



**REPUBLIC OF TURKEY**

**PRE-ACCESSION  
ECONOMIC REFORM PROGRAM**

**2022-2024**

**JANUARY 2022**



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**ANKARA  
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## ABBREVIATIONS

|               |   |
|---------------|---|
| <b>AFAD</b>   | Disaster and Emergency Management Presidency            |
| <b>ALCTT</b>  | Asset Leasing Company of the Turkish Treasury           |
| <b>ARDEP</b>  | TÜBİTAK Research Support Programs                       |
| <b>ASDEP</b>  | Family Social Program                                   |
| <b>BİGG</b>   | TÜBİTAK Individual Youth Enterprise Program             |
| <b>BİST</b>   | Borsa İstanbul  |
| <b>BITT</b>   | Bank and Insurance Transactions Tax                     |
| <b>BOTAŞ</b>  | Petroleum Pipeline Company                              |
| <b>BRSA</b>   | Banking Regulation and Supervision Agency               |
| <b>CAR</b>    | Capital Adequacy Ratio                                  |
| <b>CBRT</b>   | Central Bank of the Republic of Türkiye                 |
| <b>CEB</b>    | Council of Europe Development Bank                      |
| <b>CEF</b>    | Center of Excellence in Finance                         |
| <b>CGS</b>    | Treasury-Backed Credit Guarantee System                 |
| <b>ÇİMER</b>  | Communication Center of Presidency                      |
| <b>CML</b>    | Capital Markets Boards of Türkiye                       |
| <b>CU</b>     | Customs Union   |
| <b>CUA</b>    | Customs Union Agreement                                 |
| <b>CV</b>     | Curriculum Vitae  |
| <b>DEİK</b>   | The Foreign Economic Relations Board of Türkiye         |
| <b>DGCD</b>   | Directorate General of Credit and Dormitories           |
| <b>DGF</b>    | General Directorate of Foundations                      |
| <b>EBA</b>    | Education Information Network                           |
| <b>ECB</b>    | European Central Bank                                   |
| <b>ECE</b>    | Early Childhood Education                               |
| <b>ECEC</b>   | Early Childhood Care and Education Model                |
| <b>EFM</b>    | Electricity Futures Market                              |
| <b>EİA</b>    | Environmental Impact Assessment                         |
| <b>EMOSAD</b> | Electric Motor Industrialist Association                |
| <b>EMRA</b>   | Energy Market Regulatory Authority                      |
| <b>EPIAŞ</b>  | Energy Exchange İstanbul                                |
| <b>ERP</b>    | Economic Reform Program                                 |
| <b>ESA</b>    | European System of Accounts                             |
| <b>EU</b>     | European Union  |
| <b>FAO</b>    | Food and Agriculture Organization of the United Nations |
| <b>FDI</b>    | Foreign Direct Investment                               |
| <b>FED</b>    | Federal Reserve   |
| <b>FSRU</b>   | Floating Storage and Regasification Units               |
| <b>FTA</b>    | Free Trade Agreement                                    |
| <b>FX</b>     | Foreign Exchange  |
| <b>GDP</b>    | Gross Domestic Product                                  |
| <b>GDDS</b>   | Government Domestic Debt Securities                     |
| <b>GEF</b>    | Global Environment Fund                                 |
| <b>GES</b>    | Solar Power Plant                                       |
| <b>GGB</b>    | General Government Balance                              |
| <b>GHI</b>    | General Health Insurance                                |
| <b>GHG</b>    | Greenhouse Gas  |
| <b>IACB</b>   | Internal Audit Coordination Board                       |
| <b>IFRS</b>   | International Financial Reporting Standards             |
| <b>ILO</b>    | International Labour Organization                       |
| <b>IMF</b>    | International Monetary Fund                             |
| <b>IMM</b>    | Interbank Money Market                                  |
| <b>IPA</b>    | Instrument for Pre-accession Assistance                 |
| <b>ISO</b>    | International Organization for Standardization          |
| <b>IT</b>     | Information Technologies                                |
| <b>İŞGEM</b>  | Business Development Center                             |
| <b>İŞKUR</b>  | Turkish Employment Organization                         |
| <b>JVC</b>    | Job and Vocational Counsellors                          |

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|                 |  |
|-----------------|--|
| <b>KADİM</b>    | Fight Against Informal Employment Project                |
| <b>KOSGEB</b>   | Small and Medium Enterprises Development Organization    |
| <b>KÖYDES</b>   | Village Infrastructure Support Project                   |
| <b>MEM</b>      | Vocational Training Centers                              |
| <b>MENR</b>     | Ministry of Energy and Natural Resources                 |
| <b>MERCOSUR</b> | Common Market of South America                           |
| <b>MFSS</b>     | Ministry of Family and Social Services                   |
| <b>MHC</b>      | Migrant Health Center                                    |
| <b>MHRS</b>     | Central Patient Appointment System                       |
| <b>MoFSS</b>    | Ministry of Family and Social Services                   |
| <b>MoH</b>      | Ministry of Health                                       |
| <b>MoNE</b>     | Ministry of National Education                           |
| <b>MoTF</b>     | Ministry of Treasury and Finance                         |
| <b>MPC</b>      | Monetary Policy Committee                                |
| <b>MTP</b>      | Medium Term Programme                                    |
| <b>MÜSİAD</b>   | Independent Industrialists and Businessmen's Association |
| <b>NBUY</b>     | Qualified IT Expert Training Project                     |
| <b>NDK</b>      | Nuclear Regulatory Authority                             |
| <b>NGO</b>      | Non-governmental organizations                           |
| <b>NFC</b>      | Non-Financial Corporations                               |
| <b>NPL</b>      | Non-Performing Loans                                     |
| <b>NPP</b>      | Nuclear Power Plant                                      |
| <b>OECD</b>     | Organization for Economic Co-operation and Development   |
| <b>OIZ</b>      | Organized Industrial Zones                               |
| <b>OMO</b>      | Open Market Operations                                   |
| <b>OSBÜK</b>    | Supreme Institution for Organized Industrial Zones       |
| <b>PCR</b>      | Polymerase Chain Reaction                                |
| <b>PCC</b>      | The Presidency of Climate Change                         |
| <b>PD</b>       | Primary Dealers  |
| <b>PPP</b>      | Public Private Partnership                               |
| <b>PTT</b>      | Turkish Post   |
| <b>PwDs</b>     | Persons with disabilities                                |
| <b>ROM</b>      | Reserve Option Mechanism                                 |
| <b>R&amp;D</b>  | Research and Development                                 |
| <b>SAS</b>      | Social Assistance and Solidarity                         |
| <b>SAYEM</b>    | The Industrial Innovation Networks Mechanism             |
| <b>SCT</b>      | Special Consumption Tax                                  |
| <b>SEEs</b>     | State Economic Enterprises                               |
| <b>SED</b>      | Social and Economic Support                              |
| <b>SGK</b>      | Social Security Institution                              |
| <b>SHİFA</b>    | Strengthening the Healthcare Infrastructure for All      |
| <b>SIHHAT</b>   | Supporting Migrant Health Services in Türkiye Project    |
| <b>SMEs</b>     | Small and Medium Sized Enterprises                       |
| <b>SOE</b>      | State Owned Enterprises                                  |
| <b>SOGEP</b>    | Social Development Support Program                       |
| <b>SUKAP</b>    | Municipal Water and Sewerage Infrastructure Project      |
| <b>TANAP</b>    | Trans-Anatolian Natural Gas Pipeline                     |
| <b>TEKMER</b>   | Technology Development Center                            |
| <b>TEMSAN</b>   | Turkish Electromechanic Industries Corporation           |
| <b>TEİAŞ</b>    | Turkish Electricity Transmission Corporation             |
| <b>TESK</b>     | The Confederation of Turkish Tradesmen and Craftsmen     |
| <b>TEVMOT</b>   | Promoting Energy Efficient Engines in Turkey             |
| <b>TEYDEB</b>   | TÜBİTAK Technology and Innovation Funding Directorate    |
| <b>TFP</b>      | Total Factor Productivity                                |
| <b>TGNA</b>     | Grand National Assembly of Türkiye                       |
| <b>TİM</b>      | Turkish Exporters Assembly                               |
| <b>TL</b>       | Turkish Lira Currency                                    |
| <b>TOBB</b>     | The Union of Chambers and Commodity Exchanges of Türkiye |
| <b>TSE</b>      | Turkish Standards Institute                              |
| <b>TURKSTAT</b> | Turkish Statistical Institute                            |

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|                |  |
|----------------|--|
| <b>TÜSEB</b>   | Presidency of Turkish Health Institutes                                    |
| <b>TÜBİTAK</b> | Scientific and Technological Research Council of Türkiye                   |
| <b>TUSIAD</b>  | Turkish Industry and Business Association                                  |
| <b>UNDP</b>    | United Nations Development Programme                                       |
| <b>UNICEF</b>  | United Nations International Children's Emergency Fund                     |
| <b>USA</b>     | United States of America   |
| <b>USD</b>     | United States Dollar   |
| <b>VAT</b>     | Value Added Tax  |
| <b>WHO</b>     | World Health Organization  |
| <b>YASED</b>   | International Investors Association  |
| <b>YEKA</b>    | Renewable Energy Resources   |
| <b>YOİKK</b>   | The Coordination Council for the Improvement of the Investment Environment |



## **1. POLICY FRAMEWORK AND OBJECTIVES**

Türkiye, as an acceding candidate country of European Union (EU), has been preparing the Economic Reform Program (ERP) and has been submitting to the European Commission since 2001, responding to the request of the Economic and Financial Affairs Council (ECOFIN Council) dated 26/27 November 2000. In line with the framework requested by European Commission, Economic Reform Program (2022-2024) has been prepared under the coordination of Turkish Presidency, Presidency of Strategy and Budget with the contributions of relevant ministries and institutions and approved by the President.

Economic Reform Program (2022-2024) was prepared based on Medium Term Program (MTP, 2022-2024) and 2022 Presidency Annual Program. Costing of structural reform measures and its compatibility to the current guidance were finalized through discussions with related institutions' responsible experts for the measures held on the workshops organized by the cooperation of the Presidency of Strategy and Budget and Center of Excellence in Finance (CEF).

Macroeconomic framework of the ERP was formed by taking into account domestic and international political and economic developments and the risks related to the post-pandemic recovery process. With the global spread of vaccination programs in 2021, the effects of the pandemic on the global economy and trade have decreased, thus economic activity in the main export markets has recovered. With the spread of vaccination and the removal of restrictive measures in the country, consumption and investment behaviors started to normalize and the recovery trend spread to all sectors.

In addition to maintaining a balanced outlook between domestic and foreign demand during the Program period, the implementation of the development model, which surveils macroeconomic balances and is supported by structural reforms, will continue to ensure inclusive and sustainable growth. The main aim of the ERP in the post-pandemic recovery process is to create qualified employment in the Turkish economy, to reduce inflation and current account deficit, to direct domestic savings and foreign direct investments to productive areas to realize an economic structure that is stable, balanced, and caring fair distribution of income, high value added in exports and green transformation. Besides, considering the changes in global supply chains and the current levels of the real exchange rate, resources are expected to tend to exporting sectors and the momentum in real exports will continue. Thus, a more balanced demand composition is envisaged. As the negative effects of the measures against the pandemic on social life diminished, the recovery in the service sector is expected to accelerate and accompany the current momentum in the industry.

During the Program period, the policy mix will be carried out in coordination; efforts to strengthen the physical, human and technological infrastructure will be continued. To support the green transformation and transition to a circular economy during the Program period, investments for environmentally friendly production that use energy and production resources efficiently will be supported, and the objectives and actions in the Green Deal Action Plan will be taken into account.

In the Program period, it is aimed to reduce inflation to single-digit levels permanently by maintaining the coordination of monetary and fiscal policies and implementing

structural policies that will increase competition and efficiency in the goods and services markets. The gradual reduction of public deficits, which increased due to the pandemic, and the maintenance of fiscal discipline will be the main objectives of the fiscal policy in the Program period.

Increasing the employment rate with measures to improve efficiency and skill match in the labor market, and access of all individuals to inclusive and qualified education and lifelong learning opportunities will be a priority. In this framework, the Youth Employment National Strategy Document will be implemented. Job Club Programs for the groups that require special policies such as women, youth and the disabled will be expanded to aim their entry into the labor market and their permanence in it. To strengthen the education-employment-production relationship, innovative education sector collaborations will be increased and vocational training programs will be harmonized to meet the changing requirements of the digital economy.

During the Program period, it is aimed to increase the share of capital markets in financing the real sector and to increase the contribution to the development process through the long-term funds obtained from these markets.

In determining the main obstacles for the Program period, not only macroeconomic issues, but also social policy reform areas related to competitiveness and social inclusion were taken into account. In these prioritized reform areas, the commitment to the implementation was strengthened by obtaining the approval of the highest policy level.

ERP consists of seven main chapters. Second chapter presents the realized activities regarding the policies recommended in Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye report. In the third chapter, recent developments in the Turkish economy are assessed by considering the developments in the world economy, and then macroeconomic forecasts for the 2022-2024 period are presented. In the fourth chapter, fiscal policies as well as forecasts and analyses regarding budget and debt management are provided. The fifth chapter includes the analysis of the three main obstacles against sustainable and inclusive growth and competitiveness as well as structural reform measures that are going to be implemented in the Program period. In the sixth chapter, costs and financing of structural reform measures are presented. Finally, in the last section, information is given about the institutional issues and stakeholders involvement regarding the implementation of policy framework and reforms.

## **2. IMPLEMENTATION OF THE POLICY GUIDANCE**

### **Policy Recommendation 1 and 5:**

- A Savings Circular was published on 30 June 2021 on saving the expenditures of public institutions and organizations, reducing bureaucratic procedures and using public resources effectively, economically and efficiently.
- MTP (2022-2024) was published that the fiscal policy framework aimed at maintaining fiscal discipline in the 2022-2024 period and gradually reducing the public deficits that rose due to Covid-19 epidemic, and the 2022 budget was accepted.
- With the aim of the strengthening the coordination of monetary and fiscal policy and ensuring permanent price stability, measures have taken for managed/directed prices to limit the adverse impacts on inflation. Also, revenue policies have been implemented to support the fight against inflation. In this context,
  - As a result of automatic price adjustment mechanism, only for 2021 revenue from VAT and SCT amounting TL 64.4 billion has been waived. Effects of automatic price adjustment mechanism on inflation in the period of January-September 2021 is calculated as -1.55 points direct, -1.16 points indirect and -2.71 points in total.
  - Temporary tax cuts in certain sectors within the context of fight against the pandemic have affected the price level downwards. With these regulations a total of TL 25.2 billion will be waived for the first nine months of 2021. Besides, there is a tax revenue loss of TL 3.6 billion with the withholding tax rate cut on workplace rental income from 20 percent to 10 percent.
  - SCT rate on tobacco products has been reduced from 67 percent to 63 percent and specific taxes were not increased in the first and second half of the year for tobacco products and in the second half for alcoholic beverages. With these regulations VAT and SCT tax revenue losses of TL 8.8 billion from cigarettes, TL 2 billion from alcoholic beverages are calculated.
  - An indirect support have been provided for the fight against inflation by withholding tax cuts on income from TL products with the aim of encouraging TL denominated investments. With this regulation a tax revenue of TL 15.4 billion will have been waived for the first nine months of 2021.
  - Within the fight against Covid-19 tax deferrals in certain sectors have been implemented in 2020 and 2021:
    - In this context, in 2020, declaration periods of withholding tax and VAT to be made in April, May and June was postponed to July 2020 and payments to October, November and December.
    - In total TL 70.2 billion tax and SGK premiums were postponed.
    - Accommodation tax implementation was first postponed to 2022 and then to 2023.

- Also temporary tax rate cuts in certain sectors until the end of September 2021 were applied:
  - VAT rate on passenger transportation services was reduced from 18 percent to 8 percent,
  - VAT rate on work place renting services was reduced from 18 percent to 8 percent,
  - VAT rate on education and training services (1 September 2020 – 30 June 2021) was reduced from 8 percent to 1 percent,
  - In some services subject to the general rate (congress, conference, seminar, concert, fair and amusement park entrance fees, wedding and marriage organizations, barbering and hairdressing services, washing and cleaning services of clothing and household goods, and some maintenance and repair services related to the field of activity of smaller tradesmen. ) VAT rate from 18 percent to 8 percent
  - VAT rate on tradesmen services subject to general rate such as workplace rental services, maintenance and repair of small home appliances, wedding and marriage organizations, housing maintenance, repair, painting, and cleaning services was reduced from 18 percent to 8 percent,
  - VAT rate on food and beverages and accomodation, cinema, theatre and museum services was reduced from 8 percent to 1 percent,
  - Withholding tax on workplace rent was reduced from 20 percent to 10 percent,
  - VAT rate on the import and delivery of Covid-19 vaccines reduced to 1 percent temporarily.
- Moreover, all SGK premiums and taxes paid over the minimum wage for each worker to be recruited until the end of 2022 are covered by the State for 12 months in order to support active labour market policies. In other words, approximately 36 percent of the employment cost (1,556 TL) is paid by the state. This support is applied for 18 months in women, youth and disabled employment.
- In order to support the labor market, the “Additional Employment Support Package” with a guarantee limit of 10 billion TL within the Treasury-Backed Credit Guarantee System (CGS), came into force on 24 September 2021. In this context, companies that have less than 50 insured employees would benefit from loans up to 500 thousand TL, provided within scope of the Treasury-Backed CGS. Moreover, the same companies would benefit from interest support as a result of the premiums paid for employing additional workers for one year period.
- “Within this framework, in the “Treasury Financing Programme: 2021 Year Developments and 2022 Year Prospects” that was announced in the web site of the Ministry of Treasury and Finance on October 28, 2021; “Borrowing mainly with TL”



was included as the main element of the borrowing strategy that will be implemented in the 2022, which is in line with this policy recommendation.”

- In 2021, the principal and interest payments of Halkbank's treasury-supported loans of tradesmen and craftsmen who suffered losses due to Covid-19 were postponed for 6 months. In this framework 177 million TL support was provided. In addition, within the scope of Decision No. 4096, the Ministry of Treasury and Finance financed the additional interest burden so that the loans used by the tradesmen before 2021 are not affected by the interest increases due to the pandemic conditions. In this context, 847 million TL has been paid by the end of 2021.
- Within the scope of social assistance, needy households received both regular and non-regular (one-time payment) assistance in 2021.
- Among the applications implemented in phases as part of the Pandemic Social Support Program; within the scope of Phase II, electronic applications received from various platforms such as the Open Door (e-Government Gateway) and Social Economic Support application, which began in 2020, and the cash support application, which was made as 1,000-TL per household within the scope of Other Formation Application, for citizens whose Unemployment Benefit came to an end within the scope of the Unemployment Benefit. Furthermore, under the Phase III, a cash support of 1,000 TL per capita under the risk of periodic poverty is carried on.
- In addition to the Pandemic Social Support Program, donations collected as part of the "*Biz Bize Yeteriz Türkiyem Kampanyası*" which was carried out to strengthen the sense of social solidarity in our country during the pandemic period and to deliver assistance to needy households with the collected support, were also delivered to needy households through SAS Foundations in 2021.
- In order to mitigate the negative effects of the Full Lockdown process, which was in effect between April 29, 2021 and May 17, 2021, the SAS Foundations implemented a program called "Full Lockdown Social Assistance Program" for households that are considered to be periodically needy due to the pandemic. With this assistance program, the SAS Foundations made a one-time payment of 1,100-TL per household to households who were considered to be periodically needy due to the pandemic and whose entitlement criteria continued, based on Pandemic Social Support Program applications received from the e-government gate during the pandemic period.
- On April 9, 2020, Türkiye issued an Emergency Decision regarding social assistance within the scope of the Social Assistance and Solidarity Encouragement Fund As a result, the social assistance needs were assessed by treating the situation as a "*emergency situation*" for the households determined by the SAS Foundations to be periodically needy and unable to meet their basic needs as a result of the Covid-19 outbreak. This decision also ensured that those who were unable to receive social assistance during normal times were included in the scope of social assistance. The decision was extended into 2021 as well.
- SAS Foundations, which are the local implementers of social assistance programs in Türkiye, are regularly transferred funds from the Social Assistance and Solidarity

Encouragement Fund resources every month under the name of "periodic share" in order to carry out their social assistance activities. To ensure that citizens in financial difficulty as a result of the Covid-19 pandemic can be reached immediately, the monthly shares sent to 1003 SAS Foundations in 81 provinces have been increased from 135 million liras to 188 million liras, and because the Covid-19 pandemic and its effects are still ongoing, the monthly share amount of 188 million TL has been increased to 225 million TL as of October 2021.

- Furthermore, as a result of the pandemic, 5 additional periodic shares were transferred to SAS Foundations in 2020, and 2 additional periodic shares, one of which will primarily be used in education assistance, were transferred to SAS Foundations in 2021. So, a total of 7 additional periodic shares were transferred to SAS Foundations.
- People with a temporary disability health board report validness of which expires after January 1, 2020, including the elderly who receive disability pension, have their reports valid until December 31, 2021. In this process, pensions under the scope of Law No. 2022 continue to be paid based on disability health board reports that have expired but are still considered valid.
- A joint study by Turkish Employment Agency (İŞKUR) and the Ministry of Family and Social Services Directorate General of Social Assistance determined "Procedures and Principles Regarding the Application of Temporary Workforce Support" within the scope of the Temporary Workforce Support application in the Law No. 4447 implemented by the Turkish Employment Agency (İŞKUR) in 2021; and the applications received through e-government for the Turkish Employment Agency (İŞKUR) support program were systematically forwarded to the Social Assistance and Solidarity Foundations in the provinces and districts, and the applications of the individuals were evaluated by the relevant foundations within the framework of the state of emergency within the scope of the Covid-19 outbreak, and the support payments of the said individuals were forwarded to Turkish Employment Agency (İŞKUR) and their payments were made by Turkish Employment Agency (İŞKUR) as well.
- Given the contributions of the assistance program initiated and successfully implemented during the pandemic period, it is aimed to electronically submit applications to social assistance programs in order to provide a quick and effective service within the scope of today's Digitalizing Türkiye vision. In this context, necessary studies have been conducted in order for our citizens to apply for social assistance programs carried out through the Social Assistance and Solidarity (SAS) Foundations established in every province and district in our country, in accordance with the provisions of Law No 3294, and social assistance applications began to be received through the e-Government Gateway on October 15, 2021.
- In order to mitigate the effects of Covid-19 on labour market and retain employment, unemployment benefit and short-time working benefit were efficiently implemented. In addition to these applications, two new supports as normalisation premium support

for workplaces returning to normal working time and cash wage support were applied.

- By the Presidential Decree published on 13 January 2021, the amount of Cash Wage Support, which was daily 39.24 TL (Monthly 1,177 TL) in 2020 was increased at the rate of minimum wage (21.5 percent), as 47.70 TL (Monthly 1,431 TL) in 2021. Moreover, this amount was increased to daily net 50 TL (Monthly net 1,500 TL) by the Law published on 22 April 2021. This support continued along the termination restriction, and general health insurance premiums of those benefitting from the support were covered from Unemployment Insurance Fund during this period. With the amendment made, the President is authorised to extend the duration of the termination restriction and accordingly the duration of the cash wage support for a duration of maximum three months each time until on 30 June 2021. With the latest decision taken, termination restriction and accordingly cash wage support were extended until 30 June 2021 and it ended as of this date.
- Within the scope of cash wage support, cash wage support has been introduced for workers who are sent to unpaid leave by employers and who cannot benefit from short-time working benefit and those whose contract was terminated after 15 March 2020 but could not be entitled to unemployment benefit. In addition, a provision has been made to provide cash wage support to the workers who are employed within the scope of "Return to Employment Incentive" and "Additional Employment Incentive" and take unpaid leave, and those who have a contract in March 2021 at workplaces operating in the food and beverage service sector for the months of April and May 2021 and at workplaces subject to restrictions during Ramadan, for the period they are on unpaid leave.
- Within the scope of normalization premium support, firm steps were taken resolutely to support the transition to normalization. In this scope, normalization premium support is provided for workplaces that implemented short-time working or benefitted from cash wage support, but returned to normal working hours. Through the incentive, a support as the complete amount of social security premiums to be calculated over lower limit of earnings based on premium of the insured was provided to employers for three months as from the following month in which the short-time working/cash wage support ended provided that it would not exceed 30 June 2021. The amount of the support was monthly 1,103.63 TL.
- In the scope of short-time working benefit, insurance holders are provided with income support for the period they do not work in case activity is fully or partially suspended at a workplace for minimum four hours. During the pandemic, approximately 3.8 million people received short-time working benefit and approximately 36.7 billion TL was paid to them.
- Unpaid leave support and termination restriction were implemented to mitigate negative effects of Covid-19 on labour market. 3.1 million people, who were on unpaid leave or whose labour contracts were terminated by 15 March 2020 and who

could not receive unemployment benefit during the pandemic, were entitled to receive Cash Wage Support and 14 billion TL was paid to them.

**Policy Recommendation 2:**

- In order to increase sustainable and sound revenue sources in public financial management, efforts are ongoing to expand the tax base and increase voluntary compliance on the basis of the principles of fairness, equality, predictability and transparency in taxation.
- Efforts to review tax incentives and exemptions by considering the efficiency principle will continue. Reviewing main tax laws will continue with the objective of forming a tax structure that is understandable, easily applicable, simple and also meets the current requirements. In this context, a new bracket has been added to the income tax tariff in order to levy more tax from high income groups, and wage earners, sportspersons, professional referees and individuals earning exempted self-employment earnings who earn more than a certain amount of wage income are allowed to submit a declaration.

**Policy Recommendation 3:**

- The CBRT's primary objective is to achieve and maintain price stability. The CBRT will continue to use all available instruments in pursuit of this objective. Monetary policy decisions will be taken by taking into account headline and core inflation developments, inflation expectations, demand factors that the monetary policy can affect, supply-side developments, pricing behavior and developments in all other factors affecting inflation. The duties of the CBRT and how it will perform are determined by law. In this sense, the CBRT effectively uses its monetary policy instruments within the framework of the "instrument independence" defined by the Law.
- During 2021, several regulations were made that strengthened the financial sector regulatory framework as well as some Covid-19 related measures were removed in line with the international standards. Among them, the main changes can be summarized as below.
- These measures are being gradually eased as vaccination has recently gained momentum and the recovery in economic activity has grown more evident. In this respect, some of the temporary practices introduced to bank obligations to support the corporate sector, banks and their clients against the negative effects of the pandemic were terminated in 2021 in order to monitor the indicators of the financial structure of the banking sector more transparently and to manage possible risks more effectively. Accordingly, the following practices were terminated:
  - Provisions for depreciation of the securities within the banks' portfolios existing as of 23 March 2020 may not be taken into account in the FX Net General Position/Equity calculation.
  - The obligation to dispose of commodities and real estates within 3 years of the date of acquisition by banks may not be implemented.

- The provision stipulating that loans that are restructured and classified as performing loans and whose principal and/or interest payments are past due by more than 30 days within the 1-year monitoring period or that are restructured once more within this monitoring period, are to be classified under loans with limited collection capability may not be implemented.
- Loans that are acquired by the bank against a loan debt or paid in kind may be exempt from the provision of not being classified as performing receivables within the scope of the right to repurchase.
- The 1-year monitoring period to be provided for restructured non-performing loans to be classified as a restructured receivable under Stage-2 Loans (loans under close monitoring) shall be considered as 6 months.
- The 90-day overdue period for loans to be classified as non-performing loans (NPL) was changed to be 180 days, and the 30-day default period for loans to be classified as loans under close monitoring to be 90 days.
- Banks can define grace periods by not demanding their receivables, including the minimum amount, from the card holders during the period for which they postpone their card debts.
- Card issuers had the discretion in closing credit cards for which the minimum amount is not paid for cash withdrawal and/or purchase of goods and services.
- Forbearance measure for loan classification, in which overdue criteria for classification of loans as close monitoring and NPL is extended, was removed by the end of September 2021. This measure enabled to limit reflections of performance of customers having temporary payment problems on banks' asset quality. Thanks to the economic recovery, NPL balance increased only 8.3 billion TL during September-December 2021 period with the removal of the forbearance measure and this increase contributed only 17 basis point increase in NPL ratio. Although banks used the option to classify overdue loans in lower loan categories with forbearance measures, they were required to set aside loss provisions that their IFRS-9 credit models estimated. Provisioning ratios increased for all loan categories during the pandemic and prudent provisioning behavior of banks limited the effect of asset quality risks on profitability and capital adequacy ratios. Turkish banks are using IFRS-9 standards since 2018 which is compatible with international standards. Asset quality ratios and provisioning ratios of banks are available publicly in BRSA website as a time series.
- Forbearance measure introduced to limit interest rate and exchange rate volatilities on CAR is intended to maintain uninterrupted credit extension to households and real sector. While the effect of interest rate forbearance measure is limited, exchange rate measure supports CAR to a considerable extent. In the first version of the forbearance measure, 2019 year-end exchange rate was used in CAR calculation; however, for smooth transition, the regulation was changed in the end of 2020 in a way that 252-day average exchange rate will be used in the calculation. With the final change in this forbearance measure, starting from 2022, last 252-day average of exchange rate

as of December 2021 will be used. After the effects of pandemic on financial markets is over, transition to the standard CAR calculation is planned for compliance with international standards.

- In addition to these forbearance measures, some steps were taken in 2021 to improve the regulatory and supervisory framework of the financial sector by considering the international best practices:
- The Regulation on the Disuse of Crypto Assets in Payments issued by the CBRT that was put into effect on 30 April 2021, impeding (i) the direct or indirect use of crypto assets in payments or in providing services, (ii) the provision of services or the development of business models by payment service providers that directly or indirectly use crypto assets in the provision of payment services or electronic money issue, and (iii) the payment and electronic money institutions' intermediation of fund transfers from and to the platforms providing services of trading, custody, transfer or issuance related to crypto assets.
- In April 2021, The Banking Regulation and Supervision Agency developed the “Retail Banking Analysis and Rating Model” in line with the Economic Reforms Action Plan. With the Rating Model, the aim is to evaluate a bank's operation, business model, strategy and policies within the scope of the rights and interests of financial consumers with a proactive point of view, in addition to the existing regulatory compliance audit, and to extend best practices by setting rules and standards to this end.
- As of May 2021, with the Presidential Decree No. 3941, “crypto asset” service providers and savings finance companies were included in the scope of the Regulation on the prevention of laundering of proceeds of crime and financing of terrorism.
- Duties and authorities of the Financial Stability and Development Committee were reviewed and it was restructured as the Financial Stability Committee in May 2021 as well.
- The need for a sustainable taxonomy to determine, monitor and mitigate risks related to physical and transition risks is addressed by the Green Deal Action Plan under the coordination of Ministry of Trade. The taxonomy that will take the legislation of the EU and international organizations into account is expected to be completed in 2023. The Plan was published in the Official Gazette in 16 July 2021, consisting of nine areas related to climate change and sustainable finance including carbon border adjustment mechanism. The Plan aims to support the transition of Türkiye to a more sustainable and resource-efficient economy in line with its development goals. The Plan provides a clear and comprehensive roadmap for Türkiye's green finance actions including development of green bond and sukuk markets, sustainable banking strategy, and regulations targeting sustainable finance taxonomy and green incentive system. Ministry of Treasury and Finance launched "Sustainable Finance Framework" on 12 November 2021. CBRT also contributes to the implementation

of the Plan on the green finance area and collaborates with other public institutions and ministries.

- On the capital market front, the Sustainability Principles Compliance Framework annexed to the CMB Corporate Governance Communiqué was published by the Capital Markets Board in October 2020.

**Policy Recommendation 4:**

- Cooperation with “Electric Motor Industrialist Association” (EMOSAD) and Ministry of Industry and Technology have been continuing in order to develop business environment and to handle the sector problems under one structure. And in compliance with the target relating to the lifelong learning, the skills of the Energy Efficiency Consultancy Companies and the Energy Management Units in OIZs were upgraded by the trainings on energy efficiency and motor audits.
- A comprehensive draft legislation, which will ease private sector investments, enhance transparency and predictability, increase investors’ confidence and eliminate the barriers against the acceleration of the investments was prepared by the Strategy and Budget Authority and the Investment Office of the Presidency of the Republic of Türkiye and sent to the relevant stakeholders to gather their official views. In the light of the coming feedbacks the studies are ongoing for finalizing the document.
- Article 156 of the Law on Industrial Property No. 6769 has been amended. Before the amendment, the jurisdiction of the intellectual and industrial property rights courts was determined on the basis of the provincial and district boundaries, according to the provisions of Law No. 5235 on the Duties and Powers of the Courts of First Instance and Regional Courts of Justice. With the amendment industrial property (IP) cases could be tried by senior judges.
- Within the scope of efforts to increase the efficiency and effectiveness of the judicial and justice services, the establishment of new courts regarding intellectual and industrial property rights courts and commercial courts and the determination of the jurisdiction of these courts are ongoing. In this context, the jurisdiction of the commercial courts of first instance was re-assigned by decision of Council of Judges and Prosecutors on 7 July 2021 and promulgated in the Official Gazette.
- Specialized courts have been established on 30 November 2021 by being published in the Official Gazette for disputes arising from finance, union and collective bargaining agreements and expropriation law. Moreover, for tax offences, information technologies (IT) crimes and financial crimes specialized courts have been established on 25 November 2021.
- Practitioner trainings on the following subjects have been conducted: Lawsuits arising from social security law, crimes regulated by Law No. 2863 on the Protection of Cultural and Natural Heritage, zoning law and subdivision procedures in administrative jurisdiction, consumer court practices, compensation cases due to protection measures, labor court practices and case-specific cases in civil

proceedings (preliminary issues, pending problems, mergers, separations, notifications and interventions).

- In order to improve mediation and increase settlement rates, expert mediation practices have been started in the fields of commercial law, consumer law, banking and finance law, intellectual property law, energy and mining law, health law, sports law, insurance law and construction law.
- The Law on the Ratification of the Singapore Convention was published in the Official Gazette dated 11 March 2021. The instrument of ratification regarding the accession of our country to the Singapore Convention was deposited to the United Nations General Secretariat on 11 October 2021.
- With the Law No. 7327 on Execution and Bankruptcy dated 9 June 2021, amendments were made to increase efficiency in the bankruptcy and concordat provisions of the Execution and Bankruptcy Law No. 2004.
- “The physical sales procedure”, which has been applied by the enforcement and bankruptcy offices since 1932, is abolished and the enforcement sales are enabled to be made in electronic environment completely. In this way, more persons from every place, having access to internet, will be able to participate in auctions and every person will be able to bid in an auction in an easy and secure manner.
- In order to open court decisions to access and increase transparency, they have been continued to be published electronically. A total of 55,173 decisions in 2019, 56,297 in 2020, 57,980 from the beginning of 2021 until 19 October 2021 have been freed of personal data and published in electronic environment in a way that is accessible to public.

**Policy Recommendation 6:**

- With the Law No. 6764, the Basic Law of National Education No. 1739, the Vocational Education Law No. 3308 and the Decree-Law on the Organization and Duties of the Ministry of National Education No. 652, apprenticeship education was included in the scope of formal and compulsory education, and vocational education centers Vocational and Technical Education. It is attached to the General Directorate. It has been ensured that students studying at vocational training centers receive a high school diploma together with a journeyman and mastership certificate and benefit from all the advantages provided to vocational high school graduates.
- According to the Law No. 7346, the wages of the students in the journeyman period have been increased in order to make the vocational education centers more attractive, and the wages of the students studying in these centers are covered by the public.
- In vocational training centers, training activities are carried out in 181 branches belonging to 33 occupational fields. The programs related to the professions in question have been updated and put into practice after being approved by the Board of Education. Those who complete the Vocational Education Center Programs in the relevant field and branch; Mastery Certificate Mastery Certificate EUROPASS



Certificate Master Instructor Certificate, High School Diploma is given to the holders of the Mastery Certificate who complete the Difference courses.

- In line with the objective of "Measurement and Evaluation Methods will be Activated for Increasing the Quality of Education" under the title of "Assessment and Evaluation" of the Ministry of National Education 2023 Education Vision, effective and efficient use of public resources, time saving and enabling applicants to transform their professional skills into documents more quickly will be ensured. For this purpose, an amendment was made on 08.04.2019 in the "Ministry of National Education Directive on the Procedures and Principles Regarding the Recognition of Prior Learning, Equivalence and Measurement and Evaluation Transactions". With the amendment made, journeyman/mastership exams, which are held in 3 terms a year, have been increased to 6 terms. In addition, it has been ensured that journeyman/master theoretical exams are held in the form of e-Exam application as of December 2019. With this new regulation, employees who need a journeyman/master certificate have been provided with access to the certificate in a shorter time.
- In addition, within the scope of the Bilateral Vocational Education Programs Directive, which was prepared within the framework of cooperation with the sector, bilateral vocational training was initiated. Accordingly, vocational training centers and our schools and institutions that implement vocational training programs will be able to start bilateral vocational training programs by signing protocols with companies with high institutional capacity. Examples of this application include MAN A.Ş., ARÇELİK, BOSS in Bursa, and WHITE ROSE MOTOR in Karaman.
- Within the scope of the Turkish-German Vocational Training Center (TAMEM) project initiated with the "Project for the Promotion of Dual Vocational Education" signed between the Governments of Türkiye and Germany, it is aimed to train qualified personnel, foremen and master trainers through dual vocational training. With the "Binary Vocational Education Directive" issued in 2002, the Dual Vocational Education System in cooperation with our schools and the sector has been continued until today, primarily with MAN Türkiye A.Ş.
- The directive of the Ministry of National Education was revised in 2018 according to today's conditions and sectoral developments, and started to be implemented in different fields according to the demands of the sector, and it was aimed to increase sector cooperation. (Ministry of National Education Bilateral Vocational Education Programs Directive dated 31.05.2018 and numbered 10686011)
- With the framework education programs prepared in 30 branches, students receive theoretical education at school or in the education unit of the enterprise two days a week, and vocational education in the enterprise on other days.
- Necessary arrangements have been made and put into practice for the students of the vocational education center, whose employment rate is around 90 percent, to obtain a high school diploma through the vocational open education high school, as well as to obtain a diploma in the center where they study. With this change, the rate of

enrollment in the 9th grade in vocational education center programs in 2020 has increased by approximately 45 percent compared to the previous year.

- Within the scope of the protocol signed between the Ministry of Justice and the Ministry of National Education, Ankara Sincan, İzmir Foça, İzmir Şakran, Edirne, Kocaeli, İstanbul Silivri, Kahramanmaraş Türkoğlu, İstanbul Maltepe, Niğde Martyr Abit Tüber, Kırşehir Ahi Evran, Trabzon Beşikdüzü, Bandırma, Diyarbakır Kayapınar, Elazığ and Kayseri Bünyan Justice Vocational Training Centers started their training activities.
- Vocational Training Centers Vocational Guidance and Guidance Promotion, Videos for Promotion of Journeyman Mastery Exam E-Exams and distance learning materials for journeyman and mastership theoretical exams in Vocational Training Centers were prepared.
- Project for the Promotion and Dissemination of Vocational Education (METYAP) was prepared and put into practice, in order to convey the new developments in vocational education and the benefits of these developments in terms of businesses face-to-face to the representatives of 81 Chambers and Unions in 81 provinces. In this context, on February 2, 2021, in cooperation with TOBB, TOBB, TESK, OSBÜK, sector representatives, national education directorates, vocational education branch managers and vocational training center managers, a total of 13,539 webinars, 755 people face-to-face visits to the province, a total of 14,294 people has been carried out.
- Within the scope of the 2023 Education Vision, various projects and protocols are carried out with UN agencies (UNICEF, ILO) to facilitate access to vocational training centers and to increase the value attributed to vocational education. In line with our country's National Strategy for Youth Employment, legislation and program arrangements have been made in order to target youth unemployment in order to equip our young people who have graduated from high school or higher education with vocational skills and competence through short-term vocational training center training compensation programs. In this context, an additional way has been opened for our young unemployed graduates of secondary and higher education to gain new professions.

**Box 2.1: The activities of Ministry of Health about Covid-19**

- Intensive efforts are also underway for the follow-up and prevention of the Covid-19. On this matter, we remain in close cooperation with the EU and the World Health Organization. The Scientific Committee convenes regularly to assess the situation in an attempt to prevent the spread of the disease. In addition to a variety of measures in place, vaccination and drug development efforts for the treatment and prevention of the disease are also at full speed.
- One of the most important tools in the response to the pandemic has been the Contact Tracing and Isolation Monitoring System. The contact tracing efforts were kicked off in real time by contact tracing teams equipped with tablets. The contact tracing data is saved to the system instantly and analyzed. Using the mobile application, contact tracing teams are directed to various locations centrally.
- The inactive domestic vaccine, TURKOVAC, developed against Covid-19 in cooperation with TÜSEB and Erciyes University has reached its final stage. Following the Phase-1 and Phase-2 trials, which obtained successful results, Phase-3 studies have been kicked off. At this stage, voluntary vaccinations have started.
- Vaccination started in January 2021 and as of November 15, 2021, a total of 118,452,254 doses have been administered. The rate of first and second doses are 89.64 percent and 79.95 percent, respectively. Türkiye uses Sinovac and BioNTech vaccines. Those receiving 2 doses of the Sinovac vaccine were given the opportunity to receive 2 additional doses of the BioNTech vaccine, resulting in 11,634,904 individuals receiving 3 doses. As of November 11, 2021, individuals over the age of 18 and having received 2 doses of BioNTech have been entitled to a third dose. Covid-19 vaccines are administered at Family Health Centers and public and private hospitals that offer vaccination services determined by Provincial Health Directorates. Teams of Community Health Centers/District Health Directorates deliver vaccination at vaccination stations while mobile teams provide on-site vaccination. Vaccination of individuals registered in the home health care system is carried out by medical personnel authorized to administer vaccines. Vaccines provided by the Ministry of Health are administered free of charge in healthcare facilities.
- Individuals can track their vaccination process on their e-Pulse account or via text message. They can also make an appointment through the Central Patient Appointment System (MHRS). After the completion of an appointment, individuals are informed by text message. Appointment information is also available at e-Pulse and MHRS applications. With the AŞILA mobile application developed by the Ministry of Health, physicians and healthcare personnel can easily and rapidly follow the vaccination process of individuals. Individuals can access their electronic vaccination certificates via e-Pulse and Life Fits Home applications.
- All data about MoH's vaccination-related efforts across the country can be monitored through <https://covid19asi.saglik.gov.tr/>. The data on this site is updated every 2 minutes.
- The Life Fits Home application verifies users by their phone numbers and guides them based on evaluating their symptoms following a few questions. The recommendations provided following the questions are merely suggestions and do not contain any final result with certainty. The application also allows users to locate hospitals, pharmacies, grocery shops, subway and bus stations and track areas with risk in terms of isolated or infected persons.
- In addition to the fight against the disease, observational and analytical research is also carried out. Field studies on the frequency and spread of the disease within the community and among at-risk groups, as well as clinical efforts on diagnosis and treatment are underway.
- Psychosocial support counseling lines have also been activated in all 81 provinces. Staff trainings were completed, a Guide for the Use of Psychosocial Support Systems was developed and made available to all institutions, organizations and non-governmental organizations (NGOs) serving in this field. The Psychological Information Guide developed for citizens or healthcare workers who are under quarantine in dormitories or at home and the Working Guide for Community Mental Health Centers during the Normalization Period of the Covid-19 Pandemic were made available.
- The sustainability of Healthy Life Centers was maintained via hotlines. The draft regulation on remote medical service provision was developed by the General Directorate of Health Information Systems and the General Directorate of Health Services, and regulatory provisions were defined from appointment process to the completion of the clinical interview in remote medical service delivery and the powers of private medical institutions in the provision of services, supervision, etc. During the pandemic, quarantined patients who were unable to reach healthcare were able to access the consultation services in hospitals remotely through the e-Pulse application by making an appointment with MHRS. During the pandemic, some hospitals continued to provide pulmonary rehabilitation, psychosocial support, etc. services via online groups or through telephone consultations. During the

pandemic, individuals with non-communicable diseases were given the opportunity to buy their prescribed medications directly from the pharmacy.

- The “Cancer Appointment System” developed to reach all individuals in the target population during the declining cancer screening during the pandemic and to increase participation in the screening was finalized and integrated into the Family Medicine Information System and was made available in all 81 provinces as of August 2021. Cases that are found positive or suspicious after the screening are referred to Diagnostic Centers in 81 provinces for further examination. In order to ensure healthy data tracking at diagnostic centers after the scan, the “diagnostic center module” are underway.
- The aim is to increase cancer screening activities that have decreased during the pandemic in a controlled manner. Within the framework of the Cancer Control Program, cancer screening is carried out at 331 screening centers (42 of which are mobile cancer screening vehicles). In 2022-2024 period, it is planned to support for community-based cancer screening, public access to the service will be facilitated, awareness will be increased by reaching more people, and effective and efficient cancer screening activities will be carried out and disseminated.
- Another important matter in our region is the immigrants whose the studies are working on. According to the official figures of the Directorate General of Migration Management dated 4 November 2021, the following are being carried out to facilitate the access to health services of 3,728,612 Syrian nationals under temporary protection in Türkiye.
- Syrian nationals under Temporary Protection, who came to Türkiye en masse due to the crisis in the Syrian Arab Republic, can receive emergency, primary health care services in their (registered) provinces of residence and therapeutic health services within the scope of the Health Implementation Communiqué (SUT) free of charge at MoH's healthcare facilities. If necessary, intensive care, burn and cancer patients can be referred to university or private hospitals free of charge. Outpatient medications can also be purchased from pharmacies, and the costs of these medications are covered by the General Directorate of Migration Management. Those without a temporary ID number can benefit from emergency and preventive health services for free. Currently, there are 790 Migrant Health Units within 178 Migrant Health Centers in 29 provinces.
- Syrian nationals in Türkiye are vaccinated against 13 antigens according to the National Immunization Schedule. Supportive/complementary vaccination is also carried out, if necessary.
- Registered foreigners in Türkiye are also entitled to Covid-19 vaccination. Data with regard to Covid-19 tests and vaccines provided to foreigners in Türkiye as of October 11, 2021, are as follows:

| NATIONALITY  | PCR PERFORMED    | PCR (+)        | HOSPITALIZED  | ADMITTED TO ICU | PASSED       | NUMBER OF VACCINES |
|--------------|------------------|----------------|---------------|-----------------|--------------|--------------------|
| Syria        | 563,675          | 86,869         | 19,253        | 5,141           | 718          | 1,372,229          |
| Iraq         | 89,749           | 14,100         | 2,106         | 500             | 101          | 157,789            |
| Afghanistan  | 69,113           | 10,097         | 1,334         | 203             | 31           | 141,522            |
| Other        | 530,277          | 50,253         | 4,129         | 911             | 158          | 943,577            |
| <b>Total</b> | <b>1,252,814</b> | <b>161,319</b> | <b>26,822</b> | <b>6,755</b>    | <b>1,008</b> | <b>2,615,117</b>   |

### 3. MACROECONOMIC OUTLOOK

Global economic activity, which contracted in 2020, rebounded strongly with the help of vaccination programs on a global scale. According to IMF estimates, the global growth, which was -3.1 percent in 2020, is predicted to be positive 5.9 percent in 2021. On the other hand, due to differences in the support provided during the epidemic and the access to the vaccine, caused an uneven recovery amongst countries and regions. This decoupling is expected to sustain for some years. The IMF growth estimates for developed economies is 5.2 percent for 2021, while the estimate for emerging economies is 6.4 percent. The EU growth rate is predicted to be 5.0 percent for 2021. At this stage, one of the determining factors for global economic activity appears to be possible new virus variants that could lead to new shutdowns. In fact, in 2021, uncertainties increased once again with the delta year and then with the the Omicron variant by the year end. Even in countries with very high vaccination rates, new variants threaten the protection provided by existing vaccines and lead to partial introduction of previously relaxed measures. For these reasons, it is seen that the global recovery is still not on a fully stable path.

Similarly the global goods trade displayed a rapid acceleration especially in the second half of 2021. According to IMF forecasts, a growth about 9.7 percent is expected in global trade in goods and services volume. According to the forecasts of the World Trade Organization (WTO), global goods trade is expected to increase by 10.8 percent in 2021 and by 4.7 percent in 2022.

When short-term global economic indicators are analyzed, it is observed that the recovery in the manufacturing industry is more stable. In the services sector, which is directly affected by factors such as contact, social distance and mobility, fluctuations are observed in line with the development of the epidemic. In this context, a relative slowdown is detected in the services sector, with the global dominance of the Delta variant of the virus and the Omicron variant.

Global inflationary pressures remains high due to the sustained accommodating monetary policies, the upward movements in oil and commodity prices in 2021 and the recovery in global demand. In this environment, according to IMF forecasts, average consumer price inflation in advanced economies is expected to rise from 0.7 percent in 2020 to 2.8 percent in 2021. On the other hand, the annual average consumer price increase, which was 5.1 percent in 2020 in emerging markets and developing economies, is expected to be 5.5 percent in 2021.

In 2021, non-pandemic risks are also significant. US-China trade tensions, natural disasters related to climate change, which their frequency and intensity increase, uncontrolled migration movements, geopolitical tensions, cyber-attacks on critical infrastructure and climate change in general, are at a level that can hinder the global recovery.

Global imbalances and the risk of inflation are considerably significant. The pandemic and other factors are re-shaping the households expenditure trends. Housing expenditures

and consumption of electronic equipment related to working from home are changing. With the effect of fiscal and monetary policy support and low interest rate environment, demand for housing increased and historically high increases were experienced in housing prices all over the world. Increasing demand for electrical durable goods led to bottlenecks in the supply of microchips. Thus, production disruptions and price increases were observed in some sectors such as automotive. Parallel to these, historical increases in commodity prices and transportation costs feed into the risk of global inflation. With the effect of adverse climate conditions, food prices create significant inflationary pressure.

While the pandemic and the measures taken against the pandemic had negative effects on the fiscal balances and public debt stock, the monetary expansion caused by the developed economies affected the global financial markets and international capital flows in various ways. While the low interest rate environment led to inflation in the major capital markets at a level that could be perceived as asset price bubble, capital flows to emerging economies were volatile and mainly towards debt instruments. Thus unexpected developments can cause problems in capital flows and financial tables. Hence a premature cut of support in developed economies could trigger a reversal of flows towards safe haven markets. Accordingly, tightening financial conditions in countries with negative external position may create additional instability.

Due to all these uncertainties, risks are on the downside. 2021 global growth is expected to be stronger than previous forecasts and downside risks seem to be dominant in the near term. Better global cooperation on vaccines can help prevent renewed waves of infections and the emergence of new variants, end the health crisis sooner than assumed, and allow for a faster normalization of activity, particularly among emerging markets and emerging economies. The pursuit of better cooperation by countries and international organizations, improvements in vaccine production, and support to countries that do not have access to vaccines contribute to this process. In terms of financial conditions, international institutions' reserve strengthening support and keeping country borrowing channels open, may limit the aforementioned risks. An earlier-than-expected end to the health crisis; could lead to faster-than-expected use of household savings, higher economics confidence and increased investment spending by corporate sector.

### **3.1. Recent Economic Developments**

#### **3.1.1. Growth**

The Turkish economy continued its growth momentum, which started in the third quarter of 2020, in 2021 as well. In addition to the strong economic recovery, the economy grew by a record 22 percent in the second quarter, thanks to the strong base effect in the same period last year. In this period, final domestic demand had 20.0 points effect on growth, while the contribution of net exports of goods and services was 6.9 points. In this period, the contribution of change in stocks to growth was negative 4.9 points.

As of July, with the removal of restrictions completely which stimulated the private consumption, economic recovery has begun and also with the strong contribution of net

exports of goods and services, Turkish economy grew by 7.4 percent in the third quarter of 2021. In this period, private consumption increased by 9.1 percent compared to the third quarter of 2020, while public consumption expenditures increased by 9.6 percent. The decrease in total fixed capital investments was 2.4 percent as of the same periods. Net exports of goods and services made 6.8 points contribution to growth in the third quarter of 2021.

The economy grew by 11.7 percent as of the first nine months of 2021. While the contribution of private consumption, public consumption and total fixed capital investments to growth was 7.6 points, 0.6 points and 2.3 points, respectively. In this period, changes in stocks had 3.9 points negative effect on growth, while net exports of goods and services contributed positively in a significant extent by 5.1 points.

**Table 3.1: GDP Growth by Sectors and Demand Components**

|                                 | (Chained Volume, Annual Percentage Change) |       |      |       |       |       |      |      |      |          |
|---------------------------------|--|-------|------|-------|-------|-------|------|------|------|----------|
|                                 | Annual                                     |       | 2020 |       |       |       | 2021 |      |      |          |
|                                 | 2019                                       | 2020  | I    | II    | III   | IV    | I    | II   | III  | 9 Months |
| GDP                             | 0.9  | 1.8   | 4.4  | -10.4 | 6.3   | 6.2   | 7.4  | 22.0 | 7.4  | 11.7     |
| Agriculture                     | 3.3  | 5.9   | 3.1  | 5.4   | 6.7   | 5.5   | 8.3  | 0.6  | -5.9 | -2.8     |
| Industry                        | -0.9                                       | 3.1   | 7.5  | -15.9 | 8.1   | 12.1  | 11.7 | 40.6 | 10.0 | 19.3     |
| Manufacturing                   | -2.4                                       | 3.2   | 8.2  | -17.7 | 9.4   | 12.4  | 12.4 | 43.4 | 9.4  | 20.0     |
| Services <sup>1</sup>           | 1.3  | -0.5  | 2.5  | -11.2 | 3.7   | 2.8   | 5.4  | 20.8 | 12.5 | 12.7     |
| Construction                    | -8.6                                       | -5.5  | -5.1 | -5.4  | 3.2   | -15.0 | 3.1  | 3.3  | -6.7 | -0.6     |
| Total Consumption               | 2.0  | 3.0   | 4.6  | -7.4  | 7.3   | 7.0   | 5.6  | 19.2 | 9.2  | 11.1     |
| Public                          | 4.1  | 2.2   | 2.9  | -0.3  | 2.0   | 3.7   | 0.1  | 3.4  | 9.6  | 4.5      |
| Private                         | 1.5  | 3.2   | 5.0  | -9.2  | 8.5   | 7.9   | 7.0  | 23.3 | 9.1  | 12.7     |
| Gross Fixed Capital Form.       | -12.4                                      | 7.2   | -0.6 | -5.9  | 22.6  | 11.7  | 12.4 | 20.5 | -2.4 | 9.0      |
| Change in Stocks <sup>1,2</sup> | 0.7  | 3.1   | 5.4  | 4.2   | 4.8   | -1.3  | -1.1 | -4.9 | -5.4 | -3.9     |
| Final Domestic Demand           | -2.1                                       | 4.1   | 3.3  | -7.0  | 11.0  | 8.2   | 7.3  | 19.5 | 6.1  | 10.6     |
| Total Domestic Demand           | -1.5                                       | 7.5   | 9.3  | -2.9  | 16.3  | 6.8   | 6.4  | 14.7 | 0.6  | 6.6      |
| Exports of Goods and Serv.      | 4.6  | -14.8 | -1.1 | -36.4 | -21.4 | 0.5   | 3.8  | 61.1 | 25.6 | 26.8     |
| Imports of Goods and Serv.      | -5.4                                       | 7.6   | 21.6 | -8.0  | 16.4  | 3.0   | -1.1 | 20.4 | -8.8 | 2.1      |

Source: TURKSTAT

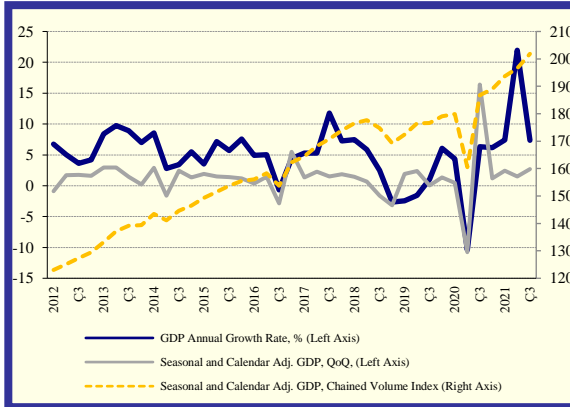
(1) Presidency of Strategy and Budget calculations

(2) Contribution to GDP growth

On the production side, the industrial sector grew by 19.3 percent in the first three quarters of 2021, contributing 3.7 percentage points to growth. The services sector grew by 12.7 percent in the same period and contributed 7.9 percent to growth. Agricultural sector value added, on the other hand, contracted by 2.8 percent in this period, having a negative effect on growth by 0.2 percentage points and negatively diverged from other sectors.

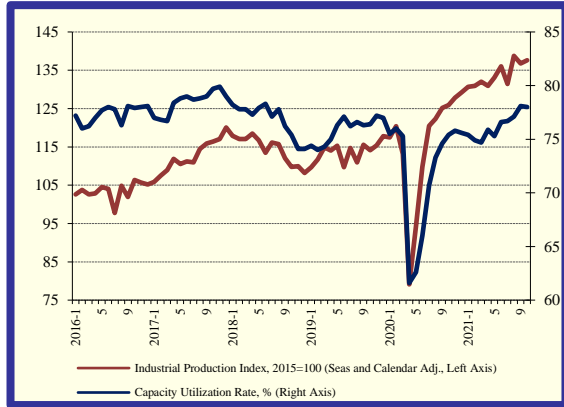
Scrutinizing the leading indicators of growth, it is observed that there have been significant increases in industrial production and capacity utilization rates, which have shown a recovery since the second quarter of 2021, thereby both leading indicators have reached their pre-epidemic levels.

**Figure 3.1: GDP Developments**



Source: TURKSTAT

**Figure 3.2: Industrial Production Indicators**



Source: TURKSTAT and CBRT

The acceleration of vaccination as of the second half of 2021 enabled the removal of restrictions and normalization steps. Thus, transportation and accommodation activities recovered rapidly and a high rate of increase was realized in the services sector in the first three quarters of 2021. In the mentioned period, strong growth was recorded in the Turkish economy also with the contribution of the observed increases in the growth of the industrial sector.

### 3.1.2. Labor Market

Unemployment rate in 2020, which was estimated as 13.8 percent in ERP (2021-2023), decreased by 0.6 percentage point compared to the previous year and was realized as 13.2 percent. The decrease in labor force participation due to the pandemic and the measures taken against the pandemic were effective in the decrease in the unemployment rate. In 2020, compared to the previous year, the labor force participation rate decreased by 3.5 points for women and 3.8 points for men, and the total labor force participation rate decreased by 3.6 points to 49.3 percent. In the same period, the employment rate decreased by 2.8 percentage points to 42.8 percent.

The recovery in the Turkish economy, which started in mid-2020, accelerated in 2021. In the first three quarters of 2021, the negative outlook in employment due to the pandemic was eliminated, and labor force participation converged to its former level to a great extent. In the third quarter of 2021, the seasonally adjusted labor force participation rate increased to 33 percent for women and 70.3 percent for men, nearly converging to pre-pandemic levels (2019Q4: 34.1 and 71.6 percent respectively). The seasonally adjusted unemployment rate was 11.7 percent in the third quarter of 2021 (Figure 3.3).



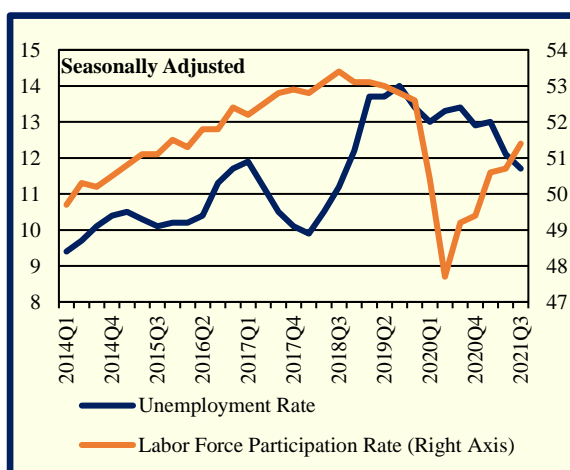
**Table 3.2: Labor Market Developments**

|  | (15+Age, People) |        |        |        |        |        |        |        |        |
|--|------------------|--------|--------|--------|--------|--------|--------|--------|--------|
|  | Annual           |        | 2020   |        |        |        | 2021   |        |        |
|  | 2019             | 2020   | I      | II     | III    | IV     | I      | II     | III    |
| Working Age Population                     | 61,469           | 62,579 | 62,117 | 62,422 | 62,730 | 63,038 | 63,320 | 63,580 | 63,837 |
| Labor Force Part. Rate, %                  | 53.0             | 49.3   | 49.7   | 47.5   | 50.3   | 48.8   | 50.0   | 50.7   | 52.6   |
| Labor Force                                | 32,549           | 30,873 | 30,887 | 29,659 | 31,558 | 30,794 | 31,668 | 32,243 | 33,564 |
| Employment                                 | 28,080           | 26,812 | 26,699 | 25,853 | 27,364 | 26,823 | 27,391 | 28,448 | 29,652 |
| Unemployed                                 | 4,469            | 4,061  | 4,188  | 3,806  | 4,194  | 3,970  | 4,277  | 3,795  | 3,912  |
| Employment Rate, %                         | 45.7             | 42.8   | 43.0   | 41.4   | 43.6   | 42.6   | 43.3   | 44.7   | 46.4   |
| Unemployment Rate, %                       | 13.7             | 13.2   | 13.6   | 12.8   | 13.3   | 12.9   | 13.5   | 11.8   | 11.7   |
| Non-Agriculture, %                         | 16.0             | 15.3   | 15.3   | 15.1   | 15.8   | 14.8   | 15.3   | 13.7   | 13.7   |
| Youth, %                                   | 25.4             | 25.3   | 23.9   | 24.5   | 26.0   | 25.1   | 25.3   | 22.5   | 22.1   |
| <b>Sectoral Distribution of Employment</b> |                  |        |        |        |        |        |        |        |        |
| Agriculture                                | 5,097            | 4,716  | 4,150  | 4,903  | 5,367  | 4,480  | 4,570  | 5,060  | 5,432  |
| Non-Agriculture                            | 22,983           | 22,096 | 22,549 | 20,950 | 21,997 | 22,343 | 22,821 | 23,388 | 24,220 |
| Industry                                   | 5,561            | 5,497  | 5,603  | 5,301  | 5,408  | 5,670  | 5,955  | 6,077  | 6,200  |
| Services (Construction Included)           | 17,422           | 16,598 | 16,945 | 15,649 | 16,589 | 16,673 | 16,866 | 17,311 | 18,020 |

Source: TURKSTAT

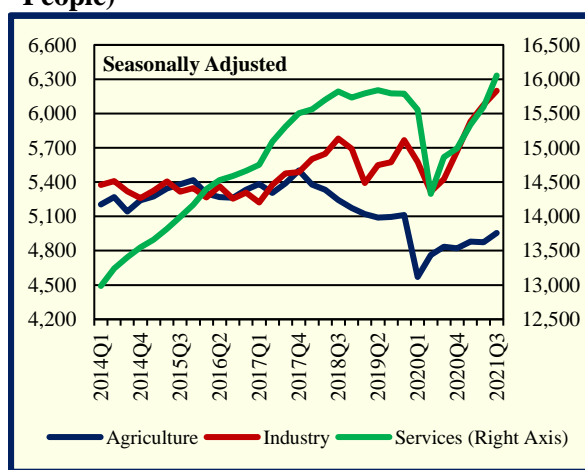
The effect of economic activity, which slowed down due to the pandemic, was seen in the employment of all sectors. Through the positive effect of the measures taken in 2020, a strong recovery was observed in the employment of industry and services. As of the third quarter of 2021, all of the losses in services and industry employment were eliminated and net additional employment was created in these sectors. In the third quarter of 2021, compared to the last quarter of 2019, 266 thousand and 431 thousand net additional jobs were created in the services (excluding construction) and industry sectors, respectively. The loss in employment in the agricultural sector decreased to 157 thousand people (Figure 3.4).

