



Uludağ Economic Summit

Mehmet ŞİMŞEK
Deputy Prime Minister

March 25, 2016



Outline

A Decade of Outperformance

Another Decade of Transformation

Long-Term Prospects



A Decade of Outperformance

Key Ingredients of the Successful Transformation

Improving Social
Inclusion

Strong Fiscal
Framework

Sound Monetary
Framework

Healthy Financial
System

Enhancing Role of
Private Sector &
Improving Investment
Environment

Strengthening
Institutional Capacity



Improving Social Inclusion

Components of Social Inclusion

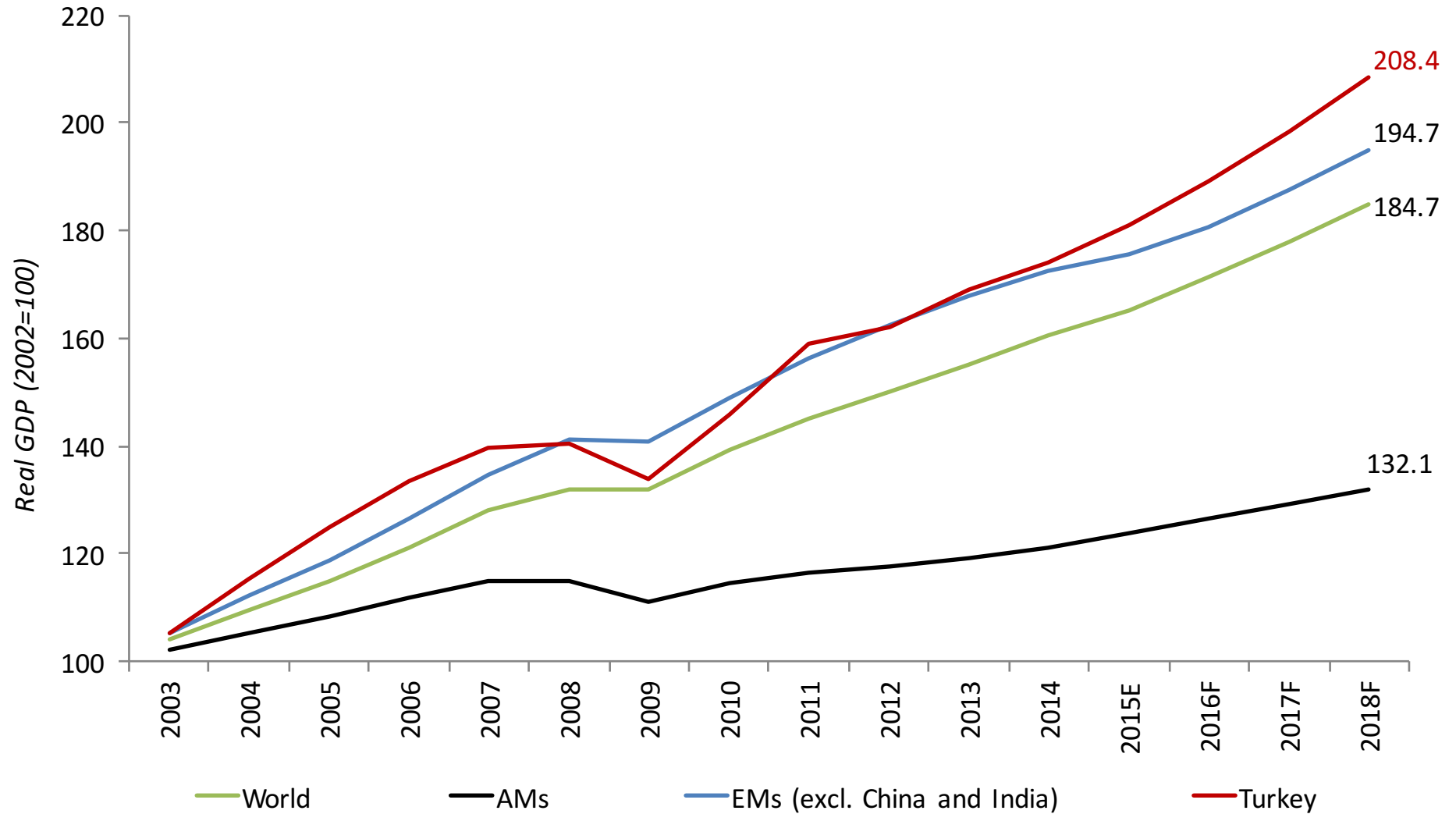
Improved Income
Distribution

Implemented a
Healthcare
Reform

Increased access
to Education

Social Security
Reform

Growth Outperformance



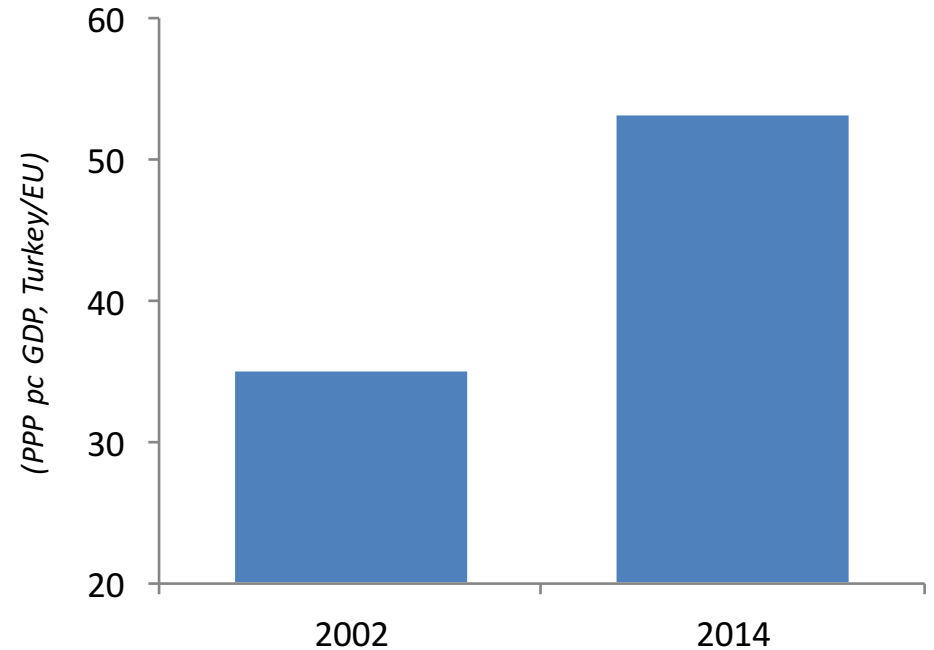
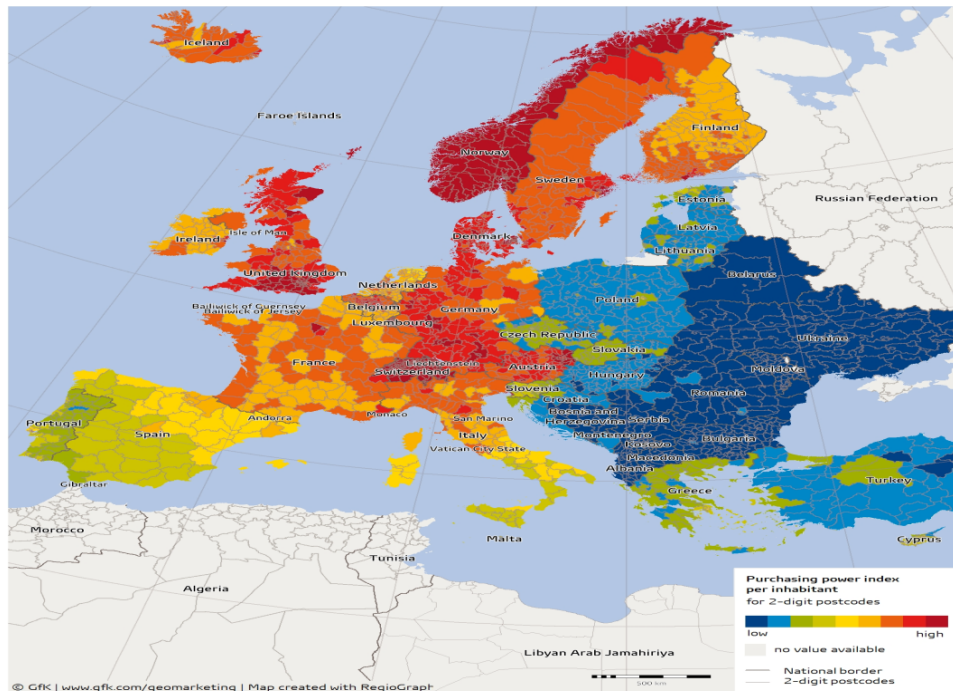
Source: TURKSTAT, IMF, Ministry of Development

E: Realization Estimate

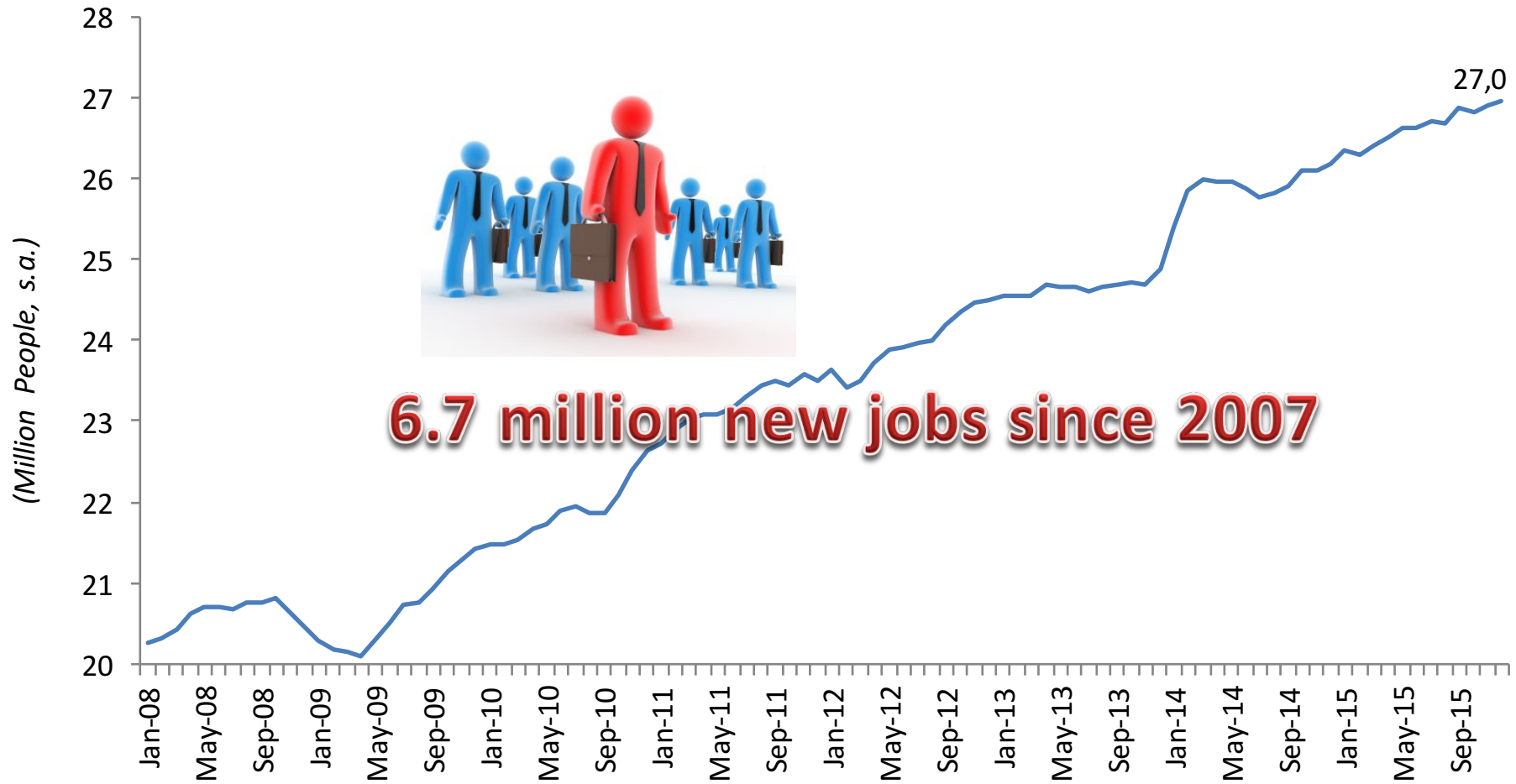
F: Forecast

Real Convergence

Turkey has narrowed the per capita GDP gap with EU by nearly 20 percentage points

