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Folder ID: 1772708

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4540S

Series: Travel briefings

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Washington, D.C.

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McNamara Papers

Travel



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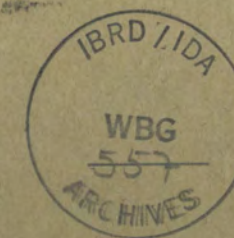
Travel Briefings, Turkey - Travel briefs

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**DECLASSIFIED**

WBG Archives



Turkey

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October 23, 1974

A. ITINERARY

Nov. 5 - Tues. 1710 Lv Dulles TW 800  
1825 Ar NY JFK  
2000 Lv NY JFK PA 102

Nov. 6 - Wed. 0740 Ar London  
0905 Lv London BE 486  
1119 Ar Istanbul  
1515 Lv Istanbul TK 136  
1630 Ar Ankara  
1715 Ar Hotel (Grand Ankara)  
2000 Private Dinner and retire early.

Nov. 7 - Thurs. 0900 to 1300 and 1500 to 1900 - Private lunch at 1300  
Visit of Tomb of Ataturk and meetings with Prime Minister,  
Ministers of Finance, Foreign Affairs, Agriculture, Education,  
Energy, Forestry, Industry, Reconstruction, Tourism and  
Village Affairs, and head of SPO (in order to be determined  
by Government)  
2000 Dinner with leading personalities

Nov. 8 - Friday 0800 Lv Ankara (official plane)  
0930 Arrive Elazig - tour of city, Keban dam, meetings with  
Mayor, personalities, and business community  
1200 Lunch with Governor  
1400 Lv Elazig by official plane, fly over Firat Valley,  
Gaziantep, Iskenderun, Ceyhan Aslantas, Seyhan, Adana  
and Mersin with inflight briefing by DSI or Agriculture.  
1700 Ar Antalya and leave by car  
1800 Ar Side - Meeting with Antalya personalities and  
business community in hotel  
2000 Private dinner

Nov. 9 - Sat. 0900 Visit Side, Aspendos, Perge and agricultural and  
forestry areas  
1230 Private lunch  
1400 Lv Antalya by official plane  
1515 Ar Istanbul  
1600 Ar Hilton Hotel  
1615 Meeting in Hotel with Istanbul Business Community (possibly  
organized by TSKB)  
1800 Joint meeting with Planning Bureau, ISI, IETT, Illerbank  
2000 Working dinner with Governor, Mayor of Istanbul and  
possibly Mayor of Izmit.

Nov. 10 - Sunday 0930 Tour of city with Mayor or his designee  
1130 Lv Istanbul by official plane  
1215 Ar Ankara  
1300 Lunch with Prime Minister  
1600 Open (Possible visit to Hittite Museum)  
1940 Lv Ankara LH 616  
2210 Ar Damascus

B

C

(NO CURRENT ISSUE AVAILABLE. PRESENTLY BEING REVISED)



# REPUBLIC OF TURKEY

## BACKGROUND NOTES

Population: 36.3 million (1971 est.)  
 Capital: Ankara

Turkey lies partially in Europe and partially in Asia, sharing common borders with Greece and Bulgaria on the northwest, the U.S.S.R. and Iran on the east, and Iraq and Syria on the south. Of its total area of 296,184 square miles (approximately the size of Texas and Louisiana combined) about 97 percent is in Asia Minor. The Bosphorus, the Sea of Marmara, and the Dardanelles, known collectively as the Turkish Straits, connect the Black and the Mediterranean Seas.

The coastal areas enjoy sufficient rainfall to support considerable vegetation. A wide variety of crops, ranging from tea in the northeast to tobacco in the west and cotton in the south, is grown on those relatively narrow coastal plains. The coastal regions, particularly in the south and west, enjoy mild winters. Inland, wheat is the principal crop grown on much of the rolling terrain of the western regions of the Anatolian Plateau. This plateau generally becomes more mountainous and less productive the farther east one goes. Winters are quite severe in eastern Turkey, but only moderately so in the western Anatolian Plateau. To the southeast, the terrain has a mean elevation of 3,000 feet above sea level and is treeless, sparsely populated, and crisscrossed by mountain chains. The Tigris and Euphrates Rivers rise in eastern Turkey and flow southward to the Persian Gulf through Iraq and Syria. The largest all-Turkish river is the Kizil Irmak, which flows northward east of Ankara to the Black Sea.

Turkey's flag carries a white crescent and a white star on a red field. On conquering Constantinople in 1453, the Ottoman Turks adopted the city's ancient symbol, the crescent, as their own. The flag's crescent frames Al Tarek, the Koran's morning star.

### THE PEOPLE

Turkey's population is about 36.3 million, representing a density of approximately 123 persons per square mile. The annual rate of population increase is estimated at 2.6 percent. Approximately 65 percent of the populace are villagers, and the population is more dense along the coastal regions and in the western half of the country than it is in the east and southeast. The largest city is Istanbul with a population of about 2.3 million. Ankara, the capital, has about 1 million inhabitants. These urban areas, as is the case with most Turkish cities, have experienced tremendous growth since 1950

as a result of the movement of villagers to the cities. Neatly whitewashed squatter dwellings can be seen around the city peripheries, posing a constant challenge to the abilities of the municipalities to provide essential services.

Ninety-eight percent of the Turks are Moslem, belonging principally to the Sunni sect, but the state recognizes no established religion and is secular in form. There is no legal discrimination against the non-Islamic minorities, which consist mainly of small groups of Greeks, Armenians, and Jews.

The Kurds, who number about 3 million, constitute an ethnic and linguistic minority, although not a religious one. They live in poor, remote sections of the east and southeast, areas which have not kept pace with the economic and social development of most of Turkey. The state of martial law, which was declared in 11 of 67 Provinces for several months in April 1971, encompassed two Provinces where Kurdish separatist activity was felt by the Government of Turkey to be a problem.

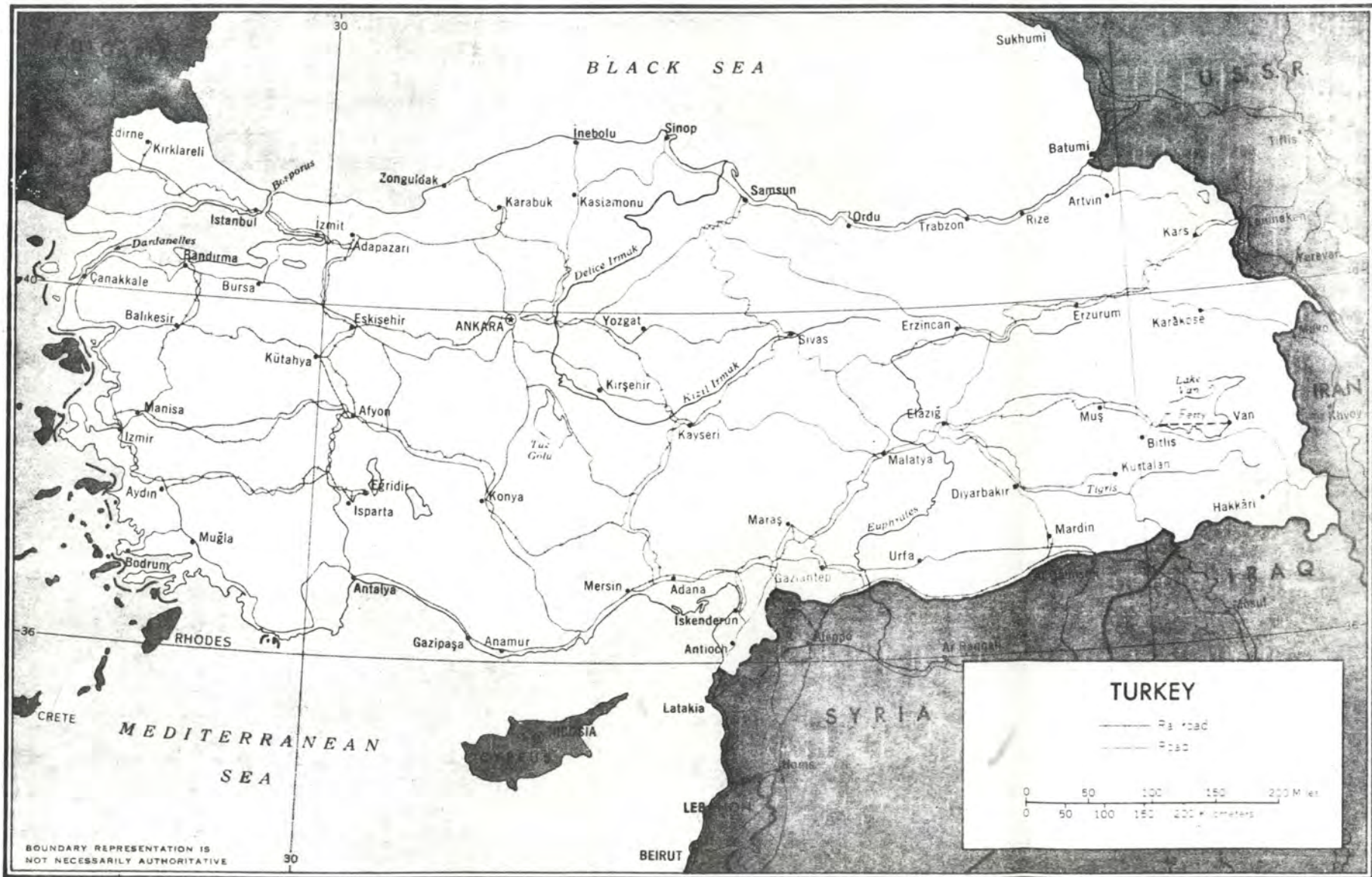
In addition to Turkish and Kurdish, Arabic and English are also spoken. About 55 percent of the people are literate.