**Figure 3.3: Unemployment Rate and Labor Force Participation Rate (Percent)**



Source: TURKSTAT

**Figure 3.4: Agriculture, Industry and Services Sector Employment (Thousand People)**



Source: TURKSTAT

### **3.1.3. Inflation, Monetary and Exchange Rate Policies**

#### **3.1.3.1. Inflation**

Consumer inflation, which was 11.84 percent at the end of 2019, displayed a volatile trend around 12 percent throughout 2020, and stood at 14.60 percent at the end of the year after a rally in the last two months of the year. The rise in inflation in 2020 was mainly driven by the depreciation of the Turkish lira, and the increasing cost pressures as well as the demand-side effects due to the strong credit momentum affected inflation through direct and indirect channels. While unprocessed food prices and real unit labor costs contributed to the rise in inflation, the deterioration in inflation expectations adversely affected the inflation outlook.

Food inflation, which significantly accelerated in the final quarter of 2020, stood at 20.61 percent at the end of the year, and slowed down in the first quarter of 2021 mainly due to the outlook in fresh fruits and vegetables. In this period, the elevated level of other food inflation was mainly driven by the effects of international food prices and raw milk reference price adjustments. In the second quarter, the exchange rate developments, the continued rise in international agricultural commodity prices and the supply outlook for certain products adversely affected food inflation. While food inflation rose significantly in the third quarter after the reopening, this outlook was driven by the ongoing increases in international agricultural commodity and food prices, cumulative exchange rate effects, adverse climatic conditions (agricultural drought, flood, fire) and supply shortages in certain products. Despite the exchange rate developments and the negative outlook in global food and agricultural commodity prices in October and November, annual food inflation declined slightly due to the correction in fresh fruits and vegetables prices and the base effect and was recorded at 27.11 percent in November. In the food group, annual inflation increased significantly in December, due to the course of input costs, and ended the year at 43.80 percent, becoming one of the drivers of the rise in consumer inflation.

While annual inflation in the energy group, which was 5.64 percent at the end of 2020, showed a rapid rise in the first four months of 2021. In this period, oil prices in TL increased and price adjustments were made at the beginning of 2021 in electricity, water and natural gas among the administered prices. Although the sliding scale system and the price ceiling practice increasing the effectiveness of this system prevented price pressures, the low base created by the sharp decline in international oil prices due to the pandemic last year affected annual energy inflation. While the high base was effective in the limited decline in annual energy inflation in May and June, price adjustments in electricity and natural gas prices was the key driver of the acceleration observed in July. In September and October, there was a significant increase in international energy prices due to the accelerated global demand after the pandemic. In addition, adjustments made in municipal water prices in September was another factor affecting energy prices. With the zeroing of the fuel SCT amount in October, the sliding scale limit was reached, so the developments in international energy prices in Turkish lira started to be directly reflected on domestic fuel prices. While some easing was observed in international energy prices as of November, annual energy prices inflation

reached 32.14 percent due to the outlook in the Turkish lira. In December, increases in energy prices continued with the reflections of exchange rate developments and the group's annual inflation was realized as 42.93 percent.

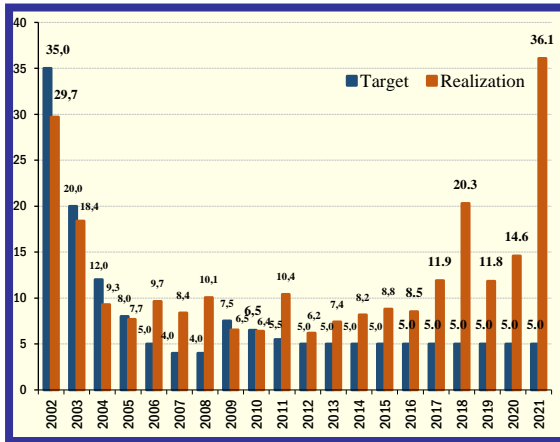
Having increased to 17.24 percent at the end of 2020 due to cumulative exchange rate effects, rising international metal prices as well as demand-side factors caused by the lagged effects of the strong credit momentum, annual core goods inflation, one of the main drivers of the rise in inflation, continued to increase in the first four months of the year. In May, prices remained moderate due to a pandemic-related lockdown, and annual core goods inflation decreased slightly. In addition to the controlled normalization in June, the outlook for the Turkish lira and the cumulative increase in commodity prices caused annual core goods inflation to rise. During the third quarter of the year, annual core goods inflation declined on the back of the Turkish lira outlook, the increased SCT base for automobiles, and a high base effect. Prices of core goods posted sharper monthly increases in October and November, while annual core goods inflation fell due to substantial increases a year ago, to 18.36 percent as of November. In the core goods group, which has a high exchange rate pass-through, the effects of exchange rate developments were felt in December, and the group's annual inflation rose to 40.55 percent, becoming one of the main drivers of the rise in inflation.

After reaching 11.66 percent in 2020 and fluctuating within a narrow, almost horizontal range in the first two months of 2021, annual services inflation rose in March due to the upward effects of the controlled normalization on some subcategories and the lagged effects of the increased special communication tax. Annual services inflation edged up in the second quarter and fluctuated slightly above 13 percent amid lockdowns and reopenings both this year and last year. In addition to these factors, food prices outlook, backward-indexation in inflation, termination of temporary VAT cuts, and exchange rate developments were also influential. Inflationary pressures in the services sector increased somewhat further in the third quarter following the normalization. The leading factors in this development were the effects driven by the reopening and tourism, elevated levels of food inflation, and the price increases in education related sectors following the reopening of schools and universities. Annual services inflation rose to 16.88 percent in November, led by the effects of the food prices outlook and exchange rate developments. In December, due to the ongoing negative outlook in the Turkish lira and the increase in other input costs, annual inflation in the services group closed the year at 22.33 percent.

Producer inflation, which was 25.15 percent at end-2020, remained on the rise throughout 2021, and reached 79.89 percent in December. To sum up, while exchange rate developments were the main driver of consumer inflation in 2021, the rise in food and import prices and supply-side factors such as disruptions in supply chains as well as demand developments and the deterioration in inflation expectations affected the inflation outlook unfavorably. Against this background, annual consumer inflation increased to 36.08 percent in December (Figure 3.6). Indicators for the underlying trend and pricing behavior suggested that price increases became widespread, and core inflation trends registered a notable

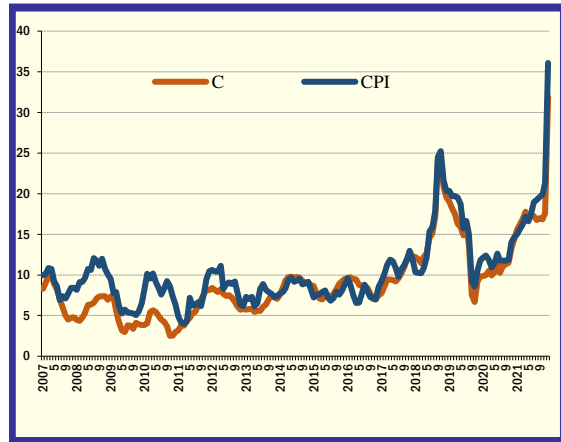
increase at the end of the year. Accordingly, among core inflation indicators, annual inflation in B and C indices rose to 34.89 percent and 31.88 percent, respectively, as of December.

**Figure 3.5: Target and Actual Annual Inflation (CPI, %)**



Source: CBRT, TURKSTAT

**Figure 3.6: CPI and Core CPI (Annual % Change)**



Source: TURKSTAT

### 3.1.3.2. Monetary and Exchange Rate Policies

The coronavirus pandemic that has rapidly spread since early 2020 has taken a toll on the Turkish economy as well as on the whole world. In order to limit the economic and financial impact of the pandemic, the Central Bank of the Republic of Türkiye (CBRT) continued to deliver policy rate cuts until June 2020, extending the process which had started in July 2019, and reduced the policy rate by a total of 375 basis points. Along with the rate cuts, the CBRT also took measures to meet the liquidity need of the market and regulate the cash flow of firms, with a view to containing the possible adverse effects of the pandemic on the Turkish economy. In that period, the relevant institutions took coordinated policy steps to sustain the smooth functioning of financial markets, the credit channel, and firms' cash flow. Loan rates declined on the back of monetary and fiscal measures introduced while credit growth gained momentum, and domestic demand strengthened due also to the wealth effect that the rise in exchange rates brought about through FX savings channel. The current account deficit increased in 2020 due to imports boosted by stronger domestic demand as well as due to tourism revenues driven down by pandemic measures. Assessing that the supply-side factors, which had prevailed in the short run due to pandemic-related restrictions, would phase out and disinflationary effects would become more prevalent in the second half of the year, the CBRT kept the policy rate unchanged in June and July. Due to the developments in financial markets and the rapid economic recovery driven by the strong credit impulse, inflation followed a higher course than projected. Thus, in order to contain inflation expectations and limit the risks to the inflation outlook, coordinated tightening steps were taken in pandemic-specific policies starting from early August. Accordingly, the weighted average funding cost increased by approximately 750 basis points from July to November. Moreover, in November, the CBRT decided to simplify the operational framework and provide all short-term funding through its main policy instrument, the one-week repo auction rate. Taking into account the end-2021 forecast target, the CBRT

delivered a strong monetary tightening and raised the policy rate by 200 basis points in December.

In January 2021, the CBRT kept the policy rate constant at 17 percent and conveyed clear messages enhancing the predictability of the tight monetary policy stance. The CBRT reinforced its tight monetary policy stance by underlining in the Monetary Policy Committee (MPC) decision that the tight monetary policy stance would be maintained “for an extended period” until strong indicators pointed to a permanent fall in inflation and price stability and that “additional monetary tightening would be delivered if needed”. In the January Inflation Report, the CBRT drew a framework in which the impact of the strong monetary tightening delivered in November and December would become more evident in the period ahead; hence, the effects of demand and cost factors on inflation would wane gradually. Accordingly, the policy rate was kept unchanged in February and the CBRT, taking into account the end-2021 forecast target, decided to maintain the tight monetary policy stance decisively for an extended period until strong indicators pointed to a permanent fall in inflation and price stability. Considering the upside risks to inflation expectations, pricing behavior and the medium-term inflation outlook, the CBRT decided to implement a front-loaded and strong additional monetary tightening in March. The policy rate was increased to 19 percent from 17 percent in that month, and it was reiterated that the tight monetary policy stance would be maintained decisively for an extended period until strong indicators pointed to a permanent fall in inflation and price stability. Highlighting the lingering risks to the inflation outlook, the CBRT kept the policy rate intact in April.

In May, it was emphasized that the decelerating impact of the monetary tightening on credits and domestic demand began to be observed but demand and cost factors, supply constraints in some sectors, and high levels of inflation expectations continued to pose risks to the pricing behavior and the inflation outlook. In June, the CBRT underlined that loan growth exhibited a mild course owing to the monetary tightening, and that the course and composition of loans were closely monitored for macroeconomic stability. The acceleration of domestic vaccination rollout and the lifting of restrictions led to a positive course in external balance and a more balanced composition in economic activity in the second half of the year. Against this background, the CBRT kept the policy rate constant at 19 percent in the May-August period. Additionally, announced with a press release on 1 July 2021, the CBRT revised the reserve requirement regulation to improve the effectiveness of the monetary transmission mechanism in line with its main objective of price stability. While the FX reserve requirement ratios were increased by 200 basis points for all maturity brackets, it was announced that the facility of holding FX for Turkish lira reserve requirements would be terminated in October by gradually decreasing its limit.

At the MPC meetings in September and October, it was emphasized that the decelerating impact of the monetary stance on credits and domestic demand continued to be observed. Judging that the rise in inflation was due to transitory supply-side factors, the CBRT reduced the policy rate by a total of 300 basis points in September and October. In

October, the MPC assessed that, till the end of the year, transitory supply-side factors left limited room for the downward adjustment to the policy rate.

At the meeting in November, the CBRT evaluated the analyses to decompose the impact of demand factors that monetary policy can affect, core inflation developments and supply shocks, and decided to reduce the policy rate by 100 basis points to 15 percent. At the last meeting of 2021, the CBRT decided to reduce the policy rate by 100 basis points and complete the use of the room implied by transitory effects of supply-side factors and other factors beyond monetary policy's control on price increases. Thus, the CBRT cut the policy rate by a total of 500 basis points in the September-December period, bringing it down to 14 percent. It was announced that the cumulative impact of the policy decisions would be monitored in the first quarter of 2022 and during this period, all aspects of the policy framework would be reassessed in order to create a foundation for sustainable price stability.

With a press release on 9 November 2021, the CBRT announced that it revised the reserve requirement regulation to improve the effectiveness of monetary transmission mechanism in line with its main objective of price stability. Accordingly, the CBRT increased the FX reserve requirement ratios by 200 basis points for all maturity brackets, while it decreased the upper limit of the facility of holding standard gold for Turkish lira reserve requirements from 15 percent to 10 percent and announced that this facility would be gradually terminated. With a view to increasing the share of the Turkish lira in total deposits/participation funds in the banking system, the CBRT announced on 21 December 2021 that it decided to provide incentive to deposit and participation fund holders in the event that resident real persons, who already had an FX deposit account or FX participation fund by 20 December 2021, converted their accounts/funds into Turkish lira time deposit accounts or participation accounts, and to exempt these Turkish lira accounts/funds from the reserve requirement obligation. On 29 December 2021, the CBRT announced that it decided to provide incentive to deposit and participation fund holders in the event that gold deposits and participation funds were converted into Turkish lira time deposit accounts at the account holder's request.

The CBRT's official reserves stood at USD 116.9 billion on 17 December 2021. Out of this total amount, USD 38.5 billion was composed of gold reserves and the remaining USD 78.4 billion was composed of gross FX reserves. In 2021, total reserves increased by 23.5 percent. In 2021, despite the rise in international commodity prices, the strong uptrend in exports, the marked decline in gold imports and the acceleration in vaccination stimulated tourism activities, which improved the current account balance. The ongoing external balance, currency swap agreements as well as bond issues decreased the financing need and increased the CBRT's international reserves. In line with the floating exchange rate regime, direct net FX purchases, export rediscount credits and the reserve option mechanism (ROM) have helped to increase gross FX and gold reserves since 2001. Currently, rediscount credits are the most important means of permanent reserve accumulation, as exit from the ROM has been largely completed. The CBRT intervened directly in the market 5 times in the 1-17 December period due to the unhealthy price formations in exchange rates via selling

transactions. The CBRT will maintain its policy to increase reserves as long as market conditions allow.

**Table 3.3. Measures Taken Against the Pandemic by CBRT**

A comprehensive set of measures were introduced by the CBRT in 2020 in order to address the uncertainties and limit the adverse impacts of the pandemic on economy and financial system. While some of these measures were terminated as economic activity revived in response to the relaxation or removal of non-pharmaceutical interventions, CBRT undertook a number of measures supporting the monetary transmission mechanism and effective liquidity management of the banking sector in 2021.

- In order to ensure uninterrupted credit flow to the real sector amid rising uncertainty driven by pandemic on 17 March 2020;
  - Banks were offered targeted additional liquidity facilities with maturities up to 91-days with an interest rate 150 basis points lower than the one-week repo rate, i.e. the CBRT's policy rate, and with quantity auction method and the maximum amount of funds that an eligible bank may receive from this new liquidity facility was linked to the amount of credit that this bank has already provided or will provide for the corporate sector,
  - Quantity swap auctions with maturity of one-year and six-months were held at an interest rate of 100 basis points and 125 basis points below the one-week repo auction interest rate, respectively,
  - In addition to the conventional (multi-price) swap auctions with maturities of one, three, and six months, which are currently available against US dollars, CBRT held swap auctions against euros and gold,
  - On 6 August 2020 CBRT announced that as economic recovery gained strength, as of the beginning of August targeted additional liquidity opportunities would be gradually reduced.
- In order to support the primary dealership system during the coronavirus pandemic, on 20 March 2020, the limits on the liquidity facility granted to primary dealer banks within the framework of Open Market Operations (OMO) were increased.
  - Liquidity limits offered to Primary Dealers in the OMO framework were first cut to half of their current limits effective from 10 August 2020 and then reduced to zero effective from 12 August 2020.
- In order to strengthen the monetary transmission mechanism by boosting the Government Domestic Debt Securities (GDDS) market liquidity during the coronavirus pandemic and to limit the economic and financial adverse effects of the pandemic;
  - On 31 March 2020, for a temporary period, the Primary Dealer (PD) banks were provided with the opportunity to sell the GDDS that they have bought from the Unemployment Insurance Fund to the CBRT or increase the amount of liquidity offered within the framework of OMO,
  - On 17 April 2020, the cap for the ratio of the OMO portfolio nominal size to the CBRT's total assets (analytical balance sheet), set at 5 percent for 2020 in the Monetary and Exchange Rate Policy for 2020 text, was revised to 10 percent,
  - On 17 April 2020, the limits offered to Primary Dealer banks for outright sales of GDDS to the CBRT are applied independent of the repo transaction limits and these PD banks are offered a GDDS selling limit that is equal to the repo transaction limits. The related purchases were also carried out within the total maximum limit of 10 percent set for the OMO portfolio,
  - The CBRT's OMO portfolio reached TL 79.9 billion (in nominal terms) at the end of 2020 including the front-loaded outright GDDS purchases conducted within the context of measures taken to

weather the economic and financial effects of the pandemic and the assets received through banks from the Unemployment Insurance Fund. Taking into account the level reached by the OMO portfolio nominal size, the CBRT did not make outright GDDS purchases from the market in 2021.

- In order to carry out effective liquidity management and maintain its operational flexibility in various liquidity conditions, the CBRT needs to maintain sufficient amount of GDDS in its OMO portfolio for technical reasons. In this regard, direct GDDS purchases are conducted on a regular basis, the details of which are shared with the public in CBRT's Monetary and Exchange Rate Policy documents. 2022 Monetary and Exchange Rate Policy document highlights a return to the pre-pandemic practice of GDDS purchases conducted to replenish the open market operations portfolio to CBRT analytical balance sheet assets ratio of 5 percent.
- In order to strengthen the monetary transmission mechanism during the pandemic and support the collateral and liquidity management flexibility of the banking sector, asset-backed securities and mortgage-backed securities were included in the CBRT's collateral pool within the operational framework of the monetary policy.
  - On 4 March 2021, the CBRT expanded the set of securities accepted as collateral for repo operations in OMO. In this context, in addition to the Turkish Lira-denominated GDDS and lease certificates issued by the Ministry of Treasury and Finance (MTF) and the Asset Leasing Company of the Turkish Treasury (ALCTT), in repo transactions, banks were allowed to pledge gold and foreign currency-denominated (USD and euros) GDDS and lease certificates issued by the MTF and ALCTT for institutional investors (US dollar and Euro) as collateral against repo.
- On 25 February 2021, the facility to withdraw unilaterally from the swap and forward FX transactions with participation banks was given to the CBRT in response to these banks' demands.
- On 8 November 2021, banks operating in the TRY Currency Swap Market and/or TRY Currency Swap Auctions (Traditional Method) were allowed to conduct their transactions as mutual deposits instead of swaps on their demand, to enhance the operational flexibility of banks' TRY and FX liquidity management.
- On 27 December 2021, the CBRT decided to shift the transactions held in the BIST Swap Market to traditional swap auctions (with a maturity of 2 weeks). In swap auctions held via the traditional method, the bid amount that each bank can submit in the auction was limited to a maximum of 30 percent of the total auction amount, and the transfer of the unused portion of the total swap position determined for auctions to the banks' limits for swap transactions held via the quotation method was terminated and a measured shortening was introduced to maturity structures.
  - Furthermore, it was decided that banks should pledge at an amount minimum of 30 percent GDDS and/or lease certificates issued domestically by the ALCTT as collateral for their Deposit Selling, Late Liquidity Window and Intraday Limit borrowings on the Interbank Money Market (IMM). To enhance the efficiency and operational flexibility of banks in collateral management, it was decided to enable the maintenance of collateral FX deposits with the same value date as well.

### 3.1.4. Balance of Payments

Global economic activity has accelerated in 2021 despite the uncertainty of pandemic. Global trade has started to recover after the first shock of the Covid-19 outbreak. In this context, it has seen a sharp increasing in the export as well as tourism revenues in 2021. Current account deficit decreased with the effect of sharp rising of export of goods and services. With the lower current account deficit and recording of net capital inflows official reserves have started to record net inflow in 2021.

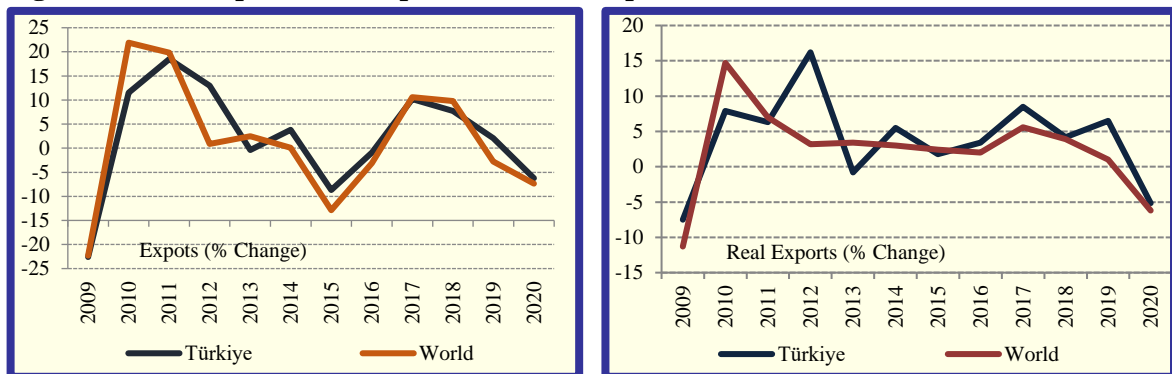


In 2021, exports increased by 32.9 percent compared to previous year and realized as 225.4 billion USD because of rising of external demand and quick response of the Turkish exporters to changing global supply chain conditions as well as real exchange rate depreciation. Imports increased by 23.6 and realized as 271.4 billion USD in the same period. The increasing of imports was largely due to rise of import prices. In addition to these developments, contribution of restarting of international tourism after the relaxing of Covid-19 pandemic restrictions, annualized current account deficit was realized as 14.3 billion USD as of November 2021.

In the January-November period of 2021, real exports increased by 22.1 percent while real imports increased by 0.4 percent. In the same period, export and import prices increased by 10 and 23.4 percent, respectively.

In the first eleven months of 2021, exports to the EU increased by 34.1 percent compared to the same period of the previous year and became 84.3 billion USD with the effect of strong recovery of EU economies like other developed economies. China, Germany and Russia maintain high levels of imports by country. While the share of imports from Russia in the first eleven months of 2021 slightly increased with the rising oil prices, the shares of China also increased while the share of Germany decreased.

**Figure 3.7: Developments in Exports and Real Exports**



Source: World Trade Organization, IMF, TURKSTAT

In the first eleven months of 2021, travel revenues increased by 103 percent compared to the same period of the previous year and were realized as 19.4 billion USD. The number of tourists in the same period increased by 81.8 percent and was realized as 22,287 thousand people. Average per capita expenditure increased in the quarter of 2021.

In 2020, capital inflows were realized through foreign direct investments and other investments. In 2020, foreign direct investments were 4.4 billion USD, while other investments were 12.9 billion USD. On the other hand, net outflow to portfolio investments were 9.6 billion USD.

In the first ten eleven months of 2021, net foreign direct investment inflows increased by 2.8 billion USD compared to the same period of the previous year and were realized as 6.3 billion USD. In the same period of 2020, portfolio investments recorded net inflow of 2.8 billion USD. The net inflows from other investments amounted to 19.2 billion USD. In the January-November period of 2021, reserve assets increased by 37.1 billion USD.

### 3.1.5. Financial Sector

Capital market in Türkiye displayed a positive outlook with the impact of the measures taken in 2020 when the impact of the pandemic was intense, also these measures on markets have mostly remained in force in 2021. Although, in 2021 a considerable increase in the interest shown in capital markets has been observed in terms of both meeting the financing needs of corporations and investment choices of investors, increasing global inflation and the increase in developed country bond yields have caused fluctuations in risk appetite. Despite these fluctuations, BIST 100 Index has reached its highest closing level since 1986, when it started trading with the rapid increase between the second half of October and the first half of December. However, the ratio of market capitalization to GDP, which was 32.7 percent in the first quarter of 2021, has declined to 26.2 percent in the third quarter. In the same period, the ratio of the nominal stock of private sector debt instruments to GDP has displayed a horizontal outlook with 1.5 percent.

In 2021, interest in public offerings has continued to increase. In 2021, 52 initial public offerings were made and the highest level has been reached according to the current data of Capital Markets Board of Türkiye. Besides total proceeds from the public offering has reached 21.6 billion TL.

In 2020, TL loans accelerated as a result of macroprudential measures taken by the financial authorities and loan packages granted by banks to support households and companies whose cash flows were impaired due to the pandemic.<sup>1</sup> However, the loan growth started to slow down with the gradual termination of the aforementioned measures and the transition to a tight monetary policy stance as of the last quarter of 2020. Thus, annual TL loan growth, which was 47.5 percent in September 2020, decreased to 12.9 percent in the same month of 2021. Meanwhile, the annual growth in commercial TL loans decreased from 47.3 percent to 9.8 percent, while the annual growth in consumer loans decreased from 57.2 percent to 10.6 percent. The growth of FX loans, which are almost entirely composed of commercial loans, remained negative despite a slight recovery in this period (Figure 3.8).<sup>2</sup>

Since that the annual change in consumer loans remained strong in the period until July, and that the removal of pandemic restrictions kept the demand for consumer loans alive, the BRSA announced a series of macroprudential measures for these loans in July and September.<sup>3</sup> Despite tightened financial conditions in consumer loans, the CBRT stated in its press release for the September meeting that the tightness in monetary stance has started to have a higher than envisaged contractionary effect on commercial loans, and cut the policy rate by 500 basis points in the last quarter of the year. Following these developments, commercial TL loans increased by 18.8 percent annually whereas annual consumer loan

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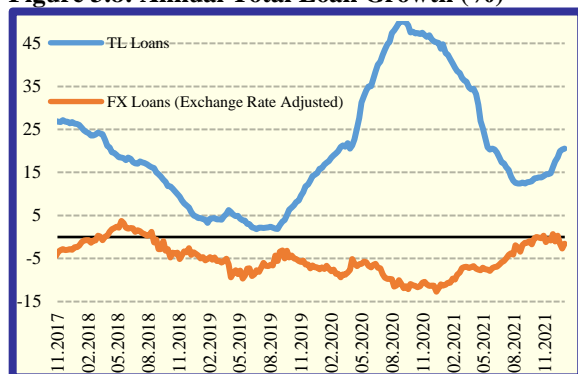
<sup>1</sup> Providing forbearance to banks in postponing credit debts, lowering minimum payment ratios of credit cards, increasing the number of credit card installments in sectors negatively affected by the pandemic. Also, the asset ratio implemented by the BRSA and the CBRT's required reserve tool based on loan growth.

<sup>2</sup> The negative course of FX loans was driven by the restriction imposed on FX loans in 2018, the increased awareness of FX risk management and the weak outlook in FX loan supply/demand.

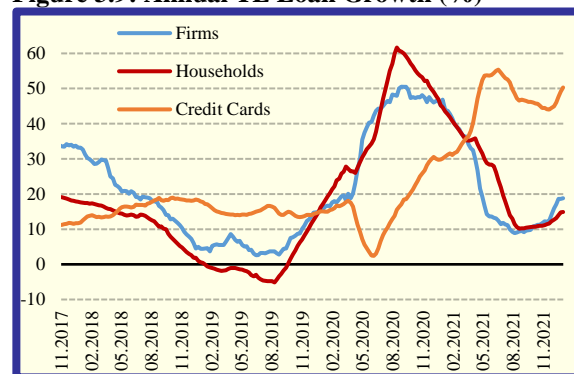
<sup>3</sup> In July, the risk weights of household credit cards and consumer loans were increased, the maturity limits of consumer loans for some goods and services were reduced, and vehicle loan-value ratios were changed. Also, the maturity limit of consumer loans over TL 50 thousand was reduced in September.

growth reached 14.9 percent partially thanks to the recovery in housing loans by the end of 2021 (Figure 3.9).

**Figure 3.8: Annual Total Loan Growth (%)**



**Figure 3.9: Annual TL Loan Growth (%)**



Source: CBRT, BRSA and Presidency of Strategy and Budget calculations

Since the 2019 year-end, the annual increase in TL deposits has exceeded the annual increase in exchange rate adjusted FX deposits. By the 2021 year-end, the increase in TL deposits was 334 billion TL compared to the 2020 year-end, while FX deposits increased by approximately 1 billion USD. However, deposit dollarization of domestic residents has been increasing in recent years partially because of the appreciation in exchange rates and realized as 62.7 percent as of the 2021 year-end. Currently, a lower reserve requirement and withholding tax rate are applied to TL deposits to encourage these. Additionally, a series of new measures were announced on 21 December 2021 to restrain the appreciation in exchange rates and stimulate the demand for TL assets (Table 3.4).

**Table 3.4 Measures to Stimulate the Demand for TL Assets**

| Measure   | Explanation   |
|---|---|
| <b>Currency Protected TL Deposit</b>  | It can be opened by real persons in terms of 3, 6, 9 or 12 months and if the exchange rate difference at the beginning of the maturity and the end of the maturity exceeds the interest to be paid, the excess will be covered by the MoTF.   |
| <b>FX Deposits converted into TL Time Deposits</b>                                    | If FX deposits are converted into TL time deposits with a maturity of 3, 6 or 12 months, if the difference in exchange rates at the end and the beginning of the maturity exceeds the determined interest that will be paid to these deposits, the difference will be covered by the CBRT once.   |
| <b>Gold Deposits converted into TL Time Deposits</b>                                  | If gold deposits are converted into TL time deposits with a maturity of 3, 6 or 12 months, if the difference in gram gold prices at the end and the beginning of the maturity exceeds the determined interest that will be paid to these deposits, the difference will be covered by the CBRT once.   |
| <b>TL-settled Foreign Exchange Forward Sales to Importing and Exporting Companies</b> | To help exporting and importing companies to manage exchange rate risk, TL-settled foreign exchange forward sales will be carried out at the CBRT via auctions and at the BIST Derivatives Market. The TL-settled foreign exchange forward selling auctions will be held with maturities of 1 month and 3 months.   |
| <b>Tax Incentives</b>   | <ul style="list-style-type: none"> <li>- No withholding tax will be applied to the currency protected TL deposit product.</li> <li>- The withholding tax rate, which was reduced from 10 percent to 0 percent in Government Domestic Debt Securities and lease certificates, will be applied to the earnings to be obtained until the end of 2022.</li> <li>- The withholding tax rate on dividend payments was reduced from 15 percent to 10 percent.</li> </ul> |

|                                       |  |
|---------------------------------------|--|
| <b>Reserve Requirement Incentives</b> | <ul style="list-style-type: none"> <li>- Amounts converted from FX deposits to TL time deposits are excluded from the scope of required reserves.</li> <li>- Banks that do not convert a certain percentage of their FX deposits into time deposit accounts will be charged a commission over FX required reserves.</li> </ul> |
|---------------------------------------|--|

### 3.2. Medium Term Macroeconomic Scenario

In line with the MTP (2022-2024) and the 2022 Presidency Annual Program, the main aim of the ERP (2022-2024) is to establish a stable, balanced growth structure that takes into account the green transformation in the post-pandemic recovery process and considers the fairness of income distribution. In this framework, it is essential to preserve macroeconomic stability and to increase transparency and predictability in the economy that can lead private sector to productive areas.

In the Program period, it is aimed to maintain a balanced outlook between domestic and foreign demand as well as to increase the growth potential in a stable manner. Monetary, fiscal and income policies will be carried out in full coordination to ensure sustainable and inclusive growth.

As a result of comprehensive policy measures to reduce the effects of the pandemic on the labor market, employment has risen above the pre-pandemic level. With the ongoing recovery in the upcoming period, labor force participation and employment rates are expected to increase.

The main objective of the monetary policy during the Program period is to ensure and maintain price stability by taking into account financial stability by maintaining a strong monetary policy stance and the effective use of monetary and fiscal policy instruments with policy coordination.

With the continuation of the strong course in exports of goods and services during the Program period and the implementation of policies and measures to reduce import dependency, the ratio of current account deficit to GDP is expected to decrease gradually. In parallel with the improvement in the current account balance, it is aimed to decrease the need for external financing and to highlight long-term capital inflows, especially international direct investments that provide technology transfer from external financing sources.

During the Program period, it is aimed to strengthen financial stability through regulatory measures to increase the resilience of the economy against external and temporary volatility, and to minimize the vulnerabilities on the external financing side by ensuring that the intermediary activity of the financial sector supports high value added and exporting sectors.

In the Program period, the fiscal discipline will be maintained decisively, resources will be used efficiently, structural changes will be implemented that will provide savings in selected areas, the public sector borrowing requirement and the ratio of public debt stock to GDP will be gradually reduced, and the sustainability of the fiscal policy will be strengthened.

Within the scope of the borrowing policy carried out according to strategic criteria, borrowing will be predominantly in domestic currency. The gradual reduction of domestic FX and gold-denominated borrowings within the framework of market conditions will be one of the main strategic objectives of the borrowing policy.

The medium-term macroeconomic scenario of the ERP is generally in line with the European Commission's Fall 2021 forecasts. The main difference is observed for the inflation outlook in the Program period.

### 3.2.1. Growth

#### 3.2.1.1. Composition of Growth

Although economic activity contracted in the second half of 2020 because of restrictive measures implemented to keep the COVID-19 pandemic under control, economic activity recovered rapidly in the second half of the year and a 1.8 percent growth was recorded for the year as a whole. With the vaccination calendar effectively implemented in 2021, economic conditions have rapidly normalized and the revival in economic activity has continued. A growth rate of 11.7 percent was recorded in the first 9 months of 2021.

**Table 3.5: Demand Components of Growth**

(2009=100 Chained Volume, Percentage Change)

|                               | 2020  | Forecast |      |      |      |
|-------------------------------|-------|----------|------|------|------|
|                               |       | 2021     | 2022 | 2023 | 2024 |
| Total Consumption Expenditure | 3.0   | 6.9      | 4.0  | 4.3  | 4.5  |
| Private                       | 3.2   | 7.9      | 4.8  | 4.7  | 4.9  |
| Public                        | 2.2   | 2.6      | 0.3  | 2.3  | 2.5  |
| Total Investment Expenditure  | 22.0  | 2.0      | 4.0  | 7.2  | 7.4  |
| Gross Fixed Capital Formation | 7.2   | 9.0      | 5.4  | 6.5  | 7.0  |
| Change in Stocks <sup>1</sup> | 3.2   | -1.8     | -0.4 | 0.1  | 0.0  |
| Exports of Goods and Services | -14.8 | 18.0     | 12.2 | 8.4  | 7.3  |
| Imports of Goods and Services | 7.6   | 1.9      | 8.1  | 6.8  | 6.5  |
| Gross Domestic Product        | 1.8   | 9.0      | 5.0  | 5.5  | 5.5  |
| Domestic Demand               | 7.5   | 5.6      | 4.0  | 5.0  | 5.2  |
| Domestic Final Demand         | 4.1   | 7.5      | 4.3  | 4.9  | 5.2  |

Source: Realization TURKSTAT, Presidency of Strategy and Budget and MoTF

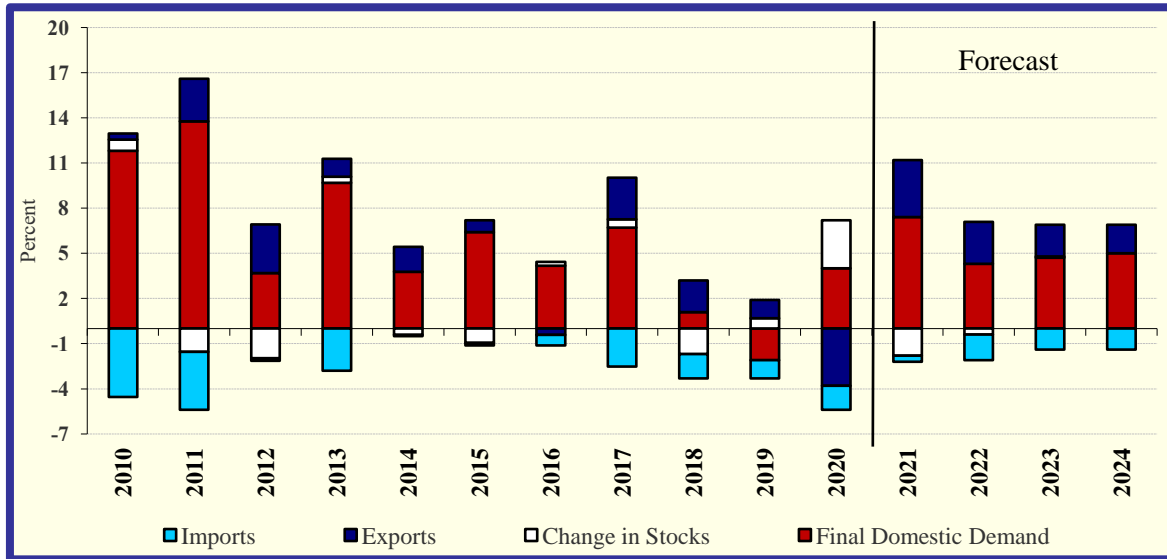
<sup>(1)</sup> Contribution to GDP growth

As the negative effects of the epidemic recede, transportation, tourism and trade activities are expected to strengthen during the Program period. In this context, it is expected that the recovery in tourism revenues and the revival in exports of goods and services along with the increase in global demand will contribute to growth at a significant level. Consumption expenditures will also support growth, with a focus on private sector consumption.

As a result of a disciplined vaccination schedule, a rapid normalization was achieved in 2021. As a result of this situation, it is observed that a strong economic recovery process

has been entered. Upward risks outweigh the growth forecasts for the current year within this framework. Current indicators and recent data indicate a GDP growth above 9 percent MTP expectation for 2021.

**Figure 3.10: Contribution to GDP Growth**

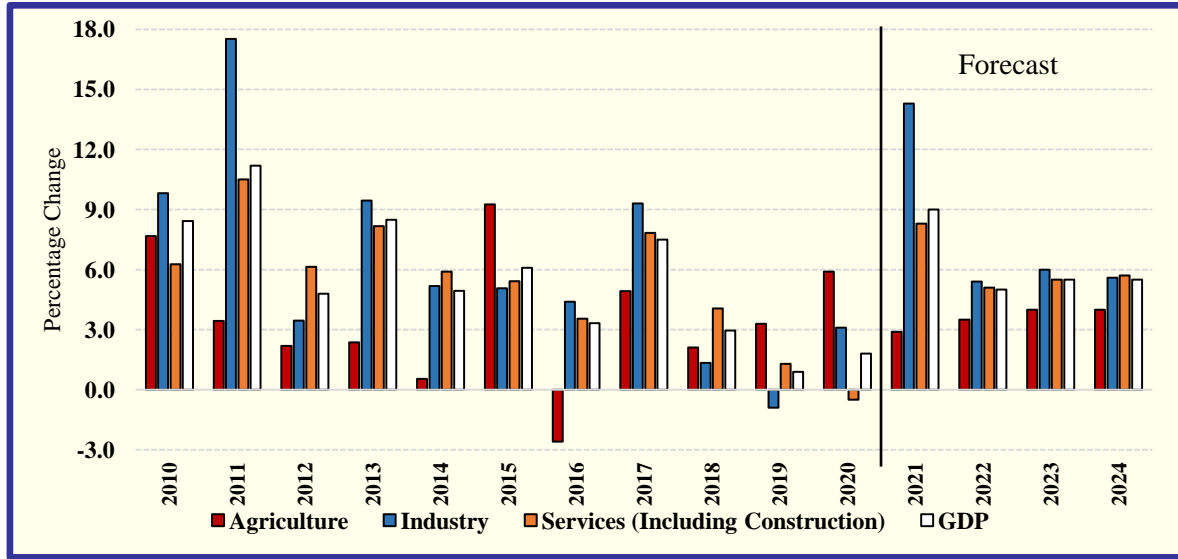


Source: Realization TURKSTAT, forecast Presidency of Strategy and Budget and MoTF

It is expected that the growth rate for the period 2022-2024 will be at an average level of 5.3 percent. Private consumption and total investment expenditures are expected to contribute 2.8 and 1.6 percentage points to annual average growth, respectively. An average contribution of 0.2 percentage points is expected from public consumption. It is expected that the net export contribution will be positive with both the recovery in foreign demand and the improvement in tourism.

Within the framework of the Eleventh Development Plan, public investments will primarily support industrial activity. In addition to the industrial sector, which closed the epidemic period with growth, a strong recovery is expected in the services sector in 2021 with an increase in mobility. Despite the negative effects of the epidemic, growth has occurred in the industrial sector, but a strong recovery is also expected in the services sector in 2021. During the program period, it is aimed to ensure a growth dynamic covering all sectors. Against this background, during the program period, the industrial sector is expected to grow by an average of 5.7 percent annually, while the services and agricultural sectors, including construction, are projected to grow by 5.4 and 3.8 percent, respectively.

**Figure 3.11: Value Added by Sectors**



Source: Realization TURKSTAT, forecast Presidency of Strategy and Budget and MoTF

### 3.2.1.2. Investment-Saving Balance

The ratio of total fixed capital investment to GDP is expected to be 29.5 percent in 2021. In line with stock investments, the proportion of total investments is expected to be 30 percent.

The ratio of domestic savings to GDP is expected to be at the level of 27.4 percent in 2021, and the use of foreign savings is projected to be at the level of 2.6 percent in this framework. It is expected that the increase in domestic savings will be caused by the private sector due to the policies implemented by the public during the epidemic period to support the economy.

**Table 3.6: Investment-Saving Balance**

|                         | (As a Share of GDP, Percent) |      |          |      |      |      |
|-------------------------|------------------------------|------|----------|------|------|------|
|                         | 2019                         | 2020 | Forecast |      |      |      |
|                         |                              |      | 2021     | 2022 | 2023 | 2024 |
| Total Investment        | 25.0                         | 31.9 | 30.0     | 30.5 | 30.4 | 30.4 |
| Fixed Capital Formation | 25.9                         | 27.4 | 29.5     | 29.6 | 29.5 | 29.6 |
| Changes in Stocks       | -0.8                         | 4.5  | 0.5      | 0.9  | 0.9  | 0.8  |
| Total Savings           | 25.0                         | 31.9 | 30.0     | 30.5 | 30.4 | 30.4 |
| Domestic Savings        | 26.1                         | 26.9 | 27.4     | 28.3 | 29.2 | 29.7 |
| Foreign Savings         | -1.1                         | 5.0  | 2.6      | 2.2  | 1.2  | 0.7  |

Source: Realization TURKSTAT, forecast Presidency of Strategy and Budget and MoTF

Within the framework of MTP (2022-2024), the ratio of domestic savings is expected to reach 29.7 percent of GDP. Along with the expected increase in private savings, it is expected that the public sector will also contribute to the growth rate of domestic savings with stabilization policies that will be applied in the medium term in the public sector. Accordingly, it is expected that there will be a slowdown in the foreign savings flow in line with the current account deficit, which is intended to be reduced. On the other hand, policies

and incentives implemented in accordance with the priorities contained in the Eleventh Development Plan will accelerate industrialization and indigenization in high value-added areas. It is envisaged that the private sector will be the driving force in the capital accumulation process. In this context, it is envisaged that the foreign savings requirement will decline steadily, while the share of fixed capital investment expenditures in GDP is expected to be 29.6 percent. Internal resources will be brought to the forefront in taking on the financial burden of investments during the program period.

### 3.2.1.3. Sources of Growth

Scrutinizing the sources of growth in Turkish economy, capital accumulation has been the main driver of growth while the contribution of employment to growth has displayed stable pattern. The highest contribution of total factor productivity (TFP) to growth was realized in the period of 2002-2007 (Table 3.7).

Growth, which continued its strong course in the first months of 2020, was interrupted due to first Covid-19 case in March. In this period, business interruption and low rate of capacity utilization caused growth to remain below the long term average. Despite this tendency, the recovery in economic activity gained momentum as of the third quarter of 2020 with the effect of timely measures and growth reached to 1.8 percent throughout the year. Due to low capacity utilization rate throughout the year, capital stock couldn't make a positive contribution to growth despite fixed capital investments increased. The adverse effect of pandemic restrictions also reflected on the labor market, causing employment loss. As the amount of output per employee increased in this period, total factor productivity contributed positively to growth. In this context, total factor productivity contributed 4.9 points to 1.8 percent of growth, while capital accumulation and employment pulled down the growth by 0.3 point and 2.7 points, respectively.

**Table 3.7: Developments in Factors of Production**

(2009=100 Chained Volume Index, Percentage)

| Period    | Growth Rates |               |                |      |     | Contribution to Growth |      |      |
|-----------|--------------|---------------|----------------|------|-----|------------------------|------|------|
|           | GDP          | Capital Stock | Capital Stock* | Emp. | TFP | Capital Stock          | Emp. | TFP  |
| 1998-2020 | 4.3          | 6.7           | 6.1            | 1.6  | 0.9 | 57.1                   | 21.9 | 21.0 |
| 2002-2020 | 5.2          | 6.9           | 6.9            | 1.8  | 1.3 | 53.7                   | 21.1 | 25.2 |
| 2002-2007 | 7.2          | 7.4           | 9.8            | 1.0  | 2.6 | 54.8                   | 8.1  | 37.1 |
| 2010-2020 | 5.4          | 6.8           | 7.5            | 2.4  | 1.0 | 55.0                   | 26.8 | 18.2 |
| 2022-2024 | 5.3          | 5.4           | 6.0            | 3.9  | 0.5 | 45.2                   | 44.5 | 10.3 |

Source: Presidency of Strategy and Budget calculations

\* Capital stock increase corrected by capacity utilization rate.

In the first nine months of 2021, growth increased significantly and reached 11.7 percent thanks to the base effects caused by pandemic, gradual normalization steps, the spread of vaccination throughout society and the revival of delayed demand. Thanks to vaccination, both domestic and foreign demand remain strong through picking up services, tourism and related sectors which were adversely affected by the pandemic and standing out Turkish market among others due to problems experienced in supply chains caused by pandemic. It is expected that this strong pace in demand will reflect positively on investment



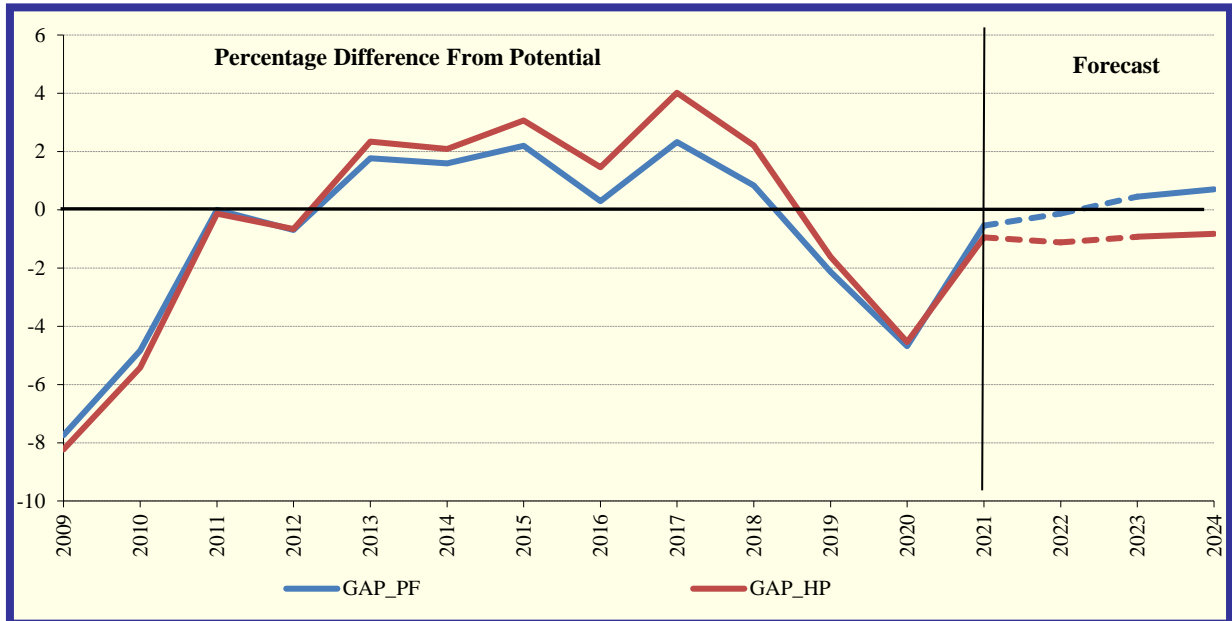
and employment and thus production factors will contribute positively to growth throughout the year.

It is estimated that negative effects of pandemic will weaken via widespread vaccination throughout society, and thus capital stock and employment will increase by 6.0 percent and 3.9 percent on average in the period of 2022-2024, depending on the increase in investments and capacity utilization. TFP is expected to increase by 0.5 percent annually on average in the same period. Within the framework of the macroeconomic structure envisaged in this period contribution of capital stock, employment and TFP to growth is expected to be 45.2 percent, 44.5 percent and 10.3 percent, respectively

**3.2.1.4. Potential Output and Output Gap**

Analyzing the output gap indicators estimated by alternative methods for evaluating the demand-side pressures on inflation and the growth cycles of the economy, domestic demand weakened significantly due to exchange rate shocks, volatility in financial markets and rise in loan rates and uncertainty in the second half of 2018. The economy entered a rapid slowdown because of decrease in demand pressure. During this period, demand developments affirmatively contributed to the reduction in inflation. The weak course in both supply and demand conditions in the early stages of the pandemic gave its way to a strong course of supply and demand, thanks to acceleration of vaccination and gradual normalization steps as of the second half of 2021. Considering 2021 in general, it is realized that production level is below the potential production level within the framework of the macroeconomic structure envisaged program period however the output gap has narrowed significantly compared to 2020. If the growth in 2021 is realized above the projections for the program period, there are upside risks to closing the output gap.

**Figure 3.12: Output Gap**



Source: Presidency of Strategy and Budget calculations  
 GAP\_PF: Output gap calculated by production function method  
 GAP\_HP: Output gap calculated by Hodrick-Prescott method

In the ERP (2022-2024) period thanks to widespread vaccination, it is estimated that the pandemic will slow down and the growth rate will be 5.3 percent annually on average. Through the effect of the steps prioritizing to preserve and enhance the production potential, it is foreseen that the potential growth rate will increase as a result of strong investment and employment growth in addition to productivity gains. Within the framework of the macroeconomic scenario compensating for the adverse effects of pandemic and based on innovative, high value-added production, the current production level is expected to be slightly above the potential level by 2023, depending on the projected growth rate, but this increasing demand is forecasted not to cause a significant inflationary pressure (Figure 3.12).

### 3.2.2. Labor Market

The course of the pandemic and its impact on the economy continue to be the main determinants of the developments in the labor market. With the end of the measures against the pandemic, employment rose above the pre-epidemic period, and the labor force participation rate compensated for most of its losses.

**Table 3.8: Labor Market Developments**

|  | (15+ Age)   |        |          |        |        |        |
|--|-------------|--------|----------|--------|--------|--------|
|  | Realization |        | Forecast |        |        |        |
|  | 2019        | 2020   | 2021     | 2022   | 2023   | 2024   |
| Working Age Population (Thousand Person) | 61,469      | 62,579 | 63,744   | 64,920 | 66,109 | 67,319 |
| Labor Force Participation Rate (%)       | 53.0        | 49.3   | 51.4     | 52.4   | 53.0   | 53.6   |
| Labor Force (Thousand Person)            | 32,549      | 30,873 | 32,752   | 34,008 | 35,030 | 36,085 |
| Employment                               | 28,080      | 26,812 | 28,641   | 29,918 | 31,036 | 32,152 |
| Agriculture                              | 5,097       | 4,716  | 4,923    | 5,024  | 5,079  | 5,079  |
| Non-Agriculture                          | 22,983      | 22,096 | 23,718   | 24,894 | 25,957 | 27,072 |
| Unemployed                               | 4,469       | 4,061  | 4,111    | 4,090  | 3,995  | 3,933  |
| Employment Growth (%)                    | -2.3        | -4.5   | 6.8      | 4.5    | 3.7    | 3.6    |
| Agriculture                              | -3.8        | -7.5   | 4.4      | 2.1    | 1.1    | 0.0    |
| Non-Agriculture                          | -2.0        | -3.9   | 7.3      | 5.0    | 4.3    | 4.3    |
| Employment Rate (%)                      | 45.7        | 42.8   | 44.9     | 46.1   | 46.9   | 47.8   |
| Unemployment Rate (%)                    | 13.7        | 13.2   | 12.6     | 12.0   | 11.4   | 10.9   |

Source: Realization TURKSTAT, forecast Presidency of Strategy and Budget

In the period of 2022-2024, the increase in non-agricultural employment is expected to accelerate and go above its long-term average with the effect of the stable growth environment after the pandemic. The non-agricultural employment is expected to grow by 4.5 percent annually on average. The pace of the increase in agricultural employment is expected to slow down in the upcoming period. It is estimated that the unemployment rate, which is expected to be in a decreasing trend starting from 2021, will be 10.9 percent in 2024. The expected high increases in labor supply especially among women, will limit the unemployment rate decline to some extent. In addition, the course of the pandemic continues to be an element of uncertainty in the economy. The labor force participation rate, which is forecasted as 51.4 percent at the end of 2021, is expected to reach 53.6 percent at the end of the Program period.

### **3.2.3. Inflation, Monetary and Exchange Rate Policies**

The CBRT's primary objective is to achieve and maintain price stability. The CBRT will continue to use all available instruments in pursuit of this objective. Monetary policy decisions will be taken by taking into account headline and core inflation developments, inflation expectations, demand factors that the monetary policy can affect, supply-side developments, pricing behavior and developments in all other factors affecting inflation.

The medium-term inflation target of 5 percent set jointly with the Government has been maintained. The monetary policy stance will be established to bring inflation to the target gradually. While converging to the medium-term inflation target, the targets announced by the CBRT via Inflation Reports will serve as interim targets and a reference for inflation expectations. Therefore, the reference values projected to guide economic agents on the future path of inflation will be inflation forecasts in the short term and inflation targets in the medium term. In 2022, the CBRT will continue to implement the inflation targeting regime in a manner to create a foundation for sustainable price stability. The uncertainty band, which is an element of the CBRT's accountability, has been set at 2 percentage points in both directions around the inflation target, the same as the previous years. Throughout the year, comprehensive evaluations of inflation developments will be shared with the public via Inflation Reports.

The CBRT's main policy instrument is the one-week repo auction rate. Reserve requirements will be used as a supporting instrument in pursuit of the price stability and financial stability objectives. Accordingly, the Reserve Options Mechanism will be completely terminated in 2022, and costs of foreign currency liabilities will be increased while mechanisms to promote Turkish lira deposits will be prioritized. The CBRT will use the policy instruments at its disposal effectively to ensure the smooth functioning of the monetary transmission mechanism and to limit the risks to macrofinancial stability.

The implementation of the floating exchange rate regime will continue, and exchange rates will be determined by supply and demand balance under free market conditions. The CBRT has no commitment to any exchange rate level and will not conduct foreign exchange (FX) buying or selling transactions to determine the level or direction of the exchange rates. To ensure that the FX market operates efficiently, the CBRT will closely monitor exchange rate developments and related risk factors and continue to take the necessary measures and employ due instruments.

A strong policy coordination and a holistic approach involving all stakeholders are essential to achieving price stability. Endorsement of inflation targets by all stakeholders and commitment to the price stability efforts with a common understanding and public accord, along with the determination of macro policies in a coordinated manner, will strengthen the effectiveness of the monetary policy. Accordingly, fiscal policy stance and its coordination with the monetary policy, as well as sustaining the fiscal discipline, remain crucial.

### 3.2.4. Balance of Payments

Thanks to the significant acceleration of vaccination practices worldwide, the repressive effects of the Covid pandemic on economic activity have eased, but the effects of the ongoing disruptions in the supply chains still continue. This outlook closely affects the global trade and inflation developments. Commodity prices which were repressed due to the Covid pandemic, having started to be on the rise due to the monetary and fiscal easing in developed countries and the acceleration of global trade, have been displaying a disadvantageous outlook especially for the current accounts of developing countries. Despite this, due to the competitive price advantage, the increasing competitiveness of the real sector due to the strengthening of Turkish position in the global supply chain in the post-pandemic period, and the strong foreign demand thanks to the high vaccination rates in Türkiye's trade partners, exports in 2021 was realized as 225.4 billion USD, above the expectations taking place in the MTP (2022-2024).

Having started the year at 55 USD, oil prices have gone up to 83 USD due to a rapid climb in demand after the pandemic and closed the year at a 70 USD annual average level. Despite the decline in gold imports with the contribution of macro prudential and market regulatory measures, global commodity prices, domestic demand, increase in energy imports and strong economic activity had an increasing effect on total goods imports. In line with these developments, imports was realized as 271.4 billion USD, above the expectations in MTP (2022-2024), and thus trade deficit improved somewhat in 2021 compared to 2020.

The main emphasis of the Eleventh Development Plan and MTP (2022-2024) is to ensure a transformation to a balanced, less import-dependent, sustainable export-oriented, and noninflationary growth structure that takes green transformation into account, prioritizes increasing potential growth through high value-added production, and generates qualified employment. In order to reach the goal of achieving a permanent and sustainable improvement in the current account balance, sectors with high competitiveness in the international arena will be supported considering the digital and green transformation areas and the changes in the global supply chain. Also, efforts to increase the share of global trade will be among the priorities. Besides the aforementioned structural transformation framework, the implementation of policies and measures to reduce import dependency and the rise in service revenues due to the strong recovery in tourism revenues in the upcoming period is expected to improve the current account balance. As a result of these, the current account deficit to GDP ratio is expected to be 2.6 percent in 2021, and it is expected to decline to 1.0 percent at the end of the Program period.

The targets of the Eleventh Development Plan have been determined within the framework of a growth model focusing on productivity, in which the industrial sector plays a leading role, export-oriented, stable, balanced and favoring the justice of income distribution. Together with maintaining strong economic activity in 2021, measures, that will prioritize the establishment of a less import-dependent production structure and the export-oriented transformation that will enable more exports, and structural reform arrangements will be continued and accelerated within the framework of free-market conditions. In

addition, the Green Transformation will be one of the main determinants of a stable, balanced, export-oriented growth model. During the program period, taking into account the goals and actions of the Green Deal Action Plan, integration with global value chains and attracting more international investment will be targeted.

It is estimated that exports will rise to 255 billion USD at the end of the Program period, with the contribution of the rapid recovery in the global economy and our trade partners, the elimination of disruptions in the supply chains, the stabilization of the Turkish economy's position in the global supply chain, and the competitive prices at historical levels. In addition, thanks to the provision of safe travel opportunities, the continuation of the desire for deferred consumption, the advantage of the global supply chain and geographical location, and the holistic contributions of the 2023 Türkiye Tourism Strategy, the travel revenues is expected to reach 33 billion USD in 2024 and the services balance to make a positive contribution to the current account by reaching 40.2 billion USD.

**Table 3.9: Balance of Payments Forecasts**

(Billion USD)

|                          | Realization |              |              | Forecast     |              |              |
|--------------------------|-------------|--------------|--------------|--------------|--------------|--------------|
|                          | 2019        | 2020         | 2021*        | 2022         | 2023         | 2024         |
| <b>Current Account</b>   | <b>5.3</b>  | <b>-35.5</b> | <b>-10.8</b> | <b>-18.5</b> | <b>-13.5</b> | <b>-10.0</b> |
| Balance on Goods         | -16.8       | -37.9        | -24.0        | -36.6        | -37.4        | -36.4        |
| Total Exports            | 182.2       | 168.4        | 202.6        | 231.8        | 241.7        | 254.8        |
| Exports (fob)            | 180.8       | 169.6        | 203.1        | 230.8        | 242.0        | 255.0        |
| Total Imports            | 199.0       | 181.1        | 226.6        | 268.5        | 279.1        | 291.2        |
| Imports (cif)            | 210.3       | 219.5        | 242.4        | 282.6        | 294.0        | 309.0        |
| Balance on Services      | 34.1        | 11.5         | 23.4         | 31.7         | 37.8         | 40.2         |
| Credit                   | 62.7        | 35.4         | 51.3         | 61.0         | 69.3         | 74.5         |
| Travel Revenues          | 29.8        | 10.2         | 19.4         | 25.0         | 30.0         | 33.0         |
| Debit                    | 28.7        | 23.9         | 27.8         | 29.2         | 31.5         | 34.3         |
| Primary Income Balance   | -12.8       | -9.4         | -11.1        | -14.4        | -14.8        | -14.9        |
| Secondary Income Balance | 0.8         | 0.1          | 0.8          | 0.7          | 0.8          | 1.0          |
| Workers' Remittances     | 0.2         | 0.2          | 0.2          | 0.1          | 0.1          | 0.1          |

\*: 2021 January-November

Source: Realization CBRT, forecast Presidency of Strategy and Budget and MoTF

By the effects of policies on reducing foreign dependency on energy, of the measures on increasing the use of resources that we are rich in natural minerals, expanding sustainable energy resources, and the circular economy and green transformation efforts, the energy imports are estimated, with an average of 2.4 percent increase throughout the period, to arrive 43.6 billion USD at the end of the period.

Under a balanced growth outlook, net exports are expected to contribute positively to growth by the significant contribution of tourism together with domestic demand during the program period. A limited increase is expected in imports due to the continuation of the postponed demand, strong economic activity and foreign demand. As a result of the policies

supporting the reduction of the import dependency of production processes, it is estimated that imports will increase by an average of 6.2 percent annually in the program period and reach 309 billion USD at the end of the period.

In the first half of 2021, when the economic wounds of the epidemic began to heal, financial flows re-directed to emerging markets thanks to the highest expansionary monetary policies of the developed economies' central banks in history, but inflation expectations increased due to the effects of the economic recovery. However, as from the last quarter of the year, the outlook regarding the monetary policy in developed countries and the global risk appetite keeps the risks related to financial flows alive.

Net capital inflows were recorded in the first ten months of 2021. Official reserves increased due to the capital inflows as well as decreasing current account deficit. On the other hand, as global economies started to face the inflation problem in 2021, central banks started to give interest rate hike signals due to rising inflation expectations. This circumstance is considered to have some negative impact on capital flows to emerging markets in 2022.

In addition to the exports to be increased by supporting sectors with high competitive potential and trade deficit, the current account deficit will be significantly reduced with the contribution of increased tourism revenues. In this framework, the current account deficit to GDP ratio is expected to decline to 1 percent at the end of the Program period. Thanks to the macroeconomic and macro-financial policies prioritized to maintain macroeconomic stability to be followed throughout the program period, no bottlenecks are expected in the external financing need of the economy as well as the need for external financing is expected to decrease due to the improvement in the current account balance. By this means, the pressure stemmed from the balance of payments deficit, which is a fragility factor, is considered to ease throughout the Program period, and to decline to such low levels that it cannot be considered as a considerable fragility factor at the end of the period.