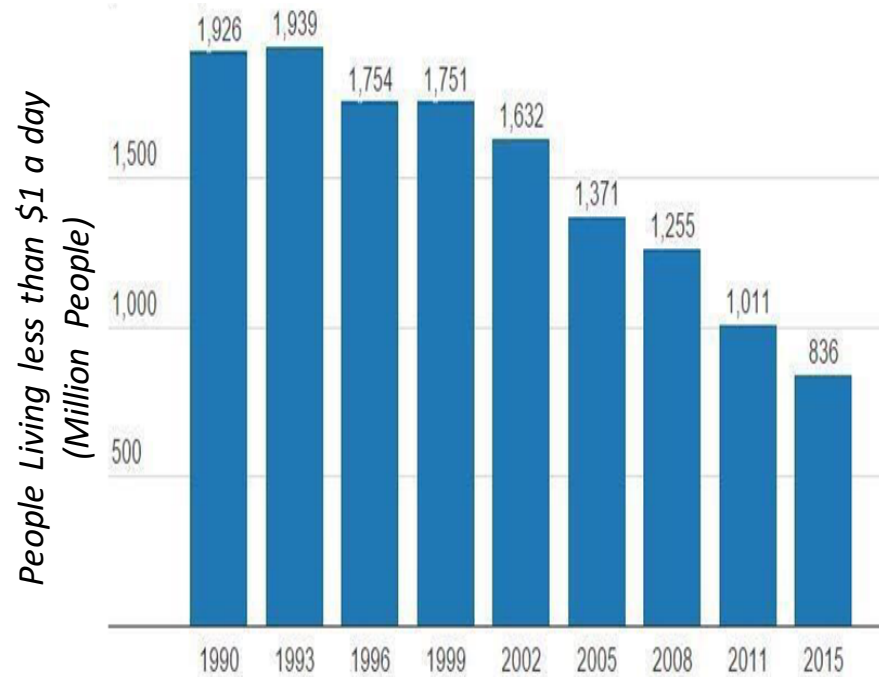


Strong Job Creation

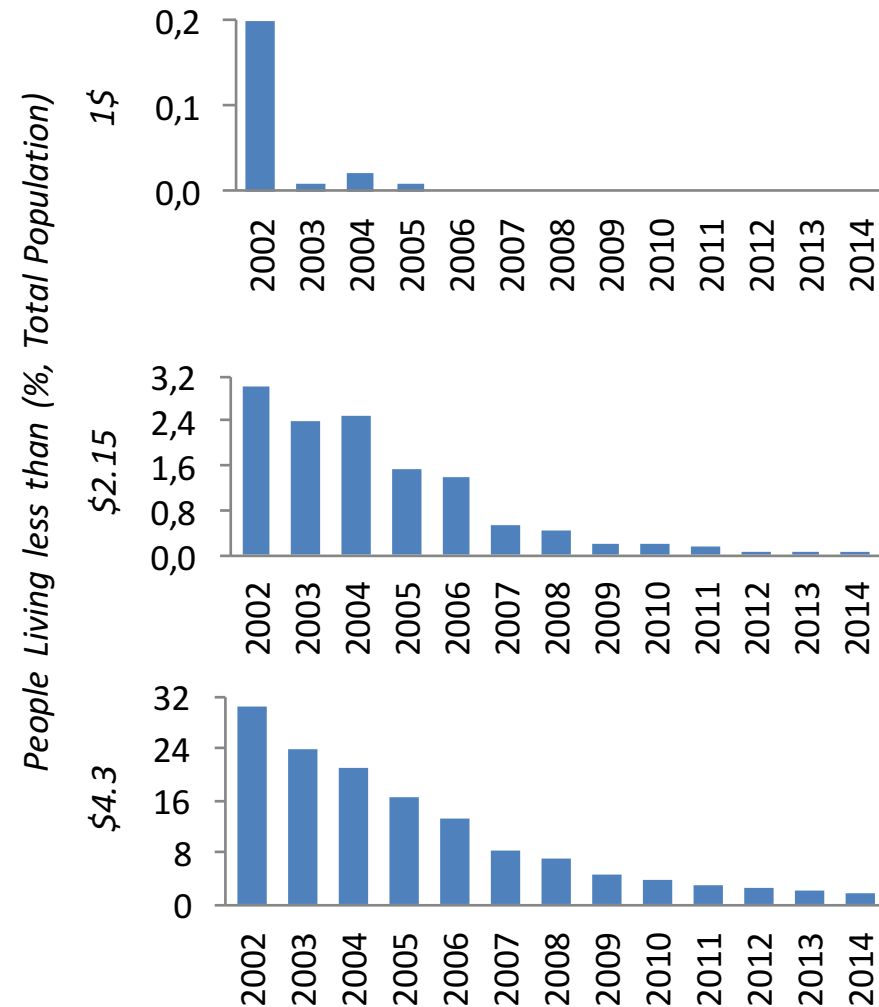


Reducing Absolute Poverty

WORLD

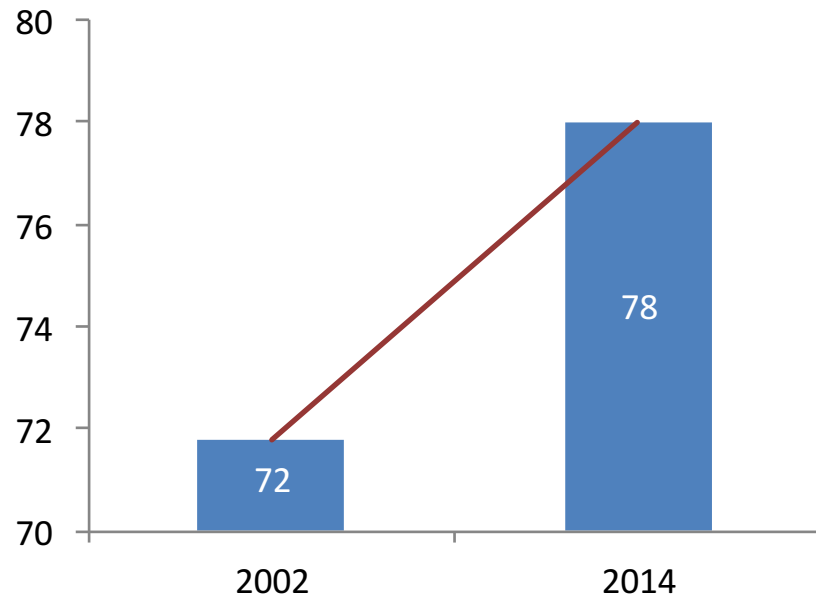


TURKEY

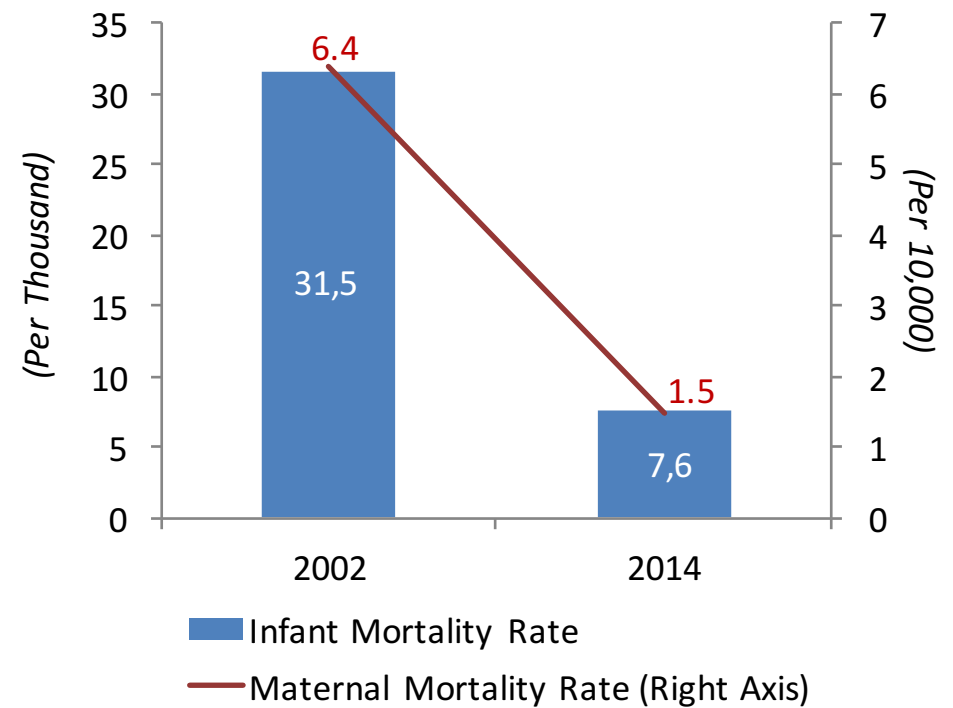


Transformed Turkey's Health System

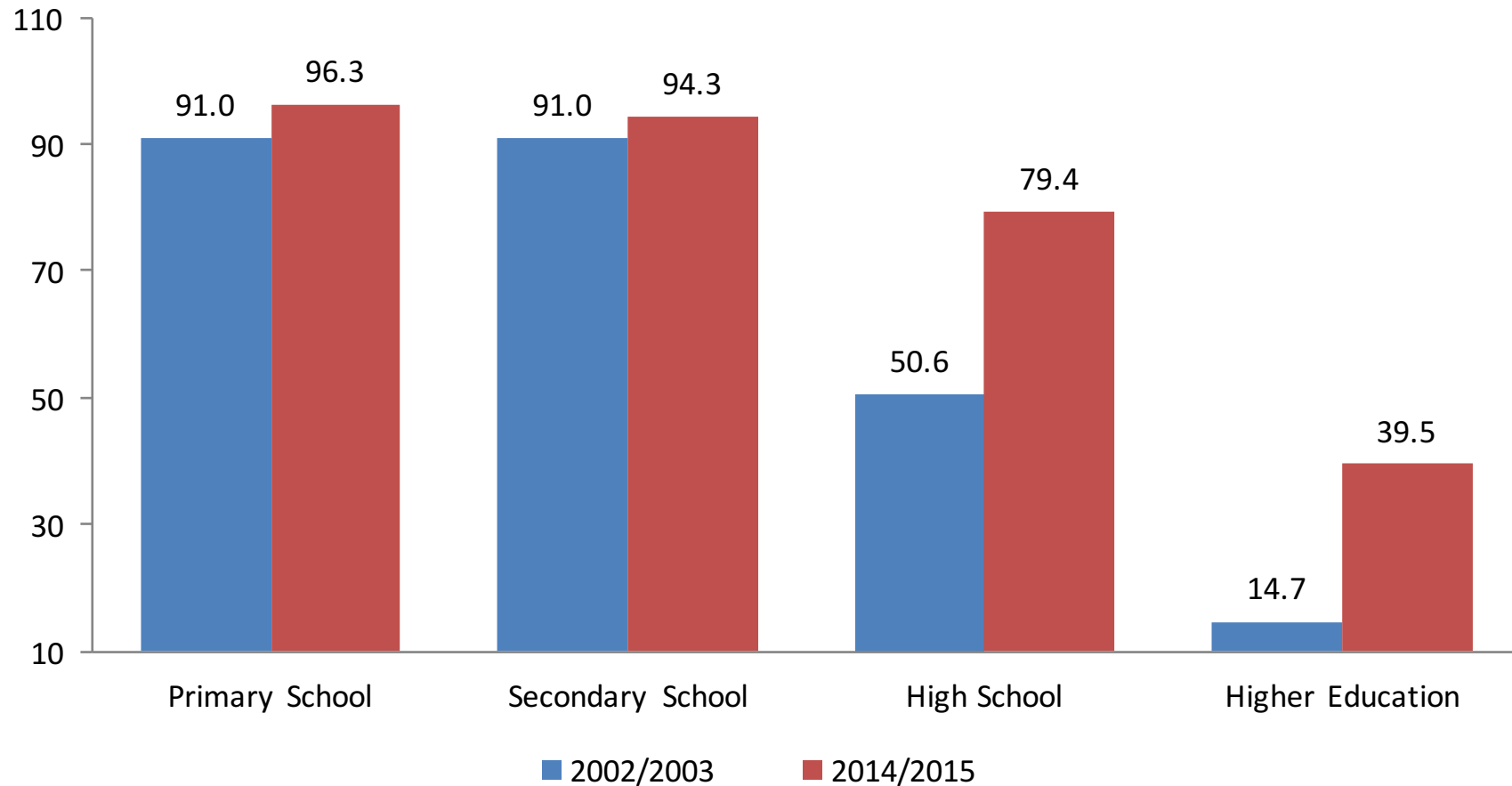
Life Expectancy At Birth



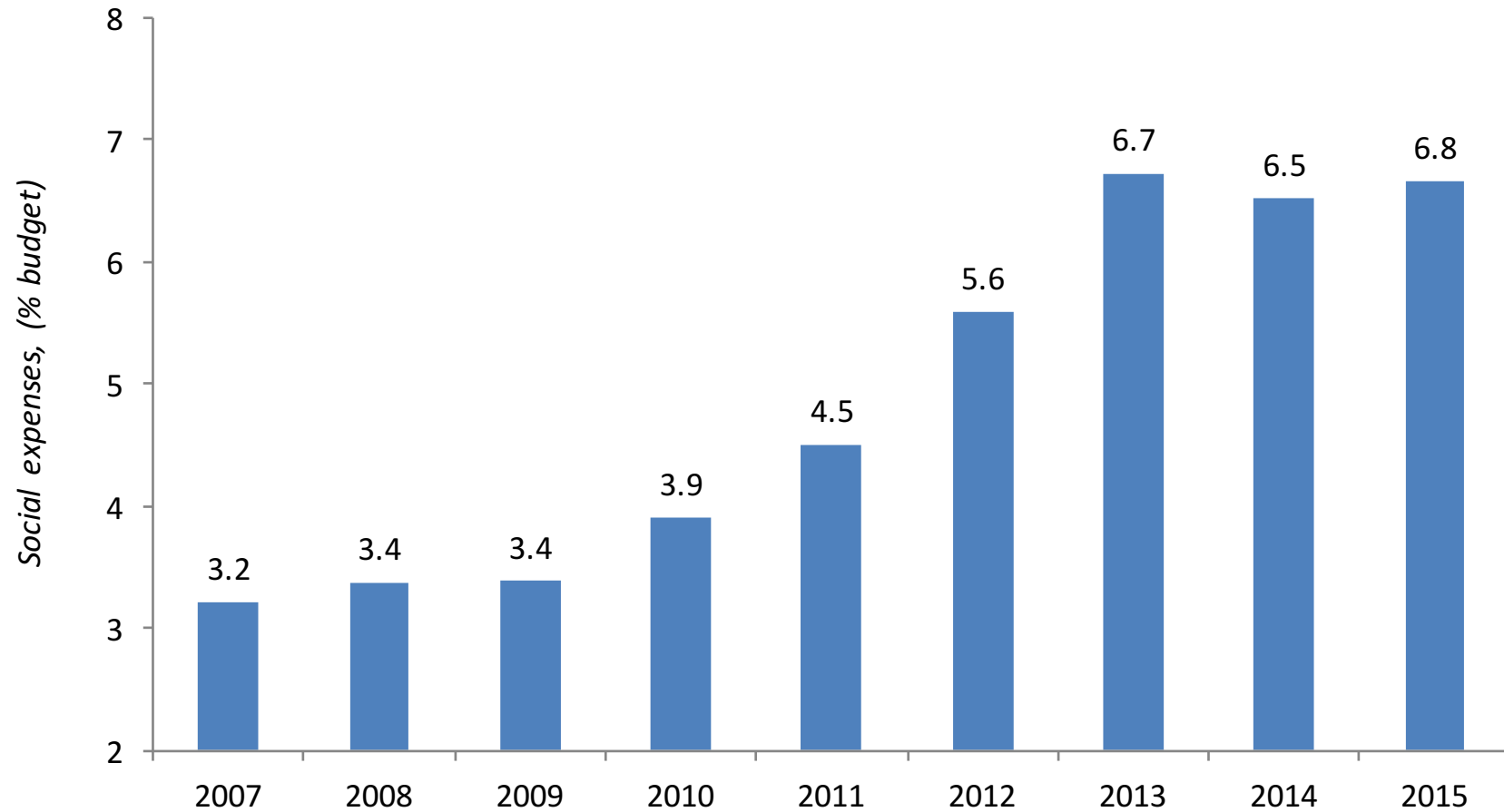
Infant & Maternal Mortality



Boosted Net Schooling Rates (%)



Beefed up the Social Safety Net





Strong Fiscal Framework

Components of Strong Fiscal Framework

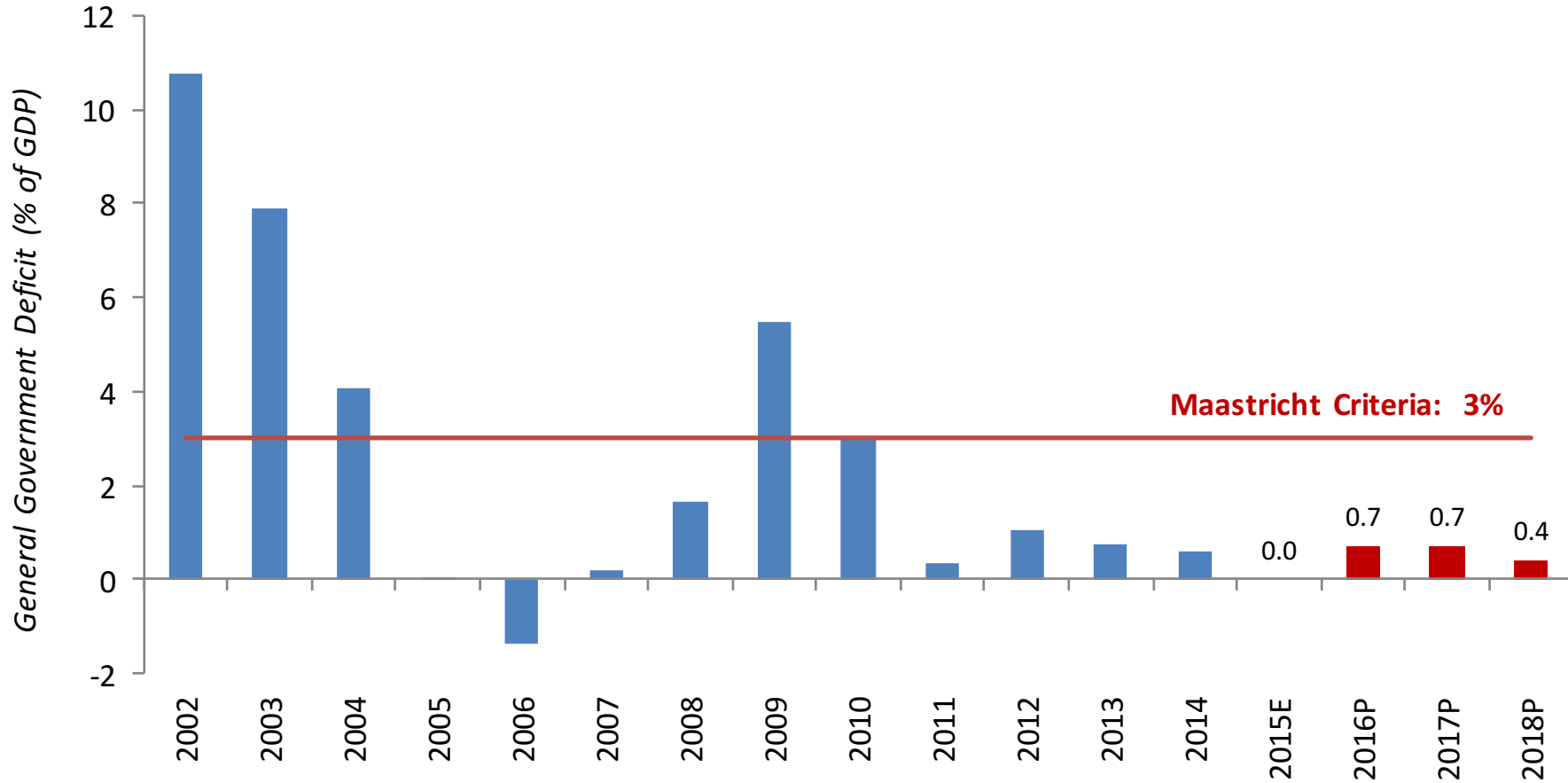
Public Financial
Management
Reform

Public Debt
Management
Reform

Tax Reform

Social Security
Reform

Strong Fiscal Position



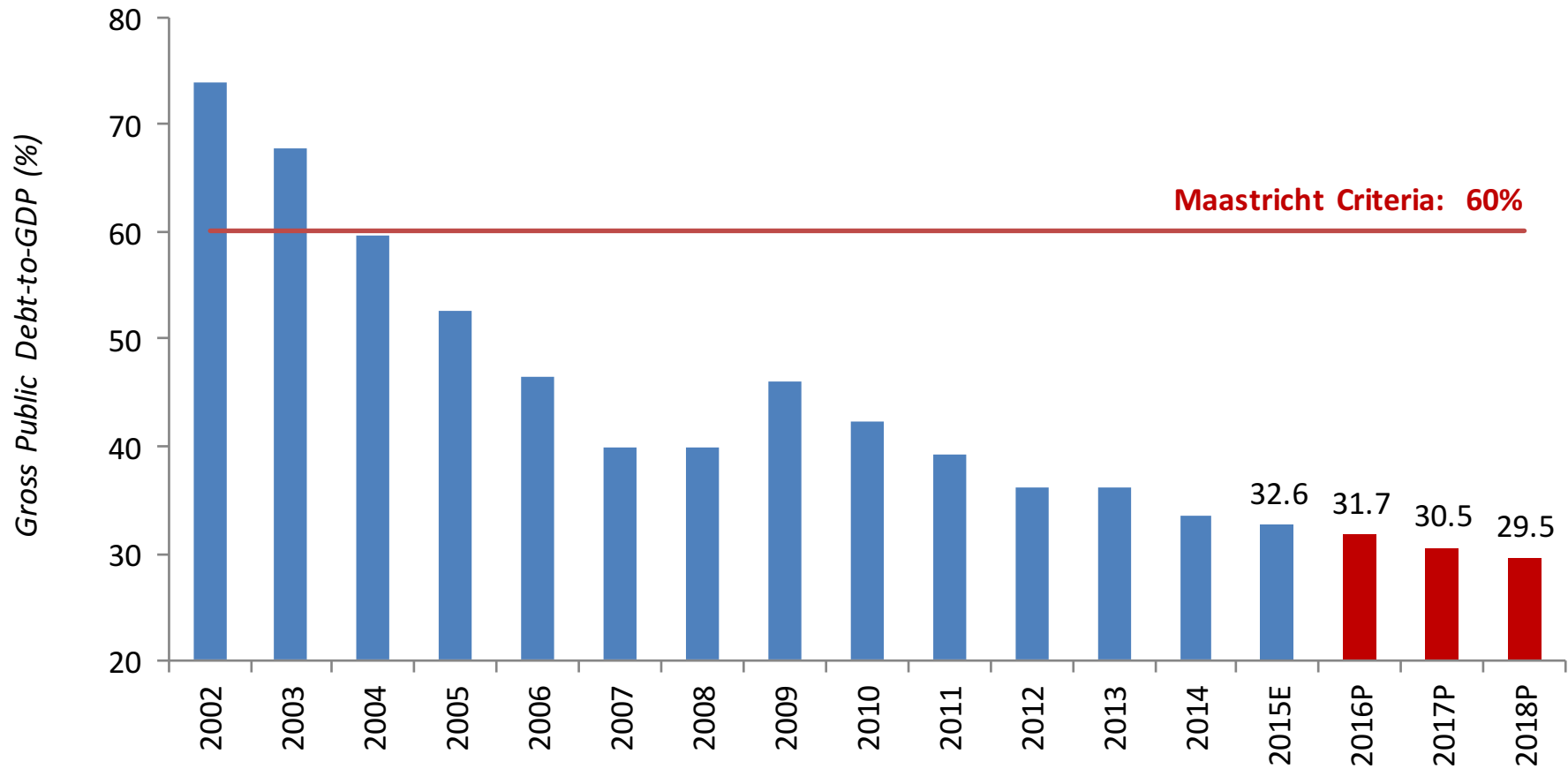
Satisfied Maastricht Criteria except 2009

