PROJECT FOR INCREASING THE EFFECTIVENESS OF PUBLIC SERVICES AND ACHIEVING WAGE EQUALITY IN PUBLIC SECTOR (SECURITY SERVICES)**

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Establishment of a Regular Personnel Structure	Establishment of the regular personnel structure for Coastal Security Command	Law no. 2692	Establishment of a regular personnel structure for the Coastal Security Command shall be ensured in order to remove the difficulties arising from the employment of Naval Forces Command personnel
Improvement of the Personnel Regime	Adjustment of the duties of official watchmen for bazaars and wards according to current and future needs	Law No.772 on Official Watchmen for Bazaars and Wards	A systematic arrangement of the duties, authorities, responsibilities and working principles of watchmen for bazaars and wards, and elimination of insufficiencies and uncertainties shall be ensured



# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

## NAME OF PROJECT : REINFORCEMENT OF THE LOCAL ADMINISTRATIONS REFORM

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Distribution of Duties and Authorities Between Central and Local Governments and Organization	A Model For Local Administrations	<p>A Framework Law defining the basis of authorities, duties, responsibilities and sources of local administrations should be enacted. Accordingly, the appropriate amendments will be made to the following legislation:</p> <ul style="list-style-type: none"> <li>-The Law No. 442 on Villages.</li> <li>-The Law No. 1580 on municipalities.</li> <li>-The Law No. 3030 on metropolitan municipality.</li> <li>-The Law No. 3360 on Special Provincial Administrations.</li> <li>-The Law on the Elections for Local Administrations, Headmen and Senior Committees</li> <li>-The Law No. 5442 on Provincial Administrations and other related Laws.</li> </ul>	The local administrations will organizationally be restructured with an emphasis on de-centralization.
	Setting up a Provincial Local Management Model		With a view to improving efficiency in local public services, ensuring the coordination and cooperation between local government bodies, Provincial Local Administrations in the provinces and District Local Managements in the districts will be formed with public legal personality.
Transferring the responsibilities related to the services of local nature to the local governments		The appropriate amendments should be made to the laws on the organizations and duties of the Ministry and the attached and affiliated agencies.	For the effectiveness in public service supply and for the rational use of the sources, within the framework of the principle that the beneficiary is best served by the closest public service supplier, some services such as tourism, environment, culture, sports, rural services and social services so far supplied by the central government will be transferred to the local authorities. In the Plan period, the number of such services will gradually be increased.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Coordination	Establishment of the Ministry of Coordination on Urbanization and Settlement	-Law on the establishment and duties of the ministry shall be enacted -Necessary amendments shall be made to the laws regarding the establishment and duties of the laws of other ministries and their attached and affiliated institutions.	A Ministry of Coordination shall be established to perform duties and authorities scattered among various service ministries and units in order to provide cooperation and coordination among local and central administrations, and to support administrative, financial and legal initiatives of local administrations on planning, infrastructure, transport, housing and urban services.
Financing	Arrangement for the Revenue Structure of Local Administrations	-Law No.2464 on Municipal Revenues -Law No.2380 on Allocation from General Budget Tax Revenue to Municipalities and Local Provincial Administrations -Law No.1319 on Real Estate Tax	Dependency on central administration shall be reduced by providing regular and sustained income resources for local administrations so as to secure continuous public services and necessary financial planning; resources of local nature shall be left for local administrations' use and it shall be ensured that they perform services with their own resources.
	Reorganization of the Bank of Provinces	-Law No.4759 on the Establishment of the General Directorate of the Bank of Provinces	The Bank of Provinces shall operate autonomously and implement banking rules and it shall be given a status of specialized investment bank.

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: PROJECT OF STRUCTURAL CHANGE IN INFRASTRUCTURAL SERVICES (ENERGY)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Arrangement of public and private sector activities in electricity sector	Making necessary legal and institutional arrangements in order to organize public and private sector activities in the sector	Making necessary amendments to Laws No: 3096, 3974, 3996 and 4046 and their respective Regulations	It is aimed to form a decision making mechanism and organizational structure to participate in planning and administration of the sector and to remove the contradictions and deficiencies in the related legislation
Geothermal energy	Law on Geothermal Resources	Drafting a new law	In order to develop geothermal resources, drafting a law to organize the exploration, production and utilization of these resource is required.



# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

## PROJECT : PROJECT OF STRUCTURAL CHANGE IN INFRASTRUCTURAL SERVICES (TRANSPORTATION)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Determination of the Basic Rules for the Road Transport	Drafting a Law on Road Transport	-Regulation for International Road Transport of Passengers and Freight -Regulation for Inter-city Road Transport of Passengers -Turkish Trade Law No. 781	Definition of sub-sectors, determination of responsibilities and transport conditions in the transport sector
Arrangements for Domestic Freight Transport	Introduction of Domestic Freight Transport Regulation	-Drafting the Law on Road Transport -Turkish Trade Law No. 781	Definition of the responsibilities of transport companies, transport conditions and fleet standards in domestic freight transport.
Harmonization of the Provisions of the Turkish Trade Law with the CMR Convention	Revision of the provisions concerning the transport and transporters in the Turkish Trade Law	-CMR, Contract for International Freight Shipments via Road Transport -Regulations for International Road Transport of Freight and Passengers	Since the CMR Convention, dated 19.5.1956, laid down the rules for international transport, responsibilities and certification, such rules should be introduced to the national legislation.
Setting up an Insurance System for the Road Transport	The insurance guarantees set out by the Undersecretariate of Treasury unilaterally should be increased to match to the indemnities set out by the courts.	-Annual Communications pertaining to the Insurance Inspection Law	Due to the inadequacy of insurance guarantees and the indemnities set out by the court in the actions for damages are far from matching the guarantees, firms hardly benefit from insurance guarantees.
Institutional and Functional Re-determination of the Highway Network under the Responsibility of the Public Sector	Re-determination of the scope of duties of the institutions in charge of the construction and maintenance of highway network	-The Law Establishing the Directorate General for Highways (11.2.1950-No. 5539) -The Law Establishing the Directorate General for Rural Services (9.5.1985- No. 3202) -The Law on Special Provincial Administrations	Determination of the responsibilities of agencies on the basis of roads common for some provinces and those specific to individual provinces and villages. Accordingly, sorting out the provincial network that shall be transferred to the authority of Local Provincial Administrations.
Restructuring the Turkish State Railways	Upon a feasibility study, the Directorate will be legally, managerially, financially and organizationally restructured.	-The Law Establishing the TCDD and the Decree Law No 293.	By means of the removal of the problems stemming from inadequacies and deficiencies in the organizational structure of railroad management, the TCDD will operate more effectively and efficiently.
Provision of Coordination in the Transport Sector	Setting up a body for coordination under the authority of the Ministry of Transport	Law on the Establishment and Duties of the Ministry of Transport, No. 3348	The problems caused by the lack of coordination between the agencies attached to the different ministries in the sector have created adverse effects to the structure of the sector. Thus, such a body for coordination is a due requirement.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
<p>Extending Autonomy of Privatization of Harbour management</p>	<p>Introduction of autonomous or private management to the harbours already run by TCDD and TDI</p>	<p>Privatization Law, Master Agreements for the Directorate General of TCDD and TDI</p>	<p>Productivity, effectiveness and investment opportunities should be improved by means of extending autonomous management in the main harbours run by public bodies</p>
<p>Arrangements for the Establishment of maritime insurance, environment, ship-brokerage, leasing, expert courts for maritime.</p>	<p>Amendments to the legislation in effect and/or additional legislative arrangements</p>	<p>Legislation on Insurance, Environment, Leasing, Ship brokerage and related rules of procedure, and Turkish Trade Law.</p>	<p>Arrangement for the national legislation to harmonize with the world maritime trade and eliminate the problems in maritime transport.</p>
<p>Establishment of a Maritime Bank</p>	<p>An existing bank may develop expertise on the matter or a new bank to this end may be established.</p>	<p>Banking Legislation</p>	<p>The financing requirement and the quality of the investments in the sector necessitate the establishment of such a bank</p>
<p>Making arrangements to secure the transfer of infrastructures to undertakings at market price</p>	<p>Legal and financial arrangements</p>	<p>Laws No: 3487, 6297, 5367, 1980 and 3288.</p>	<p>Railways, harbours, fishermen harbours and airport investments realized by the General Directorate of DLHI are being transferred at very low prices to related public organizations, local administrations or cooperatives; this affects management approach and activities adversely. In order to provide an efficient management approach, these infrastructural works should be transferred to users within the framework of a financial plan meeting their real costs. This approach shall also assure a more realistic structure for demand for investments.</p>
<p>Providing the General Directorate of Civil Aviation with semi-autonomous structure</p>	<p>Reorganization of the Ministry of Transportation General Directorate of Civil Aviation as a revolving fund organization, having an autonomous structure and affiliated to that Ministry</p>	<p>Law No: 3348 on the Establishment and Duties of the Ministry of Transportation</p>	<p>General Directorate of Civil Aviation shall be reorganized as an autonomous unit affiliated to the Ministry of Transportation in order to increase efficiency and to improve its personnel structure in terms of quality and quantity.</p>
<p>Determination of authorities and responsibilities for the construction, ownership and operation of STOL airports</p>	<p>Arrangement of legislation regarding the construction, ownership and operation of STOL airports</p>	<p>Law No: 2920 on Turkish Civil Aviation</p>	<p>Legislation is required to be arranged regarding the determination of organizations to be responsible for construction, ownership and operation of the STOL airport whose number has increased rapidly in the 1990s.</p>