### **3.2.5. Financial Sector**

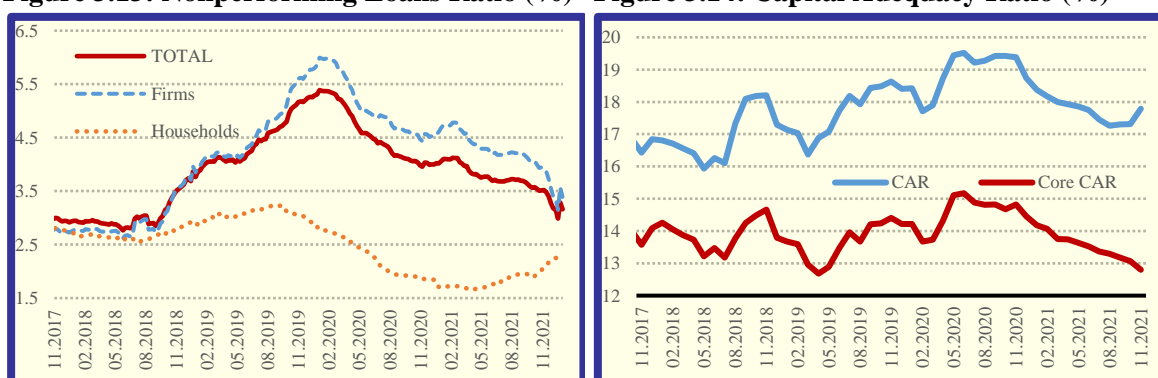
#### **3.2.5.1. Risks Towards Banking Sector**

##### ***Credit Risk***

The nonperforming loans (NPL) ratio of the sector has gradually decreased since the beginning of 2021. During the pandemic, the forbearance that extended the classification periods of loans as Stage II and NPL, loan restructurings and payment deferrals slowed down the transitions to NPL balances and limited the increase of the NPL ratio. Furthermore, the increase in loan volume in this period supported the NPL ratio positively. The NPL ratio of the sector decreased from 4.1 percent in September 2020 to 3.6 percent as of September 2021. Meanwhile, the NPL ratio of firms decreased from 4.6 percent to 4.1 percent whereas the NPL ratio of households remained flat at 1.9 percent. As of September 2021, the ratio of Stage II loans to gross loans is 13.6 percent, and the ratio of restructured loans to gross loans is 6 percent (CBRT, Financial Stability Report, November 2021).

In the Board decision dated 16 September 2021, the BRSA announced that the regulation providing flexibility in the classification of loans will be terminated by the end of September 2021; however, it also made a transitory regulation that will enable the loans to be taken into the relevant classes gradually. Thus, it has been observed that the additions to the NPL balance started to increase as of September. However, the NPL ratio continued to decline and became 3.2 percent as of the 2021 year-end due to strong collections thanks to buoyant economic activity and appreciation in exchange rates. While the NPL ratio of firms was determinant in this decline, a limited increase was observed in the NPL ratio of households (Figure 3.13). However, the collateralized structures of housing and vehicle loans and wide-ranging macroprudential measures applied to consumer loans restrain the increase in the NPL ratio of households.

**Figure 3.13: Nonperforming Loans Ratio (%)** **Figure 3.14: Capital Adequacy Ratio (%)**



Source: CBRT, BRSA and Presidency of Strategy and Budget calculations

With the effect of increasing uncertainties during the pandemic period, banks cautiously increased their reserve ratios in all loan groups. As of November 2021, loan provision ratios for Stage II and NPL loans were realized as 17 percent and 78 percent, respectively. Therefore, although a gradual increase in banks' NPL ratios is expected with the removal of loan classification forbearance at the end of September 2021, it is considered that there will be no additional pressure on profitability and capital due to the provisions that banks have already set aside. Moreover, it is expected that the financial restructuring arrangement, ending in July 2021, being extended for 2 years, the BRSA's regulation regarding the deduction of non-collectible loans from NPL records, and the measures<sup>4</sup> taken within the scope of the Economic Reform Package will support the asset quality outlook.

### ***Profitability and Capital Adequacy***

The profitability of the banking sector, which was adversely affected during the pandemic, started to recover in the second half of 2021 and this development supported capital adequacy through the equity channel. As of November 2021, the sector's capital adequacy ratio (CAR) is 17.8 percent and the core CAR is 12.8 percent, indicating a resilient capital structure (Figure 3.14). The CAR increased above 19 percent in 2020 with the effect

<sup>4</sup> Within the scope of the loan life cycle project, the Guide on Loan Allocation and Monitoring Processes and the Guide on Non-Performing Loans Resolution were published. New provisions regarding the resolution of nonperforming loans were added to the Regulation on Credit Transactions.

of the BRSA's fixed FX rate forbearance in credit risk calculation introduced during the pandemic period. By the 2020 year-end, the use of fixed FX rates was changed to the rolling 252 business day average from the calculation date, resulting in a gradual decline in CAR. The BRSA announced some new decisions on 21 December 2021 in regard to CAR calculation.<sup>5</sup>

Profit and paid-in capital are the most important core capital items, constituting 75 percent of the sector's legal equity. Subordinated debt instruments are another important component of legal equity. Since 2017, banks have increased their capital and increased the use of subordinated debt instruments to strengthen their capital base. In 2018 and 2019, banks did not distribute profits with the recommendation of the BRSA. Thus, in the 2017-2021 period, banks' profits, reserves and paid-in capital contributed 7.7 percentage points to the CAR, while new subordinated borrowings contributed 0.2 percentage points (CBRT, Financial Stability Report, November 2021).

The prudent implementation of legal capital ratios continued during the pandemic period in the Turkish banking sector. In accordance with Basel III regulations, banks in Türkiye are subject to capital conservation buffer, cyclical capital buffer and systemic bank buffer ratios in addition to the 8 percent regulatory capital adequacy ratio. While the capital conservation buffer is 2.5 percent for all banks in the sector, the systemically important bank buffer differs between 1-3 percent according to the systemic importance of the banks. The cyclical capital buffer was determined as 0 percent for banks' positions in Türkiye. When all these ratios are taken into account, the minimum capital adequacy ratio varies between 11.5 and 12.5 percent for systemically important banks while it is 10.5 percent for other banks (CBRT, Financial Stability Report, November 2021).

### ***Liquidity Risk***

The liquidity adequacy ratio, which is an indicator of banks' short-term liquidity position and shows the ratio of liquid assets to liquid liabilities, was 150.5 percent as of November 2021. The loan-to-deposit ratio, which is one of the indicators regarding the long-term liquidity position of the sector, has converged to 100 percent in recent years. While the loan-to-deposit ratio of the sector was around 120 percent between 2015 and 2017, loan growth was financed by foreign borrowing in addition to deposits. Between 2018 and 2020, the importance of deposits was increased in financing loans with the reduction of foreign debts of banks. As of November 2021, the loan-to-deposit ratio is 92 percent for the whole sector, and 84.2 percent excluding non-deposit development and investment banks.

The sector, which currently does not have any difficulty in borrowing from international markets, has a very high capacity to meet its short-term external debt. External FX debt amount of the sector, which will mature within 1 year, is around USD 49 billion by the 2021 year-end. The banks' FX liquid asset portfolio, consisting of unencumbered eurobonds, ROM reserves, free accounts with foreign banks and cash reserves, amounts to

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<sup>5</sup> In CAR credit risk calculation, the rolling 252 business day average from 31.12.2021 is allowed to be used as of 01.01.2022. As of 21.12.2021, the mark-to-market losses on securities already in the portfolio are not taken into account in the equity used for the CAR.



USD 41 billion, implying an 84 percent short-term FX external debt coverage ratio. Moreover, banks have short-term FX assets of approximately USD 49 billion, stemming from the money swap transactions to obtain TL funding. When the aforementioned FX asset is also taken into account, the capacity to meet the short-term FX external debt rises to 184 percent.

Due to the excessive FX liquidity, the banking system meets its TL liquidity needs intensively through currency swap transactions; thus, the sector registers an on-balance sheet FX open position and an off-balance sheet FX excess position. The sector, which has total FX position surplus since the last quarter of 2020, maintained this trend throughout 2021 despite the cancellation of the BRSA's temporary forbearance on the calculation of net FX position.<sup>6</sup> The sector's FX net general position-to-capital ratio was realized as 6.4 percent as of the 2021 year-end, well below the two-way standard legal limit of 20 percent.

### **3.2.5.2. Private Sector Indebtness**

#### ***Households***

In Türkiye, households' excessive borrowing is restricted through macroprudential measures such as loan/value ratio for mortgage and automobile loans, maturity limit for automobile and general-purpose loans, installment and credit limit for personal credit cards. In addition, households cannot borrow in terms of FX and at variable interest rates; thus, households are not exposed to exchange rate and interest rate risks.

In terms of household indebtedness to GDP ratio, Türkiye has quite a low risk when compared to some other country groups. According to Bank for International Settlements database, as of the second quarter of 2021, the ratio of household loans to GDP in Türkiye is 15.9 percent and this level is significantly below the weighted average of developing countries which is 52 percent. Compared to the same period of the previous year, household indebtedness in Türkiye decreased by 0.8 points, while the weighted average of developing countries increased by 4.5 points.

Proportionally, the increase in household financial assets was led by stocks and gold as a result of individuals' return expectation. Currency-protected deposits, implemented in December 2021, will ensure that household deposit returns are protected against currency risk. In terms of percentage, vehicle loans and personal credit card expenditures played a key role in the increase in financial liabilities.

#### ***Real Sector***

While the FX position of the real sector increased until the middle of the year in 2021, it started to decrease after June. As of 2021, the net FX deficit of NFCs decreased by 1.4 billion USD compared to the same period of the previous year and decreased to 122.3 billion USD. Due to the pandemic, global commodity price increases, which had an impact all over the world, and additionally, domestic exchange rate attacks limited the investment appetite of the real sector. In addition, because of the volatility in the exchange rate, real sector firms

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<sup>6</sup> The forbearance implemented in March 2020-July 2021 enabled banks not to take into account the decrease of the securities' values held already in the balance sheet as of 23 March 2020 in the calculation of FX net general position.

reduced the demand for FX loans in order to protect themselves against the risks that may arise on the liability side, which caused FX loans to follow a slow course. As of September 2021, foreign exchange assets of NFCs are 156 billion USD and their foreign exchange liabilities are 278.3 billion USD. The short-term net FX position of the firms, on the other hand, continues to give a surplus. The surplus was 60.1 billion USD dollars as of September 2021. The surplus of the short-term foreign exchange position indicates that the firms are resistant to exchange rate shocks in the short term and that they have sufficient liquid foreign currency assets.

The external debt rollover ratio of the real sector has continued to rise since the fourth quarter of 2020. Thus, as of June 2021, the external debt of the private-real sector increased by 17.9 billion USD compared to the same period of the previous year and reached 135.7 billion USD.

According to the database of the Bank for International Settlements, Türkiye has a low risk in the ratio of non-financial company loans to GDP, with 68.7 percent, in the second quarter of 2021. In the same period, the weighted average of this rate for developing countries is 115.2 percent.

### **3.3. Main Risks in Projections**

The medium-term outlook presented in the Program carries some upside and downside risks depending on the developments in the global outlook beyond the assumptions. In this framework:

- The emerging new virus variants are a serious risk to the global economy and may limit the permanent recovery depending on its speed of spread and the degree of danger.
- On the other hand, while the protests in some countries against the vaccine pose a risk of social unrest, the governments' attempts to implement positive discrimination for the vaccination will increase the demand for the vaccines and reduce the risk of the spread of the pandemic.
- While increasing consumption demand and resulting supply constraints after the pandemic caused global commodity and energy prices to rise, delays in supply caused production disruptions and price increases in many product groups. This situation is likely to put upward pressure on domestic inflation.
- If it turns out that inflation is not short-term and temporary contrary to expectations at the global level, re-adjustments in global monetary policies may come to the fore. This situation may accelerate the exit strategy of the FED from the expansionary monetary policy and cause volatility in global capital markets. Tighter external financing conditions at the global level and exchange rate pass-through may create certain pressures on the Turkish economy.
- When the search for reconciliation in global trade tensions, regional trade cooperation, the signals given by the FED that it will exit the expansion policy

carefully and at a moderate pace, combined with Türkiye's strengthening macro policies, these risks are considered to be manageable. On the other hand, the short-term FX position surplus of our country's real sector firms is 60.1 billion USD as of September 2021, and there is no exchange rate risk in a one-year term.

- The pandemic causes the world production centers to disperse to different geographies. This situation presents an important opportunity for Türkiye to become one of the new production centers of the global economy with its geographical location advantage and flexible production possibilities.
- In addition, updating the Customs Union Agreement with the EU in a way that will solve the current problems may have positive reflections on our foreign trade by eliminating the asymmetric effects.
- If travel restrictions increase depending on the course of the pandemic, a negative impact may be seen on tourism revenues and economic activity.

#### **4. FISCAL FRAMEWORK**

The main objective in the 2022-2024 period is to preserve the strong and sustainable structure of public finances. In this context, the fiscal policy, which is effectively used within the scope of combating the Covid-19 pandemic, will support the economic recovery during the Program period.

Fiscal policy will be implemented in a way that will contribute to increasing the growth potential of our country, inclusive distribution of economic wealth, keeping the current account deficit at a sustainable level, and encouraging domestic savings and investments, while also taking into account compliance with monetary policy targets.

During the program period the efficiency of investments and expenditure programs will be increased, the quality of public income will be improved and, the ratio of public debt to national income will be kept at sustainable levels.

Efforts to strengthen the program budget structure, which was implemented with the 2021 budget, will continue. Expenditure review activities will continue in order to increase efficiency in resource allocation and create financial space.

Public revenue policies will be carried out in line with the objectives of supporting economic development and social justice, inclusive and sustainable distribution of economic wealth, increasing the competitiveness of the economy at international level, improving the business and investment environment, contributing to domestic savings and establishing price stability permanently.

Within the framework of financing public expenditures with healthy and permanent income sources; studies will be carried out to review tax legislation, to spread the tax base, to increase voluntary compliance and to improve taxpayer services, taking into account the principles of fairness, equality, predictability and transparency in taxation.

Main fiscal aggregates in 2022 Pre-accession National Economic Reform Programme regarding general government balance and central government budget were prepared based on the policy priorities, targets and actions in the MTP (2022-2024) and the Presidential Annual Program for 2022.

The general government balance, published by the Presidency of Strategy and Budget, consists of central government budget, local governments, social security institutions and general health insurance funds, revolving funds and Unemployment Insurance Fund. When obtaining the total general government expenditure and revenue, SEEs are excluded, transactions are accounted in gross amounts and revenue and expenditure items are not subjected to any kind of netting operation.

Within the calculation process of expenditures and revenues of the sub-sectors of general government; a revenue item is accounted as income only in the accounts of unit that obtain the revenue at first hand, similarly it is accounted as expenditure only in the accounts of the unit that makes the final spending by applying this methodology, possible double counting problems in transfer transactions between sub-sectors are avoided. As a result of

this operation, the balance figures of sub-units may differ from the originally reported amounts, but the consolidated general government balance is kept unchanged. Total general government expenditure and revenue figures are produced through consolidation of sub-units' expenditure and revenue amounts calculated by using this methodology.

While obtaining general government revenue and expenditure figures according to this methodology;

- The tax shares of local governments and funds from the general budget tax revenues and other transfers are deducted from the central government budget revenues and displayed in the balances of respective local governments or funds,
- The current transfers to the social security and general health insurance system from the central government budget are subtracted from both expenditures of the central government budget and revenues of social security and general health insurance system,
- The amounts transferred to the central government budget from revolving funds, extra budgetary funds and Unemployment Insurance Fund are deducted from the central government budget revenues and expenditures of relevant units respectively,
- Financial operations among other sub-sectors of general government except the central government budget are adjusted in a way to prevent double counting.

#### **4.1. Fiscal Policy Strategy and Medium-Term Objectives**

Fiscal policy will be implemented in a stronger coordination with monetary policy in the post-pandemic recovery period, in a way that will contribute to the preservation of macroeconomic stability, the gradual reduction of the current account deficit, the creation of a sustainable and high growth environment, the inclusive and fair distribution of economic welfare, and the encouragement of domestic savings and investments. In this regard, main policy priorities in 2022-2024 terms are as follows:

##### **4.1.1. Revenue Policies**

- The strong and sustainable structure of public finances will be preserved by maintaining the fiscal discipline with determination. The fight against the negative effects of the Covid-19 pandemic on the economy will be continued with an effective fiscal policy.
- Public revenue policies will be carried out in line with the objectives of providing the financing needed for public expenditures, supporting economic development and social justice, increasing the competitiveness of the economy at international level, improving the business and investment environment, contributing to domestic savings and establishing price stability permanently.
- In order to increase sustainable and healthy income sources in public financial management, efforts will be continued to spread the tax base and increase voluntary

compliance on the basis of the principles of fairness, equality, predictability and transparency in taxation.

- Tax incentives will be evaluated together with all their economic and social effects, regulations that are qualified as tax expenditures will be reviewed and those that are not effective, effective and efficient will be gradually removed.
- Studies for the revision of basic tax laws will continue within the framework of the aim of making the tax legislation an understandable, easily applicable and simple structure that meets the current requirements.
- Efforts will be continued to ensure a healthy and full understanding and taxation of the digital economy. Within the scope of the regulations regarding the taxation of income earned by using social media; Social content production and application development for mobile devices have been exempted from earnings, and these earnings will only be subject to income tax withholding. A draft of the communique on the subject has been prepared and will be published soon.
- With the strong digital infrastructure support in public revenues, collection performance will be increased. Risk-based and remote auditing systems will be introduced in tax auditing.
- A comprehensive programme based on the cooperation of relevant institutions will be put into practice in the fight against the informal economy.
- More detailed and descriptive tax statistics will be publicly and regularly disseminated, as part of the efforts to share the implementation results of public finance in a transparent and detailed manner.
- Improving taxpayer services and providing an effective, up-to-date and fast mannered and central management of taxpayer services will be ensured by using new generation communication to continuously serve taxpayers.

#### **4.1.2. Expenditure Policies**

- During the Programme period, the fiscal discipline will be resolutely maintained, resources will be used efficiently, expenditure cuts will be made in designated areas, structural changes will be implemented, the public sector borrowing requirement and the public debt stock to GDP ratio will be reduced and the sustainability of the fiscal policy will be strengthened.
- It will be essential that the public expenditure policy will be carried out within the framework of the multi-year budgeting approach, in line with the set policy priorities and the appropriation ceilings allocated to public administrations.
- Expenditure reviews will be continued in order to evaluate and prioritize public expenditures and to monitor the effective use of resources.

- Public services will be carried out with the understanding of maximum savings, while remaining within the budgetary limits, without causing spending above the allocated resources.
- Permanent expenditures will not be created in response to temporary resources obtained by non-continuous and conjuncture-based revenues.
- The performance-based budgeting system implemented in 2021 budget, which focuses more on the expectations of the society in terms of spending priority formulation, strengthens the link between public resources and public services, increases transparency and accountability will be developed in line with the feedbacks from the stakeholders. The output and result-oriented budgeting approach will be expanded.
- Special account implementations will be limited to urgent and obligatory cases due to the nature of the service and implementations that do not meet these criteria will be gradually removed. Revolving funds' will be gradually included in the central government budget.
- SOEs will continue their activities considering macroeconomic, sectoral, and social policies as well as market conditions in which they are operating, while putting least burden on public finance.
- With the radical reforms to be made in the education system, the quality of education will be increased and the implementation of policies aimed at raising a workforce with the skills necessary for competitive production and efficiency and strengthening the human capital of the country will be continued.
- In order to maintain price stability by ensuring food supply security, efforts for the protection and effective use of agricultural lands will be continued.
- All social aids data will be integrated into the Integrated Social Aids Information System in order to prevent multiple utilization and to ensure efficiency in public resources. Also, holistic approach in social aids will be strengthened
- Implementations that deteriorate the actuarial balance in the social security system will be avoided, and the financial sustainability of the system will be strengthened.
- In order to prevent unnecessary utilization without compromising the quality of health services; medicine, medical equipment and treatment expenditures will be rationalized.
- Auditing models, based on behaviors of health service providers, will be developed; software, hardware and education infrastructure will be strengthened in the fields of risk analysis and data mining.
- Project studies that support the “Risk Sharing Model” in reimbursement of health services will be initiated and evaluation of clinical quality in resource use will be ensured.

- Together with the State Supply Office, the scope of the Health Market Application will be expanded and the pharmaceutical and medical stuff supply chain will be strengthened.
- The premium base will be expanded by combating with informal employment and undeclared wages.
- Implementation models of the Public Fleet Management System, mainly the vehicle-based expense management model, will continue to be extended to public administrations.

#### **4.1.3. Policy Borrowing Policies**

Ministry of Treasury and Finance executes debt management in line with the borrowing limit determined pursuant to the Article 5 of the Law No.4749 on Regulating Public Finance and Debt Management, enacted in April 2002. This Law establishes the principles of public debt and risk management as follows:

- To follow a sustainable, transparent and accountable debt management policy in line with monetary and fiscal policies, considering macroeconomic balances,
- To meet financing need at the optimal cost levels in medium and long term, in accordance with the reasonable risk level determined considering cost factors, domestic and foreign market conditions.

Net borrowing limit is described as the amount of difference between the initial budget appropriations and estimated revenues specified in the budget law of the relevant fiscal year. In line with the same article of the Law, this limit could be increased up to 5 percent within the year by considering the needs and developments in debt management. In the cases where such amount is not sufficient, an additional increase of five percent may be made only by President's decree.

Within the scope of accountable, transparent and sustainable borrowing policies which are compatible with the monetary and fiscal policies, ensuring the optimal cost target in the medium and long term at a reasonable risk level, strategic benchmarking policy has been continued since 2003. Depending on the cost and risk calculations, to manage the public debt efficiently against the liquidity, exchange rate and interest rate risks, the following strategic benchmarks and debt indicators will be the main pillars of the borrowing policy in 2022.

- To borrow mainly in TL and to decrease the share of domestic debt stock denominated in foreign currency,
- To borrow in foreign currencies besides US dollar, in international markets for market diversification,
- To keep the share of debt maturing within 12 months and the share of debt stock with interest rate refixing period of less than 12 months at a certain level, by taking into account appropriate instrument and maturity composition to optimize interest payments,



- To keep a certain level of cash reserve in order to reduce the liquidity risk associated with cash and debt management.

## **4.2. Budget Implementations in 2021**

### **4.2.1. Developments in the Central Government Budget Revenues and Expenditures**

According to the Central Government Budget Law of 2021, 1,346.1 billion TL was allocated for budget expenditures, budget revenues were estimated to be 1,101.1 billion TL and the budget deficit to be 245 billion TL.

However, according to the MTP (2022-2024) projections, it is estimated that the budget expenditures will be exceeding 160.1 billion TL of initial appropriations and revenues will be exceeding 175.1 billion TL of initial budget estimations. It is estimated that the budget expenditures and revenues will be realized as 1,506.3 billion TL and 1,276.3 billion TL respectively at the end of the year. An increase has been observed in budget expenditures due to personnel expenditures, tradesman support, vaccine purchases and other needs. As for the increase in budget revenues, the positive impact of the recovery in economic activities on revenue performance as a result of the gradual removal of epidemic measures in 2021 was decisive. In addition, the restructuring of some public receivables increased the budget revenues and reduced the financing need of the social security system, which received additional income.

In this framework, with the Medium-Term Program for the period 2022-2024, the year-end budget deficit estimate was revised as 230 billion TL. On the other hand, while the GDP was predicted to be 5,644 billion TL while the 2021 budget was being prepared, this estimate was increased to 6,648 billion TL with the Medium-Term Program for the 2022-2024 period. Parallel to the expected increase in GDP, the ratio of the budget deficit to GDP, which was estimated to be 4.3 percent for 2021, is predicted to decrease to 3.5 percent.

In addition, the ratio of the budget deficit to GDP performs above the estimates despite the epidemic measures taken to support the real economy and taxpayers, especially employment and production, and the expenditures made within the scope of combating the epidemic. Depending on the normalization process in the economy, it is predicted that tax revenues will exceed the forecasts revised by the Medium Term Program for the 2022-2024 period, and thus the budget deficit to GDP ratio will remain below 3.5 percent by the end of 2021.

In 2021, it is estimated that central government budget expenditures will exceed the budget appropriation by 160.1 billion TL and will reach 1,506.3 billion TL and its ratio to GDP will be 22.7 percent.

In 2021, it is foreseen that the central government budget primary expenditures will exceed the budget appropriation by 160.1 billion TL and will reach 1,326.7 billion TL and its ratio to GDP will be 20 percent.

**Table 4.1: Central Government Budget Balance 2021**

|                                       | (Billion TL)   |                | (GDP Ratio, %) |             |
|---------------------------------------|----------------|----------------|----------------|-------------|
|                                       | Budget         | RE.            | Budget         | RE.         |
| <b>Central Government Budget</b>      |                |                |                |             |
| <b>Total Expenditures</b>             | <b>1,346.1</b> | <b>1,506.3</b> | <b>23.8</b>    | <b>22.7</b> |
| Primary Expenditures                  | 1,166.6        | 1,326.7        | 20.7           | 20.0        |
| Interest Payments                     | 179.5          | 179.5          | 3.2            | 2.7         |
| <b>Programme Defined Expenditures</b> | <b>1,166.6</b> | <b>1,326.7</b> | <b>20.7</b>    | <b>20.0</b> |
| <b>Total Revenues</b>                 | <b>1,101.1</b> | <b>1,276.3</b> | <b>19.5</b>    | <b>19.2</b> |
| General Budget Tax Revenues           | 922.7          | 1,057.9        | 16.3           | 15.9        |
| Other Revenues                        | 178.4          | 218.4          | 3.2            | 3.3         |
| <b>Programme Defined Revenues</b>     | <b>1,042.7</b> | <b>1,201.9</b> | <b>18.5</b>    | <b>18.1</b> |
| <b>Budget Balance</b>                 | <b>-245.0</b>  | <b>-230.0</b>  | <b>-4.3</b>    | <b>-3.5</b> |
| <b>Primary Balance</b>                | <b>-65.5</b>   | <b>-50.5</b>   | <b>-1.2</b>    | <b>-0.8</b> |
| <b>Programme Defined Balance</b>      | <b>-123.9</b>  | <b>-124.9</b>  | <b>-2.2</b>    | <b>-1.9</b> |

RE: Realization Estimate

Source: Presidency of Strategy and Budget, Ministry of Treasury and Finance

In 2021, personnel expenditures, which consist of the sum of personnel expenditures and state contributions to social security institutions, are expected to exceed the initial allowance by 24 billion TL and reach 409 billion TL. The general salary increase rate was applied as 3 percent in January and July, as determined in the collective agreement, with an inflation difference of 4.33 percent in January and 5.45 percent in July.

It is estimated that the purchase of goods and services, which was envisaged as 89.1 billion TL in the 2021 budget, will increase by 41.6 billion TL and reach 130.6 billion TL. It is expected that meeting the additional needs of institutions with vaccine purchases will be effective in this development.

The current transfers, which were programmed as 536 billion TL in the 2021 budget, are expected to exceed this amount by 51.1 billion TL at the end of the year and reach 587.1 billion TL. The increase in the shares allocated to local administrations and extrabudgetary funds due to the strong performance in tax revenues was the main determinant of the increase in current transfers compared to the previous year. In addition, the support of the tradesmen within the scope of combating the economic and social effects of the Covid-19, the increase in transfers to public banks were other determinants of the rise in current transfers.

Capital expenditures are expected to be 125.1 billion TL at the end of the year, exceeding the initial appropriation by 21.3 billion TL. Meeting additional demands, especially investments for strengthening transportation and irrigation infrastructure, was effective in this development.

In 2021, capital transfers are expected to be 18.5 billion TL, 9.7 billion TL above the initial appropriation. The main determinant in this development was the provision of additional appropriations for the Scientific and Technological Research Council of Türkiye (TÜBİTAK) projects and the Disaster and Emergency Management Presidency (AFAD).

**Table 4.2: Central Government Budget Expenditures 2021**

|   | (Billion TL)   |                | (GDP Ratio, %) |             |
|---|----------------|----------------|----------------|-------------|
|   | Budget         | RE.            | Budget         | RE.         |
| <b>Central Government Budget Expenditures</b> | <b>1,346.1</b> | <b>1,506.3</b> | <b>23.8</b>    | <b>22.7</b> |
| <b>Interest Payments</b>                      | <b>179.5</b>   | <b>179.5</b>   | <b>3.2</b>     | <b>2.7</b>  |
| <b>Primary Expenditures</b>                   | <b>1,166.6</b> | <b>1,326.7</b> | <b>20.7</b>    | <b>20.0</b> |
| Personnel Expenditures                        | 326.6          | 351.4          | 5.8            | 5.3         |
| State Social Sec. Contributions               | 54.5           | 57.7           | 1.0            | 0.9         |
| Current Expenditures                          | 89.1           | 130.6          | 1.6            | 2.0         |
| Current Transfers                             | 536.0          | 587.1          | 9.5            | 8.8         |
| Capital Expenditures                          | 103.7          | 125.1          | 1.8            | 1.9         |
| Capital Transfers                             | 8.8            | 18.5           | 0.2            | 0.3         |
| Lending                                       | 38.0           | 56.5           | 0.7            | 0.8         |
| Reserve Appropriations                        | 9.9            | 0.0            | 0.2            |             |

RE: Realization Estimate

Source: Presidency of Strategy and Budget, Ministry of Treasury and Finance

The lending item is expected to be 56.5 billion TL, 18.5 billion TL above the amount determined in the 2021 budget. Capital contributions to state-owned companies operating in the railway transportation and energy sector were effective in the said increase.

Interest expenses are estimated to be 179.5 billion TL, at the same level as the amount foreseen in the 2021 budget.

**Table 4.3: Central Government Budget Revenues 2021**

|   | (Billion TL)   |                | (GDP Ratio, %) |             |
|---|----------------|----------------|----------------|-------------|
|   | Budget         | RE.            | Budget         | RE.         |
| <b>Central Government Budget Revenues</b>                 | <b>1,101.1</b> | <b>1,276.3</b> | <b>19.5</b>    | <b>19.2</b> |
| <b>General Government Revenues</b>                        | <b>1,076.3</b> | <b>1,249.3</b> | <b>19.1</b>    | <b>18.8</b> |
| <b>Tax Revenues</b>                                       | <b>922.7</b>   | <b>1,057.9</b> | <b>16.3</b>    | <b>15.9</b> |
| Income Tax Revenues                                       | 195.3          | 200.5          | 3.5            | 3.0         |
| Corporate Tax Revenues                                    | 105.2          | 151.2          | 1.9            | 2.3         |
| Taxes on Foreign Trade                                    | 220.0          | 270.0          | 3.9            | 4.1         |
| Domestic VAT  | 71.6           | 108.5          | 1.3            | 1.6         |
| SCT   | 213.7          | 195.4          | 3.8            | 2.9         |
| Petroleum and Natural Gas                                 | 75.7           | 31.2           | 1.3            | 0.5         |
| Motor Vehicles  | 39.6           | 63.4           | 0.7            | 1.0         |
| Alcoholic Beverages                                       | 17.9           | 20.8           | 0.3            | 0.3         |
| Tobacco   | 65.5           | 64.4           | 1.2            | 1.0         |
| Other Beverages   | 1.6            | 1.8            | 0.0            | 0.0         |
| Durable Goods and others                                  | 13.4           | 13.8           | 0.2            | 0.2         |
| Other Taxes   | 116.9          | 132.4          | 2.1            | 2.0         |
| <b>Nontax Revenues</b>                                    | <b>153.6</b>   | <b>191.4</b>   | <b>2.7</b>     | <b>2.9</b>  |
| <b>Special Budget and Regulatory and Supervisory Ins.</b> | <b>24.8</b>    | <b>27.0</b>    | <b>0.4</b>     | <b>0.4</b>  |

RE: Realization Estimate

Source: Presidency of Strategy and Budget, Ministry of Treasury and Finance

In 2021, budget revenues, which is expected to be 175.1 billion TL above the budget, target in, is expected to be 19.2 percent of GDP. With the transition to the normalization process in economic and social life, the recovery in economic activities is expected to

become stronger in the upcoming period and budget revenues will gradually improve accordingly.

The increase in tax revenues is basically due to corporate tax, VAT and VAT on imports; increase in non-tax revenues is expected to result from collections from interest, shares and fines. Easing of the effects of the Covid-19 pandemic and the start of the normalization process are seen as an important factor that strengthens the expectation of tax revenues to be realized above the budget targets.

According to the target budget; general budget tax revenues are expected to be 1,057.9 billion TL, exceeding the budget target by 135.2 billion TL. Non-tax revenues are expected to be 218.4 billion TL, with an increase of 40.0 billion TL. As a ratio of GDP, it is expected to be that tax revenues are 15.9 percent and non-tax revenues are estimated to be 3.3 percent.

It is observed that there has been an increase in income tax and corporate tax collection due to the recovery in economic activity. Income tax collection is expected to be at the level of 200.5 billion TL that exceeding the 2021 budget target by 5.2 billion TL and it is 3.0 percent of GDP. The measures taken to alleviate the negative impact of the Covid-19 pandemic on the economy and the developments in interest and wages, has been effective in this increase.

It is expected that corporate tax collection for 2021 will be 151.2 billion TL, exceeding the budget estimate by 46.0 billion TL, and its ratio to GDP is expected to be 2.3 percent. Increasing the corporate tax rate from 20 percent to 25 percent was mainly effective in this increase.

It is estimated that the domestic VAT collection will be at the level of 108.5 billion TL, which is 36.9 billion TL above the 2021 budget estimate and 1.6 percent of the GDP. Despite the negative impact of lowering VAT rates in workplace leasing and some services on collections, the strong course in domestic demand, developments in macroeconomic indicators, measures and structuring arrangements taken to maintain fiscal discipline were the determinants of this increase.

Measures implemented within the scope of the fight against inflation in public finances significantly reduced the collection of SCT. In this context, it is predicted that the SCT collection from petroleum and natural gas products will be 31.2 billion TL which is remaining 44.5 billion TL below the budget estimate and it is 0.5 percent of GDP in 2021. The sliding scale system, which have entered into force in 2018 and is still partially-implemented and which is based on a system in which the increase in the fuel sales price is compensated through the SCT reduction in order to limit the reflection of the increases in crude oil prices and exchange rates on the fuel pump sales price, the SCT collection from petroleum and natural gas products has been considerably reduced. It is estimated that the SCT collection from motor vehicles will be 63.4 billion TL, 23.8 billion TL above the budget estimate. The increase in the demand for individual automobiles during the pandemic and the increase in the SCT amounts taken from the vehicles depending on the prices were effective in this development. It is foreseen that the SCT collection from tobacco products

will be 64.4 billion TL, 1.1 billion TL below the budget estimate and the SCT collection from alcoholic beverages will be 20.8 billion TL, 2.9 billion TL above the budget estimate. In order to support the fight against inflation and price stability; The relative tax rate on cigarettes was reduced from 67 percent to 63 percent at the beginning of 2021, and the D-PPI was not updated throughout the year in the SCT amounts for tobacco products and in July on the SCT amounts applied to alcohol products.

In 2021, it is estimated that the VAT collection on imports will exceed the budget estimate by 43.1 billion TL, reaching 238 billion TL and 3.6 percent of GDP. In this increase, the soar in tax revenues due to the upward course of exchange rate and commodity prices, together with the strong recovery in imports in 2021, following the low performance in VAT revenues on imports due to the Covid-19 pandemic in 2020, was the determining factor.

Revenues from fees, which are one of the important indicators reflecting economic activity, are expected to be 36.1 billion TL, 1.8 billion TL above the budget estimate, while stamp tax revenues are expected to be 28 billion TL, 4.2 billion TL above the budget estimate. In 2021, Motor vehicle tax, bank and insurance transactions tax (BITT), tax on games of chance, special communication tax, inheritance and gift tax items are also expected to increase according to budget estimates. The digital service tax, which started to be collected in 2020, is implemented as an important tax policy tool in the taxation of the digital economy, which can be characterized as a global problem area.

**Table 4.4: Central Government Budget Balance**

|                                   | (GDP Ratio, %) |             |             |             |
|-----------------------------------|----------------|-------------|-------------|-------------|
|                                   | 2018           | 2019        | 2020        | 2021        |
| <b>Expenditures</b>               | <b>22.1</b>    | <b>23.2</b> | <b>23.9</b> | <b>22.7</b> |
| Primary Expenditures              | <b>20.1</b>    | <b>20.8</b> | <b>21.2</b> | <b>20.0</b> |
| Personnel Expenditures            | 5.3            | 5.8         | 5.7         | 5.3         |
| State Social Sec. Contributions   | 0.9            | 1.0         | 1.0         | 0.9         |
| Current Expenditures              | 1.9            | 2.0         | 1.9         | 2.0         |
| Current Transfers                 | 8.6            | 9.3         | 9.9         | 8.8         |
| Capital Expenditures              | 2.3            | 1.9         | 1.9         | 1.9         |
| Capital Transfers                 | 0.4            | 0.4         | 0.3         | 0.3         |
| Lending                           | 0.6            | 0.6         | 0.6         | 0.8         |
| Reserve Appropriation             | 0.0            | 0.0         | 0.0         | 0.0         |
| Interest Payments                 | 2.0            | 2.3         | 2.7         | 2.7         |
| <b>Revenues</b>                   | <b>20.2</b>    | <b>20.3</b> | <b>20.4</b> | <b>19.2</b> |
| Tax Revenues                      | 16.6           | 15.6        | 16.5        | 15.9        |
| Non-Tax Revenues                  | 3.3            | 4.3         | 3.5         | 2.9         |
| Capital Revenues                  | 0.2            | 0.2         | 0.2         | 0.1         |
| Grants, Aids and Special Revenues | 0.1            | 0.2         | 0.2         | 0.2         |
| Primary Surplus                   | <b>0.0</b>     | <b>-0.6</b> | <b>-0.8</b> | <b>-0.8</b> |
| Programme Defined Primary Surplus | <b>-1.5</b>    | <b>-3.0</b> | <b>-2.5</b> | <b>-1.9</b> |
| <b>Borrowing Requirement</b>      | <b>1.9</b>     | <b>2.9</b>  | <b>3.5</b>  | <b>3.5</b>  |

Source: Presidency of Strategy and Budget, Ministry of Treasury and Finance

In 2021, it is estimated that the central government budget non-tax revenues will exceed the budget target by 40.0 billion TL, reaching 218.4 billion TL and 3.3 percent of GDP. From the implementation of Law No. 6736, which entered into force in 2016 within

the scope of one-time arrangements regarding the structuring of public receivables; a total of 43.9 billion TL revenue was generated, 945 million TL of which was in the first nine months of 2021. Within the scope of Law No. 7020, which entered into force in 2017, a total of 5.6 billion TL was collected between 2017-2020 and 169 million TL was collected in the first nine months of 2021. Within the scope of the Restructuring Law No. 7143, which entered into force in 2018, a total of 27.4 billion TL was collected, 1.3 billion TL of which was collected in the first nine months of 2021. In addition, within the scope of Law No. 7256, which entered into force in 2020, 21.2 billion TL in the first nine months of 2021 and within the scope of Law No. 7326, which was put into effect in 2021, a revenue of 22.7 billion TL was obtained. Within the scope of the five regulations made In the January-September period of 2021, a total of 46.4 billion TL of restructuring collection was obtained.

#### **Box 4.1: Central Government Budget Provisional Realizations (2021)**

As mentioned in the beginning of this chapter, central government budget figures for the ERP 2022 are based on the MTP (2022-2024) and 2022 Presidential Annual Program. However, the realizations of central government budget for 2021 were announced during the preparation of ERP (2022-2024). Additionally, with a temporary regulation introduced by Law No. 7349 at the end of 2021, the President was given the authority to add appropriations to the budgets of central government administrations in the 2021 budget year. Additional appropriations are limited to revenue realizations that exceed the general budget revenue estimates in the 2021 Central Government Budget. Thanks to this regulation, central government expenditures exceeded the budget expectations.

In this respect, central government budget expenditures and revenues have been 1,599.6 billion TL and 1,407.4 billion TL, respectively. The budget deficit, which was foreseen as 245 billion TL in the budget of 2021, has been 192.2 billion TL. The announced provisional budget realizations are summarized below.

|  | (Billion TL)   |
|--|----------------|
| <b>Total Expenditures</b>                      | <b>1,599.6</b> |
| <b>Primary Expenditures</b>                    | <b>1,418.8</b> |
| Personnel Expenditures                         | 346.3          |
| Social Sec. Ins. Gov. Premium Exp.             | 57.4           |
| Goods and Services Purchase Exp.               | 130.1          |
| Current Transfers                              | 626.7          |
| Capital Expenditures                           | 130.9          |
| Capital Transfers                              | 25.5           |
| Lending  | 102.0          |
| <b>Interest Payments</b>                       | <b>180.9</b>   |
| <b>Total Revenues</b>                          | <b>1,407.4</b> |
| <b>General Budget Revenues</b>                 | <b>1,369.5</b> |
| Taxes  | 1,164.8        |
| Property Income                                | 55.5           |
| Grants and Aids and Special Rev.               | 17.9           |
| Interest, Shares and Fines                     | 121.2          |
| Capital Revenues                               | 8.8            |
| Collection From Loans                          | 1.3            |
| <b>Special Budget Institutions</b>             | <b>28.9</b>    |
| <b>Regulatory and Supervisory Institutions</b> | <b>9.0</b>     |
| <b>Borrowing Requirement</b>                   | <b>192.2</b>   |

Source: Presidency of Strategy and Budget, Ministry of Treasury and Finance

#### **4.2.2. Developments Regarding General Government Revenues and Expenditures**

General government revenues decreased by 0.7 percentage points to 32.4 percent of GDP in 2020 compared to 2019. Despite the 0.9 point increase in tax revenues, there was a 0.9 point decrease in factor incomes, 0.6 points in social funds and 0.1 points in non-tax revenues.

General government expenditures increased by 0.2 percentage points to 36.4 percent of GDP in 2020 compared to 2019. During this period, GDP share of current expenditures decreased by 0.3 points while the share of investment expenditures decreased by 0.1 points.

Transfers from the central government budget increased by 0.1 points, while transfers from other general government components increased by 0.5 points. In line with these developments in general government revenues and expenditures, the general government deficit to GDP increased by 0.9 points compared to the previous year and became 3.9 percent in 2020.

The effects of the pandemic, which started to be felt in our country after March 2020, continue in 2021 as well. Fiscal policy for 2021 was planned cautiously, and this reflected on the general government balances in the form of a decrease in both in revenue and expenditure items. However, the fact that the nominal income growth was above the program projections was also effective in this development.

In 2021, general government revenues are expected to decrease by 1.8 points compared to the previous year and reach 30.7 percent of GDP. It is expected that 0.6 percentage points of this shrink in general government revenues will be comprised of tax revenues, while the remainder will be comprised of factor revenues and social funds. Despite the higher-than-anticipated realization in revenue items, the high nominal growth of GDP is effective in the proportional decline. In addition, tax adjustments were made in 2021 to limit the increase in inflation and improve demand conditions. It is estimated that the size of revenue forgone due to tax adjustments is over 1.5 percent of GDP.

It is estimated that the ratio of general government expenditures to GDP will decrease by 2.1 points in 2021 compared to the previous year and will be 34.3 percent. In this period, it is expected that current expenses and current transfers will decrease by 1.2 points, while investment expenditures remain constant, and capital transfers will increase by 0.3 points. In this context, it is expected that the ratio of general government deficit, which was 3.9 percent of GDP in 2020, will decrease to 3.6 percent in 2021.

The general government primary borrowing requirement, which was 1.1 percent of GDP in 2020, is expected to be 0.7 percent in 2021, while the program-defined general government deficit, which was 3.2 percent in the same period, is expected to decrease to 2.1 percent. In the general balance of the public sector, obtained by adding SEEs to the scope of the general government, the ratio of the deficit of 3.9 percent of GDP in 2020 is expected to remain at the same level in 2021.

**Table 4.5: General Government Revenues and Expenditures - 1**

|   | (GDP Ratio, %) |             |             |             |
|---|----------------|-------------|-------------|-------------|
|   | 2018           | 2019        | 2020        | 2021        |
| Taxes   | 16.8           | 15.9        | 16.8        | 16.2        |
| Direct  | 5.9            | 5.7         | 5.3         | 5.4         |
| Indirect  | 10.4           | 9.6         | 11.0        | 10.3        |
| Wealth  | 0.6            | 0.6         | 0.6         | 0.5         |
| Non-Tax Revenues                                  | 2.2            | 1.9         | 1.8         | 1.9         |
| Factor Incomes                                    | 4.7            | 6.0         | 5.2         | 4.2         |
| Social Funds                                      | 9.0            | 9.2         | 8.6         | 8.4         |
| Total   | 32.8           | 33.0        | 32.3        | 30.6        |
| Privatization Revenues                            | 0.2            | 0.1         | 0.1         | 0.1         |
| <b>Total Revenues</b>                             | <b>32.9</b>    | <b>33.1</b> | <b>32.4</b> | <b>30.7</b> |
| Current Expenditures                              | 15.8           | 16.5        | 16.2        | 15.0        |
| Investment Expenditures                           | 3.8            | 2.7         | 2.6         | 2.6         |
| Fixed Investment                                  | 3.8            | 2.6         | 2.5         | 2.6         |
| Change in Stocks                                  | 0.0            | 0.0         | 0.0         | 0.0         |
| Transfer Expenditures                             | 15.7           | 17.0        | 17.6        | 16.6        |
| Current Transfers                                 | 15.0           | 16.2        | 16.8        | 15.6        |
| Capital Transfers                                 | 0.7            | 0.8         | 0.7         | 1.0         |
| Stock Revaluation Fund                            | 0.0            | 0.0         | 0.0         | 0.0         |
| <b>Total Expenditures</b>                         | <b>35.3</b>    | <b>36.1</b> | <b>36.4</b> | <b>34.3</b> |
| <b>Borrowing Requirement</b>                      | <b>2.4</b>     | <b>3.0</b>  | <b>3.9</b>  | <b>3.6</b>  |
| <b>Borrowing Req. Exc. Privatization Revenues</b> | <b>2.5</b>     | <b>3.2</b>  | <b>4.0</b>  | <b>3.7</b>  |
| <b>Primary Expenditures</b>                       | <b>33.2</b>    | <b>33.7</b> | <b>33.6</b> | <b>31.4</b> |
| <b>Primary Surplus</b>                            | <b>0.2</b>     | <b>0.5</b>  | <b>1.1</b>  | <b>0.7</b>  |
| <b>Programme Defined Primary Surplus</b>          | <b>-2.3</b>    | <b>-3.5</b> | <b>-3.2</b> | <b>-2.1</b> |

Source: Presidency of Strategy and Budget

In the same period, the program defined public sector primary deficit, which was 3.2 percent in 2020, is expected to decrease to 2.4 percent. The EU-defined general government debt stock, which was 39.7 percent of GDP in 2020, is expected to decrease to 36.6 percent in 2021.

#### 4.2.3. Economic Size of Measures Taken Under the Scope of Covid-19

Within the scope of the fight against the epidemic, a series of measures have been implemented since the first case was seen in Türkiye. The economic size of these measures implemented as of October 2021 reached approximately 718 billion TL (14 percent of GDP). The portion of this amount, which is covered by various funds, primarily the central government budget and the Unemployment Insurance Fund, is approximately 190 billion TL. By the end of the year, these financial supports are expected to reach 205 billion TL which is 2.4 percent of the national income. A resource of 529 billion TL, in other words 10.5 percent of the national income, has been mobilized through tax, social security premium deferrals and loans and deferrals. To ensure the continuity in production and trade in 2020 and 2021; applications such as short-time working allowance, unemployment allowance, wage support and normalization support are considered to have significant contributions.



With these four mechanisms, 63 billion TL support was provided to more than 10 million citizens. In addition to these, within the scope of the Social Support Program, more than 7 million households were provided with 4.4 billion TL from the central government and 5.5 billion TL from the funds.

Due to the increasing rate in the vaccination rate by the end of 2021, it is predicted that the risks arising from the epidemic will be minimized in the next year. For the year 2022, necessary actions have been taken by the Ministry of Health regarding vaccination and other measures, and the necessary resources have been provided from the central government budget. However, in case of a situation contrary to our predictions due to the epidemic, temporary and targeted support will be provided to all areas likely to be affected as before.

**Table 4.6: The Effect of Measures Taken Against the Covid-19 Epidemic on Public Finances \***

| A) Supports Provided from the Central Government Budget  | Number of Beneficiary Person/Household/ Businesses | 2020-2021 Amount Provided (Billion TL)<br>(1) | 2021 Additional Planned | 2021 Year-end Forecast | 2020-2021 Year-end Realization Forecast |
|--|--|---|-------------------------|------------------------|---|
| Medicine, Medical Equipment, Health Personnel Payments   | -  | 27.3  | 11.5                    | 24.6                   | 38.8                                    |
| Additional Payments for Treasury Interest Supported Loans Given to Agricultural Producers and Tradesmen <sup>(2)</sup> | -  | 1.7   | 0.6                     | 1.0                    | 2.3                                     |
| Social Security Premium Effect of Short-time Work, Unpaid Leave Application  | -  | 29.2  | 0.0                     | 13.0                   | 29.2                                    |
| Increasing the Minimum Retirement Salary to 1,500 TL   | 645,823  | 0.9   | 0.0                     | 0.0                    | 0.9                                     |
| Grant Payments to Tradesmen <sup>(3)</sup>   | 2,548,968(4)                                       | 9.0   | 0.1                     | 9.2                    | 9.2                                     |
| SMEDO World Bank and JICA Loans  | -  | 0.0   | 0.8                     | 0.8                    | 0.8                                     |
| Social Support Program <sup>(5)</sup>  | -  | 4.4   | 0.0                     | 0.0                    | 4.4                                     |
| Others   | -  | 0.3   | 0.0                     | 0.3                    | 0.3                                     |
| <b>Subtotal</b>  |  | <b>72.8</b>                                   | <b>13.0</b>             | <b>49.0</b>            | <b>85.8</b>                             |
| Tax Deductions ( Waived Income Tax) <sup>(6)</sup>   | -  | 43.8  | 0.0                     | 28.8                   | 43.8                                    |
| Financing cost of Tax and SSP Deferrals  | -  | 4.0   |                         |                        | 4.0                                     |
| <b>Total (A)</b>   |  | <b>120.6</b>                                  | <b>13.0</b>             | <b>77.8</b>            | <b>133.6</b>                            |
| B) Unemployment Insurance Fund and Social Assistance and Solidarity Encouragement Fund Payments                        | Number of Beneficiary Person/Household/ Businesses | 2020-2021 Amount Provided (Billion TL)<br>(1) | 2021 Additional Planned | 2021 Year-end Forecast | 2020-2021 Year-end Realization Forecast |
| Cash Aid Support <sup>(7)</sup>  | 3,095,356  | 14.0  | 0.0                     | 6.8                    | 14.0                                    |
| Short-time Work allowance <sup>(8)</sup>   | 3,773,121  | 36.7  | 0.1                     | 11.3                   | 36.8                                    |
| Unemployment Benefits <sup>(9)</sup>   | 1,421,144  | 7.8   | 1.8                     | 4.8                    | 9.6                                     |
| Normalization Support <sup>(10)</sup>  | 1,997,258  | 4.8   | 0.5                     | 1.2                    | 5.3                                     |
| Social Support Program <sup>(5)</sup>  | -  | 5.5   |                         |                        | 5.5                                     |
| <b>Total (B)</b>   |  | <b>68.8</b>                                   | <b>2.4</b>              | <b>24.0</b>            | <b>71.1</b>                             |
| <b>Total (A+B)</b>   |  | <b>189.3</b>                                  | <b>15.4</b>             | <b>101.8</b>           | <b>204.6</b>                            |
| C) Deferred and Granted Loans  | Number of Beneficiary Person/Household/ Businesses | 2020-2021 Amount Provided (Billion TL)<br>(1) | 2021 Additional Planned | 2021 Year-end Forecast | 2020-2021 Year-end Realization Forecast |
| Tax, Social Security Premium Deferrals   | 2,300,000  | 70.2  |                         |                        | 70.2                                    |
| Loan Deferrals   | -  | 143.2   |                         | 7.9                    | 143.2                                   |
| Loans Granted  | 9,503,881  | 315.1   |                         |                        | 315.1                                   |
| <b>Total</b>   |  | <b>528.5</b>                                  |                         | <b>7.9</b>             | <b>528.5</b>                            |
| <b>GRAND TOTAL (A+B+C)</b>   |  | <b>717.8</b>                                  | <b>15.4</b>             | <b>109.7</b>           | <b>733.1</b>                            |

Source: MoTF, MLSS, MC, MoFSS, Revenue Administration

\*The GDP data of 2020 is used

(1) As of October 2021.

(2) It shows the additional payments arising from the Presidential Decree, which ensured that the interest burden arising from the increase in the demand for treasury interest-supported loans given to agricultural producers and tradesmen due to the changing market conditions during the epidemic period, the loan delays made in this period and the interest increase in the loans extended before 2021, shall be covered by the Treasury

(3) Includes rental support, cash support and loss of turnover payments granted to tradesman. Rental and cash support grant as of December 14 2021; Turnover Support February 6, 2021; Cash Support to Tradesmen was announced to the public on May 17, 2021.

(4) Includes information on "Loss of Income, Rent and Turnover Support" as of June 2021. The number of approved applications for Income Loss Support is 1,077,506; the number of approved applications for rental support is 171,203; number of application for Loss of Turnover Support is 8,232 ; the number of approved applications for the New Tradesmen Support is 1,292,027. Loss of income support and loss of turnover support are not paid at the same time, and if any beneficiaries of loss of income support, they are paid by deducting from the loss of turnover support.

(5) Support Program and additional periodic shares transferred within the scope of Covid-19 expenditure has been made. Of this amount, 4.4 billion TL is treasury support, 2.1 billion TL is the donations collected within the scope of Donation Campaign, and the remaining 5.5 billion TL is used from the SASI Fund. As of October 22 2021, the number of single households benefiting from the assistance within the scope of the Pandemic Social Support Program, Donation Campaign and Full Lockdown Social Support Program is 7.2 million.

(6) All segments of the society benefited from tax rate reductions.

(7) The termination restriction expired on 30/6/2021. The year-end estimation was made within the framework of this assumption

(8) The Short- Time Working Allowance, which was applied due to the pandemic in the current legal framework, expired on 30/6/2021. The year-end estimation was made within the framework of this assumption.

(9) It is assumed that the monthly Unemployment Allowance amount will return to the usual trend before pandemic, after the Termination Restriction and Short-time Working application ends on 30/6/2021.

(10) The total number of people who receive uncombined support on the basis of insured is 6,191,391. The number of people benefiting from combination is 1,997,258. The number of beneficiaries represents the total number that has not been combined on the basis of the insured. An insured person who returns to his normal working order can benefit from this support for 6 months.

### 4.3. Budget Plan for 2022

It is estimated that the central government budget expenditures for 2022 will increase by 16.2 percent compared to the 2021 year-end realization estimate and reach 1,751 billion TL. The ratio of central government budget expenditures to GDP is predicted to be 22.2 percent, 0.5 points below the previous year's realization forecast.

**Table 4.7: Central Government Budget Expenditures 2022**

|   | (Billion TL)   |                |             | (GDP Ratio, %) |             |
|---|----------------|----------------|-------------|----------------|-------------|
|   | 2021 RE        | 2022           | Incr. %     | 2021 RE        | 2022        |
| <b>Central Government Budget Expenditures</b> | <b>1,506.3</b> | <b>1,751.0</b> | <b>16.2</b> | <b>22.7</b>    | <b>22.2</b> |
| <b>Interest Payments</b>                      | <b>179.5</b>   | <b>240.4</b>   | <b>33.9</b> | <b>2.7</b>     | <b>3.1</b>  |
| <b>Primary Expenditures</b>                   | <b>1,326.7</b> | <b>1,510.6</b> | <b>13.9</b> | <b>20.0</b>    | <b>19.2</b> |
| Personnel Expenditures                        | 351.4          | 424.8          | 20.9        | 5.3            | 5.4         |
| State Social Sec. Contributions               | 57.7           | 69.1           | 19.9        | 0.9            | 0.9         |
| Current Expenditures                          | 130.6          | 128.1          | -1.9        | 2.0            | 1.6         |
| Current Transfers                             | 587.1          | 657.3          | 12.0        | 8.8            | 8.3         |
| Capital Expenditures                          | 125.1          | 132.3          | 5.8         | 1.9            | 1.7         |
| Capital Transfers                             | 18.5           | 10.0           | -45.7       | 0.3            | 0.1         |
| Lending                                       | 56.5           | 61.6           | 9.1         | 0.8            | 0.8         |
| Reserve Appropriations                        | 0.0            | 27.4           |             | 0.0            | 0.3         |

RE: Realization Estimate

Source: Presidency of Strategy and Budget, Ministry of Treasury and Finance

Total personnel expenses in 2022 have been determined by taking into account that the general salary and wage increase rate will be applied as 5 percent in January and 7 percent in July, as determined in the collective agreement, and an inflation difference will be given according to the macro estimates. In this framework, it has been estimated that the total personnel expenditures, consisting from the sum of personnel expenditures, state contributions to social security institutions and reserve allowances or personnel, will be 499.9 billion TL which is 6.3 percent of GDP.

In 2022, an appropriation of 128.1 billion TL is predicted for the purchase of goods and services. This amount corresponds to a 0.3 point lower expenditure level compared to the previous year's realization estimate as a ratio of GDP. The fact that a savings policy will be implemented for the current expenditures of institutions in line with the MTP targets has been effective in this decrease.

In 2022, current transfers are predicted to be 657.3 billion TL which is 8.3 percent of GDP. Due to the easing of the effect of the epidemic, a decrease in the ratio of current transfers to GDP is predicted compared to the epidemic period.

Capital expenditures, on the other hand, are programmed to be 132.3 which is 1.7 percent as a ratio of GDP.

The ratio of capital transfers to GDP is estimated to be 0.1 percent in 2022. In this context; allowances of 1.8 billion TL for Village Infrastructure Support Project (KÖYDES), 1 billion TL for Municipal Water and Sewerage Infrastructure Project (SUKAP), 166 million TL for Social Development Support Program (SOGEP) and 374 million TL for development

agencies are predicted. In addition, 2.4 billion TL has been allocated for TÜBİTAK R&D projects.

In 2022, it is predicted that the lending item will be 61.6 billion TL which is 0.8 percent of GDP. 41.5 billion TL of the allowance consists of capital transfers to SEEs, 9.3 billion TL of it consists of education and tuition loans. A resource of 6.2 billion TL was allocated to the Credit Guarantee Fund.

Interest expenditures in 2022 are expected to be at the level of 3.1 percent of GDP.

Central government budget revenues are targeted to be 1,472.6 billion TL in 2022, while budget expenditures are programmed to be 1,751 million TL. As a result of the revenue estimation and the projected expenditure size, the budget deficit is expected to be 278.4 billion TL and 3.5 percent of GDP.

**Table 4.8: Central Government Budget Revenues 2022**

|   | (Billion TL)   |                |             | (GDP Ratio, %) |             |
|---|----------------|----------------|-------------|----------------|-------------|
|   | 2021 RE        | 2022           | Incr. %     | 2021 RE        | 2022        |
| <b>Central Government Budget Revenues</b>                 | <b>1,276.3</b> | <b>1,472.6</b> | <b>15.4</b> | <b>19.2</b>    | <b>18.7</b> |
| <b>General Government Revenues</b>                        | <b>1,249.3</b> | <b>1,442.9</b> | <b>15.5</b> | <b>18.8</b>    | <b>18.3</b> |
| <b>Tax Revenues</b>                                       | <b>1,057.9</b> | <b>1,258.3</b> | <b>18.9</b> | <b>15.9</b>    | <b>16.0</b> |
| Income Tax Revenues                                       | 200.5          | 257.2          | 28.3        | 3.0            | 3.3         |
| Corporate Tax Revenues                                    | 151.2          | 172.4          | 14.1        | 2.3            | 2.2         |
| Taxes on Foreign Trade                                    | 270.0          | 328.7          | 21.7        | 4.1            | 4.2         |
| Domestic VAT  | 108.5          | 123.9          | 14.1        | 1.6            | 1.6         |
| SCT   | 195.4          | 219.4          | 12.3        | 2.9            | 2.8         |
| Petroleum and Natural Gas                                 | 31.2           | 31.5           | 1.0         | 0.5            | 0.4         |
| Motor Vehicles  | 63.4           | 72.1           | 13.7        | 1.0            | 0.9         |
| Alcoholic Beverages                                       | 20.8           | 26.2           | 26.0        | 0.3            | 0.3         |
| Tobacco   | 64.4           | 70.6           | 9.7         | 1.0            | 0.9         |
| Other Beverages   | 1.8            | 2.3            | 23.9        | 0.0            | 0.0         |
| Durable Goods and others                                  | 13.8           | 16.7           | 21.5        | 0.2            | 0.2         |
| Other Taxes   | 132.4          | 156.7          | 18.4        | 2.0            | 2.0         |
| <b>Nontax Revenues</b>                                    | <b>191.4</b>   | <b>184.6</b>   | <b>-3.5</b> | <b>2.9</b>     | <b>2.3</b>  |
| <b>Special Budget and Regulatory and Supervisory Ins.</b> | <b>27.0</b>    | <b>29.7</b>    | <b>10.1</b> | <b>0.4</b>     | <b>0.4</b>  |

RE: Realization Estimate

Source: Presidency of Strategy and Budget, Ministry of Treasury and Finance

In 2022, the ratio of central government budget total revenues to GDP is estimated to be 18.7 percent, 0.5 percentage points below the 2021 realization forecast. In this context, non-tax revenues are expected to decrease by 0.6 points, while tax revenues are expected to increase by 0.1 points.

It is seen that the effects of the pandemic, which has negatively affected the economic and social life of our country since the first quarter of 2020, began to diminish as of the second half of 2021 and that these developments in the budget revenue performance were also reflected. It is expected that the negative effects of the Covid-19 pandemic will

disappear more clearly in 2022 these developments are expected to have a positive impact on tax collection.

Within the scope of the fiscal policy objectives and targets for 2022, a set of estimates in line with realistic and medium-term projections in terms of budget revenues has been created. Positive developments in the economy in the exit from the pandemic process contain positive signals that an income performance above the target can be achieved.

In 2022, the total income tax collection, which consists of individual income and corporate income taxes, is expected to increase by 0.2 percentage points to GDP and be 5.5 percent of GDP compared to the 2021 realization estimate. Although the corporate tax rate, which is applied as 25 percent in 2021, will decrease to 23 percent in 2022, Expected developments in wages, interest and other income tax sources and the base effect due to the tax cuts will be determinative on the corporate income tax collection.

The termination of some temporary reductions in VAT rates as part of the fight against the Covid-19 pandemic and the positive developments expected in domestic demand and macroeconomic indicators in the post-pandemic normalization process are expected to increase VAT collection. On the other hand, as a result of the base effect created by the high amount of income obtained from the restructuring applications in 2021, the GDP ratio of domestic VAT revenue in 2022 is expected to remain 0.1 points below its 2021 level.

