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Meeting: Mr. Mesut Yilmaz
Prime Minister of the Republic of Turkey

Thursday, December 18, 1997
5:00 - 5:30 p.m.
The Willard Hotel
Capital Suite, 6th Floor
1401 Pennsylvania Avenue, N.W.
Washington D.C.

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A. CLASSIFICATION

- [x] Meeting Material
- [ ] Trips
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- [ ] Corporate Management
- [ ] Communications with Staff
- [ ] Phone Logs
- [ ] Calendar
- [ ] Press Clippings/Photos
- [ ] JDW Transcripts
- [ ] Social Events
- [ ] Other

B. SUBJECT: MEETING: MR. MESUT YILMAZ, PRIME MINISTER OF THE REPUBLIC OF TURKEY (B) (N) // TIME: 5:00 - 5:30 P.M. // VENUE: WILLARD HOTEL, 6TH FLOOR, CAPITAL SUITE // CONTACT: NAMIK @ 84665 (ED'S OFFICE) // WB ATTENDEES: JDW, LINN, CHHIBBER, LUIGI // (M) ECAVP // DUE: FRIDAY, DEC. 26 // (B) ECAVP // DUE: MONDAY, DEC. 15 // EXC: LP // ALI (12/3) Brief includes: --- Minutes --- Note to JDW from Johannes Linn, Dec. 18 --- Table of Contents --- Key Issues --- Economic Situation, Prospects and Bank Strategy, S. Otto, Dec. 15 --- Monthly Monitor (Graphs) --- Monthly Economic Indicators --- Basic Facts & Figures --- Lending Program --- Status of IBRD and IDA Operations Portfolio --- Net Transfer of Funds --- Bio --- Attendees (Information has been removed from the brief)	**DATE:** 12/18/97

C. VPU

Corporate

- [ ] CTR
- [ ] EXT
- [ ] LEG
- [ ] MPS
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- [ ] SEC/Board
- [ ] TRE

Regional

- [ ] AFR
- [ ] EAP
- [x] ECA
- [ ] LAC
- [ ] MNA
- [ ] SAS

Central

- [ ] CFS
- [ ] DEC
- [ ] ESD
- [ ] FPD
- [ ] FPR
- [ ] HRO

Affiliates

- [ ] GEF
- [ ] ICSID
- [ ] IFC
- [ ] Inspection Panel
- [ ] Kennedy Center
- [ ] MIGA

D. EXTERNAL PARTNER

- [ ] IMF
- [ ] UN
- [ ] MDB/Other IO
- [ ] NGO
- [ ] Private Sector

- [ ] Part I
- [x] Part II
- [ ] Other

E. COMMENTS:

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Luigi Passamonti 12/20/97 11:11 AM

Extn: 35776 EXC
Subject: Minutes of Mr Wolfensohn's Meeting With PM Yilmaz of Turkey

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achhibber@worldbank.org on 12/19/97 03:46:40 PM

To: Luigi Passamonti cc: Johannes F. Linn, Exc Files
Subject: Minutes of Mr Wolfensohn's Meeting With PM Yilmaz of Turkey

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Mr Wolfensohn met Prime Minister Mesut Yilmaz and Turkey's Economic Team composed of Minister of Economy Gunes Taner, Treasury Undersecretary Yener Dincmen and Central Bank Governor Gazi Ercel on Thursday December 18. Accompanying Mr Wolfensohn were Johannes Linn, Vice-president ECA, Ajay Chhibber Country Director Turkey and Luigi Passamonti, Assistant to the President. Mr Luc Huboue, Executive Director for Turkey also joined the meeting.

PM Yilmaz began the meeting by expressing his gratitude to the World Bank for its cooperation and his desire to see it strengthened further. Economy Minister Taner then thanked the Bank for assistance with Basic Education and expressed their desire for larger funding in this area. He briefed Mr Wolfensohn on the discussions with the IMF where he indicated that they were moving in the right direction but some issues remained unresolved. He and Treasury Undersecretary Dincmen asked for Bank help in technical design and financial assistance through adjustment loans. They asked the Bank to send a team to Turkey in January in parallel with the IMF for discussions. Mr Taner also repeated his invitation (made earlier at Hong Kong) to Mr Wolfensohn to visit Turkey.

Mr Wolfensohn responded by congratulating the Turkish government on the improvements in their portfolio. On the economic reforms he stressed that the Bank would be glad to assist with substantial financial assistance - upto $ 4 billion over two years to help Turkey. He emphasised that in order to obtain this assistance Turkey must involve the Bank in the discussions at this stage. The Bank could help with US $ 1.75 billion in 1998 alone provided Turkey had a strong and sensible program and substantial assistance was also forthcoming from other institutions and sources. He reiterated that the Bank is keen to assist quickly and responsively if the conditions were right. On Basic Education Mr Wolfensohn responded that the Bank was preparing a US $ 600 million APL and would be glad to do more if the implementation of the program was satisfactory.

To: Gwendoline Maria Plumley

December 18, 1997

Mr. James D. Wolfensohn

RE: Meeting with Prime Minister of Turkey --Update

Jim,

the attached note contains an update on the discussions between IMF, us and Turkey regarding a possible bold program of reform and support from us.

At this point it remains unclear whether the IMF and government can reach agreement on a politically feasible stabilization program. There are also major questions about the availability of sufficient financing from external sources to support a program.

Our key message to the PM should be:

- A strong stabilization and structural reform program is essential now for Turkey in view of major financial risks next year and obstacles to growth/poverty reduction.

- Bank will work closely with Fund in helping design such a program quickly, including a mission in January.

- The financing of the program will also have to be worked out; the World Bank will make a major effort if a strong program is put in place (up to $ 1.75 b disbursement next year in adjustment loans is conceivable); but maximum effort will also be needed to raise sufficient finance from other sources -- the IMF, bilaterals, private finance.

Johannes Linn

cc. Mr. Chhibber

A L L - I N - 1   N O T E

DATE: 18-Dec-1997 09:28am

TO: JOHANNES LINN (JOHANNES LINN@A1@WBWASH)

FROM: Ajay Chhibber, ECC06 (AJAY CHHIBBER@A1@WBHQB)

EXT.: 84219

SUBJECT: Turkey Meeting With PM : Update for Mr Wolfensohn

Johannes,

Attached is an update for Mr Wolfensohn for his meeting with PM Yilmaz.

Economic Reform and Anti-Inflation program :

The Turkish Economic team received a proposal from the IMF for a bold program on Monday . Their reaction , its too much and too fast. They can do substantial parts of it - but cannot do bold pension reforms and the Fund's recommendations on wage policy are not acceptable.