### HISTORY

The Republic of Turkey was founded by Mustafa Kemal (later named Ataturk) in 1923 after the collapse of the 600-year-old Ottoman Empire. The Empire, which at the peak of its influence controlled vast stretches of North Africa, southeastern Europe, and western Asia, had failed to keep pace with the social and technological developments of Europe in the 19th century. The rise of nationalism was a centrifugal force which impelled several nations of the Empire to seek their independence, leading to its progressive fragmentation. This process reached its culmination in the disastrous Ottoman participation as one of Germany's allies in World War I. Defeated, shorn of much of its former territory, partially occupied by forces of the victorious European states, the Ottoman structure was repudiated by Turkish nationalists who rallied under the leadership of Ataturk. After a bitter war against invading Greek forces, the nationalists expelled them from Anatolia. The sultanate and caliphate, the temporal and religious ruling institutions of the old Empire, were abolished, and Turkey became a Republic.

The new Republic turned its back on the imperial ambitions and traditions of the Empire and concentrated on modernizing and Westernizing the ethnically Turkish core of the old Empire—





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Anatolia and Thrace. The series of social, political, linguistic, and economic reforms and attitudes introduced by Ataturk before his death in 1938 forms the ideological basis of modern Turkey. Referred to as Ataturkism, its meaning, continued validity, and applicability are the subject of frequent discussion and debate in Turkey's political life.

Turkey was not a participant in World War II until shortly before its end, but this brief belligerency facilitated its status as a charter member of the United Nations. The difficulties faced by Greece in quelling a Communist rebellion and demands by the Soviet Union, shortly after the end of World War II, for Turkey's cession of some of its eastern territory and for military bases in the Turkish Straits, led in 1947 to the declaration of the Truman Doctrine. Large-scale U.S. military and economic aid began at this time. Turkey's contribution of a highly effective brigade to the U.N. forces during the Korean conflict was tangible evidence of its determination to help prevent Communist aggression, and recognition of this led to Turkey's entry into the North Atlantic Treaty Organization (NATO) in 1952.

The one-party rule (Republican People's Party) established by Ataturk in 1923 lasted until the 1950 elections, when the Democrat Party came to power. From 1950 until May 26, 1960, the Democrat Party ruled, with Celal Bayar as President of the Republic and Adnan Menderes as Prime Minister. Economic difficulties and internal political tensions culminated in a military coup d'état on May 27, 1960. The Committee of National Union (CNU) governed while a new constitution was written, a referendum was held to approve it, and elections carried out. A return to civilian government came with the convening of the Grand National Assembly on October 25, 1961.

## GOVERNMENT

Turkey is a parliamentary Republic operating under a Constitution approved by a national referendum on July 9, 1961, and put into full operation on October 25, 1961.

The President, who may not succeed himself, is chosen by the Grand National Assembly (GNA) from among its members for a 7-year term and is Chief of State. He promulgates the laws enacted by the GNA or, within 10 days, returns the law with the reasons for his veto. Laws vetoed by the President may be reenacted by the GNA; presidential promulgation is then required within 10 days. The President designates a Prime Minister, usually the leader of the political party or coalition of parties which can command a majority of votes in the National Assembly. As Head of Government the Prime Minister supervises the implementation of the Government's general policies. Working with him is the Council of Ministers (cabinet) whose members are selected by the Prime Minister from the GNA or from among private citizens qualified to be elected to the GNA.

The Grand National Assembly is a bicameral parliament composed of the National Assembly and the Senate of the Republic. The 450 National Assembly members are directly elected to 4-year terms on the basis of universal adult suffrage. The Senate is composed of 150 members popularly elected to 6-year terms, 20 lifetime members from the former CNU, 15 members designated by the President, and former Presidents of the Republic. The GNA has the usual parliamentary powers of enacting, amending, and repealing laws. Bills are first debated in the National Assembly, and a mixed committee decides questions on which the two houses cannot agree. The power of interpellation is vested exclusively in the National Assembly.

The Court of Cassation sits at the apex of Turkey's regular judicial system and serves as a court of last instance in most cases. The Council of State has a similar function in the administrative court system. The Constitutional Court, added to the judicial system by the 1961 Constitution, reviews, on appeal, the constitutionality of laws and, when necessary, hears cases against the President and other senior officials.

For administrative purposes Turkey is divided into 67 Provinces, each headed by a Provincial Governor appointed by the Central Government.

## POLITICAL CONDITIONS

The body politic of Turkey is divided into a majority, which is conservative and frequently traditional in outlook, and a minority, which seeks more rapid pursuit of the secular, Westernizing, statist philosophy propounded by Ataturk. This fundamental dichotomy underlies the party structure within which a large populist party and a somewhat smaller elitist party have been most prominent since 1950 and helps to explain the recurrent political difficulties which Turkey has experienced since 1950.

Until a severe illness incapacitated President Cemal Gursel, Gen. Cevdet Sunay was Chief of the Turkish General Staff. Gen. Sunay was appointed a Senator in order to make him eligible for the presidency and was elected to that office in March 1966 for a 7-year term. Gursel died the following September.

In the elections of October 1961 no party won a dominant position. A period of coalition governments ensued until the elections of October 1965, at which time the populist Justice Party came to power alone. It ruled until the elections of October 1969, when it was returned to power with a reduced percentage of the popular vote but with a sizable majority of National Assembly seats. Disruptions of public order began in 1968 and progressively increased over the next 3 years as extremists of the left, an aberration of the elitist trend in Turkish politics, took to the streets in opposition to the populist government. A countermovement of extremists on the right emerged in opposition to the leftists; clashes between the two became more

frequent, and more than a score of student-aged youths had lost their lives by early 1971.

In March 1971 the apparent inability of the Justice Party government to bring a halt to the continuing incidents of violence in Turkey's large cities and the dissatisfaction of the Turkish military at the failure of the Justice Party government to pursue reforms with the speed and vigor deemed by the military as necessary, led to a political crisis. The senior military officers called for the replacement of the Justice Party government by one which could attain these objectives.

A new Prime Minister, Nihat Erim, was designated by the President in March 1971 to establish a reform, nonparty government composed of independents and members of the GNA from the three largest political parties in Turkey. Prime Minister Erim reorganized the Council of Ministers in December 1971 to give greater representation to the political parties, but he did not alter the basic orientation of the Government.

Prime Minister Erim is a former member of the Republican People's Party, the second largest party in Turkey, while the majority in the Grand National Assembly is from the Justice Party, the largest party. The nonpartisan nature of the Council of Ministers and the introduction of martial law in April 1971 in 11 Provinces, have altered for the time being the role of the political parties in Turkey. However, the normal role of the parties is expected to be restored in October 1973, when the next general elections for all National Assembly and two-thirds of the Senate seats are scheduled to take place.

## Political Parties

Turkey has two major parties, two other with sufficient strength to form parliamentary groups, and several minor political parties.

The Justice Party (JP), founded in 1961 and currently headed by former Prime Minister Suleyman Demirel, inherited much of the political support enjoyed by the Democrat Party, which was overthrown in the 1960 coup, and may be described as a populist party. The JP places greater emphasis on private capital participation in the development process than does the principal opposition party. It has considerable support from among Turkey's rural majority, as well as from business and artisan groups.

After brief participation in the first postcoup coalition, the JP was the principal opposition party until February 1965, when it formed a new coalition with several minor parties. In the October 1965 elections, it came to power with 53 percent of the popular vote. Although its popular vote declined to 46.5 percent in the October 1969 elections, the altered proportional representation system enabled it to retain a majority in the GNA. A challenge to Suleyman Demirel's leadership of the JP resulted in a schism in the ranks of the JP in February 1970, leading to resignation of the JP government. The same Council of Ministers was reconstituted and received a vote of confidence on

March 15, 1970, but with the virtual elimination of the JP's majority and with the estrangement and disciplining of the dissident element.

The JP strength was further reduced when a group of dissident Deputies, led by Ferruh Boz-beyli, former Speaker of the National Assembly, formed the Democrat Party in December 1970. This party is generally viewed as a rallying point for the more conservative former JP members, and it now constitutes the third largest party in the GNA.

The Republican People's Party (RPP) is headed by Ismet Inonu, a colleague of Ataturk. This party was founded by Ataturk in 1923 and was in power from then until 1950. It was the dominant party in coalition governments from November 1961 until February 1965. It received 37 percent of the votes in the 1961 elections, dropped to 29 percent in the elections of 1965, and received only 27.5 percent of the votes in the 1969 elections. Following the March 12, 1971, resignation of the JP government, Nihat Erim, a long-time member of the party, resigned from the RPP in order to qualify as the nonpartisan head of a nonparty Government. These events and the RPP decision to support the new Government led to the resignation of party Secretary General Bulent Ecevit, who had provided much of the day-to-day leadership of the RPP.