In 2022, it is estimated that the GDP ratio of SCT collection will be 2.8 percent, 0.2 points below the previous year's realization estimate. Thus, the share of SCT revenues, which is expected to fall below 20 percent in 2021, in total tax revenues is predicted to be 17.4 percent in 2022. In this decrease, it is expected that the revenue loss due to the sliding scale system for some fuel products, which is expected to continue to be implemented in 2022, will be the main determinant.

In 2022, the ratio of VAT collection on imports to GDP, which is another important source of income within the scope of the budget, is expected to increase by 0.1 percentage points to 3.7 percent compared to the 2021 year-end realization estimate. In 2022, it is expected that the lottery tax collection will be at the level of 0.1 percent of GDP and amounting to 6.9 billion TL.

The collection of digital services tax, which entered into force in 2020, is expected to reach 2.7 billion TL. It is predicted that the special communication tax collection, whose ratio to GDP has decreased continuously due to the structural changes and developments in the sector, but has started to follow a stable course after the transition to single-rate taxation as of 2018, will reach 6.8 billion TL.

In 2022, central government budget non-tax revenues are expected to decline to 2.7 percent of GDP, from 2021 realization estimate of 3.3 percent. It is expected that the developments envisaged in the government's dividend income and interest and penalty incomes will be effective in this decrease.

The fact that the increase in the share of tax revenues within the budget revenues and the increase in share of direct taxes within the tax revenues show that budget revenues are envisaged in 2022 in line with the policies aimed at obtaining public revenues from healthy and continuous sources.

#### **4.4. Medium Term Perspective**

General government revenue and expenditure forecasts for the period 2022-2024 are based on the following key assumptions, as well as the macroeconomic framework set out in the MTP (2022-2024):

- In order to ensure fiscal discipline, public expenditures will be limited, efficiency will be increased and savings will be achieved in current expenditures.
- Public personnel salary and wage increases were determined as 5 percent and 7 percent in January and July 2022.
- Incentive and aid practices will be revised in line with the general rules and principles, which will be determined by taking into account of incentive and aid practices and results of impact assessment studies, in order to ensure the effectiveness and efficiency of public funds and to achieve a nationwide implementation.
- Measures will be taken to prevent tax losses and evasion, exceptions and exemptions will be reviewed, and the tax base will be expanded.
- By increasing the share of tax revenues in public revenues, public revenue will be obtained from healthy and continuous sources.
- Permanent expenditure will not be financed by the temporary resources created by incomes that are not permanent and sensitive to the conjuncture.
- SEE prices will be determined in line with the MTP targets.

In 2022, the ratio of general government revenues to GDP is expected to decrease by 0.8 points compared to the previous year and become 29.8 percent. Depending on the expected recovery in economic activity, it is predicted that tax revenues will increase by 0.1 points compared to the previous year, while social funds will remain at the same level and factor revenues will decrease by 0.8 points.

General government expenditures are expected to decrease by 1 percentage point and become 33.3 percent of GDP in 2022 compared to the previous year. In this period, investment and transfer expenditures are expected to decrease by 0.1 points and current expenditures by 0.7 points.

In line with these developments, the ratio of general government deficit to GDP is expected to decline by 0.1 percentage points to 3.5 percent in 2022. The general government primary deficit decreased by 0.5 percentage points to 0.3 percent; program defined general government deficit is expected to be 1.2 percent.

**Table 4.9: General Government Revenues and Expenditures - 2**

|   | (GDP Ratio, %) |             |             |             |
|---|----------------|-------------|-------------|-------------|
|   | 2021           | 2022        | 2023        | 2024        |
| Taxes   | 16.2           | 16.2        | 16.3        | 16.3        |
| Direct  | 5.4            | 5.5         | 5.6         | 5.6         |
| Indirect  | 10.3           | 10.2        | 10.2        | 10.2        |
| Wealth  | 0.5            | 0.5         | 0.5         | 0.5         |
| Non-Tax Revenues                                  | 1.9            | 1.7         | 1.7         | 1.6         |
| Factor Incomes                                    | 4.2            | 3.4         | 3.2         | 2.8         |
| Social Funds                                      | 8.4            | 8.4         | 8.4         | 8.4         |
| <b>Total</b>                                      | <b>30.6</b>    | <b>29.7</b> | <b>29.6</b> | <b>29.1</b> |
| Privatization Revenues                            | 0.1            | 0.1         | 0.1         | 0.0         |
| <b>Total Revenues</b>                             | <b>30.7</b>    | <b>29.8</b> | <b>29.7</b> | <b>29.2</b> |
| Current Expenditures                              | 15.0           | 14.3        | 14.3        | 13.7        |
| Investment Expenditures                           | 2.6            | 2.5         | 2.5         | 2.2         |
| Fixed Investment                                  | 2.6            | 2.5         | 2.4         | 2.2         |
| Change in Stocks                                  | 0.0            | 0.0         | 0.0         | 0.0         |
| Transfer Expenditures                             | 16.6           | 16.5        | 16.4        | 15.8        |
| Current Transfers                                 | 15.6           | 15.6        | 15.6        | 15.2        |
| Capital Transfers                                 | 1.0            | 0.9         | 0.8         | 0.6         |
| Stock Revaluation Fund                            | 0.0            | 0.0         | 0.0         | 0.0         |
| <b>Total Expenditures</b>                         | <b>34.3</b>    | <b>33.3</b> | <b>33.1</b> | <b>31.7</b> |
| <b>Borrowing Requirement</b>                      | <b>3.6</b>     | <b>3.5</b>  | <b>3.4</b>  | <b>2.6</b>  |
| <b>Borrowing Req. Exc. Privatization Revenues</b> | <b>3.7</b>     | <b>3.6</b>  | <b>3.5</b>  | <b>2.6</b>  |
| <b>Primary Expenditures</b>                       | <b>31.4</b>    | <b>30.1</b> | <b>29.7</b> | <b>28.5</b> |
| <b>Primary Surplus</b>                            | <b>0.7</b>     | <b>0.3</b>  | <b>0.0</b>  | <b>-0.7</b> |
| <b>Programme Defined Primary Surplus</b>          | <b>-2.1</b>    | <b>-1.2</b> | <b>-0.8</b> | <b>0.3</b>  |

Source: Presidency of Strategy and Budget

#### 4.5. Structural and Cyclical General Government Balance

Actual general government balance covers temporary effects resulted from economic fluctuations as well as one-off measures taken. However, structural general government balance, which has become crucial with adopting the multi-year budgetary process, reflects the revenue and expenditure levels under the assumption that the economy was operating at its potential level.

The actual general government balance analyzed in this section does not cover the privatization revenues and one-off revenues and expenditures. In this way, the effect of cyclical developments in economic activities is aimed to be seen clearly.

**Table 4.10: General Government Balance Analysis<sup>1</sup>**

|      | Output Gap (Y/Y <sup>p</sup> ) <sup>2</sup> | General Government Balance / GDP |                                 | Primary General Government Balance / GDP |                                 | Cyclical Balance / GDP |
|------|---|----------------------------------|---------------------------------|--|---------------------------------|------------------------|
|      |   | Actual Balance                   | Structural Balance <sup>3</sup> | Actual Balance                           | Structural Balance <sup>3</sup> |                        |
| 2014 | 1,59  | -1,62                            | -2,28                           | 0,89                                     | 0,28                            | 0,62                   |
| 2015 | 2,19  | -1,77                            | -2,62                           | 0,57                                     | -0,23                           | 0,79                   |
| 2016 | 0,29  | -3,14                            | -3,58                           | -1,14                                    | -1,57                           | 0,43                   |
| 2017 | 2,32  | -2,94                            | -4,03                           | -1,02                                    | -2,07                           | 1,00                   |
| 2018 | 0,83  | -4,20                            | -4,58                           | -2,09                                    | -2,45                           | 0,34                   |
| 2019 | -2,14                                       | -5,71                            | -4,87                           | -3,21                                    | -2,42                           | -0,73                  |
| 2020 | -4,69                                       | -4,92                            | -2,95                           | -2,11                                    | -0,26                           | -1,83                  |
| 2021 | -0,54                                       | -4,02                            | -3,61                           | -1,17                                    | -0,77                           | -0,40                  |
| 2022 | -0,13                                       | -3,43                            | -3,23                           | -0,23                                    | -0,04                           | -0,20                  |
| 2023 | 0,45  | -3,34                            | -3,37                           | 0,03                                     | 0,01                            | 0,02                   |
| 2024 | 0,70  | -2,21                            | -2,41                           | 1,05                                     | 0,87                            | 0,19                   |

(1) It refers to balance excluded public claims restructuring, zoning amnesty, 2B Revenues, privatization and other one-off revenues and expenditures.

(2) Percentage difference from potential. The potential output is calculated using production function method.

(3) Structural balance is ratio of potential GDP.

In 2020, it is seen that the adverse economic impacts of the Covid-19 outbreak were determinant on actual and structural balances. In the mentioned year, social security institutions revenues decreased while increase in interest payments and decline in personal income tax were influential on the budget side. Additionally, while its revenues decreased, unemployment insurance fund balance, whose expenditures increased due to measures implemented to support employment in the pandemic, turned into a deficit. As a result of these developments, despite continuing to run a substantial deficit, the ratio of actual general government deficit to GDP declined by 0.8 percentage points and the ratio of structural general government deficit to potential GDP declined by 1.9 percentage points, compared to previous year.

The economic and social impacts of the pandemic, which affected life adversely, continued in 2021 as well. In order to limit negative effects of the natural disasters as well as the pandemic, measures, such as tax reductions and deferrals, financial supports given to firms and households with loss of income, have been continued to introduce, and also credit facilities with favourable conditions have been provided. Short-time working allowance implemented to support employment has been terminated in June 2021. The implementation of the échelle mobile system, which is started in 2018 and reduced special consumption tax (SCT) collection, is considered to continue during the ERP period. When the effect of revenues, such as zoning amnesty, tax amnesty, Central Bank's profit, is added, budget's one-off revenues reach 0.6 percent; and one-off expenditures, such as support payments and earthquake, reach 0.5 percent, as a share of GDP. In addition to them, in 2021, the privatization fund is expected to generate 0.1 percent of privatization revenue, as a share of GDP and the effect of the ratio of social security institutions premium debts restructuring to GDP is expected to be 0.3 percent. In 2021, it is seen that the influence of the economic fluctuations contractionary pressure on general government balance continues albeit at a diminishing pace, due to the adverse effect of the pandemic.

In 2021, it is seen that the budget revenue items such as corporate tax, VAT in imports, domestic VAT increased due to the recovery in economic activity. On the other hand, as a share of GDP, budget's interest payments maintained their previous year level while



personal expenditures decreased and lending increased due to capital contribution to state owned enterprises. While local government revenues went down due to real decrease in factor incomes, balances of social security institutions and unemployment insurance fund, whose expenditures decreased more than their revenues, ameliorated to some extent. Despite fall in social security institutions premium incomes, decline in insurance payments and health-care expenditures and decrease in unemployment insurance fund expenditures along with the termination of the programs, such as short-time working allowance, cash wage support and normalization support, were influential in this development. Thus, mainly as a result of CGB balance, the ratio of structural general government deficit to potential GDP is expected to be 3.6 percent by a 0.7 point increase and primary structural deficit is expected to be 0.8 percent with 0.5 percentage points deterioration, compared to previous year.

**Table 4.11: Fiscal Stance and Output Gap<sup>1</sup>**

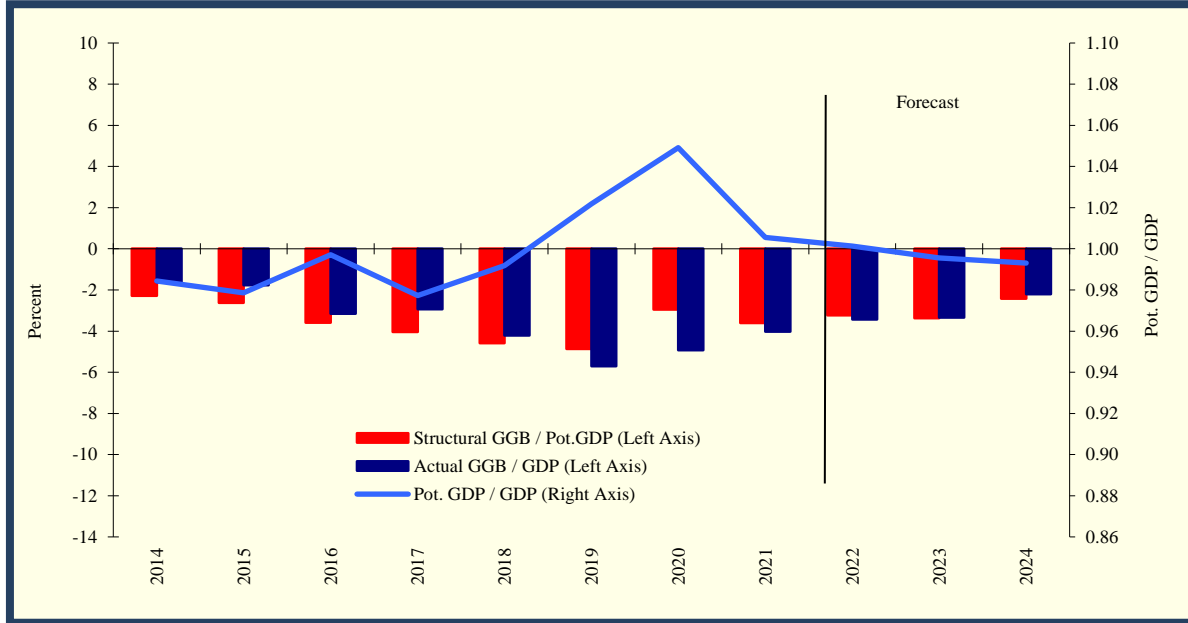
|             | Output Gap<br>(Y/Y <sup>P</sup> ) | (Change from the Previous Year)          |  |
|-------------|-----------------------------------|--|--|
|             |                                   | As a share of Potential GDP              |  |
|             |                                   | Structural General<br>Government Balance | Structural Primary General<br>Government Balance |
| <b>2014</b> | <b>-0.18</b>                      | <b>0.38</b>                              | <b>0.05</b>                                      |
| <b>2015</b> | <b>0.61</b>                       | <b>-0.34</b>                             | <b>-0.51</b>                                     |
| 2016        | -1.90                             | -0.97                                    | -1.34  |
| <b>2017</b> | <b>2.03</b>                       | <b>-0.45</b>                             | <b>-0.50</b>                                     |
| 2018        | -1.49                             | -0.54                                    | -0.39  |
| <b>2019</b> | <b>-2.97</b>                      | <b>-0.29</b>                             | <b>0.03</b>                                      |
| <b>2020</b> | <b>-2.55</b>                      | <b>1.92</b>                              | <b>2.16</b>                                      |
| <b>2021</b> | <b>4.14</b>                       | <b>-0.66</b>                             | <b>-0.51</b>                                     |
| 2022        | 0.41                              | 0.38                                     | 0.73   |
| <b>2023</b> | <b>0.58</b>                       | <b>-0.14</b>                             | <b>0.05</b>                                      |
| 2024        | 0.25                              | 0.96                                     | 0.86   |

(1) Bold figures show pro-cyclical fiscal policy periods while unbolded ones show counter-cyclical fiscal policy periods.

In the period of 2022-2024, when the changes in the structural balances with the changes in the output gap are examined, it is seen that the projected policy implementations will dampen the economic cycle in 2022 and 2024. In 2023, because the primary structural balance is close to zero, the projected fiscal policy can be stated as neutral, although the mentioned relation is negative.

In the period of 2022-2024, a sustainable fiscal policy implementation is aimed by decreasing the borrowing requirement. Within this framework, structural changes, which will ensure the most effective ways of using resources, will be planned to implement. Thus, it is expected that general government balance will be in upturn trend and the ratio of actual and structural general government deficit to GDP and potential GDP, are expected to realize, at the same level, as 3 percent on average in the ERP period (Figure 4.1).

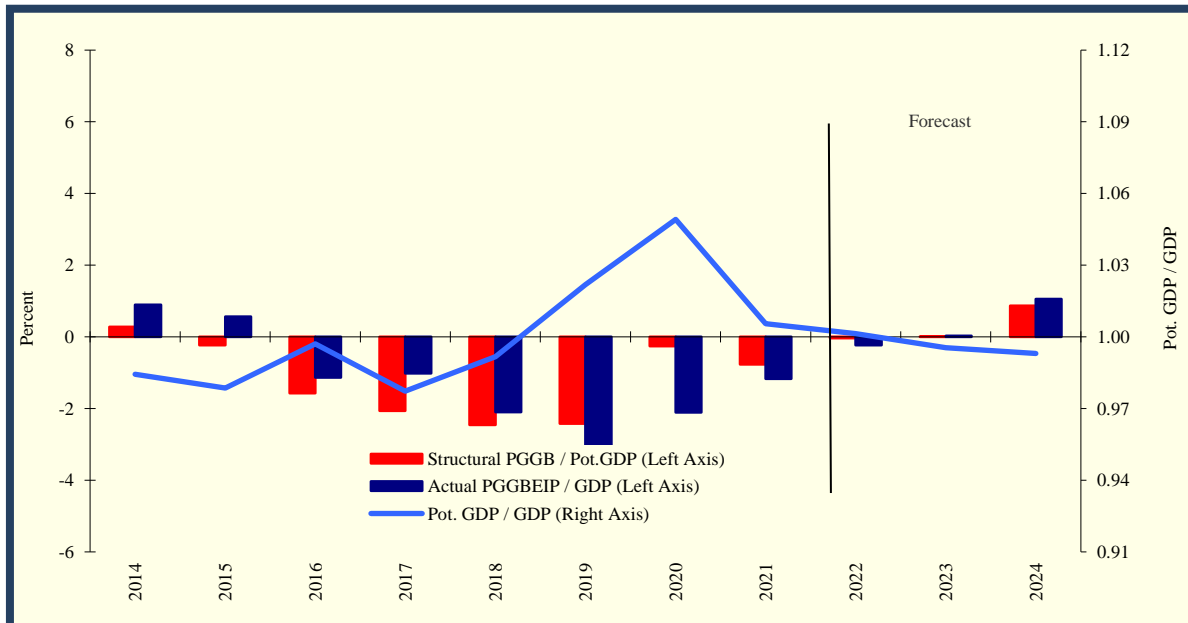
**Figure 4.1: General Government Balance**



Source: Presidency of Strategy and Budget calculations  
 GGB: Public Claims Restructuring, Zoning Amnesty, Privatization, 2B Revenues and Other One-Off Revenues and Expenditures Excluded General Government Balance  
 Pot. GDP: Potential GDP

When the actual and structural general government balance are analysed by excluding interest expenditures, it is seen that balances turned into a surplus as from 2023, with the contribution of measures taken (Figure 4.2). In this way, it is forecasted that both actual and structural primary general government balances to GDP and potential GDP consecutively, which were estimated to be -1.4 percent and -1 percent on average in the previous ERP period, will realize, at the same level, as 0.3 percent on average in 2022-2024 period.

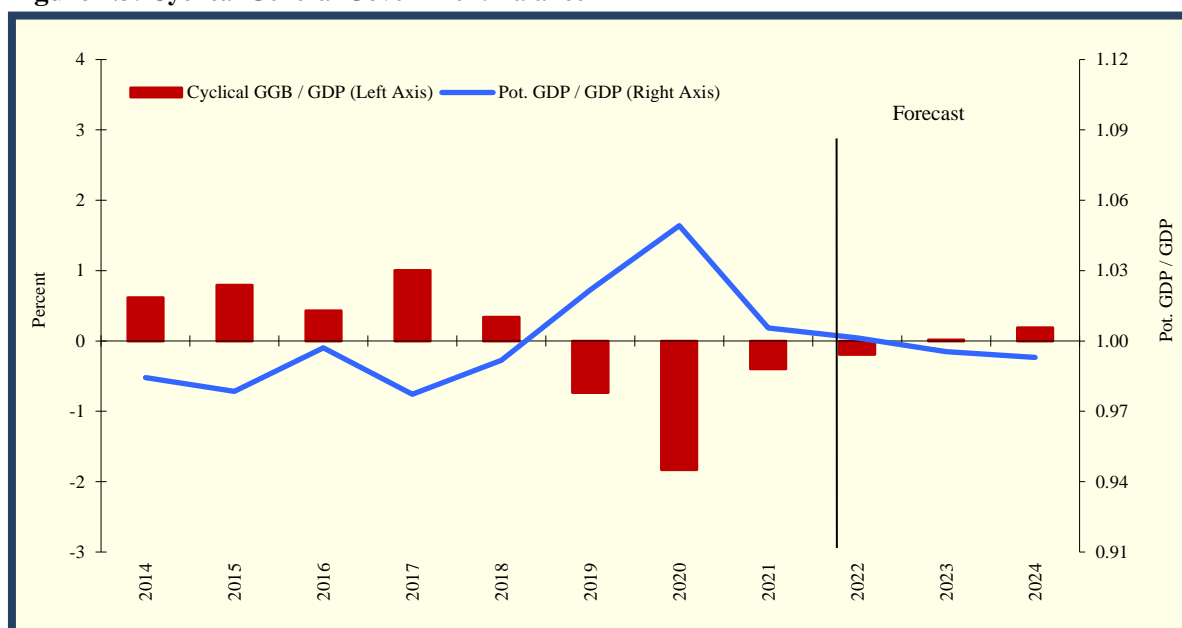
**Figure 4.2: Primary General Government Balance**



Source: Presidency of Strategy and Budget calculations  
 PGGB: Primary General Government Balance  
 Pot. GDP: Potential GDP

Cyclical general government balance is calculated by subtracting the structural general government balance from the actual general government balance. Since the privatization revenues and one-off revenues and expenditures are excluded in the calculations of structural and actual general government balances, cyclical balance only reflects the impacts of conjunctural developments. When the ERP period is examined, the additive effect of cyclical movements on the actual general government deficit is forecasted to be limited (Figure 4.3).

**Figure 4.3: Cyclical General Government Balance**



Source: Presidency of Strategy and Budget calculations  
GGB: General Government Balance  
Pot. GDP: Potential GDP

## 4.6. Debt Levels and Developments, Analysis of Below-the-Line Operations and Stock-Flow Adjustments

### 4.6.1. Current Situation

As a result of the ongoing economic program, fiscal discipline and efficient borrowing strategies, considerable improvements were observed in the EU defined general government debt stock. The ratio of EU defined general government debt stock to GDP, which was 76.1 percent at the end of 2001, declined to 39.7 percent at the end of 2020.

**Table 4.12: EU Defined General Government Debt Stock**

|  | (Percent of GDP) |      |      |      |      |      |      |      |      |  |
|--|------------------|------|------|------|------|------|------|------|------|--|
|  | 2012             | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |  |
| EU Defined General Government Debt Stock | 32.4             | 31.1 | 28.4 | 27.3 | 27.9 | 27.9 | 30.1 | 32.6 | 39.7 |  |

Source: Ministry of Treasury and Finance

Central government total debt stock increased by 455.9 billion TL compared to its 2020 level and reached 2,268.7 billion TL by October 2021. The ratio of fixed rate debt in the total stock decreased by 2.3 points compared to its 2020 level and realized as 67.9 percent by October 2021.

Compared to its 2020 level, central government domestic debt stock increased by 144.6 billion TL and reached 1,205.0 billion TL by October 2021. The ratio of the respective stock to GDP ascended to 21.0 percent in 2020, from 17.5 percent in 2019.

**Table 4.13: Central Government Debt Stock**

|                     | (Percent of GDP) |      |      |      |      |      |      |      |      |
|---------------------|------------------|------|------|------|------|------|------|------|------|
|                     | 2012             | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Domestic Debt Stock | 24.4             | 22.1 | 20.2 | 18.7 | 17.8 | 17.1 | 15.6 | 17.5 | 21.0 |
| External Debt Stock | 9.3              | 10.0 | 9.6  | 10.1 | 11.1 | 10.9 | 12.8 | 13.3 | 14.9 |
| Total               | 33.7             | 32.1 | 29.8 | 28.8 | 28.9 | 28.0 | 28.4 | 30.8 | 35.9 |

Source: Ministry of Treasury and Finance

The central government external debt stock has been 1,063.8 billion TL by October 2021. Considering the interest composition of external debt stock, the share of fixed rate debt has been 85.8 percent by October 2021.

**Table 4.14: Central Government Debt Stock by Interest Rate Type**

|          | (Million TL)        |          |                |                     |          |                  |          |                |           |
|----------|---------------------|----------|----------------|---------------------|----------|------------------|----------|----------------|-----------|
|          | Domestic Debt Stock |          |                | External Debt Stock |          | Total Debt Stock |          |                |           |
|          | Fixed               | Floating | Indexed to CPI | Fixed               | Floating | Fixed            | Floating | Indexed to CPI | Total     |
| 2012     | 201,866             | 108,367  | 76,309         | 116,750             | 29,609   | 318,616          | 137,976  | 76,309         | 532,901   |
| 2013     | 212,007             | 94,760   | 96,239         | 148,477             | 34,708   | 360,485          | 129,469  | 96,239         | 586,193   |
| 2014     | 234,889             | 78,880   | 100,880        | 164,706             | 33,163   | 399,595          | 112,042  | 100,880        | 612,517   |
| 2015     | 256,394             | 84,281   | 99,450         | 202,237             | 35,884   | 458,631          | 120,165  | 99,450         | 678,246   |
| 2016     | 278,945             | 82,882   | 106,817        | 251,492             | 39,815   | 530,437          | 122,697  | 106,817        | 759,952   |
| 2017     | 348,401             | 67,482   | 119,564        | 298,329             | 42,717   | 646,731          | 110,200  | 119,564        | 876,494   |
| 2018     | 375,213             | 75,552   | 135,377        | 428,573             | 52,400   | 803,786          | 127,952  | 135,377        | 1,067,115 |
| 2019     | 464,244             | 118,483  | 172,325        | 518,737             | 55,265   | 982,981          | 173,748  | 172,325        | 1,329,054 |
| 2020     | 591,666             | 217,790  | 250,897        | 679,760             | 72,735   | 1,271,427        | 290,525  | 250,897        | 1,812,849 |
| 2021 Oct | 626,857             | 292,482  | 285,627        | 912,697             | 151,063  | 1,539,554        | 443,546  | 285,627        | 2,268,726 |

Source: Ministry of Treasury and Finance

|          | (Share in Total Debt Stock, Percentage) |          |                |                     |          |                  |          |                |       |
|----------|---|----------|----------------|---------------------|----------|------------------|----------|----------------|-------|
|          | Domestic Debt Stock                     |          |                | External Debt Stock |          | Total Debt Stock |          |                |       |
|          | Fixed                                   | Floating | Indexed to CPI | Fixed               | Floating | Fixed            | Floating | Indexed to CPI | Total |
| 2012     | 37.9                                    | 20.3     | 14.3           | 21.9                | 5.6      | 59.8             | 25.9     | 14.3           | 100.0 |
| 2013     | 36.2                                    | 16.2     | 16.4           | 25.3                | 5.9      | 61.5             | 22.1     | 16.4           | 100.0 |
| 2014     | 38.3                                    | 12.9     | 16.5           | 26.9                | 5.4      | 65.2             | 18.3     | 16.5           | 100.0 |
| 2015     | 37.8                                    | 12.4     | 14.7           | 29.8                | 5.3      | 67.6             | 17.7     | 14.7           | 100.0 |
| 2016     | 36.7                                    | 10.9     | 14.1           | 33.1                | 5.2      | 69.8             | 16.1     | 14.1           | 100.0 |
| 2017     | 39.7                                    | 7.7      | 13.6           | 34.0                | 4.9      | 73.8             | 12.6     | 13.6           | 100.0 |
| 2018     | 35.2                                    | 7.1      | 12.7           | 40.2                | 4.9      | 75.3             | 12.0     | 12.7           | 100.0 |
| 2019     | 34.9                                    | 8.9      | 13.0           | 39.0                | 4.2      | 74.0             | 13.1     | 13.0           | 100.0 |
| 2020     | 32.6                                    | 12.0     | 13.8           | 37.5                | 4.0      | 70.1             | 16.0     | 13.8           | 100.0 |
| 2021 Oct | 27.6                                    | 12.9     | 12.6           | 40.2                | 6.7      | 67.9             | 19.6     | 12.6           | 100.0 |

Source: Ministry of Treasury and Finance

Thanks to the decrease of short term securities' share in debt stock through their redemptions and issuance of long term securities in line with the strategic benchmarks, average time to maturity of central government debt stock increased from 4.6 years at the end of 2012 to 5.3 years by October 2021.

**Table 4.15: Average Time to Maturity of Central Government Debt Stock**

|                     | (Year) |      |      |      |      |      |      |      |      |             |
|---------------------|--------|------|------|------|------|------|------|------|------|-------------|
|                     | 2012   | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021<br>Oct |
| Domestic Debt Stock | 2.8    | 3.9  | 4.6  | 4.6  | 4.3  | 4.2  | 3.9  | 3.0  | 2.8  | 3.2         |
| External Debt Stock | 9.4    | 9.3  | 9.5  | 9.5  | 9.4  | 9.9  | 9.6  | 8.9  | 8.3  | 7.8         |
| Total               | 4.6    | 5.6  | 6.1  | 6.3  | 6.3  | 6.4  | 6.4  | 5.5  | 5.1  | 5.3         |

Source: Ministry of Treasury and Finance

#### 4.6.2. General Government Debt Stock Projections for 2022-2024 Period

As a result of the prudent fiscal policies implemented, efficient borrowing strategies and strong growth performance in the last decade, the ratio of the general government debt stock to GDP has decreased significantly. General Government Debt Stock to GDP stood at 39.7 percent at the end of 2020. In the New Economy Program covering the period 2022-2024, the EU-defined General Government Debt Stock is expected to realize at the level of 34.7 percent by the end of 2024.

**Table 4.16: EU Defined General Public Debt Stock Estimations**

|  | (Percent of GDP) |      |           |      |      |
|--|------------------|------|-----------|------|------|
|  | 2020             | 2021 | 2022      | 2023 | 2024 |
|  | Realization      |      | Forecast* |      |      |
| EU Defined General Government Debt Stock | 39.7             | 36.6 | 35.8      | 35.4 | 34.7 |

Source: Ministry of Treasury and Finance

\*MTP (2022-2024)

#### 4.6.3. Contingent Liabilities

Contingent liabilities refer to obligations of which timing and magnitude depend on the occurrence of some uncertain future event outside the control of the government. Treasury guarantees and debt assumption commitments provided in the context of Public-Private-Partnership projects are among the explicit contingent liabilities of the Treasury.

The Ministry of Treasury and Finance provides Treasury repayment guarantees for foreign borrowing of public institutions (defined in Law No. 4749, Article 3) in order to minimize the investment financing costs, ensure sustainable growth and meet funding requirements of multi-year investment projects in specific sectors such as renewable energy, infrastructure and SMEs.

There are several risk mitigation schemes for Treasury repayment guarantees such as Internal Credit Rating Model, Treasury repayment guarantee and on-lent limit, guarantee and on-lent fee, partial guarantee ratio, and Risk Account.

Internal Credit Rating Model, which considers the debt-receivable relationship between the institutions and the Treasury and financial statements of these institutions, was put into practice in 2006, in order to improve the management of contingent liabilities confronting the model takes into account the debt-credit relationship of institutions with The

Ministry of Treasury and Finance and their financial statements. In this context, the limit for Treasury guarantees and on-lent foreign loans, guarantee and on-lent fees and partial guarantee ratios are calculated using this model based on the expected losses from organizations.

The Guarantee and On-lent limit is set by Central Government Budget Law every year. This limit has been set as 4.5 billion USD for 2022. In order to compensate for the losses that stem from the guaranteed/on-lent credits and to share the risk with beneficiaries, a one-time guarantee/on-lent fee is applied up to 1 percent of the total credit amount and these fees are accumulated under Risk Account. Risk Account has been set up in 2003 in order to eliminate the disruptions in the cash and debt management caused by the amounts paid by the Treasury due to Treasury guarantees and budget appropriation was started to be allocated every year as of this date. As the repayments to the Risk Account is sufficient for the undertakings realized from the account no budgetary allocations, which is one of the items of the revenues of the account, has been used since 2009.

In the partial guarantee practice, credits except export credits obtained from the international and regional organizations, foreign government funds and foreign official export insurance agencies, are guaranteed up to 95 percent of the total liabilities.

As of September 2021, the total amount of Treasury repayment guarantees is equal to 15.2 billion USD. As of November 2021, the amount of undertakings from Treasury repayment guarantees is 20.1 million USD while it was 25.2 million USD in 2020.

Ministry of Treasury and Finance is very transparent for its provided guarantees and publishes all related figures in institutional website monthly.

Regarding to Public Private Partnership (PPP) projects, the Ministry of Treasury and Finance can provide debt assumption commitments, as defined in Article 8/A of Law No. 4749. According to this mechanism, upon termination of the implementation contract and transfer of facilities to the relevant administration, the credit facilities provided for the project, including relevant financial obligations, can be undertaken. The scope of debt assumption commitment is limited with the senior loans of the project company pursuant to the implementation contract.

Within the scope of risk management framework, a ceiling has been introduced in the central government budget law in order to limit the debt assumption commitments for each fiscal year. For the fiscal year 2022, the limit is determined to be 4.5 billion USD.

#### **4.6.4. Repayment Guarantee**

The repayment guaranteed debt stock has slightly decreased from its level of 15.24 billion USD in 2020 to 15.21 billion USD by the end of the third quarter of 2021. Guarantees provided to public banks and investment and development banks have the highest share within the repayment guaranteed debt stock.

Despite an increasing guaranteed debt stock since 2007, the undertaking ratio stayed low in the same period and it was 0.8 percent by the end of November 2021.

Taking into account the payment projection of the Treasury repayment guaranteed foreign debt stock, an increase in parallel with the disbursements is observed in the medium term.

**Table 4.17: Projection of Treasury-Guaranteed Foreign Debt Service (\*)**

|       | (Million Euro) |          |        |
|-------|----------------|----------|--------|
|       | Principal      | Interest | Total  |
| 2021  | 998            | 137      | 1,135  |
| 2022  | 2,075          | 306      | 2,381  |
| 2023  | 3,615          | 293      | 3,908  |
| 2024+ | 11,120         | 1,281    | 12,401 |

Source: Ministry of Treasury and Finance

\*Based on drawings; as of June 2021, provisional

#### 4.6.5. Investment Guarantees

In addition to repayment guarantees, The Ministry of Treasury and Finance has provided investment guarantees to energy and infrastructure sectors in 1990s for PPP projects. No new treasury investment guarantees have been provided since 1999 and the concession periods of the facilities came to the end as of 2020.

#### 4.6.6. Debt Assumption Commitments

As of November 2021, Treasury provided debt assumption commitments for the external loans provided for 7 PPP projects with an amount of 17.2 billion USD. Despite to the pandemic, no obligation has been experienced or no debt assumption commitment has been triggered.

**Table 4.18: Loans Subject to Debt Assumptions**

| Project Name  | PPP Model              | Debt Assumption Agreement Date | Total Project Cost (Million USD) | Loan Amount (Million USD) |
|---|------------------------|--------------------------------|----------------------------------|---------------------------|
| Eurasia Tunnel  | Build-Operate-Transfer | 11.12.2012                     | 1,239.9                          | 960                       |
| Northern Marmara Motorway -Odayeri-Paşaköy Section (including Third Bosphorus Bridge) | Build-Operate-Transfer | 13.05.2014                     | 3,456.2                          | 2,318                     |
|   |                        | 11.03.2016                     |                                  | 420                       |
| Gebze-Orhangazi-İzmir Motorway (including the İzmit Gulf Crossing)                    | Build-Operate-Transfer | 5.06.2015                      | 6,312.4                          | 4,956.3                   |
| Çanakkale-Malkara Motorway (including 1915 Çanakkale Bridge)                          | Build-Operate-Transfer | 16.03.2018                     | 3,159.7*                         | 2,800.0                   |
| Ankara-Nigde Motorway   | Build-Operate-Transfer | 7.06.2018                      | 1,462.6*                         | 1,310.7                   |
| Northern Marmara Motorway - Kurtköy-Akyazı Section                                    | Build-Operate-Transfer | 16.09.2019                     | 3,661.6                          | 2,840                     |
| Northern Marmara Motorway- Kınalı-Odayeri Section                                     | Build-Operate-Transfer | 16.09.2019                     | 2,072.3                          | 1,595                     |
|   |                        |                                |                                  | <b>17,200.05</b>          |

Source: Ministry of Treasury and Finance

\*Million Euro

#### 4.6.7. Treasury Receivables

The stock of Treasury Receivables has been realized 20.6 billion TL by the end of November 2021. The local administrations have 50.8 percent, SOE's has 26.7 percent and other institutions have 22.5 percent shares in the Treasury's receivables stock.

In January-November 2021 period, cash payments of the institutions have the highest share (65 percent) within the collections. In the same period, deductions from Municipalities' general budget tax revenues by the Ministry of Treasury and Finance and by Iller Bank were 34 percent.

**Table 4.19: Stock of Treasury Receivables**

|                    | (Million TL)  |               |               |               |               |               |               |               |               |               |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                    | 2012          | 2013          | 2014          | 2015          | 2016          | 2017          | 2018          | 2019          | 2020          | 2021*         |
| Local Governments  | 14,519        | 13,036        | 11,349        | 12,163        | 12,329        | 11,605        | 11,750        | 11,029        | 10,328        | 10,471        |
| SOE's              | 3,282         | 3,168         | 2,129         | 2,375         | 2,432         | 2,744         | 3,307         | 3,520         | 4,209         | 5,507         |
| Other Institutions | 3,970         | 3,789         | 3,221         | 3,197         | 2,831         | 3,151         | 3,479         | 3,452         | 3,382         | 4,644         |
| <b>Total</b>       | <b>21,771</b> | <b>19,994</b> | <b>16,699</b> | <b>17,734</b> | <b>17,593</b> | <b>17,500</b> | <b>18,536</b> | <b>18,001</b> | <b>17,919</b> | <b>20,622</b> |

Source: Ministry of Treasury and Finance

(\*) As of November 2021, provisional

#### 4.7. Sensitivity Analysis and Comparison with the Previous Programme

Ministry of Treasury and Finance has executed debt and cash management by adopting risk based approach since 2003. In this regard, risk exposure of central government debt stock is regularly monitored and reported to the Debt and Risk Management Committee which is the highest decision making unit of debt management. Sustainability and sensitivity analyses are the most important tools for evaluation of the risk profile of the debt stock. While sustainability analysis projects the probable trajectory of the debt to GDP ratio under the changes in macroeconomic variables, sensitivity analysis puts forward the vulnerabilities of debt stock to the risks by considering the most recent debt structure.

As a result of debt and cash management policies based on strategic benchmarks, structure of debt stock has improved and thus the exposure of central government debt stock to exchange rate, interest rate and liquidity risk has significantly reduced. In sensitivity analysis, annual deviations of the EU defined general government debt stock to GDP level from the baseline scenario are computed under real interest rate, growth rate, exchange rate shocks. Sensitivity of the general government debt burden to macroeconomic shocks has had a downward trend since 2001 when the first sensitivity analysis was implemented. Borrowing mainly in TL denominated fixed rate instruments and extending the borrowing maturities have significantly contributed to reduce sensitivity of debt burden to market risks. While 5 percent depreciation in TL would increase the general government debt to GDP ratio by 2.0 percentage points in 2002, due to improvement in the debt structure it would only increase by 1.0 percentage points in 2020. On the other hand, 500 basis points interest rate hike would increase general government debt to GDP ratio by 0.9 percentage points in 2020 whereas it would increase by 1.4 percentage points in 2002. Similarly due to decrease in debt stock to GDP level, effects of growth shocks on EU defined general government debt stock to GDP have decreased significantly. While the stock to GDP ratio increased by 1.3 percentage points in 2002 under the 2 pp growth shock, it would increase by 0.7 percentage points in 2020.



**Table 4.20: Sensitivity of the EU Defined General Government Debt Burden**

|   | 2002           | 2020           |
|---|----------------|----------------|
| Change in real exchange rate app/dep by 5 percent | +/- 2.0 points | +/- 1.0 points |
| Change in TL interest rate by 500 bp              | +/- 1.4 points | +/- 0.9 points |
| Change in GDP growth rate by 2 percentage points  | +/- 1.3 points | +/- 0.7 points |

Source: Ministry of Treasury and Finance

#### 4.8. Quality of Public Finances

There are many measures and actions in the Eleventh Development Plan (2019-2023), MTP (2022-2024) and Presidential Annual Program (2022) to rationalize public expenditures and increase income quality. The most important of these measures are the transition to the program budget structure, the execution of expenditure reviews, the reduction of informality, the spreading of the tax base, the increase of tax justice, compliance and equality, and the efficiency of taxation services.

The necessary studies for the transition to the program budget system were completed in 2020, and the 2021 Central Government Budget Bill was prepared in accordance with the program budget and presented to the Turkish Grand National Assembly. Likewise, administrative performance programs were prepared in accordance with the program budget and presented to the TGNA. In the upcoming period, the implementation results of the program budget system will be monitored and development studies will be carried out.

Expenditure reviews, which are a convenient instrument for new policies to be formed in order to ensure a sound fiscal tightening in the medium term, as well as to ensure efficiency in resource allocation and fairness in income distribution, have been initiated. It is aimed to benefit from this instrument in policy measures regarding various types of expenditures, tax reforms and tax expenditures. In this framework, activities are carried out to increase institutional capacity, to prepare guides and to prepare study reports.

The minimum subsistence allowance, which started to be implemented in 2008, was abolished as of the beginning of 2022, and a more effective application was put into effect. Within the scope of the new application, an exemption will be applied from the tax to be paid by all wage earners, equal to the tax amount corresponding to the minimum wage. In addition, stamp tax exemption has been provided to all employees from wage income equal to the minimum wage. With the application, the wage of an employee who earns the minimum wage is exempted from income and stamp tax.

#### 4.9. Fiscal Governance and Budgetary Frameworks

Within the framework of the central harmonization role of the Presidency of Strategy and Budget, in order to enhance the quality of public spending system, efforts have been continued to gather secondary legislation and other regulations related to strategic planning, performance program and activity reporting under a single roof.

With the amendments made in the Public Finance Management and Control Law No.5018 with the Law No. 7254 dated 16 October 2020, the transition to the program budget system was completed, and regulations for public administrations to prepare performance programs in accordance with the program budget system were gained legal status.

Regulation on Strategic Plans, Performance Programs and Activity Reports Prepared by Public Administrations was revised in line with the amendments made with Law No. 7254, and published in the Official Gazette No. 31462 on 22 April 2021. In addition, within the scope of compliance with the program budget system, updating studies have been completed in the guides on strategic management.

Strategic plan and performance programs have been prepared and implemented by public administrations within the scope of central government, state universities, social security institutions, municipalities with population of over 50 thousand, special provincial administrations, and state-owned enterprises. The implementation of strategic plans and performance programs have been monitored by activity reports.

As of December 2021, in the recent year a total of 52 strategic plans belonging to central administrations, universities and SEEs were evaluated by the Presidency of Strategy and Budget.

In order to enrich the strategic management archive, studies have been carried out to provide all strategic management documents of public administrations. In this context, documents on strategic management prepared by public administrations are archived and shared with the public on the public strategic management website ([www.sp.gov.tr](http://www.sp.gov.tr)).

In order to the internal audit activities in Türkiye to be carried out effectively, the Internal Audit Coordination Board (IACB) affiliated to the Ministry of Treasury and Finance carries out its duties specified in Article 67 of the Law No. 5018 to monitor the internal audit systems of public administrations and to serve as an independent and impartial body.

Necessary legislative studies have been carried out at all levels by the IACB in order to establish the internal audit professional practice framework in line with international standards. In addition, the number of internal auditors for public administrations within the scope of Law No. 5018 were specified by the Board, excluding regulatory and supervisory institutions, and within this scope, internal auditor positions were constituted for relevant public administrations. In order to develop the human resources capacity of the internal auditors and to meet the needs of public administrations in this field, internal auditor candidate selection exams were conducted and after these exams, certification training were provided for internal auditor candidates. IACB also supports the in-service training processes of internal auditors within the scope of continuous professional development.

Taking into account the professional changes and advances in the field of internal auditing in the coming period, IACB will focus on updating the legislation, meeting the need for internal auditor human resources, increasing the on-the-job training activities related to the professional competencies of internal auditors and increasing external evaluation activities in order to ensure and improve the quality of internal audit work.

## **4.10. Sustainability of the Public Finance**

### **4.10.1. Public Finance Risks**

Fundamental sustainability risks that might constitute obstacles to reach the determined objectives in the public finance in the 2022-2024 periods are summarized below.

- If macroeconomic targets including growth, foreign trade, employment and inflation were missed, central government revenue performance would be affected adversely; there would be upward pressure on expenditures and a possible increase in the financing requirement.
- If social security insurance premium collections will be lower than estimates due to lower than expected growth rate and health-care expenditures could not be taken under control, social security systems deficit and the transfers to the social security institutions from the central government budget will be higher than expected.
- Persistent upward trend of primary expenditures might both reduce the flexibility of the budget and narrow down the fiscal space that could be used for discretionary policies when required.
- Monetary policy changes of FED and ECB might cause an increase in public interest expenditures as well as a deviation of debt to GDP ratio from the projected levels due to interest rate and exchange rate fluctuations in local and international markets via capital flow reversals.
- If the situation regarding the pandemic worsens and the expected partial normalization especially from the second half of the year does not occur, additional expenditure-increasing and income-reducing measures may be taken and the financial outlook may deteriorate.

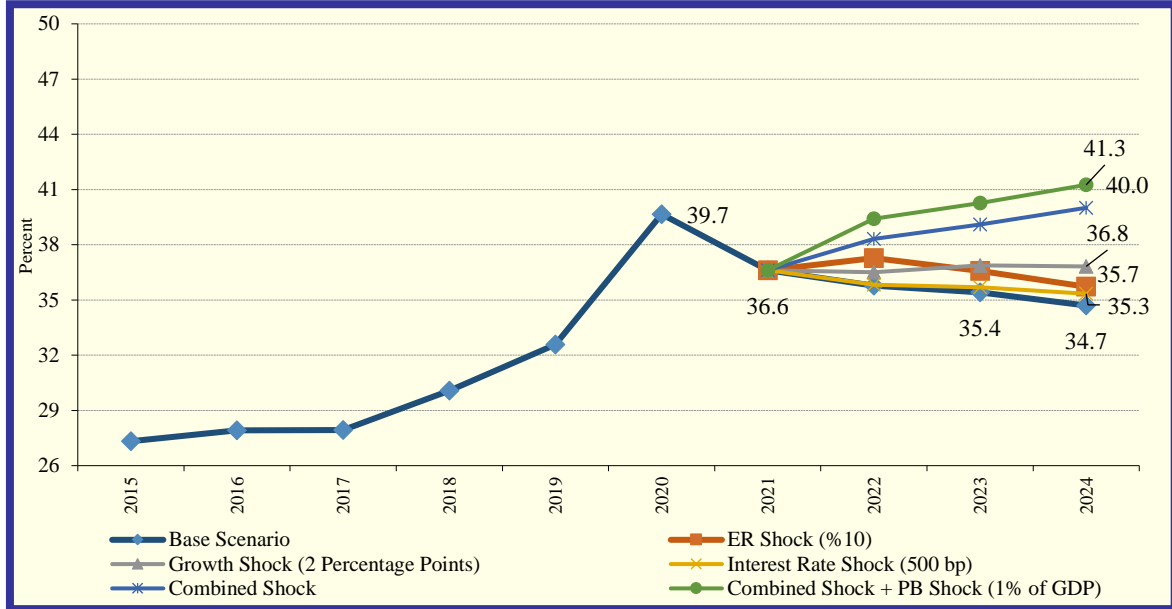
### **4.10.2. Sustainability Analysis**

Sustainability analysis regarding the course of public debt burden against various macroeconomic shocks in the period of 2022-2024 is presented below.

Figure 4.4 illustrates medium term course of EU defined general government debt to GDP ratio under different scenarios. In these scenario analyses, impacts of 10 percent upward shift in the exchange rates, 2 points downward shift in the real growth rate and 500 basis points upward shift in the real interest rates over the analysis period have been separately and jointly assessed. Moreover, one time primary balance shock is applied in the first year of the analysis period in addition to the combined shock scenario. In this scenario, primary balance performs 1 percent lower than the baseline scenario as a share of GDP. By doing so, possible risks such as contingent liabilities, which may lead to increase the financing needs, are analyzed. Additionally, the interrelation between macroeconomic variables has also been taken into account and secondary effects of each shock scenario on other variables are reflected into the analysis. In this context, the impact of growth shock on primary balance and inflation, together with the effects of exchange rate shock on inflation have been reflected to the analysis. Examining the scenarios stated above, compared to the

baseline scenario, it is evaluated that the debt burden will record an increase of 1.0 points under the exchange rate shock; 0.6 points under the interest rate shock and 2.1 points under the growth rate shock in 2024. In the combined shock scenario, in which all shocks are taken into consideration together, it is expected that the debt burden may increase by 5.3 points compared to the base scenario. When primary balance shock is added to the combined shock, the level of change rises to 6.6 points.

**Figure 4.4: Sustainability Scenarios (\*)**



Source: Ministry of Treasury and Finance

(\*) Medium Term Program (2022-2024) assumptions have been used in this sustainability analysis.

## 5. STRUCTURAL REFORMS

### 5.1. Update on the Three Main Obstacles to Competitiveness and Inclusive Growth and Related Reform Measures

Turkish economy has taken coordinated policy steps in order not to interrupt the production and supply chain, to protect employment and to maintain the healthy functioning of the financial system during pandemic, and it has been significantly successful. Having achieved a strong recovery in the second half of 2020, economic activity still maintains its strong growth performance. However, reshaped ways of doing business in the post-pandemic period and changing supply chains bring along the search for a new balance among economies. In order to benefit from the opportunities utmost and reach a more competitive and inclusive growth structure, 3 main obstacles are highlighted in line with the guidance proposed by the European Commission. For Turkish economy, which prioritizes increasing its growth potential and high value-added production in the recovery period after pandemic; efforts to create qualified employment, enhance the quality of education system and increase the share of high value-added production come to the fore.

#### *Main Obstacle 1: Enhancing the quality of the labor force and employment and reducing informal employment*

##### **a) Analysis of main obstacles**

The Turkish Economy has achieved a high and stable growth momentum. This trend has brought a high employment expansion and an intense job creation process with it. During that period the labor supply has been invigorated by institutional factors such as rapidly expanding women participation and the social security system reform as well as the driving force of the strong economic growth. For this potential to not to stay idle and be utilized efficiently it's crucial that the labor market works in a competitive and healthy way. On the other hand, the promotion and creation of the job opportunities that will provide an acceptable standard of living for the entire society and the assistance of the disadvantaged groups in the labor market is also a priority. In this context, a reform infrastructure aiming to reach a competitive and well-functioning labor market is adopted while also taking the social inclusion into account. In line with this objective, the harmonization of social assistance system with labor market dynamics and the elevation of disadvantageous groups are desired.

Subgroups that require specialized policies are generally people who face with various barriers for participation to labor force and to achieve a sustainable employment. The barriers such as lack of experience and unrealistic expectations of the youth; the economic and social hardships the women face; and the physical and social constraints disabled people encounter with constitute a problem for an healthy labor market. At this point, it is aimed to ensure the entry of these disadvantageous people into the workforce by harnessing the "Job Clubs". "Job Clubs" seeks rapid adaptation of subgroups that require special policies such as women, youth, persons with disabilities, Roma people, long-term unemployed, immigrants and unemployment beneficiaries to the labor market.

Through the current efforts for the process to combat and prevent informal economy and unregistered employment, a significant phase has been achieved. In this context, action

plans for combating the informal economy are carried out under the responsibility of public institutions and organizations, under the coordination of the Revenue Administration on a national scale. Action Plans included actions to increase audit capacity and effectiveness, to implement electronic applications, to update legislation, to increase social awareness and taxpayer compliance, to encourage registered employment and to improve data sharing between institutions. The final action plan covering the 2019-2021 implementation years has been completed and the new term 2023-2025 action plan will be prepared in 2022.

The unregistered employment rate, which was 52 percent in 2002, decreased to 29.5 percent as of October 2021. In non-agricultural sectors, this rate is 18.1 percent in the same period and it is targeted to be decreased to 15 percent by 2023. In order to achieve this goal with faster and more effective steps, it is vital to reorganize the audit mechanism by creating technical infrastructure in accordance with the requirements of the age. In addition to the efforts for combating unregistered employment under the Social Security Reform, it is considered that this problem will be eliminated through the cooperation established with public institutions and organizations, non-governmental organizations, banks and other relevant segments of the society. Within the scope of this new understanding created with the social security reform, Social Security Institution's efforts to combat unregistered employment include, increasing the service quality, cross-audits based on data/information sharing, increasing the efficiency of the audit system, reducing the financial burden on employers through incentives and informing and awareness raising activities.

Social Security Institution is currently collecting data of the professional information of individuals in the transactions carried out by banks, other public institutions and organizations in accordance with the provisions Article 100 and Paragraph 7 of Article 8, of the Law No. 5510. The collected data is used to perform cross-audits and insurance checking. In this context, protocol studies are being carried out with banks and public institutions and organizations. Protocols have been signed with 9 institutions/organizations so far. At the end of this process, it is aimed to obtain employment-based data from all relevant public institutions/organizations and detect insurance status by cross-checking. These studies will be carried out by the KADİM services within the Provincial Directorates by using the data received over the KADİM PERİ (which will enable cross-checkings) application. In addition, it is planned to increase the audit capacity with the increase in the number of institutions and organizations with which data is shared and the increase in the number of data integrated into the electronic infrastructure.

From the aspect of the control mechanism, the number of transactions that have to be referred to the inspection is increasing day by day because of the opportunity for the citizens to be able to apply to the Social Security Institution easily through numerous communication channels such as Alo 170, CİMER and direct petition. In order to cope with this situation, the number of audit-authorized staff and the technical capacity of the audit should be increased. In this context, the softwares "KADİM PERİ" (which will enable cross-checking), and "Controller Automation Program" (which will increase the effectiveness of the audit process), will provide a major contribution to increase the audit capacity of the Social Security Institution. The "Controller Automation Program" has been completed so that the Social Security Controllers, who are conducting inspections throughout the country, can work more

efficiently and the efficiency of the inspection capacity can be increased in the fight against unregistered employment.

**b) Reform measures**

***Measure 1: “Job Clubs” (ERP (2021-2023) Measure 19)***

**1. Description of measure:** Job Clubs are intensive job and vocational counselling programmes that provide job seeking motivation and method support to people, who require specific policies, such as women, youth, persons with disabilities, long-term unemployed, immigrants. Currently Job Club activities continue throughout Türkiye in 72 provinces and 80 units.

In Measure 569.3 of the 11th Development Plan, it was stated that "Job Clubs and the number of people benefitting from these clubs will be increased in order to provide more qualified consultancy services to groups that require special policies".

In 2021 Annual Programme of the Presidency, in the Measure 569.3, it was stated "Job Clubs and the number of people benefitting from these clubs will be increased in order to provide more qualified consultancy services to groups that require specific policies" under the title of "Employment and Working Life".

In Strategic Plan of Turkish Employment Agency (2019-2023), it is aimed to increase the number of Job Clubs and beneficiaries in order to deliver more qualified counselling services for job seekers under the purpose of "improving qualified counselling services for permanent employment in line with the needs of labour market".

It is targeted that Job Clubs will be extended across Türkiye as of 2022 and the studies on extending them will continue in 2023 and 2024.

In ERP (2021-2023), it is stated that studies on extending Job Clubs will be carried out in 81 provinces and within this scope, 9 new Job Clubs will be opened in 2021 (75 Job Clubs in 2020). 5 new Job Clubs were opened in 2021, and as of October 2021, Job Club activities continue in 72 provinces and 80 units across Türkiye. In the same manner, it is aimed to provide "Job Club Leadership Training" to 100 Job and Vocational Counsellors (JVC) in 2021, and Job Club Leadership Training has been provided to 50 Job and Vocational Counsellors as of the end of October 2021.

Job Club activities, which were carried out face-to-face before the pandemic, started to be organized online due to pandemic, and the importance of online service provision has increased. In addition to health-related measures, online service provision also has benefits such as increasing the accessibility of the Agency's services and providing consultancy services in places where there is no Provincial Directorate and Service Centre.

Within the scope of studies, applied trainings are provided for the groups of 6-15 people on self-acquaintance, setting a career goal, job seeking channels, CV preparation, body language, interview techniques and other issues that the groups need. Increasing interaction among group members also helps jobseekers to improve their job-seeking network. In addition, some assignments are given to participants to ensure that they remain active in the process.

Totally, 31,219 people has benefitted from Job Clubs organised online since June 2020. Within the scope of studies, an intensive cooperation was made with institutions/organisations such as educational institutions, Women's Shelters, Child Support

Centres, Probation Offices, Public Training Centres and non-governmental organisations. Job Clubs trainings organised online during and after the pandemic will continue.

**i. Activities planned in 2022:** Activities will be carried out to establish Job Clubs in the units with emerging needs in 2022. In this frame, 10 new Job Clubs are planned to be established in different provinces including metropolitan cities with high potential in 2022. Premises that will be allocated to Job Clubs to be established will be renovated and modified and assets will be procured. Job and Vocational Counsellors who will be assigned as Job Club Leader in new Job Clubs will be delivered “Job Club Leadership Training”. It is planned to organise various trainings and hold a workshop by which good practices will be shared and ideas will be exchanged to improve qualifications of Job Club Leaders during the year. Moreover, online Job Club trainings will continue.

**ii. Activities planned in 2023:** After extending Job Clubs across Türkiye in 2023, activities will be started to establish more Job Clubs in provinces with emerging needs. In this context, 10 new Job Clubs are planned to be opened in different provinces including metropolises with high potential in 2023. Premises that will be allocated to Job Clubs to be established will be renovated and modified and assets will be procured. Job and Vocational Counsellors who will be assigned as Job Club Leader in new Job Clubs will be delivered “Job Club Leadership Training”. Moreover, online Job Club trainings will continue.

**iii. Activities planned in 2024:** After extending Job Clubs across Türkiye in 2024, activities will be started to establish more Job Clubs in provinces with emerging needs. In this context, 5 new Job Clubs are planned to be opened in different provinces including metropolises with high potential in 2024. Premises that will be allocated to Job Clubs to be established will be renovated and modified and assets will be procured. Job and Vocational Counsellors who will be assigned as Job Club Leader in new Job Clubs will be delivered “Job Club Leadership Training”. It is planned to deliver various trainings in order to improve the qualification of Job Club Leaders during the year. In addition, online Job Club trainings will continue.

## 2. Result indicators:

| Indicator                        | Current Situation | 2022   | 2023   | 2024   |
|----------------------------------|-------------------|--------|--------|--------|
| Number of Newly Opened Job Clubs | 5*                | 10     | 10     | 5      |
| Number of Job Club Participants  | 30,969**          | 78,750 | 86,250 | 86,250 |

\*It covers January-October 2021.

\*\*It covers number of participants benefitting from the services provided in 80 Job Clubs across Türkiye for January-October 2021.

**3. Expected impact on competitiveness:** With regard to measures, groups that require specific policy in working life is composed of people who have difficulties in getting a job or continuing work life, and whose integration into labour markets is more difficult. Therefore, job and vocational counselling to be offered to the individuals in this group should be structured in a more different way and make them develop a positive idea particularly about accessing to service and participating in employment. Raising awareness is quite important in the counselling activities to be carried out within this scope. Through the programme; participants become motivated to seek a job, participants are supported to get the best possible job as soon as possible, participants gain the idea that there is a job for anyone who wants to



work, job seekers are informed about the ways of finding a job, self-confidence of individuals increase.

**4. Estimated cost of the activities and the source of financing:**

**2022:** 63,780 Euro (Other National Public Finance Resources)

**2023:** 61,544 Euro (Other National Public Finance Resources)

**2024:** 59,324 Euro (Other National Public Finance Resources)

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** Job Clubs is an intensive job and vocational counselling programme that aims to provide method and motivation support for the groups, which require specific policies, such as women, young people, persons with disabilities, long-term unemployed, ex-convicts and drug addicts. From the start of activity in 2017 until the end of October 2021, totally 114,660 people have benefitted from the Job Clubs. Considering that 74,277 of the participants are women, it is possible to say that women benefit intensely from this service.

**6. Expected impact on environment and climate change:** The measure is neutral in terms of environment.

**7. Potential risks:**

| Risks  | Probability |
|--|-------------|
| Disruption of work because of additional jobs given to Job Club Leaders due to insufficient number of staff  | Low         |
| Regarding the activities of the Job Clubs, the Public Institutions and Organizations for the target group being distant from the cooperation and joint work culture. | Low         |
| Low demand due to insufficient promotion of Job Clubs  | Low         |

**Measure 2: “Professions of Future” (ERP (2021-2023) Measure 22)**

**1. Description of measure:** It has become an important issue for Türkiye to meet the need for qualified workforce in the digitalised industry. With Industry 4.0, it is predicted that in the future new professions will emerge and the demand for labour in some professions will increase with the change of technology and production processes in the field of information and communication technologies and R&D. At the same time, it is an inevitable fact that we will be faced with a different production and education process. Most importantly, this process will be one that requires the most qualified manpower. It is predicted that Industry 4.0 will bring new career opportunities along with economic growth.

The most critical feature expected from the workforce is to have interdisciplinary skills and to put them into practice. For this reason, individuals need to acquire the necessary skills to cope with the digital work environment and be ready for new digital skills that emerge with Industry 4.0.

There will be need for qualified workforce especially in the fields such as data analysis, software, cyber security, robotic applications and digital business procedures. In this scope, it is predicted that the labour demand will increase in professions such as Industrial Computer Programmer, Wearable Technology Designer, Industrial User Interface Designer, Cloud Computing Specialist, Cyber Security Specialist, Data Analyst, ERP Specialist, Social Media Specialist, Software Development Specialist, Mobile Software Specialist and Game Development Specialist.

In line with the determined targets, İŞKUR develops special policies and practices to ensure the training of qualified workforce for skills and occupations that will emerge with Industry 4.0.

Within this context, vocational training courses and on-the-job training programmes are organised by İŞKUR in order to train workforce required by employers. In the on-the-job training programs implemented in 100 professions determined as "Future Professions" by İŞKUR, unlike other on-the-job training programs, a program can be organized for participants between the ages of 18-29 for up to nine months and 115 TL daily pocket money is paid to the participants (for the year 2021). Workplaces operating in Technology Development Zones, workplaces operating as R-D centres, Technology Centre Enterprises and workplaces operating as Design Centres primarily benefit from the on-the-job training programmes organised within this context. In the period of January-November 2021, 1,760 people benefitted from on-the-job training programmes organised within the context of "Professions of Future". Likewise, in the period of January-November 2021, 806 people benefitted the Qualified IT Expert Training Project (NBUY) organized for these professions.

By the end of 2021, it was aimed that at least 2,000 young people between the ages of 18-29 will benefit from the On-the-Job Training Programs in Future Jobs and that at least 1,000 people will benefit from Vocational Training Courses within the scope of the Qualified IT Expert Training (NBUY) Project. During the period when Covid-19 was effective and the risk of contagion continued, various practices such as suspension, tele-working and distance vocational training were carried out within the scope of active labour market programmes. Courses and programmes that started before the pandemic and were deemed inconvenient for public health to continue due to Covid-19 were suspended. In this context, the targeted value could not be reached due to the pandemic.