The Fund and Turkey are getting closer in their position but not there yet. Further discussions will likely continue until Sunday and if there is broad agreement are likely to conclude in January 1998 in Ankara.

If the IMF goes to Turkey in January the government would like to have a parallel Bank team to negotiate jointly structural measures and provide an SAL. We are happy to send this team if a program seems likely.

* You may wish to enquire about the prospects for an agreement with the IMF and indicate our willingness to help.

Financing the Program :

Turkey has indicated it needs a substantial financing package to help finance reforms and as a cushion against unexpected market developments - upwards of US $ 10 billion. How much financing is needed in 1998 depends on a number of factors, some of which like the monetary and domestic debt management strategy are yet to be finalised. Nevertheless, as highlighted by recent developments in S.E. Asia , it is important that the program be backed by very substantial resources if the stabilisation plan itself is not to precipitate a speculative attack. The IMF's proposed program includes the need for US $ 4.7 billion in extra-financing, assuming Turkey still gets US $2.8 billion in coomercial borrowing (not a sure thing) and US $ 1.0 billion in communications licensing fees for a total of US $ 8.5 billion. The IMF program does not include large re-capitalisation costs for banks (which would be needed if financial restructuring is done seriously) and assumes no net domestic borrowing (roll-over of existing domestic debt - will depend on market sentiment).

The IMF can only put in $900 million in 1998 (100 percent of quota) unless a case could be made that Turkey needs exceptional financing. We could put in about US $ 1.75 billion in 1998 and would recommend that the IMF should put in at least US $2 billion. The balance would have to come from bilateral and commercial sources.

* If Turkey does decide to embark on this program it may need much more than the IMF is currently planning on. Our estimate over US $ 10 billion for 1998 and about US $ 5 billion for 1999.

Cheers, Ajay

CC: PENNY CHOKECHAITANASIN (PENNY CHOKECHAITANASIN@A1@WBWAS

Meeting: Mr. Mesut Yilmaz
Prime Minister of the Republic of Turkey

Thursday, December 18, 1997
5:00 - 5:30 p.m.
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Table of Contents

TURKEY

BRIEF FOR MR.WOLFENSOHN'S MEETING WITH PRIME MINISTER, MESUT YILMAZ

Other Meeting Participants

Turkey:

- Mr. GUNES TANER, State Minister for the Economy
- Mr. YENER DINCMEN, Undersecretary, Treasury
- Mr. NUZHET KANDEMIR, Ambassador of Turkey
- Mr. LUC HUBLOUE, Executive Director, World Bank

World Bank:

- Mr. JOHANNES F. LINN, Vice President, ECA
- Mr. AJAY CHHIBBER, Country Director, ECC06

Date: Thursday, December 18, 1997

Time: 5:00-5:30 p.m.

Place: Willard Hotel, Washington, D.C.

TURKEY
MR. WOLFENSOHN'S MEETING WITH PRIME MINISTER MESUT YILMAZ
THURSDAY, DECEMBER 18, 1997 @ 5:00 P.M.
KEY ISSUES

Economic Reform and Anti-Inflation Program: The government announced a three-year program to reduce inflation and undertake structural reforms in September. Over the last three months, several discussions have taken place between the IMF and the World Bank on the technical aspects and external financial support for their program. Effects of the Asian currency crisis, an upcoming spike in external debt payments and rising domestic inflation (towards 100 percent) are making it very difficult for Turkey to borrow abroad, forcing Turkey to come to the IMF.

The Bank and the IMF would like to see a program with strong up-front fiscal measures and structural reforms. It is not clear yet if the Yilmaz government, which remains a minority coalition, can take on such a program.

PM Yilmaz will likely emphasize that his government has taken many important actions, and deserves Bank support. He may also note the current situation of very large negative transfers from Turkey to the Bank.

Action is being taken in some areas, e.g., tax reform, but remains slow in social security reform, privatisation and in agricultural subsidies and the financial sector (state banks). They do not yet have a coherent program. The Bank would be willing to commit US$3 billion in adjustment loans to Turkey over the next two years if the government could reach agreement with IMF on the macro-economic program and with us on strong structural measures. In this case, we would be willing to bring the first adjustment operation, an Economic Reform Loan of US$1 billion, to our Board as early as March 1998.

- *You may wish to ask PM Yilmaz about his government's willingness to undertake a credible reform program with strong upfront structural measures.*

Basic Education: PM Yilmaz's government passed a historic Basic Education Law in August 1997 expanding basic education from 5 to 8 years. Special measures have been passed to generate revenues for this expansion. Turkey has asked the World Bank for support for this program of US$2 billion. A Bank team is currently in Turkey preparing a US$600 million Adaptable Program Loan to support their program and help its design and implementation. As this money is disbursed, we will follow up with another operation.

- *You may wish to ask the PM about progress with the implementation of their Law.*

Bank Portfolio and Implementation: The Bank's project portfolio (consisting of 26 projects) has improved considerably over the last few years with a sharp decline in undisbursed funds from US$3 billion in end June 1994 to about US$1.1 billion to date. Turkey's portfolio, rated previously one of the worst, is now vastly improved. The Turkish Treasury and many line agencies must take credit for this turn-around. We are developing a lending program of US$400 - 600 million for FY98 covering basic education, privatisation of irrigation, urban transport, water supply, power and guarantees for development banks in line with a CAS prepared in close cooperation with government.

- *You may wish to congratulate the government on the improvement in utilisation of Bank assistance and that we hope this partnership continues.*

Regional Issues Affecting Turkey

Entry into European Union: Turkey's relations with the EU are coming to a head. Turkish sentiment is that they are being mistreated by the EU. Latest friction is over Turkey's status at EU Conference and non-payment of EU funds promised at signing of Customs Union with EU. The PM recently issued a stern warning to the EU about the consequences of this situation for Turkey's traditionally pro-Western orientation.

- *You may wish to enquire about latest developments in this area.*

Economic Situation,
Prospects and
Bank Strategy

TURKEY

ECONOMIC SITUATION, PROSPECTS AND BANK STRATEGY

RECENT DEVELOPMENTS AND PROSPECTS

1. ***Robust growth, but inflation approaching 100 percent.*** Developments in the Turkish economy in 1997 have been mixed. Real GDP growth is estimated at 6-7 percent for the third successivė year in a row, largely thanks to the 1996 customs union with the EU and rapid expansion of business opportunities in the countries of the former Soviet Union. Exports increased by 15 percent in volume terms, helping to build a relatively comfortable level of foreign exchange reserves (4 months of imports). Since mid-1997, however, the fiscal deficit and inflation have deteriorated significantly. The public sector borrowing requirement is estimated at 9-10 percent of GDP for the year, excluding Treasury arrears to state banks of about US$8 billion that are straining the banks' liquidity and contributing to keep real interest rates at very high levels. Inflation has risen by almost 20 percentage points (y-o-y) since June 1997 to reach 96 percent in November. Direct fallout from the Asian currency crises has been modest, but capital markets are closed to Turkey and central bank reserves have fallen by $2.7 billion since late October.