The RPP has basically adhered to the paternalistic approach to Turkey's economy which Ataturk originated, but since 1965 it has advocated an even greater role for the state through its espousal of a "left-of-center" philosophy. This party commands a high degree of support from among the urban population, civil servants, military officers, and others who regard it as the repository of Ataturk's traditions.

The party with the fourth largest representation in the Grand National Assembly is the National Reliance Party, led by Turhan Feyzioglu. A centrist grouping which broke with the RPP in 1967, the Reliance Party won 8 percent of the vote and 15 National Assembly seats in the 1969 elections, a sufficient number to make it a recognized parliamentary group. None of the other minor parties won enough seats to secure this recognition. They were: the New Turkey Party, the Nation Party, the National Movement Party, the Unity Party, and the Turkish Labor Party, which was experiencing a period of internal realignment after the 1969 elections.

In July 1971 the Turkish Labor Party, the only noteworthy Socialist party in the country, was banned by a ruling of the Constitutional Court. It had received less than 3 percent of the popular vote in general elections. The other minor parties generally range from the center to the right of the political spectrum, an orientation less important on occasion than the ethnic, sectarian, or regional identifications of certain of these groupings.

Another political group, the National Order Party, was organized by a group of conservatives following the 1969 elections. This conservative, religious party was banned in May 1971 following

the Constitutional Court ruling that it had been attempting to make use of religion for political purposes.

All parties recognize the importance of economic development, although they differ on the best means for its achievement. The nation is united on the need to achieve a settlement of the Cyprus dispute acceptable to the Turkish community on the island, as well as on the necessity to use whatever measures might be required to forestall an imposed, unacceptable solution. Turkey's participation in NATO is supported by all parties, except the now-banned Turkish Labor Party.

As of May 1971 the political parties held the following number of seats in the Senate and National Assembly:

	Senate	National Assembly
Justice Party	89	224
Republican People's Party	34	141
Democrat Party	7	41
National Reliance Party	10	14
Nation Party	-	4
Unity Party	-	2
Turkish Labor Party	1	1
New Turkey Party	-	1
National Movement	1	1
Independents	6	15
(Vacant)	2	6
Total	150	450

## ECONOMY

Turkey's economy is still predominantly agricultural (mainly cotton, tobacco, and grains) with about two-thirds of the labor force engaged in farming and related occupations. It is a mixed economy with government-owned or controlled enterprises which account for about half of the aggregate industrial output of the public and private sectors.

The 1960's were the longest period of sustained and rapid economic growth in Turkey's history. This compares favorably with the 1950's which witnessed serious inflation and a series of balance-of-payments crises. At the end of 1969 inflation and balance-of-payments problems returned to plague the Turkish economy. To curb these the Government undertook, in August 1970, a major economic stabilization and reform program which included a 40 percent devaluation of the Turkish lira to 15 per U.S. dollar. Currency gains from the devaluation have been used to strengthen considerably Turkey's official reserves. Export expansion was also accorded high priority in the new program in order to earn the foreign exchange necessary to import the capital investment items and raw materials required to sustain a high rate of growth. In 1970 gross national product (GNP), totaling about U.S. \$8 billion (at 15 Turkish lira per dollar) grew by 5.6 percent, compared with an average of 6.6 percent during the mid- and late 1960's. The decline in

the rate of expansion was mainly a result of industrial growth slowing to 3 percent in 1970 (compared to 10 percent in 1969), creating a shortfall from the projected growth rate of 7 percent for the second 5-year plan (1968-72). A target rate of 8 percent reportedly is being adopted for the third 5-year plan (1973-77).

Turkey continues to be dependent in part on external assistance for economic development and to help meet its debt obligations. A consortium of 14 donor countries (including the United States) and the International Bank for Reconstruction and Development (IBRD) was organized in 1962 under the Organization for Economic Cooperation and Development (OECD) to consider Turkey's problems and to extend financial and technical assistance. The consortium provided about \$2.3 billion from 1963 through 1970 in financial assistance and debt relief. The International Monetary Fund (IMF) and the European Monetary Agreement, a lending agency composed of a number of European countries, also have assisted Turkey with standby arrangements and short-term credits.

Turkey signed an agreement of association with the European Communities (the European Economic Community, the European Coal and Steel Community, and the European Atomic Energy Community) in 1963. In mid-1971 Turkey entered the second, or "transitional," stage of its association with the European Economic Community (Common Market), which will provide free entry of Turkish industrial exports to the Common Market, improved access for agricultural goods, and up to \$195 million in credit for investment in industrial projects. In turn, Turkey's tariffs will be progressively reduced or curtailed for the Common Market's products over a 30-year period.

Turkey, with an annual per capita income of about \$240 at the new exchange rate, is attempting to narrow the considerable gap between its economy and the thriving economies of Western Europe. Economic development with financial stability is a major domestic policy of the country. Turkey's central economic problem is the need for increased foreign exchange earnings to match the growing cost of the imports required for development. In addition, much of the industrial sector is still devoted to assembly rather than basic manufacture and is dependent on high-cost imports. Turkey is in the process of stimulating the expansion of the export sector of the economy. It is also recognized that high-cost, protective industry must undergo major adjustment if it is to be competitive as Turkey moves toward full membership in the European Communities. At the present time Turkey's primary industries are iron and steel manufacturing and coal mining.

Turkey's imports are mainly machinery and raw materials, and its main exports are cotton and tobacco. Imports in 1970 amounted to about \$948 million while exports were approximately \$588 million. Major trading partners are the members of the European Communities and the United

States. In 1970 Turkey's imports from the United States totaled \$194 million and its exports to the United States were \$56 million.

## FOREIGN RELATIONS

Turkey is a member of the North Atlantic Treaty Organization (NATO), which it joined in 1952 and which is still its major foreign alliance. The Turks have a traditional suspicion of Russians and hence of international communism. There are few Communists in Turkey—the Communist Party is officially banned. Turkey is also an important regional member of the Central Treaty Organization (CENTO), which has its headquarters at Ankara. In the United Nations Turkey has been an effective proponent of collective security within the U.N. framework, and it participates in a number of U.N. specialized agencies.

Turkey, lying in the historic path of Russian expansion to the Mediterranean, has expended since World War II about 30 percent of its annual budget for defense. It jealously guards its frontiers and places special emphasis on modernization of its armed forces. Use of the Turkish Straits is regulated by the Montreux Convention of 1936, the provisions of which are implemented and enforced by Turkey, as established by the convention. The prominence of Turkey's security problems has resulted in its international alliances and has contributed to its eagerness to fulfill its NATO military commitments; increasing Soviet naval activity in the eastern Mediterranean underscores the continuing importance of the southeastern flank of NATO.

During the past few years Turkey has taken steps to normalize its daily relations with the Soviet Union without in any way weakening Turkey's continuing full membership in NATO. In August 1971 Turkey and the People's Republic of China established diplomatic relations. The Republic of China (Taiwan) then suspended relations with Turkey.

## U. S. -TURKEY RELATIONS

Turkish-American friendship dates to the late 18th century and was first officially sealed in a treaty of 1830. During World War II there was a flow of some lend-lease materials to Turkey, but the present close relationship really began with the agreement of July 12, 1947, which implemented the Truman Doctrine. Since then the United States and Turkey have worked together with exceptional cooperation to achieve their joint aims and establish a strong, healthy relationship. The United States is trying to assist Turkey in moving toward greater economic and military self-reliance. As part of the cooperative efforts toward that end, the United States has lent and granted Turkey more than \$2.6 billion in economic and \$3.1 billion in military assistance. In fiscal year 1971 U.S. development assistance of \$40 million was provided.

Several thousand U.S. military personnel, along with several thousand dependents, are stationed in Turkey under the provisions of the North Atlantic Treaty. They man several communications/electronics facilities, a major air base at Incirlik near Adana, and a number of smaller facilities scattered throughout the country. Two NATO headquarters near Izmir also have sizable U.S. contingents.

Turkey is one of seven countries permitted to export opium, in accordance with international agreements, to meet the world's legitimate medical requirements for opium-based drugs such as morphine and codeine. (India is the world's largest legal exporter; Turkey ranks second with approximately 20 percent of the market.) Opium-poppy cultivation has existed in Turkey for centuries, and it is an important part of the livelihood for thousands of Turkish villagers in the western Anatolian Plateau. In addition to the cash return for the opium gum, the byproducts of poppy production are important to the farmer as the seeds are used for oil and flavoring and the stalks used for fuel and fodder.

In the past a significant portion of the opium has been diverted at the farm from legal production and smuggled out of Turkey to France and other countries where it was processed into heroin. While precise estimates are not possible, it is believed that opium diverted from Turkish poppy fields is the largest single source for heroin entering the United States.

In recent years the impact of drug abuse, particularly of heroin, in the United States has led to U.S. efforts to obtain the cooperation of other countries in suppressing trafficking in narcotic substances. The United States has given priority attention to curtailing supplies of illicit opium, which is the raw material from which heroin is produced. Despite efforts to curb the illicit traffic in opium, the Government of Turkey has not been successful in eliminating it. Therefore, on June 30, 1971, Prime Minister Erim announced that further opium-poppy cultivation in Turkey would be banned effective after the 1972 harvest. (According to Turkish law, farmers must be given 1 year's notice before prohibition can take place.) President Nixon characterized this decision as a courageous and statesmanlike act.