**i. Activities planned in 2022:** By the end of 2022, it is aimed that at least 2,000 young people between the ages of 18-29 will benefit from on-the-job training programmes in the professions of future and that at least 1,500 people will benefit from vocational training courses within the scope of the Qualified IT Expert Training (NBUY) Project.

**ii. Activities planned in 2023:** By the end of 2023, it is aimed that at least 2,000 young people between the ages of 18-29 will benefit from on-the-job training programmes in the professions of future and that at least 1,500 people will benefit from vocational training courses within the scope of the Qualified IT Expert Training (NBUY) Project.

**iii. Activities planned in 2024:** By the end of 2024, it is aimed that at least 2,000 young people between the ages of 18-29 will benefit from on-the-job training programmes in the professions of future and that at least 1,500 people will benefit from vocational training courses within the scope of the Qualified IT Expert Training (NBUY) Project.

## 2. Result indicators:

| Indicator   | Current Situation* | 2022  | 2023  | 2024  |
|---|--------------------|-------|-------|-------|
| Number of Young People aged 18-29 Benefiting from On-the-Job Training Programs in Professions of Future | 1,760              | 2,000 | 2,000 | 2,000 |
| Number of People Benefiting from the Qualified IT Expert Training Project (NBUY)                        | 806                | 1,500 | 1,500 | 1,500 |

\* January- November 2021

**3. Expected impact on competitiveness:** With Industry 4.0, it is predicted that in the future new professions will emerge and the demand for labour in some professions will increase with the change of technology and production processes in the field of information and communication technologies and R&D. At the same time, it is an inevitable fact that we will be faced with a different production and education process. Most importantly, this process will be one that requires the most qualified manpower. It has also been predicted that Industry 4.0 will bring new career opportunities together with economic growth. .

The most critical feature expected from workforce is to have interdisciplinary skills and put them into practice. For this reason, individuals need to acquire the necessary skills to cope with the digital work environment and be ready for the new digital skills that emerged with Industry 4.0.

There will be need for qualified workforce especially in the fields such as data analysis, software, cyber security, robotic applications and digital business processes. In this scope, it is predicted that the labour demand will increase in professions such as Industrial Computer Programmer, Wearable Technology Designer, Industrial User Interface Designer, Cloud Computing Specialist, Cyber Security Specialist, Data Analyst, ERP Specialist, Social Media Specialist, Software Development Specialist, Mobile Software Specialist and Game Development Specialist.

Through the active labour programmes implemented by İŞKUR, workforce demanded by employers in labour market will be trained. This will help to strengthen the cost effectiveness of public employment services as well as to contribute to the solution of the structural problem of supply-demand mismatch.

#### 4. Estimated cost of the activities and the source of financing:

**2022:** 1,869,698 Euro (Other National Public Finance Sources)

**2023:** 1,962,903 Euro (Other National Public Finance Sources)

**2024:** 2,041,588 Euro (Other National Public Finance Sources)

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** By increasing functionality of the cooperation mechanism in question, it is expected to contribute to the sustainable employment of individuals and to contribute to the better match of vacant job positions with the right qualifications and skills.

**6. Expected impact on environment and climate change:** The measure is neutral in terms of environment.

**7. Potential risks:**

| Risks   | Possibility |
|---|-------------|
| Failure to realize local cooperation efforts at the expected level                                    | Low         |
| Failure to identify professions.  | Low         |
| Failure to correctly determine the qualifications and skills of the labour force needed by the sector | Low         |

***Measure 3: “Youth employment will be increased by strengthening vocational training centers”***

**1. Description of measure:** The ratio of graduates who graduated from Vocational Education Centers and who have a journeyman/master certificate and are employed is close to 90 percent. Again, the rate of employment of apprentices who are trained in vocational training centers in the same workplaces as masters after graduating at the workplaces with which they signed a contract during their education is close to 80 percent. It will be ensured that the number of students studying at the existing vocational training centers will be increased. In addition, with the protocol signed with the Ministry of Justice, vocational training centers will be increased in prisons, with the protocol signed with the Ministry of Culture and Tourism, education will be provided in 3 languages, English, Russian and an optional language, in vocational and technical Anatolian high schools for the first time. Vocational education center liaison offices will be opened within the body of the Ministry of Education, the number of vocational education center students will be increased with the protocols being implemented with international organizations such as ILO and UNICEF.

**i. Activities planned in 2022:** Within the scope of the protocols signed between the Ministry of Culture and Tourism, the Ministry of Industry and Trade, the Ministry of Justice, UNICEF and the ILO and the Ministry of National Education, increasing the number of vocational training centers in the regions where Tourism Zones, Prisons and OIZs are located, thereby increasing the number of journeymen and masters graduating from these schools. To provide the qualified workforce needed by businesses and to increase employment. To increase the number of students from more than 150 thousand to over 200 thousand by 2021.

**ii. Activities planned in 2023:** Within the scope of the protocols signed between the Ministry of Culture and Tourism, the Ministry of Industry and Trade, the Ministry of Justice, UNICEF and the ILO and the Ministry of National Education, increasing the number of vocational training centers in the regions where Tourism Zones, Prisons and OIZs are located, thereby increasing the number of journeymen and masters graduating from these schools. To provide the qualified workforce needed by businesses and to increase employment. To increase the number of students from more than 200 thousand to over 250 thousand by 2021.

**iii. Activities planned in 2024:** Within the scope of the protocols signed between the Ministry of Culture and Tourism, the Ministry of Industry and Trade, the Ministry of Justice, UNICEF and the ILO and the Ministry of National Education, increasing the number of vocational training centers in the regions where Tourism Zones, Prisons and OIZs are located, thereby increasing the number of journeymen and masters graduating from these schools. To

provide the qualified workforce needed by businesses and to increase employment. To increase the number of students from more than 250 thousand to over 300 thousand by 2021.

**2. Results indicators:**

| Indicator   | Current Situation | 2022 | 2023 | 2024 |
|---|-------------------|------|------|------|
| Employment rate of young people graduating from MEM | %88               | %89  | %90  | %91  |

**3. Expected impact on competitiveness:** Apprentice students studying at Vocational Training Centers are doing skills training in the business 4 days a week. These enterprises pay apprentice students a wage not less than 1/3 of the minimum wage. 12th grade students are paid at least half of the minimum wage by businesses. These fees paid by the enterprises are repaid to the enterprises by the state as "state contribution". For this reason, apprentice students are advantageous for businesses. Therefore, it is expected that there will be an increase in the number of enterprises that want to train apprentice students and that the competitiveness between these enterprises will be positively affected.

**4. Estimated cost of the activities and the source of financing:** The costs of the measure display the estimated figures.

**2022:** 18,222,830 Euro (Central Budget and Other Grants)

**2023:** 18,463,056 Euro (Central Budge and Other Grants)

**2024:** 18,644,676 Euro (Central Budget and Other Grants)

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** The employment rate of students studying in vocational training centers is very high. Therefore, as the number of students increases, the employment rate will increase.

**6. Expected impact on environment and climate change:** There is no expect on impact to environment and climate change.

**7. Potential risks:**

| Risk   | Probability | Planned mitigating action   |
|--|-------------|---|
| Potential student candidates do not want to enroll in vocational training centers for various reasons. | High        | Assigning specialized personnel to identify causes. Conducting field research in 81 provinces. Determining the problems in the local area, making a general analysis and taking measures by the Ministry. |

***Measure 4: “Reducing Unregistered Employment by Focusing on Increasing Audit Capacity in Non-Agricultural Sectors” (ERP (2021-2023) Measure 9)***

**1. Description of measure:** Increasing the number of Social Security Controllers in order to increase the audit capacity by the Social Security Institution, establishing electronic audit infrastructure and ensuring the audits to be conducted in an electronic environment.

Many studies are carried out in order to reduce informal employment, which is a part of the informal economy reflected in working life, in order to provide a more competitive environment. In order to combat informal employment, the Social Security Institution provides information and raises awareness on social security rights and obligations for all segments of the society. The rate of satisfaction for the services that citizens receive from the Social Security Institution has been increased. Thus, it is aimed to secure the future of citizens by encouraging them to be registered. Also, audits carried out by the audit staff can ensure the voluntary adaptation of the citizens in the transition to formal employment faster. Therefore, increasing the audit capacity and ensuring the effectiveness of audits have an important place in the fight against informal employment. With the Action Plan for Combating the Unregistered Economy (2015-2017), which was carried out by the Revenue Administration, 5,000 audit personnel positions were opened for Social Security Controllers. With the recruitments to be made from year to year, this staff number will be completed and audit capacity will be increased.

It is considered that the existing measure will benefit the process of increasing the audit capacity of the Social Security Institution which combines audit perspective with guidance function within the scope of Social Security Reform, both numerically and technically.

This measure was proposed in accordance with 11th Development Plan, New Economy Program (2021-2023) and the Strategic Plan of the Social Security Institution. This measure is directly related with the Sustainable Development Goals numbered 8.3, “Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro, small and medium-sized enterprises including through access to financial services”.

For the measure, 50 inspectors were recruited in 2021. The software programs (KADİM PERİ and Denetmen Automation Program) completed to be used in the audit phase have been put into use throughout the country.

**i. Activities planned in 2022**

- Recruitment of an average of 400 Assistant Social Security Controllers,
- Efforts to make the audits electronically using technical infrastructure will continue.
- Within the scope of increasing efficiency in auditing through the cross control mechanism, efforts to increase data sharing with institutions and organizations will be continued.

**ii. Activities planned in 2023**

- Recruitment of an average of 400 Assistant Social Security Controllers,
- Efforts to make the audits electronically using technical infrastructure will continue.

- Within the scope of increasing efficiency in auditing through the cross control mechanism, efforts to increase data sharing with institutions and organizations will be continued.

**2. Result indicators:**

| Indicator   | Current Situation* | 2022 | 2023 |
|---|--------------------|------|------|
| Number of Social Security Controllers Planned for Recruitment | 50                 | 400  | 400  |

\* Number of people recruited in 2021.

**3. Expected impact on competitiveness:** It is expected that public resources can be used more efficiently thanks to the trainings of the controller staff in accordance with the requirements of the age and ensuring that controllers benefit from the IT facilities at the highest level during audits. Based on the available statistics, the number of duty orders is around 190,000 and the number of denunciations and complaints increases day by day. In addition to this, extension to the current workload, audit lists for the work places considered to be risky are sent by the controllers to the local offices. When the total number of controllers is compared with the number of these duties, it can be seen that the workload per controller is quite high. Therefore, it will be possible to reduce the existing workload to more reasonable levels by ensuring the effectiveness of the controllers and audit system.

**4. Estimated cost of the activities and the source of financing:** The cost of salaries, products and services will be financed from the central budget for new assistant controllers. The number of Social Security Controllers and Assistant Social Security Controllers currently working in the Social Security Institution is 2,774. It is estimated that a new assistant controller’s gross salary will be 621 Euro including tax and premium payments by the year 2021. Considering the salary increases, it is estimated that for 335,300 Euro for 2022 and 351,677 Euro for 2023 will be spent.

**2022:** 335,300 Euro (Central Budget)

**2023:** 351,677 Euro (Central Budget)

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** With the increase in the number of inspections, the introduction of the deterrent element of inspection will contribute to the orientation of employers and employees to formal employment. The increase in registered employment will also contribute to the financial sustainability of the social security system, thanks to the increase in premium income.

**6. Expected impact on the environment and climate change:** With the introduction of electronic infrastructure and software programs, bureaucracy will be reduced, and the consumption of stationery materials such as paper and plastic bags to be used in this process will also decrease.

**7. Potential risks:**

| Risk   | Probability |
|--|-------------|
| Failure of the training process of the audit personnel to be recruited due to the extension of the examination process | Low         |
| Delays in completing the required software   | Low         |
| Price increases during the procurement process   | Low         |
| Signing protocols with institutions to share data and the long duration of technical infrastructure development        | Low         |



## ***Main Obstacle 2: Enhancing the quality of education system***

### **a) Analysis of main obstacles**

In recent years, significant progress has been made in the distance in access to education in Türkiye aims to increase the quality of education. In the education system, a transformation program that improves the personality and abilities of individuals, is based on equal opportunity and increases the quality is implemented. Providing access to inclusive, equal opportunity-based quality education and lifelong learning opportunities are among the most important education policies.

Due to adverse impact of the pandemic, the gross enrollment rate for 4-5 years old was 39 percent in the 2020-2021 academic year. In this direction, it is aimed to ensure that early childhood education is compulsory for the age of 5 and to develop common quality standards to increase its quality. The main obstacles encountered in increasing access to early childhood education are financial inadequacy, insufficient human and physical capacity, and the geographical structure of our country.

When successful education systems in the world are examined, the focus of differentiation in monitoring, evaluation and inspection processes is teacher and school-based guidance for the improvement of education. In line with the 2023 Education Vision, the guidance dimension of the inspection system for school development will be highlighted. Within the scope of the MoNE Strategic Plan, the institutional guidance and inspection system will be restructured in a way to highlight the guidance for school improvement, and the Ministry's effective work on legal services will continue (Goal 2.4).

With the Presidential Decree No. 78 published in the Official Gazette dated July 6, 2021 and numbered 31533, the Provincial Directorates of National Education employ education inspector and training officer to carry out the guidance, on-the-job training, inspection, evaluation, examination, research and investigation services of all formal and non-formal education institutions.

### **b) Reform measures**

#### ***Measure 5: “Access to preschool education will be provided based on equal opportunity principle” (ERP (2021-2023) Measure 14)***

**1. Description of measure:** The primary goal of Ministry of National Education is to enable every child to start compulsory primary school with at least one year of pre-school education. The 2023 Education Vision of Ministry of National Education includes the goal of expanding early childhood education services, the Presidential Annual Program of 2022 has a goal of making preschool education compulsory for age 5 and the United Nations Development Program Sustainable Development Goals includes the objective of “providing inclusive and qualified education for all”. In line with these goals, it is necessary to take measures to reduce the cost of the family for each child to be enrolled and to increase the capacity of pre-school education institutions.

The measure has been revised and the activity about distributing activity books called “İlk Arkadaşım” and “Bir Şeyden Çok Şey” has been removed. Instead a new activity called

“10 000 Schools in Basic Education” Project has been added for the measure, which is also included in the Presidency 2022 Annual Programme.

The age of five years will be included in the compulsory schooling for early childhood education, alternative early childhood education models will be set with flexible time options; and the additional classrooms needed for this purpose will be constructed (Eleventh Development Plan, 548.1).

**i. Activities planned in 2022:**

1.1. Home-based ECEC model: “My Playbox” is implemented under the home-based early childhood care and education model, focuses especially on children aged 5 and their families living in underprivileged conditions with limited or no access to early childhood education services. My Playbox set will be distributed to the children of approximately 9000 families living in disadvantaged areas, and the implementation of the set will be followed by regular monitoring and evaluation visits by preschool teachers.

1.2. Supporting Preschools: Preschool furniture, stationery and education material (toys and other materials) support will be provided to 176 pre-school education institutions and public education centers having playrooms in places where foreign national children are concentrated, and trainings will be organized for teachers and parents in these institutions.

1.3. 10,000 Schools in Basic Education Project: Within the scope of the 10,000 Schools in Basic Education Project, 40,000 preschool classes will be opened. Existing schools will be improved within the scope of equal opportunity.

1.4. Distributing “Stories For 365 Days” Book Set with a Bookshelf: Stories for 365 Days project was launched by the Ministry of National Education (General Directorate of Basic Education) in order to help children acquire the habit of reading, increase their vocabulary and support the development of listening and speaking skills. Within this project, writing and drawing studies of 53 story books have been completed. In the 2021-2022 academic year, the set consisting of 53 books will be sent to 1 350 preschool classes along with the bookshelf. Additionally, “Stories for 365 Days” book set will be distributed to 650 preschool classes.

1.5. Briefing for Local Administrators: Briefing meetings will be held to provide information on national policies about access to and quality of ECE, the work done, new materials, projects implements and pre-school education in general.

**ii. Activities planned in 2023:** “My PlayBox” set will be distributed to children living in disadvantaged places. Preschool institutions will be supported with furniture and education materials. 5 000 Schools in Basic Education Project will be continued.

**iii. Activities planned in 2024:** “My PlayBox” set will be distributed to children living in disadvantaged places. Preschool institutions will be supported with furniture and education materials.

**2. Results indicators:**

| Indicator                        | Current Situation | 2022  | 2023  | 2024  |
|----------------------------------|-------------------|-------|-------|-------|
| Net enrollment rate of age 5 (%) | 58.53             | 80    | 100   | 100   |
| Number of teachers trained       | 600               | 1 800 | 2 000 | 2 000 |

|   |       |       |      |      |
|---|-------|-------|------|------|
| Number of households receiving My Play Box        | 3 200 | 9 000 | 5000 | 5000 |
| Number of preschool classes receiving Story Books | 0     | 10000 | 1000 | 1000 |
| Number of local administrators taken to briefings | 0     | 150   | 150  | 150  |

**3. Expected impact on competitiveness:** Evidence shows that increased access to high-quality early learning programs results in short- and long-term benefits to individuals and society. High-quality preschool programs for three-to-five-year-old children can also build a strong skills foundation for school, as well as help meet child care needs of working parents. It will be ensured that the inequality in access to education will be eliminated by contributing to the development of children living in disadvantaged areas and to raise children as individuals whose development areas are supported by taking pre-school education.

#### **4. Estimated cost of the activities and the source of financing:**

**2022:** Estimated 10,000,000 TL for activity no. 1.1; Estimated TL 3,235,000 for activity no. 1.2; Estimated 3,000,000,000 TL for the activity no. 1.3. Estimated 1,000,000 TL for activity 1.4; Estimated 325,650 TL for activity 1.5. Total cost is 274,669,135 Euro.

**2023:** Estimated total cost is 1,318,790 Euro (from central and external budget).

**2024:** Estimated total cost is 1,271,228 Euro (from central and external budget)

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** With the opening of new preschool classes, it is predicted that there will be an increase in the employment of teachers and auxiliary staff. More children receiving pre-school education can increase the number of working women and men, increase household income, and ultimately lead to higher quality education and care for children.

**6. Expected impact on environment and climate change:** No direct impact of the reform measure on the environment is foreseen. The measure is therefore environmentally neutral. However, the fact that children start to receive education at an early age can ensure that they comply with the rules in their social lives and positively affect the child's behavior of protecting the environment.

#### **7. Potential risks:**

| Risk   | Probability | Planned mitigating action  |
|--|-------------|--|
| Employment of auxiliary staff in preschools  | High        | The number of staff assigned to MoNE by İŞ-KUR should be increased. The working period of the assigned staff should be extended to include the summer term.  |
| Inability to find suitable land for the construction of classrooms in crowded cities | High        | Cooperation studies should be carried out with other Ministries, Municipalities, public institutions/organizations and NGOs. It should be ensured that the idle buildings are opened as educational institutions. Kindergarten classes should be opened within the existing educational institutions in these provinces. |

***Measure 6: “Specialized Institutional Guidance and Inspection branches will be established depending on school and program types”***

**1. Description of measure:** Studies will be carried out such as the implementation of the curriculum according to the school types and the status of the students' achievement in the curriculum in line with the principle of expediency, monitoring and stopping the deviations, stopping and ending the deviations, and providing the necessary guidance services in line with the needs and demands. As a result of the guidance given to the institutions, their progress will be followed and the development of the institutions will be supported.

The number of provincial-district directorates of national education, public and private schools, public and private secondary education institutions audited by the Board of Inspectors in 2020 are given in the table below.

|   | School/Institution                           | Number       |
|---|--|--------------|
| 1 | Provincial Directorate of National Education | 32           |
| 2 | District Directorate of National Education   | 285          |
| 3 | Kindergartens                                | 154          |
| 4 | Primary Schools (Public& Private)            | 358          |
| 5 | Secondary Schools (Public& Private)          | 338          |
| 6 | High Schools (Public& Private)               | 316          |
|   | <b>Total</b>                                 | <b>1,483</b> |

In 2020; With the Istanbul Provincial Directorate of National Education, Adıyaman, Ağrı, Ardahan, Batman, Bayburt, Bingöl, Bitlis, Bursa, Bolu, Diyarbakır, Edirne, Gaziantep, Hakkari, Karaman, Kars, Kırklareli, Kırşehir, Kilis, Kocaeli, Konya, Malatya, Mardin, with a total of 32 provincial national education directorates, including Muş, Sakarya, Siirt, Şanlıurfa, Şırnak, Tekirdağ, Tokat, Tunceli and Van provincial and district national education directorates, and 285 district national education directorates throughout the country; Guidance services and inspection studies were carried out in a total of 1483 public/private schools, including 154 kindergartens, 358 primary schools, 338 secondary schools, and 316 high schools.

Institutional guidance and examination, research and investigation components of our inspection system will be separated and institutional guidance for school development will be structured as a specialty area. In the current situation, the inspection of all schools from the center contains many difficulties in terms of both time and workforce. In Provincial Directorates of National Education, education inspector and assistant education inspector are employed to carry out guidance, on-the-job training, supervision, evaluation, examination, research and investigation services of formal and non-formal education institutions of all degrees and types, and with the establishment of an electronic-based inspection system, both face-to-face and It will be possible to carry out remote control studies. Thanks to these audit studies, which will be carried out with the hybrid method, it is aimed to save time, space and workforce and to implement an effective and efficient audit system.

**i. Activities planned in 2022:**

- Completion of legislative (regulation) arrangements regarding the duties, powers, responsibilities, conditions of entry to the profession and promotion of education inspectors and assistant inspectors,
- Employment of 750 assistant education inspectors,
- Initiation of electronic-based audit infrastructure studies,
- Organizing in-service trainings for 1,950 education inspectors / assistant inspectors,
- Field visits for the in-service training process of education inspectors and assistant inspectors and establishment of an on-the-job training program

**i. Activities planned in 2023:**

- Developing electronic-based inspection and monitoring activities, together with central control of school/institutions' compliance inspection, loss of labor, time, etc. minimizing the situations, stopping and controlling the deviations in the curriculum, providing the necessary guidance services in line with the needs and demands,
- Employment of 750 assistant education inspectors,
- Organizing in-service trainings for 2,700 education inspectors / assistant inspectors,
- Assigning the Ministry's education inspectors to accompany the education inspectors and assistant inspectors within the scope of carrying out the in-service and on-the-job training process,

**iii. Activities planned in 2024:**

- Monitoring and auditing 35 percent of schools/institutions (7,000 schools/institutions) through electronic-based auditing,
- Employment of 500 assistant education inspectors,
- Organizing in-service trainings for 3,200 education inspectors / assistant inspectors,
- Assigning the Ministry's education inspectors to accompany the education inspectors and assistant inspectors within the scope of carrying out the in-service and on-the-job training process

**2. Result indicators:**

| Indicator                                 | Current Situation | 2022  | 2023   | 2024   |
|---|-------------------|-------|--------|--------|
| Number of inspectors working in provinces | 0                 | 1,950 | 2,700  | 3,200  |
| Number of schools/institutions audited    | 1,500             | 5,000 | 10,000 | 20,000 |

**3. Expected impact on competitiveness:** Since the service provided is a public service, it has no effect on competitiveness, but it is aimed to increase the quality of education in the long term.

**4. Estimated cost of the activities and the source of financing:**

**2022:** Employment of 750 assistant education inspectors – 8,200,274 Euro (total cost of 12 months' salaries) - Central budget

In-service training to be given to 1,950 personnel – 266,509 Euro – Central budget

Establishment of electronic-based audit system (including software, software user guide and infrastructure expenses) – 72,891 Euro – Central budget

**2023:** Employment of 750 assistant education inspectors – 8,862,267 Euro (total cost of 12 months' salaries)

In-service training to be given to 2,700 personnel – 356,073 Euro – Central budget

**2024:** Employment of 500 assistant education inspectors – 6,378,513 Euro (total cost of 12 months' salaries)

In-service training to be given to 3,200 personnel – 406,793 Euro – Central budget

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** It is aimed to increase employment by increasing the quality of education.

**6. Expected impact on environment and climate change:** It is aimed to minimize carbon emissions by reducing the travels of inspectors through electronic-based inspection.

**7. Potential risks:**

| Risk                         | Probability | Planned mitigating action   |
|------------------------------|-------------|---|
| Delay of legislative changes | Medium      | The draft regulation to be prepared regarding the duties, powers and responsibilities of education inspectors and assistant inspectors will be sent for approval as soon as possible. |

***Main Obstacle 3: Increasing the share of high value-added production in industry***

**a) Analysis of main obstacles**

Although the negative consequences of the Covid-19 epidemic in economic life continue, the need to increase productivity in production and to expand Industry 4.0 applications still continues intensely. It is aimed to strengthen the productivity ecosystem with a holistic approach with the implementation of the Model Factories, which have been successfully implemented in many countries of the world.

Insufficient motivation and awareness level of enterprises to receive training and consultancy services in the field of productivity, as well as the lack of financial support mechanism are seen as obstacles experienced by enterprises in the manufacturing industry.

A support program has been established by KOSGEB for businesses that will receive service from Model Factories. Within the scope of Model Factory Support, KOSGEB has provided support of 1,618,360 TL to 34 different businesses so far. The purpose of this support is to contribute to making the competence gains of enterprises permanent.

Rising raw material and energy prices and inflationary costs of SMEs due to the global economic crisis cause the conditions for obtaining loans to get worse and hinder the improvement of processes such as institutionalization, digitalization and productivity increase.

With the SME Technological Product Investment (Technoinvestment) Support Program, investments to be made by enterprises are supported in order to ensure the production and commercialization of products in the field of medium - high and high technology that will contribute to the current account by the domestic industry. With the SME Techno-Investment Support Program in 2020, technological product investments and commercialization projects started to be supported by ensuring that low, medium-low, medium-high and high technology is spread to the base through domestic and national SMEs.

Today, the two most important factors necessary for transforming the ideas of technological and innovative entrepreneurs into products and services are to find a source of finance for these entrepreneurs and to provide access to the networks they need.

To find a source of financing; issues such as government incentives, access to investors, exemptions and exceptions gain importance. However, models need to be developed in order to meet with investors and persuade them to become partners with them. Although the ecosystem in our country has reached a certain stage in this regard, it needs to be developed further.

Although financing is important for the realization of ideas and the development of products/services, the second most important factor is access to networks, so the commercialization of these products is just as important. In this regard, it is necessary to organize organizations or events for network access services such as finding the necessary customers, meeting with companies or people who have experienced these processes before. Thus, it will be possible to carry out the projects in a healthy way and to increase the enterprises that provide value to the country's economy thanks to these projects.

Entrepreneurs and businesses meeting with national and international investors and developing their products/services mean both growth as competitive businesses and growth of the country's economy. In this way, it is considered that developing businesses will have a positive effect on employment.

Technology-based and innovative SMEs also face many important challenges that need to be addressed by science technology and innovation policy makers. Among the most important challenges faced by SMEs are access to finance, the use of mentorship and collaboration with large enterprises.

Türkiye achieved significant success both in the use of digital government services and the utilization of digital technologies in public institutions and organizations. However, inter-institutional data sharing required for value-added service provision for real and legal persons is relatively weak. Although there are uncertainties in terms of legislation, difficulties in ensuring data governance are at the forefront. Sharing public data is critical to enable data-driven decision-making processes and strengthen the data economy. Data asymmetry within and between sectors prevents the promotion of competition and ensuring sustainability.

**b) Reform measures**

***Measure 7: “Enhancing the R&D and innovation activities of SMEs” (ERP (2021-2023) Measure 11)***

***Measure 7a: “Prioritizing technological product investments to increase the technology level and export capacity of SMEs and supporting the commercialization of R&D projects” (ERP (2021-2023) Measure 11a)***

**1. Description of measure:** With the SME Technological Product Investment Support Program, it is planned to support the investment projects of enterprises in order to ensure the production and commercialization of products resulting from R&D/innovation activities and products in the field of medium-high or high technology that will contribute to the current account.

Purpose and Scope of the Program:

(a) Production and commercialization of products resulting from R&D/innovation activities

(b) To support the investments to be made by enterprises in order to ensure the production and commercialization of products in the field of medium-high and high technology that will contribute to the current account.

- In applications made to ensure the production and commercialization of products resulting from R&D/innovation activities, the upper limit of the support to be given;
  - In low and medium low technology areas is 700,000 TL with repayment and 300,000 non-refundable, for a total of 1,000,000 TL.
  - In the fields of medium-high and high technology is 4,200,000 TL with repayment and 1,800,000 TL without repayment, for a total of 6,000,000 TL.
- In applications made to ensure the production and commercialization of products in the field of medium - high and high technology that will contribute to the current account, the upper limit of the supports is 6,000,000 TL in total, with a refundable amount of 4,200,000 TL and a non-refundable amount of 1,800,000 TL.

In 2020, technological product investments and commercialization projects started to be supported by ensuring that low, medium-low, medium-high and high technology is spread to the base through domestic and national SMEs with the SME Technoinvestment Support Program.



**Methods of determining the list of products that will contribute to the current account:**

- Products in the priority products list determined by the Ministry of Industry and Technology within the scope of the Technology Oriented Industry Move Programme,
- Products determined and notified to KOSGEB by relevant public institutions/organizations, professional organizations in the nature of public institutions and universities, taking into account the priority sectors specified in the development plan, new economic program and technology-oriented industry move program,
- Development plan, new economic program and technology-oriented industry move program, taking into account the priority sectors specified as a result of the evaluation to be made by KOSGEB, is formed by the Presidency's Office, and enters into force by being published at [www.kosgeb.gov.tr](http://www.kosgeb.gov.tr).

**Topics in the Product List to Contribute to the Current Account in 2021:**

- Priority Product List for the Chemical Industry
- Priority Product List for the Pharmaceutical Industry
- Priority Product List for Medical and Dental Equipment Manufacturing
- Priority Product List for Computer, Electronics and Optics Sector
- Priority Product List for the Electrical Equipment Industry
- Priority Product List for the Machinery Industry
- Priority Product List for the Transportation Vehicles Sector

**The relationship of the measure with the major policy documents / national strategic documents is as follows:**

**Industry and Technology Strategy (2023)**

**3.** Ecosystem Understanding and Excellence Centers in R & D (3.5 Supporting the branding of R & D products and opening them to the global market.)

**8.** Steps to Strengthen Exports and Institutionalization of Industry (8.8 Supporting branding, product development, market access to increase added value in low and medium-low technology sectors)

**10.** Technology-Oriented Industry Action Program (10.1 Supporting investments within the Technology-Oriented Industry Action Program)

**11.** Improvement of Investment Environment and New Investment Incentive System (11.5 Accelerating the commercialization steps of completed R & D projects.)

**i. Activities planned in 2022:** With the SME Technological Investment Support Program, it is planned to support the projects of 94 SMEs in 2022. The support program is not call based and is always open to application.

**ii. Activities planned in 2023:** With the SME Technological Investment Support Program, it is planned to support the projects of 106 SMEs in 2023. The support program is not call based and is always open to application.

**iii. Activities planned in 2024:** With the SME Technological Investment Support Program, it is planned to support the projects of 118 SMEs in 2024. The support program is not call based and is always open to application.

## 2. Results indicators:

| Indicator   | Current Situation* | 2022 | 2023 | 2024 |
|---|--------------------|------|------|------|
| Number of products in medium-high and high technology areas | 79                 | 80   | 90   | 100  |
| Number of products in medium-low and low technology areas   | 15                 | 14   | 16   | 18   |

Number of businesses supported within the scope of TechnoInvestment Support Program = number of projects = number of products.

\*As of December 2, 2021, these are the realizations of 2021.

**3. Expected impact on competitiveness:** It is aimed to create added value for the country's economy by commercializing the new products/products that emerge as a result of R&D and innovation activities in priority technology areas, to increase the export of technological products by taking place in international markets. It is aimed to increase the competitiveness of SMEs and contribute to inclusive growth by supporting the product investments of the enterprises.

**4. Estimated cost of the activities and the source of financing:** It will be transferred from the KOSGEB support budget to SMEs on a non-refundable and reimbursed basis.

**2022:** 24,145,250 Euro (Central Budget)

**2023:** 25,496,601 Euro (Central Budget)

**2024:** 25,424,558 Euro (Central Budget)

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** It is expected that the measure will contribute to job creation, and it is not foreseen that the measure will have a direct effect on gender.

Within the scope of the measures taken in our country to reduce the effects of the Covid-19 pandemic, which was declared as a pandemic by the World Health Organization, it was decided to provide investment support to ensure the rapid production of products such as disinfectant, cologne, protective clothing, protective glasses, masks, and gloves. It was supported by adding it to the Product List to Contribute to the Current Account between 20.03.2020-22.06.2020.

**6. Expected impact on environment and climate change:** Within the scope of the SME Techno-Investment Support Program, medium-high and high-technology sectors are also supported. These sectors are important sectors for the transition to the green economy. Although it does not have an effect in the short term, it is thought that it will affect the adoption of environmentally friendly production strategies that emphasize the use of renewable energy, especially in sectors with high carbon emissions, in the medium term. In the long run, it is thought that carbon emissions will decrease.

It is expected that the measure will contribute to creating green growth, and it is not foreseen that the measure will have a direct environmental impact.

## 7. Potential risks:

| Risk                                      | Probability |
|---|-------------|
| Economic fluctuations in markets          | Low         |
| Increase in the cost of production inputs | Low         |

***Measure 7b: “Enhancing the R&D and innovation activities of SMEs; and the development and implementation of mechanisms to encourage and facilitate technology based and innovative SMEs access to finance, participation in mentoring and cooperation networks” (ERP(2021-2023) Measure 11b)***

**1. Description of measure:** In order to increase the R&D and innovation activities of SMEs; Mechanisms that encourage and facilitate technology-based and innovative SMEs' access to finance and their participation in mentoring and cooperation networks will be implemented. In this context, with the change made in the TÜBİTAK Industry R&D Support Program, only SMEs will be supported in this program and a mentoring program for SMEs will be carried out. Within the scope of the newly established "Industrial Innovation Networks Mechanism (SAYEM), it will contribute to the development of products and technologies with high added value by forming networks with SMEs, private sector companies and universities.

Among the support programs carried out by 1501 - TÜBİTAK for the private sector, Industrial R&D Projects Grant Programme and 1507 - TUBITAK SME R&D Start-up Support Programme were transformed into called programs in 2020. Only SMEs can be supported, and calls are made twice a year. In 2021, two calls were made for each program, and new calls are planned to be opened in the coming period.

Since the beginning of the support in 2020, Interface organizations have created the infrastructure for mentoring services, determined the SMEs they will provide service to, and completed the SME mentor match. Thus, the mentoring process of 319 SMEs started. In addition, 156 new mentors were added to the TÜBİTAK mentor pool. Thus, the number of people in the TÜBİTAK mentor pool reached 1462. The new BiGG+ call, whose support process will be completed in 2022, is planned to be made in 2022.

Through “the Industrial Innovation Networks Mechanism (SAYEM)” established in 2018 private sector firms, especially those that contain an R&D and product design centre, will form a consortium with other firms including SMEs that take place in the value chain of the targeted technology-based product together with end-users, technology development zones and universities. As a whole, the consortium will have the opportunity for co-creating high value-added products and technologies for the market. The SAYEM call opened in 2018 consisted of two phases. In the first phase, the support grant has been directed to establish models of cooperation and consortium based on a “productisation roadmap” that includes a business model. In the second phase, the support grant will be provided to implementing the R&D and innovation activities that take place in the productisation roadmap based on the strategic milestones that have been put forth by the actors who are involved in the consortium for co-creating high value-added products.

In the panel evaluation in 2020, 23 consortiums that received SAYEM Phase 1 support, presented the Productisation Roadmaps prepared within the scope of Phase 1. Five consortiums, in the leadership of Arçelik A.Ş., Netaş Telekomünikasyon A.Ş., Aselsan Elektronik San. ve Tic. A.Ş., Vsy Biyoteknoloji ve İlaç Sanayi A.Ş. and Ermaksan Makina San. ve Tic. A.Ş., submitted their applications to the SAYEM Call closed in 30th July 2021. The consortiums that were found successful will implement the activities they offer within the scope of the Productisation Roadmap for 4 years.

In 2018, TÜBİTAK Tech-InvesTR Venture Capital Support Program has been established in cooperation with TÜBİTAK and the Ministry of Treasury and Finance in order to encourage the funds to invest in early stage technology-based companies that will provide added value to our country's economy and to improve the venture capital ecosystem. Within the scope of the "Tech-InvesTR Venture Capital Support Program", TÜBİTAK launched "TechInvesTR 2018 Call" in 2018 and within the scope of the call, the evaluation processes carried out by TÜBİTAK and the Ministry of Treasury and Finance were completed, and the Ministry of Treasury and Finance has announced its decision regarding 5 funds that it deems appropriate to initiate protocol processes in order to commit to resources. In this regard, a fund participation protocol has been signed between 4 funds and the Ministry of Treasury and Finance and the establishment of the funds has been completed. These funds have started investments to commercialize the R&D results of early-stage technology-based enterprises resident in Türkiye, and invested in 28 companies. The 5th fund has also completed the establishment process within the scope of the new CML Announcement and is expected to sign a protocol with the Ministry of Treasury and Finance. Investments will be started by this fund following the completion of the establishment procedures.

The Patent-Based Technology Transfer Support Call aims to at transfer the patented technologies emerging as a result of technology providers' research, technology development and innovation projects to customer organizations through licensing or transfer. In this Call, universities, research infrastructures, technology development zone companies and technology transfer offices are qualified as Technology Providers. Two calls were opened in 2021. The first call was opened on 25 January 2021 with a budget of 30,000,000 TL (2.7 Million Euros). 21 projects were submitted to the call and 18 of them were supported. The second call was opened on 12 July with a budget if 30,000,000 TL (2.7 Million Euros), project proposals can be submitted until 29 November. In both calls, projects which contributes European Union Green Deal goals have 15 percent additional support rate.

In the 1707 Order Based R&D programme, which was put into practice in 2020, it is aimed to transform solutions that meet customer requirements into commercializable outputs by SMEs with R&D. R&D projects that can rapidly turn into products and have high commercialization potential will be supported. For this reason, programme has been designed to support innovative products/ processes with potential customers. The Supplier Institution will carry out R&D studies in the projects. The Customer Institution will support the Supplier Institution's R&D costs. The outcome of the project will be expected to have as widespread economic impact as possible. With the calls opened in 2021, the Customer Institution and/or Supplier Institution will commercialize the project output. In the second period of 2021, our

Order R&D call was diversified and in addition to our current call, two new calls, namely Export Oriented and BIGG partnered, were added and three calls were opened at the same time.

With the Export Oriented Order R&D (1707 Order R&D-i) call for 2021, it is aimed to transform the solution proposals that meet the customer needs into commercial outputs by SMEs through R&D and to contribute to the export of these outputs. In addition, it will contribute to the development of foreign cooperation of domestic companies. In this way, it is expected that organizations will have positive effects on the import/export balance of our country by increasing their market shares abroad for a certain product/process.

With the BIGG Partnered Order R&D (1707 Order R&D-b) call, it is aimed to transform the solution proposals that meet the customer's needs into commercializable outputs through R&D by the entrepreneurial SMEs that have received BIGG support. Within the scope of the 1707 Order R&D-b call, prepayments can be made to the Supplier Institution that received BIGG or Techno-enterprise Capital Support. 10 percent overhead support can be given to the Supplier Institution that has received BIGG or Techno-enterprise Capital Support. Thanks to this call, it will be possible to contribute to the establishment of partnerships between Customer Institutions and organizations that receive the 1512-BiGG Program or Techno-enterprise Capital Support.

The Technology Focused Industrial Movement Program is a special program for intensifying the support and incentives provided by the Ministry of Industry and Technology, TÜBİTAK and KOSGEB, in order to increase value-added production in Türkiye, to medium-high and high-technology sectors. Within the scope of this program, it is aimed to develop the domestic production capacity of products that are critical for Türkiye and have high future potential. It is aimed to implement investment projects that will contribute to the technological development needed by our country, within the scope of the Program, with an end-to-end governance and support model.

In the event that there is a need for R&D for projects aiming to produce the products in the Priority Product List within the scope of the program, grant support will be provided by TÜBİTAK within the scope of 1511 Priority Areas Research, Technology Development and Innovation Program, while investment support will be provided by the Ministry of Industry and Technology and KOSGEB.

The Machine Sector Call, the first call within the scope of the program, was published in 2019. Within the scope of the Machinery Sector Call, it was decided to support 20 investment projects and R&D support was defined for 11 of them.

Within the scope of the Technology-Oriented Industry Move Program aimed at increasing value-added production in 2021, the sectors with medium-high and high technology level are "Chemistry", "Pharmacy", "Manufacture of medical and dental equipment", "Computer, electronics and optics". Calls for the sectors ", "Electrical equipment", "Machinery" and "Transportation vehicles" are planned. A list of 919 products and innovative technology areas selected from other industries that are critical to the development of the industry in these 7 areas was published in the call plan.

Mobility Call, the first call of 2021, was opened on April 30, 2021. 110 project applications were received and 91 of these projects are R&D projects. The Call for Structural Transformation in Production was opened on 23 June 2021. 66 project applications were received and 41 of these projects are R&D projects. The Digital Transformation Call, which is the last call of 2021, was opened on September 30, 2021 and the pre-application process continues. The Health and Chemical Products Call was opened on 10 August 2021. 179 project applications were received and 105 of these projects are R&D projects.

Preparations are underway to determine the technologies required for harmonization with the European Green Deal. Increase green production in the industry, to support R&D studies in order to develop the technologies to be determined.

**i. Activities planned in 2022:** Projects/activities will be supported by opening a call within the scope of TÜBİTAK's related programs.

**ii. Activities planned in 2023:** Projects/activities will be supported by opening a call within the scope of TÜBİTAK's related programs.

**iii. Activities planned in 2024:** Projects/activities will be supported by opening a call within the scope of TÜBİTAK's related programs.

## 2. Result indicators:

| Indicator                                 | Current Situation | 2022 | 2023 | 2024 |
|---|-------------------|------|------|------|
| Share of SMEs in Project Applications (%) | 86                | 86   | 86   | 86   |
| SME's Supported Projects (pcs)            | 1295              | 1490 | 1700 | 1950 |

\* The annual targets of the indicators are not cumulative; determined for each year separately.

### While determining the 2022-2023-2024 targets;

- It is foreseen that the ratio of SMEs in project applications will not change.
- The number of supported projects is expected to increase by approximately 15 percent each year.

**3. Expected impact on competitiveness:** SMEs need easier access to financial resources, mentoring services and networks for their research and development and innovation activities. TÜBİTAK activities will create a positive environment that will help SMEs to be more competitive. General SMEs will be able to be more competitive both nationally and internationally by increasing their skills and abilities to work with innovative partners and end users in innovation networks.

**4. Estimated cost of the activities and the source of financing:** The main expense items supported within the scope of TEYDEB Support Programs are; personnel expenses, travel expenses, equipment, software and publication purchase expenses, material and consumable expenses, consultancy service and other service purchase expenses, venture capital contribution payments etc. are expenses.

All these costs are covered by the central budget. The amount of support given within the scope of TEYDEB Support Programs is given as a grant.

**2022:** 119,139,989 Euro (Central Budget)

**2023:** 132,271,633 Euro (Central Budget)

**2024:** 165,370,763 Euro (Central Budget)

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** The measures listed above will increase the R&D and innovation activities of SMEs, which is expected to result in a significant increase in the number of qualified employees owned by SMEs. However, no positive direct impact on gender issues is expected, except that more effectively supporting SMEs' research and innovation leads to greater participation of qualified women in research and innovation activities.

**6. Expected impact on environment and climate change:** Environmental aspects of the projects supported within the scope of the evaluation criteria of “Transformation of Project Outputs into Economic and Social Benefit” used in technology and innovation support programs of TÜBİTAK are taken into consideration.

### 7. Potential risks:

| Risk  | Probability | Planned mitigating action  |
|---|-------------|--|
| Negative effects of the Covid-19                              | High        | Financing of more R&D projects of SMEs and startups during the Covid-19 era. |
| Negative effects of economic fluctuations on TÜBİTAK Budget   | High        | Prioritizing projects with high added value.                                 |
| Collaboration challenges between SMEs and other organizations | Medium      | Awareness events can be held between companies and other organizations.      |

### ***Measure 8: “Performance-based support of the research infrastructures supported under law 6550 within the new legal framework” (ERP (2021-2023) Measure 12)***

**1. Description of measure:** In the context of the Law No. 6550 on Supporting Research Infrastructures, research infrastructures that have been certificated under the Law will continue to be supported in a performance-based system and studies will be carried out to introduce new research infrastructures into the system.

The relationship of the measure with the higher policy documents/national strategic documents is as follows:

- It is related to policy 350.3 (Competent research infrastructures in priority sectors will be included in the scope of Law No. 6550.) and 441.3 (Regulations will be made to monitor the output and impact-oriented performances of research infrastructures within Law No. 6550 and to encourage their activities in critical technology areas in line with their product missions.) in the Eleventh Development Plan.
- This measure is related to measure 350.3 in the Presidential Annual Program 2020.

Within the scope of the ARDEB 1001 Program, additional points were provided to those projects submitted in the first period of 2021, which are directly related to the 'Priority R&D and Innovation Issues within the Scope of Compliance with the Green Deal.

**i. Activities planned in 2022:** Studies will be carried out to increase the number of research infrastructures qualified under the Law. In this context, competency assessment of research units within universities will be carried according to Law 6550 following the applications of University Rectorate's.

**ii. Activities planned in 2023:** Studies will be carried out to increase the number of research infrastructures qualified under the Law. In this context, competency assessment of research units within universities will be carried according to Law 6550 following the applications of University Rectorate's.

**iii. Activities planned in 2024:** Studies will be carried out to increase the number of research infrastructures qualified under the law. In this context, competency assessment of research units within universities will be carried according to Law 6550 following the applications of University Rectorate's.

## 2. Result indicators:

| Indicator  | Current Situation | 2022 | 2023 | 2024 |
|--|-------------------|------|------|------|
| Number of new research infrastructures to be covered by Law No. 6550 | 7                 | 3    | 3    | 3    |

**3. Expected impact on competitiveness:** It is aimed to improve the financial and managerial capacities of the research infrastructures at universities where qualified researchers are planned to be employed and so develop innovative products at these infrastructures and thus increase the exports of technological products in international markets for the country's economy by creating added value through commercialization of these products.

The competency period for the research infrastructures under the Law No. 6550 encompasses a 5-year time. The qualifications of the infrastructures considered appropriate for duration can be renewed for the same period. Therefore, the full emergence of the results under this measure is expected to increase in 5 years and beyond as of the completion of the institutional capacities of these competent infrastructures.

## 4. Estimated cost of the activities and the source of financing:

**2022:** 21,867,396 Euro (Central Budget)

**2023:** 35,167,725 Euro (Central Budget)

**2024:** 42,374,263 Euro (Central Budget)

Almost 75 percent of above budget figures is allocated for running costs (such as electricity, water, fuel oils, personnel costs, services, and maintenance); accordingly 25 percent of it is allocated for investments.

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** The measure is expected to contribute to job creation but it is not foreseen that the measure will have a direct impact on gender.

**6. Expected impact on environment and climate change:** There is no expected impacts on environment.



## 7. Potential risks:

| Risk  | Probability |
|---|-------------|
| Adequate researchers may not be employed in research infrastructures in terms of quality and quantity | High        |
| Increase of input costs   | High        |
| General issues related to product commercialization   | High        |

***Measure 9: “Establishing Model Factories (SME Competency and Digital Transformation Centers) and Innovation Centers to increase the efficiency of SMEs and their digital transformation” (ERP (2021-2023) Measure 5)***

**1. Description of measure:** The realization of this Reform measure is financed by the Investment Program of the Republic of Türkiye. Within the scope of the measure, Model Factories (Capability and Digital Transformation Centers) were established in order to increase the efficiency of SMEs and contribute to their digital transformation, and a support program for Model Factories was initiated by KOSGEB.

Model Factories provide services in the areas of awareness-raising, seminars, experiential training, learn-transform programs and the development of university-industry cooperation projects. Training of 2-stage trainers to the trainers who will work at the center and training and consultancy work for the companies selected as pilots are carried out. The Model Factory installation process continues as construction works, purchasing of machinery and equipment, and the installation of the learning line in the workshops. After the learning line is established, the training curriculum is created. In addition, digital transformation competencies will be gained and digital transformation trainings will be given through this line. In the educational production environment offered by the Model Factory, the training program is structured on an exemplary product without any commercial activity. In principle, the Model Factory has a non-profit structure and is managed with a structure in which public, private sector organizations, universities and non-governmental organizations are represented.

The reform measure coincides with the principles numbered 206, 207 in the Eleventh Development Plan (2019-2023). In addition, it coincides with the measures numbered 309.1, 309.3, 309.9, 345.4, 345.5.

The reform measure coincides with the action "The working capacity of companies with modern technologies and business models will be developed, their productivity will be increased, corporate development projects of SMEs that are competitive and fast growing in their region or sector will be prioritized, and digital transformation projects of SMEs will be supported to accelerate their adaptation to the new order in the post-pandemic period." in the Middle Term Program (2022-2024).

**i. Activities planned in 2022<sup>7</sup>:** Establishment of Model Factory in 4 provinces (construction works, purchasing of machinery and equipment, personnel employment,

<sup>7</sup> Planning studies for the establishment of Model Factory in 7 provinces (Eskişehir, Kocaeli, Samsun, Tekirdağ, Denizli, Malatya and Trabzon) will be started in 2022 and the installation processes will continue throughout 2022 and 2023.

procurement for education-consultancy services). Supporting 40 enterprises by KOSGEB within the scope of Model Factory support.

**ii. Activities planned in 2023:** Establishment of Model Factory in 3 provinces (construction works, purchasing of machinery and equipment, personnel employment, procurement for education-consultancy services). Supporting 48 enterprises by KOSGEB within the scope of Model Factory support.

**iii. Activities planned in 2024:** Supporting 58 enterprises by KOSGEB within the scope of Model Factory support.

## 2. Results indicators:

| Indicator   | Current Situation | 2022 | 2023 | 2024 |
|---|-------------------|------|------|------|
| Number of Capability and Digital Transformation Centers (Model Factory) in operation                                | 8                 | 12   | 15   | 15   |
| Number of businesses served by Capability and Digital Transformation Centers (Model Factory) that started operating | 250               | 500  | 750  | 1000 |
| Number of companies supported by KOSGEB   | 34                | 40   | 48   | 58   |

**3. Expected impact on competitiveness:** Increasing the awareness and competencies of SMEs on lean production and digital transformation, productivity of SMEs and competitiveness of SMEs.

## 4. Estimated cost of the activities and the source of financing:

**2022:** 3,899,686 Euro (Central Budget)

**2023:** 3,812,181 Euro (Central Budget)

**2024:** 2,039,050 Euro (Central Budget)

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** Employment is expected to increase due to the employment of the personnel required by the project in the model factories and project partners to be established. In addition, an increase in employment is expected in the manufacturing industry due to the increase in productivity in the medium and long term. No gender discrimination has been made regarding the reform measure, and the measure in question is neutral in terms of gender discrimination.

**6. Expected impact on environment and climate change:** With the lean and efficient production techniques learned in Model Factories, it is anticipated that companies will make serious improvements in resource use and waste production. With the activities of the Model Factory, it will be possible to develop new technologies for sustainable production.

**7. Potential risks:**

| Risk  | Probability | Planned mitigating action  |
|---|-------------|--|
| Insufficient demand for training and consultancy services from businesses   | Moderate    | Arranging awareness raising activities for enterprises.  |
| Competence of the project partners in carrying out the activities and the negative effects of the conjunctural situations in the country on the budget and sustainability | Moderate    | The Project is strengthened due to its multi structure involving public and private sectors, international organizations and universities in terms of capability and risk management |

## **5.2. Analysis of Obstacles in Other Areas (Not Covered In Section 5.1) and Related Structural Reform Measures**

### **i. Public Financial Management**

#### **a) Analysis of main obstacles**

The necessary studies for the transition to the performance-based program budget system were completed in 2020, and the necessary legal arrangements for the preparation and implementation of the central government budget in accordance with the program budget were also made in the Public Financial Management and Control Law No. 5018. The performance-based program budget system has been designed to support fiscal discipline by improving spending priority, to meet the expectations of the society more, to strengthen the link between public resources and public services, to contribute to transparency and accountability, and to increase the visibility of performance information of administrations. Thus, an approach has been put forward to ensure that the preparation, implementation and evaluation of the budget focused on output and results in line with the modern budgeting approach.

In this scope the performance-based program budget system was put into practice with the 2021 year budget. The budget law proposal for the year 2022 was also prepared in line with performance-based program budget and approved by the Parliament. Likewise, administration performance programs were also prepared in accordance with the program budget and submitted to the TGNA. In the meantime the analytical budget classification that is largely in line with the international classification continues to be used. The administrations continue to prepare the strategic plan, performance program and year-end report.

### **ii. Green Transition**

#### **a) Analysis of main obstacles**

Republic of Türkiye has accelerated her efforts to combat climate change at a global scale. Initiated shortly after President Erdogan's speech at the United Nations General Assembly, important steps have been taken under the green development policy actions.

In this context, Paris Agreement was ratified on 7 October 2021 and Türkiye has become a Party to the Agreement as of 10 November 2021. Under the Presidential Decree No.85 dated 29 October 2021, The Ministry of Environment and Urbanization was renamed with the inclusion and emphasis of the 'climate change' statement. The Presidency of Climate Change (PCC) has been established as an affiliated institution to the Ministry of Environment, Urbanization and Climate Change in order to conduct more detailed and effective studies in that field. Institutional structuring progress is on-going under PCC. It is foreseen that more than 200 technical and administrative staff will be assigned in this structure.

Another point is that, Türkiye has declared net zero greenhouse gases emissions target by the year 2053. Long-Term Climate Change Strategy and National Climate Change Action Plan will be prepared under the support of an UNDP project. Nationally Determined Contribution (NDC) of Türkiye will be also updated under said project.

The PCC will organise a national Climate Council in January 2022 with the participation and contribution of universities, non-governmental organizations, public institutions and

organizations, and private sector representatives. The main purpose of the council is to determine the medium and long-term strategic targets and policies for the sectors that will reduce emissions.

Türkiye has also continued to review and study EU Green Deal requirements by preparing the “Green Deal Action Plan” based on the Presidential Circular numbered 2021/15. This Action Plan is a framework which sets clear, time-bound targets and actions within a timeline from 2021 to 2027, aiming to support the green transformation of Türkiye in all relevant policy areas. The Action Plan includes a total of 32 objectives and 81 actions under 9 main headings which have been determined as (1) carbon border adjustments, (2) green and circular economy, (3) green finance, (4) clean, affordable and secure energy supply, (5) sustainable agriculture, (6) sustainable smart mobility, (7) combating climate change, (8) diplomacy and (9) European Green Deal information and awareness-raising activities headings. In order to contribute to Türkiye’s transition to a more sustainable, resource-efficient and green economy, the Action Plan aims to harmonize the regulations and principles adopted under the European Green Deal in a way that will preserve and carry forward the existing integration of Türkiye.

#### **b) Reform measures**

***Measure 10: “Support mechanism will be established for the replacement of inefficient electric motors used in industry with more efficient ones” (ERP (2021-2023) Measure 4)***

**1. Description of measure:** The realisation of this measure is also one of the components of TEVMOT Project “Promoting Energy Efficient Motors in SMEs in Türkiye” and studies have been carried out under this context. TEVMOT (2017-2022), which is co-executed by the Ministry of Industry and Technology (2017-2022) and UNDP is a five year long project and financed by Global Environment Fund (GEF). This project is also in line with in EU Green New Deal as it contributes to sustainable development by decreasing the emissions that result from the production process in manufacturing industry. Within the scope of this project, in addition to replacing the existing inefficient motors used in industrial enterprises; activities have been carried out to ensure the entrance of efficient electric motors into the market.

The aim of the measure is to establish a finance mechanism in order to support the replacement of inefficient electric motors and to avail this mechanism with the pilot project and to ensure the sustainability of this mechanism. With the measure the support mechanism has been established in order to contribute to the efficiency in industry and motor replacement has started in SMEs operating in 7 pilot OIZs benefiting this mechanism. In order to increase the effectiveness of the pilot project, studies on maintaining the sustainability of finance mechanism; alignment with EU regulations to ensure the introduction of efficient electric motors into the market; efficiency measurement and compliance tests of the standards for motors and awareness raising studies for the end users have been continuing. This measure was included as Measure 4 in 2021-2023 ERP period and a finance mechanism which is valid for 2 years has been formulated. Whereas a new sustainable finance mechanism will be announced by KOSGEB for 2022-2024.

#### **- Establishment of the Finance Mechanism and Its Implementation**

“Support for Replacing Inefficient Electric Motors” has been in effect under KOSGEB’s Enterprise Development Support Programme since January 2020. This financial support

mechanism has been implemented through pilot projects in 7 selected Organized Industrial Zones. The upper support limit of the support is 80,000 TRY per SME with 75 percent support for domestic motors and 60 percent for import motors. During the pilot programme of 2020-2021, the target is to save electrical energy and reduce GHG emissions.

By November 2021, 214 motors at 29 SMEs in 6 OIZs have been replaced and KOSGEB finance support is planned to be put into effect after finalising TEVMOT Project in July 2022 as a result of sustainability studies.

- **The relation of the measure with the policy documents/national strategic documents**

The reform measure is line with the following measures in the 11th Development Plan (2019-2023);

- Measure 341: Energy efficiency in the manufacturing industry will be increased.
- Measure 341.1: A support mechanism will be established to replace inefficient electric motors used in industry with efficient ones.
- Measure 380.1: Replacement of inefficient motors used in industrial facilities with more efficient ones.

In addition, the activities under the context of the Project contributes to the implementation of the Eco-design Regulation on Electric Motors and Variable Speed Drives (2019/1781/AB) (SGM: 2021/16) which was published in the Official Journal in April 2021.

The promotion of energy efficient motors with the established finance mechanism for replacement of electric motors is expected to contribute to reducing energy intensity and to achieve the target to reduce primary energy consumption by 14% in 2023 as stated in the National Energy Efficiency Action Plan (2017-2023). The problem to be solved with the reform is to enable the energy efficiency in industrial infrastructure in compliance with the EU Green Deal. The aim of the reform is to decrease the energy costs per unit production, competitiveness advantage and to strengthen the efficient infrastructure of the industry.

Moreover, in compliance with Article 4 of the 2021 ERP Policy Guidance “Electric Motor Industrialist Association” (EMOSAD) was established in order to develop business environment and to handle the sector problems under one structure. Cooperation with this Association has been continuing. And in compliance with the target relating to the lifelong learning, the skills of the Energy Efficiency Consultancy Companies and the Energy Management Units in OIZs were upgraded by the trainings on energy efficiency and motor audits.

**i. Activities planned in 2022:** The completion of the motor replacements in 7 OIZs and formulation of a new sustainable finance mechanism by KOSGEB building on the experience gained from the pilot project (The project is planned to be finalised in July 2022).

**ii. Activities planned in 2023:** Announcement of the new finance mechanism by KOSGEB. Under this context financial support will be given both for audits and motor replacements.

**iii. Activities planned in 2024:** Acceleration of the finance mechanism for the SMEs and replacement of the inefficient motors for market transformation. And audits and motor replacement support will continue.

## 2. Result indicators:

| Indicator                 | Current Situation** | 2022 | 2023 | 2024 |
|---------------------------|---------------------|------|------|------|
| Number of Motors Replaced | 214                 | 2000 | 3500 | 5000 |

\* All the indicators are given cumulatively \*\*Realisation figures as of December 2, 2021

## 3. Expected impact on competitiveness:

- Increasing competitiveness of SMEs by reducing energy costs per unit product,
- Improving capacity of domestic electric motor manufacturers and suppliers,
- Facilitating the process of becoming entitled to acquire ISO 50001 Energy Management System certification and raising awareness about it.

With the contribution of awareness raising activities and finance support mechanism, energy intensity of SMEs is expected to be reduced; and resource savings to be achieved. And positive effect is also expected on competitiveness and growth.

The reflections and effects of motor replacements, awareness raising activities and regulation update to the market is expected to realize in the middle term.

## 4. Estimated cost of the activities and the source of financing:

**2022:** Cost and financing for 2022 pilot project is 45,557 Euro. This is going to be used for motor replacement. And the cost and finance of the KOSGEB's new finance mechanism is 911,142 Euro. This amount will be used for the audits and motor replacement. Half of this amount is planned to be provided from GEF and the other half is planned to be maintained from central budget.

**2023:** 1,538,588 Euro will be maintained from the central budget to be used for audits and motor replacements.

**2024:** 2,118,713 Euro is expected to be met by central budget to be used for motor audits and replacements.

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** Since the workload of the staff in the Energy Management Units of the OIZs is expected to increase due to their contribution to the pilot projects, the need for employment may arise. It is foreseen that employment will be increased in Energy Efficiency Consultancy Companies that will carry out motor efficiency audits. The reform measure is unbiased in terms of gender discrimination.

**6. Expected impact on environment and climate change:** The cost of the electrical energy consumed by the electric motors corresponds to 97 percent of the total cost during their lifetime. Therefore, replaced motors will contribute to the electricity savings, which will lead to a reduction in greenhouse gas emissions.

## 7. Potential risks:

| Risks                             | Probability | Planned mitigating actions   |
|-----------------------------------|-------------|--|
| Inadequate number of applications | Low         | Promotion activities will continue and the mechanism can be revised based on the feedbacks |

### ***Measure 11: “Technical Assistance for the Green Deal Action Plan”***

**1. Description of measure:** Following the European Green Deal announced by the European Union on 11 December 2019, under the coordination of the Ministry of Trade, Green Deal Working Group has been established with the participation of the Presidency of Strategy and Budget, the Ministry of Environment and Urbanization, the Ministry of Foreign Affairs, the Ministry of Energy and Natural Resources, the Ministry of Treasury and Finance, the Ministry of Industry and Technology, the Ministry of Agriculture and Forestry and the Ministry of Transport and Infrastructure. As a result of the work of the Working Group, the Green Deal Action Plan has been prepared and the Presidential Circular No. 2021/15 was published in the Official Gazette dated 16 July 2021.

Action Plan, covers a total of 32 targets and 80 actions under the headings of (1) border carbon regulations, (2) a green and circular economy, (3) green finance, (4) clean, affordable and secure energy supply, (5) sustainable agriculture, (6) sustainable smart mobility, (7) combating climate change, (8) diplomacy, and (9) European Green Deal information and awareness-raising activities.

The success of the Action Plan, which includes the steps and priority actions to be taken in a wide range of areas will be possible with the realization of effective cooperation, mutual information activities and awareness among all relevant institutions and organizations, the private sector and other relevant stakeholders, and the active participation of all stakeholders in the process.

In this framework, the Technical Assistance for the Green Deal Action Plan Project is aimed to carry out information and awareness activities related to the European Green Deal for key stakeholders through conferences, seminars and workshops. Also it is expected to organize working group meetings for the actors who have a responsibility in the realization of the targets and actions included in the Action Plan. With these tools, it is aimed to increase the level of awareness and to ensure that these actors assume a more active and conscious role in the development of the green economy.