2. ***Severe payments difficulties likely in 1998.*** The economy is badly positioned to deal with the major spike in external debt service in 1998. Interest and principal payments are estimated at $16 billion, and there is already pressure on foreign exchange reserves. If international capital markets remain closed, Turkey will not be able to meet these payment obligations without exceptional balance of payments support. The situation is made more precarious by the need to roll-over $30 billion in domestic public debt during 1998, most of this in the first half of the year. Given the current high uncertainty about the path of inflation, the government's real borrowing costs in the domestic market could increase very substantially during this roll-over. With accrued domestic interest payments projected to absorb 11 percent of GDP already in 1998, extraordinary measures may be needed to prevent an explosive increase in debt accumulation and, consequently, widespread flight from the lira.

3. ***An IMF-Bank supported program is vital.*** The present government, which assumed office in mid-1997, recognized the dangers facing Turkey at an early point and has been pursuing a dialogue with the IMF and the Bank for enhanced policy advice and adjustment lending for the last five months. It has also taken an number of important steps including increasing the petroleum consumption tax, avoiding any new Treasury borrowing from the Central Bank and raising interest rates on subsidized credit. A new tax reform currently under preparation also looks promising. Since the Annual Meetings in Hong Kong, the dialogue has intensified as the government sought to come up with proposals for a program that could be supported by the IFIs. In mid-November, the Economy Minister visited Washington and presented a rough proposal for a three year stabilization and structural reform program. While covering all the main issues, the government proposals lacked specificity in key areas and needed to be strengthened to have a more immediate positive impact. The IMF is working on a revised macroeconomic framework for the program, which will be discussed with the Turkish Economic Team during the December visit to Washington. The Bank is designing the structural components of this program.

4. ***Government's willingness to adopt a tough program is unclear.*** Following the Economy Minister's visit in November, and faced with growing evidence of deteriorating market sentiment and the possibility of further downgrading of Turkey's creditworthiness, the government indicated that a new "shock" program would be adopted, aimed at reducing inflation to 15 percent by end-1998. However, these statements were subsequently reversed and the Undersecretary of the Treasury resigned. The government's position should become clearer during this visit. In addition to his meeting with Mr. Wolfensohn, the Prime Minister is expected to see Mr. Camdessus and President Clinton. The government has indicated that the PM will seek agreement in principle to an exceptional financing package involving the Fund, Bank and, possibly, the United States and other governments. The Turkish economic team, led by Economy Minister Gunes Taner, will begin technical discussions in Washington on December 15, three days before the PM's arrival.

OVERALL ASSESSMENT AND BANK STRATEGY RESPONSE

5. ***Turkey sits on a knife-edge.*** The stabilization and structural challenges facing Turkey are very daunting, especially given the recent history of delayed adjustment efforts. The coalition government still does not have a majority in Parliament and the political situation remains difficult. The precarious domestic debt situation and adverse international capital market conditions suggest that an IMF program is vital for Turkey to roll-over its debt in an orderly fashion. Substantial financing and technical advice are required from the Bank as well.

6. ***Bank is well-placed to provide technical help and financing.*** During the last two-three years, the Bank has provided the government with substantial material on strategies and reform options in the areas of privatization, social security financing, expenditure management and taxation. Upon assuming office, the present government requested that new Bank technical and advisory services focus on the banking sector and on agricultural support policies, where Bank engagement had been limited in recent years due to government sensitivities. The Bank has pursued aggressively the openings in these two areas, with major missions conducted and reports submitted to government in October and November. The government has expressed strong appreciation of this technical work. If the government comes to an agreement with the IMF, the Bank is well positioned to assist the Government with the design and implementation of reforms across all the key areas for structural reform.

7. ***Provided strong up-front structural reforms are adopted.*** We see six areas for structural reforms that would have a major and prompt impact on the achievement of sustainable fiscal adjustment and/or a quick payoff by improving the credibility of the program and, hence, the private sector response: social security finances; agricultural support policies; tax system; financial sector; state enterprises; and infrastructure deregulation. These are also areas where Bank adjustment financing would have a catalytic effect on the conceptualization and implementation of reform programs. Suggested policy actions in each area have been shared with government. Given the history of aborted adjustment programs in Turkey, strong prior actions would be important to allow the Fund and the Bank to deploy adjustment finance. The nature of Turkey's stabilization challenge also mandates that a substantial part of this financing be made available during the first half of 1998. This suggests that the government would have to adopt upfront measures across a broad range of issues in order to achieve the credibility that the IFIs and private capital would require in order to provide financing in a timely manner.

8. ***$3 billion in Bank adjustment loans possible over next two years.*** We would propose to support a strong reform agenda through four adjustment operations over the next two to three years structured in the following way (see also attached Chart depicting possible IFI adjustment finance). The first operation would be a Economic Reform Loan (ERL) for $1 billion which would be presented to the Board before the end of FY98. This would be a tranched, multi-sector operation covering each of the six areas identified above. The ERL would be defined in close consultation with the IMF, whose program's structural benchmarks would be based on the exact same policy agenda. A special focus would be given in the ERL to tax and other public finance reforms, including social security, and to actions affecting private investment activity, notably in the energy and communications sectors.[1] The ERL would be followed by three "SECAL-type" ones processed concurrently in FY99: a $750 million Enterprise and Financial Sectors Adjustment Loan (EFSAL), a $750 million Agricultural Policy Reform Loan (APRL) and a US$500 million Social Security Adjustment Loan (SSAL).

9. ***Risks are high but manageable - exposure has declined.*** A resumption of adjustment lending in Turkey would entail significant risks. Chief of these is the possibility of erratic policy shifts or slippage due to political uncertainty. There is also a risk that the Government's adjustment efforts will be inadequate or the private sector response may simply be weak due to exogenous factors (e.g., international developments). The Bank strategy responds to these economic risks by providing for an intensification of our technical and advisory work in those areas where action would be most urgently needed to forestall or contain a crisis—e.g., banking system and external financial management. The Bank is also monitoring carefully factors that are likely to improve or weaken Turkey's creditworthiness. More generally, against these risks must be set the fact that Bank exposure in Turkey is currently quite modest, especially relative to the size of the economy, and is declining. As of end-November 1997, total IBRD debt disbursed and outstanding to Turkey was about $3.6 billion. This provides ample headroom in terms of how our financial instruments are deployed, as explained in the recent Turkey CAS document.