Source: Ministry of Development, TURKSTAT

E: Estimate

P: Program

Favorable Debt Dynamics



Satisfying Maastricht Criteria since 2004

Source: Undersecretariat of Treasury, Ministry of Development, TURKSTAT

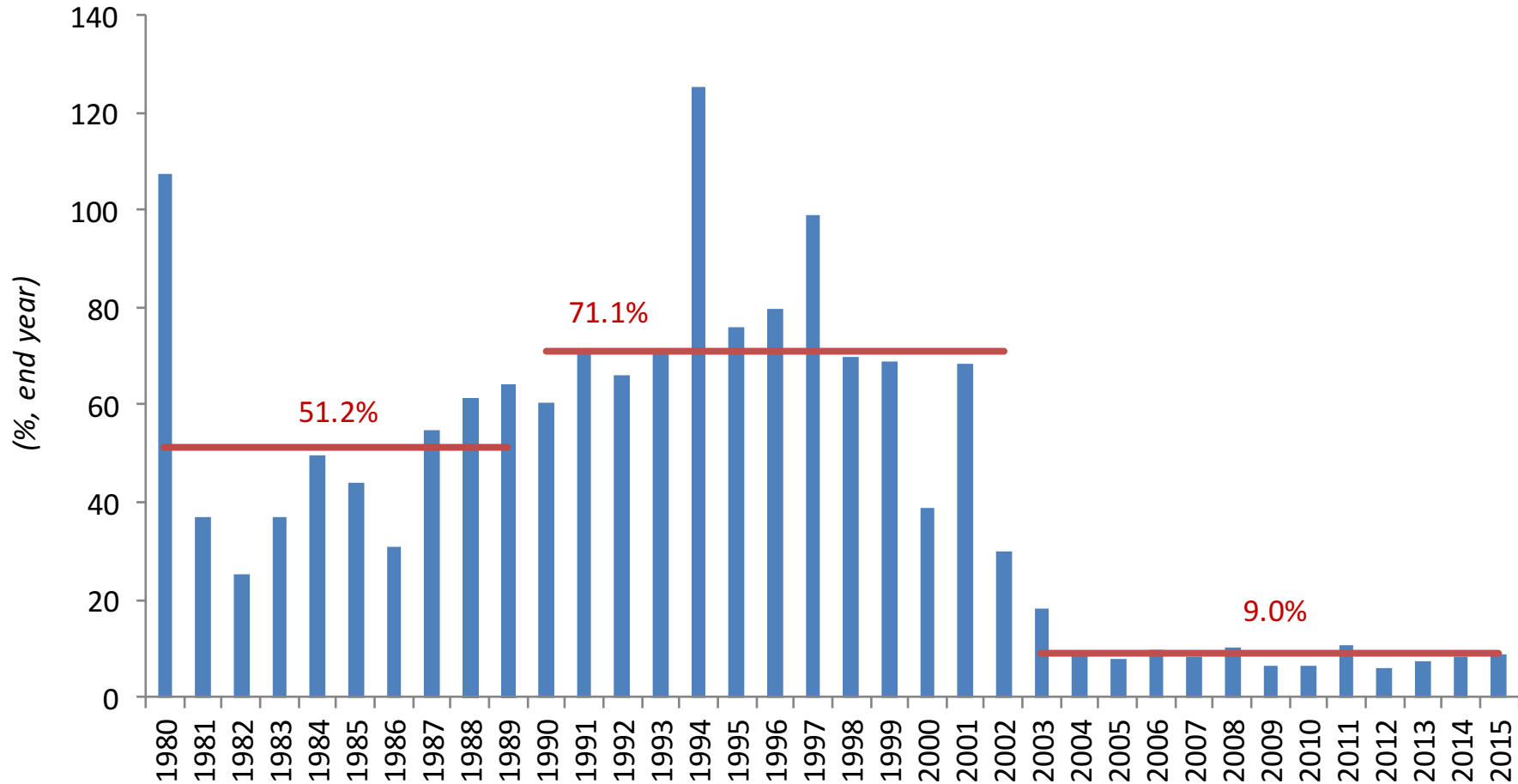
E: Estimate

P: Program



Sound Monetary Framework

A Lasting Reduction in Inflation





Healthy Financial System

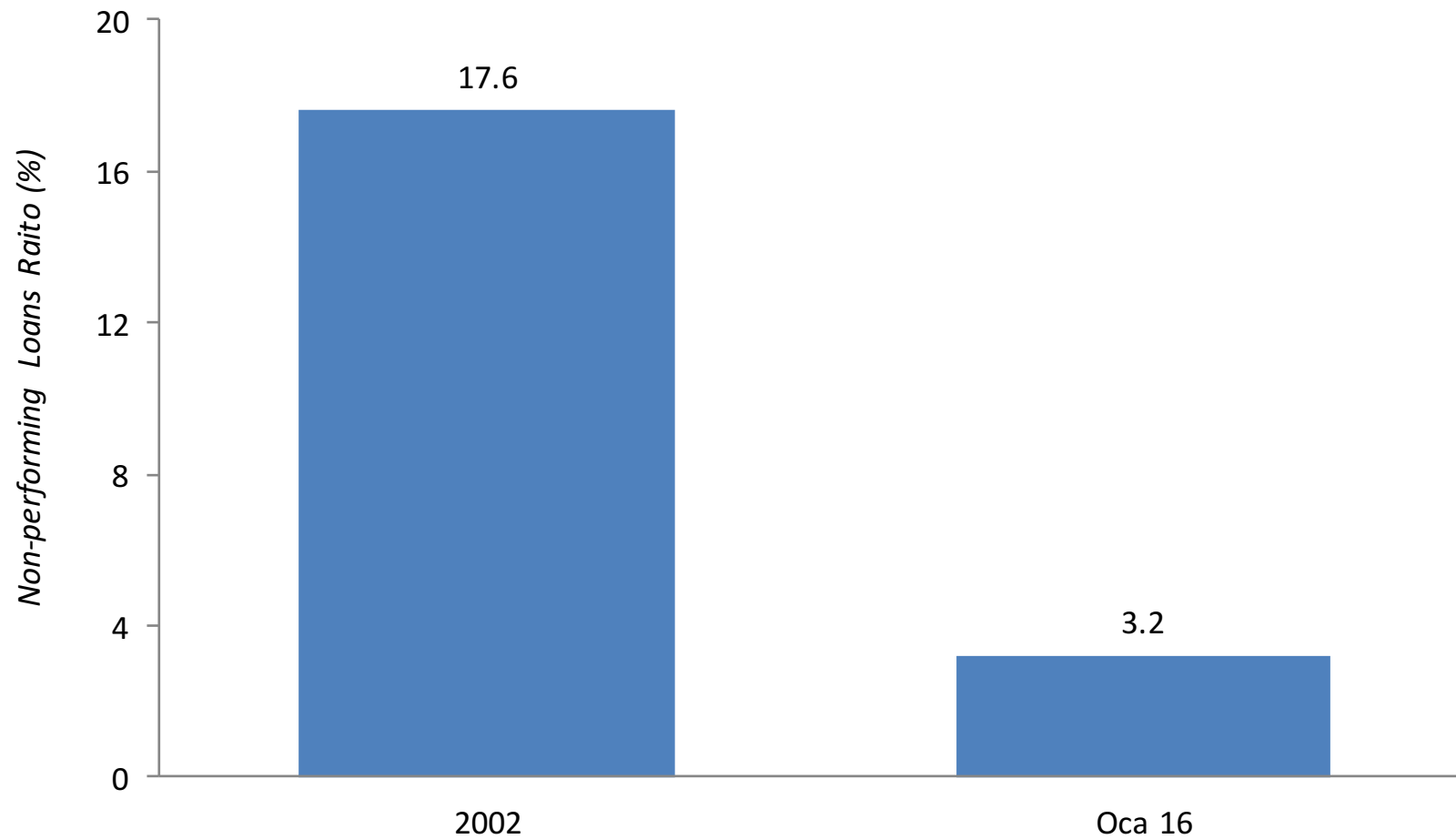
Deeping Capital Markets

Strong Banking Sector

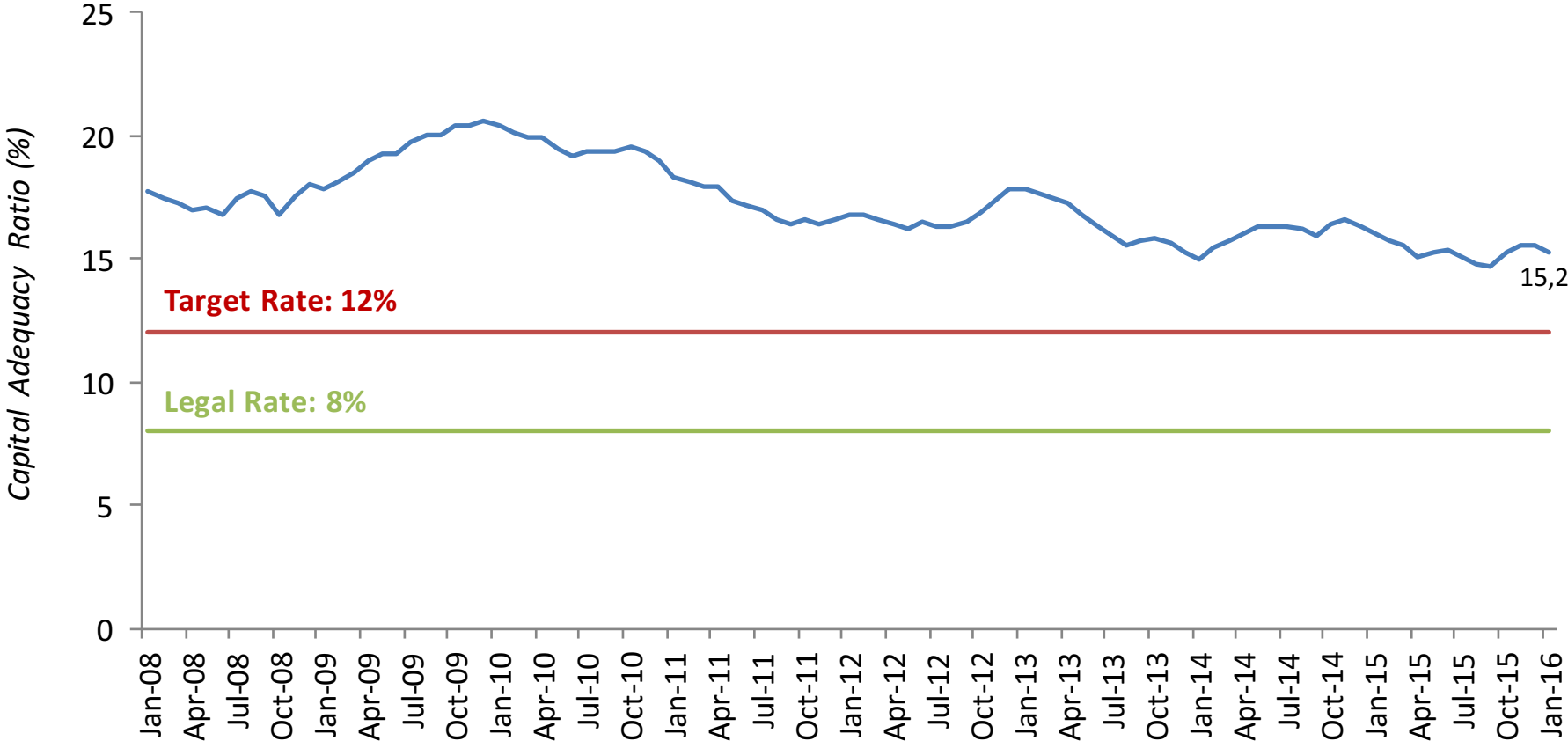
Strengthening
the Non-Banking Sector

Strengthening Interest-
free Finance and
Participation Banking

Banking Sector: High Asset Quality



Banking Sector: Strong Capital Adequacy



Private Pension System



State subsidy
25 percent

**3 million new
participants,
Since the
beginning of
2013 and 30.2
billion TL fund
rising**

**As of March 4,
2016:**

**Fund Amount: 50.5
billion TL**

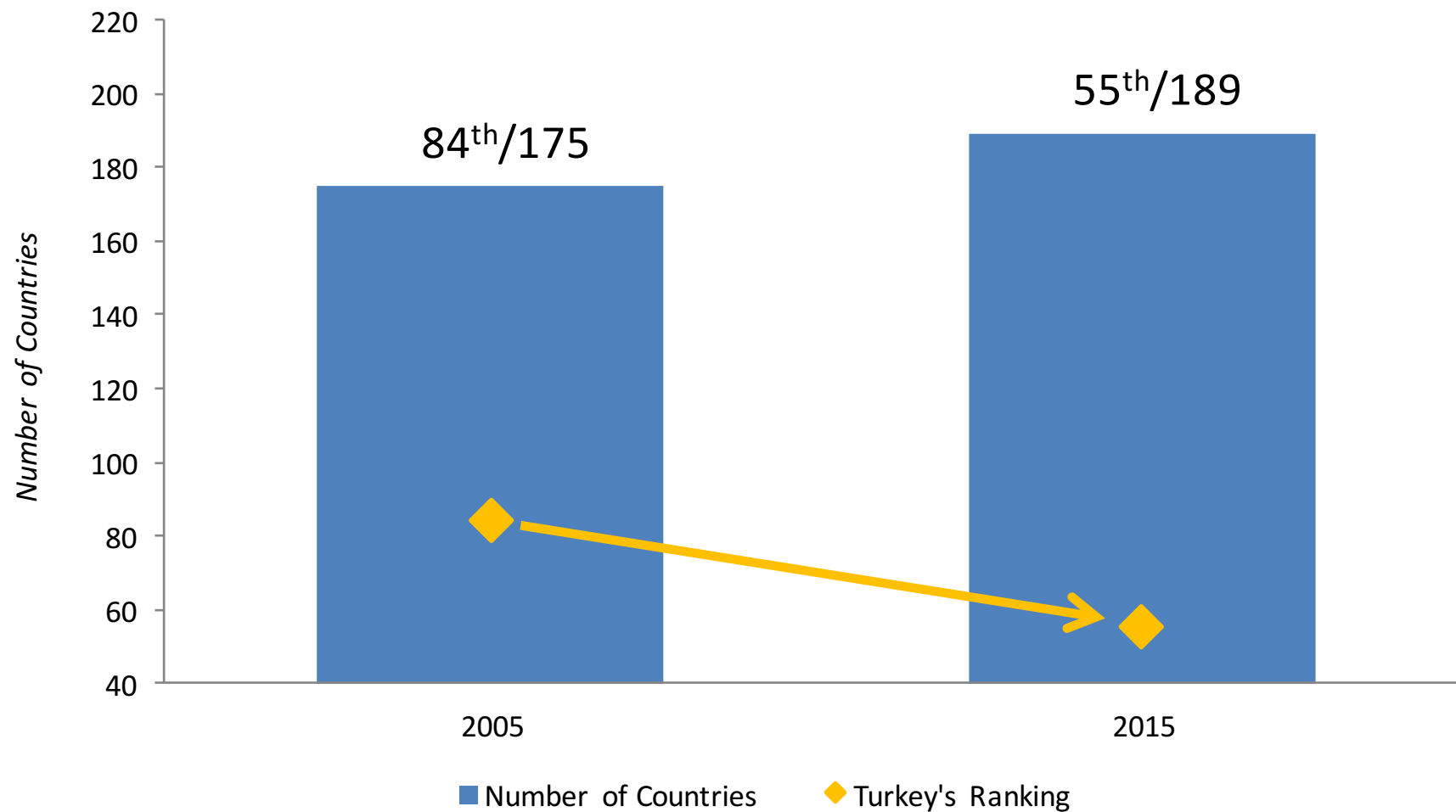
**Number of
participant: 6.1
million**



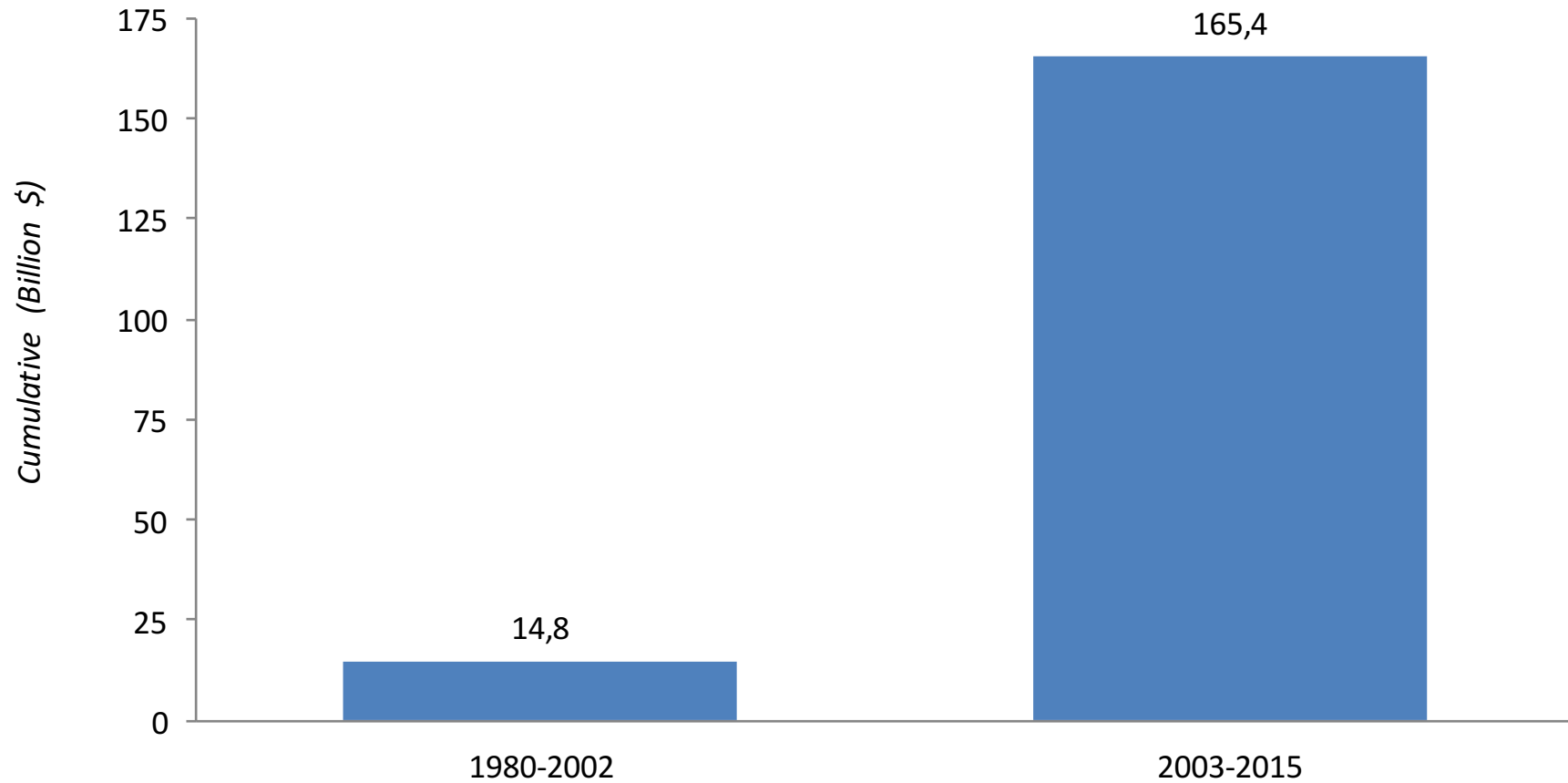
INVEST IN TURKEY

Increasing Role of Private Sector & Improving Investment Environment

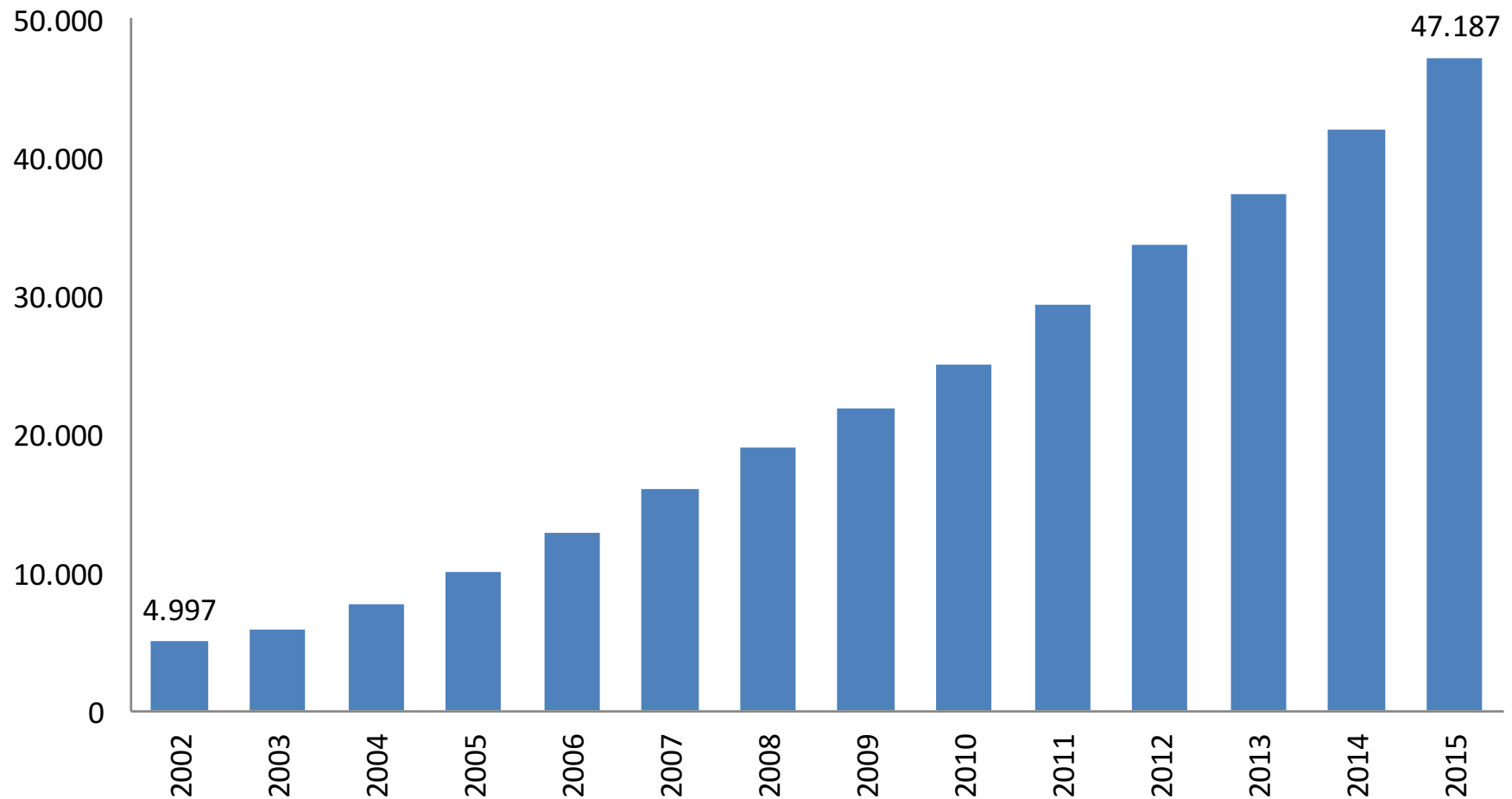
Ease of Doing Business



FDI Inflows



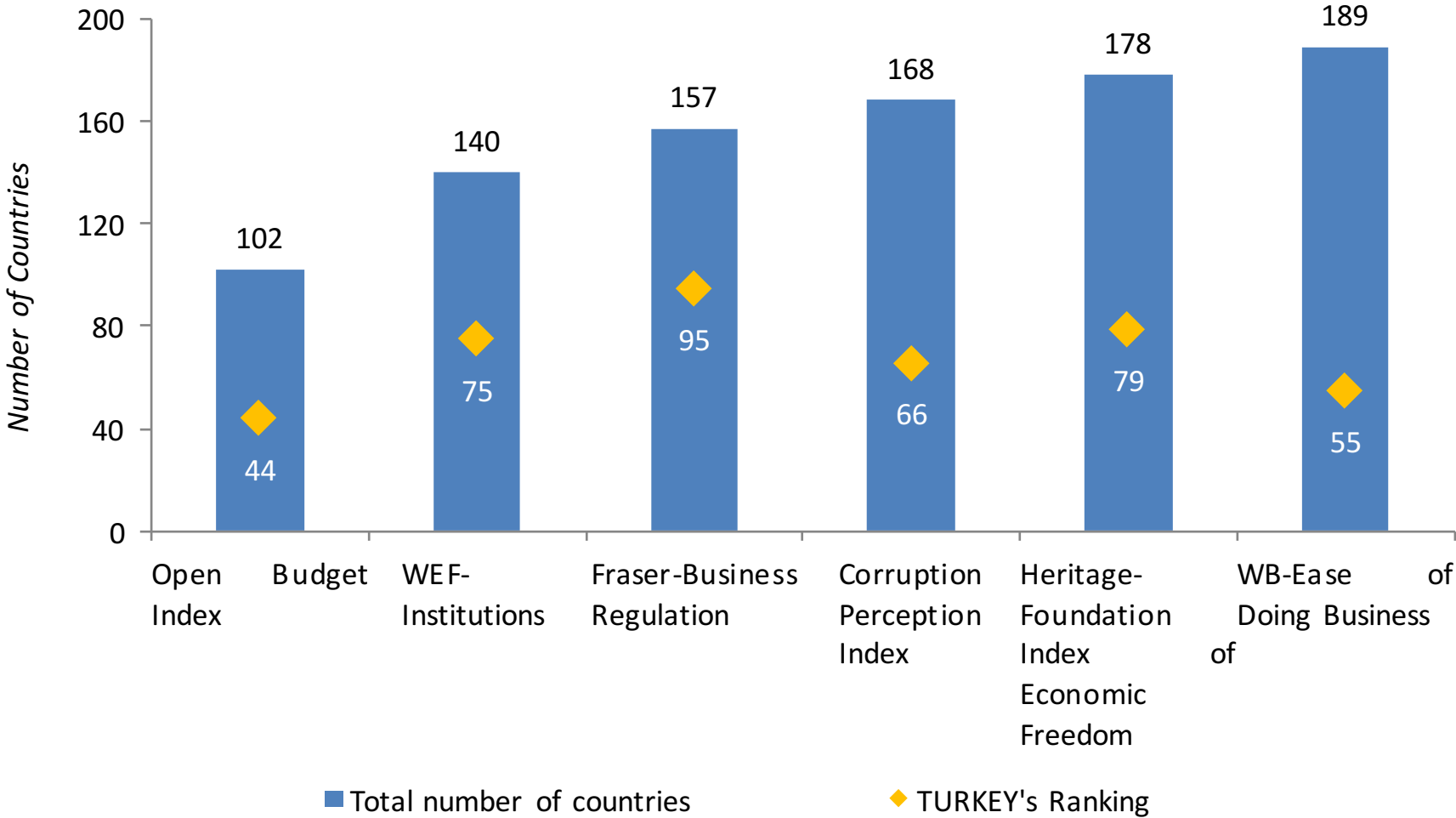
Number of Int'l Companies in Turkey





Strengthening Institutional Capacity

Quality of Institutions



Source: World Bank, World Economic Forum, Fraser Institute, Heritage Foundation, Transparency International



Another Decade of Transformation

Why Reforms?