Also in the upcoming period, expertise working groups will be established under the coordination of relevant public institutions on various areas in order to monitor the functioning of the Green Deal Action Plan and to ensure the necessary coordination. In this regard, the EU Border Carbon Adjustments, Sustainable Consumption Action Plan and Textile Industry Expertise Working Groups will be established under the responsibility of the Ministry of Trade and their meetings will be held with the participation of relevant public institutions, private sector and NGOs. Also meetings’ outputs will be shared with key stakeholders to set assessment of situation and expectations in further studies.



In addition to these activities, the purpose of the Project is also to bring together information on national and international financial resources on green transition of Türkiye. Thus, awareness and effectiveness of financial resources will be increased and actors will be encouraged to take concrete steps in the fight against climate change.

**i. Activities planned in 2022:** In order to follow up the actions in the Green Deal Action Plan meetings will be held with existing Working Group. After the meetings, reports will be submitted to contribute to other events.

The meetings of the EU Border Carbon Adjustments, Sustainable Consumption Action Plan and Textile Industry Specialized Working Groups, which are under the responsibility of the Ministry of Trade, will be held and their outputs will be shared with key stakeholders.

Information on national and international financial resources will be compiled.

**ii. Activities planned in 2023:** Meetings of the Working Group and specialized working groups will be held in order to monitor the actions set out Action Plan. After the meetings, reports will be submitted in order to contribute to other events.

A general conference with the participation of 1000 people will be held with the public institutions and organizations, private sector and NGOs in order to provide information and to raise awareness about the activities within the scope of the Action Plan.

In line with sectoral needs, thematic seminars and workshops will be organized with the participation of relevant public institutions and organizations, NGOs, employee association and universities. It is envisaged that these events will have 250 people. After the workshops, a survey, including policy recommendations, will be conducted to measure efficiency and its results will be shared with the stakeholders.

**iii. Activities planned in 2024:** Meetings of the Working Group and specialized working groups will be held in order to monitor the actions set out Action Plan. After the meetings, reports will be submitted in order to contribute to other events.

A general conference with the participation of 1000 people will be held with the public institutions and organizations, private sector and NGOs in order to provide information and to raise awareness about the activities within the scope of the Action Plan.

In line with sectoral needs, thematic seminars and workshops will be organized with the participation of relevant public institutions and organizations, NGOs, employee association and universities. It is envisaged that these events will have 250 people.

## 2. Results indicators:

| Indicator                 | Current Situation | 2022 | 2023 | 2024 |
|---------------------------|-------------------|------|------|------|
| Number of Events Realized | 8                 | 10   | 15   | 15   |
| Survey Study              | -                 | -    | 5    | 5    |

**3. Expected impact on competitiveness:** With the implementation of the measure, it is expected that the knowledge and awareness of the public sector, private sector and non-governmental organizations will greatly increase regarding the changes within the scope of the European Green Deal and green transformation studies in Türkiye. In this way, it is foreseen

that green transformation investments will increase and make a positive contribution to the competitiveness in this field.

**4. Estimated cost of the activities and the source of financing:**

**2022:** 364,457 Euro (Central Budget)

**2023:** 615,435 Euro (Central Budget)

**2024:** 593,240 Euro (Central Budget)

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** An effect of the reform measure is not foreseen in the context of employment and gender. Therefore, the measure is impartial in terms of employment and gender discrimination.

**6. Expected impact on environment and climate change:** The measure will increase the level of knowledge and awareness regarding the policies and practices within the scope of combating climate change and environment significantly.

**7. Potential risks:**

| Risk   | Probability | Planned mitigating action          |
|--|-------------|------------------------------------|
| Inability to physically hold events due to the Covid-19 outbreak | High        | Organizing events online or hybrid |

### iii. Digital Transformation

#### a) Analysis of main obstacles

Türkiye achieved significant success both in the use of digital government services and the utilization of digital technologies in public institutions and organizations. However, inter-institutional data sharing required for value-added service provision for real and legal persons is relatively weak. In terms of legislation, difficulties in ensuring data governance are at the forefront. Sharing public data is critical to enable data-driven decision-making processes and strengthen the data economy. Data asymmetry within and between sectors prevents the promotion of competition and ensuring sustainability.

#### b) Reform measures

##### ***Measure 12: “Increasing the secure sharing and accessibility of public sector data with new data strategy”***

**1. Description of measure:** A Central Public Data Space public data space will be established on the principles of public sector data governance, referring to European Union studies and other country examples. Within the scope of this project, necessary arrangements will be made to ensure technical, administrative and legal interoperability. The Central Public Data Space will be created taking into account the example of the European Union. National Data Strategy will be prepared in line with the data governance framework and international developments in order to prioritize and disseminate the studies carried out. Data analytics skills in public sector will be improved based on this strategy. Accessibility and secure sharing of public sector data in general will be facilitated in transition to data-driven economy and society where joint projects on data with private sector and academia will be prioritized.

**i. Activities planned in 2022:** The Data Governance Working Group will be established to provide data standardization in public information systems and to support the implementation of data-driven studies.

A needs analysis covering the national current situation and international trends will be carried out for the preparation of the National Data Strategy and Action Plan in order to regulate the activities of all parties, especially public, private sector and universities, and to implement the policy of generating value from data in line with emerging technologies and trends.

In order to ensure technical, administrative and legal interoperability and governance mechanism, a draft Data Governance Framework will be created taking into account the data governance principles of the European Union.

**ii. Activities planned in 2023:** Pilot studies will be carried out within the scope of the creation of the Central Public Data Space to support advanced data analytics and artificial intelligence applications. Within the scope of pilot studies, datasets from public institutions will be compiled for use in advanced analytical and artificial intelligence applications.

The Data Governance Framework will be tested and revised according to needs. Technical needs will be determined to ensure secure data sharing in line with the National Data Dictionary study of public institutions.

In line with the needs of public institutions, private sector and universities, National Data Strategy and Action Plan will be prepared taking into account the new Data Governance Framework, National AI Strategy, international trends and EU data strategy.

Pilot trainings on data governance, advanced analytics and artificial intelligence will be held.

**iii. Activities planned in 2024:** The Central Public Data Space will be created taking into account the Data Governance Framework and EU data space interoperability framework.

Trainings on data governance, advanced analytics and artificial intelligence will be extended to all public institutions and organizations.

Consultancy will be provided for public institutions and organizations to share datasets and develop solutions for advanced analytics and artificial intelligence.

## 2. Result indicators:

| Indicator   | Current Situation | 2022 | 2023 | 2024 |
|---|-------------------|------|------|------|
| Number of datasets shared in the Central Public Data Space  | 0                 | 0    | 5    | 100  |
| Number of public employees trained in data governance, advanced analytics and artificial intelligence           | 0                 | 0    | 100  | 300  |
| Number of central government new recruitment in data governance, advanced analytics and artificial intelligence | 250               | 100  | 200  | 150  |
| Number of sector-based competitive project calls on Central Public Data Space                                   | 0                 | 0    | 0    | 15   |

**3. Expected impact on competitiveness:** Private sector, universities and research centers will have easy access to public data in a standardized framework. It is expected that Central Public Data Space will facilitate joint projects in all sectors. It is also expected that Data Governance Framework will support the establishment of sectoral data spaces which are seen.

**4. Estimated cost of the activities and source of financing:** Within the scope of the execution of the measure, the focus will be on identifying the necessary needs and establishing working groups in the first year, and there may be a change in cost and financing type in the following years.

**2022:** Formation of working groups, carrying out needs analysis and drafting of the Data Governance Framework (173,117 Euro)

**2023:** Conducting pilot studies for the Central Public Data Space, hiring new experts, preparing the National Data Strategy and providing trainings for field expertise (378,053 Euro)

**2024:** Establishing the Central Public Data Space, hiring new experts, expanding training for field expertise and providing consultancy and project calls for improving data capacity in public institutions (805,111 Euro)

**5. Expected impact on employment, poverty, equality, gender and health care:** The measure is neutral in terms of gender discrimination. It will support employment growth in public institutions, especially when it comes to data expertise. It will increase the demand for new digital skills. Through the sharing of public data, opportunities will be created for increasing data-oriented collaborations with universities and private sector organizations and providing solutions for different sector problem areas.

**6. Expected impact on the environment and climate change:** With the implementation of the measure, it will be easier for researchers and relevant public institutions to access environmental and climate-oriented datasets. An important underscore will be provided for raising awareness and investigating different policy areas and the relationship between the environment and climate.

**7. Potential risks:**

| Risk  | Probability | Planned mitigating action  |
|---|-------------|--|
| Data governance legislation does not regulate data sharing for parties other than public institutions | Medium      | Sharing risks and opportunities in data governance and secure data sharing with relevant institutions and organizations<br>Determination of the needs of parties other than public institutions and promoting value proposal |

#### **iv. Business Environment**

##### **a) Analysis of main obstacles**

The main objective of business and investment climate reforms in Türkiye is to improve the competitive environment in the markets by ensuring transparency, stability, reliability and predictability in public policies and regulations, to strengthen the production structure by applying effective incentive programs, and to make Türkiye a regional manufacturing hub by increasing foreign direct investments that will foster technologic transformation in the economy.

The Coordination Council for the Improvement of the Investment Environment (YOIKK), which was established to improve the investment environment on a national level and which consists of public and private sector representatives (TOBB, TIM, TUSIAD, YASED, MUSIAD, DEIK), continued its activities in 2021 as well. The working principles and procedures of the YOIKK were restructured by President Decision numbered by 818 following the transition to the Presidential Government System. In this context, it was decided to conduct YOIKK activities under the presidency of the Vice President and a high level of ownership was established.

Under the coordination of the Investment Office of the Presidency of the Republic of Türkiye, in cooperation with the relevant public and private sector stakeholders, Türkiye's Foreign Direct Investment (FDI) Strategy (2021-2023) was prepared and entered into force with the Presidential Circular published in the Official Gazette dated 22 June 2021. With the strategy document, quality investment profiles that are primarily needed for the economy have been defined and main target and strategies have been determined to attract these investments to Türkiye. The main objective of the Strategy, in line with the Eleventh Development Plan, has been determined as increasing the share of Türkiye in the global FDI to 1.5 percent by increasing its performance in quality FDI profiles, 11 sub-strategies and 72 actions were designed for this main target.

Investment Process Guidelines, which include time, cost, required information/document and information about the application authority, regarding each of the bureaucratic processes including permit, approval and licensing procedures for investments in eight main sectors have been completed, and simplification suggestions have been collected from private sector representatives who are members of YOIKK.

A predictable, transparent, high quality and effective judicial system constitutes the most important guarantee of economic activities. In this direction, the new Judicial Reform Strategy document shared with the public includes activities to improve the investment environment through facilities of the law and activities are ongoing. Targets such as the dissemination of specialized courts, the specialization of judges, the simplification of private law proceedings, amending the procedural provisions leading to the prolongation of proceedings, the prevention of the abusing the right to access to justice and the dissemination of alternative dispute resolution methods connected with the courts will contribute to economic life.

Studies for the resolution of disputes arising from financial issues by specialized courts completed and published on 30 November 2021 in the Official Gazette. Moreover, for tax

offences, IT crimes and financial crimes specialized courts have been established on 25 November 2021. In order to improve mediation and increase settlement rates, expert mediation practices have been started in the fields of commercial law, consumer law, banking and finance law, intellectual property law, energy and mining law, health law, sports law, insurance law and construction law. With the Law No. 7327 on the Enforcement and Bankruptcy and the Law on Amendments to Some Laws, amendments were made to increase the effectiveness of the bankruptcy and concordat provisions. In order to make the court decisions accessible and increase transparency, the publication of the court decisions in the electronic environment has been ongoing. A total of 55,173 decisions in 2019, 56,297 in 2020, 57,980 from the beginning of 2021 until 19 October 2021 have been freed of personal data and published in electronic environment in a way that is accessible to public.

## v. Economic Integration Reforms

### a) Analysis of main obstacles

Türkiye, in line with the tendency in the world for negotiating FTAs and its Customs Union obligation, negotiates and concludes free trade agreements with the third countries, in parallel with the EU.

Currently, Türkiye has 22 FTAs in force; namely, EFTA, Israel, Macedonia, Bosnia-Herzegovina, Palestine, Tunisia, Morocco, Egypt, Albania, Georgia, Montenegro, Serbia, Chile, Mauritius, South Korea, Malaysia, Moldova, Faroe Islands, Singapore, Kosovo, Venezuela and United Kingdom<sup>8</sup>. Additionally, the FTAs signed with Lebanon, Qatar and Sudan are under ratification process.

Also, Türkiye has been conducting negotiations to extend the scope of its existing FTAs with an aim to update and deepen their scope. To this extent, Türkiye's revised FTAs with EFTA, Serbia, Bosnia and Herzegovina entered into force and the negotiations with Montenegro have been concluded. In addition, it is aimed to conclude the negotiations with Georgia and Malaysia soon, and to start negotiations with Moldova and North Macedonia.

Meanwhile, there are 17 countries/country blocs that Türkiye has started FTA negotiations. Türkiye has been actively engaged in negotiations with 4 of them; namely Indonesia, Japan, Thailand, and Ukraine. Türkiye continues its efforts to speed up the process for our remaining ongoing FTA negotiations with Dem. Rep of Congo, Djibouti, Cameroon, Chad, Seychelles, Gulf Cooperation Council, Mexico, Peru, Colombia, Ecuador, Pakistan, Somalia and MERCOSUR.

The Türkiye-EU Customs Union will be updated by eliminating structural problems, ensuring better functioning of the Customs Union, and expanding Türkiye-EU preferential trade and economic relations into new areas such as public procurement and services.

### b) Reform measures

#### ***Measure 13: "Update of Türkiye-EU Customs Union" (ERP (2021-2023) Measure 13)***

**1. Description of measure:** The Customs Union (CU) entered into force as a transitional arrangement prior to Türkiye's full membership to the EU. However, Türkiye's prolonged full-membership process has rendered the CU's flaws such as Türkiye's absence from the EU's decision-making bodies pertaining to the CU, Türkiye's difficulties in adopting the EU's Free Trade Agreements (FTAs) and the road transport quotas that preclude Türkiye from being a full beneficiary of the CU, as structural problems.

On the other hand, due to the changing conditions in the world economy, the Customs Union remains insufficient to meet expectations of the Parties. Both Türkiye's and the EU's new generation FTA's include trade related areas such as services and public procurement that encourage both sides to improve their economic and commercial relationship based on this trend.

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<sup>8</sup> The FTA between Türkiye and Syria was suspended on 6 December 2011. Türkiye-Jordan FTA was repealed on 22 November 2018.



This situation brought the necessity for the update of the Customs Union. Accordingly, the formal negotiations are expected to be initiated after the European Commission gets the mandate from the Council.

The aim of the measure is to establish a partnership structure whose asymmetries are eliminated with a more comprehensive and deep commercial integration between Parties.

**i. Activities planned in 2022:** The negotiations will be initiated after the European Commission gets the mandate from the Council. The Ministry of Trade, together with the related public institutions, is responsible for the launch of update of the Customs Union negotiations.

**ii. Activities planned in 2023:** Negotiations will be carried on and concluded if possible. The Ministry of Trade, together with the related public institutions, is responsible for the conduct of update of the Customs Union negotiations.

**iii. Activities planned in 2024:** Negotiations will be concluded and the agreement will enter into force if possible. The Ministry of Trade, together with the related public institutions, is responsible for the conclusion of update of the Customs Union negotiations.

**2. Result indicators:** Within the scope of the measure, there are no performance indicators followed.

**3. Expected impact on competitiveness:** Further liberalization and bilateral market opening in the areas of agriculture, services and public procurement are expected to increase competitiveness in Turkish economy.

**4. Estimated cost of the activities and the source of financing:**

**2022:** 45,557 Euro (Central Budget)

**2023:** 52,752 Euro (Central Budget)

**2024:** 61,019 Euro (Central Budget)

The cost is calculated by taking into account the expenditures such as personnel, transportation and accommodation in previous years.

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** A shift of labour force from agriculture to industry and to services is expected. It is no impact on gender equality.

**6. Expected impact on environment and climate change:** As a result of further alignment with the EU legislation, positive effects are expected on the environment.

**7. Potential risks:**

| Risk   | Probability | Planned mitigating actions  |
|--|-------------|---|
| The negotiations will be initiated after the European Commission gets the mandate from the Council. Please note that by nature of negotiations, it is not possible to give a concrete timetable. | High        | Meetings are held with representatives of the EU institutions and member countries in order to solve the current problems and start the update process. |

## **vi. Energy Market Reforms**

### **a) Analysis of main obstacles**

Türkiye's energy sector can be characterized by two factors: rapid growth in demand and dependency on import. In this regard, our top priority is decreasing our import dependency by improving our security of supply and utilizing domestic and renewable energy sources to the maximum extent in an environmentally sound manner.

Covid-19 pandemic had effects on the energy demand and had some suspending effects on the private sector investments. The share of private sector in total electricity installed capacity is about 77.6% in 2020, whereas it was 85% in 2018. For example, new wind energy prelicense applications were planned to be received in April 2020 for 2,000 MW capacity. But due to Covid-19 this process has first been suspended, and later cancelled by the EMRA Board decision (No. 10045-17 and date 25.02.2021). Regarding energy generation, transmission and distribution, the measures were updated under the coordination of the Ministry of Energy and Natural Resources (MENR). The electricity and gas distribution companies have revised their Urgency Action Plans and made inventory of their critical personnel and shared with the Ministry.

Türkiye attaches utmost importance and gives priority to realizing energy market reforms and adapting the national energy legislation fully with the EU energy legislation. In this context, fundamental sectoral laws were completed at great extent and efforts for establishing a fully competitive energy market are ongoing. Adapting to the needs and necessities of the EU Green Deal is another important milestone for Türkiye. Within this context for accomplishment of green energy transition, increasing energy efficiency in industry, buildings and energy production and transmission; increasing the share of renewable energy in energy mix; support the utilization of hydrogen; integration and digitalization of the energy systems to provide sustainable and uninterrupted energy supply and resilient energy market are the main targets of the Turkish energy sector.

Electricity and natural gas markets were liberalized to provide the platform for the commercial transactions. In order to ensure supply and system security, Ancillary Service Market and Capacity Mechanism are included to electricity market activities.

An amendment was made to the Electricity Market Licensing Regulation and published in the Official Gazette dated 8 March 2020 and numbered 31062 to allow electricity generation projects which have more than one renewable resource. In addition, the By-Law on Storage Activities in the Electricity Market, prepared by EMRA, was published in the Official Gazette in May 2021 and entered into force, allowing generation or supply companies to establish electricity storage units or facilities. In addition, the RES-G (YEK-G) system and the Organized RES-G (YEK-G) Market, based on the proof, disclosure and tracking of electrical energy produced from renewable energy sources, were opened by EPIAS in June 2021. These regulation are expected to provide an increase in the capacity of renewables in electricity generation and a decrease in the carbon emission level.

Since December 1, 2019, generation and supply licence-holders, who want to realize transactions regarding prelicense and license applications and amendments have been obliged to apply to EMRA on digital platform.

As of January 2021, the eligibility threshold was lowered to 1,200 kWh/year. The corresponding theoretical degree of market opening on demand side is calculated as 97.2%. In 2015, EPIAS was established to operate the organized wholesale markets. The market structure, consists of organized day ahead, intra-day and futures markets operated by Market Operator (official name the Energy Market Operation Company – EPIAŞ and trademark name Energy Exchange Istanbul - EXIST), a real-time system balancing and operational mechanism operated by Turkish Electricity Transmission Company (TEİAŞ) as the Transmission System Operator.

With regard to the electricity futures market (EFM) initiatives, secondary legislation, namely Regulation Amending Electricity Balancing and Settlement Regulation was published in the Official Gazette No. 31027 on 2 February 2020. The regulation issued by EMRA gave EXIST (EPIAŞ) the responsibility to build and operate the market by the end of 2020. The EFM will enable market participants to preserve their positions and protect themselves from market price fluctuations and anticipate futures price expectations (price discovery). Moreover, it will provide price signals for investors and hence will support long-term security of supply. The electricity futures market was opened by EPIAS on 1 June 2021 and electricity futures market scheme continues to strengthen Turkish electricity sector since then.

Organized Wholesale Natural Gas Sales Market, allowing market stakeholders to conduct competitive, transparent and reliable gas trading, was launched in September 2018. EMRA Board Decision (No. 9138 and date 23.01.2020) amending the Market Rules, launches the physically delivered natural gas weekly products on 1 June 2020. In line with EMRA Board Decision, EPIAŞ introduced the physically delivered natural gas weekly products to the market on 1 June 2020. Market operations on the Natural Gas Futures Market were started as of 1 October 2021.

On 19 September 2019 in Official Gazette No. 30893, The Rules and Procedures for the Spot Pipeline Gas Import is published and the legal basis was provided to import spot pipeline gas with yearly, quarterly and monthly agreements in order to welcome new suppliers and lower prices.

The amendments of the Natural Gas Market Law about The Supplier of Last Resort Mechanism, which allows consumers who cannot supply natural gas due to reasons such as the bankruptcy of companies supplying natural gas within the contract period, their licenses being revoked and / or defaulting as a result of failing to fulfil their obligations within the framework of the organized market, to get the natural gas supply within the framework of the method determined by EMRA, are published in Official Gazette dated 2 December 2020 and numbered 31322. Secondary legislation studies will be planned to come into force with the approval of EMRA Board within 2022.

Along with the Tuz Gölü Natural Gas Underground Storage project and Kuzey Marmara Natural Gas Storage Extension project, the total natural gas underground storage capacity, which is currently 3.84 billion m<sup>3</sup>, is expected to be increased to 10 billion m<sup>3</sup> in 2023. In addition, with the underground storage capacity increase and other investments, total natural gas entry capacity of Türkiye has exceeded to 360 mcm/day.

The dissemination of the Floating Storage and Regasification Units (FSRUs) is a significant step towards ensuring the diversity of resources and routes in natural gas markets. In this context, Hatay-Dörtyol terminal, which is second FSRU terminal of Türkiye, has become

operational by BOTAS in February 2018. Thus, the regasification capacity of the LNG has exceeded 130 mcm/day with the upgrades to the terminals.

TANAP has become operational in June 2018 and has started to supply natural gas to Türkiye and as of November 2019, the construction works were completed and the pipeline became ready for the gas flow to Europe. Trans-Adriatic Pipeline, which will carry gas to Europe has been completed as of November 15, 2020. The commercial gas flow to Europe began by 31 December 2020. The construction of the TurkStream Pipeline, which will carry Russian gas to Türkiye and Europe under Black Sea has been completed and the pipeline has been put into operation as of 1 January 2020.

BOTAS attaches great importance to reducing emissions generated within the scope of natural gas transportation and storage activities. In this context, studies are continuing to develop more efficient, cleaner and low-emission solutions.

Academic and industrial studies are carried out in Türkiye for hydrogen technologies, which have not yet reached sufficient maturity due to technical and economic difficulties in the fields of hydrogen production, injection into the natural gas grid, liquefaction and storage. BOTAS' extensive natural gas transmission infrastructure and underground storage facilities have significant potential in terms of transportation and storage of hydrogen.

Akkuyu Nuclear Power Plant Project is implemented within the framework of "The Agreement between the Government of the Republic of Türkiye and the Government of the Russian Federation on Cooperation in relation to the Construction and Operation of a Nuclear Power Plant at the Akkuyu Site in the Republic of Türkiye" signed on May 12, 2010. As per the aforementioned agreement, 4 VVER 1200 type nuclear reactors with a total installed power of 4800 MW will be installed. A Project Company, AKKUYU NUCLEAR Joint-Stock Company (AKKUYU NÜKLEER A. Ş.), with 100% Russian capital and subject to the laws of the Republic of Türkiye was established in 2010 to put Akkuyu Nuclear Power Plant Project into effect. The work continues for the power plant, which is planned to produce 35 billion kWh of electricity annually after commissioning.

The foundation of the first unit of Akkuyu Nuclear Power Plant was laid on April 3, 2018 and construction activities started. Construction license for the second unit was granted on 26 August 2019. Following the completion of the works carried out by the Project Company to meet the construction license conditions, concreting works for the foundation slab of the second unit was completed on 29 June 2020. A construction license was granted for the third unit on November 13, 2020 by Akkuyu Nükleer A.Ş. The groundbreaking ceremony for the third unit reactor building was held on March 10, 2021. A limited work permit for the fourth unit was given by NDK on 30 June 2021 and a construction license was granted on 28 October 2021.

Within the scope of Sinop NPP Project, technical and commercial feasibility studies were completed and the feasibility report was submitted to MENR in 2018, and the feasibility report was reviewed by MENR. Accordingly, it was decided not to continue Sinop NPP Project with Japan. On the other hand, a positive EIA decision was made on September 11, 2020 regarding the Project and the EIA process was completed.

With the Decree Law No. 702, the Nuclear Regulatory Authority, which has regulatory and supervisory control over the facilities and activities, and has administrative and financial autonomy, was established. The Presidential Decree No. 4 was amended by the Presidential Decree No. 57 published in the Official Gazette No. 31082 dated March 28, 2020, and the

Turkish Energy, Nuclear and Mining Research Institute (TENMAK) was established and the duties and responsibilities of TAEK were transferred to TENMAK. Turkish Atomic Energy Agency, National Boron Research Institute and Rare Earth Elements National Research Institute united under the roof of TENMAK. In addition, in the decree; general provisions regarding nuclear safety, security and radioactive waste management have been specified.

“The Protocol to amend the Convention on Third Party Liability in the field of Nuclear Energy of 29 July 1960 (2004 Paris Protocol) as amended by the Additional Protocol dated January 28 1964 and the Protocol dated November 16 1982” and "The Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management" entered into force by being published in the Official Gazette dated October 17, 2021 and numbered 31631.

Although, Türkiye's per capita energy consumption is lower than industrialized countries, Türkiye's energy intensity is still high and this shows that Türkiye has considerable amount of energy savings potential in energy sector. Türkiye's primary energy density was 0.145 TEP per 1000 USD in 2015. Although this figure is lower than the World average of 0.172; it is higher than the OECD average of 0.105. The National Energy Efficiency Action Plan 2017-2023 aims to reduce the primary energy consumption of Türkiye by 14 percent by 2023. The plan envisages a cumulative 23.9 MTEP savings by 2023 and an investment of 10.9 billion USD for this savings.

Within the scope of development of financial mechanisms for energy efficiency, the project "Supporting the Establishment of National Energy Efficiency Financing and Tender Mechanisms", funded by the European Bank for Reconstruction and Development (EBRD), was initiated on 28 May 2019. The beneficiary of the project was the MENR. In the project, studies for; determination of the basic requirements for the creation of a sustainable energy efficiency financing mechanism in Türkiye, review of the EU's and other countries' national / regional energy efficiency financing mechanisms and competitive energy efficiency tender mechanisms, best practices, and evaluation of the suitability of these mechanisms for Türkiye, preparation on the National Energy Efficiency Financing Mechanism Road Map and establishment of energy efficiency competitive tendering mechanism in Türkiye were carried out. The project was completed in October 2020. Within the scope of this project, a model was developed in order to ensure more effective and widespread use of existing energy efficiency financing resources, and to create new resources.

As regards IPA programming, with the “IPA 2018 Consultancy Services for Capacity Building for Increasing Energy Efficiency in Households & Buildings and Sustainable Public Procurement Project” it is envisaged to raise energy efficiency awareness in insulating buildings, lighting, transportation, using high efficiency electrical appliances, in heating-cooling and business life, digitalization and modernization and in preliminary and high school students. It is primarily targeted to create behavioral changes in households in the long term as a result of activities to be carried out in this campaign in order to raise awareness as to how to use energy more efficiently and how to obtain financial gain from energy efficiency.

Türkiye aims to increase the share of domestic and renewable energy in the total power generation. Renewable Energy Resources Zone (YEKA) has been introduced for this purpose.

Within the scope of the YEKA model, 4 competitions have been held so far: Karapınar YEKA-1 Solar Power Plant (GES) with an installed power of 1,000 MWe, YEKA Wind Power

Plant (RES)-1 with an installed power of 1,000 MWe, YEKA RES-2 with an installed power of 1,000 MWe and YEKA GES-3 with an installed capacity of 1,000 MWe. Through this competition, the Karapınar YEKA-1 GES, a total of 408.17 MWe of power was put into operation. YEKA RES-1 and YEKA RES-2 are the pre-licensed stage. Further competition have been announced, with YEKA RES-3 having an installed capacity of 2,000 MWe and YEKA GES 4-5 with a total installed capacity of 2,500 MWe. The applications for these competitions will be accepted throughout 2022.

With the IPA 2015 “Renewable Energy and Energy Efficiency Supply for the Municipalities” Project. It is envisaged to build one 2.3 MW hydraulic power plant and 5 solar power plants with total 5.3 MW. The cost of the plants was provided with 85% by IPA grants and remaining 15% by budgets of the co-beneficiaries. Electricity generation facilities based on solar energy have been commissioned as of August 2020. The installation of the electricity generation facility based on hydraulic energy has been completed and the acceptance procedures are going on.

Activities carried out within the scope of IPA 2015 “Renewable Energy and Energy Efficiency Technical Assistance for Municipalities and Universities” project include; preparation of training documents for municipalities and universities regarding renewable energy and energy efficiency, arranging workshops, site visits and project studies.

Similarly, in IPA 2018 “Renewable Energy Supply for the Municipalities” Project and “Renewable Energy and Energy Efficiency Supply for BOTAŞ and TEMSAN” Project, works to complete pre-tender preparations are ongoing. Pipelines and Petrol Transport Inc. (BOTAŞ) (Diyarbakır, Kahramanmaraş, İdil/Şırnak, Silopi/Şırnak, and Aksaray) 8 MW and Türkiye Elektromekanik Sanayi A.Ş. Site selection, feasibility studies, unlicensed generation applications have been completed for (TEMSAN) (Ankara and Diyarbakır) and the necessary permits and approvals have been obtained for the establishment of solar energy-based electricity generation facilities with a total installed power of 1 MW and a total power of 9 MW. In order to establish the said facilities, the specifications for the supply of equipment were prepared and submitted to the approval of the EU Delegation.

The pre-tender preparations are ongoing with World Bank for IPA 2019 “Offshore Wind Site Investigations” project.

In addition, within the scope of the Strategic Sector Cooperation with the Kingdom of Denmark, the "Offshore Wind Road Map" project is being carried out and the activities related to the project continue.

## **vii. Transport Market Reforms**

### **a) Analysis of main obstacles**

The road-oriented growing transportation system in Türkiye has led to the allocation of resources to the highway and there has been excess supply in the road network, which is currently at high service level. In this context, studies are continuing to update and put into practice the National Transportation and Logistics Master Plan, which aims to create a balanced and complementary transportation system between types, based on factors such as transportation costs, accessibility and traffic safety.

The issue of road traffic safety in Türkiye constitutes an important socioeconomic problem area and measures to prevent traffic accidents in our country maintain their importance. In this context, the Presidential Circular No. 2021/2 on the Road Traffic Safety Strategy Document (2021-2030) and the Road Traffic Safety Action Plan (2021-2023) was published on February 3, 2021.

As of the end of 2020, the existing railway network in Türkiye is 12,803 km, of which 1,213 km is high-speed train lines, 9,194 km is conventional main lines, 2,396 km is secondary lines and station roads. 53 percent of the total network is signaled and 46 percent is electrified, with the projects to be completed in 2021 and 2022, it is expected that the electrical and signaled line lengths will increase significantly.

According to the data of the General Directorate of Maritime Affairs, as of the end of 2020, 11.6 million TEU containers and a total of 496 million tons of cargo were handled in our country. In 2021, the total container handling amount is expected to be 12.1 million TEU with an increase of approximately 4.3 percent, and the total amount of cargo handling is expected to be 505 million tons with an increase of approximately 1.8 percent. The small-scale, inefficient and dispersed port infrastructure in Türkiye raises logistics costs, while causing excessive competition in the sector, reducing the profitability of port operators and preventing quality port infrastructure. In this context, port investments in our country will be evaluated from a holistic perspective. In addition, studies on reducing greenhouse gas arising from the maritime sector and supporting green maritime are ongoing.

With the effect of the pandemic, the passenger traffic at the airports in 2020 decreased by 70.6 percent to 31.9 million on international flights, 49.7 million passengers with a decrease of 50.2 percent, and 81.6 million passengers with a decrease of 60.8 percent in total, compared to the previous year. Approximately 84 percent of air passenger traffic takes place at Istanbul, Antalya, Ankara Esenboğa, Izmir Adnan Menderes, Muğla Dalaman, Muğla Bodrum-Milas, Adana, Trabzon and Istanbul Sabiha Gökçen airports. Investments aimed at increasing the capacity of existing airports, raising service standards, increasing flight safety and air traffic management projects maintain their priority for the sector. On the other hand, the construction of Çukurova Regional, Rize-Artvin, Bayburt-Gümüşhane, Tokat and Yozgat airports projects continues.

## **viii. Agriculture and Services**

### **a) Analysis of main obstacles**

#### **Agriculture**

Agricultural sector in Türkiye constitute a significant proportion of domestic product, exports and employment. Türkiye is one of the top 20 countries with the largest economies in the world considering the GDP (current \$), besides being one of the top 10 countries with the largest economies in the world considering the contribution of agricultural sector to GDP (current \$) according to 2018 data. Therefore, increasing efficiency and making more effective policies in the agricultural sector, which has a significant impact on the main macroeconomic indicators of our country, will be performed with the measures to be taken as a result of evaluating the reliable data collected through a correctly built data architecture and up-to-date data collection methodology. Being unable to detect unregistered data of production in agriculture and to reflect them on the issued official statistics increase the importance of collecting accurate and reliable data. Moreover, analyzing and evaluation of data regarding agricultural products, such as input, cost, cultivation area, production, yield, consumption, import and export, are very important for our country's agricultural economy. Furthermore, there is a need to making description of agricultural holdings on legislation. There is also a need to change the legislation to enable agricultural holdings to provide data on a mandatory basis rather than voluntary basis. Beside these, capacity building and awareness raising studies are needed due to the lack of awareness about statistics in the Ministry organization in general.

The Covid-19 pandemic, which has been continuing to increase its negative impact on daily life in our country, as it is in the world, has revealed the importance of food safety and food security. It shows that more comprehensive, up-to-date and real-time data collection methodology and reporting tools are needed to monitor and mitigate the potential effects of Covid-19 on food systems and to take necessary precautions. In order to be prepared for such extraordinary situations, it is clear that the creation of comprehensive data sets needed in agricultural production, the methods used in data collection, the improvement of the systems according to current needs, and the increase of the qualifications and capacity of the personnel play a very important role.

#### **Tourism**

Tourism sector is a very fragile sector due to its seasonality, its structure that holds many different sectors together, the interdependence of sector components, its labor-intensive structure, and its being affected by socio-political and economic crises, natural disasters and unpredictable pandemics. After the growth in the tourism sector in 2019, the tourism sector, which started 2020 with positive expectations, has been hit hard by the Covid-19 pandemic, which for the first time in history caused the closure of the country's borders, suspension of airline flights and ban on travel. Tourism destinations, which are dependent on international markets, have been affected densely. The current crisis has revealed gaps in the crisis preparedness and response capacity of governments as well as the tourism sector. Although it is estimated that it will take between 2.5 and 4 years for the international tourism market to return to its 2019 levels; the recovery period will vary depending on the improvement of the



tourist's perception of confidence, the gradual removal of travel restrictions and the improvement of economic conditions.

Although in terms of tourism planning in our country, especially in the last 20 years, reducing the negative externalities of tourism, sustainability and competitiveness have become the basic principles, the importance of economic resilience in tourism in terms of the survival of tourism enterprises has been understood once again during the pandemic period. In addition to these developments, the use of information technologies in tourism and the need for digitalization have increased considerably during the pandemic. The demand for tourism has increased on the axis of receiving services with less contact and providing hygienic conditions in facilities and vehicles. In this context, it is important to expand the scope of the Safe Tourism Certification Program, which entered into force on 1 June 2020, to make it valid for other unforeseen epidemics or infectious diseases, and to make it continuous and permanent.

Türkiye is an international tourism destination known for sea-sand-sun concept and its competitive advantage in tourism sector is mostly based on low prices. For this reason, the increase in tourism income lags behind the increase in the number of visitors, which negatively affects the competitiveness, sustainability and service quality of the sector. On the other hand, despite the diversity of our country's unique historical, cultural and natural values; the variety of tourism products offered in our country and its distribution to our geographical regions have not reached the desired level yet. This situation reduces an average number of overnight stays and the level of expenditure per visitor, and causes low tourism revenues at the regional level.

#### **b) Reform measures**

***Measure 14: “Improvement of data collection processes and increasing the capacity of evaluation in agriculture statistics” (ERP (2021-2023) Measure 3)***

**1. Description of measure:** In order to contribute to making more effective agricultural policies to increase competitiveness, it is necessary to collect agricultural data according to modern and scientific methods in line with international commitments. Agricultural data are still collected from the field by non-scientific methods (via expert opinion) and voluntarily. This situation affects the accurate decision-making processes and causes disruptions in the implementation of policies. Within the scope of the said reform measure, it is aimed to improve agricultural data collection methods and evaluation capacity in line with international standards.

In relation to its high policy documents and national strategic documents, this measure can be linked to the policies and measures under section 2.2.2.1 and 2.1.4 of the Eleventh Development Plan, draft Strategy Paper for improve the Turkish agricultural statistics system and Strategic Plan (2019-2023) of the Ministry of Agriculture and Forestry.

Activities carried out in 2021;

Within the scope of the measure, some of the training activities for capacity building, were carried out face-to-face and some of them were carried out by video conference method due to the effects of the Covid-19 epidemic. With regard to crop production, livestock, cost and price statistics, a total of 4 trainings, one online, were organized. With these training activities, a total of 250 data collection and system entry supervisors were trained. Educational activities will continue in the rest of 2021 and in 2022. In addition to these, efforts were made to improve the information systems that provide data flow from the field to the center, where data entry is

made, to increase the accuracy of the data entered, and to establish a data standard for the creation of agricultural statistics. Methodology improvement studies for the agricultural statistics will start at the end of 2021 and are planned to be completed by the end of 2022. As a result of these studies, a road map for the improvement of statistics will be determined. In the following years, it is planned to continue with the implementation projects for the monitoring of this roadmap and the improvement of statistics.

**ii. Activities planned in 2022:**

- Investigation and Determination of the Current Situation of Agricultural Statistics in the Field,
- Identification and Analysis of Good Practices in Türkiye,
- Research and Determination of Good Practices in the EU and Other Countries within the Framework of Our International Obligations
- Methodology Determination Studies for Improvement and Evaluation of Data Collection Processes
  - Methodology Workshops with Academicians for the Improvement and Evaluation of Data Collection Processes
  - Methodology Workshops with Stakeholders for the Improvement and Evaluation of Data Collection Processes
- Establishing the Methodology and Identifying the Needs for the Methodology

**ii. Activities planned in 2023:** As a result of the completion of the planned activities in 2022, the needs and roadmap for the improvement of statistics will be determined. In the following years, it is planned to continue with the implementation projects for the monitoring of this roadmap and the improvement of statistics.

**2. Results indicators:**

| Indicator   | Current Situation | 2022 |
|---|-------------------|------|
| Project output report   | 0                 | 1    |
| Number of training/seminars to be given to the personnel in the provincial organization of the Ministry | 4                 | 10   |
| Number of personnel to be trained responsible for data collection and data entry to the system          | 250               | 1000 |

**3. Expected impact on competitiveness:** There is a need for reliable information obtained through scientific methods to measure the competitiveness of the sector's stakeholders and to make public policies in order to improve the competitiveness at all levels of the value chain of the agricultural sector from producer to consumer. By improving the data collection and evaluation processes in agricultural statistics, current and reliable information will be obtained and the competitiveness of the entire sector or any stakeholder in the sector will be better analyzed.

**4. Estimated cost of the activities and the source of financing:**

**2022:** 227,785 Euro (Central Budget)

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** No direct impact is expected in the short term.

**6. Expected impact on environment and climate change:** No direct impact is expected in the short term.

**7. Potential risks:**

| Risk  | Probability | Planned mitigating action  |
|---|-------------|--|
| The continuation of the negative impact of the Covid-19 epidemic on events such as meetings and training. | High        | Dissemination of video conferencing method.                            |
| Lack of support from IT unit and other related units.   | Low         | Frequent meetings to ensure better coordination with the relevant unit |

***Measure 15: “Increasing tourism market share and brand value” (ERP (2021-2023) Measure 6)***

**1. Description of measure:** This measure includes multi-faceted promotional and marketing activities aimed at transforming Türkiye’s unique historical, cultural and natural values into tourism products, increasing brand value, extending the tourism season to twelve months, creating a more sustainable and green tourism concept and delivering them to target audiences in different market countries. For the implementation of this measure, besides the development of tourism products with brand value that will appeal to various consumer preferences, effective digital promotion (social media, travel media, etc.) suitable for the target audience, as well as traditional promotional campaigns are executed. In addition to digital promotion campaigns; hospitality, special events and activities are organized in promotional activities for our main markets and emerging markets.

In the promotional campaigns, apart from mass tourism products focused on sun-sand-sea, different products are highlighted and importance is given to ensuring diversity in tourism products. Thus, it’s aimed to extend the tourism season to 12 months and throughout the country. In order to increase the number of visitors coming to our country and to create alternative markets, besides the main market countries such as Germany, Russia and England; it has been determined as a priority to conduct promotional and marketing activities in Scandinavian Countries whose tourism expenditures are increasing day by day and in countries such as China, Japan, South Korea and India, which are emerging market countries.

In order to increase the market share and brand value of our country during Covid-19 pandemic, promotional activities were conducted primarily in digital platforms keeping hygiene and health-oriented service approaches in focus. Border and flight conditions resulting from the global epidemic are regularly monitored for our main and emerging markets; and communication activities are carried out with a focus on our main markets. In parallel with the intensification of international promotion and marketing activities on digital platforms due to the global epidemic, participation in international sectoral virtual fairs was ensured.

In addition, in order to diversify Türkiye's tourism products and destinations and enhance their competitiveness, tourism training activities are carried out to keep the tourism service quality and skills at high standards in Türkiye. Ministry of Culture and Tourism, General

Directorate of Research and Training organizes cost free on-the-job tourism training courses in order to improve the professional qualifications of the human resources in accommodation and catering facilities and to increase the service quality in accordance with "Bilateral and Multilateral Agreements" and with a view of exchange of experiences, Directorate organizes these trainings at the international level, too. These training courses are Front Office, Food and Beverage Service, Housekeeping, Food Production, Train Managers as Trainers, Home Pension Training.

Furthermore, the Ministry of Culture and Tourism and the Ministry of National Education have signed "Vocational Education Development Cooperation Protocol" that aimed to achieve the following objectives for students studying in the fields of accommodation and travel services, food and beverage services and entertainment services.

- Performing their skills and internship practices in real service and production environment at tourism enterprises,
- Graduates speaking at least two foreign languages,
- Granting scholarships to the students,
- Providing employment to the graduates,
- Supporting the school trainers and administrators in service and on the job trainings,

The project that started with 11 schools in 2018 reached to 54 schools in 2021.

In the context of strengthening of cultural tourism infrastructure, it is aimed to remodeling of management systems of museums and archaeological sites according to today's conditions and rising of domestic and foreign tourist visitors by increasing the service quality.

This measure is related to Article 424/1 (Work will be carried out to create new source markets for our country from emerging market countries in the world, especially the Far East countries), Article 425/1 (Market demands related to tourism types like gastronomy, golf, health, cruise, wedding, faith, convention and shopping which bring a high income in tourism industry will be determined and activities will be carried out to increase visitors from these countries) of the Eleventh Development Plan.

**i. Activities planned in 2022:** The new Türkiye Tourism brand work, which was introduced in 2020 and 2021, is aimed at keeping it in target markets and increasing brand awareness, diversifying advertising and public relations activities and increasing its frequency with support from technological advancements. Promotional activities will continue with innovative, experience and destination-based activities that differ according to the foreign target markets and the needs of the target audience in that market. Target markets will be diversified according to various types of tourism; hospitality activities and special events will be held and international fairs and workshops will be participated. In addition to our main target markets, customized promotional campaigns will be launched for the Baltic States and Far East countries.

Implementation of the 2023 Türkiye Tourism Strategy, which covers cruise, gastronomy, belief, congress, culture, coastal, health, winter, sports and highland tourism types and aims to extend the season and average stay in tourism, and to increase the amount of expenditure per

capita by spreading tourism across the country and over 12 months, will be executed. Separate routes, road maps and promotional content will be created for different types of tourism. The collection and analysis of big data will be conducted in the development, promotion and marketing of tourism products in GoTürkiye digital platform. The platform will be developed in line with current technological developments and expectations in terms of user experience. The Provincial Promotion and Development Program, which was initiated in cooperation with the Ministry of Culture and Tourism and the Turkish Tourism Promotion and Development Agency, in order to promote the regions and provinces of Türkiye, will continue to be carried out with a participatory approach. The images, videos and text contents obtained within the scope of this study will continue to be used in the enrichment of the pages on the GoTürkiye digital platform.

Depending on global trends, with the concept of sustainability coming to the forefront in new tourism product development and tourist preferences, the Safe Tourism Certification Program, implemented in 2020, will be updated and implemented as a "Green&Safe Tourism" concept. In this context, studies will be carried out to transform the new concept into an international program and promote it abroad.

Promotion and marketing activities will be organized with international airline companies and tour operators to increase and maintain direct scheduled flights from selected cities of target market countries to touristic regions with high accommodation capacity.

The partners that will cooperate in the implementation of the planned activities are Turkish Airlines, Tourism Sector Organizations, and Media Organizations.

**ii. Activities planned in 2023:** The diversification and frequency of advertising and public relations activities will be continued with the aim of keeping Turkish Tourism brand work in target markets and increasing brand awareness. Promotional activities will continue with innovative, experience and destination-based activities that differ according to the foreign target markets and the needs of the target audience in that market. Target markets will be diversified according to various types of tourism; hospitality activities and special events will be held and international fairs and workshops will be participated.

In accordance with technological developments and changes in consumer preferences; studies will be conducted to develop tourism types such as cruises, gastronomy, faith, congress, culture, coastal, health, winter, sports, highland, etc., in order to increase the overnight stay, the average expenditure per tourist and to ensure that tourism extends throughout the whole year and the country. The collection and analysis of big data will be conducted in the development, promotion and marketing of tourism products in GoTürkiye digital platform. The platform will be developed in line with current technological developments and expectations in terms of user experience. The Provincial Promotion and Development Program, which was initiated in cooperation with the Ministry of Culture and Tourism and the Turkish Tourism Promotion and Development Agency, in order to promote the regions and provinces of Türkiye, will continue to be carried out with a participatory approach. The images, videos and text contents obtained within the scope of this study will continue to be used in the enrichment of the pages on the GoTürkiye digital platform.

The update of the Safe Tourism Certification Program implemented in 2020 will be continued in accordance with new needs and demands; efforts for transforming “the Green &

Safe Tourism” concept into an international program and promoting the program abroad will continue.

Promotion and marketing activities will be carried out with international airline companies and tour operators to increase and maintain direct scheduled flights from selected cities of target market countries to touristic regions with high accommodation capacity.

The partners that will cooperate in the implementation of the planned activities are Turkish Airlines, Tourism Sector Organizations, and Media Organizations.

**iii. Activities planned in 2024:** The diversification and frequency of advertising and public relations activities will be continued with the aim of keeping Turkish Tourism brand work in target markets and increasing brand awareness. Promotional activities will continue with innovative, experience and destination-based activities that differ according to the foreign target markets and the needs of the target audience in that market. Target markets will be diversified according to various types of tourism; hospitality activities and special events will be held and international fairs and workshops will be participated.

In accordance with technological developments and changes in consumer preferences; Studies will be conducted to develop tourism types such as cruises, gastronomy, faith, congress, culture, coastal, health, winter, sports, highland, etc., in order to increase the overnight stay, the average expenditure per tourist and to ensure that tourism spreads throughout the whole year and the country.

The collection and analysis of big data will be conducted in the development, promotion and marketing of tourism products in GoTürkiye digital platform. The platform will be developed in line with current technological developments and expectations in terms of user experience. The Provincial Promotion and Development Program, which was initiated in cooperation with the Ministry of Culture and Tourism and the Turkish Tourism Promotion and Development Agency, in order to promote the regions and provinces of Türkiye, will continue to be carried out with a participatory approach. The images, videos and text contents obtained within the scope of this study will continue to be used in the enrichment of the pages on the GoTürkiye digital platform.

Depending on the global trends, the concept of sustainability will come to the forefront in the development of new tourism products and tourist preferences, and the concept will be brought to the fore in promotional campaigns.

**2. Results indicators:**

| Indicator                      | Current Situation                                   | 2022       | 2023       | 2024       |
|--------------------------------|---|------------|------------|------------|
| Number of arrivals             | 28 Million*<br>(January - September 21.5 Million**) | 47 Million | 65 Million | 75 Million |
| Average expenditure per capita | \$800*<br>\$830 (January - September)**             | \$840      | \$876      | \$923      |

\*Estimation \*\*Realized

**3. Expected impact on competitiveness:** This measure is expected to increase tourism revenue from the global tourism industry, increase the share of tourism revenues within the gross national product, contribute positively to the balance of foreign trade, and contribute to the reduction of current account deficit. The restructuring of the Turkish brand will increase Türkiye’s competitiveness in the global tourism market.

**4. Estimated cost of the activities and the source of financing:** The activities are covered by the budget of the Turkish Tourism Promotion and Development Agency and it is planned not to impose any burden on the budget.

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** This measure will contribute to increasing employment and thus reducing poverty. In addition, it is expected that the tourism sector will contribute positively to the reduction of gender discrimination, as it is suitable for women's employment. In terms of health services, this measure is neutral.

**6. Expected impact on environment and climate change:** The concept of sustainability has gained importance in the development of tourism products and consumer destination preferences. Emphasizing the concept in our country's promotional campaigns will also contribute positively to the planning of the tourism sector and the creation of supply, and will contribute to the reduction of environmental pressure caused by tourism.

**7. Potential risks:**

| Risk   | Probability | Planned mitigating action  |
|--|-------------|--|
| Geopolitical developments in our country and in the world  | Medium      | Preparation of Contingency Plans to be prepared for the crisis   |
| Decrease in airline traffic, border closures due to the continuation of the epidemic or other unforeseen pandemics | Medium      | Expanding the scope of the Safe Tourism Certification Program to be valid for other unforeseen epidemics or infectious diseases, making it permanent and permanent |

## **ix. Education and Skills**

### **a) Analysis of main obstacles**

Covid-19 has affected the education system of many countries, as well as negatively affecting health, economy and social life. Shifting to distance learning is one of the first measures taken in Türkiye. During this process, the importance of distance education and the quality of digital content have been recognized by all segments of society.

In the line with MoNE Strategic Plan, given the digital content and skill-assisted transformation which supports learning processes, it is aimed to ensure that our students and teachers living in all parts of our country have equal learning and teaching opportunities.

In the Eleventh Development Plan (2019-2023), it is stated that the content of the Education Information Network (EBA) portal will be enriched by harmonizing with the curriculum and the effective use of the portal will be expanded (551.6). At the same time, it was stated that the diversity and quality of lifelong learning programs will be increased, and the recognition of prior learning will be docensured. The importance of digital content in learning processes is emphasized in the 2023 Education Vision document. This document also states that a National Digital Content Archive will be created, a nationwide content development ecosystem will be launched to support the content diversity, digital materials will be associated with printed materials, the use of digital materials as the core teaching materials will be expanded, and digital platforms providing individualised learning experiences will be prepared.

Within the scope of the stated objectives, studies are carried out by the General Directorate of Lifelong Learning. Interactive and rich digital content is produced for Open Education School students. In this context;

- Digital content production and content archive creation,
- Linking digital and printed materials,
- Mobile application development,
- Preparation of Open Education Schools coursebooks and
- Efforts are being made to make the printing and distribution processes and the services offered accessible through the e-Government platform.

Course/certificate/authorization programs are organized in the Vocational and Technical Open Education School, which carries out its activities under the Open Education Department. Trainings related to the programs are carried out in the form of distance or applied training. Studies are planned to produce the digital content of distance education programs. Candidates who have accepted the documents submitted for the electrical installation authorization certificate and who have completed the training of the program they are registered in the course programs can participate in the exams with the e-exam method and the e-exam processes are carried out through the *e-Devlet* portal and *e-Yaygın* system; It is planned to issue a course/certificate/authorization certificate to those who are successful in the exams.



## b) Reform measures

***Measure 16: “Preparing the digital contents of the courses taught in Open Education Schools and presenting them to the students through the Education Information Network (EBA) platform and preparation of digital contents of course-certificate-authorization programs organized for individuals within the scope of lifelong learning”***

**1. Description of measure:** Within the scope of distance education for open education school students, digital content development, scenario creation, transferring the units of the ready courses to the EBA platform and making them available to the students through the EBA platform and also developing the digital content of the courses/certificate/authorization programs given by distance education method to individuals who have completed at least primary school in the Vocational and Technical Open Education School, ensuring that individuals gain a profession and prepare for life.

### **i. Activities planned in 2022:**

- Development, evaluation and supervision of the content uploaded to the EBA platform.
- Production of course/certificate/authorization programs and digital content and making them available to trainees.

### **ii. Activities planned in 2023:**

- Developing, updating, evaluating and supervising the content uploaded to the EBA platform.
- Enrichment and dissemination of course/certificate/authorization programs and digital content.
- Updating the digital contents prepared in line with the curriculum change.

### **iii. Activities planned in 2024:**

- Developing, updating, evaluating and supervising the content uploaded to the EBA platform.
- Enrichment and dissemination of course/certificate/authorization programs and digital content.
- Updating the digital contents prepared in line with the curriculum change.

### **2. Results indicators:**

| Indicator   | Current Situation  | 2022   | 2023                         | 2024                          |
|---|--|--|------------------------------|-------------------------------|
| Completion rate of screenwriting and digital content production for Open Education High School students | 82% of digital content production and script writing (9th and 10th grades) prepared for Open Education School students has been completed. | 100% for 9th and 10th Grades<br><br>30% for 11th and 12th Grades | 75% for 11th and 12th Grades | 100% for 11th and 12th Grades |

|  |   |   |   |  |
|--|---|---|---|--|
| Completion rate of the production of digital content of course/certificate/authorization certificate programs organized through the Vocational and Technical Open Education School within the scope of lifelong learning | It is planned to produce the digital contents of 15 courses / certificates / authorization certificate programs organized through the Vocational and Technical Open Education School. | Completion of 25% of digital content production | Completion of 65% of digital content production | Completion of 100% of digital content production |
|--|---|---|---|--|

**3. Expected impact on competitiveness:** Since the service provided is a public service, it has no effect on competitiveness, but it is aimed to increase the quality of education in the medium and long term.

**4. Estimated cost of the activities and the source of financing:** Total cost is 129,404 Euro.

**2022:** 87,498 Euro (Central Budget)

**2023:** 20,340 Euro (Central Budget)

**2024:** 21,567 Euro (Central Budget)

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** It is aimed to ensure equality of opportunity in education, increase employment by increasing the quality of education and spread lifelong learning..

**6. Expected impact on environment and climate change:** No impact on the environment or climate change is anticipated.

**7. Potential risks:**

| Risk   | Probability | Planned mitigating action  |
|--|-------------|--|
| Loss of current digital content in the process | Low         | Preparing the prepared digital contents in an updatable format in line with the program change |

***Measure 17: “Raising Awareness of Hygiene, Healthy Eating, Nature Protection, Food Waste Prevention in Schools and Institutions” (ERP (2021-2023) Measure 18)***

**1. Description of measure:** Criteria and control method have been established in order to increase the hygiene satisfaction of students and employees in educational settings and to reduce the risk of infection. Accordingly, JUL is conducting a “My School is Clean” certification program in accordance with the “Guidelines on Improving Hygiene Conditions and Infection Prevention Control in Educational Institutions” prepared in cooperation with the Ministry of National Education and the Turkish Standards Institute. As of 2021, 96 percent of the schools affiliated to the Ministry of National Education have been prepared in accordance with the guidelines, and inspection and certification activities are continuing. Document renewal examinations will be carried out every year for the schools that have received the My School Clean Certificate. In this context, activities are carried out with approximately 5,200 auditors across the country.

In order to develop a healthy eating habit in educational institutions, a “Control manual on Access to Reliable Food and the Development of a Healthy Eating Habit in Educational Institutions” is being prepared. The Ministry of national education in schools for students, teachers, employees and all other stakeholders in the creation of an environment for healthy nutrition, healthy eating habits to gain by promoting adequate and balanced nutrition, with food poisoning and infectious diseases by providing reliable access to food that may be inadequate and unbalanced nutrition-related diseases (obesity, diabetes, cardiovascular diseases, etc.) is intended to prevent.

Collaborations are being developed with the Ministry of Environment, Urbanization and Climate Change and various non-governmental organizations to increase awareness of nature conservation, climate change and zero waste in educational institutions. It is aimed to prevent food waste in the schools of the Ministry of National Education, to protect food natural resources, agriculture, economy, environment and natural balance and to reduce carbon emission rates by approaching zero waste targets. In this context, the Ministry of Agriculture and forestry in collaboration with the Ministry of National Education and the creation of digital content to increase awareness, education, and to be informed, nature workshops students with the process of formation of agricultural products, food waste without generating culinary workshops with students to raise awareness of food preparation will be provided.

Cooperation is being developed with the Ministry of Agriculture and Forestry and the Food and Agriculture Organization of the United Nations (FAO) on food waste prevention and food literacy in educational institutions. In the schools of the Ministry of National Education, it is aimed to educate students who recognize nature, protect it, know the importance of the environment, know that every action it makes has positive or negative consequences in nature, avoid waste and unnecessary consumption, and also create environmentally and climate-friendly schools by improving the physical facilities of our schools. Türkiye is on the axis of Climate Change Strategy.

It will be ensured that the Zero Waste Management System is effectively established and monitored in all our schools and that they receive a Basic Level Zero Waste Certificate. In cooperation with the relevant Ministries and municipalities, ‘Nature Schools’ will be

established and awareness-raising activities will be carried out for students on waste prevention, recycling, nature literacy, plant and animal love and climate change.

This measure is also included in the 11th Development Plan (2019-2023) and the Presidential Annual Program. It is stated in the 11th Development Plan as “552.3 The physical infrastructure of learning environments, the richness of curriculum and materials, self-care skills, integration practices and the standards of guidance services will be raised”.

According to 2022 Presidential Annual Program, it is stated “maintaining educational activities in a safe and healthy environment in schools, acquiring adequate, balanced and healthy eating habits and contributing to the development of healthy nutrition conditions and a culture of health and safety, certification studies in accordance with national and international management systems”.

**i. Activities planned in 2022:**

- During the Covid-19 pandemic, the 2022 document renewal audits of the schools that received the Clean Certificate of My School will be carried out.
- In cooperation with Ministry of National Education and the Turkish Standards Institute (TSE), the Control Guide for Accessing Reliable Food and Developing Healthy Eating Habits in Educational Institutions will be prepared.
- In cooperation with Ministry of National Education and the Ministry of Agriculture and Forestry, digital contents will be created to raise awareness of food waste in students.
- Educational contents will be prepared in order to recognize the students and increase awareness about the harms of co-production, environmental and climate awareness, waste and unnecessary consumption.
- In cooperation with Ministry of National Education and the Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye, the Effective establishment and monitoring of the Zero Waste Management System in all our schools and obtaining a Basic Level Zero Waste Certificate will be ensured.

**ii. Activities planned in 2023:**

- During the Covid-19 pandemic, the 2023 document renewal audits of the schools that received the Clean Certificate of My School will be carried out.
- Within the scope of the Control Guideline for Access to Reliable Food and Healthy Eating Habits in Educational Institutions, the creation of a certification program for the purpose of carrying out conformity assessment and certification activities, and the training of audit officers will be ensured.
- In cooperation with Ministry of National Education and the Ministry of Agriculture and Forestry, increasing awareness of food waste in students will be given training and information and the installation of nature workshops and kitchen workshops will be started.
- Environmental and climate-friendly schools will be created by improving the physical facilities of our schools in order to recognize the students and increase awareness about the harms of co-production, environmental and climate awareness, waste and unnecessary consumption.

- The Effective establishment and monitoring of the Zero Waste Management System in all our schools will ensure that the Basic Level Zero Waste Certificate is obtained.

### iii. Activities planned in 2024:

- During the Covid-19 pandemic, the 2024 document renewal audits of the schools that received the Clean Certificate of My School will be carried out.
- Certification audits will be carried out in schools where the system is established in accordance with the Control guideline for Access to Reliable Food and The Development of Healthy Eating Habits in Educational Institutions.
- In cooperation with Ministry of National Education and the Ministry of Agriculture and Forestry, nature workshops and kitchen workshops will be established in order to raise awareness of food waste in students.
- In order to recognize and protect the nature of the students, to increase environmental and climate awareness, to increase awareness about waste and the harms of unnecessary consumption, the physical facilities of our schools will be improved and environmental and climate-friendly schools will be created.
- The Effective establishment and monitoring of the Zero Waste Management System in all our schools will ensure that the Basic Level Zero Waste Certificate is obtained.

## 2. Result indicators:

| Indicator  | Current Situation | 2022   | 2023   | 2024   |
|--|-------------------|--------|--------|--------|
| Number of Clean Certificate of My School Renewals  | 50,000            | 50,000 | 50,000 | 50,000 |
| Number of Access to Reliable Food and The Development of Healthy Eating Habits Guidances | 0                 | 1,000  | 5,000  | 10,000 |
| Number of nature workshops and kitchen workshops established                             | 0                 | 3      | 5      | 10     |
| Number of environmental and climate-friendly schools established                         | 0                 | 10     | 20     | 30     |
| Number of schools that receive Basic Level Zero Waste Certificate                        | 10,000            | 15,000 | 20,000 | 25,000 |

\*Indicator targets are set annually for each year.

**3. Expected impact on competitiveness:** In the schools and institutions affiliated with Ministry of National Education; it is aimed to provide hygiene and healthy eating opportunities in accordance with national/international criteria of the working and educational environments of students, teachers, employees and all other stakeholders, to prevent waste and to increase environmental and climate awareness.

As a result of the planned activities, it will be ensured to increase the capacity of healthy and safe areas in schools, to manage the measures taken, to increase the visibility of the quality of service and its impact on educational activities. As a result of gaining the management approach that provides the necessary conditions for service delivery in healthy, safe and eco-friendly environments; economic, efficient and effective use of resources will be possible. Since

management processes are provided by data-based analyses, performance will be evaluated and expected results will be possible.

It is expected that the individual and social health and moth-based approach will be established by starting from school-age individuals with future job descriptions and production processes, which are among the priorities of our time. At the same time, improving the health, safety and nutrition conditions of individuals' education and working environments, protecting the environment within the principles of sustainable development in business and educational environments and reducing the consumption of natural resources, and ensuring the recovery of resources in the recyclable cycle, which is among the environmental and human-friendly priorities with systematic planning and implementation.

**4. Estimated cost of the activities and the source of financing:**

**2022:** A financing of 546,685 Euro will be provided from the central budget for Hygiene, Healthy Eating, Nature Conservation, Prevention of Food Waste Awareness Training, project design of nature workshops and kitchen workshops and other expenses.

**2023:** A financing of 1,142,951 Euro from the central budget will be provided for the creation of the physical infrastructure of Hygiene, Healthy Eating, Nature Conservation, Preventing Food Waste Awareness activities and nature workshops and kitchen workshops.