10. ***Without firm action to correct situation, Bank program will shift to Low Case.*** Thus far in FY98, we have been working on a Base Case program which provided for Bank financing of up to US$1.5 billion over three years. If there is no agreement with the IMF, Turkey will probably enter a period of economic and political instability, and the likelihood of delivering the Base Case program will be considerably diminished.

S.Otoo, ECC06
December 15, 1997
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[1] A variation of this could be two single-tranche operations of US$500 million each. But, in our judgment, this would be less effective in the current circumstances for Turkey.

Monthly Monitor
(Graphs)

Turkey: Possible IFI Exceptional Financing, 1998-99

IMF: Stand-by Arrangement - $4 billion *

February 1998	June 1998	January 1999	July 1999
$1.5 billion	$1 billion	$750 million	$750 million

IBRD: Economic Reform Loan - $1 billion

March 1998	November 1998
$500 million	$500 million

IBRD: Enterprise and Financial Sector Adjustment Loan - $750 million

September 1998	July 1999
$350 million	$400 million

IBRD: Agriculture Sector Adjustment Loan - $750 million

September 1998	July 1999
$350 million	$400 million

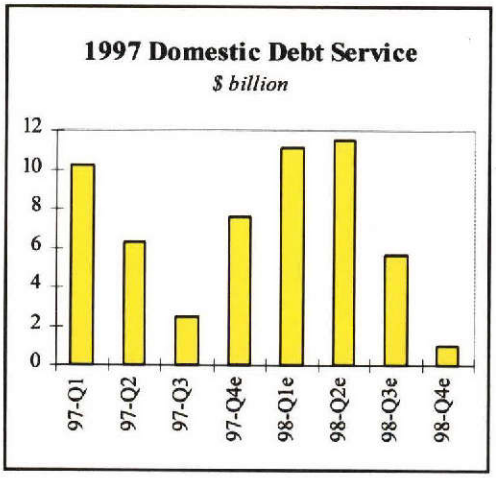
IBRD: Social Security Adjustment Loan - $500 million

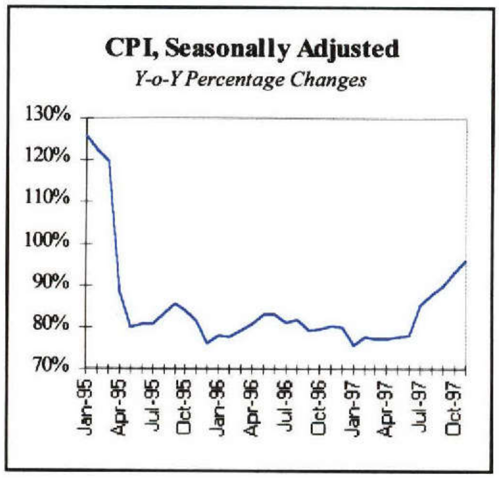
March 1999

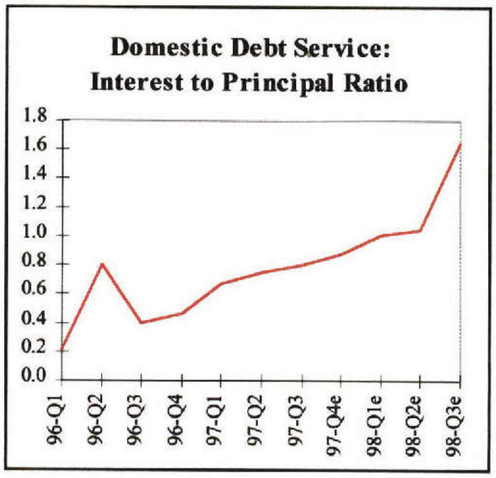
$500 million

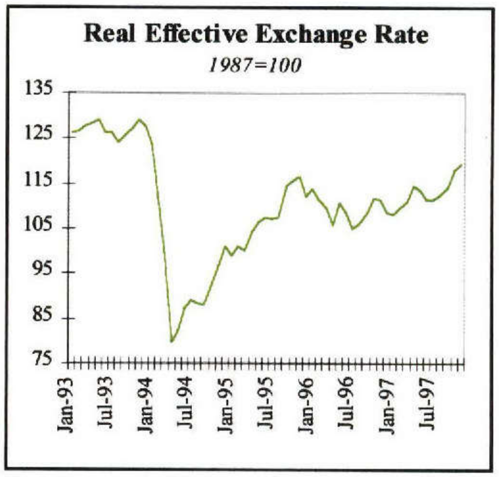
* Bank staff assumptions.