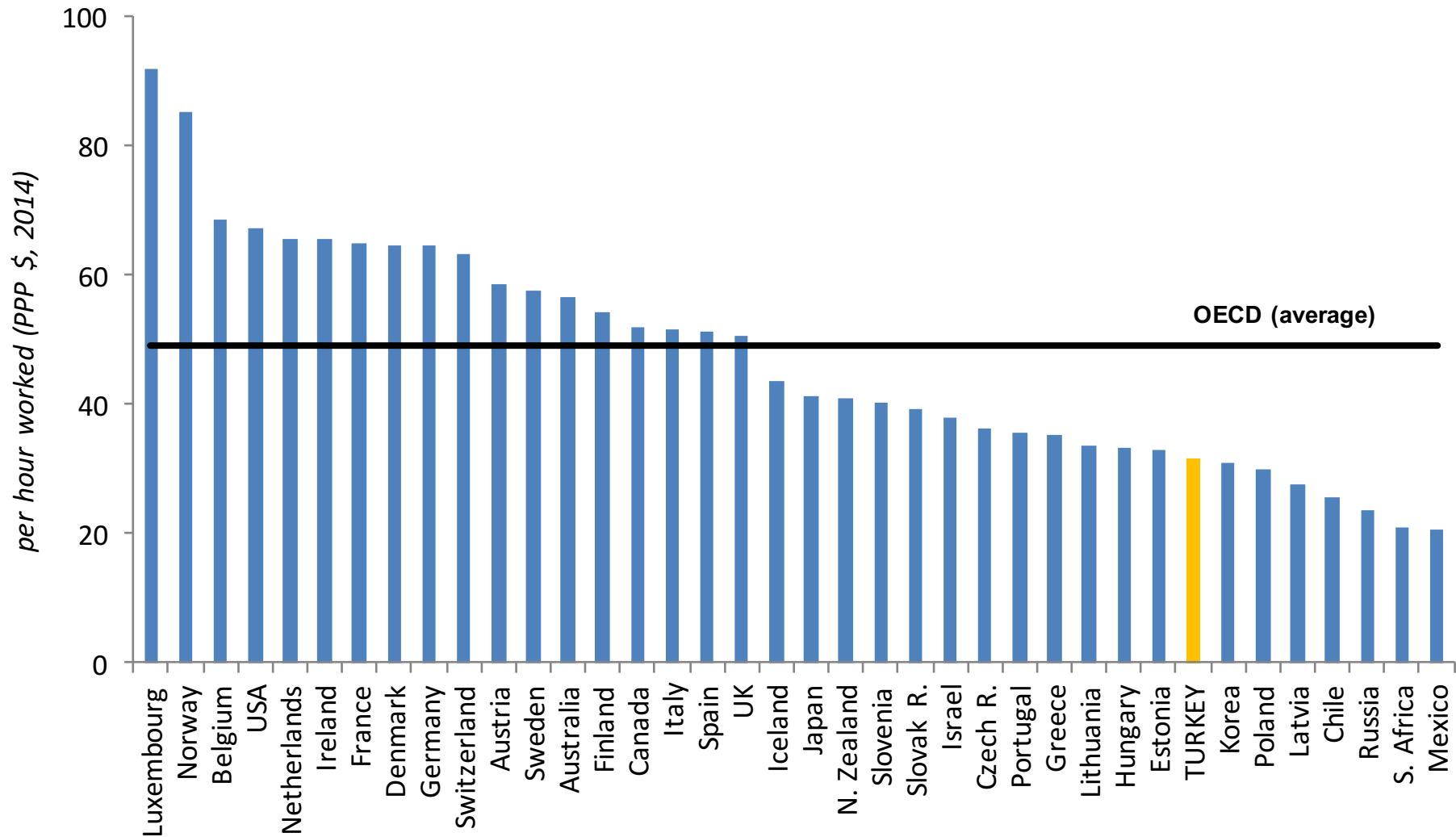
Avoid middle-income trap

Increase productivity

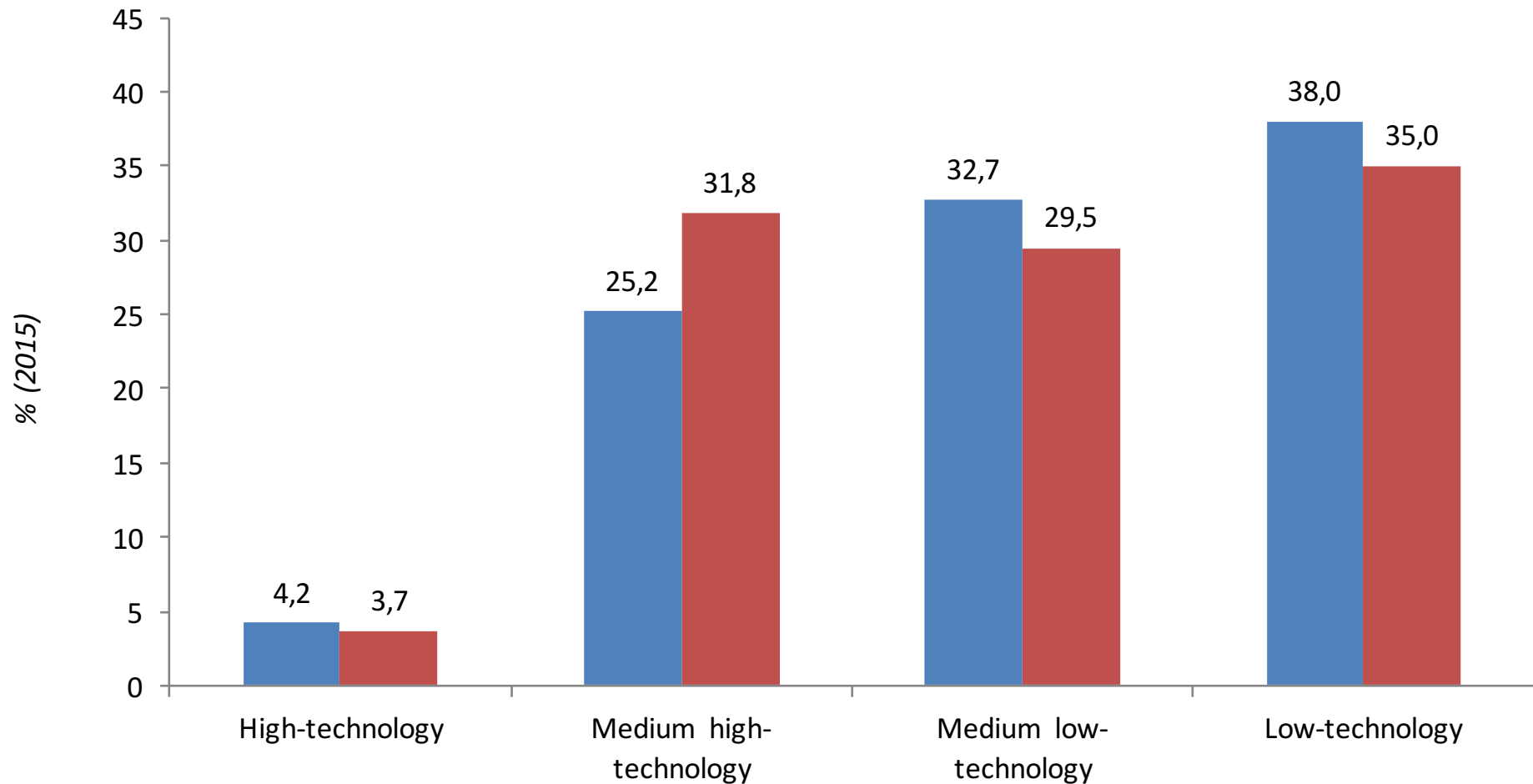
Move up the value chain

Improve competitiveness

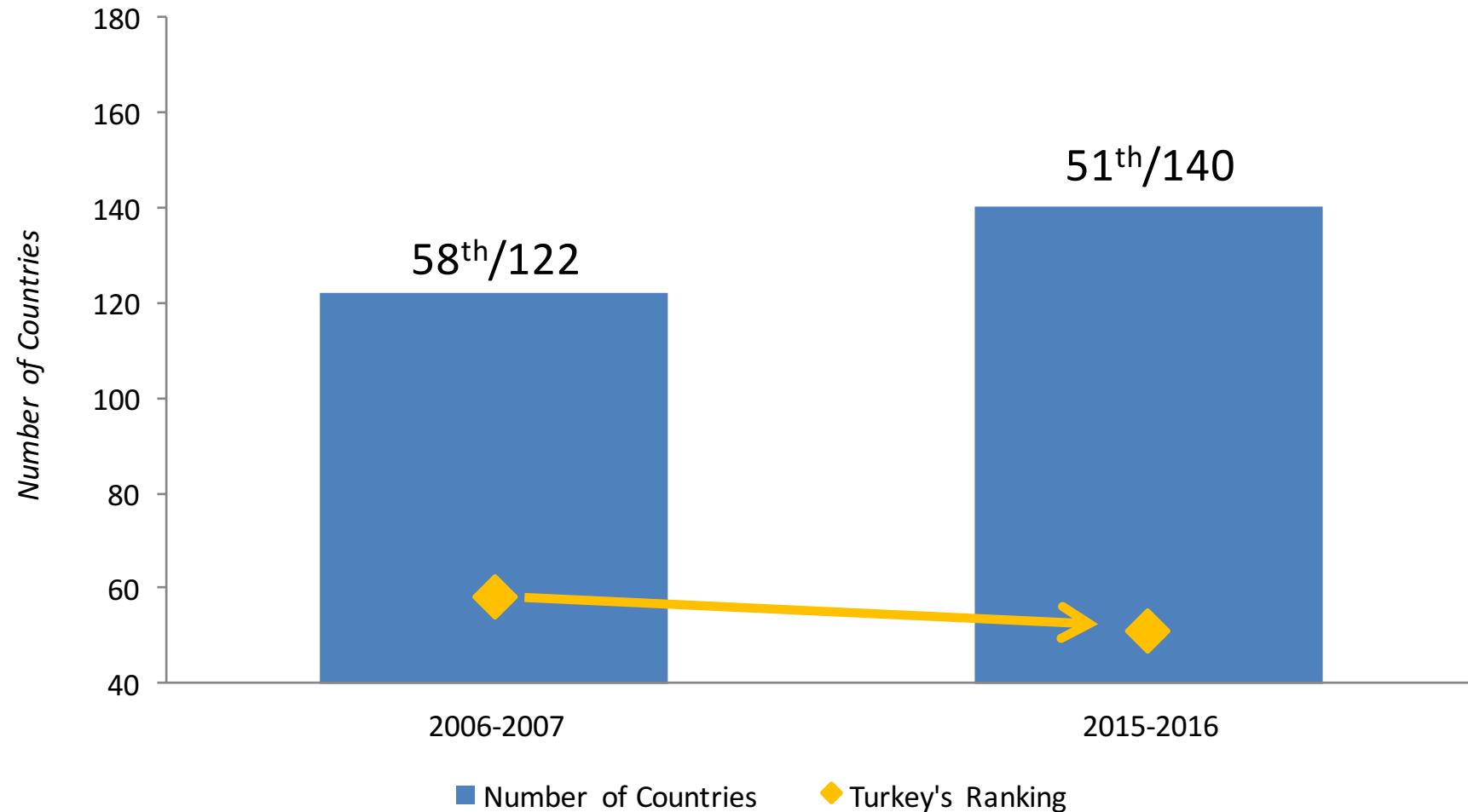
More Reforms to Boost Productivity



More Reforms to Move up the Value Chain



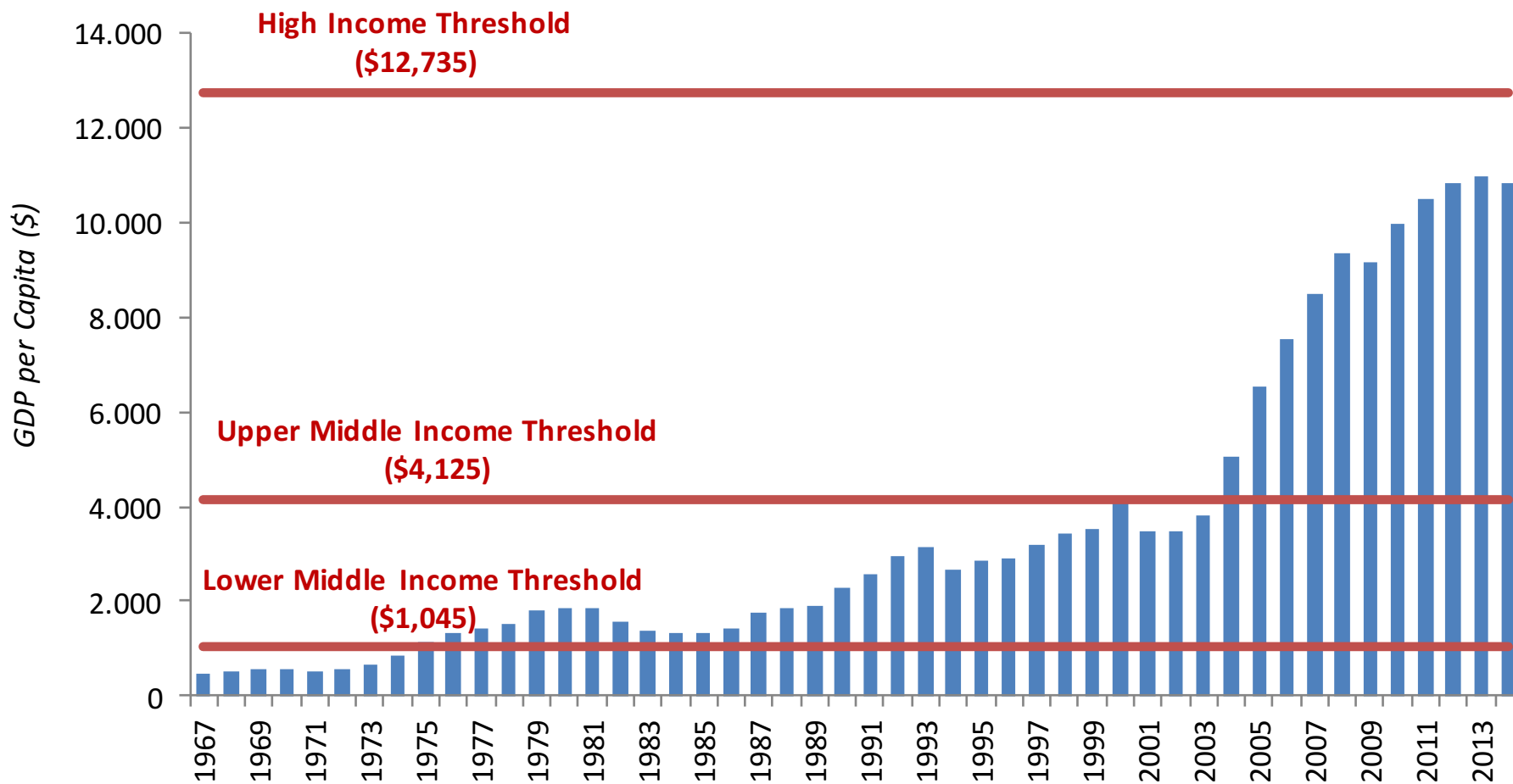
More Reforms to Enhance Competitiveness



Source: WEF, Global Competitiveness Report

Note: The lower ranks show better performance

Reforms to become a High Income Country





Medium Term Challenges

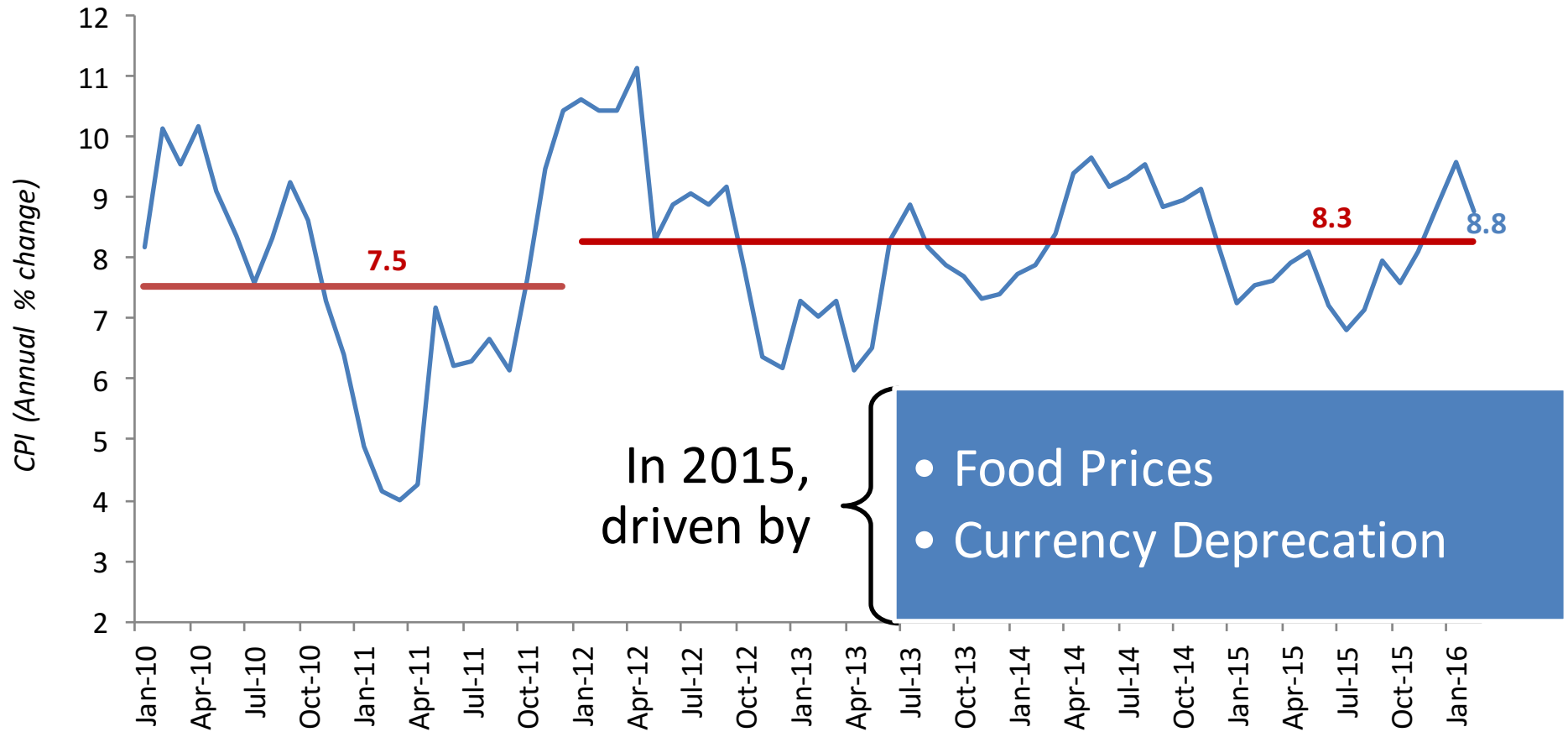
Key Macro Challenges

Inflation

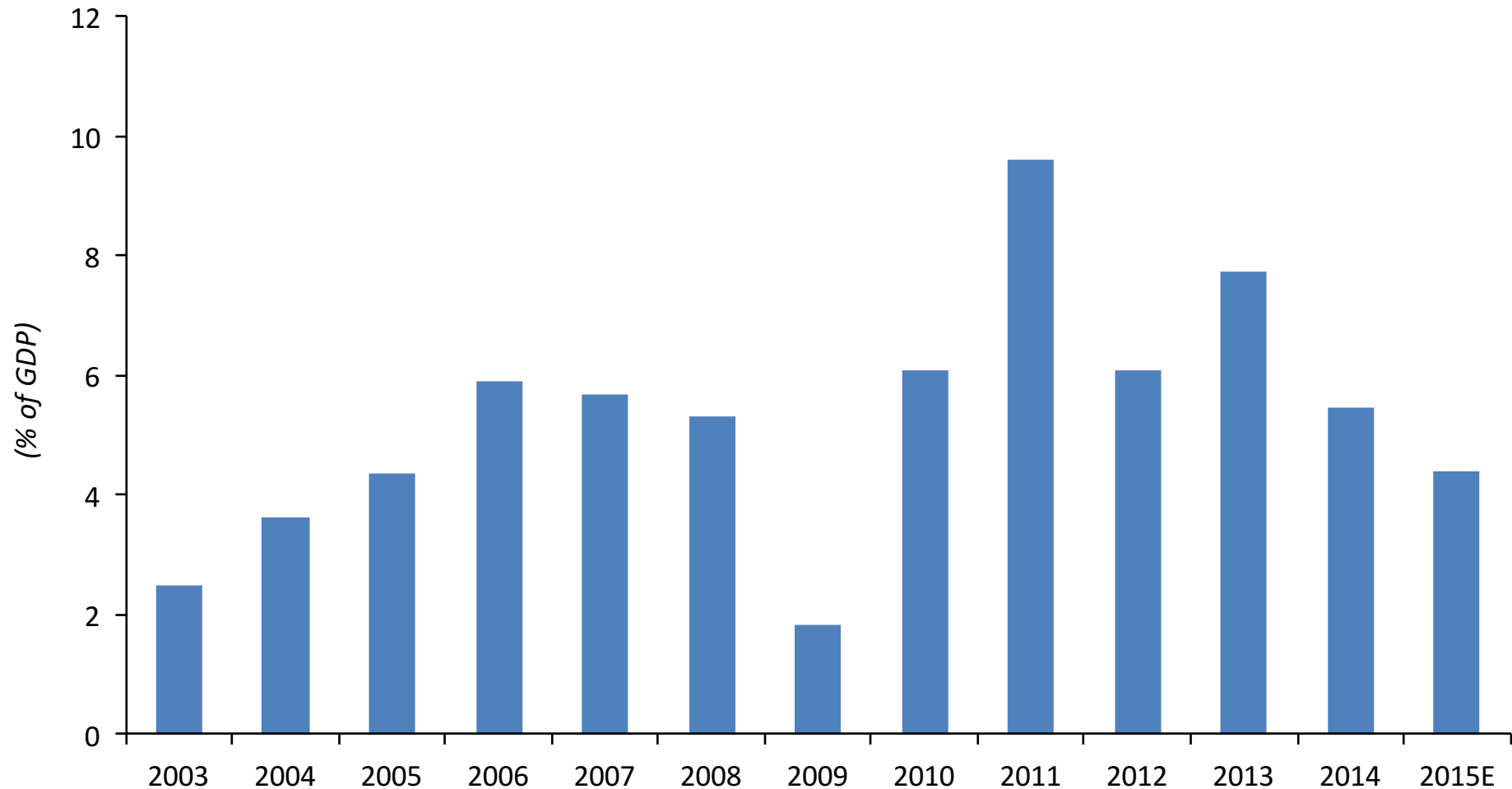
Current Account
Deficit

Unemployment

Further Disinflation is Needed



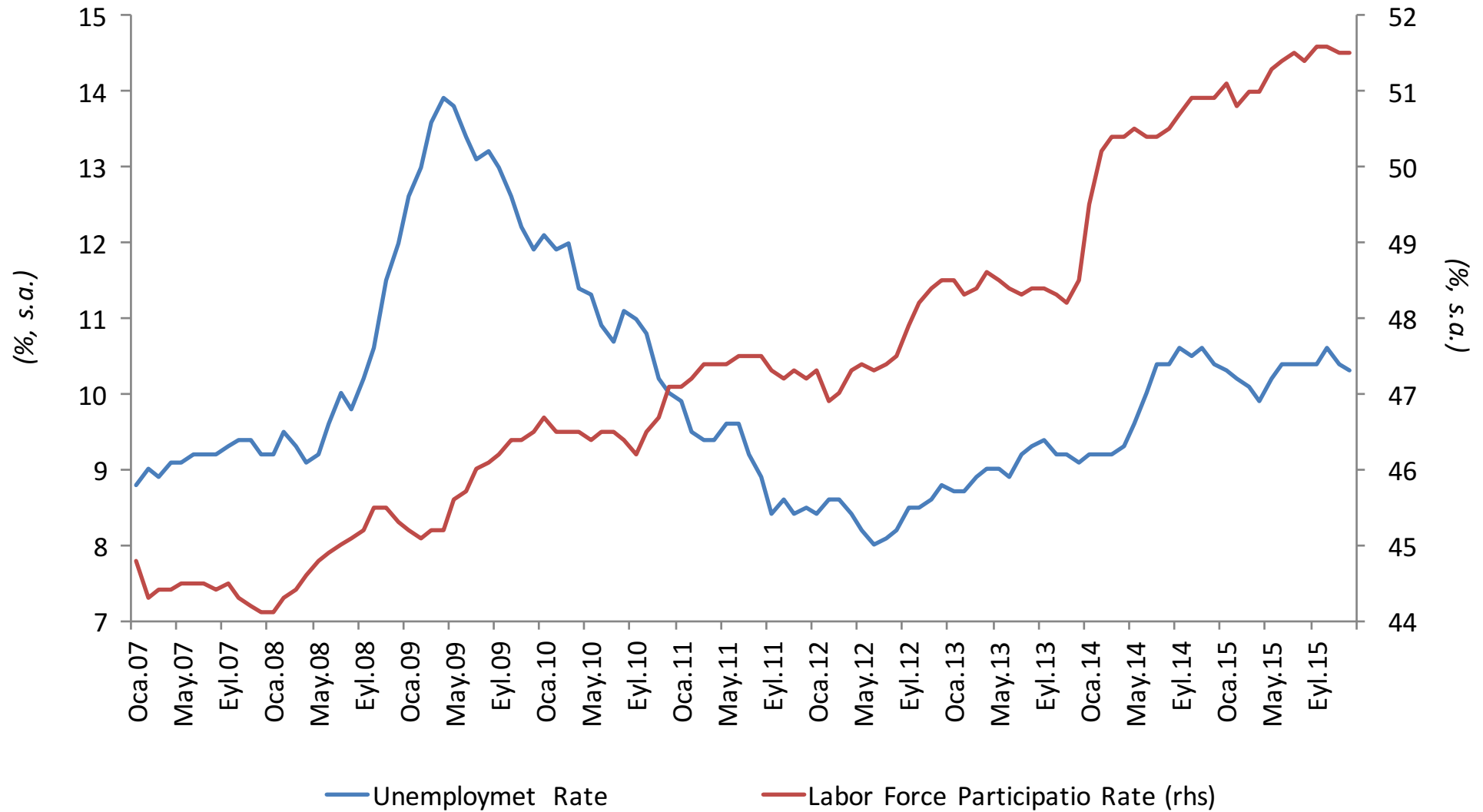
Current Account Deficit: High, but Narrowing



Source: CBRT, TURKSTAT, Ministry of Development

E: Realization Estimate

Strong Job Creation, but High Unemployment Rate





Turkey's Reform Program

Three Pillars

Sectoral
Transformation
(Micro Reforms)

Structural
Reforms
(Macro)

EU Accession
Process



Sectoral Transformation (Micro Reforms)

Sectoral Transformation



25

Transformation
Programs