The Turkish Government is planning to assist the families that will be affected by the opium ban and will undertake programs to develop alternative sources of income for them. In order to help Turkey's transition from opium-poppy cultivation to other crops, or other types of activity, the United States has agreed to provide financial and technical assistance to help the Turkish Government during the transition period. This assistance will be in the form of compensation for the loss of foreign exchange earnings previously accruing from legitimate opium sales and to help establish alternative economic activities in the former poppy-growing areas.

# POPULATION DENSITY



D

D. LIST OF CABINET MEMBERS, PARTY LEADERS, OTHER OFFICIALS  
AND PRIVATE INDIVIDUALS WITH BIOGRAPHICAL DATA

A. Principal Officials and Cabinet Members

1. President - Fahri Korutürk
2. Prime Minister - Bülent Ecevit (RPP - Zonguldak)
3. Deputy Prime Minister - Necmettin Erbakan (NSP - Konya)
4. Minister of State - Ismail Hakki Birler (RPP - Tokat)
5. Minister of State - Orhan Eyüboğlu (RPP - Istanbul)
6. Minister of State - S. Arif Emre (NSP - Istanbul)
7. Minister of Justice - Sevkett Kazan (NSP - Kocaeli)
8. Minister of Defense - Hasan Esat Isik (RPP - Bursa)
9. Minister of the Interior - Oguz Asiltürk (NSP - Ankara)
10. Minister of Foreign Affairs - Prof. Turan Günes (RPP - Kocaeli)
11. Minister of Finance - Deniz Baykal (RPP - Antalya)
12. Minister of Education - Mustafa Ustündağ (RPP - Konya)
13. Minister of Public Works - Erol Cevikce (RPP - Adana)
14. Minister of Commerce - Fehim Adak (NSP - Mardin)
15. Minister of Health and Social Welfare - Selahattin Cizrelioglu  
(RPP - Diyarbakir)
16. Minister of Customs and Monopolies - Mahmut Türkmenoglu (RPP - Izmir)
17. Minister of Agriculture - Korkut Ozal (NSP - Erzurum)
18. Minister of Communications - Ferda Güley (RPP - Ordu)
19. Minister of Labor - Onder Sav (RPP - Ankara)
20. Minister of Industry and Technology - Abdülkerim Dogru (NSP - Kars)
21. Minister of Energy and Natural Resources - Cahit Kayra (RPP - Ankara)
22. Minister of Tourism - Orhan Birgit (RPP - Istanbul)
23. Minister of Reconstruction and Housing - Ali Topuz (RPP - Istanbul)



24. Minister of Rural Affairs and Cooperatives - Mustafa Ok  
(RPP - Manisa)
25. Minister of Forestry - Ahmet Sener (RPP - Trabzon)
26. Minister of Sports - M. Yilmaz Mete (RPP - Senator Adana)

B. Party Leaders

1. Republican Peoples Party (RPP) - Bulent Ecevit
2. Justice Party (JP) - Suleyman Demirel
3. National Salvation Party (NSP) - Necmettin Erbakan
4. Democratic Party (DP) - Ferruh Bozbeyle
5. Republican Reliance Party (RRP) - Turhan Feyzioglu
6. National Action Party (NAP) - Alpaslan Turkes
7. Union Party (UP) - Mustafa Timisi

C. Other Officials (List to be completed and Biographic Data to be provided on arrival)

Ustun Ustundag, Advisor to the Prime Minister

Ahmet Tufan Gul, General Secretary of the Treasury and OIEC

Kemal Canturk, Head of the State Planning Organization (SPO)

Behcet Yucel, General Manager of the Turkish Electricity Authority (TEK)

Haluk Ceyhan, Director General State Hydraulic Works (DSI)

Namik Kemal Senturk, Governor of Istanbul

Ahmet Isvan, Mayor of Istanbul

Ihsan Alyanak, Mayor of Izmit

Midhat Yenen, Director, Istanbul Metropolitan Planning Bureau

Saffet Gurtav, General Manager, Istanbul Electricity and Tramway Agency (IETT)

Mazhar Haznedar, Director General, Iller Bankasi (Bank of the Provinces)

Gultekin Oskay, Director General, Istanbul Water Administration (ISI)

D. Private Individuals (List and Biographic Data to be provided on arrival)

BIOGRAPHICAL DATA

A. Principal Officials and Cabinet Members

1. President - Fahri Koruturk. (b. 1903 Istanbul) Graduated from the Naval Academy in 1923 as a Naval Officer. Held various Navy posts becoming Commander of the Navy in 1957 until his retirement in 1960 when he joined the Foreign Service becoming Ambassador to Moscow and later to Madrid. Appointed to the Senate as a member of the presidential contingent in 1965. Elected sixth President of the Republic in April 1973.

2. Prime Minister - Bülent Ecevit. (b. Istanbul 1925) Graduated from Robert College in 1944 with a BA in literature. Later studied literature and art history at the University of Ankara and London University, and did research on Middle Eastern history at Harvard in 1957. Early career as writer, poet and journalist. Entered parliament in 1957, served as Minister of Labor in the early 1960's, and under the blessing and tutelage of Ismet Inonu rose to a position of leadership in the party becoming Secretary general in 1966. Played a major role in the RPP's shift to the left-of-center. Under his dynamic leadership the party has been broadened, modernized, and given a new social-democratic image. Speaks English, is married but has no children.

3. Deputy Prime Minister - Necmettin Erbakan. (b. Sinop, on the Black Sea, 1926) PhD in Mechanical Engineering from Istanbul Technical University. Later did post-graduate work in Germany before becoming full professor. Founded Turkey's first major diesel motor factory in 1956 and active in the Union of Commerce and Industry. Began his political career in 1969 when elected independent deputy from Konya (city in central Anatolia known for its conservative constituency) and later helped establish the National Order Party (closed in 1971). Subsequently joined the newly established far right wing NSP, becoming Party head. Speaks German, is married and has one child.

4. Minister of State - Ismail Hakki Birler. (b. Sivas, eastern Turkey, 1927) Graduated from the Faculty of Law and held various posts as prosecutor before resigning to open own law practice. Elected to parliament in 1969 when serving as head of the RPP for Tokat. Married and has one child.

5. Minister of State - Orhan Eyüboğlu. (b. Trabzon, on the Black Sea, 1918) Graduated from the Faculty of Science in Istanbul. Served as District Governor in different regions before becoming Traffic Director of Istanbul and Deputy Mayor. RPP deputy in parliament since 1961 and presently holds the post of Secretary-General of the Party. Married and speaks French and English.

6. Minister of State - Suleyman Arif Emre. (b. Besni, Adiyaman province in eastern Turkey, 1923) After graduation from Faculty of Law in Ankara held various posts in Government including the Department of Religious Affairs before setting up own law practice (1949-1965). Elected to Parliament in 1965 under the right wing New Turkey Party. Later established the far right National Order Party with Necmettin Erbakan, and after its closure the National Salvation Party, with Erbakan succeeding him as leader of the new Party. Married and has six children.

7. Minister of Justice - Sevket Kazan. (b. Adapazari, near Istanbul, 1933) Graduate of the Istanbul Faculty of Law. Has lectured and written on ethics and morals. Elected to Parliament in 1973. Speaks English, French and Arabic, is married and has one child.

8. Minister of National Defense - Hasan Esat Isik. (b. Bursa 1916) Graduate of Galatasaray and Faculty of Law. Entered Foreign Service holding various posts, becoming Ambassador to Moscow in 1964. Served briefly as Minister of Foreign Affairs in 1965, reappointed to Moscow and then transferred to Paris as Ambassador (1968-1973). Joined the RPP and elected to Parliament in 1973. Speaks English and French, is married and has one child.

9. Minister of Interior - Oguzhan Asiltürk. (b. Malatya, eastern Turkey, 1935) Graduated from Istanbul Technical University as Civil Engineer, and worked briefly in the Departments of Highways and Irrigation before setting up own engineering firm. Active in the short-lived National Order Party and subsequently elected to Parliament as member of the National Salvation Party, becoming Secretary-General of that party. Married and has three children.

10. Minister of Foreign Affairs - Turan Günes. (b. Kandira, Kocaeli, province near Istanbul, 1922) Studied at Galatasaray and Faculty of Law in Istanbul. PhD in Law from Paris in 1951. Entered politics with the Democrat Party in the middle 1950's but later broke with that party joining the RPP in 1958. Returned to scholarship in the early 1960's, becoming full professor. Elected to Parliament in 1973 while serving as Deputy Secretary-General of the RPP. Speaks French and Italian, is married and has two children.

11. Minister of Finance - Deniz Baykal. (b. Antalya 1938) Youngist member of the cabinet. After graduating from the Faculty of Law in Ankara in 1959 joined the teaching staff of the Faculty of Political Science as Assistant Professor of Constitutional Law. Undertook graduate studies in the U.S. and later promoted to Associate Professor. Elected to Parliament in 1973. Speaks English, is married and has two children.

12. Minister of Education - Mustafa Ustündağ. (b. Seydisehir, Konya province, central Anatolia, 1933) Studied at the Gazi Teacher Training Institute in Ankara and later received a graduate degree from the University of Wisconsin. Joined the teaching staff of Hacettepe University in Ankara but later entered politics full time, serving as a deputy from Konya since 1969. Speaks English, is married and has three children.

13. Minister of Public Works - Erol Cevikce. (b. Amasya, eastern Turkey, 1937) Graduated from the Faculty of Economics in Istanbul and later received M.A. degree in economic planning from Pittsburgh University. Joined the State Planning Organization (SPO) and elected to Parliament in 1973. Speaks English and French, is married and has one child.