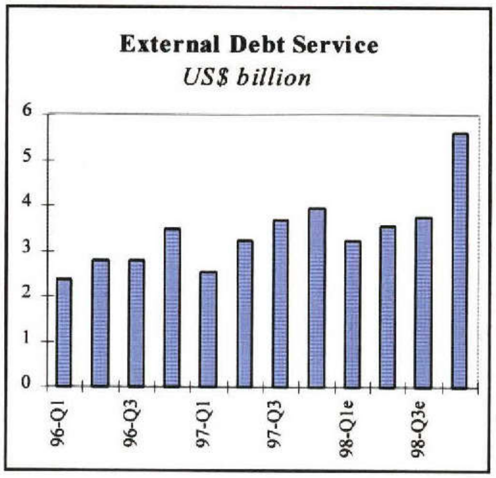
Turkey Monthly Monitor

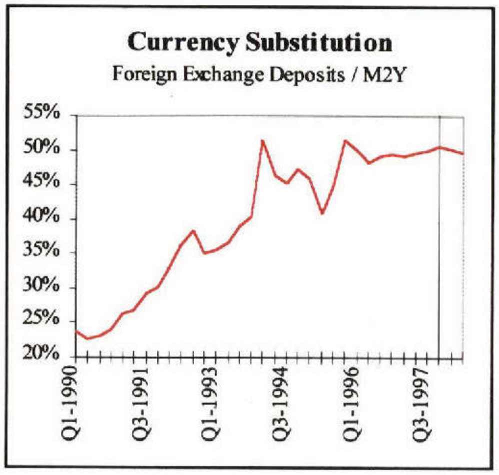












Monthly
Economic Indicators

Monthly Economic Indicators

TURKEY

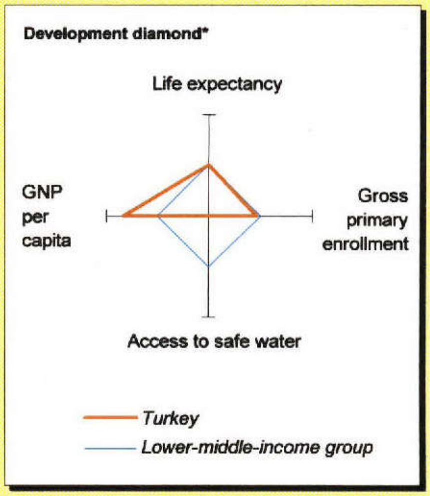
	1996 Year	1996 Q4	1997 Q1	Q2	Q3	Aug	Sep	Oct	Nov
Fiscal and Monetary Policy Indicators									
Consolidated budget (- = deficit) (LCU trillion) (Treasury) [1]	-1217.7	-467.2	-468.5	-304.0	-378.2	-25.2	-146.9	-160.4	..
(% GDP)	-8.2	-9.8	-11.3	-5.2	-3.9	..	-4.5	..	..
Domestic public sector debt (LCU trillion) (Treasury)	3148.9	3148.9	3385.4	4199.4	5182.3	4925.6	5182.3	5560.9	..
(% GDP)	16.6	16.6	20.5	18.0	13.3	..	13.3	..	..
PSBR (LCU trillion) (SPO)	1356.1	..	..	..	..	..	..	..	..
(% GDP)	9.2	..	..	..	..	..	..	..	..
Reserve money (% change, previous year) (CB) [2]	80.0	80.0	82.7	84.6	84.9	88.7	84.9	84.8	103.0
(% change, previous period)	80.0	11.4	12.8	20.7	21.9	7.6	-0.1	2.7	10.3
Broad money (% change, previous year) (CB) [2]	128.0	128.0	117.0	109.6	103.6	104.6	103.6	109.4	96.6
(% change, previous period)	128.0	24.7	15.9	18.1	19.2	6.3	5.8	9.0	1.3
Domestic credit (% change, previous year) (CB) [2]	81.8	81.8	114.7	142.2	142.1	138.2	142.1	138.1	121.9
(% change, previous period)	81.8	34.0	26.5	21.1	18.0	6.9	5.5	7.8	1.5
Deposit rates (%) (CB) [2]	108.7	106.7	101.8	102.2	109.7	111.9	111.2	102.9	106.4
T-bill rates (%) (CB) [3]	132.6	123.3	98.3	100.9	108.9	119.0	101.0	114.7	114.7
Exchange rate (end period) (LCU/$US) (CB)	107505	107505	126270	146721	172810	165280	172810	180240	193550
Real effective exchange rate (avg-period, + = appn, 1987 =	109.3	110.5	109.5	113.0	112.6	112.4	114.1	118.0	119.5
(% change, previous year)	1.5	-3.7	-1.8	4.4	5.6	5.8	5.0	5.7	7.3
Financial Market Indicators									
Stock market price index (end-period, 1986 = 100) (ISE)	976	976	1613	1857	2593	1966	2593	2846	2879
($ terms, 1990 = 100)	..	..	..	..	..	..	..	..	..
Secondary debt price (par bond, end- period)						..	..	..	..
International bond traded spread (end-period)	..	..	..	..	..	..	..	..	..
Foreign currency deposits/Broad money (%)	49.1	49.1	49.3	50.0	50.1	50.5	50.1	49.6	50.8
Output, Demand and Inflation									
GDP (constant prices) (% change previous year) (SIS)	7.0	7.0	6.6	6.6	5.4	..	..	..	..
Industrial production index (avg-period, 1992 = 100) (SIS)	114.2	128.6	109.6	120.4	131.5	127.1	140.2	148.2	..
(% change, previous year)	5.9	6.8	5.2	9.6	15.4	13.2	21.5	13.0	..
Consumer price index (avg-period, 1994 = 100) (SIS)	339.1	414.4	481.9	563.8	661.2	658.0	706.1	764.9	815.6
(% change, previous year)	80.4	79.9	76.9	77.6	87.7	87.8	89.9	93.2	95.8
(% change, previous period)	80.4	17.6	16.3	17.0	17.3	6.2	7.3	8.3	6.6
Balance of Payments									
Trade balance ($US million) (CB)	-18474.0	-4903.0	-4228.0	-5245.8	..	-2008.4	..	..	..
Exports of goods, fob ($US million) (CB)	23461.0	6760.0	5853.0	5898.0	..	2059.4	..	..	..
(% change, previous year)	6.8	4.4	4.7	12.0	..	4.0	..	..	..
Imports of goods, fob ($US million) (CB)	41935.0	11663.0	10081.0	11143.8	..	4067.8	..	..	..
(% change, previous year)	19.2	7.9	9.0	7.5	..	14.0	..	..	..
Current balance ($US million) (CB)	-4393.0	-1699.0	-2355.0	-1885.0	..	..	..	..	..
Amortization ($US million) (CB)	5685.0	1440.0	1281.0	1396.0	..	..	..	..	..
Debt service ratio (% exports of goods and services)	22.5								
International equity issues ($US million) (IBRD-IEC)	0.0	0.0	11.0	357.0	36.0	0.0	0.0	0.0	0.0
International bond issues ($US million) (CB, IBRD-IEC) [4]	2804.4	498.9	752.0	1162.0	950.0	200.0	600.0	1351.0	0.0
Medium-term foreign bank loans ($US million) (CB)	6048.0	2328.0	1743.0	2182.0	..	..	..	..	..
Reserves and External Debt									
Reserves, excluding gold ($US million) (CB)	16491.0	16491.0	15543.0	16223.0	19960.0	17755.0	19960.0	21017.0	19511.0
(months of imports of goods and services)	3.0	3.0	3.4	3.3	4.1	3.6	4.1	..	..
Total external debt ($US million) (Treasury)	79767.0	79767.0	79598.0	82166.0	..	..	..	..	..
(% exports of goods and services)	181.3	166.1	210.3	179.3	..	..	..	..	..
Short-term debt ($US million) (Treasury)	20536.0	20536.0	19371.0	20862.0	..	..	..	..	..
(% imports of goods and services)	38.9	34.9	37.6	35.9	..	..	..	..	..
IBRD debt outstanding ($US million) (Treasury, IBRD)	4388.0	4388.0	4024.2	3988.2	3817.5	3803.2	3817.5	3774.7	3719.0