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Arrangement regarding the pricing policies for white petroleum products in pipeline transportation	Determination of sale prices of refinery white products to be transported by pipelines so as to encourage pipeline transportation	Council of Ministers Decree No. 89/4264 on the purchase, sale and pricing principles of crude oil and petroleum products and the operation of AFIF (Price Stability Fund for the Petroleum fuels)	With a view to extending the construction and utilization of white product fuel oil pipelines connecting refineries to consumption centers, and thus, providing the fuel oil transportation made by highways shift to pipelines which is safer, economic and advantageous in terms of life and goods security, it is envisaged to establish a pricing mechanism providing a relative price advantage for white products transported through pipelines

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: PROJECT OF STRUCTURAL CHANGE IN INFRASTRUCTURAL SERVICES (TELECOMMUNICATIONS)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Adaptation to International Developments in Telecommunications	Increasing competition in telecommunications in time	Making amendments to the Laws of Telecommunications No. 4000 and 4107	Parallel with the developments of international legislation and competition order in telecommunications it is envisaged to increase competition in all services in time.
Regulation of Telecommunications	Drawing up a legislation regulating the operation of the General Directorate of Telecommunications which is the regulating organization	Law No.4107 on Telecommunications	It is required to draw up a legislation regulating the access conditions to telecommunications market, protection of consumer, conditions of license, etc.

# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

## NAME OF PROJECT: PROJECT OF STRUCTURAL CHANGE IN INFRASTRUCTURAL SERVICES (URBAN INFRASTRUCTURE)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Coordination	Planning and implementing main projects and supplementary projects together	Attaching an Article to the Law on Establishment and Functions of the DSI No. 6200	Since the people living in dam construction areas can not move to another place during constructions until constructions have been completed, it becomes difficult to store water. This affects the overall economy in an adverse way. Purpose is that main project contractor should also handle resettlement projects in order to ensure coordination in projects carried out by different institutions.
Planning, preserving, allocating and managing of the fisheries.	Drafting a Law on waters	<ul style="list-style-type: none"> <li>-Law on Establishment and Functions of the DSI No.6200</li> <li>-Law on Underground Waters, No. 167</li> <li>-Law on Establishment and Functions of the General Directorate for Water and Sewerage Systems of Istanbul No. 2560</li> <li>-Law on providing drinking and industrial water in Ankara, Istanbul and in places of populations over 100.000 No. 1053</li> <li>-Law concerning Waters, No. 831</li> <li>-Law on General Hygiene, No, 1593</li> <li>-Law on Environment No. 2872</li> </ul>	Purpose is to improve disorganization in water related legislation to develop institutional structure in planning, managing and preserving water sources, to let functions of the DSI be more effective to rearrange the investment-return system of the DSI and to apply Built-Operate-Transfer model to projects carried out by the DSI.
Charges of Water Services	Establishing the legislation to determine the charges of water services in accordance with contemporary operating standards	Law on Municipality, No.1580.	Purpose is to determine charges of water services in a way as to meet the cost of the service and create financial sources for new investments.
Establishing Administration for water and sewerage systems	Establishing the administrations of water and sewerage systems also in municipalities with population over 100.000.	Law on the Establishment and Functions of the Directorate General for the Administration of Water and Sewerage System of Istanbul, No. 2560.	Purpose is to establish administrations of water and sewerage systems also in municipalities with population over 100.000 thereby ensuring effectiveness in the services of drinking water and sewerage systems



# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

## NAME OF PROJECT : PROJECT OF STRUCTURAL CHANGE IN INFRASTRUCTURAL SERVICES (RURAL INFRASTRUCTURE)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Water Resources	Availing of rational use of water resources	A Law on Water will be enacted.	Legal insufficiencies existing especially in allocating, preserving and planning the use of ground water resources will be improved and the existing legislation concerning underground water resources will be updated.
Land Resources	Availing of rational use of land resources	A law on Land will be enacted.	Institutional and legal insufficiencies existing in allocating, preserving, classifying and planning lands for agricultural use and production will be improved. Within this context, amendments will be made with a view to removing problems in the services of preserving and consolidating agricultural lands.
Restructuring the General Directorate for Rural Services	Establishing a new general directorate solely to carry out agricultural activities	Law on Establishment of Rural Services, No. 3202.	A new structure will be established to carry out agricultural infrastructure activities by down sizing multi-dimensional structure of the General Directorate and removing problems in its existing structure.
Charging the cost of irrigation investments to the users	Removing problems in the existing practices and providing for uniform practices in similar and complementary services	-Amendment to the Laws on Establishment of the DSI No. 6200 and the General Directorate for Rural Services No. 3202 -Repealing of Law No. 2032 on non-receipt of contributions except voluntary contributions for rural services	Repayment of cost will be based on a rational way and be made prevalent and the investments will be adopted by the users which will ensure obtaining expected benefit and continuity in investments.
Farmers Participation	Creating resources for investments and lessening burden of the State by making establishment of farmer organizations prevalent	-Amendments to the Laws on Establishment of the DSI No 6200 and the General Directorate for Rural Services No. 3202 -Arrangements in the Prototype Regulation for Unions based on the Law of Provincial Administration No. 5442.	Establishment of farmer organizations with increased authority and responsibility will be encouraged with a view to using existing infrastructure more effectively and realizing agricultural infrastructure investments in parallel to the country needs. Farmers contributions to these services carried out by the State will be encouraged.

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: STRUCTURAL CHANGE PROJECT IN INFRASTRUCTURAL SERVICES (TOURISM)