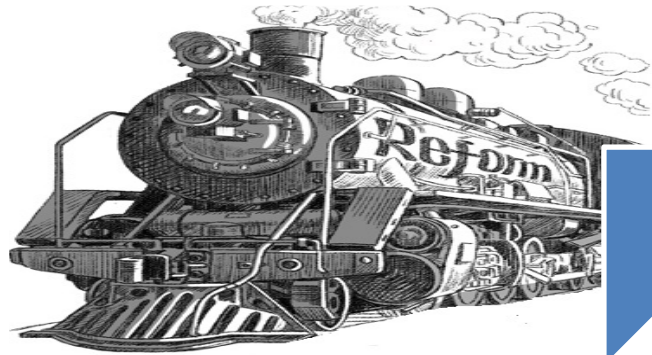


1,250

Micro Reforms

Sectoral Transformation: 25 Programs

Reducing Import Dependency	Commercialization in Priority Technology Areas	Tech. Develop't and Dom. Prod'n through Public Procurement	Domestic Resource Based Energy Production	Energy Efficiency Improvement
Enhancing Efficiency of Water Use in Agriculture	Healthcare Related Industries Structural Transformation	Health Tourism Improvement	Transformation from Transportation to Logistics	Enhancing Productivity In Manufacturing
Increasing Domestic Savings and Avoiding Waste	Istanbul International Financial Center	Rationalization of Public Expenditures	Public Revenue Quality Enhancement	Business and Investment Climate Improvement
Statistical Infrastructure Development	Family and Dynamic Population Structure Conservation	Improving Labor Market Effectiveness	Reducing Informal Economy	Basic and Occupational Skills Development
Attracting Qualified Human Resources	Healthy Life and Mobility	Institutional Capacity Improvement at Local	Competitiveness and Social Cohesion Enhancing Urban Regeneration	Improving the Infrastructure of International Cooperation for Development