1/ 1997 data are cash deficit
2/ As of November 14
3/ After 1994, the highest volume, with the closest maturity to three months. The rate is corrected for a 13.2% withholding tax initiated in October 1996.
4/ 1996-97 figures are provisional

Turkey at a glance

12/15/97

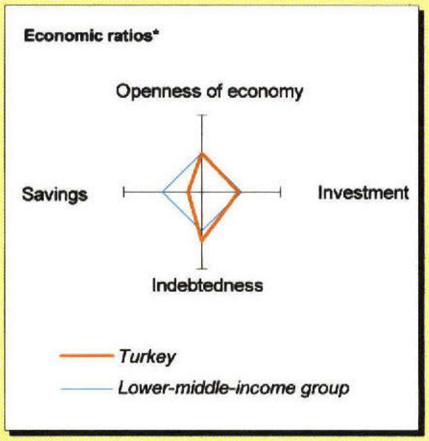
POVERTY and SOCIAL	Turkey	Europe & Central Asia	Lower-middle-income
Population mid-1996 *(millions)*	62.7	479	1,125
GNP per capita 1996 *(US$)*	2,935	2,180	1,750
GNP 1996 *(billions US$)*	184.6	1,043	1,967
Average annual growth, 1990-96			
Population *(%)*	1.7	0.3	1.4
Labor force *(%)*	2.1	0.5	1.8
Most recent estimate *(latest year available since 1989)*			
Poverty: headcount index *(% of population)*	..	..	..
Urban population *(% of total population)*	69	65	56
Life expectancy at birth *(years)*	67	68	67
Infant mortality *(per 1,000 live births)*	48	26	41
Child malnutrition *(% of children under 5)*	..	..	..
Access to safe water *(% of population)*	92	..	..
Illiteracy *(% of population age 15+)*	18	..	..
Gross primary enrollment *(% of school-age population)*	97	97	104
Male	101	97	105
Female	94	97	101


Development diamond*

KEY ECONOMIC RATIOS and LONG-TERM TRENDS

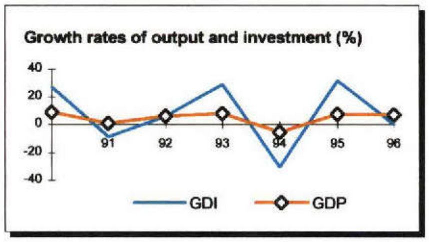
	1975	1985	1995	1996
GDP *(billions US$)*	46.7	67.2	169.3	182.1
Gross domestic investment/GDP	17.9	16.5	28.2	26.4
Exports of goods and services/GDP	4.2	15.9	22.0	23.9
Gross domestic savings/GDP	11.4	13.4	12.5	8.8
Gross national savings/GDP	17.0	17.1	16.8	13.0
Current account balance/GDP	-3.5	-1.5	-1.4	-2.6
Interest payments/GDP	0.3	2.0	2.5	2.3
Total debt/GDP	10.8	38.7	43.6	43.8
Total debt service/exports	11.3	35.0	31.3	25.7
Present value of debt/GDP	..	..	40.8	..
Present value of debt/exports	..	..	164.8	..

	1975-85	1986-96	1995	1996	1997-00
(average annual growth)					
GDP	3.1	*3.9*	7.2	6.8	4.5
GNP per capita	0.4	*2.1*	5.9	5.1	2.5
Exports of goods and services	17.5	*8.4*	8.0	21.7	10.4

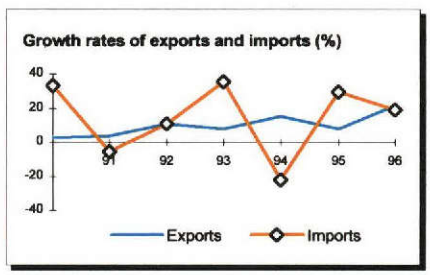

Economic ratios*

STRUCTURE of the ECONOMY

	1975	1985	1995	1996
(% of GDP)				
Agriculture	35.8	20.4	16.4	17.4
Industry	19.9	27.1	30.5	27.9
Manufacturing	12.5	17.7	21.0	18.0
Services	44.3	52.5	53.2	54.7
Private consumption	79.1	79.8	75.6	78.4
General government consumption	9.5	6.8	11.9	12.8
Imports of goods and services	10.7	19.0	27.0	30.5


Growth rates of output and investment (%)

	1975-85	1986-96	1995	1996
(average annual growth)				
Agriculture	0.9	*1.3*	1.0	4.8
Industry	3.2	*4.7*	7.4	6.4
Manufacturing	3.7	*5.3*	11.7	6.4
Services	4.2	3.9	6.2	7.2
Private consumption	2.3	*4.1*	6.4	9.3
General government consumption	3.7	*3.9*	5.3	5.4
Gross domestic investment	0.2	*4.4*	31.8	0.2
Imports of goods and services	2.6	*9.5*	29.6	19.0
Gross national product	2.7	4.0	8.2	6.9


Growth rates of exports and imports (%)

Note: 1996 data are preliminary estimates. Figures in italics are for years other than those specified.

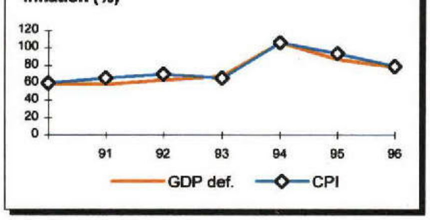
* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Turkey

PRICES and GOVERNMENT FINANCE

	1975	1985	1995	1996
Domestic prices				
(% change)				
Consumer prices	19.2	45.7	93.6	78.8
Implicit GDP deflator	20.5	52.1	87.0	78.3
Government finance[1]				
(% of GDP)				
Current revenue	..	..	20.8	21.8
Current budget balance	..	..	0.1	-2.7
Overall surplus/deficit	..	..	-4.8	-9.2

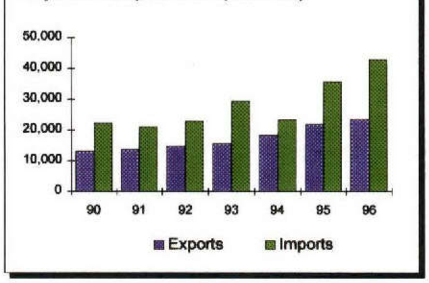
Inflation (%)



