

Fiscal Consolidation in TURKEY



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Financial Crises

Global crisis affected Turkish economy through

- trade,
- financing and
- expectations channels

Trade

- * crisis more adverse on EU region,
- * constitutes around 50 percent of our exports,
- * our export performance affected negatively and declined
- * This decline affected production and employment negatively.
- * Economy contracted by 4.8% in 2009

Financing

- * Financing is the second channel
- * Net capital outflows
- * real sector had difficulties about foreign financing,
- * Therefore, the short-term and medium term foreign debt roll-over ratio of non-bank private sector decreased to 73% from 191% in 2008.

Expectations

- * Global crisis increased uncertainty
- * The increasing uncertainty caused investment and consumption decisions to be delayed,
- * and decreased the economic activity significantly through its negative effects on both confidence environment and forward looking expectations.
- * The increase in production capacity of Turkey was restricted and the usage of existing capacity was affected negatively.

Fiscal Policy

- * Significant adverse effects on public finance performance
- * Tax revenues realized well below the projected budget forecasts as a result of both the contraction in growth and tax cuts to support the real sector.
- * Expenditures realized as projected in budget regardless of the growth. Besides, additional increases made in some expenditure items to lessen the impacts of the crisis.
- * The contraction in economic activity caused social security premiums to stay well below the targets and an obvious increase in social security deficit was recorded.
- * As a result, budget deficit, debt burden and Treasury debt rolling ratio increased more than projected

Measures against Crises-I

- * a series of expenditure and revenue measures since mid-2008.
- * measures taken by the Central Bank, BRSA (Banking Regulation and Supervision Agency) and CMB (Capital Markets Board),
- * conditions of allowance for short-term working and eligibility criteria for unemployment benefits were improved,
- * funds for education of labor force were increased and new employment areas for short-term working were developed.
- * Transfers to EXIMBANK and KOSGEB (Small and Medium Industry Development Organization) and
- * funds allocated to local administration from the central budget were increased to support the private sector.
- * Additional funds to investment projects of other infrastructure and irrigation

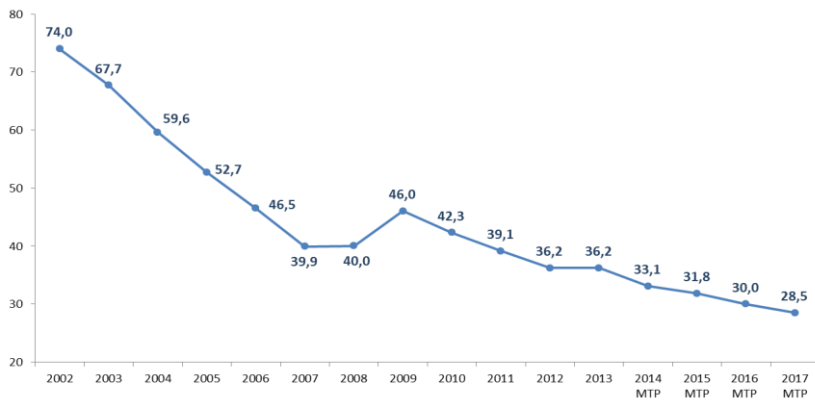
Measures against Crises-II

- * Arrangements for tax benefits
- * cutting down the employment costs and improving employment opportunities for the young, women and disabled,
- * arrangements to decrease the employer's share of insurance premium
- * in order to increase the domestic demand, reduction on tax rates were introduced for sectors that were significantly affected from the crisis.
- * Finally, overdue taxes were restructured
- * the total cost of stimulus packages on the budget was projected to be around 0.8, 2.1 and 1.6 percent as a ratio to GDP for 2008, 2009 and 2010, respectively.

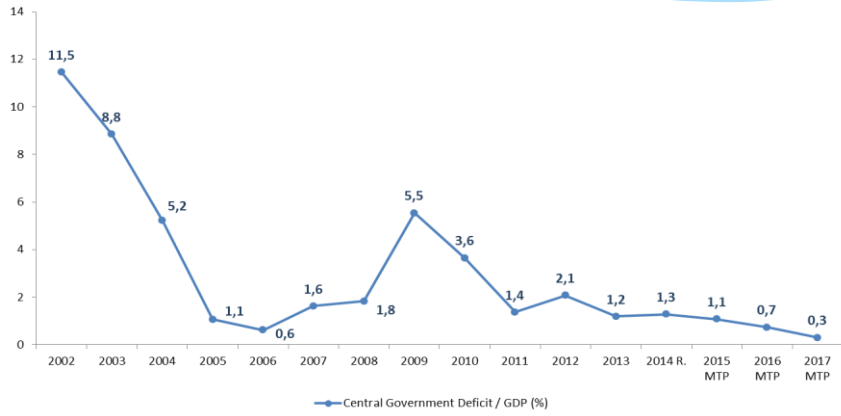
Fiscal Position since 2002



EU Defined Debt since 2002



2015-2017 MTP



Thank you

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