Structural Reforms (Macro Reforms)

Structural Reforms (Macro Reforms)

Labor Market
Reforms

Education Reform

Enhancing
Investment
Climate

Enhancing
Transparency &
Combatting
Corruption

Judicial Reform

Public Finance &
Public
Administration
Reform

Components of Labor Market Reform

Attracting Global
Talent
(Turquoise Card)

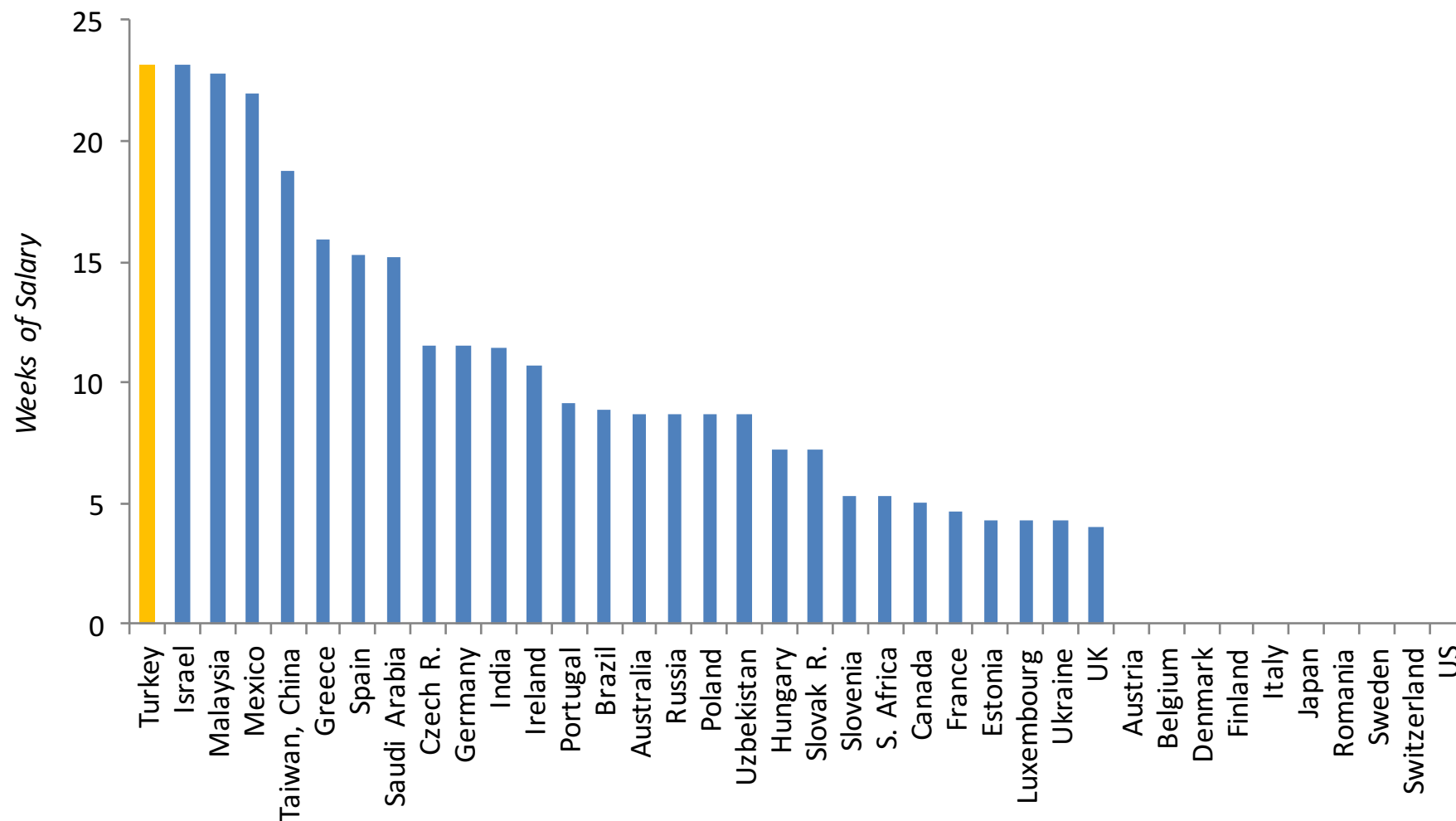
Part-time & Flex-
Work

Private
Employment
Agencies

On-the-Job
Training

Severance Pay

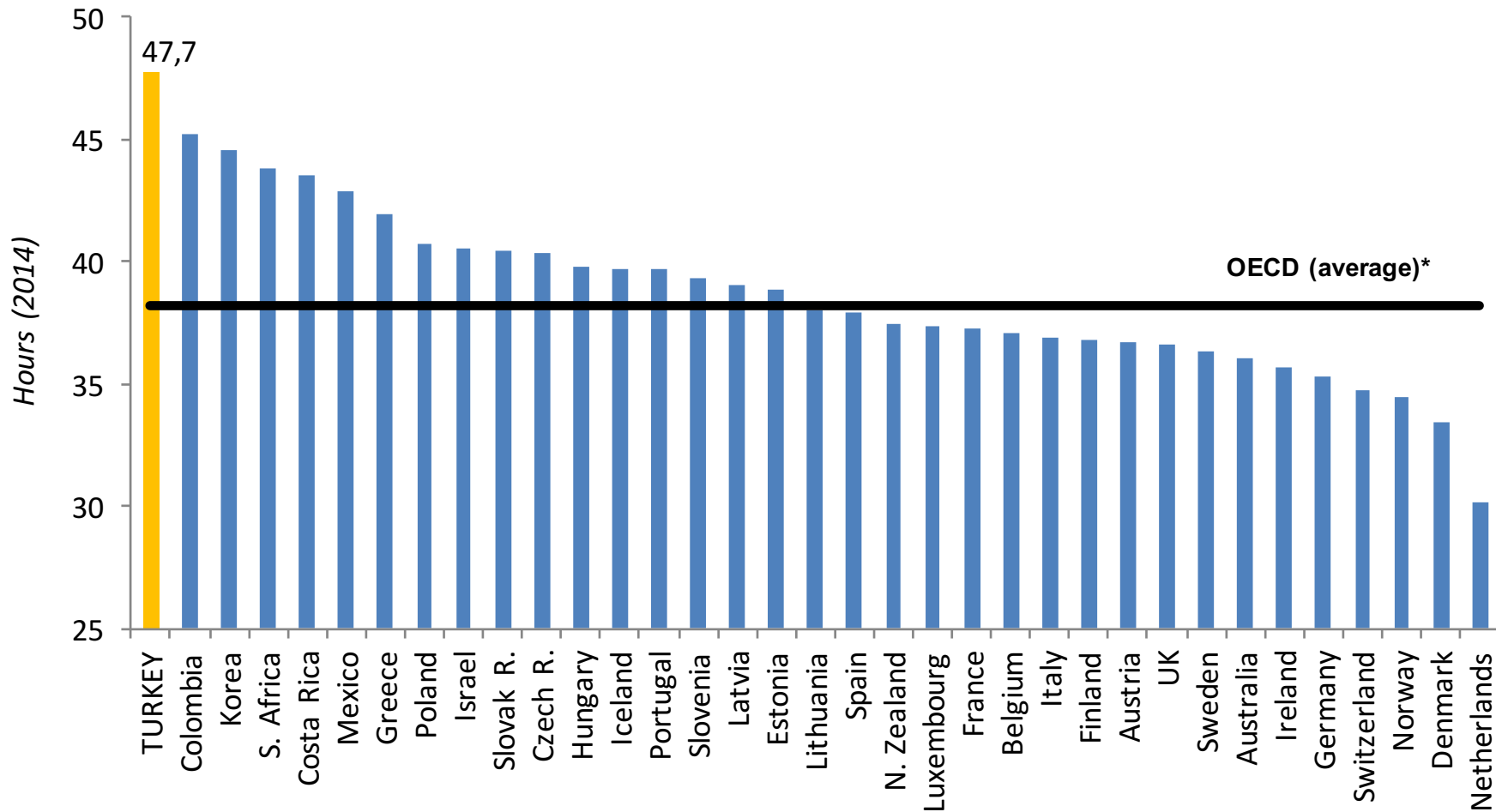
Severance Pay



Source: World Bank, Doing Business 2016, labor market regulation data

Note: Average for workers with 1 year, 5 years and 10 years of tenure.

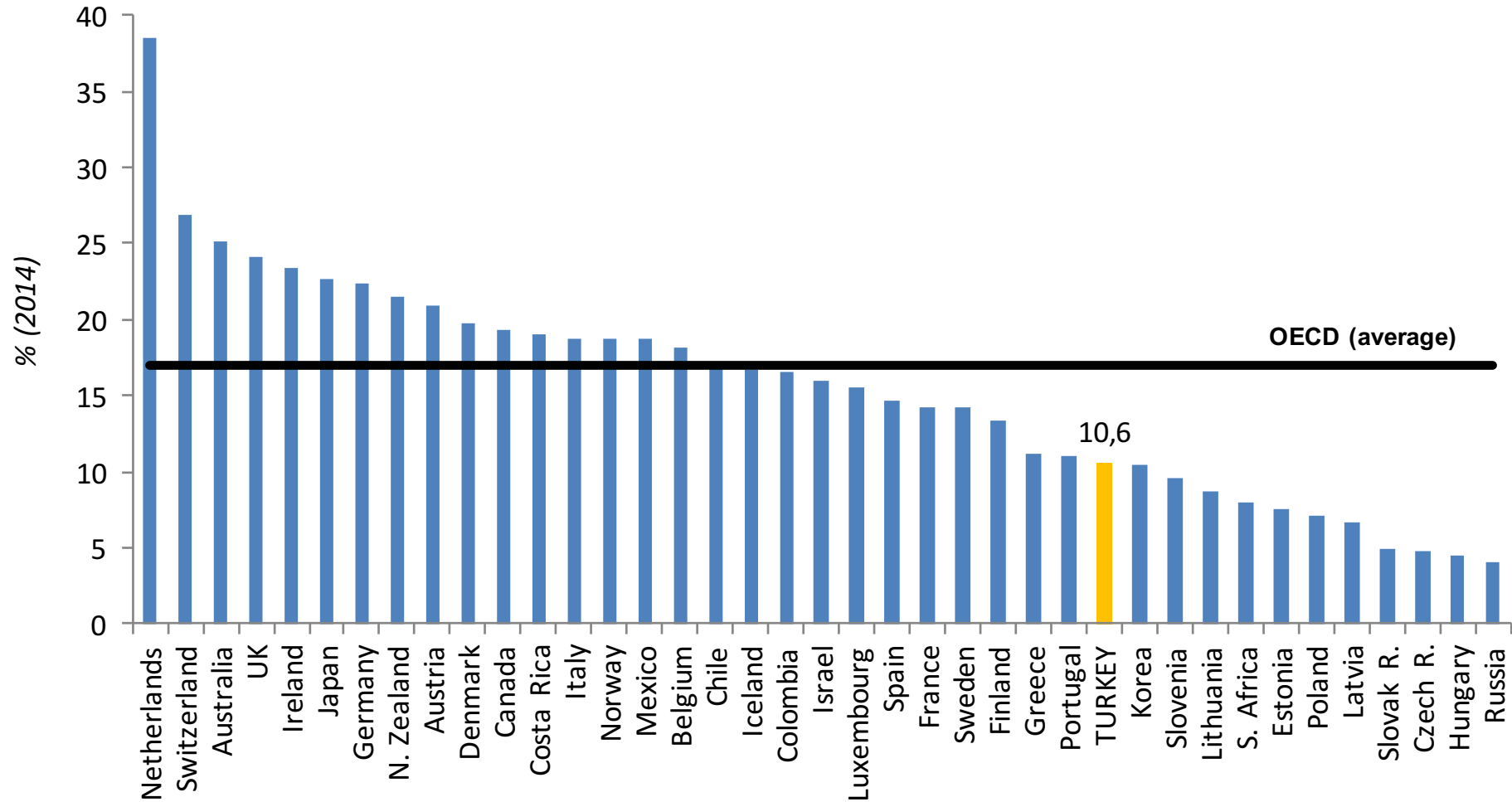
Average Weekly Hours Worked on the Main Job



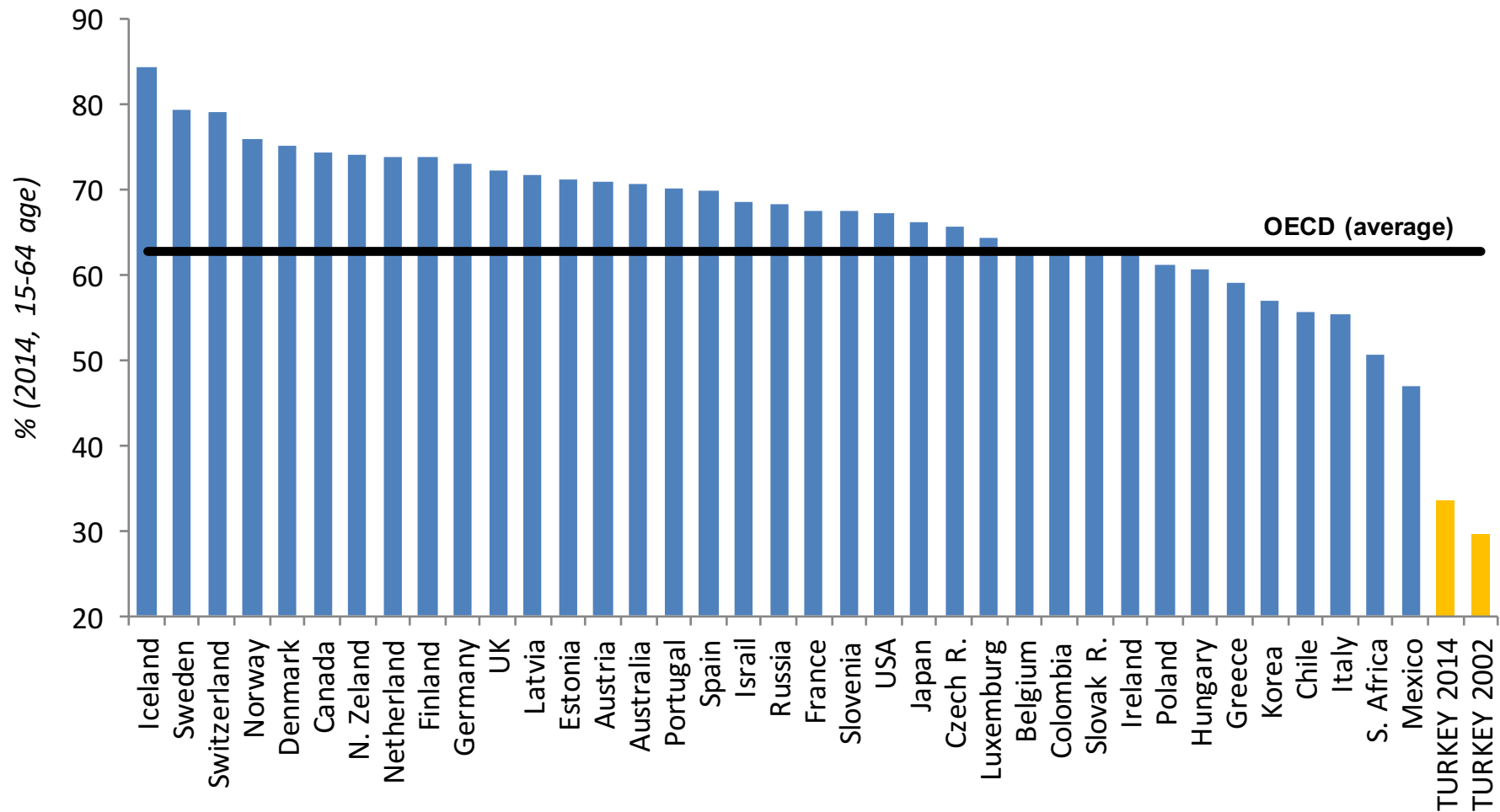
Source: OECD

(*) Data show average of OECD countries.