14. Minister of Commerce - Fehim Adak. (b. Mardin, eastern Turkey, 1931) Graduated as civil engineer in 1954 from Istanbul Technical University and later served in various government posts including the SPO. Elected to Parliament in 1973 as candidate of the NSP. Speaks English, French, and Arabic, is married and has five children.

15. Minister of Health and Social Welfare - Selahattin Cizrelioglu. (b. Diyarbakir, eastern Turkey, 1924) Educated at the French Secondary School in Istanbul, graduated from the Faculty of Law in Istanbul and received his PhD from the Sorbonne. Practiced law briefly in Diyarbakir before entering politics in 1956. Elected Justice Party senator for Diyarbakir in 1966 but resigned from the JP in 1973 becoming senator for the RPP. Speaks French and is married.

16. Minister of Customs and Monopolies - Mahmut Tirkmenoglu. (b. village of Bademler, province of Izmir, 1933) Graduate of the Faculty of Mechanical Engineering of Istanbul Technical University. After graduation established a cooperative in his native village. Elected to Parliament in 1973. Speaks German, is married and has two children.

17. Minister of Agriculture - Korkut Ozal. (b. Malatya, eastern Turkey, 1929) Graduated from Istanbul Technical University as a civil engineer in 1951, joined the State Irrigation Department and later received an MA from the United States. Taught at the Middle East Technical University becoming Associate Professor in 1965. Later served as Director General of the Turkish Petroleum and as adviser to the Minister of Energy and National Resources before joining the private sector in 1972. Elected to Parliament in 1973. Speaks English, French and German, is married and has five children.

18. Minister of Communications - Ferda Giley. (b. Aybasti, Ordu province on the Black Sea, 1916) Educated at the War School and Faculty of Letters of Istanbul University and taught literature in military schools until his resignation from the army with the rank of major. Member of Parliament since 1957, has been active in party affairs, serving as Deputy Secretary-General of the RPP prior to his appointment as Minister. Speaks English, is married and has four children.

19. Minister of Labor - Onder Sav. (b. village of Isiklar, province of Balikesir, Marmara region, 1937) After graduating from the Faculty of Law of Ankara University, practice law in Ankara, and served as a member of the executive board of the Ankara Bar and later as Secretary-General. Active in politics becoming member of the High Disciplinary Committee of the RPP in 1970. Edited the periodical Free Man until his election to Parliament in 1973. Speaks English and German, is married and has one child.

20. Minister of Industry and Technology - Abdulkерim Dogru. (b. Ardahan, eastern Turkey, 1927) Graduated from the Istanbul Technical University in Mechanical Engineering and subsequently held various government posts including Director General of the Nitrogen Industry. As one of the founders of the National Salvation Party, elected to Parliament in 1973. Was deputy speaker of the House until his appointment as Minister. Speaks English, French, and German, is married and has four children.

21. Minister of Energy and Natural Resources - Cahit Kayra. (b. Trabzon, on the Black Sea, 1917) Graduated in finance from the Faculty of Political Science and held various posts in the Ministry of Finance. Received additional training in England and later served as chairman of the Turkish delegation to OECD and headed the Board of Inspectors of the Ministry of Finance. Joined the RPP in 1972 and elected to Parliament in 1973. Speaks English and French, is married and has two children.

22. Minister of Tourism - Orhan Birgit. (b. Kars, eastern Turkey, 1927) Graduate of the Faculty of Law. Journalist and lawyer. Wrote for several newspapers and published the news magazine Kim (Who) for a brief period. Member of Parliament since 1965. Speaks German and is married.

23. Minister of Reconstruction and Housing - Ali Topuz. (b. Cayeli, province of Rize on the Black Sea, 1932) Graduated from Istanbul Technical University as an architect in urban planning. Active in the RPP and elected to Parliament in 1973. Speaks French, is married and has two children.

24. Minister of Rural Affairs and Cooperatives - Mustafa Ok. (b. Manisa near Izmir, 1925) Graduate War School and the Public Administration Institute of Middle East Technical University. Retired from the army with the rank of Lt. Col. and has served in Parliament since 1965. Speaks English, is married and has three children.

25. Minister of Forestry - Ahmet Sener. (b. Vakfikebir, province of Trabson on the Black Sea 1921) Graduate of the Faculty of Agriculture, taught in the Agricultural School of Bursa, and served as a representative for the agricultural sector in the Constituent Assembly (formed in 1960 to redraft Turkey's constitution). Served as deputy in Parliament since 1961. Speaks Italian, is married and has three children.

26. Minister of Sports - Muslihittin Yilmaz Mete. (b. Ceyhan, Adana province, 1920) After graduating from the Ankara Faculty of Law served as District Governor in several provinces. Began his political career in 1953 and elected to Parliament in 1957. Presently a senator from Adana. Interested in sports, has been chairman of the Fencing Club in Ankara since 1958 and active in other sports organizations. Married and has three children.

## B. Party Leaders

1. Bülent Ecevit - RPP (186 seats in Parliament) (see biographic sketch under II. A. 2.)

2. Suleyman Demirel - JP (149 seats in Parliament) (b. village of Islamkoy, province of Isparta, central Turkey, 1924) Graduate of Istanbul Technical University receiving equivalent of M.S. degree in Civil Engineering. Spent one year in 1949-50 working for the US Bureau of Reclamation and later held several posts in the State Hydraulic Works becoming Head of that organization in 1955 following return from a year of study on an Eisenhower Fellowship. After working in private business and lecturing at Middle East Technical University entered politics in 1963 becoming Prime Minister under the JP Government formed in 1965. After assuming the Prime Ministership for a second time in 1969, forced to resign in the spring of 1971 under military pressure. Speaks English, is married but has no children.

3. Necmettin Erbakan - NSP (48 seats in Parliament) (see biographic sketch under II. A. 3.)

4. Ferruh Bozbeyli - DP (45 seats in Parliament) (b. Pazarlik, province of Maras, eastern Turkey, 1927) Graduated from the Istanbul Faculty of Law and practiced law in Istanbul before becoming a member of Parliament in 1961. Became deputy speaker of the National Assembly and later Speaker of the Assembly, a post which he held until he resigned in 1970 to establish the DP along with other dissidents from the JP. Married and has one child.

5. Turhan Feyzioglu - RRP (13 seats in Parliament) (b. Kayseri, central Turkey, 1922) Graduated from the Istanbul Faculty of Law, later receiving his PhD in law and continuing his studies at the Ecole Nationale D'Administration in France and Oxford. Became full professor at the Faculty of Political Sciences and later Dean but was forced to leave the Faculty in 1956 in conflict with the Menderes Government over his views on academic freedom. Elected to Parliament in 1957 on the RPP ticket and later held various ministerial posts in the coalition governments of the early 1960's. Resigned from the RPP in 1967 in protest against the RPP's shift to the left. Established the RRP with other members of the RPP's right wing. Speaks French and English and is married.

6. Alpaslan Turkes - NAP (3 seats in Parliament) (b. Nicosia, Cyprus, 1917) Graduated from the Military College and War College and later studied at the US Infantry School and War Academy. Member of the National Unity Committee which took power in 1960, but dismissed from the group with 14 other officers because of radical views and sent as counselor to the Turkish Embassy in India. On return established the Republican Peasant Nation Party which later became the National Action Party (NAP). Speaks English, is married and has five children.

7. Mustafa Timisi - UP (1 seat in Parliament) (b. Divrigi, province of Sivas in eastern Turkey, 1936) Graduated from the Academy of Economic and Commercial Sciences in Ankara and worked in the Ministry of Public Works. Entered politics in 1969 and appointed head of the UP that same year. Married and has four children.

E

## E. TOPICS FOR DISCUSSIONS

1. Discussions with the Government should develop along two main lines: Turkey's social progress and the Turkey-Bank relationship. At the level of the Prime Minister, the social questions should take somewhat more time than specific relationship problems, while the reverse should prevail at the level of specialized Ministers. Nevertheless it is important for the Prime Minister to be made fully aware of the problems in our general relationship and of our recommended remedies.

### (1) TURKEY'S SOCIAL PROGRESS

2. The topics for discussion are outlined in Mr. Benjenk's memorandum (section 4, p. 4). The following background may be useful in discussing these questions.