TRADE

	1975	1985	1995	1996
(millions US$)				
Total exports (fob)	..	..	21,975	23,546
Textiles	..	..	8,404	8,570
Processed agricultural products	..	..	3,407	3,687
Machinery and equipment	..	..	2,346	2,966
Total imports (cif)	..	..	35,709	42,934
Food (processed agricultural products)	..	..	2,282	2,531
Fuel and energy	..	..	4,812	6,089
Capital goods	..	..	11,437	14,969
Export price index *(1987=100)*	..	..	121	115
Import price index *(1987=100)*	..	..	116	116
Terms of trade *(1987=100)*	..	..	104	99

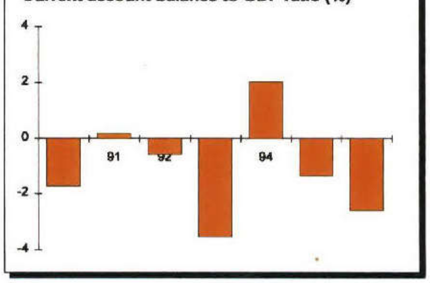
Export and import levels (mill. US$)



BALANCE of PAYMENTS

	1975	1985	1995	1996
(millions US$)				
Exports of goods and services	2,018	11,119	36,581	42,496
Imports of goods and services	4,979	12,661	40,601	49,070
Resource balance	-2,961	-1,542	-4,020	-6,574
Net income	-123	-1,455	-2,815	-2,639
Net current transfers	1,437	1,984	4,496	4,447
Current account balance, before official capital transfers	-1,647	-1,013	-2,339	-4,766
Financing items (net)	970	1,137	6,997	9,311
Changes in net reserves	677	-124	-4,658	-4,545
Memo:				
Reserves including gold *(mill. US$)*	1,444	2,322	13,754	17,614
Conversion rate *(local/US$)*	14.4	522.0	45,845	81,137

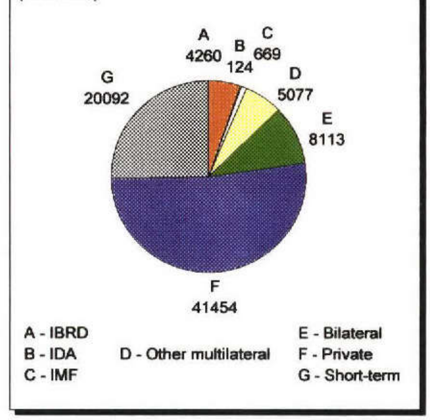
Current account balance to GDP ratio (%)



EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1995	1996
(millions US$)				
Total debt outstanding and disbursed	5,059	25,998	73,779	79,789
IBRD	288	3,432	4,939	4,260
IDA	144	178	130	124
Total debt service	377	4,600	11,448	10,940
IBRD	31	400	1,278	1,147
IDA	2	5	7	7
Composition of net resource flows				
Official grants	18	115	439	400
Official creditors	165	424	-1,180	-840
Private creditors	-11	-14	46	1,080
Foreign direct investment	114	99	772	612
Portfolio equity	0	0	1,108	-983
World Bank program				
Commitments	158	838	162	255
Disbursements	108	636	422	489
Principal repayments	12	159	882	815
Net flows	97	477	-460	-326
Interest payments	21	246	396	339
Net transfers	76	231	-856	-665

Composition of total debt, 1996 (mill. US$)



[1] *Non-financial Public Sector*

TURKEY Current FY98-2000 Lending Program

FY98	$m	FY99	$m	FY2000	$m
Privatization of Irrigation	20.0	GAP Reg. Sanitation	50.0	Private Irrigation II	17.5
Guarantee Develop. Banks	200.0	Tech. Development II	50.0	Drainage On-Farm II	30.0
Basic Education I (APL)	200.0	Harran Plains	100.0	Guarantee Power	200.0
Commodity Marketing (LIL)	5.0	Completion Irrig. Schemes	150.0	Basic Education III (APL)	200.0
Cesme Water Supply	12.0	Basic Education II (APL)	200.0		
Sub-Total	**437.0**			**Sub-Total**	**447.5**
Stand by:				Stand by:	
Power Transmission	200.0			Health	100.0
Bursa Urban Transp.	60.0				
Total	**697.0**	**Total**	**550.0**	**Total**	**547.5**

Status of IBRD and
IDA Operations Portfolio

Turkey

Status of IBRD Loans and IDA Credits in the Operations Portfolio

(as of November 30, 1997)

Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US$ Millions: IBRD	Cancellations	Undisbursed	Difference Between expected and actual disbursements a/	Last ARPP Supervision Rating b/: Development Objectives	Implementation Progress
Number of Closed Loans/Credits: 135									
Active Loans:									
L2922	1988	Republic of Turkey	Ind. Training II	115.8	0.0	5.4	5.4	S	S
L2888	1988	ISKI (Istanbul WS & S Authority)	Istanbul Water Supply	219.0	0.0	18.6	0.0	S	S
L3057	1989	Republic of Turkey	Health I	75.0	0.0	22.0	21.2	HS	S
L3192	1990	Republic of Turkey	National Educ.Dev.	90.2	0.0	54.4	54.5	S	S
L3177	1990	Republic of Turkey	Agric. Ext. II	63.0	12.0	1.4	13.4	S	S
L3151	1990	Ankara WS & S. Gen. Director	Ankara Sewerage	173.0	66.0	12.1	0.0	S	S
L3345	1991	TEAS/TEDAS	TEK Restructuring	300.0	0.0	101.6	0.0	S	S
L3324	1991	Republic of Turkey	State & Prov. Roads	300.0	50.0	5.4	55.4	S	S
L3296	1991	Republic of Turkey	Technology Dev.	100.0	0.0	27.7	0.0	S	S
L3477	1992	Republic of Turkey	TA for Treasury Data	9.2	0.0	1.96	0.0	S	S
3472	1992	Republic of Turkey	Agric. Research	55.0	6.0	30.1	-8.5	S	S
L3567	1993	Republic of Turkey	E. Anatolia Watershed	77.0	0.0	59.6	41.9	S	S
L3566	1993	Mun. of Bursa/BUSKI	Bursa Water & Sanit.	12.5	0.0	7.43	0.0	S	S
L3565	1993	Mun. of Bursa/BUSKI	Bursa Water & Sanit.	117.0	0.0	76.9	20.0	S	S
L3541	1993	Republic of Turkey	Employ.& Training	67.0	0.0	46.6	10.1	S	S
L3511	1993	Republic of Turkey	Earthquake Reconstr.	285.0	42.0	57.5	0.0	S	S
L3728	1994	Republic of Turkey	Privatization Implementation	100.0	27.2	52.9	0.0	U	U
L3893	1995	Antalya Water Supply & Sewerage	Antalya Water Supply	100.0	0.0	92.9	12.9	S	S
L3802	1995	Republic of Turkey	Health II	150.0	0.0	123.8	0.0	S	S
L4048/9	1996	Republic of Turkey	Road Improv. & Safety	250.0	0.0	211.6	2.3	S	S
L3942	1996	Republic of Turkey	Public Financial Mgmt.	62.0	0.0	59.8	7.1	S	S
L4201	1997	Republic of Turkey	Prim. Health Care Svcs.	14.5	0.0	14.5	0.5	S	S
L4089	1997	Republic of Turkey	Oil Pipeline Engineering	5.0	0.0	4.0	0.5	S	S
L4235	1998	Republic of Turkey	Privatization of Irrigation	20.0	0.0	20.0	0.5	S	S
				2,759.2	197.0	1,108.5	240.5		