Share of Part Time Employment



Female Labor Force Participation



Education Reform

Teachers
Training

Performance
Measurement &
Quality Index

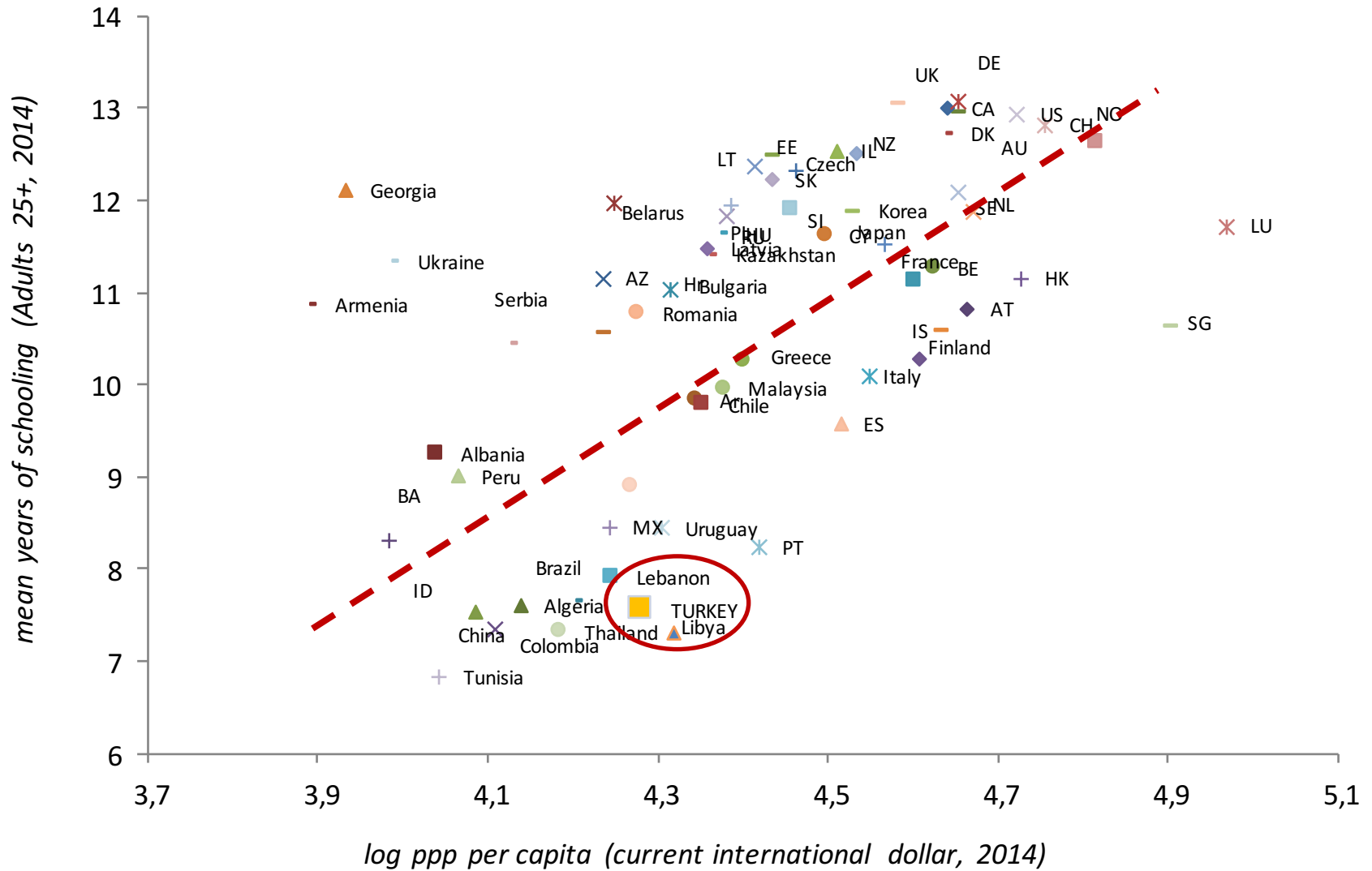
Vocational &
Technical
Training

School-Based
Budgeting

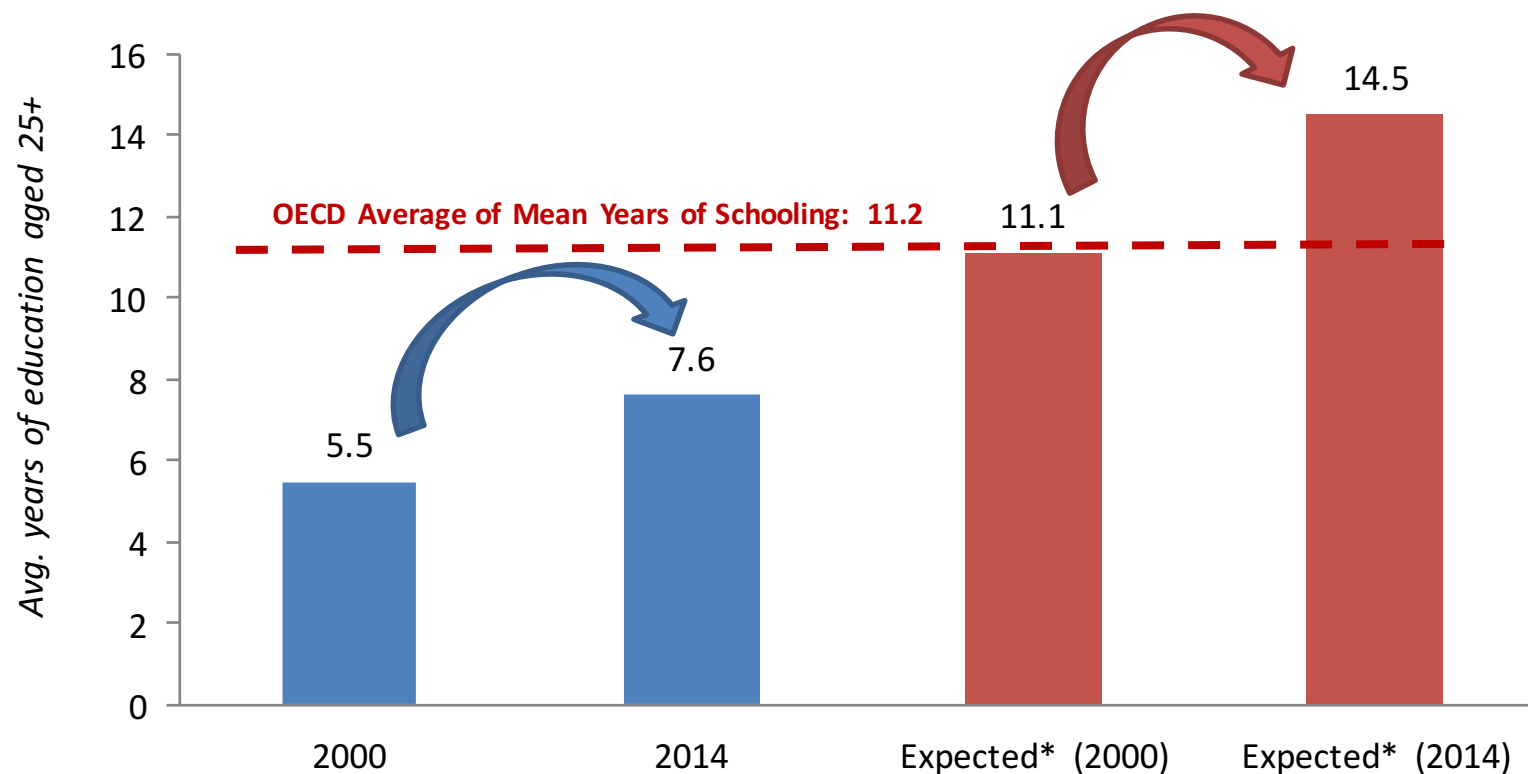
Foreign
Language
Education

Life-Long
Learning

Education matters



Quality of Human Capital Stock is rising



Source: UNDP, Human Development Reports.

(*) Number of expected years of schooling for children of school entrance age.

Enhancing Investment Climate

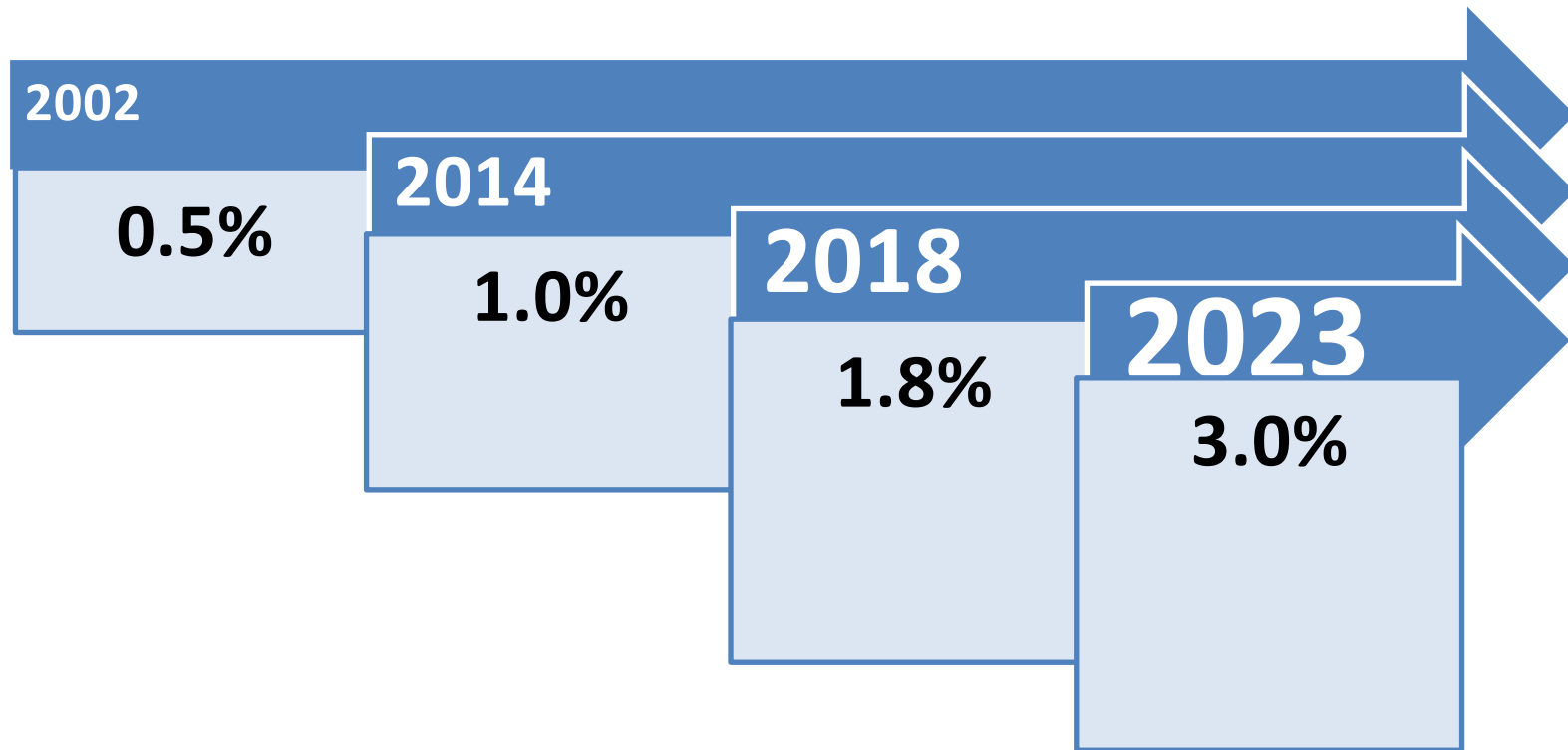
A New
Patent Law &
R&D Package

Reducing Red
Tape

Specialized Courts

Incentives for
Medium- & High-
Tech Production

R&D Spending (% of GDP)



Enhancing Transparency & Combatting Corruption

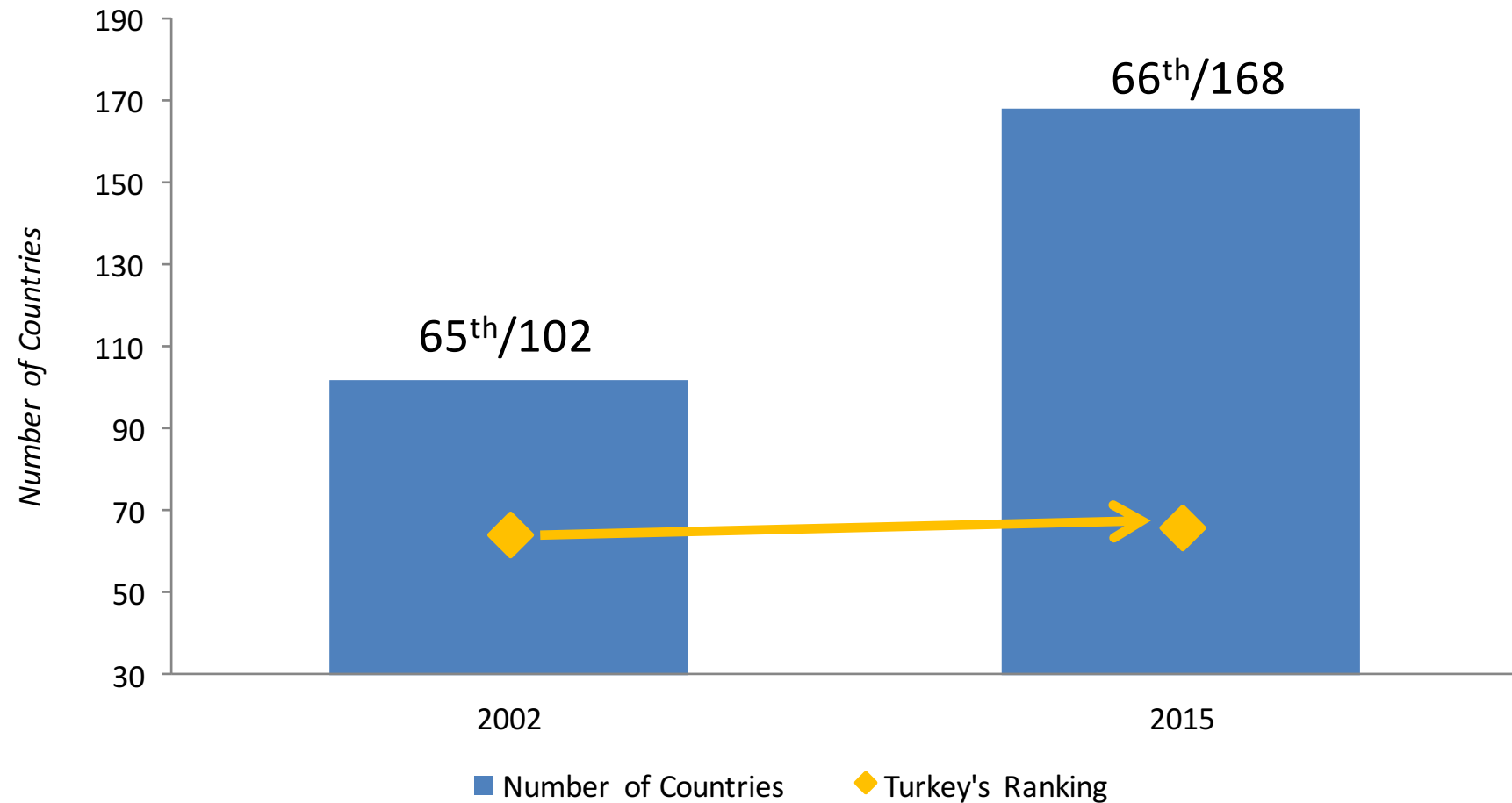
Ethics, Integrity,
& Accountability
in Public Sector

Public
Procurement

Campaign Finance
Disclosure

Rule-Based
Zoning
Regulations

Corruption Perception



Reforming Judicial System

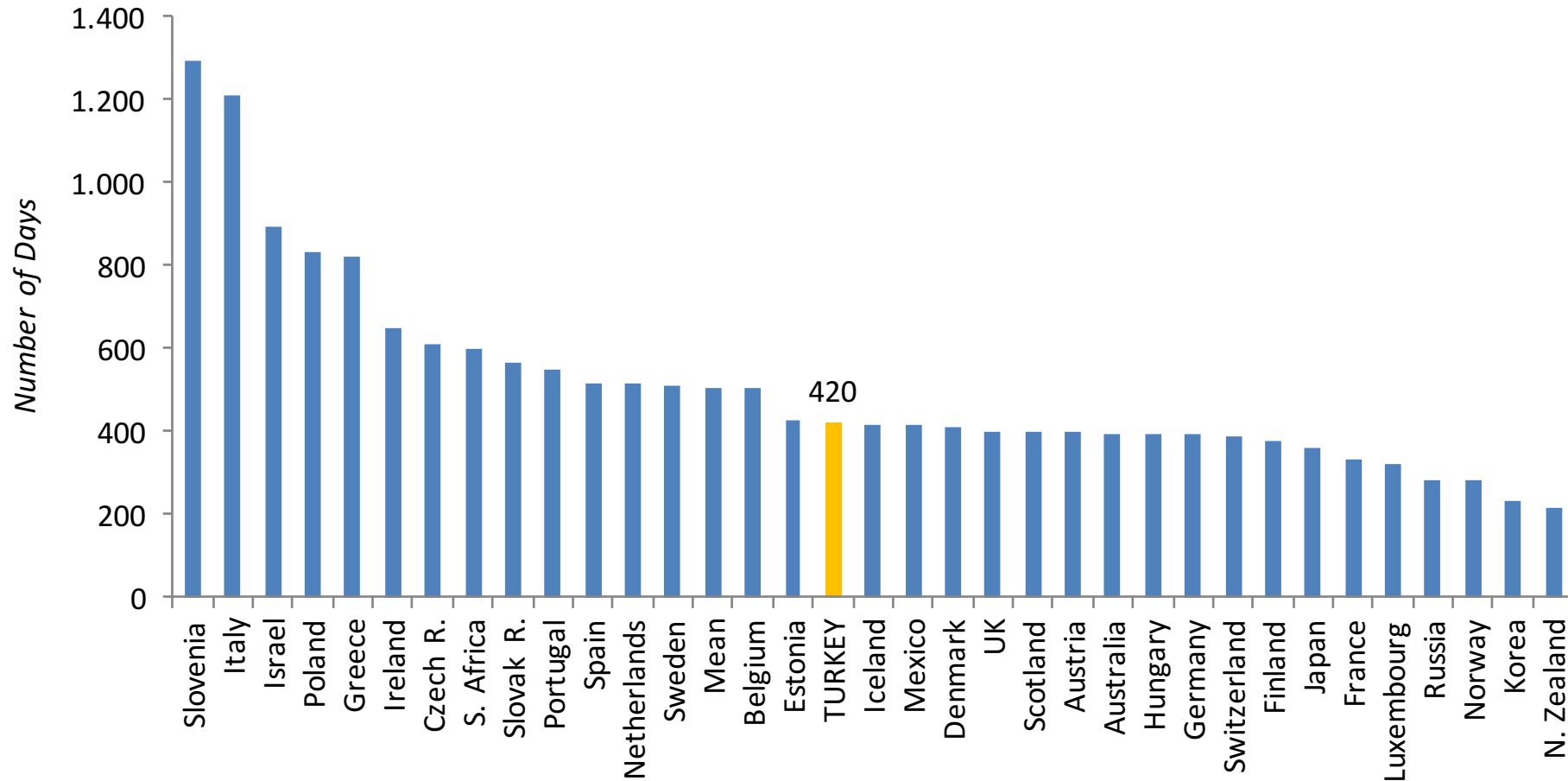
Modern
Arbitration
System

Specialized Courts

Expert Witness
Mechanism

Creation of New
Appeals Court

Trial Length (Business Cases)



Public Finance Reform

Income Tax
Reform

Enhancing Tax
Payers' Right (Tax
Procedures Code)

Expenditure
Reform

Performance
Based Budgeting

Public Administration Reform

Public Personnel
Reform

Productivity,
Accountability &
Transparency

e-State

Performance
Based Culture



EU Accession Process

EU Accession Process: The Main Agenda

Enhancing Customs Union Agreement

Implementation of Readmission Agreement

Finalizing the Efforts on Visa Exemption

Why do we need EU?

Strengthening Rule of Law

Enhancing Standards of Democracy

Improving Quality of Institutions

Why does EU need Turkey?