**2024:** 2,118,713 Euro financing will be provided from the central budget for the purchase of equipment and materials for Hygiene, Healthy Eating, Nature Conservation, Prevention of Food Waste Awareness activities and nature workshops and kitchen workshops.

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** No direct impact of the reform measure on this area is foreseen.

**6. Expected impact on environment and climate change:** No direct impact of the reform measure on the environment is foreseen. The measure is therefore environmentally neutral.

**7. Potential risks:**

| Risk                        | Probability | Planned mitigating action  |
|-----------------------------|-------------|--|
| Lack of funding             | Medium      | Developing various collaborations in order to provide the necessary equipment, equipment and training expenses for the activities. |
| Lack of competent personnel | Low         | Meeting the training needs of the personnel who will be involved in the implementation of the planned activities.                  |

## **x. Social Protection and Social Inclusion**

### **a) Analysis of main obstacles**

With structural innovations in the field of social assistance, projects implemented, and new policy tools developed in Türkiye, a significant transformation and development process in the field of combating poverty is taking place, and the absolute poverty rate has decreased significantly over the last 18 years.

With Türkiye's economic growth, service delivery in social assistance has improved as a result of reforms implemented in the field of social assistance. Increased public resources allocated to social assistance expenditures supported this development process.

The social assistance system, which plays an important role in anti-poverty policies, has implemented holistic policies aimed at providing employment by generating sustainable income, as well as providing social assistance to households at risk of poverty within the framework of sustainable development goals.

In addition to making strides in social assistance, our country has made progress in human development. According to UNDP data, our country was at the "Medium Human Development" level in 2002; it has been at the "High Human Development" level since 2009, and according to data released in 2019, our country has advanced to the "Very High Human Development" level for the first time in its history. For the second time in a row, our country has been included in the "Very High Human Development" category in 2020. In the measure of progress in human development, Türkiye has increased by 21 percent in the last 18 years in the index.

To prevent the transmission of poverty from generation to generation, social assistance in the fields of education and health was prioritized. In the last 18 years, the share of GDP devoted to social assistance has grown. On the other hand, the need for social assistance persists due to factors such as migration, urbanization, changes in family structure, population growth, unemployment, and the recent Covid-19 pandemic that has effected the world. In this context, the ratio of public social assistance expenditures to GDP in 2020 by institutions such as the Ministry of Family and Social Services (MoFSS), the MoNE, the DGF (Directorate General of Foundations), the DGCD (Directorate General of Credit and Dormitories) , and municipalities was 1.37 percent.

Information and communication technologies are still being used effectively in the field of social assistance. All steps from application to payment can be realized, monitored, measured, and reported electronically using the Integrated Social Assistance Information System. Citizens can use their identity cards (IDs) to apply for social assistance through this system, which includes 28 different institutions.

During the pandemic, the powerful information system's data infrastructure enabled quick and effective decision-making and prompt delivery of social assistance to the needy citizens. Within the context of the Covid-19 pandemic, which is affecting the entire world and causing global economic and social problems, a wide range of comprehensive measures and programs have been put in action quickly and effectively from the beginning of the process.

Türkiye experienced the advantages of its social assistance system that is strong and responsive to shocks during the pandemic and adapted its social assistance system to fight against the Covid-19. In this context, Türkiye has expanded the scope of social assistance by implementing the Pandemic Social Support Program. The Pandemic Social Support Program

implemented by the Ministry of Family and Social Services within the scope of combating the Covid-19 epidemic, which has had an impact all over the world, has been designed in 5 phases (Phase I-II-III, Biz Bize Yeteriz Türkiyem Kampanyası and Full Lockdown Social Assistance Program).

In the first phase, households benefiting from regular and centralized social assistance programs currently implemented by the Ministry of Family and Social Services were provided with 1,000 TL cash assistance. Thus, disabled, elderly, orphans, and widowed women citizens, who are among the most disadvantaged group of the society, were aimed to be protected from the pandemic's negative effects.

In the support program's second phase, those who were out of the scope of the first phase, yet benefitted from the temporary social assistance programs within the last year implemented by Ministry of Family and Social Services, who received home care assistance or were in the households whose income test results were determined to be G0 (insurance premiums paid by the state – previously called green card) in the scope of the General Health Insurance, neediness of who was determined by the Social Assistance and Solidarity (SAS) Foundations locally, were given 1,000 TL cash support.

In addition to this, within the scope of Phase II 1,000-TL in cash support per household was provided within the scope of Other Formation Application with the electronic applications received from different platforms such as Açık Kapı (Government Gate), Social Economic Support applications, and citizens whose Unemployment Allowance has expired under the Unemployment Insurance Law No. 4447.

Within the scope of the Phase III-Pandemic Social Support Programme, the applications received electronically were firstly filtered through a systematic preliminary evaluation according to determined objective criteria in order to deliver the assistance to the needy ones, who could not benefit from previous phases, then, the applications that passed this evaluation were directed to the SAS Foundations via the integrated information system to be evaluated for the last time. Keeping the measures that were taken due to the pandemic in mind, 1,000 TL cash assistance were transferred to the beneficiaries' PTT accounts or to the bank accounts of the beneficiaries with the condition of using their IBAN's in the case that they preferred so. Applications are continued to be received from the e-government gate.

Furthermore, funds collected as part of the "Biz bize Yeteriz Türkiyem Kampanyası" launched as part of the fight against the pandemic were used to transfer 1,000 TL in cash assistance to households determined to be periodically needy by the SAS Foundations.

With the decision of the Full Lockdown process, taking into account the need for quick delivery of assistance to our citizens and the fact that the current information of the households, for which SAS Foundations have already made a neediness assessment and were decided to be entitled, is registered in the Integrated Social Assistance Information System, without re-application and SAS Foundations, without a re-evaluation of entitlement, among the current beneficiaries, SSI, Turkish Employment Agency (İŞKUR), central civil registration system and so on under the banner of Full Lockdown Social Assistance, a central assistance payment was made to the households of those identified through central database inquiries.

With this assistance program, the SAS Foundations made a one-time payment of 1,100-TL per household who were evaluated to be periodically needy due to the pandemic and whose



beneficiary eligibility remained, based on Pandemic Social Support Programme applications received from the e-government gate during the pandemic.

Thus, approximately 10.9 billion TL of assistance has been delivered to 7.2 million single households since the beginning of the pandemic, including more than 6 billion TL within the scope of Phases I-II-III, more than 2 billion TL within the scope of the Biz bize Yeteriz Türkiye Kampanyası, and more than 2 billion TL within the scope of the Full Lockdown Social Assistance Program.

One of the methods applied during the pandemic process is increasing the amounts of social assistance payments. Hence, Türkiye has taken steps to protect vulnerable groups that are more likely to be affected by the pandemic by increasing the payment amounts of certain social assistance programmes.

In this process, Türkiye has increased the payment amounts of certain regular social assistance by 18 percent to 50 percent, including conditional cash transfers given to the most disadvantaged groups of the society, provided that regular school attendance and medical examinations are ensured.

In this context, a state of emergency decision was taken regarding social assistance within the scope of the Social Assistance and Solidarity Encouragement Fund on April 9, 2020 in Türkiye. Thus, having periodic needs due to the Covid-19 outbreak and not being in a position to meet their basic needs were assessed as an “emergency situation” for the households with social assistance needs determined by the SAS Foundations.

In addition, financial resources under the title of “periodic share” from the Social Assistance and Solidarity Incentive Fund are transferred monthly on a regular basis to the SAS Foundations, which are the local implementers of social assistance programs in Türkiye. To ensure that SAS Foundations can deliver assistance to citizens who are in financial difficulties due to the Covid-19 pandemic immediately, the monthly “periodic shares” sent to 1003 SAS Foundations in 81 provinces were increased to 188 million TL from 135 Million TL. Due to the persisting Covid-19 outbreak and its consequences, the 188 million TL periodic share was increased to 225 million TL in October 2021.

In addition, considering the additional burden of the pandemic on the social assistance system, 7 additional periodic shares were sent to SAS Foundations, with one of them primarily to be used in education assistance. Thus, the social assistance system, which has a strong IT infrastructure and human resources, was also strengthened in terms of financial resources, and rapid solutions were provided to citizens who were adversely affected by the pandemic.

According to the protocol signed by Ministry of Family and Social Services and the PTT, payment transactions for elderly and disabled pensions within the scope of Law No.2022 are made by PTT over the ID numbers of the beneficiaries. An SMS is sent to the people whose payments have been made to notify them, and information regarding the assistance and the payment can be inquired via the e-government. To protect the health and well-being of the elderly and the disabled within the scope of pandemic measures, the Vefa Social Support Groups delivered the elderly and disabled pension payments, which were made within the scope of Law No. 2022, in people's homes during the pandemic curfews. Also, if the beneficiary requests so, the payments can be delivered to their residences during the times when there is no lockdown.

The SAS Foundations, which provided hot food to vulnerable groups during the pandemic period, took the necessary precautions, and the procedure of delivering hot meals to the residences of households was implemented, and the obligation for risky groups in terms of being out was minimized. Moreover, during this time, some foundations provided hot food service to households that had been quarantined due to Covid-19. On the other hand, introducing flexibility in household visits shortened the process of social assistance evaluation and reduced the risk of contact-related transmission. During the compulsory household visits, necessary precautions are taken related with the Covid-19 pandemic without risking the health of household members and the SAS Foundation personnel.

In addition to social assistance programs, it was aimed that the social support projects would also help to mitigate the effects of the pandemic. In this context, the Vefa Project has met the needs of citizens aged 65 and over, who are unable to leave their homes due to Covid-19 measures, as well as those with chronic illnesses.

Within the scope of the “Homeless Accommodation” project, which has been implemented since 2016 for homeless citizens and orphans throughout the winter months, homeless people and orphans were accommodated as they are among the most affected groups by Covid-19,

Our powerful information system, the Integrated Social Assistance Information System, which is used jointly by all SAS Foundations in the field of social assistance, has enabled rapid and effective decision-making during the pandemic process, as well as swift access of social assistance to households. The informatics infrastructure of Ministry of Family and Social Services, particularly the Integrated Social Assistance Information System, was fully utilized for each of the social assistance payments made within the scope of the phases.

A joint study by Turkish Employment Agency (İŞKUR) and the Ministry of Family and Social Services Directorate General of Social Assistance determined "Procedures and Principles Regarding the Application of Temporary Workforce Support" within the scope of the Temporary Workforce Support application in the Law No. 4447 implemented by the Turkish Employment Agency (İŞKUR) in 2021; and the applications received through e-government for the Turkish Employment Agency (İŞKUR) support program were systematically forwarded to the Social Assistance and Solidarity Foundations in the provinces and districts, and the applications of the individuals were evaluated by the relevant foundations within the framework of the state of emergency within the scope of the Covid-19 outbreak, and the support payments of the said individuals were forwarded to Turkish Employment Agency (İŞKUR) and their payments were made by Turkish Employment Agency (İŞKUR) as well.

Furthermore, temporary disability health board reports of beneficiaries that would be expired after January 1, 2020, including the elderly who receive a disabled pension, are seen as valid until December 31, 2021. Pensions under the scope of Law No. 2022 continued to be paid in this process, based on temporary disability health board report, whose reports had expired but have been accepted as valid.

Care Services for persons with disabilities; an individual-oriented service approach is developed and expanded by diversifying it with community-based services such as home care support, home care assistance, day life centers and hope homes. The main goal is to care for the PwDs in their environment. However, the option of institutional care is also offered to the PwDs who cannot be cared for at home. Institutional care services for PwDs are provided free of

charge in care and rehabilitation centers affiliated with Ministry of Family and Social Services. The care provided in private care and rehabilitation centers licensed by Ministry of Family and Social Services is covered by the Ministry in line with the determined criteria.

Parallel to the practice agreed with by the United Nations, emphasis is placed on the transformation of services from institutional perspective to care for the elderly on-site and in their own space. In this context, the Integrated Care Services Model has been implemented with applications that support family care. With the Integrated Care Services Model, institutional care and home support and day care are integrated together and complement each other.

Within the scope of Institutional Boarding Elderly Care Services; All elderly individuals with or without social security are provided with services in resting homes and elderly care centers. Within the scope of Elderly Care Services, low fees are applied or free care is offered depending on the conditions. While elderly persons with good economic status but socially deprived benefit from this service at affordable prices, persons who are economically and socially deprived can benefit from it free of charge as per the Law. A monthly allowance is given from the Ministry of Family and Social Services budget to the elderly persons who have no income and stay in the institutions free of charge.

In addition to the actions listed above to mitigate the socioeconomic impacts of the Covid-19 pandemic, the General Health Insurance (GHI) application, which went into effect on January 1, 2012, ensured continuous access to health services to meet the demand due to the pandemic.

Within the scope of the health insurance mentioned above, it is ensured that not only those who pay insurance premiums, but also those who are deemed unable to pay health premiums due to income tests made by SAS Foundations, can benefit from health services by the Ministry paying their health premiums. With these applications, continuous access to health services, the most basic public service required during the pandemic, has been ensured.

Again during this time period, Türkiye's largest in-kind assistance operation was completed in a very short period of time. The surplus supply of food product that the producers had was taken by the Director General of the Turkish Grain Board (TGB) and distributed free of charge to needy households via the Provincial SAS Foundations.

Given the contributions of the assistance program initiated and successfully implemented during the pandemic period, it was aimed to electronically submit applications to social assistance programs in order to provide a quick and effective service within the scope of today's Digitalizing Türkiye vision. In this context, necessary studies have been conducted in order for our citizens to apply for social assistance programs carried out through the SAS Foundations established in each province and district in our country, in accordance with the provisions of Law No 3294, and applications for social assistance began to be received through the e-Government Gateway on October 15, 2021.

Vaccination have started for the disabled and elderly persons in January who are the priority group in the vaccination program. In care institutions for PwD's and elderly, 87 thousand 120 people, including the people and staff staying in the institution, were vaccinated. For those who have not started the vaccination process, information and guidance services are provided to address their concerns and hesitations regarding the vaccination process.

Due to the high sensitivity of care centers to the Covid-19 outbreak, a negative PCR test is requested from all employees and family members who do not have the Covid-19 vaccine,

without exception, in order to protect all personnel working with PwD's and elderly persons staying in the institutions. In order to ensure its normalization, priority is given to the implementation of in-house and external activities, which are planned to encourage the use of in-house collective living spaces, by complying with the mask, distance and cleaning rules.

The use of digital and technological tools has become a basic need, especially in the pandemic process, in order to increase the independent living skills of the elderly, to develop opportunities to continue their participation in social and economic life, and to facilitate their lives. In this context, elderly persons receiving care services in institutional care centers in Ankara, Istanbul, Izmir, Antalya, Malatya, Samsun and Gaziantep provinces were reached in order to determine the training contents and programs; with the prepared questionnaire, mobile phone, computer usage, digital and financial literacy information in general were measured. According to the answers received, the content of the trainings and programs was prepared.

Educational structures that operate under different names such as Refreshment University within the campuses of different universities in our country, which is referred to as a third age university in the literature, and within the framework of education programs created specifically for the needs of individuals aged 60 and over, provide education to elderly individuals. With the dissemination of the 60+ Age Refreshment University practice, lifelong learning, support of digital transformation and participation in social life were supported, and the foundations of mechanisms that would strengthen the phenomenon of active and healthy aging were laid.

With the change in service policy in recent years, the Ministry gives priority to family oriented services instead of residential care services. In this context, the Ministry's basic policy for children in need of protection is to ensure that children benefit from family-oriented service models without being taken into the care in the institution.

For this purpose, Social and Economic Support Service (SED) and Foster Family Service, which are the most important service models of the child protection mechanism, are offered.

With the SED service, it is aimed to ensure the healthy development of the children in the unity and integrity of the family, to protect the family unity and to strengthen the families in economic and social aspects and to support the children alongside their biological families and relatives. As of the first of October 2021, 138,271 children are benefitted from the SED service.

With the Foster Family Service, it is aimed to ensure the psycho-social development of children in need of protection until their conditions are improved and to meet their social and financial needs. As of the first of October 2021, 8,319 children are benefitted from the foster care service.

#### **b) Reform measures**

##### ***Measure 18: "Dissemination of Family-Oriented Social Services Models" (ERP (2021-2023) Measure 24)***

**1. Description of measure:** With the aim of reducing the number of children in institutional care, the number of children benefitted from the SED and the Foster Family Service will be increased and studies will be carried out with the families and strengthen the families and support the return of the children to their biological families.

Beneficiaries of SED Service are as follows:

- Children who are cared for in social service institutions with a care measure decision, and who can be placed within their families or relatives if they are supported.

-Children, who can be taken care of by their families or relatives by benefiting from social and economic support services without taking a care measure decision, among those who will be in need of protection due to economic deprivation, if they are not supported.

-Young people who leave social service institutions or foster families due to completing their age limits while the care measure is determined, continue their job and vocational training course or education, or who will not be able to have a job and profession and will become needy if they are not supported.

-Children of people who are unable to meet the basic needs of themselves and their family members for a certain period of time due to an extraordinary disaster, natural disaster, illness or accident, and those who have encountered life-threatening situations that require surgery or died.

-For this reason, the children of families in need, who have the above-mentioned application requirements within the framework of the legal legislation and are considered to be suitable with the necessary professional studies, benefit from SED service.

**i. Activities planned in 2022 - 2024:** In the years 2022, 2023 and 2024, efforts will be continued to increase the effectiveness of SED Service and Foster Family Service and to strengthen families. In this context;

- The number of children benefited from the SED Service will be increased each year.
- The number of children benefited from foster family service will be increased each

year.

**2. Result indicators:**

| Indicator                                     | Current situation* | 2022    | 2023    | 2024    |
|---|--------------------|---------|---------|---------|
| Number of Children Benefited from SED         | 138,271            | 145,000 | 150,000 | 155,000 |
| Number of Children Benefited from Foster Care | 8,319              | 9,000   | 9,500   | 10,000  |

\* Oct. 1, 2021

SED service is a service model that is actively implemented in our country. In this context, the necessary structuring has been provided by our Social Service Center (SHM) directorates in 81 provincial directorates, accessibility to need groups has increased and the service has become widespread over time. For this reason, within the scope of SED service, service targets were revised according to budget resources in order to reach the general need groups.

On the other hand, the lockdowns in the provinces due to the reasons of the pandemic surrounding the whole world, the limitation of the applications of families in need, the limitations in the examinations of the professionals due to the prohibitions and the limited budget resources have led to revisions in the target plans.

Similarly, with the professional studies carried out, the increase in the number of children who can be returned to the biological family among the children under protection and care in

the institution care, the increase in the number of children placed in the foster family and the decrease in the number of children who can be placed in the foster family from the institution have led to the revision of the annual targets.

**3. Expected impact on competitiveness:** SED Service is a psycho-social support system with temporary economic support for the care and support of the children of families who cannot meet the basic needs of their children and who have difficulties in maintaining their lives even at the lowest level, until they become self-sufficient. Therefore, it is a type of service that has no effect on competitiveness.

**2022:** 250,563,916 Euro (Central Budget)

**2023:** 283,313,743 Euro (Central Budget)

**2024:** 303,579,901 Euro (Central Budget)

**4. Estimated cost of the activities and the source of financing:** SED Service is a cash support that is transferred directly to the family's account in the form of social support assistance in order to protect children, who are likely to encounter various risks due to economic deprivation, against social risks. Therefore, it is included in the transfer expenditures.

**5. Expected impact on social outcomes, such as employment, poverty reduction, gender equality and access to health care:** It is considered that children cared for by their own families with supporting SED Service and children benefitted from foster family service will contribute to the employment by supporting their occupation in adulthood by providing them with the support, social and financial needs and preparing them for the future. SED and Foster Family Service are neutral in terms of gender discrimination.

**6. Expected impact on environment and climate change:** SED Service has no impact on environmental policies and climate change.

**7. Potential risks:** Since the SED Service and Foster Family Service are supported by the Government, there is no risk in implementing the measure.

## **xi. Health Care**

### **a) Analysis of main obstacles**

Vaccine development efforts consist of different stages, in which preclinical and clinical trials are conducted. Preclinical trials consist of laboratory and animal experiments, which include research and development efforts. Normally, the development, testing and licensing of a new vaccine can take ten years or more, but Covid-19 has significantly accelerated this process. To succeed, new collaborative science models and global production and distribution partnerships need to be created rapidly.

Clinical trials can be defined as a set of researches conducted with volunteers that enable the development of new treatment methods against diseases and the release of molecules, which are possible drugs, to the market through certain stages. The objective of these studies is to prove the efficacy and safety of a new drug or medical device that will be available for the use of people. Compliance of clinical trials conducted in Türkiye with international standards is monitored by the Ministry of Health. Clinical trials are performed upon the approval of the ethical boards of the Turkish Medicines and Medical Devices Agency and the permission of the Ministry of Health.

Clinical trials are important for providing the patients with new drugs, medical devices and treatment methods. Aside from offering better treatment opportunities for patients, clinical trials also aim to provide drugs or treatment methods developed by harnessing the newest technologies to patients in a timely manner. Accordingly, TÜSEB will support clinical trials and elements of these trials to offer patients innovative treatment methods. Vaccine and drug development efforts have been and will be supported during the Covid-19 pandemic.

The negative impact of the Covid-19 pandemic, which is called the global public health crisis of the century, was not only limited to the health sector, but also negatively affected the global economy at a macro level. In this context, Türkiye has taken the necessary measures against Covid-19 and has started work on case detection.

Rapid antigen tests used in case detection complement the use of RT-PCR tests in terms of the simplicity of the equipment needed, a lower demand of highly skilled operators, the price and the timeliness of the results. As these tests are easy to use and give quick results, they help relieve the pressure on the health system. Rapid testing has also gained a reputation as a population-based public health screening tool that offers a total of 120 million tests to low- and middle-income countries thanks to the European Commission recommendations on the subject and WHO. Recent analysis based on the IMF model shows that more widespread and rapid testing can provide vital information to better control the spread of the virus and benefit everyone, especially the poor. Although a mass testing strategy does not prevent all outbreaks, it can reduce the spread of the pandemic in general and bring it under control, especially when combined with wearing masks, hand washing, and social distancing.

In this regard, it is of great importance to use combined antigen kits that allow investigating multiple factors using the same sample and can rapidly, accurately and

effectively determine the source of the disease to distinguish Covid-19 patients from patients with other viral infections. In addition, antigen kits are preferred because they reduce the cost, time and workload of laboratories.

Türkiye has a unique capacity, and now the opportunity, to develop a molecular, laboratory-based surveillance component to the National Surveillance system and link genomics-related data with case-based surveillance data for infectious diseases and related pathogens. Therefore, given the growing cross-border nature of the emerging and re-emerging health threats, this capacity will be important not only for Türkiye, but also for its neighbors, including the EU.

One of the issues that has come to the fore in recent years is the integration of immigrants. Currently, Türkiye is home to Syrian nationals under Temporary Protection, as well as foreigners of various nationalities and status and irregular migrants. Factors such as a large number of immigrants, different nationalities and statuses, length of stay, language, and cultural differences, population mobility can sometimes lead to difficulties in planning and providing health services.

Ministry of Health strives to overcome these problems with the service models it has developed and to provide the people in question with the health services they need in a timely and effective manner. From this point of view, it is also stated by the WHO and similar organizations that the health services provided to migrants in Türkiye are exemplary in terms of scope and model.

The health services provided largely by the facilities of the Turkish state are supported by various international organizations and considerate countries. With the projects developed, on the one hand, the service capacity is improved and on the other hand, the service diversity is increased.

With the launch of the SIHHAT Project on 1 2016, new interventions were planned and implemented to meet the urgent health needs of Syrian migrants. With the SIHHAT project, 178 Migrant Health Centers were established in 29 provinces, 46 of which are Extended Migrant Health Centers, 9 of which are Community Mental Health Centers. 3,181 Syrian medical personnel were employed, 3,436 medical devices and 163 microscopes were supplied for 113 secondary medical facilities. 5 cancer screening trucks were purchased for cancer screening and the vaccination program was introduced. In addition, 430 ambulances were purchased to strengthen emergency medical services for EMHCs within the scope of the SIHHAT Project.

Outpatient treatment, vaccination, pregnancy, infant/child follow-up, chronic diseases follow-up, diagnosis and treatment of infectious diseases, medical attention EMHCs follow oral and dental health, blood tests, nursing support, counseling, diagnosis-treatment-emergency, D-vitamin and iron supplements for pregnant, reproductive health counseling, medical clothing, cancer screening laboratory tests are some of the services provided under the SIHHAT project. On the other hand, the high demand for Migrant Health Centers and the existing health risks of the group have made it essential to maintain services with additional services and tools.



***Measure 19: “Supporting Clinical Trials on Vaccines and Drugs” (ERP (2021-2023) Measure 25)***

**1. Description of measure:** The 11th Development Plan projects that Türkiye becomes a leading country in the region in clinical trials, clinical trials are included in R&D activities, and awareness is raised on clinical trials. With the powers vested in TÜSEB, it is planned to increase the number and quality of clinical trials in Türkiye in line with the objectives set out in the 11th Development Plan. In this context, under the Competitiveness and Innovation Sectoral Operational Program within the scope of the European Union Instrument for Pre-Accession Assistance (IPA-2014-2020), TÜBİTAK and the related institution of Ministry of Health, TÜSEB, have launched the "Scientific Response to Covid-19 Project" to support R&D and clinical research in the field of vaccines and drugs. The 30-month implementation period of the project started on 8 July 2021.

**2. Result indicators:** TÜSEB is expected to support those who have moved to the phase-III phase of clinical research from a total of 16 scientific studies, including 7 vaccines and 9 drugs under the Covid-19 Platform. The project, which started operations in 2021, is expected to support 3 vaccine and 3 drug studies by switching to Phase-III at the end of the 30-month period.

| Indicator                           | Current Situation | 2022 | 2023 |
|-------------------------------------|-------------------|------|------|
| Number of Supported Clinical Trials | 25                | 3    | 3    |

**3. Expected impact on competitiveness:** The measure is expected to make a positive contribution to competitiveness in domestic vaccine production.

**4. Estimated cost of the activities and the source of financing:** The total budget of the 30-month project is EUR 8 million, 4 million of which is to be used by TUBITAK to support R&D efforts in vaccine and drug development and 4 million of which is to be used by TÜSEB to support vaccine and drug development efforts at the clinical trial stage. As interim annual targets have not been determined yet, no annual costing was made. At the end of the project, with a budget of 4 million Euros, the financing of 6 projects by TÜSEB will be monitored with a results-oriented approach. At the beginning of the project, an initial pre-financing payment of EUR 5,306,659.74 was made from the total budget in 2021.

**5. Expected impact on employment, poverty, gender equality and healthcare services:** Clinical trials are important for providing the patients with new drugs, medical devices and treatment methods. Aside from offering better treatment opportunities for patients, clinical trials also aim to provide drugs or treatment methods developed by harnessing the newest technologies to patients in a timely manner. It strives to ensure that each and every citizen can access healthcare services in an equitable way taking into consideration gender equality.

**6. Expected impact on the environment and climate change:** The measure has no adverse impact on the environment.

**7. Potential risks:** No significant risk is anticipated for the implementation of the measure.

***Measure 20: “Strengthening of the Ministry of Health's Covid-19 Response Capacity” (ERP (2021-2023) Measure 26)***

**1. Description of measure:** Under the European Union's Instrument for Pre-Accession Assistance (IPA-2014-2020), the Directorate-General of Public Health and the National Institutes of Health is the beneficiary on behalf of the Ministry of Health. It is also planned to build the antiserum production capacity and whole genome sequencing /analysis capacity within the General Directorate of Public Health. A genome sequencing device and 600,000 rapid antigen test kits were procured under the contracted project on December 22, 2020.

**2. Result indicators:** Under the project, it is planned for TÜSEB to produce 1 million rapid antigen test kits. This indicator, under the project expected to start implementation in 2021 is not divided into years.

| Indicator                                   | Current Situation | 2022    |
|---|-------------------|---------|
| Number of rapid antigen test kits purchased | 600,000           | 0       |
| Number of rapid antigen test kits used      | 0                 | 600,000 |
| Number of virus sequencing performed        | 200               | 200+800 |

**3. Expected impact on competitiveness:** No significant effect on this aspect is projected for the measure.

**4. Estimated cost of the activities and the source of financing:** The budget allocated for the project, which is planned for 24 months, is EUR 5,353,000. Since December 2020, when the work began, EUR 3,753,000 euros have been spent. As interim annual targets have not been determined yet, no annual costing was made.

**5. Expected impact on employment, poverty, gender equality and healthcare services:** It strives to ensure that each and every citizen can access healthcare services in an equitable way taking into consideration gender equality.

**6. Expected impact on the environment and climate change:** The measure has no adverse impact on the environment.

**7. Potential risks:** No significant risk is anticipated for the implementation of the measure.

***Measure 21: “Increasing the Access of Syrian Nationals under Temporary Protection to Health Services”***

**1. Description of measure:** Supporting Migrant Health Services in Türkiye Project, SIHHAT-2, which was implemented within the framework of the "Direct Grant Agreement" signed on 15 December 2021 between Ministry of Health and the EU Commission Delegation to Türkiye, started its activities on 1 February 2021. The areas of activity of the project are summarized below:

- Development and maintenance of the quality of ongoing activities within the scope of the SIHHAT Project
- Increasing the capacity and accessibility of reproductive health and psycho-social support services
- Conducting national, international, academic, stakeholder-based studies in order to actively use evidence-based policy production tools
- Carrying out educational activities aimed at increasing the service delivery capacities of medical personnel
- The goal is to improve the health literacy of migrants and healthcare seeking behaviors.

On the other hand, the “Strengthening the Healthcare Infrastructure for All (SHIFA)” Project was implemented within the scope of the Facility for Refugees in Türkiye (FRIT-2), pursuant to the contract concluded between Ministry of Health and the Delegation of the European Union to Türkiye. The project will be funded by European Union (EU) resources. The intermediary institution for funding is the Council of Europe Development Bank, as per the authorization agreement signed between the EU and the CEB.

The overall objective of the project is to improve the health status of refugees and persons eligible for secondary protection in Türkiye with increased physical infrastructure and service capacity.

The specific objectives of the project are:

i) Continuing to increase the availability and accessibility of quality health services in provinces with a high number of Syrian refugees through the construction of new infrastructure and the renovation of existing infrastructure and the supply of equipment, and medical devices.

ii) To support the strengthening of the sustainability and effectiveness of the health system for refugees and persons eligible for secondary protection, as well as the policy framework.

Foreseen project outcomes:

- Construction of up to 65 Extended/Migrant Health Centers,
- Renovation of up to 52 Extended/Migrant Health Centers,
- Renovation and improvement of 110 Physical Therapy and Rehabilitation (FTR) units in public hospitals,
- Purchasing medical equipment and supplies for Hospitals and Extended/Migrant Health Centers,
- Purchasing and delivery of 100 000 maternity kits and 50 000 basic hygiene kits.

- Establishment of a Project Technical Support Office under MoH.

## 2. Result indicators:

| Indicator  | Current Situation | 2022 | 2023 | 2024 |
|--|-------------------|------|------|------|
| Number of Migrant Health Centers (MHC) Built                             | 178               | 31   | 34   | 0    |
| Number of renovated MHCs   | 0                 | 30   | 22   | 0    |
| Number of FTR units renovated  | 0                 | 110  | 0    | 0    |
| Number of hospitals units renovated                                      |                   | 3    | 1    | 0    |
| The number of Medical Devices purchased from FRIT for Hospitals and MHCs | 3436              | 0    | 3436 | 0    |

**3. Expected impact on competitiveness:** No significant effect on this aspect is projected for the measure.

**4. Estimated cost of the activities and the source of financing:** Two contracts will be signed between CEB and Ministry of Health for the financing of the SHIFA Project, namely the "Grant Agreement" and the "Support Grant Agreement. The "Grant Agreement" is intended for the investment components of the Project and has a budget of EUR 79,319,500. The "Support Grant Agreement" is for the establishment of an auxiliary technical project team and has a budget of EUR 1,300,000. The implementation period of the project is 48 months, and the end date is 30 November 2024. The budget of the SIHHAT-2 Project has been set at EUR 210,000,000.

**5. Expected impact on employment, poverty, gender equality and healthcare services:** In MHCs, health professionals, mostly Syrian, and Patient Referral Personnel who speak Arabic and Turkish are employed as "temporary workers". As of 1 October 2021, the total number of personnel employed within the scope of the SIHHAT Project is 3906. Ministry of Health is opening Migrant Health Centers in places where Syrians are highly populated in order to eliminate capacity deficiencies and to provide solutions to language and culture barriers. The MHCs have been established since 2015 are registered as a Subsidiary Unit of the Community Health Center and meet the minimum standards.

In districts /neighborhoods with a Syrian population of more than 15,000, Extended MHCs are being created, in which there are Obstetricians, Pediatricians, Internal Medicine Specialists, and Dentists. The services provided in these centers are supported by psycho-social and imaging services. These centers provide regional-based services, and the population residing in the region can make use of MHC services without registration. As a result, the access of migrants to health services will be increased and the health personnel within this group will be supported to ensure their stay within the labor market.

**6. Expected impact on the environment and climate change:** The measure has no adverse impact on the environment.

**7. Potential risks:** No significant risk is anticipated for the implementation of the measure.

### 5.3. Summary of Reform Measures

| Update on the Three Main Obstacles to Competitiveness and Inclusive Growth and Related Reform Measures   |  |  |                                |
|--|--|--|--------------------------------|
| Reform Measures  | Basis  | Institution  | ERP (2021-2023) Measure Number |
| <b>Main Obstacle 1: Enhancing the quality of the labor force, increasing employment and reducing informal employment</b>   |  |  |                                |
| 1. Job Clubs   | Eleventh Development Plan, National Employment Strategy Document | Ministry of Labour and Social Security, İŞKUR        | 19                             |
| 2. Professions of Future   | Eleventh Development Plan, National Employment Strategy Document | Ministry of Labour and Social Security, İŞKUR        | 22                             |
| 3. Youth employment will be increased by strengthening vocational training centers   | Eleventh Development Plan, Presidency Annual Program             | Ministry of National Education                       | NEW                            |
| 4. Reducing Unregistered Employment by Focusing on Increasing Audit Capacity in Non-Agricultural Sectors   | Eleventh Development Plan, MTP, SGK Strategic Plan               | Ministry of Labour and Social Security, SGK          | 9                              |
| <b>Main Obstacle 2: Enhancing the quality of education system</b>  |  |  |                                |
| 5. Access to preschool education will be provided based on equal opportunity principle   | Presidency Annual Program, 2023 Education Vision Document        | Ministry of National Education                       | 14                             |
| 6. Specialized Institutional Guidance and Inspection branches will be established depending on school and program types  | 2023 Education Vision Document                                   | Ministry of National Education                       | NEW                            |
| <b>Main Obstacle 3: Raising the share of high value-added production in industry</b>   |  |  |                                |
| 7. Enhancing the R&D and innovation activities of SMEs   | Eleventh Development Plan, Industry and Technology Strategy      | Ministry of Industry and Technology, KOSGEB, TÜBİTAK | 11                             |
| 8. Performance-based support of the research infrastructures supported under law 6550 within the new legal framework   | Eleventh Development Plan, Presidency Annual Program             | Ministry of Industry and Technology                  | 12                             |
| 9. Establishing Model Factories (SME Competency and Digital Transformation Centers) and Innovation Centers to increase the efficiency of SMEs and their digital transformation | Eleventh Development Plan, MTP                                   | Ministry of Industry and Technology, KOSGEB          | 5                              |
| <b>Analysis of Obstacles in Other Areas and Related Structural Reform Measures</b>   |  |  |                                |
| <b>Green Transition</b>  |  |  |                                |
| 10. Support mechanism will be established for the replacement of inefficient electric motors used in industry with more efficient ones   | Eleventh Development Plan  | Ministry of Industry and Technology, KOSGEB          | 4                              |
| 11. Technical Assistance for the Green Deal Action Plan  | Green Deal Action Plan   | Ministry of Trade                                    | NEW                            |
| <b>Digital Transformation</b>  |  |  |                                |
| 12. Increasing the secure sharing and accessibility of public sector data with new data strategy   | Eleventh Development Plan, Presidency Annual Program             | Presidency Digital Transformation Office             | NEW                            |
| <b>Economic Integration Reforms</b>  |  |  |                                |
| 13. Update of Türkiye-EU Customs Union   | Brussels Türkiye-EU Statement                                    | Ministry of Trade, Ministry of Foreign Affairs       | 13                             |

### Agriculture and Services

|  |  |  |   |
|--|--|--|---|
| 14. Improvement of data collection processes and increasing the capacity of evaluation in agriculture statistics | Eleventh Development Plan, Ministry of Agriculture and Forestry Strategic Plan | Ministry of Agriculture and Forestry     | 3 |
| 15. Increasing tourism market share and brand value  | Eleventh Development Plan  | Tourism Promotion and Development Agency | 6 |

### Education and Skills

|  |                                |                                |     |
|--|--------------------------------|--------------------------------|-----|
| 16. Preparing the digital contents of the courses taught in Open Education Schools...                                  | 2023 Education Vision Document | Ministry of National Education | NEW |
| 17. Raising Awareness of Hygiene, Healthy Eating, Nature Protection, Food Waste Prevention in Schools and Institutions | Eleventh Development Plan      | Ministry of National Education | 18  |

### Social Protection and Social Inclusion

|   |                           |  |    |
|---|---------------------------|--|----|
| 18. Dissemination of Family-Oriented Social Services Models | Eleventh Development Plan | Ministry of Family and Social Policies | 24 |
|---|---------------------------|--|----|

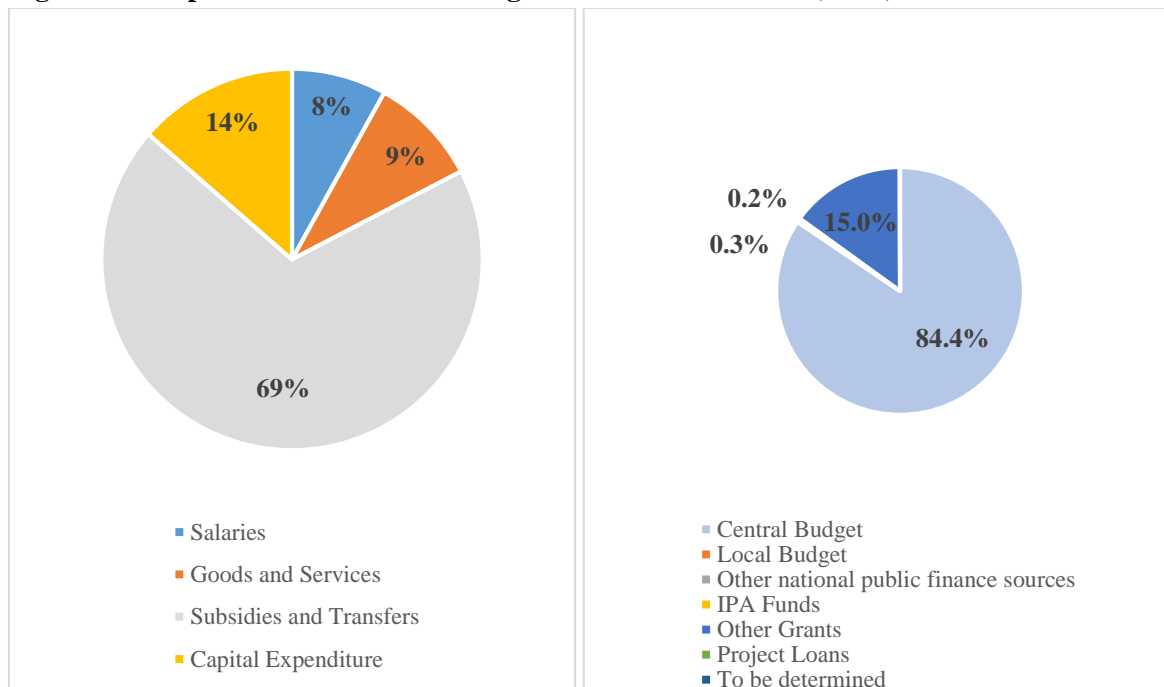
### Health care

|   |                           |                    |     |
|---|---------------------------|--------------------|-----|
| 19. Supporting Clinical Trials on Vaccines and Drugs  | Eleventh Development Plan | Ministry of Health | 25  |
| 20. Strengthening of the Ministry of Health's Covid-19 Response Capacity                    | MTP                       | Ministry of Health | 26  |
| 21. Increasing the Access of Syrian Nationals under Temporary Protection to Health Services |                           | Ministry of Health | NEW |

## 6. THE COST AND FINANCING OF STRUCTURAL REFORMS

A total of 21 structural reform measures will be implemented in the ERP (2022-2024). Approximately 2.1 billion Euros additional costs are envisaged for the implementation of these measures. Analyzing the breakdown of the cost, subsidies and transfers have the highest share about 1.5 billion Euros. 69 percent of the cost items consist of subsidies and transfers, 14 percent of capital expenditure, 9 percent of goods and services, and lastly 8 percent of salaries. Considering the financing sources, 84.4 percent of this additional cost will be financed by the central budget resources and 15.6 percent of additional cost is planned to be financed by other national public finance sources, IPA funds and other grants from institutions (Figure 6.1).

**Figure 6.1: Expected Cost and Financing of Structural Reforms (Euro)**

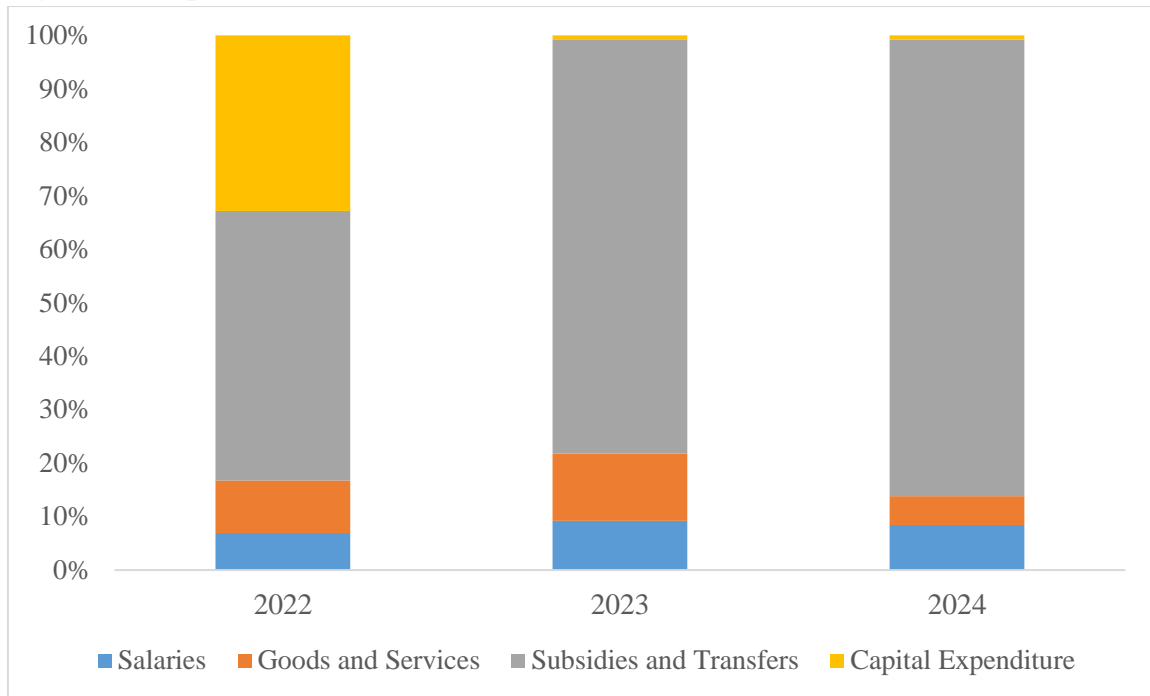


No significant change is foreseen in the shares of cost items by years (Figure 6.2). The highest share of cost items stands out as the subsidies and transfers financed from the central budget. Although the measures based on subsidies and transfers are common throughout the program, there are also legislative measures.

In the program period, the resources transfer mostly to the measure numbered 18 “*Dissemination of Family-Oriented Social Services Models*” and numbered 7 “*Enhancing the R&D and innovation activities of SMEs*”, respectively. In this context, a reform agenda has been determined in which both economic and social developments are prioritized for using public resources, efficiently. In the medium and long term, it is expected to increase both employment and competitiveness through these measures in Turkish economy.



**Figure 6.2: Expected Cost by Years (Euro)**



## **7. INSTITUTIONAL ISSUES AND STAKEHOLDERS INVOLVEMENT**

Development Plans are the main policy documents that set forth the medium-long term economic and social policies in Türkiye. In the framework of 11th Development Plan (2019-2023), in order to get opinions and suggestions of all stakeholders from different segments of the society, 75 different ad-hoc committees and working groups were established and approximately 3500 public officers, private sector representatives, NGOs and academicians discussed economic and social policies, problems and their suggestions as solutions. Moreover, opinions of different segments of the society were taken through regional and provincial consultation meetings; meetings with sector representatives; meetings with some think-tanks and NGOs and an online citizen survey. All of these contributions were integrated by the coordination of Presidency of the Republic of Türkiye, Presidency of Strategy and Budget; the draft Plan was shared with the public institutions; after consultation with institutions the final draft was sent to the parliament by the President and the 11th Development Plan was approved by the TGNA on 18 July 2019.

ERP (2022-2024) was prepared in compliance with the 11th Development Plan and relevant policy documents by taking the contributions of all relevant public institutions and organizations under the coordination of the Presidency of Strategy and Budget and submitted to the Commission after its approval by the President. The macroeconomic prospects and policies and fiscal framework in the ERP (2022-2024) was prepared in line with the MTP (2022-2024) and 2022 Presidential Annual Program which cover the same period and were put into implementation as Presidential Decision and the budget proposal for 2022 which was sent to TGNA. These three policy documents were prepared with the participation of all relevant public institutions and organizations.

In addition to the current policy making and implementation process, the ERP Guidelines updated by the Commission each year, the Commission's assessment documents on the previous ERP, and the comments and suggestions at the meetings between Commission and the Presidency of Strategy and Budget as ERP coordinator are shared with the relevant institutions.

In this context, preparations for ERP (2022-2024) were started after the publication of the Medium Term Program (2022-2024). ERP internal launch event organized on 19 October 2021 in cooperation with Presidency of Strategy and Budget and CEF including experts working on ERP and IPA. Then, the contributions from relevant institutions and organizations considering the main national policy documents were requested. During this period, online meetings were held with each relevant Ministries in order to increase efficiency by answering the questions about the change in updated guidance and preparation process. After gathering all contributions about structural reforms section, on 23-24 November 2021 an online workshop named as “Knowledge Sharing on Costing of Structural Reforms” was organized by Presidency of Strategy and Budget and CEF to discuss relevant measures. The ERP coordinators, experts responsible from the ERP measures and IPA coordinator attended this workshop. The framework of measure was improved through suggestions in line with updated guidance and scope of measures. Following period, the

works to improve the compatibility of the ERP measures were carried out in communication between Strategy and Budget experts and line ministries.

Contributions to the macro parts of the ERP (2022-2024) were collected and finalized as of January 2022 in order to include the most up-to-date data in the program.

Consultation meetings were organized with different groups on economic policies in coordination with Presidency of Strategy and Budget and Ministry of Treasury and Finance.

The contributions of the institutions, including past realizations and commitments for the future within the framework of the main policy documents, were all submitted to the Presidency of Strategy and Budget Presidency as an ERP coordinator in the aftermath. In this way, all related institutions are actively involved in the ERP process, monitoring, and evaluation of commitments.



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# **ANNEX TABLES**

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**Table 1.a: Macroeconomic Prospects**

|  | ESA Code | 2020               | 2020  | 2021           | 2022 | 2023 | 2024 |
|--|----------|--------------------|-------|----------------|------|------|------|
|  |          | Level (Billion TL) |       | Rate of Change |      |      |      |
| 1. Real GDP, Chained volume                                  | B 1 * g  | 1,803.90           | 1.8   | 9.0            | 5.0  | 5.5  | 5.5  |
| 2. GDP, at current prices                                    | B 1 * g  | 5,046.88           | 38.1  | 31.7           | 18.5 | 14.7 | 13.8 |
| Components of Real GDP (Chained volume, Percentage Change)   |          |                    |       |                |      |      |      |
| 3. Private Consumption Expenditure                           | P3       | 1,074.85           | 3.2   | 7.6            | 4.5  | 4.6  | 4.8  |
| 4. Public Consumption Expenditure                            | P3       | 261.2              | 2.2   | 2.6            | 0.3  | 2.3  | 2.5  |
| 5. Gross Fixed Capital Formation                             | P51      | 471.2              | 22.2  | 9.0            | 5.4  | 6.5  | 7.0  |
| 6. Changes in Inventories and Net Acquisition of Valuables*  | P52+P53  | ---                | 3.1   | -1.8           | -0.4 | 0.1  | 0.0  |
| 7. Exports of Goods and Services                             | P6       | 384.2              | -14.8 | 18.0           | 12.2 | 8.4  | 7.3  |
| 8. Imports of Goods and Services                             | P7       | 396.6              | 7.6   | 1.9            | 8.1  | 6.8  | 6.5  |
| Contribution to Real GDP Growth (Percentage Points)          |          |                    |       |                |      |      |      |
| 9. Final Domestic Demand                                     | ---      | ---                | 4.0   | 7.4            | 4.3  | 4.7  | 5.0  |
| 10. Changes in Inventories and Net Acquisition of Valuables* | P52+P53  | ---                | 3.1   | -1.8           | -0.4 | 0.1  | 0.0  |
| 11. External Balance on Goods and Services                   | B11      | ---                | -5.3  | 3.4            | 1.1  | 0.6  | 0.5  |

\* Contribution to growth

**Table 1.b: Price Developments**

| Percentage Change, Yearly Average | ESA Code | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------------------------------|----------|------|------|------|------|------|
| 1. GDP Deflator                   | ---      | 14.8 | 20.9 | 12.9 | 8.8  | 7.9  |
| 2. CPI                            | ---      | 12.3 | 19.6 | 12.2 | 8.4  | 7.6  |

**Table 1.c: Labor Market Developments**

|  | ESA Code | 2020   | 2020                    | 2021 | 2022 | 2023 | 2024 |
|--|----------|--------|-------------------------|------|------|------|------|
|  |          | Level  | Rate of Change, Percent |      |      |      |      |
| 1. Population (Thousand, Mid-year)     | ---      | 83,385 | 1.0                     | 1.2  | 1.2  | 1.2  | 1.1  |
| 2. Working Age Population (Thousands)  | ---      | 62,579 | 1.8                     | 1.9  | 1.8  | 1.8  | 1.8  |
| 3. Labor Force Participation Rate (%)* | ---      | 49.3   | -3.6                    | 2.0  | 1.0  | 0.6  | 0.6  |
| 4. Employment, Persons (Thousands)**   | ---      | 26,812 | -4.5                    | 6.8  | 4.5  | 3.7  | 3.6  |
| 5. Unemployment Rate (ILO Definition)  | ---      | 13.2   | -0.6                    | -0.6 | -0.5 | -0.6 | -0.5 |
| 6. Labor Productivity Growth           | ---      |        | 6.6                     | 2.0  | 0.5  | 1.7  | 1.8  |

\* Represents percentage point increase with respect to the previous year.

\*\* 15+ years-old.

**Table 1.d: Balance of Payments**

| Percentage of GDP                                     | ESA Code | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|----------|------|------|------|------|------|
| 1. Current Account                                    | ---      | -5.0 | -2.6 | -2.2 | -1.5 | -1.0 |
| - Balance of Goods                                    | ---      | -5.3 | -5.9 | -6.1 | -5.6 | -5.4 |
| - Balance of Services                                 | ---      | 1.6  | 2.7  | 3.7  | 4.1  | 4.0  |
| - Balance of Primary Income                           | ---      | -1.3 | -1.5 | -1.7 | -1.6 | -1.5 |
| - Balance of Secondary Income                         | ---      | 0.0  | 0.1  | 0.1  | 0.1  | 0.1  |
| 2. Capital and Financial Account (Including Reserves) | ---      | -5.5 | -2.6 | -2.2 | -1.5 | -1.0 |
| Statistical Discrepancy                               | ---      | -0.5 | 0.0  | 0.0  | 0.0  | 0.0  |

Source: Realization CBRT, forecast Presidency of Strategy and Budget and MoTF

**Table 1.e: GDP, Investments and Gross Value-Added**

|  | ESA Code | 2020   | 2021   | 2022   | 2023   | 2024    |
|--|----------|--------|--------|--------|--------|---------|
| GDP, Current Prices, Billion TL                            | B 1 * g  | 5046.9 | 6648.1 | 7879.7 | 9040.9 | 10287.5 |
| Investment Ratio, Percentage of GDP, %                     | ---      | 31.9   | 30.0   | 30.5   | 30.4   | 30.4    |
| Value-Added by Sectors (Chained Volume, Percentage Change) |          |        |        |        |        |         |
| 1. Agriculture   | ---      | 5.9    | 2.9    | 3.5    | 4.0    | 4.0     |
| 2. Industry  | ---      | 3.1    | 14.3   | 5.4    | 6.0    | 5.6     |
| 3. Services  | ---      | -0.5   | 8.3    | 5.1    | 5.5    | 5.7     |

**Table. 2: General Government Budgetary Prospects**

| (Percent of GDP)                  | ESA Code          | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------------------------------|-------------------|------|------|------|------|------|
| Net Lending (B9) by sub-sectors*  |                   |      |      |      |      |      |
| 1. General Government             | S13               | 3.9  | 3.6  | 3.5  | 3.4  | 2.6  |
| 2. Central Government             | S1311             | 2.0  | 2.9  | 3.0  | 2.8  | 2.6  |
| 3. Funds                          | S1311             | 0.1  | -0.2 | -0.2 | -0.2 | -0.1 |
| 4. Local Administration           | S1313             | 0.0  | 0.1  | 0.2  | 0.3  | 0.0  |
| 5. Social Security Fund           | S1314             | 1.4  | 0.5  | 0.6  | 0.4  | 0.2  |
| 6. Revolving Funds                | S1311             | -0.1 | 0.0  | 0.0  | 0.0  | 0.0  |
| 7. Unemployment Fund              | ---               | 0.6  | 0.3  | 0.0  | 0.0  | -0.2 |
| General Government (S13)          |                   |      |      |      |      |      |
| 8. Total Receipts                 | TR                | 32.4 | 30.7 | 29.8 | 29.7 | 29.2 |
| 9. Total Expenditures             | TE                | 36.4 | 34.3 | 33.3 | 33.1 | 31.7 |
| 10. Net Lending                   | EDP.B9            | 3.9  | 3.6  | 3.5  | 3.4  | 2.6  |
| 11. Interest Payments             | EDP.<br>D41+FISIM | 2.8  | 2.9  | 3.2  | 3.4  | 3.3  |
| 12. Primary Balance               | ---               | 1.1  | 0.7  | 0.3  | 0.0  | -0.7 |
| Components of Revenues            |                   |      |      |      |      |      |
| 13. Taxes                         | ---               | 16.8 | 16.2 | 16.2 | 16.3 | 16.3 |
| 14. Social Funds                  | D61               | 8.6  | 8.4  | 8.4  | 8.4  | 8.4  |
| 15. Factor Incomes                | D4                | 5.2  | 4.2  | 3.5  | 3.3  | 2.9  |
| 16. Other                         | ---               | 1.9  | 1.9  | 1.7  | 1.7  | 1.6  |
| 17. Total Receipts                | TR                | 32.4 | 30.7 | 29.8 | 29.7 | 29.2 |
| Components of Expenditures        |                   |      |      |      |      |      |
| 18. Total Consumption             | P32               | 16.2 | 15.0 | 14.3 | 14.3 | 13.7 |
| 19. Total Social Transfers        | D62+D63           | 7.3  | 7.9  | 6.6  | 6.5  | 6.4  |
| 20. Interest Payments             | EDP.<br>D41+FISIM | 2.8  | 2.9  | 3.2  | 3.4  | 3.3  |
| 21. Subsidies <sup>(1)</sup>      | D3                | 0.5  | 0.4  | 0.4  | 0.4  | 0.4  |
| 22. Gross Fixed Capital Formation | P51               | 2.6  | 2.7  | 2.5  | 2.5  | 2.2  |
| 23. Other                         | ---               | 6.9  | 5.4  | 6.2  | 6.1  | 5.7  |
| 24. Total Expenditures            | TE                | 36.4 | 34.3 | 33.3 | 33.1 | 31.7 |

\* (+) refers to deficit. (-) refers to surplus.

(1) Includes agricultural support, duty losses of SEEs and Support and Price Stability Fund.



**Table 2c: Discretionary fiscal measures, CGF**

| Measures           |   | Date of adoption        | Budgetary impact                       |      |      |      |      |        |        |
|--------------------|---|-------------------------|--|------|------|------|------|--------|--------|
|                    |   |                         | (% of GDP - change from previous year) |      |      |      |      |        |        |
| Temporary measures | Treasury-Backed guaranteed <sup>9</sup> | 30.03.2020 / 31.12.2023 | 2020                                   | 2021 | 2022 | 2023 | 2024 |        |        |
|                    |   |                         | GSYH İÇİNDEKİ PAY                      |      |      |      |      | 0.059% | 0.038% |

**Table 3: General Government Debt Developments**

|                                       | ESA Code | 2020 | 2021  | 2022 | 2023 | 2024 |
|---------------------------------------|----------|------|-------|------|------|------|
| Percentage of GDP                     |          |      |       |      |      |      |
| 1. Gross Debt                         | ---      | 39.7 | 36.6  | 35.8 | 35.4 | 34.7 |
| 2. Change in Gross Debt               | ---      | ---  | -3.1  | -0.8 | -0.4 | -0.7 |
| Contributions to Change in Gross Debt |          |      |       |      |      |      |
| 3. Primary Balance                    | ---      | 1.1  | 0.7   | 0.3  | 0.0  | -0.7 |
| 4. Interest Expenditure               | EDP D.41 | 2.8  | 2.9   | 3.2  | 3.4  | 3.3  |
| 5. Current GDP Growth                 | ---      | -6.7 | -11.6 | -6.6 | -5.2 | -4.8 |
| 6. Other                              | ---      | 9.9  | 5.0   | 2.3  | 1.4  | 1.5  |

**Table 4: Cyclical Developments\***

|  | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|------|------|------|------|------|
| 1. Real GDP Growth (2009=1000 Chained Volume, %)               | 1.8  | 9.0  | 5.0  | 5.5  | 5.5  |
| 2. Net Lending of General Government / GDP (%) <sup>1**</sup>  | 3.9  | 3.6  | 3.5  | 3.4  | 2.6  |
| 3. Interest Expenditure / GDP (%)                              | 2.8  | 2.9  | 3.2  | 3.4  | 3.3  |
| 4. One-off and other temporary measures / GDP <sup>2</sup>     | 1.0  | 0.4  | 0.0  | 0.0  | -0.3 |
| 5. Potential GDP Growth (%)                                    | 4.5  | 4.5  | 4.6  | 4.9  | 5.2  |
| 6. Output Gap  | -4.7 | -0.5 | -0.1 | 0.5  | 0.7  |
| 7. Cyclical Budgetary Component / GDP (%) **                   | 1.8  | 0.4  | 0.2  | 0.0  | -0.2 |
| 8. Cyclically-adjusted balance / Potential GDP (2-7)**         | 2.0  | 3.2  | 3.3  | 3.4  | 2.8  |
| 9. Cyclically-adjusted primary balance / Potential GDP (8-3)** | -0.7 | 0.3  | 0.1  | 0.0  | -0.5 |
| 10. Structural balance / Potential GDP (8+4)**                 | 2.9  | 3.6  | 3.2  | 3.4  | 2.4  |

\*General Government

\*\* (+) refers to deficit. (-) refers to surplus.

<sup>1</sup> Public Claims Restructuring, Privatization, Zoning Amnesty, 2B Revenues and Other One-Off Revenues and Expenditures Included General Government Balance<sup>2</sup> A plus sign means deficit-reducing one-off measures.<sup>9</sup> It covers all of the packages in Table 7a.

**Table 5: Divergence from Previous Update**

|   | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|------|------|------|------|------|
| <b>GDP Growth (Percent)</b>                               |      |      |      |      |      |
| Previous Update   | 0.3  | 5.8  | 5.0  | 5.0  | ---  |
| Latest Update   | 1.8  | 9.0  | 5.0  | 5.5  | 5.5  |
| Difference  | 1.5  | 3.2  | 0.0  | 0.5  | ---  |
| <b>General Government Net Lending (Percentage of GDP)</b> |      |      |      |      |      |
| Previous Update   | 6.1  | 4.5  | 4.0  | 3.6  | ---  |
| Latest Update   | 3.9  | 3.6  | 3.5  | 3.4  | 2.6  |
| Difference  | -2.2 | -0.9 | -0.5 | -0.2 | ---  |
| <b>General Government Gross Debt (Percentage of GDP)</b>  |      |      |      |      |      |
| Previous Update   | 41.1 | 40.8 | 41.6 | 41.8 | ---  |
| Latest Update   | 39.7 | 36.6 | 35.8 | 35.4 | 34.7 |
| Difference  | -1.4 | -4.2 | -6.2 | -6.4 | ---  |

\* Realization

**Table 6: Basic Assumptions on the External Economic Environment Underlying 2022 Pre-Accession Economic Reform Program Framework**

|   | 2019 | 2020  | 2021   | 2022 | 2023 | 2024 |
|---|------|-------|--------|------|------|------|
| <b>Exchange Rates</b>                   |      |       |        |      |      |      |
| Parity (\$/Euro)                        | 1.12 | 1.14  | 1.18   | 1.13 | 1.18 | 1.18 |
| Real Exchange Rate (Percentage Change)* | -0.2 | -18.4 | -23.07 | 23.9 | 1.7  | 1.7  |
| <b>GDP Growth</b>                       |      |       |        |      |      |      |
| Euro Area (Real, Percentage Change) *** | 1.5  | -6.3  | 5.0    | 4.3  | 2.0  | 1.6  |
| EU (Real, Percentage Change)**          | 1.9  | -5.9  | 5.1    | 4.4  | 2.3  | 1.9  |
| <b>World Trade (In Real Terms)***</b>   |      |       |        |      |      |      |
| World Trade Volume Increase (Percent)   | 1.0  | -8.2  | 9.7    | 6.7  | 4.5  | 3.8  |
| <b>International Prices</b>             |      |       |        |      |      |      |
| EU CPI (Percentage Change)**            | 1.3  | -0.3  | 2.9    | 1.4  | 1.5  | 1.6  |
| US CPI (Percentage Change)**            | 2.0  | 1.6   | 5.1    | 2.6  | 2.6  | 2.6  |
| Oil Prices (\$/Barrel)                  | 64.3 | 41.8  | 70.68  | 68.3 | 65.1 | 61.8 |

\* (+) refers to appreciation, (-) refers to depreciation.