#### Rural Development (Section 4(a) of memorandum)

3. More than 60 percent of the population live in rural areas and receive only 27 percent of total national income. Public policy has favored investments in industry at the expense of agriculture, and the average increase in agricultural production has been only a moderate 4 percent, about 1 percent above the population growth rate, and due mostly to investments concentrated in the few regions with irrigation potential. Because of the diverse nature of Turkish agriculture, ranging from subsistence farming to industrial agriculture operations comparable to any in the world, it is difficult to generalize meaningfully. Nevertheless, for the vast majority of largely dryland farmers, the problems are small holdings, unfavorable tenure conditions, insufficient credit, underemployment, lack of access to services and relatively high disease and mortality rates. Absolute poverty is not widespread, but relative poverty is a strong incentive to migration. The poorest are not really farmers at all, but hired workers. A land reform bill was passed in 1973, but is ineffective. (See subject brief F(4) b for details on agrarian reform).
4. The Bank has assisted a number of projects designed to improve the rural standard of living. Early projects were concentrated in the areas with potential for irrigation, e.g. the Seyhan and Ceyhan Aslantas projects near Adana, and some have had spectacular success in increasing yields and overall income. Several years ago, the Bank began to develop projects in rainfed areas. The Second Livestock Project, focused on Kars and Erzurum in the East, was the first project to have a specifically rainfed rural development objective. Unfortunately, the project has been seriously delayed due to the lack of Turkish staff and remains a major problem project. (See Section G (3) Credit No. 330).
5. Appraisal has just been completed on the Corum-Cankiri Integrated Rural Development Project, whose main objective is to provide the farmers of this area northeast of Ankara with a means for improving crop and livestock production, thus raising incomes and standard of living. Most of the farmers of the project area own small plots -- there are no large landowners. Even the smallest farmer should increase his standard of living to a decent



level through the project. Landless households, perhaps twenty percent of the total, are expected to benefit indirectly from increased prosperity and directly from the social services provided. An intensive effort in extension, based on the successful Seyhan model, is essential for the success of the project. Credit will be provided through the Agricultural Bank of Turkey, with other government agencies involved in building new irrigation facilities, roads, rural electrification and a drinking water system, village centers, and forestry and pasture improvements (See subject brief F(4)c). Both the Government and the Bank are interested in the possibility of duplicating the project in other similar areas of Turkey. An evaluation of the project's effects will be undertaken with this in mind. In addition, the Government is currently exploring the possibility of developing a complementary effort in additional social services.

6. Besides the Corum Cankiri Project, in which the present Government is greatly interested, efforts in rural development are focused in three main directions (i) the people's sector (see below); (ii) various efforts under the Ministry of Village Affairs and Cooperatives, aiming mainly at revitalizing the village cooperative system; and (iii) an effort under the Ministry of Education to use television as means of expanding the opportunities for the rural population. It would be useful to get a feel for how well prepared and coherent these ideas are. Piecemeal contacts with several of those responsible for these efforts have not demonstrated the workability of some of the concepts. For example, the Ministry of Village Affairs has established a unit to assist the approximately 4,500 village cooperatives to undertake small scale industrial projects, but it is not clear how the cooperatives will organize themselves for such an undertaking or where the management, marketing, and technical know-how will come from (see also CPP, paras. 34-38, 48-50).

#### People's Sector (Section 4(a) of memorandum)

7. The people's sector was one of the main innovative ideas proposed by the RPP when it first came to power. Thus far, it has only been described in very general terms, and it would be useful to know if the government has now developed more specific ideas, how it intends to implement them, and what role the Bank might play. Apparently, the people's sector is conceived as a kind of people's capitalism, avoiding both the inefficiencies of the public sector and the inequities of the private sector. TSKB understands the requirement to be a minimum of 1000 shareholders with no shareholder owning more than 10%. However, the Government seems to use the idea as a shorthand for a variety of as yet vaguely defined programs including cooperatives, a small industry program, the workers savings bank, etc.

#### Problems of the big metropolis (Section 4(b) of memorandum)

8. As in practically every country, the problems seem very complex and solutions are extremely difficult to develop. The main question remains whether the Government is willing to undertake the basic reform needed to

permit the required degree of local and metropolitan authority and responsibility in the major municipal areas. This implies a real transfer of power from Ankara and the creation of a local political and institutional framework able to meet the new responsibilities. Is the Government really willing to use Istanbul as a test case for this? The Prime Minister told the Mayor of Istanbul he would call a meeting of major mayors and ministers to discuss how to approach the problems of the major cities. Does he intend to follow through with specific legislation? Where will he get the needed high level staff support to develop specific ideas? Couldn't the Istanbul Wastewater Authority be a test case for developing local institutions (See subject brief F(4)d, page 4, for further specific topics and CPP, paras. 34-35).

Regional development (Section 4(b) of memorandum)

9. Present planning is highly centralized and Ankara officials frequently do not bother about local input to their decisions. There has been much talk about creating meaningful planning and coordination activities outside Ankara, either at the provincial level or on a regional basis. Does the Government have any intention to implement a policy of decentralization in decision making? If so, how? Will SPO have regional offices? Will the governors be given planning authority and staff? Will the agencies be required to coordinate their plans at some level other than Ankara? It is again a question of power. These questions were discussed at length in the Basic Economic Report (Volume III, Chapter 9, Regional Development and Income Distribution), but the Government has not reacted very meaningfully so far.

State Economic Enterprises (Section 4(e) of memorandum and CPP, paras. 8, 14, 32-33; 51-54)

10. The reform of SEEs is a main concern of the Government and a key objective of Bank lending. A mixed economy and a leading role for the public sector in critical industrial subsectors is widely accepted in Turkey. SEEs accounted for about 10% of national real value added in 1968 and under the Third Plan are projected to realize 52% of public fixed investment, and over a quarter of total investment. But the SEEs in general have been seriously hampered by financial, managerial and staffing difficulties, notably in transportation, coal, and electricity.

11. General reforms have been discussed and bills considered in Parliament, but little action has occurred other than occasional and belated price increases. The Bank has tried to assist on a case-by-case basis through hard bargaining on covenants in individual loans (e.g. TEK, Railways, Antalya Forestry, Erdemir Steel, Elbistan, State Investment Bank). We have achieved some success in form, i.e., good loan covenants, but little success in substance, i.e., failure of SEEs and Government to live up to the agreements (See subject brief F(4) e for examples).

12. Reform of SEEs will require a major effort to clarify various competing objectives, not only in general development strategy, but in the public sector's role in that strategy. The main deficiencies in the functioning of the SEEs are: (i) government interference in the enterprises' current decision making; (ii) lagging SEE prices in a period of continuing inflation and resulting low profitability and deficit; (iii) easy and assured access to Treasury subsidies for

deficits and hence lack of cost consciousness and financial management and discipline; (iv) managerial and technical staff shortages, because civil service salaries do not compete with the private sector; (v) appointment and too frequent change of underqualified political candidates in important managerial positions; (vi) extensive featherbed staffing at lower levels; (vii) an overly rigid annual government budget program system which inhibits good investment planning by SEEs; (viii) poor coordination between different SEEs and other agencies in related sectors (e.g. TEK and DSI in water power; Railways and Karabuk Steel in iron ore transportation; and until our loan, SEKA and Forestry in the wood industry).

#### Interest Rate, Credit and Financial Market

13. Strict control over the entire structure of interest rates has been an important fact of Turkey's monetary policy for many years. In general, ceilings on interest rates have been set below market equilibrium rates, in the belief that this helps to contain inflationary pressures. Banks tend to circumvent such ceilings or to compete for deposits through the proliferation of bank branches. Government policy tries to influence the allocation of credits through a complex system of differential interest rates, subsidies and institutional barriers to movement of funds. The security market is almost non-existent although the volume of outstanding securities is quite high. The bulk of non-monetary financial liabilities is issued by the public sector and consists largely of bonds sold with the help of statutory provisions. A comprehensive study of Turkey's capital market with a view to preparation of reform legislation and policy might be a desirable approach to a major institutional bottleneck. The extensive review of the subject in the Economic Report (Vol. II, Chapter 6, Financial System) could form a starting point, although the present attitude taken by Ministry of Finance officials in connection with the proposed TSKB loan is not very encouraging (See section G(3) and also CPP, paras. 14, 16-17).

#### Letter to Prime Minister

14. The attached letter and Aide-Memoire of July 25 to the Prime Minister propose the main topics for discussion during the visit. They relate to the size of future Bank lending; its main thrust (project content summarized in Section G(3)), and the establishment of an effective borrower-lender relationship. The last point is also dealt with in Section 3 (p.3) of Mr. Benjenk's memorandum.

15. In addition, it might be useful to indicate that: (i) future Bank lending should be kept at a level which would limit the Bank's participation in Turkey's external debt service to 25 percent (last CPP postscript, para.66); (ii) actual lending would also depend on more concrete government actions to benefit the rural and urban poor and to improve the efficiency of State Economic Enterprises, including pricing policy, e.g. in railways and power (postscript, para. 67); and (iii) to compensate for insufficient government efforts the Bank is shouldering an undue administrative burden in lending operations, with mediocre results: e.g. long delays in Board presentations and a disbursement rate on public sector loans of only 12 percent since July 1970 (excluding loans signed in June 1974).

16. In summary, Turkey needs: (1) better budgeting procedures to ensure the incentive, authority and funding for project preparation; (2) quicker

approval of new organization units and staff positions; (3) a solution to chronically low pay and allowances for key staff; (4) more general authority and willingness to hire local and foreign consultants as needed; and (5) a new system to monitor the program (See also CPP, paras. 23-29).

#### Proposal for Joint Committee

17. This latter point is discussed in Mr. Benjenk's memorandum (Section 3, p.3). Mr. Ecevit's assistant, Mr. Ustundag, is also understood to have recommended to the Prime Minister that the relationship with the Bank be put on a new footing by the creation of an authority at the PM level (perhaps the Undersecretary of SPO) with oversight and general responsibilities for Bank relations and projects. He does not think that the present ad hoc arrangements with the Ministry of Finance are adequate or appropriate. He feels the Ministry of Finance has neither the breadth nor the authority nor the staff to deal adequately with the Bank, Bank projects, or the implementing ministries and agencies. Moreover, Mr. Ustundag thinks the implementation problems of Bank projects are not unique and that the Government needs to address the general question of project implementation of which the Bank projects are but an obvious case. He is not convinced that any of the present institutions are adequate to deal with this problem. We share his view. On our side, we might wish to suggest establishing a joint standing Government-Bank committee which would review project preparation and implementation and report periodically to the Prime Minister and the President of the Bank on problems and progress.