Improved Economic Dynamism

A Greater Say in International Affairs

Enhanced Dialogue between Civilizations

Energy Supply Security



Long-Term Prospects

Determinants of Long-Term Growth



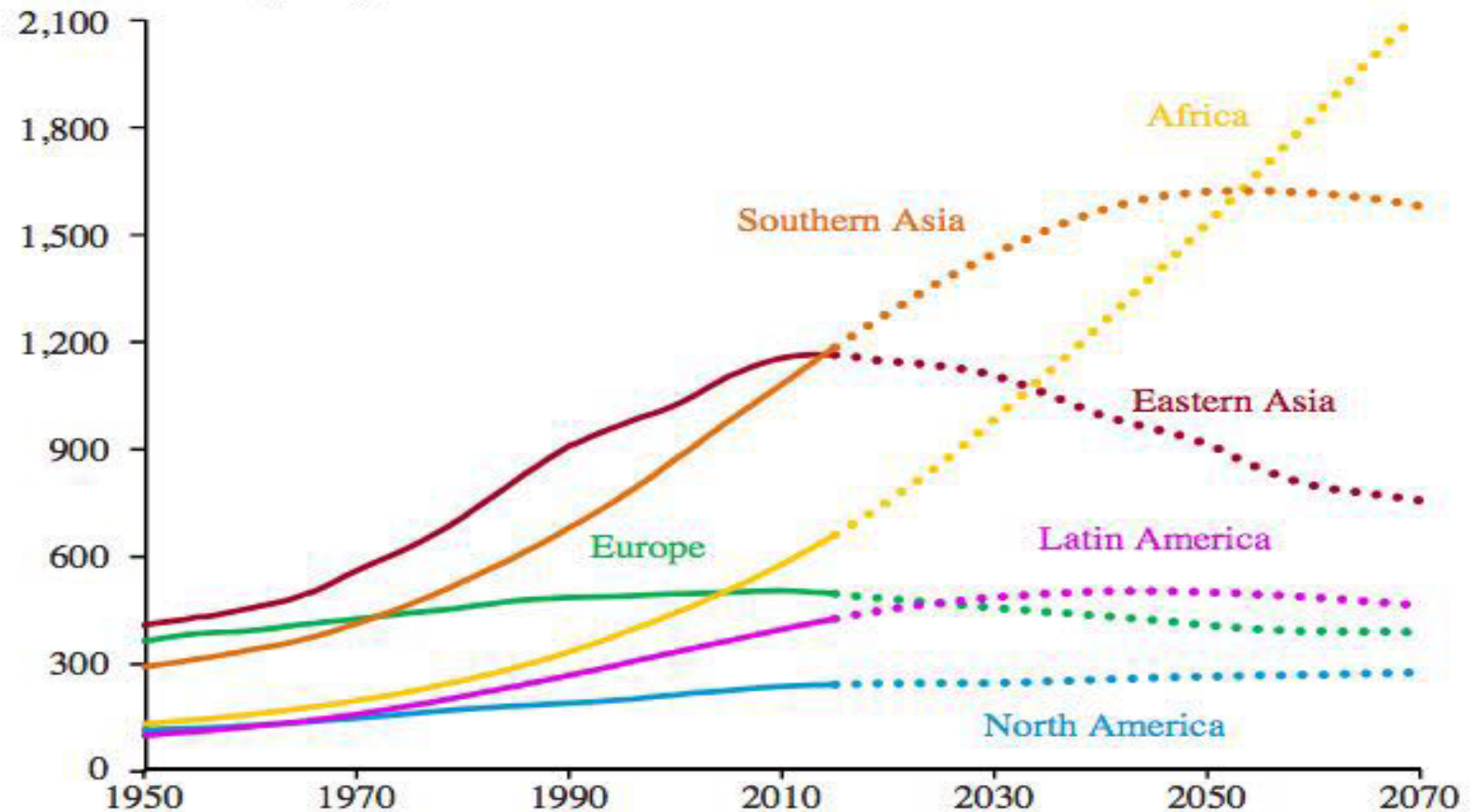
Quality of
Institutions

Demographics

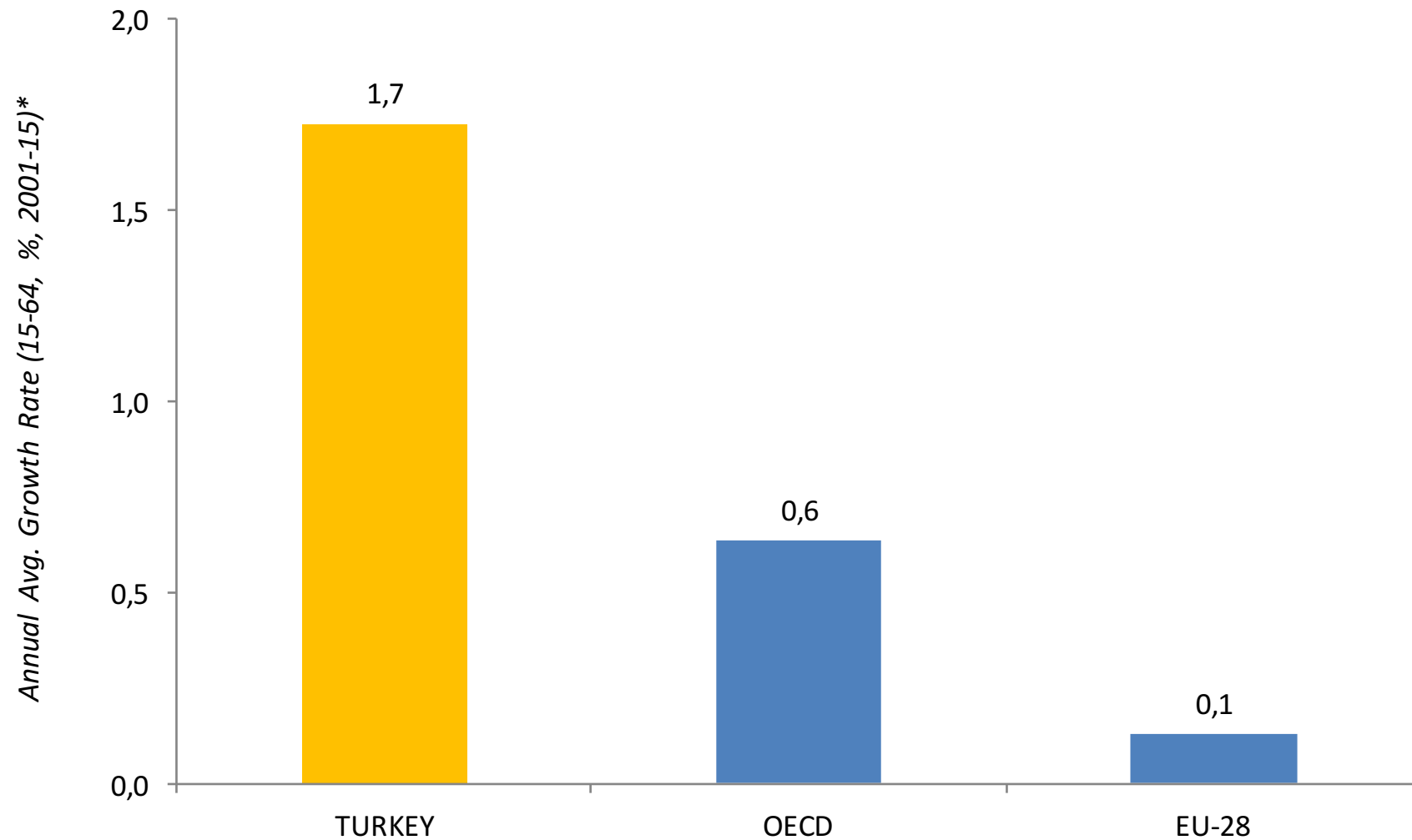
Productivity

Working-Age Population by Regions

Actual and Forecasted Working-Age Population by Region, 1950–2070
Millions of People Aged 15-64



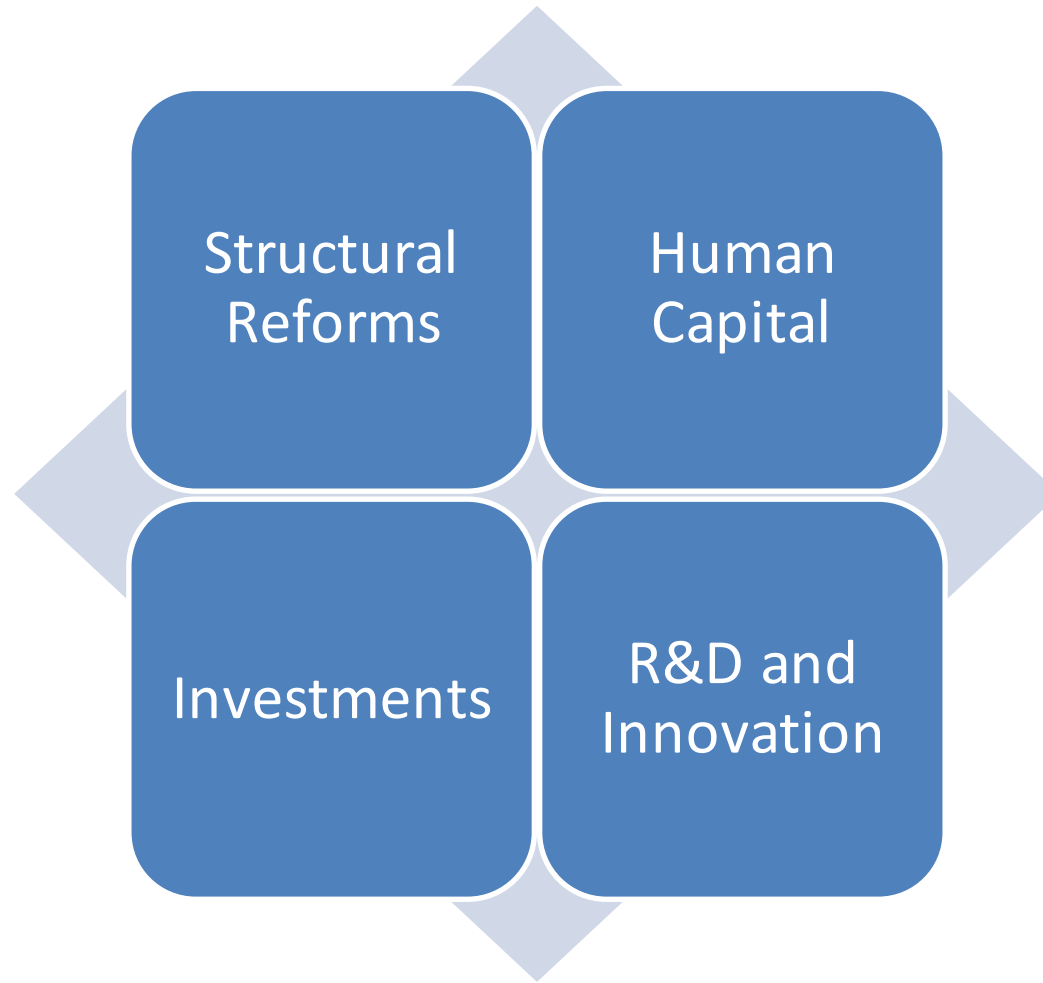
Working Age Population Growth in Turkey



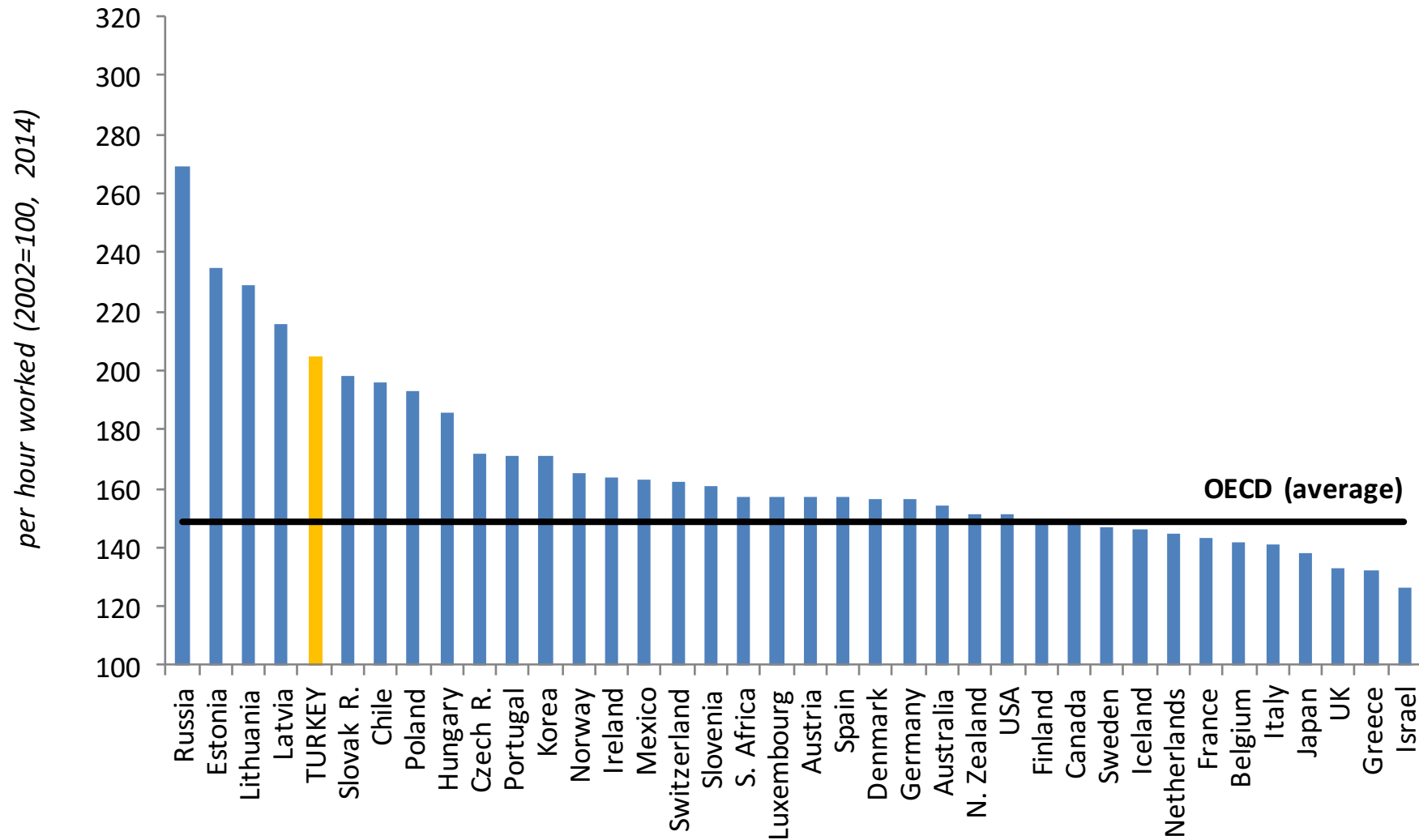
Source: OECD, EUROSTAT, TURKSTAT

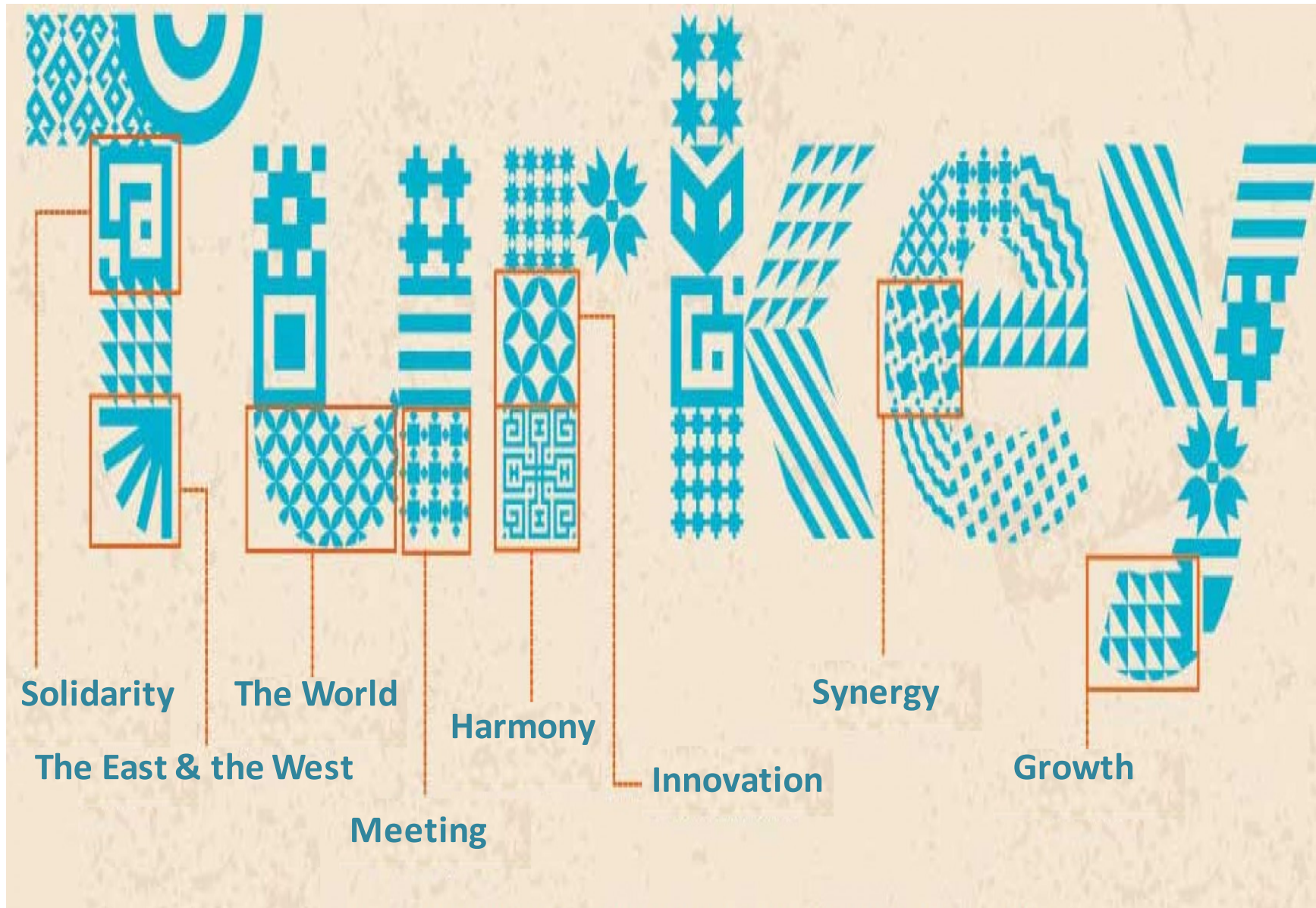
(*) The latest data available

Determinants of Productivity



Change in Productivity Index





Solidarity

The World

The East & the West

Meeting

Harmony

Innovation

Synergy

Growth

THANK YOU...