US$ Millions	Active Loans	Closed Loans	Total
Total Disbursed (IBRD and IDA):	670.7	9,611.0	10,281.7
of which has been repaid:	98.9	6,544.6	6,643.5
Total now held by IBRD and IDA:	1,688.8	3,224.4	4,913.2
Amount sold:	0.0	3.5	3.5
Of which repaid:	0.0	3.5	3.5
Total Undisbursed:	1,108.5	8.1	1,116.6

a/ Intended disbursements to date minus actual disbursements to date as projected at appraisal.

b/ Based on FY97ARPP ratings. Rating of 1-4: see OD 13.05. Annex D2. Preparation of Implementation Summary (Form 590). Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system will be used (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Net Transfer of Funds

TURKEY - Net Transfer of Funds, FY91-98

FY	Undisbursed Beginning FY	Gross Disbursement	Disbursement Ratio (%)	Repayments	Net Disbursements	Interest and Fees	Net Transfer
91	2846	593.7	20.9	-683.9	-90.2	-524.9	-615.1
92	3097	371.9	12.0	-680.8	-308.9	-487.9	-796.8
93	3251	260.7	8.0	-768.2	-507.5	-465.2	-972.7
94	3176	386.1	12.2	-753.4	-367.3	-422.0	-789.3
95	2370	287.9	12.1	-866.5	-578.6	-413.5	-992.1
96	1994	611.0	30.6	-859.2	-248.2	-368.5	-616.7
97	1633	328.4	20.1	-797.0	-468.6	-308.1	-776.7
98	1238	105.0	8.5	-326.0	-221.0	-126.0	-347.0

Data as of November 30, 1997

Biographical Information

Biographical Information

A. Mesut Yilmaz

Current Position:	Prime Minister
Professional Experience:	Chairman of Motherland Party (since June 1991) Prime Minister (June 1991 - October 1992) Minister of Foreign Affairs (December 1987) Deputy from Rize (November 1987) Minister of Culture and Tourism (October 1986) State Minister in charge of Information (December 1983) Deputy from Rize (November 1983) Deputy Chairman, Motherland Party (May 1983) Managerial positions in the private sector - chemical, textile and transportantion sectors - (1975-1983)
Education:	PhD, Economics and Social Sciences, Germany. Economics and Finance, Ankara University. Istanbul High School for Boys.
Personal:	Born 1947, Istanbul. Married, two children. Speaks fluent English and German.

BIOGRAPHICAL INFORMATION

GUNES TANER

Current Position:	Minister of State (responsible for Treasury, Central Bank, Ziraat Bank and Capital Markets Board), since July 1997.
Professional Experience:	Three-term Parliament Deputy from Istanbul. State Minister responsible for economics, (previous governments under Turgut Ozal and Yildirim Akbulut). Assistant Chairman, Turkish Group of the European Commission. Member, Political and Economic Commission, EU. Chairman, Research and Policy Development Group, Motherland Party. Co-founder, Motherland Party, 1983. Served in the upper management of Citibank for 11 years.
Education:	Industrial Management, New York Polytechnic English Language and Literature, Istanbul University Civil Engineering Faculty, Yildiz University High School, United States
Personal:	Born 1949, Istanbul. Married, two children.

Biographical Information

Yener Dincmen

Current Position: Undersecretary, Treasury

Professional Experience:

Undersecretary of Treasury (since November 1997)
General Director of Ziraat Bank (since January 1997)
Secretary General of Pharmeceutical Manufacturers Association (1994 - 1997)
Adviser to Prime Minister (1994)
Undersecretary, Undersecretariat of Customs (1993-1994)
Deputy Permanent Representative of Turkey, UN Office Geneva (1991-1993)
Chief Adviser to the Prime Minister (1989-1991)
Chief Economic Councelor, Embassy of Turkey, USA (1989)
Deputy Undersecretary, Undersecretariat of Turkey, USA;
Alternate Governor IMF, World Bank (1984-1989)
Economic and Commercial Counselor, Embassy of Turkey, USA (1980-1984)
Deputy General Director, Department of Treasury, Ministry of Finance (1975-1980)
Economic and Commercial Counselor, Embassy of Turkey, USA (1972-1975)
Expert and Chief of Section, Ministry of Finance (1963-1972)
Board of Directors (PETKIM), (TPAO), TUMOSAN

Education:

MA, Economics, USA.
School of Political Sciences, Ankara University.

Personal:

Born 1940, Tarsus.
Married, one child.
Speaks fluent English.

Biographical Information

Nuzhet Kandemir

Current Position: Ambassador of Turkey to the United States

Professional Experience:

Ambassador of Turkey to the United States (since 1989)
Undersecretary of State, Ministry of Foreign Affairs (1986-1989)
Ambassador of Turkey to Baghdad (1982 - 1986)
Director General, Security Affairs, Ministry of Foreign Affairs (1979-1982)
Director, Division of Narcotics Drugs, Geneva (1973-1979)
Deputy Director and Advisor, Department of International Organizations, Ministry of Foreign Affairs (1972-197)
Deputy Permanent Representative, Turkish Permanent Mission, Geneva (1968-1972)
Director of Personnel Department, Ministry of Foreign Affairs (1978-1968)
First Secretary, General Directorate, Ministry of Foreign Affairs (1966-1967)
Second/First Secretary, Turkish Embassy, Oslo (1963-1966)
Third/Second Secretary, Turkish Embassy, Madrid (1961-1963)
Third Secretary, Department of Economic and Commercial Affairs, Ministry of Foreign Affairs (1960-1961)
Military Service (1959-1960)
Third Secretary, General Directorate, Ministry of Foreign Affairs (1957-1959)

Education:

Faculty of Political Sciences, Ankara University.
Galatasaray High School

Personal:

Born 1934, Istanbul.
Speaks English, French, Spanish.

Attendees