#### Euphrates/Tigris Problem (See also Section F(4) a)

18. A separate brief provides a summary of the riparian problem and of the work program proposed by the Bank to help resolve it. Turkey, Syria and Iraq have agreed to discuss the program with a Bank mission scheduled for late November. We should encourage the Government to take a cooperative attitude. Both its long-term political and economic interests in the region (including the proposed oil pipeline from Iraq to the Turkish coast) and its strong position as upstream country warrant conciliation rather than a refusal to address the difficult problem of sharing of waters. Bank financing of large projects (Karakaya and Lower Firat) is predicated upon an eventual agreement.

#### Project Problems

19. See Subject Briefs F(4) e for main examples of project administration problems and Section G(2) and G(3) for numerous other problems, both in project administration and preparation. However, lately the preparation of the Rural Development and Agricultural Credit projects has improved, apparently thanks to SPO efforts.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
WASHINGTON, D. C. 20433, U.S.A.

OFFICE OF THE PRESIDENT

July 25 1974

Dear Mr. Prime Minister:

I would like to thank you for your kind invitation to visit Turkey this fall. I am very much looking forward to becoming better acquainted with the development prospects and problems of your country, which in the last several years has become one of the major recipients of World Bank lending. In anticipation of my upcoming visit, I have asked my associates to consider what the Bank's role in Turkey could be and during our meeting I would wish to seek your views, guidance and assistance in further shaping that role. Mr. Munir Benjenk, the Regional Vice President responsible for Bank operations in Turkey, is visiting Ankara in the near future, and I am asking him to convey this letter to you and be prepared to discuss the matter if you so wish.

To help prepare for these discussions, the aide-memoire attached summarizes the initial thoughts of my colleagues on the present state of the relationship between Turkey and the Bank. In the spirit of the Bank's function in assisting development in the world, the aide-memoire is candid in pointing out the difficulties encountered in lending some \$690 million to Turkey from 1970 to date, and in suggesting some conclusions which our past experience may offer for the future. There are at least three major areas of emphasis: the focus of present and future Bank lending, the arrangements for coordinating the preparation and implementation of projects, and the staffing of agencies which carry out Bank financed projects.

On a wider plane, however, I would also be very interested in learning your views on the future course of Turkey's development and the role you would wish the Bank to plan in that regard. A basic understanding on that role would greatly enhance and speed up the contributions we could then make on individual projects.

If you think this might be helpful, I would be quite prepared to send senior Bank staff to Turkey in advance of my own visit to discuss both the matters raised in the attached aide-memoire and the Government's views as to the desirable role of the Bank in the next few years so as to deepen the understanding we could reach during our forthcoming meeting.

With best wishes,

His Excellency  
Bulent Ecevit  
Prime Minister  
Republic of Turkey  
Ankara, Turkey

Sincerely,

  
Robert S. McNamara

July 25, 1974

## AIDE-MEMOIRE

### The World Bank role in Turkey

The present focus of Bank lending to Turkey can be viewed against the background of the long term development needs and the more recent economic developments. Since the devaluation of the lira in August 1970, Turkey's external financial position has undergone a major transformation and those sources of national growth which have produced an average annual increase in GNP of nearly 7 percent for more than a decade have been considerably reinforced. At the same time -- as the oil crisis and the freeze on emigrant workers in Germany have demonstrated -- the Turkish economy still faces certain long run structural difficulties. In these circumstances, recent governments had agreed that Bank lending should concentrate primarily on helping to support three Turkish development aims: first, to increase public sector saving, particularly in regard to encouraging administrative and financial reforms in the state economic enterprises; second, to widen the people's participation and their benefits from a growing national economy, with special emphasis on rural development and regional and urban planning designed to create more jobs and avoid or mitigate costly urban congestion; and third, to diversify and strengthen Turkey's capacity to earn foreign exchange, especially in terms of increasing exports of industrial products and processed fruits and vegetables, and promoting tourism.

#### Present Bank Lending

Past loans to the Turkish Electricity Authority, the Railways, and the Turkish Paper Industry for the Antalya Pulp and Paper Mill, as well as recently signed loans for the Elbistan power project and the State Investment Bank, are illustrations of the Bank's continuing partnership with the Government in addressing difficult state sector problems. Past financing for Irrigation Rehabilitation, for the Second Livestock Project in Eastern Anatolia and for Istanbul Water Supplies, Urban Studies and Power Distribution exemplify the Bank's support of the second objective. Fewer loans have been directly related to the third objective, but the Fruit and Vegetable Project and a series of loans to the Turkish Industrial Development Bank for relending for private investment projects have included promotion of exports among their key aims. Besides these loans in support of the main objectives, Bank lending has also supported other priorities of the Government, for example, the Ceyhan Aslantas multi-purpose dam, the Erdemir steel expansion projects, and vocational and technical education.

#### Future Bank Lending

In keeping with this present focus, the Bank is considering additional loans to support improvement of the State Sector. Included here is another loan to the railways and in the more distant future, a second forest industry project and further collaboration with the State Investment Bank. The Bank is also contemplating further support to the Turkish Coal Enterprises for the lignite drying project growing out of Elbistan and the

Zonguldak coal mining project. In terms of the second objective -- increasing the benefits accruing to the public from an expanding economy -- the Bank is considering loans for rural development in the rainfed areas of the Anatolian plateau and additional urban planning studies and investments. In addition, support is also contemplated for forest village development, additional irrigation projects, and development of agricultural credit institutions. As to the third objective, the Bank is presently cooperating with the Ministry of Tourism in the preparation of the first tourism infrastructure project and considering a further loan to the Turkish Industrial Development Bank.

The Bank believes that this focus is consistent with the priorities contained in the Turkish Government's program. However, the Bank would need to obtain the Government's views on this central question to help determine what changes in future direction, if any, may be called for, with the recognition that, given the time required to prepare and appraise projects, it could take as long as two to three years for any major shift in focus to be fully realized.

The Bank also feels that this may be an appropriate time to consider certain areas of development which may require greater effort and perhaps greater Bank involvement than in the past, or as currently projected. The development of the people's sector which looms large in the Government's program is certainly one such area. The Bank recently had the opportunity to discuss the Government's ideas with the mission headed by Mr. Ustundag and plans to continue and deepen the dialogue on these questions. The proposed Corum-Cankiri integrated agricultural development project and similar agricultural projects still to be prepared might also help to accomplish part of the goals the Government wants to address through the development of the people's sector.

Another growing preoccupation in the Bank is the environmental aspects of development and industrialization, especially with the urgent need to move rapidly ahead with projects to deal with pollution problems of the major urban and industrial areas of Turkey. The Bank has made a start in this direction with its involvement in the urbanization problems of Istanbul, but feels that an even more concentrated effort is required. It has also addressed these issues in connection with the Antalya Pulp and Paper Mill and the Elbistan Power and Lignite Mining projects.

The Bank is remaining open, of course, to any suggestion that other sectors be also considered for possible action, such as education, manpower development, and population planning.

#### Preparation and Implementation of Projects

It is the Bank's experience in Turkey and in most countries that agreed-on lending goals can be fully achieved only if supported by an effective borrower-lender administrative partnership to carry out the mechanics of project identification, preparation, appraisal and implementation. During the past years, great efforts were made to create such a

partnership commensurate with the increased volume of lending. To a large degree, this effort was successful. However, in many ways it was carried out on an ad hoc basis, and many of the projects were prepared only after a degree of staff effort on the Bank's part that greatly exceeded the norm.

Looking to the future, the Bank faces a new situation, in which it not only needs to continue the preparation of new projects, but also needs to assist in the successful completion of the growing portfolio of past projects. This is not an easy task, especially since many of the projects financed by the Bank have been innovative, have involved the creation of new organization structures, or have involved the coordination of several implementing agencies. In any event, implementation follow-up has been less than hoped for. As a result, out of the total loans signed since July 1970 amounting to \$502.3 million (excluding the \$188 million in loans signed recently in June 1974), only \$108.3 million or 21.5 percent had been disbursed as of June 30, 1974. If lending to the Industrial Development Bank for the private sector is excluded, the picture is \$422.3 million lent to the public or quasi-public sector, still excluding recent loans, and \$52.6 million or just over 12 percent disbursed as of June 30, 1974.

While the execution of projects has recently improved, there is a need for the Government to review means for strengthening its machinery for coordinating the preparation and execution of projects financed by the Bank. From the limited vantage point of experience as seen in the Bank, some criteria that suggest themselves for consideration in such a review include: a closer integration of sector policy formulation, annual budget preparation, and project preparation; adequate authority and staffing in the coordinating center to mobilize the efforts of operating agencies where needed; greater encouragement of informal coordination at the working level among operating agencies in joint or related projects; and adequate delegation of authority to operating agencies to take project implementation decisions such as staffing once the framework has been agreed on. These questions are, of course, wholly a matter for the concern of the Government; but if the Bank could be of any assistance, it would be happy to contribute in whatever way possible.