\*\* IMF, World Economic Outlook, October 2021

Table 7a: Contingent Liabilities, CGF

| Measures                |  | Date of adoption        | Amount of Guarantees TRY (Exchange with the Approval Date) | Maximum amount of contingent liabilities (% of GDP) |
|-------------------------|--|-------------------------|--|---|
| In response to Covid-19 | Business Continuity Support                                | 30.03.2020 / 31.12.2020 | 115,478,621,240  | 1.7370%   |
|                         | Operating Expenses Support (OPEX)                          | 30.03.2020 / 31.12.2020 | 28,149,766,822   | 0.4234%   |
|                         | Check Payment Support                                      | 30.03.2020 / 31.12.2020 | 6,890,351,935  | 0.1036%   |
|                         | Eximbank Loan Support                                      | 30.03.2020 / 31.12.2020 | 2,642,378,024  | 0.0397%   |
|                         | 2020 Nefes Loan  | 23.04.2020 / 31.12.2020 | 2,381,784,158  | 0.0358%   |
|                         | Eximbank Stock Financing Support                           | 27.04.2020 / 31.12.2020 | 12,960,000   | 0.0002%   |
|                         | Development Investment Bank of Turkey Loan Support Package | 14.07.2020 / 31.12.2020 | 1,170,472,916  | 0.0176%   |
|                         | Financial Support Program                                  | 27.08.2020 / 5.02.2021  | 6,462,041  | 0.0001%   |
|                         | Tourism Support Package                                    | 27.09.2020 / 31.10.2021 | 3,689,319,297  | 0.0555%   |
|                         | Micro SMEs Lifeline Loan                                   | 23.10.2020/ 1.11.2021   | 1,261,668,038  | 0.0190%   |
|                         | 2021 Nefes Loan  | 31.05.2021 / 31.07.2021 | 3,392,024,915  | 0.0510%   |
| Personal Loan           | 30.03.2020 / 31.12.2020                                    | 33,496,037,526          | 0.5039%  |   |
| Total                   |  |                         | 198.571.846.910  |   |
| Others                  | Additional Employment Support Package                      | 24.09.2021 / 01.07.2022 | 5,564,852,187  | 0.0837%   |
|                         | Manufacturing Based Import Substitution Support Package    | 24.09.2021 / 31.12.2023 | 61,746,700   | 0.0009%   |
|                         | Cold Air Unit Refrigerated Vehicle Support Package         | 24.09.2021 / 31.12.2022 | 0  | 0.0000%   |
|                         | Turwib   | 30.03.2020 / 30.03.2022 | 62,930,720   | 0.0009%   |
| Total                   |  |                         | 5,689,529,607  |   |

**Table 8a: Social Scoreboard Indicators**

|  | Data source                            | 2017 | 2018 | 2019  | 2020  | 2021 |
|--|--|------|------|---|---|------|
| <b>Equal opportunities</b>   |  |      |      |   |   |      |
| 1. Adult participation in learning during the last 12 months, age <b>25-64</b>                   | ---                                    | ---  | ---  | ---   | ---   | ---  |
| 2. Share of early leavers from education and training, age <b>18-24</b>                          | TurkStat                               | 32.5 | 31.0 | 28.7  | 26.7  | ---  |
| 3. Share of population with basic overall digital skills or above, age <b>16-74</b>              | ---                                    | ---  | ---  | ---   | ---   | ---  |
| 4. Young people neither in employment nor in education or training (NEET rate), age <b>15-29</b> | TurkStat                               | 27.5 | 27.6 | 29.5  | 32.0  | ---  |
| 5. Gender gap in employment rate, age <b>20-64</b>   | TurkStat                               | 41.6 | 40.8 | 38.8  | 38.1  | ---  |
| 6. Income quintile share ratio - S80/S20   | TurkStat                               | 8.68 | 8.66 | 8.35  | 9.20  | ---  |
| <b>Working conditions</b>  |  |      |      |   |   |      |
| 7. Employment rate, age <b>20-64</b>   | TurkStat                               | 55.3 | 55.6 | 53.8  | 51.0  | ---  |
| 8. Unemployment rate, age <b>15-74</b>   | TurkStat                               | 10.9 | 10.9 | 13.7  | 13.2  | ---  |
| 9. Long-term unemployment rate, age <b>15-74</b>   | TurkStat                               | 21.8 | 22.3 | 23.5  | 25.0  | ---  |
| 10. Gross disposable income of households in real terms, per capita                              | ---                                    | ---  | ---  | ---   | ---   | ---  |
| <b>Social protection and inclusion</b>   |  |      |      |   |   |      |
| 11. At-risk-of-poverty or social exclusion rate (AROPE)  | TurkStat                               | 41.3 | 39.8 | 39.8  | 41.5  | ---  |
| 12. At-risk-of-poverty or social exclusion rate (AROPE) for children ( <b>0-17</b> )             | TurkStat                               | 48.7 | 48.0 | 48.0  | 48.9  | ---  |
| 13. Impact of social transfers (other than pensions) on poverty reduction                        | TurkStat                               | 8.64 | 7.88 | 8.94  | 9.45  | ---  |
| 14. Disability employment gap, age <b>20-64</b>  | Eurostat                               | 20.3 | 19.4 | 19.5  | 18.9  | ---  |
| 15. Housing cost overburden rate   | Eurostat                               | 9.5  | 9.7  | 10.5  | 10.2  | ---  |
| 16. Children aged less than 3 years in formal childcare  | Ministry of Family and Social Services | ---  | ---  | 806<br>(under institutional care)<br>746<br>(under foster care) | 553<br>(under institutional care)<br>635<br>(under foster care) | ---  |
| 17. Self-reported unmet needs for medical care   | Eurostat                               | 2.6  | 2.9  | 3.0   | 1.9   | ---  |

Table 8b: Other Selected Indicators

|  | Data source  | 2017               | 2018                 | 2019               | 2020  | 2021 |
|--|--|--------------------|----------------------|--------------------|-------|------|
| <b>Other social and healthcare indicators</b>  |  |                    |                      |                    |       |      |
| 1. Public social protection expenditure in % of GDP *1   | TurkStat   | 12.2               | 11.9                 | 12.6               | 13.0  | ---  |
| 2. Public healthcare expenditure in % of GDP   | TurkStat   | 3.5                | 3.4                  | 3.6                | 3.9   | ---  |
| 3. Household out-of-pocket payments as a % of total health expenditure                               | TurkStat   | 17.1               | 17.3                 | 16.7               | 16.0  | ---  |
| 4. Percentage of population not covered by insurance   | Social Security Institution  | 12.9               | 14.4                 | 15.0               | 13.0  | ---  |
| 5. Ratio of doctors per 1000 inhabitants   | Ministry of Health & TurkStat Population                             | 1.86               | 1.87                 | 1.93               | ---   | ---  |
| 6. Ratio of nurses per 1000 inhabitants  | Ministry of Health & TurkStat Population                             | 2.06               | 2.32                 | 2.28               | ---   | ---  |
| <b>Environment</b>   |  |                    |                      |                    |       |      |
| 7. Total environmental tax revenues as a share of total revenues from taxes and social contributions | ---  | ---                | ---                  | ---                | ---   | ---  |
| 8. Greenhouse gas emissions per capita   | TurkStat   | 6.5 Tonnes CO2 eq. | 6.4 Tonnes CO2 eq.   | 6.1 Tonnes CO2 eq. | ---   | ---  |
| 9. Generation of waste excluding major mineral wastes  | TurkStat   | ----               | 77 770 595(tonnes)*2 | ---                | ---   | ---  |
| <b>Digital economy</b>   |  |                    |                      |                    |       |      |
| 10. Percentage of households with broadband access (mobile and fixed)                                | Eurostat: 2017-2020, Turkstat:2021                                   | 78                 | 82                   | 88                 | 90    | 92   |
| 11. Share of total population using internet [NB: population 16-74]                                  | Eurostat: 2017-2020, Turkstat:2021                                   | 67                 | 73                   | 75                 | 79    | 83   |
| <b>Energy</b>  |  |                    |                      |                    |       |      |
| 12. Energy imports dependency (%)  | Türkiye National Energy Balance Sheet                                | 76                 | 72                   | 69                 | 70    | ---  |
| 13. Energy intensity: Kilograms of oil equivalent (KGOE) per thousand Euro                           | (toe per thousand 2015Euro) Ministry of Energy and Natural Resources | 0.169              | 0.168                | 0.161              | 0.160 | ---  |
| 14. Share of renewable energy sources in final energy consumption (%)                                | Türkiye National Energy Balance Sheet                                | 6.40               | 7.09                 | 7.08               | 7.13  | ---  |
| <b>Transport</b>   |  |                    |                      |                    |       |      |
| 15. Railway Network Density (meters of line per km2 of land area)                                    | General Directorate of Turkish State Railways                        | 13.03              | 13.16                | 13.24              | 13.24 | ---  |
| 16. Motorization rate (Passenger cars per 1000 inhabitants)  | TurkStat   | 149                | 151                  | 150                | 157   | ---  |
| <b>Agriculture</b>   |  |                    |                      |                    |       |      |
| 17. Share of gross value added (Agriculture, Forestry and Fishing)                                   | TurkStat   | 6.9                | 6.4                  | 7.1                | 7.5   | 11.1 |
| 18. Share of employment (Agriculture, Forestry and Fishing)  | TurkStat   | 17.9               | 17.0                 | 16.7               | 16.2  | ---  |
| 19. Utilised agricultural area (% of total land area)  | TurkStat   | 49.3               | 49.1                 | 49.0               | 49.1  | 49.1 |

| <b>Industry (except construction)</b>                        |                            |       |      |       |      |      |
|--|----------------------------|-------|------|-------|------|------|
| 20. Share of gross value added                               | TurkStat                   | 23.3  | 24.9 | 24.2  | 25.6 | 26.6 |
| 21. Contribution to employment (% of total employment)       | TurkStat                   | 19.5  | 20.2 | 20.3  | 20.9 | ---  |
| <b>Services</b>  |                            |       |      |       |      |      |
| 22. Share of gross value added                               | TurkStat                   | 69.8  | 68.7 | 68.6  | 66.9 | 62.3 |
| 23. Contribution to employment (% of total employment)       | TurkStat                   | 55.0  | 55.7 | 57.4  | 57.0 | ---  |
| <b>Business Environment</b>                                  |                            |       |      |       |      |      |
| 24. Global Competitiveness Index Score                       | World Economic Forum       | 61.42 | 61.6 | 62.14 | ---  | ---  |
| 25. Estimated share of informal economy in GDP (as % of GDP) | IMF                        | ---   | ---  | ---   | ---  | ---  |
| <b>Research, Development and Innovation</b>                  |                            |       |      |       |      |      |
| 26. R&D intensity of GDP (R&D expenditure as % of GDP)       | TurkStat                   | 0.95  | 1.03 | 1.06  | 1.09 | ---  |
| 27. R&D expenditure – EUR per inhabitant                     | TurkStat                   | 90.8  | 83.5 | 88.1  | 81.8 | ---  |
| <b>Trade</b>   |                            |       |      |       |      |      |
| 28. Export of goods and services (as % of GDP)               | Turkstat                   | 24.8  | 31.2 | 32.6  | 28.7 | 33.9 |
| 29. Import of goods and services (as % of GDP)               | Turkstat                   | 29.3  | 31.4 | 30.0  | 32.5 | 32.0 |
| 30. Trade balance (as % of GDP)                              | CBRT (Balance of Payments) | -6.8  | -5.1 | -2.2  | -5.3 | ---  |

\*<sup>1</sup>Social protection expenditure data includes central and local government expenditure, social security institutions and NGO expenditures. The NGO regulation in the total social protection expenditures data has not been removed since it also includes central government contributions. For this reason, the data "total of social protection expenditures" was used.

\*<sup>2</sup>Data are compiled from health institutions, manufacturing industry establishments, thermal power plants, organized industrial zones, and mining establishments. Data refers to the total waste generation excluding major mineral wastes, dredging spoils and contaminated soils of the relevant sectors.

Table 9a: Cost of Structural Reform Measure (Euro)

| Year   | Costs     | Product and Services | Subsidies and Transfers | Capital Expenditures | Total      |
|--|-----------|----------------------|-------------------------|----------------------|------------|
| <b>“Job Clubs”</b>   |           |                      |                         |                      |            |
| 2022   |           |                      | 63,780                  |                      | 63,780     |
| 2023   |           |                      | 61,544                  |                      | 61,544     |
| 2024   |           |                      | 59,324                  |                      | 59,324     |
| <b>“Professions of Future”</b>   |           |                      |                         |                      |            |
| 2022   |           |                      | 1,869,698               |                      | 1,869,698  |
| 2023   |           |                      | 1,962,903               |                      | 1,962,903  |
| 2024   |           |                      | 2,041,588               |                      | 2,041,588  |
| <b>“Increasing youth employment by strengthening vocational training centers”</b>                              |           |                      |                         |                      |            |
| 2022   | 4,555,708 | 4,555,708            | 4,555,708               | 4,555,708            | 18,222,830 |
| 2023   | 4,615,764 | 4,615,764            | 4,615,764               | 4,615,764            | 18,463,056 |
| 2024   | 4,661,169 | 4,661,169            | 4,661,169               | 4,661,169            | 18,644,676 |
| <b>“Reducing unregistered employment by focusing on increasing audit capacity in non-agricultural sectors”</b> |           |                      |                         |                      |            |
| 2022   | 335,300   |                      |                         |                      | 335,300    |
| 2023   | 351,677   |                      |                         |                      | 351,677    |

| Year  | Costs     | Product and Services | Subsidies and Transfers | Capital Expenditures | Total       |
|---|-----------|----------------------|-------------------------|----------------------|-------------|
| <b>“Access to preschool education will be provided based on equal opportunity principle”</b>  |           |                      |                         |                      |             |
| 2022  |           | 1,326,681            |                         | 273,342,454          | 274,669,135 |
| 2023  |           | 1,318,790            |                         |                      | 1,318,790   |
| 2024  |           | 1,271,228            |                         |                      | 1,271,228   |
| <b>“Specialized Institutional Guidance and Inspection branches will be established depending on school and program types”</b>   |           |                      |                         |                      |             |
| 2022  | 8,200,274 | 339,400              |                         |                      | 8,539,674   |
| 2023  | 8,862,267 | 356,073              |                         |                      | 9,218,340   |
| 2024  | 6,378,513 | 406,793              |                         |                      | 6,785,306   |
| <b>“Prioritizing technological product investments to increase the technology level and export capacity of SMEs and supporting the commercialization of R&amp;D projects”**</b>   |           |                      |                         |                      |             |
| 2022  |           |                      | 24,145,250              |                      | 24,145,250  |
| 2023  |           |                      | 25,496,601              |                      | 25,496,601  |
| 2024  |           |                      | 25,424,558              |                      | 25,424,558  |
| <b>“Enhancing the R&amp;D and innovation activities of SMEs; and the development and implementation of mechanisms to encourage and facilitate technologybased and innovative SMEs access to finance, participation in mentoring and cooperation networks”</b> |           |                      |                         |                      |             |
| 2022  |           |                      | 119,139,989             |                      | 119,139,989 |
| 2023  |           |                      | 132,271,633             |                      | 132,271,633 |
| 2024  |           |                      | 165,370,763             |                      | 165,370,763 |



| Year  | Costs   | Product and Services | Subsidies and Transfers | Capital Expenditures | Total      |
|---|---------|----------------------|-------------------------|----------------------|------------|
| <b>“Performance-based support of the research infrastructures supported under law 6550 within the new legal framework”</b>  |         |                      |                         |                      |            |
| 2022  |         |                      | 21,867,396              |                      | 21,867,396 |
| 2023  |         |                      | 35,167,725              |                      | 35,167,725 |
| 2024  |         |                      | 42,374,263              |                      | 42,374,263 |
| <b>“Establishing Model Factories (Capability and Digital Transformation Centers) to increase the efficiency of SMEs and to enable their digital transformation”</b> |         |                      |                         |                      |            |
| 2022  |         |                      | 3,899,686               |                      | 3,899,686  |
| 2023  |         |                      | 3,812,181               |                      | 3,812,181  |
| 2024  |         |                      | 2,039,050               |                      | 2,039,050  |
| <b>“Support mechanism will be established for the replacement of inefficient electric motors used in industry with efficient ones”</b>                              |         |                      |                         |                      |            |
| 2022  |         |                      | 956,699                 |                      | 956,699    |
| 2023  |         |                      | 1,538,588               |                      | 1,538,588  |
| 2024  |         |                      | 2,118,713               |                      | 2,118,713  |
| <b>“Technical Assistance for the Green Deal Action Plan”</b>  |         |                      |                         |                      |            |
| 2022  | 364,457 |                      |                         |                      | 364,457    |
| 2023  | 615,435 |                      |                         |                      | 615,435    |
| 2024  | 593,240 |                      |                         |                      | 593,240    |

| Year   | Costs   | Product and Services | Subsidies and Transfers | Capital Expenditures | Total     |
|--|---------|----------------------|-------------------------|----------------------|-----------|
| <b>“Increasing the secure sharing and accessibility of public sector data with new data strategy”</b>  |         |                      |                         |                      |           |
| 2022   | 18,223  | 154,894              |                         |                      | 173,117   |
| 2023   | 39,564  | 338,489              |                         |                      | 378,053   |
| 2024   | 63,561  | 296,620              |                         | 444,930              | 805,111   |
| <b>“Update of Türkiye-EU Customs Union”</b>  |         |                      |                         |                      |           |
| 2022   | 45,557  |                      |                         |                      | 45,557    |
| 2023   | 52,752  |                      |                         |                      | 52,752    |
| 2024   | 61,019  |                      |                         |                      | 61,019    |
| <b>“Improvement of data collection processes and increasing the capacity of evaluation in agriculture statistics”</b>  |         |                      |                         |                      |           |
| 2022   |         |                      |                         | 227,785              | 227,785   |
| <b>“Providing distance education materials through the Education Information Network (EBA) platform for Open Education School students and preparation of digital contents of course/certificate/authorization programs organized for individuals within the scope of lifelong learning”</b> |         |                      |                         |                      |           |
| 2022   | 68,336  | 19,162               |                         |                      | 87,498    |
| 2023   |         | 20,340               |                         |                      | 20,340    |
| 2024   |         | 21,567               |                         |                      | 21,567    |
| <b>“Raising Awareness of Hygiene, Healthy Eating, Nature Protection, Food Waste Prevention in Schools and Institutions”</b>  |         |                      |                         |                      |           |
| 2022   | 182,228 | 364,457              |                         |                      | 546,685   |
| 2023   | 351,677 | 791,274              |                         |                      | 1,142,951 |
| 2024   | 508,491 | 1,610,222            |                         |                      | 2,118,713 |

| Year   | Costs   | Product and Services | Subsidies and Transfers | Capital Expenditures | Total     |
|--|---------|----------------------|-------------------------|----------------------|-----------|
| <b>“Increasing the secure sharing and accessibility of public sector data with new data strategy”</b>  |         |                      |                         |                      |           |
| 2022   | 18,223  | 154,894              |                         |                      | 173,117   |
| 2023   | 39,564  | 338,489              |                         |                      | 378,053   |
| 2024   | 63,561  | 296,620              |                         | 444,930              | 805,111   |
| <b>“Update of Türkiye-EU Customs Union”</b>  |         |                      |                         |                      |           |
| 2022   | 45,557  |                      |                         |                      | 45,557    |
| 2023   | 52,752  |                      |                         |                      | 52,752    |
| 2024   | 61,019  |                      |                         |                      | 61,019    |
| <b>“Improvement of data collection processes and increasing the capacity of evaluation in agriculture statistics”</b>  |         |                      |                         |                      |           |
| 2022   |         |                      |                         | 227,785              | 227,785   |
| <b>“Providing distance education materials through the Education Information Network (EBA) platform for Open Education School students and preparation of digital contents of course/certificate/authorization programs organized for individuals within the scope of lifelong learning”</b> |         |                      |                         |                      |           |
| 2022   | 68,336  | 19,162               |                         |                      | 87,498    |
| 2023   |         | 20,340               |                         |                      | 20,340    |
| 2024   |         | 21,567               |                         |                      | 21,567    |
| <b>“Raising Awareness of Hygiene, Healthy Eating, Nature Protection, Food Waste Prevention in Schools and Institutions”</b>  |         |                      |                         |                      |           |
| 2022   | 182,228 | 364,457              |                         |                      | 546,685   |
| 2023   | 351,677 | 791,274              |                         |                      | 1,142,951 |
| 2024   | 508,491 | 1,610,222            |                         |                      | 2,118,713 |

Table 9b: Finance of Structural Reform Measure (Euro)

| Year   | Central Budget | Local Budget | Other National Public Finance Sources | IPA Funds | Other Grants | Project Loans | TBD | Total      |
|--|----------------|--------------|---------------------------------------|-----------|--------------|---------------|-----|------------|
| <b>“Job Clubs”</b>   |                |              |                                       |           |              |               |     |            |
| 2022   |                |              | 63,780                                |           |              |               |     | 63,780     |
| 2023   |                |              | 61,544                                |           |              |               |     | 61,544     |
| 2024   |                |              | 59,324                                |           |              |               |     | 59,324     |
| <b>“Professions of Future”</b>   |                |              |                                       |           |              |               |     |            |
| 2022   |                |              | 1,869,698                             |           |              |               |     | 1,869,698  |
| 2023   |                |              | 1,962,903                             |           |              |               |     | 1,962,903  |
| 2024   |                |              | 2,041,588                             |           |              |               |     | 2,041,588  |
| <b>“Increasing youth employment by strengthening vocational training centers”</b>                              |                |              |                                       |           |              |               |     |            |
| 2022   | 13,667,123     |              |                                       |           | 4,555,708    |               |     | 18,222,830 |
| 2023   | 14,067,090     |              |                                       |           | 4,395,966    |               |     | 18,463,056 |
| 2024   | 14,407,250     |              |                                       |           | 4,237,426    |               |     | 18,644,676 |
| <b>“Reducing Unregistered Employment by Focusing on Increasing Audit Capacity in Non-Agricultural Sectors”</b> |                |              |                                       |           |              |               |     |            |
| 2022   | 335,300        |              |                                       |           |              |               |     | 335,300    |
| 2023   | 351,677        |              |                                       |           |              |               |     | 351,677    |

| Year   | Central Budget | Local Budget | Other National Public Finance Sources | IPA Funds | Other Grants | Project Loans | TBD | Total       |
|--|----------------|--------------|---------------------------------------|-----------|--------------|---------------|-----|-------------|
| <b>“Access to preschool education will be provided based on equal opportunity principle”</b>   |                |              |                                       |           |              |               |     |             |
| 2022   | 273,342,454    |              |                                       |           | 1,326,681    |               |     | 274,669,135 |
| 2023   | 659,395        |              |                                       |           | 659,395      |               |     | 1,318,790   |
| 2024   | 635,614        |              |                                       |           | 635,614      |               |     | 1,271,228   |
| <b>“Specialized Institutional Guidance and Inspection branches will be established depending on school and program types”</b>  |                |              |                                       |           |              |               |     |             |
| 2022   | 8,539,674      |              |                                       |           |              |               |     | 8,539,674   |
| 2023   | 9,218,340      |              |                                       |           |              |               |     | 9,218,340   |
| 2024   | 6,785,306      |              |                                       |           |              |               |     | 6,785,306   |
| <b>“Prioritizing technological product investments to increase the technology level and export capacity of SMEs and supporting the commercialization of R&amp;D projects”</b>  |                |              |                                       |           |              |               |     |             |
| 2022   | 24,145,250     |              |                                       |           |              |               |     | 24,145,250  |
| 2023   | 25,496,601     |              |                                       |           |              |               |     | 25,496,601  |
| 2024   | 25,424,558     |              |                                       |           |              |               |     | 25,424,558  |
| <b>“Enhancing the R&amp;D and innovation activities of SMEs; and the development and implementation of mechanisms to encourage and facilitate technology-based and innovative SMEs access to finance, participation in mentoring and cooperation networks”</b> |                |              |                                       |           |              |               |     |             |
| 2022   | 119,139,989    |              |                                       |           |              |               |     | 119,139,989 |
| 2023   | 132,271,633    |              |                                       |           |              |               |     | 132,271,633 |
| 2024   | 165,370,763    |              |                                       |           |              |               |     | 165,370,763 |

| Year  | Central Budget | Local Budget | Other National Public Finance Sources | IPA Funds | Other Grants | Project Loans | TBD | Total      |
|---|----------------|--------------|---------------------------------------|-----------|--------------|---------------|-----|------------|
| <b>“Performance-based support of the research infrastructures supported under law 6550 within the new legal framework”</b>  |                |              |                                       |           |              |               |     |            |
| 2022  | 21,867,396     |              |                                       |           |              |               |     | 21,867,396 |
| 2023  | 35,167,725     |              |                                       |           |              |               |     | 35,167,725 |
| 2024  | 42,374,263     |              |                                       |           |              |               |     | 42,374,263 |
| <b>“Establishing Model Factories (Capability and Digital Transformation Centers) to increase the efficiency of SMEs and to enable their digital transformation”</b> |                |              |                                       |           |              |               |     |            |
| 2022  | 3,899,686      |              |                                       |           |              |               |     | 3,899,686  |
| 2023  | 3,812,181      |              |                                       |           |              |               |     | 3,812,181  |
| 2024  | 2,039,050      |              |                                       |           |              |               |     | 2,039,050  |
| <b>“Support mechanism will be established for the replacement of inefficient electric motors used in industry with efficient ones”</b>                              |                |              |                                       |           |              |               |     |            |
| 2022  | 501,128        |              |                                       |           | 455,571*     |               |     | 956,699    |
| 2023  | 1,538,588      |              |                                       |           |              |               |     | 1,538,588  |
| 2024  | 2,118,713      |              |                                       |           |              |               |     | 2,118,713  |
| <b>“Technical Assistance for the Green Deal Action Plan”</b>  |                |              |                                       |           |              |               |     |            |
| 2022  | 364,457        |              |                                       |           |              |               |     | 364,457    |
| 2023  | 615,435        |              |                                       |           |              |               |     | 615,435    |
| 2024  | 593,240        |              |                                       |           |              |               |     | 593,240    |

| Year   | Central Budget | Local Budget | Other National Public Finance Sources | IPA Funds | Other Grants | Project Loans | TBD     | Total     |
|--|----------------|--------------|---------------------------------------|-----------|--------------|---------------|---------|-----------|
| <b>“Increasing the secure sharing and accessibility of public sector data with new data strategy”</b>  |                |              |                                       |           |              |               |         |           |
| 2022   | 36,446         |              |                                       |           |              |               | 136,671 | 173,117   |
| 2023   | 228,590        |              |                                       |           |              |               | 149,463 | 378,053   |
| 2024   | 487,304        |              |                                       |           |              |               | 317,807 | 805,111   |
| <b>“Update of Türkiye-EU Customs Union”</b>  |                |              |                                       |           |              |               |         |           |
| 2022   | 45,557         |              |                                       |           |              |               |         | 45,557    |
| 2023   | 52,752         |              |                                       |           |              |               |         | 52,752    |
| 2024   | 61,019         |              |                                       |           |              |               |         | 61,019    |
| <b>“Improvement of data collection processes and increasing the capacity of evaluation in agriculture statistics”</b>  |                |              |                                       |           |              |               |         |           |
| 2022   | 227,785        |              |                                       |           |              |               |         | 227,785   |
| <b>“Providing distance education materials through the Education Information Network (EBA) platform for Open Education School students and preparation of digital contents of course/certificate/authorization programs organized for individuals within the scope of lifelong learning”</b> |                |              |                                       |           |              |               |         |           |
| 2022   | 87,498         |              |                                       |           |              |               |         | 87,498    |
| 2023   | 20,340         |              |                                       |           |              |               |         | 20,340    |
| 2024   | 21,567         |              |                                       |           |              |               |         | 21,567    |
| <b>“Raising awareness of hygiene, healthy eating, nature protection, food waste prevention in schools and institutions”</b>  |                |              |                                       |           |              |               |         |           |
| 2022   | 546,685        |              |                                       |           |              |               |         | 546,685   |
| 2023   | 1,142,951      |              |                                       |           |              |               |         | 1,142,951 |
| 2024   | 2,118,713      |              |                                       |           |              |               |         | 2,118,713 |

| Year   | Central Budget | Local Budget | Other National Public Finance Sources | IPA Funds | Other Grants | Project Loans | TBD | Total       |
|--|----------------|--------------|---------------------------------------|-----------|--------------|---------------|-----|-------------|
| <b>“Dissemination of Family-Oriented Social Services Models: SED Service”</b>                    |                |              |                                       |           |              |               |     |             |
| 2022   | 250,563,916    |              |                                       |           |              |               |     | 250,563,916 |
| 2023   | 283,313,743    |              |                                       |           |              |               |     | 283,313,743 |
| 2024   | 303,579,901    |              |                                       |           |              |               |     | 303,579,901 |
| <b>“Supporting Clinical Trials on Vaccines and Drugs”</b>  |                |              |                                       |           |              |               |     |             |
| 2022   |                |              |                                       | 993,340   |              |               |     | 993,340     |
| 2023   |                |              |                                       | 900,000   |              |               |     | 900,000     |
| 2024   |                |              |                                       | 800,000   |              |               |     | 800,000     |
| <b>“Strengthening of the Ministry of Health’s COVID-19 Response Capacity”</b>                    |                |              |                                       |           |              |               |     |             |
| 2022   |                |              |                                       | 2,272,135 |              |               |     | 2,272,135   |
| <b>“Increasing the Access of Syrian Nationals under Temporary Protection to Health Services”</b> |                |              |                                       |           |              |               |     |             |
| 2022   |                |              |                                       |           | 119,087,080  |               |     | 119,087,080 |
| 2023   |                |              |                                       |           | 114,911,395  |               |     | 114,911,395 |
| 2024   |                |              |                                       |           | 68,159,042   |               |     | 68,159,042  |

\* Planned to be paid by Global Environment Fund.



**Table 10: Reporting on the implementation of the Structural Reform Measures of ERP 2021-2023**

| <b>ERP (2021-2023) Measure 1: Increasing share of renewable energy regarding electricity generation (0-5)*</b> |  | <b>Stage of reform implementation (0-5)*</b> |
|--|--|--|
| Activities planned for 2021  | Renewable energy incentive mechanism will be updated and necessary changes will be made in the Electricity Market Law No.6446, Renewable Energy Law No.5346 and secondary legislation.   | 5  |
| Description of implementation and explanation if partial or no implementation                                  | Within the scope of updating the renewable energy incentive mechanism, regulations were made in the Electricity Market Law No. 6446, the Renewable Energy Law No. 5346 and secondary legislation.  |  |
| <b>ERP (2021-2023) Measure 2: Development of financial mechanisms regarding energy efficiency (0-5)*</b>       |  | <b>Stage of reform implementation (0-5)*</b> |
| Activities planned for 2021  | A business model of financing support mechanisms to be applied in Türkiye will be finalized in the 7th meeting of Working Group in November 16, 2021 on the Development of Proposal of National EE Financing Mechanism and then this model will be submitted to the 2021 second meeting of NEEAP MSB in December. For this measure of “Development of financial mechanisms regarding energy efficiency”; the MSB in this meeting will be expected to decide the applicable national energy efficiency financial mechanisms in Türkiye. It is evaluated that the application of the mechanism would be commenced at the beginning of 2022.  | 4  |
| Description of implementation and explanation if partial or no implementation                                  | <p>The establishment of a financial mechanisms on energy efficiency for Türkiye, accelerating the energy efficiency investments and covering international financing, have been studied in the “Working Group (WG) on the Development of Proposal of National Energy Efficiency Financing Mechanism”, established by the National Energy Efficiency Action Plan (NEEAP) Monitoring and Steering Board (MSB) in its second meeting of 2020 on September 28 for a duration of 12 months. This WG was made 6 meetings on dates of November 10, 2020, December 8, 2020, January 5, 2021, February 2, 2021, March 2, 2021 and April 1, 2021 and submitted its interim report at the Board National Energy Efficiency Action Plan Monitoring and Steering Board meeting on 29 June 2021 proposed model including two different approaches;</p> <ol style="list-style-type: none"> <li>1. Public institutions regulate and supervise the market by providing financial incentives, grants, credit supports, and tax cuts/increases and</li> <li>2. Public institutions regulate and supervise the market without any intervention in any form of financial support, but only provide funding through asset-backed securities and credit guarantees.</li> </ol> <p>In the 7th and last meeting of this WG in November 23, 2021 a business model for Türkiye will be prepared instead of benefiting exact financing applications in the World and this model will be submitted to the NEEAP MSB in its second meeting of 2021 in December.</p> <p>Consequently, the main pillars of a National Energy Efficiency Financing Mechanisms to be proposed in terms of activities and relevant costs is expected to be shaped by this next NEEAP MSB.</p> |  |

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

**ERP (2021-2023) Measure 3: Improvement of data collection processes and increasing the capacity of evaluation in agriculture statistics** Stage of reform implementation (0-5)\*

|   |  |                       |
|---|--|-----------------------|
| Activities planned for 2021   | <ul style="list-style-type: none"> <li>• Training activities for capacity building</li> <li>• Meetings with relevant ministries and institutions (Strategy and Budget Department, TurkStat, Ministry of Trade, etc.) to develop data collection and evaluation methodology.</li> <li>• Examining other country examples within the scope of data collection and evaluation methods</li> <li>• Information systems improvement studies</li> <li>• Development of business intelligence, decision support and reporting systems</li> </ul> | 4<br>5<br>1<br>3<br>3 |
| Description of implementation and explanation if partial or no implementation | It will be carried out within the scope of the project in 2022.  |                       |

**ERP (2021-2023) Measure 4: Support mechanism will be established for the replacement of inefficient electric motors used in industry with efficient ones** Stage of reform implementation (0-5)\*

|   |   |   |
|---|---|---|
| Planned activities for 2021   | Enabling the implementation and sustainability the finance mechanism  | 4 |
| Information on the status of the implementation, if the implementation is incomplete or there is no improvement | Under the context of the pilot project, SMEs located in 7 OIZs avail of the finance mechanism. Implementation has been continuing. Motivation of the SMEs to replace their motors has been increasing as a result of publishing best practices on the project website and e-bulletin as well as other national and international platforms. The studies on the sustainability of the finance mechanism also continues as a result of the growth in demand. Following the finalisation of the Pilot Project in July 2022, finance mechanism will be put into effect. |   |

\*: 0 = no application, 1 = application preparation stage, 2 = first steps taken, 3 = implementation continues with some leading results, 4 = implementation progress, 5 = full implementation

| ERP (2021-2023) Measure 5: Establishing Model Factories (Capability and Digital Transformation Centers) to increase the efficiency of SMEs and to enable their digital transformation |   | Stage of reform implementation (0-5)* |
|---|---|---------------------------------------|
| Activities planned for 2021   | The establishment activities of the Model Factory and Innovation Centers in Konya, Kayseri, İzmir, Mersin, Gaziantep and Adana provinces were completed and all centers started their activities.   | 4                                     |
| Description of implementation and explanation if partial or no implementation   | The facility constructions and machinery-equipment need have been substantially completed, and the project objectives will be achieved when the in-service training activities and digital transformation component sub-activities of the training-consultant staff are completed.  |                                       |
| ERP (2021-2023) Measure 6: Increasing tourism market share and brand value  |   | Stage of reform implementation (0-5)* |
| Activities planned for 2021   | <ul style="list-style-type: none"> <li>The GoTürkiye digital platform, which emphasizes the diversity of our country's tourism products in content suitable for various user profiles and digital consumption habits within the framework of changing trends, has 49 experienced-based contents including health tourism, golf tourism, museums, cultural routes, bicycle routes, faith tourism, gastronomy, entertainment, walking and shopping, etc. All content on the GoTürkiye digital platform has been translated into 10 different languages.</li> <li>New Türkiye logo and brand identity and an exclusive branding work for Istanbul were carried out. In addition, on a destination-based basis, Aegean and Mediterranean Region branding studies were executed with the Turkaegean and Turkish Riviera-Eastern Mediterranean films.</li> <li>900 people consisting of opinion leaders and members of the press, especially from the main and emerging market countries, were hosted in our country.</li> <li>Researches on digital transformation trends and opportunities in tourism were conducted and sample projects were examined; Türkiye's situation regarding digital transformation has been evaluated.</li> <li>Within the scope of the Safe Tourism Certificate Program, which entered into force on June 1<sup>st</sup>, 2020, 11,644 facilities and vehicles, 5998 of which were accommodation facilities, were certified until November 9<sup>th</sup>, 2021. Tourism facilities are inspected at international standards by companies approved by the Turkish Accreditation Agency, under with TGA's coordination. Covid-19 Tourist Protection Health Insurance and Extra Accommodation Cost Guarantee have been put into service by private insurance companies in a single package so that foreign visitors coming to our country can enjoy their holidays safely.</li> <li>In cooperation with the Ministry of Culture and Tourism and the Türkiye Tourism Promotion and Development Agency, participatory approaches have been carried out to promote the regions and provinces of Türkiye within</li> </ul> | 4                                     |

|   |   |  |
|---|---|--|
|   | <p>the scope of the Provincial Promotion and Development Program. In line with the images, videos and text contents obtained, the pages on the GoTürkiye digital platform have been enriched.</p> <ul style="list-style-type: none"> <li>• A training platform called "All in Türkiye Digital" has been prepared for tour operators and tourism professionals who will market and sell Turkish tourism products and destinations abroad.</li> </ul>   |  |
| Description of implementation and explanation if partial or no implementation | <p>Due to the border opening/closing situation, flight conditions and visa applications, the targeted level in terms of the number of foreign visitors to our country from Far East countries could not be reached. Safe Tourism Certification Program announcements and promotions in these countries continued through digital promotion platforms. In addition to the hospitality activities for the Far East market, digital advertising activities continued in South Korea and Japan.</p> |  |

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

### ERP (2021-2023) Measure 7: Establishment of SME Guidance and Counselling System Stage of reform implementation (0-5)\*

|   |  |   |
|---|--|---|
| Activities planned for 2021   | <p>It is planned to support SMEs benefiting from the services provided by these people by authorizing SME Guides and Technical Consultants.</p>  | 5 |
| Description of implementation and explanation if partial or no implementation | <p>The Regulation on SME Guidance and Technical Consultancy Services was published in the Official Gazette on 5 February 2019 in order to regulate the principles regarding the guidance and consultancy services that SMEs will benefit from within the scope of KOSGEB supports. In this context; the procedures and principles were prepared and published on 5 August 2020 in order to regulate the principles regarding the authorization of the persons who will provide technical consultancy services to the enterprises in the fields of finance, internationalization, technology, innovation, digitalization and growth, and to regulate the technical consultancy services. Technical Consultancy Support has been added to the Business Development Support Program in order to support the consultancy services that businesses will receive from authorized Technical Consultants. Since the measure was completed by the end of 2021, it was not included in the ERP (2022-2024) period.</p> |   |

\*: 0 = no application, 1 = application preparation stage, 2 = first steps taken, 3 = implementation continues with some leading results, 4 = implementation progress, 5 = full implementation

**ERP (2021-2023) Measure 8: Preparing new legislation for easing private sector investments** **Stage of reform implementation (0-5)\***

|   |  |          |
|---|--|----------|
| Activities planned for 2021   | A draft legislation will be prepared by the Strategy and Budget Authority and the Investment Office of the Presidency of the Republic of Türkiye. The draft legislation will be sent to the public and private stakeholders for gathering institutional views and legislation preparation will be completed.   | <b>3</b> |
| Description of implementation and explanation if partial or no implementation | <p>A comprehensive draft legislation, which will ease private sector investments, enhance transparency and predictability, increase investors' confidence and eliminate the barriers against the acceleration of the investments was prepared by the Strategy and Budget Authority and the Investment Office of the Presidency of the Republic of Türkiye and sent to the relevant stakeholders to gather their official views.</p> <p>The stakeholders have certain reservations especially on the establishment of investment coordination units within the Ministries and the establishment of an investment ombudsman system envisaged legally binding decision. In the light of these feedbacks, the Strategy and Budget Authority and the Investment Office carry on the work for the revision of draft legislation.</p> |          |

**ERP (2021-2023) Measure 9: Reducing Unregistered Employment by Focusing on Increasing Audit Capacity in Non-Agricultural Sectors** **Stage of reform implementation (0-5)\***

|   |  |          |
|---|--|----------|
| Activities planned for 2021   | <ul style="list-style-type: none"> <li>• Recruitment of an average of 400 controllers,</li> <li>• It is planned to ensure that the audits are carried out electronically using the technical infrastructure.</li> <li>• If the resources of the institution are suitable, purchasing a laptop computer compatible with the software infrastructure (3,500 units).</li> </ul>   | <b>4</b> |
| Description of implementation and explanation if partial or no implementation | <ul style="list-style-type: none"> <li>• Within the scope of increasing the Audit Capacity, 400 Social Security Controllers were recruited in 2020, and written and oral exams were completed for recruitment of 50 Social Security Controllers in 2021.</li> <li>• The "Controller Automation Program" was completed and made available across the country. Phase studies, in which audit reports will also be written electronically, are still in progress. "Performance and Statistics Program (PERI)" is currently used by the services located in the Social Security Provincial Directorates in the countryside. Technical harmonization studies are continuing in order to increase the number of data received in the electronic environment.</li> <li>• A total of 2,240 laptops have been distributed so far to be used in the work and operations of Social Security Controllers.</li> </ul> |          |

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

**ERP (2021-2023) Measure 10: Increasing the number and efficiency of business development, Stage of reform implementation incubation and accelerator centers in order to support innovative entrepreneurship (0-5)\***

|                             |  |  |
|-----------------------------|--|--|
| Activities planned for 2021 | <p>Within the scope of İŞGEM/TEKMER Support Program, control, examination and evaluation processes of TEKMER applications continue. As of October 2021, it was decided to support 14 applications and 9 TEKMERs were established and started their activities. In 2021, 2,841,700 TL support payments were made for 4 TEKMERs.</p> <p>Within the scope of the International Incubation Center and Accelerator Support Program, 1,741,069.80 TL support was paid to 1 incubation center in 2021. Due to the pandemic, no accelerator program application has been made.</p> | <p style="text-align: center;"><b>5</b></p> <p>KOSGEB provides support payments of up to 3,800,000 TL for furniture-hardware, machinery-equipment and software for common use, personnel, training, consultancy, promotion and organization expenses for the establishment and operation of TEKMERs managed by legal entities. KOSGEB is not directly involved in the management of TEKMER structures and is not directly involved in its activities. Established operating organizations provide their own income-expenditure balances and provide services to innovative enterprises with the aim of profit.</p> <p>Within the scope of TEKMER Support Program, applications are evaluated and support is provided for the establishment and operation of incubation centers. İŞGEM/TEKMER Support Program will be divided into two separate programs as İŞGEM Support Program and TEKMER Support Program, and the same supports will continue to be provided.</p> <p>The International Incubation Center and Accelerator Support Program will be restructured. The 5-year support period of the 2 incubation centers supported for the International Incubation Center Program has been completed and no new calls will be made. It is planned to develop a new model to support accelerators.</p> <p>While the said measure was being planned, it was stated in the ERP (2021-2023) document that it would be completed by the end of 2021, and the reasons for removing the measure from the ERP document within the scope of ERP (2022-2024) studies are given below:</p> <ul style="list-style-type: none"> <li>- The measure is a routine support program that KOSGEB is constantly implementing and does not have the character of a "reform measure",</li> <li>- A measure in the ERP can only be removed from the ERP program in the following years when it is completed, no longer a priority of the government, or it is decided that it cannot effectively fulfill its key role in eliminating a problem,</li> <li>- Within the scope of the ERP 2022-2024 studies, it was stated in the Information Note conveyed by the Presidency / Strategy Budget Presidency that this measure, which is also included in the ERP (2021-2023) document, will expire by the end of 2021, and at this point, it would be beneficial to review the measure again and inform the Strategy and Budget Department. In addition, in the planned activities section, it is stated that if support will continue to be provided within the framework of the same rules, it will not be a reform and it can be removed from ERP measures.</li> </ul> <p>It is requested that the measure be removed.</p> |
|-----------------------------|--|--|

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

**ERP (2021-2023) Measure 11a: Prioritizing technological product investments to increase the technology level and export capacity of SMEs and supporting the commercialization of R&D projects (0-5)\*** **Stage of reform implementation (0-5)\***

|   |   |          |
|---|---|----------|
| Activities planned for 2021   | With the SME Techno-Investment Support Program, SMEs' investments in technology areas and the production and commercialization of products that will contribute to the current account by the domestic industry were supported. Regarding the projects, as of 2 December 2021, 94 SMEs were supported and 88,359,983 TL support payments were made. | <b>4</b> |
| Description of implementation and explanation if partial or no implementation | The implementation of the Support Program continues.  |          |

**ERP (2021-2023) Measure 11b: Enhancing the R&D and innovation activities of SMEs; and the development and implementation of mechanisms to encourage and facilitate technology-based and innovative SMEs access to finance, participation in mentoring and cooperation networks** **Stage of reform implementation (0-5)\***

|   |   |          |
|---|---|----------|
| Actions planned for 2021  | Projects/activities will be supported by opening a call within the scope of TÜBİTAK's related programs  | <b>5</b> |
| Description of implementation and explanation if partial or no implementation | SMEs were supported with 1501 - Industrial R&D Projects Grant Programme, 1507 - TUBİTAK SME R&D Start-up Support Programme, 1509 - TÜBİTAK International Industrial R&D Projects Grant Programme, Mentor Interface (BIGG+) Call, SAYEM- Industrial Innovation Networks Call, 1707-Order R&D Call, 1702 - Patent-Based Technology Transfer Support Call, 1514 - Venture Capital Funding Program (Tech-InvesTR), 1511 - Research Technology Development and Innovation Projects in Priority Areas G. P. (Technology Focused Industrial Movement Program) and HAMLE Calls. |          |

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

**ERP (2021-2023) Measure 12: Supporting competent research infrastructures on a performance basis within the new legal framework** **Stage of reform implementation (1-5)\***

|   |  |          |
|---|--|----------|
| Actions planned for 2021  | <p>1. Annual monitoring of 6550 research infrastructures has been completed.</p> <p>2. Competency evaluation of two new candidate research infrastructures has been almost finalized; and expected to be added to the agenda of the 6550 Commission for their approval.</p> <p>3. Competency renewal process has been started for 4 research infrastructures which has been selected in the context of 6550 in 2017.</p> <p>4. Because of the coronavirus break; evaluation panels in the field planned for the year 2021 have been postponed. Following the ease on coronavirus spread; planning of competency evaluations including field trips has been started again upon new applications coming from University Rectorate's.</p> | <b>4</b> |
| Description of implementation and explanation if partial or no implementation | Although it is planned to be held in 2021, competency evaluation panels, requiring active field visits, could not be held because of the pandemic. Apart from this, studies within the scope of measures were carried out within the plan.   |          |

**ERP (2021-2023) Measure 13: Update of Türkiye-EU Customs Union** **Stage of reform implementation (0-5)\***

|   |  |          |
|---|--|----------|
| Activities planned for 2021   | Türkiye aimed to start formal negotiations for the Update of the EU-Türkiye Customs Union in 2021.   | <b>2</b> |
| Description of implementation and explanation if partial or no implementation | Türkiye has carried out necessary internal consultation and preparation processes with the aim of starting the update of the EU-Türkiye Customs Union negotiations in 2020. On the EU side, the European Commission, which will conduct negotiations on behalf of the EU, asked the Council for a mandate on 21 December 2016 for the launch of formal negotiations. However, since the Commission has not received the mandate yet, formal negotiations could not be started. On the other hand, in the conclusions of the Leaders' Summit of the European Council held in March 2021, the Commission was asked to start the work on the update process. The formal negotiations are expected to be initiated after the European Commission gets the mandate from the European Council. |          |

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation



**Stage of reform implementation  
(0-5)\***

**ERP (2021-2023) Measure 14: Dissemination of pre-school education**

|   |  |   |
|---|--|---|
| Activities planned for 2021   | 11,000,000 TL was transferred to the provincial / district national Education directorates for pre-school stationery expenditures for the 2020-2021 academic year. During the 2020-2021 academic year, a set of "My Play Box" was delivered to 3200 disadvantaged families. During the 2020-2021 academic year, "Bir Şeyden Çok Şey-A Thing More Than Something", "İlk Arkadaşım-My First Friend" and painting set were distributed to 11000 children. 4 posters about Covid-19 and preschool Education were distributed to all public preschool institutions. Administrator, teacher and family trainings of 156 institutions with a high concentration of foreign children were completed, preschool furnitures, stationery and education materials were provided to the institutions. | 5 |
| Description of implementation and explanation if partial or no implementation | Completed.   |   |

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

**Stage of reform implementation (0-5)\***

**ERP (2021-2023) Measure 15a: Increasing the reading culture**

|   |  |   |
|---|--|---|
| Activities planned for 2021   | An e-book portal and e-book mobile application will be launched, e-books will be shared and classic Turkish works will be published in e-book format.<br>Publishers will be supported within the scope of the "Promoting Literature Production Project".<br>The use of the "Kütüphanem Cepte" application will become widespread.<br>The usage rate of libraries will increase with library activities.<br>The number of collaborating institutions will be increased.   | 4 |
| Description of implementation and explanation if partial or no implementation | --In accordance with the "Educational Cooperation Protocol between the Ministry of Culture and Tourism and the Ministry of National Education" signed on 12 September 2021, 64 works were sent to the Ministry of National Education to be published as e-books.<br>-e-kitabim.ktb.gov.tr website and e-kitabim mobile application, were put into service in 2021.<br>-With the "Promoting Literature Production Project", a total of 1,004,500 TL was given to 73 works among the applications made by the publishers in 2021.<br>-For the January-June 2021 period, the number of downloads of the "Kütüphanem Cepte" mobile application by public library members increased to 184,166. |   |

|  |   |
|--|---|
|  | Cooperation Protocol on Disaster Awareness Education, Children's Books Education, Volunteering Training in Libraries, Mobile Library Activities: Truck Tour Program, Women's Shelter, Local Service Meetings, Improvement of Work and Social Lives of Seasonal Agricultural Workers (METIP), Institutional Social Media Management Training has been carried out. |
|--|---|

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

### ERP (2021-2023) Measure 15b: Increasing the reading culture

Stage of reform implementation (1-5)\*

| Planned Activities for 2020   |  | 3   |
|---|--|---|
| Description of implementation and explanation if partial or no implementation | <p>1. Increasing the number of schools with z-libraries where they can organize social, artistic and cultural activities in order to support the social and cultural development of students and to provide students reading culture.</p> <p>2. Conducting studies to increase the contribution of the school library to the reading culture.</p> <p>3. Extending the use of the school library based on social and cultural activities.</p> | <p>Z-libraries were installed and equipped in 168 schools by using 15,000,000.00TL in 2021 by the Ministry of National Education. Since the beginning of the project in 2014, the total number of z-libraries has reached 1896.</p> <p>In line with the 2023 Education Vision; The Reading Culture and Z-Library Project, carried out by MoNE, was terminated with the Authority's Approval dated 5 October 2021, and it was transformed into the "No School Without Library Project" in order to provide a library to all our schools in order to provide equal opportunity in education.</p> <p>In this context; By using an allowance of 175 million TL, school libraries were established in 16,484 schools, including z-libraries, and no school was left without a library.</p> <p>In addition, in order to expand the scope of the Project, with the protocol signed with the General Directorate of Lifelong Learning a budget of 3000 (three million) Euros has been allocated for the establishment of libraries in 1754 schools with at least 10 foreign students (Syria, Afghanistan, Iraq) that do not have a library within the scope of PIKTES (Project for Supporting the Integration of Syrian Children into the Turkish Education System).</p> <p>On the other hand, with the cultural publications to be published under the name of 2023 Publication Project until October 29, 2023, it is aimed to increase the quality of education by contributing to the reading skills and reading culture of our students within the scope of our Ministry's 2023 Education Vision, and to carry out publication activities in a way that supports educational reforms.</p> <p>Within the scope of the project, a total of 120 works were printed in 2021, and school libraries were supported with these works. The printing process of 11 works has been started.</p> |

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

**ERP (2021-2023) Measure 17: Updating of curricula in vocational and technical education** **Stage of reform implementation (0-5)\***

|   |   |          |
|---|---|----------|
| Activities planned in 2021  | <ul style="list-style-type: none"> <li>•Disseminating the "Anatolian Vocational Program for Schools Under the Protocol" in line with the sector demands and labour market analyses and developing the weekly course schedules and teaching programs specific to new fields.</li> <li>•Updating the field and branch programs of the Vocational Training Centre (apprenticeship) in accordance with the needs of the sector.</li> <li>•Preparation of vocational and technical secondary education textbooks and instructional materials, distance education course videos</li> </ul>  | <b>5</b> |
| Description of implementation and explanation if partial or no implementation | <p>While training was given in 55 fields and 203 branches in vocational and technical education, a simplification was made in fields and branches in the new structure and training was started in 47 fields and 105 branches. Vocational courses were started in the ninth grade in order for students to start taking vocational courses earlier. Vocational and technical secondary education programs, which have been updated since the 2020-2021 academic year, have been enriched with new content and activities in order to strengthen students' digital literacy skills and increase their adaptation to new technologies in their professional fields. In line with the interests and preferences of the students, elective courses and certification courses were created in the new model.</p> <p>In line with the updated programs, new textbooks have been prepared in which students can practice more.</p> <p>The "Academic Package" model was put into practice in order to support the career planning of students studying at vocational and technical Anatolian high schools when they reach the 12th grade.</p> |          |

**ERP (2021-2023) Measure 18: Expansion of Occupational Health and Safety Activities in Schools and Institutions** **Stage of reform implementation (1-5)\***

|   |   |          |
|---|---|----------|
| Activities planned for 2021   | During the Covid-19 pandemic, document renewal audits will be carried out of the schools that received the "My School's Clean Certificate"  | <b>4</b> |
| Description of implementation and explanation if partial or no implementation | <p>Within the scope of the "My School is Clean" certification activities, which started within the scope of the cooperation protocol signed between the Ministry of National Education and the Turkish Standards Institute (TSE), approximately 51 thousand administrators were provided with distance education or face-to-face training, improving hygiene conditions and infection prevention certification training. In the 2021-2022 academic year, 50,800 official schools and institutions received certification applications, and approximately 98% of them were certified. In order to maintain face-to-face education activities in hygienic environments in the 2021-2022 academic year, 5,200 inspectors are actively monitored and evaluated in electronic environment via the "Certification Management System" software of the Ministry of National Education. In addition, annual document renewal inspections will be carried out for schools that have received the "My School Clean Certificate".</p> |          |

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

**ERP (2021-2023) Measure 19: Job Clubs** **Stage of reform implementation (0-5)\***

|   |   |          |
|---|---|----------|
| Activities planned for 2021   | Within the scope of Job Clubs 2021 planning, it will be ensured that Job Clubs will be opened in all provinces through conducting the studies to extend Job Clubs to 81 provinces. In addition, it is planned to provide "Job Club Leadership Training" for approximately 100 Job and Vocational Counsellors who will be assigned as Job Club Leader in newly opened or previously opened Job Clubs.  | <b>4</b> |
| Description of implementation and explanation if partial or no implementation | It has been stated that in Pre-Accession Economic Reform Program covering the 2021-2023 period, the studies to extend Job Clubs to 81 provinces will be carried out and in this context, 9 new Job Clubs will be opened in 2021 (75 Job Clubs in 2020). 5 new Job Clubs were opened in 2021, and Job Clubs activities have been continuing in 72 provinces and 80 units across Türkiye by October 2021. In the same manner, it was aimed to provide "Job Club Leadership Training" for 100 Job and Vocational Counsellors (JVC) in 2021, and Job Club Leadership Training was provided for 50 Job and Vocational Counsellor by the end of October 2021. |          |

**ERP (2021-2023) Measure 22: Professions of Future** **Stage of reform implementation (0-5)\***

|   |  |          |
|---|--|----------|
| Activities planned for 2021   | By the end of 2021, it is aimed that at least 2,000 young people between the ages of 18-29 will benefit from the On-the-Job Training Programs in the "professions of future" and that at least 1,000 people will benefit from Vocational Training Courses within the scope of the Qualified IT Expert Training (NBUY) Project.   | <b>3</b> |
| Description of implementation and explanation if partial or no implementation | In the on-the-job training programs implemented in 100 professions determined as "Future Professions" by İŞKUR, unlike other on-the-job training programs, a program can be organized for participants between the ages of 18-29 for up to nine months and 115 TL daily pocket money is paid to the participants (for the year 2021). Workplaces operating in Technology Development Zones, workplaces operating as R-D centres, Technology Centre Enterprises and workplaces operating as Design Centres primarily benefit from the on-the-job training programmes organised within this context. In the period of January-November 2021, 1,760 people benefitted from on-the-job training programmes organised within the context of "Professions of Future". Likewise, in the period of January-November 2021, 806 people benefitted the Qualified IT Expert Training Project (NBUY) organized for these professions. By the end of 2021, it was aimed that at least 2,000 young people between the ages of 18-29 will benefit from the On-the-Job Training Programs in Future Jobs and that at least 1,000 people will benefit from Vocational Training Courses within the scope of the Qualified IT Expert Training (NBUY) Project. During the period when Covid-19 was effective and the risk of contagion continued, various practices such as suspension, tele-working and distance vocational training were carried out within the scope of active labour market programmes. Courses and programmes that started before the pandemic and were deemed inconvenient for public health to continue due to Covid-19 were suspended. In this context, the targeted value could not be reached due to the pandemic. |          |

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

**ERP (2021-2023) Measure 24: Dissemination of Family-Oriented Social Services Models: Foster Family Service** Stage of reform implementation (0-5)\*

|   |  |   |
|---|--|---|
| Activities planned for 2021   | The number of children benefited from SED Service will be increased.<br>The number of children benefited from foster care service will be increased.                                       | 3 |
| Description of implementation and explanation if partial or no implementation | Current number of children benefited from SED Service: 138,271 (targeted number: 145,000)<br>Current number of children benefited from foster care service: 8,319 (targeted number: 9,000) |   |

**ERP (2021-2023) Measure 26: Strengthening of the Ministry of Health's COVID-19 Response Capacity** Stage of reform implementation (0-5)\*

|   |   |   |
|---|---|---|
| Activities planned for 2021   | A rapid antigen test kit production facility will be established and 600,000 rapid antigen test kits will be produced.                    | 5 |
| Description of implementation and explanation if partial or no implementation | Genomic Sequence device was purchased and tests were started. 600,000 rapid antigen test kits were purchased and screenings were started. |   |

\*: 0= no implementation, 1=implementation is being prepared, 2=initial steps have been taken, 3=implementation ongoing with some initial results, 4=implementation is advanced, 5=full implementation

Annex 2 Table: Links between Reform Areas and Relevant Policy Documents

| Reform measures 2022-2024  | Commission Assessment of Key Structural Challenges in ERP (2021-2023) | ERP Policy Guidance 2021 | Enlargement Package 2021   | Sustainable Development Goals 2020-2030  | European Green Deal  | European Digital Agenda   | IPA III projects supporting this reform |
|--|---|--------------------------|--|--|--|---|---|
| “Support mechanism will be established for the replacement of inefficient electric motors used in industry with more efficient ones” | Measure 4   | Article 4<br>Article 6   | The project activities contribute to Türkiye’s policy on environment, energy and climate change. | 7: Affordable and Clean Energy<br>9: Industry, Innovation and Infrastructure<br>12: Responsible Consumption and Production<br>13: Climate Action | 2.1.3.Mobilising industry for a clean and circular economy | The European Union’s data strategy objectives for sharing public data and providing added value, and the strategic objective 5 of the Digital |   |
| “Increasing the secure sharing of public data”   |   |                          |  |  |  |   |   |

|  |                   |  |  |   |  |   |  |
|--|-------------------|--|--|---|--|---|--|
| <p><b>“Reducing Unregistered Employment by Focusing on Increasing Audit Capacity in Non-Agricultural Sectors”</b></p>  |                   |  |  | <p>Informal employment is included through number 8.3 in the Sustainable Development Goals Report.</p>  |  |   |  |
| <p><b>“Prioritizing technological product investments to increase the technology level and export capacity of SMEs and supporting the commercialization of R&amp;D projects”</b></p>     |                   |  |  |   | <p>2.2. Mainstreaming sustainability in all EU policies<br/>2.2.3. Mobilising research and fostering innovation “New technologies, sustainable solutions and disruptive innovation are critical to achieve the objectives of the European Green Deal.”</p> |   |  |
| <p><b>“Enhancing the R&amp;D and innovation activities of SMEs; and the development and implementation of mechanisms to encourage and facilitate technology-based and innovative</b></p> | <p>Measure 11</p> |  |  | <p>Goal 8, Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all<br/>Goal 9, Build resilient infrastructure, promote inclusive</p> | <p>2.1. Designing a set of deeply transformative policies</p>  | <p>2.5. Research and innovation<br/>2.7. ICT-enabled benefits for EU society (except 2.7.3)</p> |  |

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| <p>“Supporting competent research infrastructures on a performance basis within the new legal framework”</p> | <p>Measure 12</p>  |  |  | <p><b>Goal 8.</b>Promote sustained, inclusive and sustainable economic growth, full and Productive employment and decent work for all<br/> <b>Goal 9.</b>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation<br/> <b>Goal 10.</b>Reduce inequality within and among countries<br/> <b>Goal 12.</b>Ensure sustainable consumption and production patterns</p> |  | <p>Key action 9:<br/>Leverage more private investment</p> |  |
| <p>“Update of Türkiye-EU Customs Union”</p>  | <p>Not mentioned under the structural challenges section; however, mentioned under the structural reforms on p.219</p> |  |  |  |  |   |  |



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| <p><b>“Establishing Model Factories (Capability and Digital Transformation Centers) to increase the efficiency of SMEs and to enable their digital transformation”</b></p> | <p>Measure 5</p> | <p>Article 6<br/>Consultancy and training activities continue for upskilling and increasing the rate of employability under the goal of lifelong learning.</p> | <p>Model Factory Project contributes to Türkiye’s policies of digitalization, industry and employment; about 147 Syrians have been trained and 2776 Syrians have been employed under the context of this project.</p> | <p>8. Decent Work and Economic Growth<br/>9. Industry, Innovation and Infrastructure<br/>10. Reduced Inequalities<br/>12. Responsible Consumption and Production</p> | <p>2.1.3. Mobilising industry for a clean and circular economy</p> | <p>Model factories contribute to digitalization, and innovation policies in industry.</p> | <p>Depot Museum:<br/>New Culture<br/>Economy<br/>Center</p> |
| <p><b>“Increasing tourism market share and brand value”</b></p>  |                  |  |   |  |  |   |   |

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|---|--|--|--|--|--|--|
| <p><b>“Access to preschool education will be provided based on equal opportunity principle”</b></p> |  |  |  | <p>It is related to the target of United Nations SDG 4.1 saying “By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.” The provision of at least one year of quality pre-primary education is encouraged, to be delivered by well-trained educators.</p> |  | <p>“Increasing Quality of and Access to Early Childhood Education Services (ECE)- IPA II” Project is being carried out under the coordination of MoNE-DGBE. The ECE project aims to increase the access of all children to early childhood education services and improve the quality of pre-school education. The project focuses on children under six years and their families, especially those living in the most vulnerable communities with limited or no access to ECE services.</p> |
|---|--|--|--|--|--|--|

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| <p><b>“Professions of Future”</b></p>  |  |  |  | <p>The measure is relevant and refers to Sustainable Development Goals No. 4.4, 8.2, 8.3, 8.5 ve 8.6.</p> |  | <p>The measure is closely linked to the action area no. 6 titled “Enhancing digital literacy, skills and inclusion” of the European Digital Agenda.</p> |  |
| <p><b>“Dissemination of Family-Oriented Social Services Models: Foster Family Service”</b></p> |  |  | <p>1.3 Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable (<b>SED Service</b>)</p> |   |  |   | <p>Project on Establishment and Improvement of Emergency Foster Care System in Türkiye</p> |





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