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Development of the legal status of the Ministry of Tourism	Drafting a Law establishing the Ministry of Tourism	Decree Law on Establishment and Duties of the Ministry of Tourism	Ministry shall be provided with a dynamic structure to follow up developments in the sector.
Arrangement of the activities of travel agencies	Updating the Law on Turkish Travel Agencies and Travel Agencies Union	Amendment of the Law on Travel Agencies and Travel Agencies Union, dated 14.9.1972, no. 1618	The law enacted in 1972 can not meet the current requirements. It is necessary to incorporate the travel agencies into an occupational discipline, and amend the law so as to establish international competitiveness in the structure to be introduced by the customs union.
Arrangement of Hotel Management	Enactment of Law on Turkish Touristic Hotel Keepers and Tourism Entrepreneurs Union		It is envisaged that touristic hotel keepers and tourism managers performing activities as local associations should be provided with a law with a view to ensuring more efficient use of local administrations and resources in line with article 135 of the Constitution.
Arrangement of Marine Tourism Activities	Enactment of Law on Marine Tourism Union		Purpose is to provide a sound structure for the activities to be brought about by the international yachting traffic flowing towards the Eastern Mediterranean.
Arrangement of Tourist Guide Activities	Enactment of Turkish Tourist Guides Union and Chambers of Tourist Guides		It is necessary to ensure that tourist guiding which is developing in Turkey, should be performed by well-informed and trained persons and organizations.
Arrangement of Boarding-house Keeping and Second Home Management	Enactment of Law on Turkish Boarding-house Enterprises Union		Purpose is to ensure a certain service standard for the boarding-houses certified by the municipalities and second homes countrywide and to acquire them to tourism sector.



## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: PRIVATIZATION

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Arrangements supplementary to privatization	Establishing of regulatory principles and mechanism for the privatization of strategic institutions and natural monopolies	<ul style="list-style-type: none"> <li>-Law No. 406 on Telegraph and Telephone,</li> <li>-Law No. 4046 on Privatization,</li> <li>-Law No. 4054 on the Protection of Competition,</li> <li>-Law No. 3996 on Certain Services and Investments to be made via Built-Operate Transfer Model,</li> <li>-Law No. 3096 on Entrusting the Institutions other than Turkish Electricity Authority with Production, Distribution and Trade of Electricity</li> <li>-Law No. 4077 on the Protection of Consumers</li> <li>-Decree having force of Law No. 233 on the State Economic Enterprises,</li> </ul>	It is aimed at forming an institutional structure and decision-making mechanism for pricing, distribution and investment policies in order to ensure the protection of the rights of consumers and making the necessary investments by creating a competitive environment in energy and telecommunication sectors.

## LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

### NAME OF PROJECT: PROJECT ON STRUCTURAL CHANGE IN STATE ENTERPRISES

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Autonomy and Supervision	Improving the performance evaluation system and ensuring autonomy in the administration of State Economic Enterprises	The relevant provisions of the Decree Law on the State Economic Enterprises,	It is aimed at restricting the relationship between central administration and State Economic Enterprises to the supervision of financial and economic efficiency and productivity, changing the appointment process, developing an efficient performance evaluation system and guaranteeing autonomous decision-making in order to ensure autonomous administration of State Economic Enterprises and their functioning to be in conformity with the market conditions

# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

## NAME OF PROJECT: REGIONAL DEVELOPMENT AND PHYSICAL PLANNING

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Provincial Administration	Ensuring employment of personnel on contract basis in governorships	Law No.542 on Provincial Administration	Possibilities are provided to hire personnel to be employed in project development studies in provincial administration.
Duties of Local Provincial Administration	Rearrangement for the fields of activity of the local provincial administrations	Law No. 3360 Article 78 on Local Provincial Administration,	It is necessary to review duties of local provincial administration taking account of the privatization practices
Revenues of Local Provincial Administration	Increasing the revenues of local provincial administrations in proportion to their duties	Law No. 3360, Article 80 on Local Provincial Administration,	Revenues of special administrations having comprehensive duties are hardly sufficient for them to perform the duties of which they are in charge.
Municipal duties	Elimination of authority confusion between local administrations and central administration	Municipal Law No. 1560, Article 15	There are duties which are carried out by both municipalities, local provincial and central administrations. This situation which causes confusion in authorities should be corrected.
Municipal Duties	Readjustment of the ratios allocated for investments and personnel expenses in municipal budgets	Municipal Law No. 1560, Articles 17	Size of the personnel outlay prevents investments of the municipalities. Therefore, municipal budgets should be disciplined.
Municipal Economic Enterprises	Restriction of the activities of Municipal Economic Enterprises	Municipal Law, No. 1560, Article 19	In order to prevent municipal economic enterprises from becoming new SEEs, activities of these institutions should be limited and supervision should be increased
Reconstruction	Elimination of the authority interferences in the approval of reconstruction plans between metropolitan and district municipalities	Law No.3194 on Reconstruction	It is necessary to eliminate authority overlaps between metropolitan and district municipalities arising in the fields such as preparation, implementation of the reconstruction plans, their conformity with each other, objection duration.
Reconstruction Plans	Abolition of the implementation of rehabilitation reconstruction plans	Laws, No. 2981 and 3290, on pardons in construction	Repeal of the paragraphs on reconstruction plans of the Articles 9, 10, 12, 13 and 3, 4, 5, 6 of the laws No. 2981 and 3290 respectively leaving the problems to be solved within the process of reconstruction planning which is within the liabilities of municipalities under the Law No. 3194.
Local Reconstruction Plans	Rearrangement of some articles of the Law No.3194 on Reconstruction	Article 7/c of the Law No.3194 on Reconstruction	Amendments for setting up clear and definite criteria for the justification of local reconstruction plans



SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Reconstruction Plans	Arrangement for the justification and timing of the plan modifications	Law No. 3194 on Reconstruction,	Justification and timing of reconstruction plan modifications are not clear. Clear expressions concerning these issues should be added to the Law.
Reconstruction Plans	Rearrangement of some articles of the Law No.3194 on Reconstruction	Articles 8,9 and 11 of the Law No.3194 on Reconstruction	Amendments to the said articles so as to enhance the responsibilities and executive authorities of the municipalities, governors and the ministry regarding the Master Plan and Reconstruction Planning.
Reconstruction Plans	Amendment to the Law No.3030 on Metropolitan Municipality	Law No.3030 on Metropolitan Municipality	Addition of articles concerning the implementation of all master plan and reconstruction planning activities under the coordination and supervision of metropolitan municipalities.
Habitation	Ensuring the settlement of the families who have had to leave their houses due to various reasons, and the nomads	Arrangements on Habitation Law, No. 2510	Purpose is to provide orderly habitation in rural areas and settlement of migrants from abroad and nomads, and of families who had to leave their places due to several reasons.
Organization	Selling, Purchasing and Consolidation of lands	Attaching Articles to the Law of Agricultural Reform on Arranging Land under Irrigation, No. 3083	Purpose is to establish an office for land ownership with a view to accumulating and consolidating scattered agricultural lands which are getting smaller due to divisions and letting agricultural lands owned by the Treasury to be sold and purchased so that farm families can generate sufficient income
Land Registration and Cadastre	Updating Land Registration and Land Survey Maps	Amended Law of Land Registration and Updating the Land Survey Maps, No. 2859	Land registrations and land survey maps have been made nearly for 50 years without taking advantage of up-to-date technology and equipment. Especially those which had been made in the beginning have become out-of-date. These should be renewed within the framework of a program.
Classification of the lands owned by the Treasury	The General Directorate for Cadastre is to be commissioned to register land maps where the Treasury lands are not classified.	Amended Land Survey Law, No. 3402	Infertile lands have not been included in cadastre. These lands especially those which are located in the vicinity of cities are occupied by squatters and lead to unfair private ownership. These lands owned by the Treasury should be registered in land maps in time, thus preventing squatting and letting these lands to be used for the mass housing purposes.

# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

## PROJECT : ARRANGEMENTS ON METROPOLISES

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Provincial Administration	Formation of specialized staff for provincial administration	Law of Provincial Administration, No. 5442	Purpose is to make an arrangement that makes it possible to employ staff to work for project formulation in provincial administration.
Squatters	Introducing deterrent sanctions to prevent illegal constructions	Law on Squatters, No. 775 Article 37 and Article 38	Deterrent measures will be put in practice with a view to preventing the occupation of lands owned by public institutions and natural persons.
Land transfers to municipalities	Removing inequality existing to the detriment of municipalities after 1966	Law on Squatters, No. 775 Article 3 (Draft)	Inequality created to the detriment of municipalities established after 1966 by the article of the Law No. 775 laying down the rules for transferring lands from the Treasury and Local Provincial Administrations to Municipalities will be removed
Urban Land Production	Providing the Land Office with the authority of selling land plots also via private legal persons	Land Office Law, No. 1164	With a view to increasing urban land and housing, the Land Office will be provided for with the authority of selling land plots not only via public offices but also via private legal persons
Lands Disqualified as the Forest Areas	Arrangements needed to allow the sale of lands which are disqualified as the forest areas.	Law on the Development of Forest Peasants, No. 2924	The utilization of lands by selling deformed lands will be possible
Istanbul Drinking Water Basins and the Bosphorous	Preserving Istanbul drinking water basins and the Bosphorous.	Draft Law on the Establishment and Functions of the Istanbul Drinking Water Basins and the Bosphorous Reconstruction Administration	Purpose is to preserve the Bosphorous and the drinking water basins and to prevent illegal practices and practices circumventing to the Reconstruction Plans
Cultural and Natural Entities	Preserving civil architectural values	Law on the Preservation of Cultural and Natural Entities, No. 2863	Palaces, villas, houses, streets and mansions that should be preserved and the civil architectural values will be taken under the preservation of the Ministry of Culture
Administration of Greater Cities	Elimination of troubles borne in practice between the municipalities of the greater cities and those of districts	Law of Greater city Municipality, no. 3030	Necessary arrangement will be made to remove these troubles and make coordination between greater city municipalities and district municipalities.



# LEGAL AND INSTITUTIONAL ARRANGEMENTS LAID DOWN IN THE SEVENTH FIVE YEAR DEVELOPMENT PLAN

NAME OF PROJECT : INSTITUTIONAL ARRANGEMENTS ON THE ENVIRONMENT

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Constitution	Making amendments to the articles of the constitution, directly and indirectly related with environment, such as the public benefit, public land acquisition, protection of cultural, historical and natural values, judgement system, land ownership, in line with the principle of sustainable development	Constitution, Articles 43,44,46,63,125	-Meadow and pasture areas, suitable for farming, forests, shall be included within the content of articles related to public benefit with more explicit definitions. -The article on land ownership shall be handled with an approach of arranging land utilization -The protection of natural, cultural and historical values shall not be only the duty of the state -Arrangements shall be made, giving priority to cases concerned with the environment among administrative cases -Nationalization is aimed without making a distinction between public acquisition and nationalization. Public acquisition shall be perceived as a means of purpose of utilization and extended so as to protect environment, especially the natural eco system.
Tourism	Taking account of the protection of natural environment for the allocation of forest and public areas to investments in the tourism sector	Law No. 2634 on Encouraging Tourism	Tourism investments have been realized without considering the protection of natural environment and received state support. In order to remedy this fact, the Law on Encouraging Tourism shall be revised.
Environment	Making arrangements regarding environmental protection and reinforcing effectiveness and supervision.	Law No. 2872 on Environment.	The Law shall be rearranged according to prevailing conditions in line with sustainable development principle. The distribution of authority and responsibility among institutions shall be clarified.
Forest	Changing the qualities which might lead to the destruction of forests.	Forest Law No. 6631	Actions shall be taken towards protecting and developing natural resources
Reconstruction Law	Considering the natural environment within the planning process	Reconstruction Law, no. 3194	Arrangements shall be made to secure adaptation to the current conditions and integration with the planning process of the natural environment.

SUBJECT	ARRANGEMENTS	RELATED LEGISLATION	REMARKS
Coastal Area	Reconstruction of the coastal line according to the up-to-date conditions	Law No. 3621 on Coasts, Article 4/b,c, and Law No. 15 shall be rearranged entirely.	The present construction that is based on a hundred meter coastal line should be rearranged through taking account of topographical conditions and natural resources. The related penalties and pecuniary fines should be updated.
Culture	Making arrangements towards protecting natural environment	Law No. 2863 on Protecting Cultural and Natural Values, Article 3/2	The Law has placed importance on the protection of cultural values rather than the natural which is also to be taken into consideration.







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