#### Staffing of Projects

Even with improved coordination arrangements, however, project development in the public sector will remain severely handicapped as long as the present rigidities in pay, allowances and contract employment continue in force. The erosion of public pay scales by inflation has badly undercut competitiveness with private employment and reduced the effectiveness of many operating agencies. For example, the Turkish Electricity Authority, which is administering several Bank loans and is executing the formidable Elbistan project, has had at least until recently a 40 percent rate of engineering vacancies. In the recent past, the Government has tried to solve the problems of competitive remuneration on a case-by-case basis with special arrangements for individual projects, but with only limited success. For example, implementation of the Second Livestock Project was delayed more than a year, in part because per diem supplements to attract technicians to Eastern Turkey were not approved. The Bank recognizes that the



remuneration problem impinges on national economic considerations, and has no prescription to suggest, but a more direct attack on this issue may be needed if the public sector is to discharge its role effectively.

The foregoing is only a brief summary of the present activities of the Bank in Turkey and some of the major difficulties affecting implementation of Bank supported projects. It might serve as a basis for continuing the dialogue that already exists between the Government and the Bank with regard to these common concerns and in determining the most effective way in which the Bank can contribute to the achievement of Turkey's development goals.

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April 26, 1974

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TURKEY - COUNTRY PROGRAM PAPER

IBRD/IDA Lending Program (\$ million)

		<u>FY64-68</u>	<u>FY69-73</u>	<u>FY74-78</u>	<u>FY75-79</u>
1973 Population: 38.2 million (mid-year)	IBRD	10.0	450.0	1172.0	1330.0
1973 Per Capita GNP: US\$440 (in 1972 prices)	IDA	<u>54.0</u>	<u>97.8</u>	-	-
Current Population Growth Rate: 2.6% p.a.	Total	<u>64.0</u>	<u>547.8</u>	<u>1172.0</u> <sup>1/</sup>	<u>1330.0</u>
Current Exchange Rate: TL 14 = US\$1.0	Operations Program			<u>1472.0</u>	<u>1560.0</u>
		<u>Annual Average per Capita (\$)</u>			
	IBRD/IDA	0.34	2.87	6.14	6.96
	IDA	0.28	0.51	-	-

Last CPP - November 21, 1972

Basic Economic Report (Green Cover) - January 18, 1974

A. INTRODUCTION

Summary of Major Changes Since the Last CPP

1. Political. The year and a half since the last CPP has been a critical transitional period toward greater political stability, bringing with it a return of the short-run balance of power from the side of the armed forces to the side of the politicians, witnessing a moderate swing of public opinion to the left of center, confirming the fundamental underlying strength of democratic forces in the country, and leading, despite inconclusive elections, to the formation of a coalition government with reasonably good prospects for achievement and survival. In the winter of 1973, in a protracted political confrontation the Parliament elected a new compromise President, defeating the candidacy of the chief of the armed forces general staff. In the process, the latter and the service chiefs were maneuvered out of their jobs, and the influence of the military on the government receded for the first time since

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1/ The five-year lending program for FY74-78 approved at the last Country Program Review was \$870 million. This compares with \$1182 million for the same period proposed in this CPP.

the March 1971 coup which had removed Demirel and the right-of-center Justice Party from power. Under a new caretaker government (the fourth since the coup), martial law was gradually ended and parliamentary elections were held in October under exemplary democratic conditions. The left-of-center public-sector-oriented Republican People's Party (RPP) won a plurality, but not a majority, and after three months of unsuccessful attempts by both the RPP and the Justice Party, the RPP formed a government in January in alliance with the new right-wing and religious National Salvation Party.

2. Reflecting a carefully negotiated compromise, the new Government's program stresses reconciliation of the political differences of the recent past through a general amnesty, increased equity, social justice, and adherence to moral values, control of national resources, broader popular participation in economic activity, and improved planning and efficiency. While retaining most of the essential objectives of the Third Plan, the program emphasizes the role of the public sector especially in industry and the development of the less developed regions. It seeks increased equity and social justice through tax reform aimed at greater equity as well as increased revenue, social security reform, studies aimed at a general health insurance program, removal of arbitrary obstacles to entering various levels of secondary and higher education, and measures to legalize squatters' housing or provide suitable alternatives. Agriculture and rural development would also be promoted through the extension of agricultural credit secured by the solvency and output of the farm unit, through more flexible marketing measures, and through more balanced allocation of resources for education and environmental health. The program also envisages other measures to prevent disorderly and excessive growth of cities, e.g. better planning and land management, construction of satellite cities and industrial areas, and development of a national housing policy. More efficient operation of State Economic Enterprises, and greater participation in their administration by their employees are also foreseen. Finally, the program calls for the promotion of a more dynamic capital market, establishment of a Bank for Cooperatives, an Industry Bank, export credit institutions, and promotion of employee and worker credit unions.

3. Economic. A basic economic report prepared by the economic mission which visited Turkey in April 1973 was produced in green cover January 18, 1974, and will be finalized shortly after taking into account the impact of changes in oil and other prices. The growth rate of the past decade averaged almost 7 percent per year and was stimulated by a steady increase in fixed investment (from 15 percent of GDP in 1962 to 19.6 percent in 1972). In 1973 GDP growth remained at 6.4 percent despite poor rainfall. The growth of savings has slowed down, however, in recent years. A main feature of recent economic events was the upsurge in Turkey's receipt of workers' remittances, providing a cushion of foreign exchange reserves which should help finance the rising cost of oil and other imports over the next two or three years without disruption, and giving the Government time to stimulate receipts from exports and larger inflows of foreign capital. Remittances increased far beyond expectations in 1972-73, but their future was made uncertain by the German Government's temporary ban last fall on further immigration of non-EEC workers and refusal to renew some existing worker contracts because of the energy crisis. Successive devaluations of the Turkish lira (in step with the US

dollar) vis-a-vis the currencies of Turkey's main European trading partners, and a jump in world prices of cotton and other raw materials have contributed to rapidly increasing exports of agricultural and industrial goods. The Government has been able to liberalize its import policy to some extent as reserves rose to 14 months of imports at the end of 1973, and the debt service ratio declined sharply to well under 10%. On the other hand, the accumulation of reserves has added some impetus to other inflationary forces although deficit financing by the Central Bank was drastically reduced in 1972-73. The corresponding increase in money supply and credit accentuated the rise in prices of imported goods and exportable raw materials, and the rise in demand led to shortages of key goods. The rate of inflation increased sharply to more than 20% in 1973 after easing somewhat in 1972. Two years of poor rainfall in 1972 and 1973 have nearly depleted the large cereal stocks and may lead to imports of substantial amounts of wheat in 1974. The rise in world oil prices has come at a time when inadequate investment and delayed implementation in power generation have created a growing power shortage and necessitated partial rationing of electricity. Industrial and private power consumption may be squeezed for several years even though interim as well as longer range generation strategies had already been shifted to emphasize domestic lignite and hydro, and eventually will include nuclear sources.

4. Proposed Bank Group Program. The basic development problems of Turkey and the priorities of the new government are essentially the same as those described in the last CPP. However, there appears to be a basis for establishing a closer relationship with the new government than was possible with the preceding interim governments. Since January, Messrs. Benjenk, Wapenhans and Karaosmanoglu have all had extensive talks with the Prime Minister or key cabinet members in which it has been possible to discuss frankly most of the problems and objectives and many of the sectors and projects reviewed in this CPP. Dialogue on economic questions has improved and the Ministry of Finance has requested technical assistance to improve its financial analysis and control, and the Treasury accounting systems. We hope to continue these dialogues as an important means of helping the Ecevit Government put into shape the programs and projects needed to support its economic, social, employment and other objectives.

5. As discussed in paragraph 10, the energy crisis has resulted in an increase in our estimate of Turkey's gross capital import needs, and this CPP therefore proposes to increase the FY74-78 lending program from \$870 million approved at the last CPP review (and subsequently increased to \$940 million) to \$1172 million. The proposed FY75-79 program is \$1330 million. In view of Turkey's level of per capita GNP and improved payments situation, IDA lending was discontinued after FY73. The proposed sectoral composition of lending gives greater weight to developing energy resources; we are also hopeful that accumulated experience plus a stronger government will permit more rapid progress in rural development and agriculture in general. This CPP also proposes wider use of intermediary lending agencies in several sectors to strengthen Turkish institutions so as to encourage sound investment and institutional reform by sub-borrowers and reduce the administrative burden on the Bank. Continued lending through the Industrial Development Bank (TSKB) and the Agricultural Bank (ABT), and future lending to the Tourism Bank as

previously proposed would be supplemented by lending for the State Investment Bank (SIB) for public sector industry planned to start this fiscal year, for the Illerbank for urban development in FY77 and to the proposed new Cooperative Bank in Agriculture in FY76. By FY78-79 about one-half the operational program would be in projects for these banks or for agricultural projects with an important ABT sub-lending component.

## B. COUNTRY OBJECTIVES, PROSPECTS, AND PERFORMANCE

### Development Objectives

6. As reported in the last CPP, Turkey's development objectives are incorporated in a long-term strategy for the period 1973-1995 and in a Third Plan for the immediate period 1973-1977. The long-term objective is to reach the standard of living of Italy of 1970 at the end of the 22-year transition to full membership in the EEC, implying a 9% annual growth of GDP, compared with an average of less than 7% achieved over the last decade.

7. The Third Plan envisages a growth rate of 8% per year (3.7% in agriculture, 11.7% in industry) based on an import-substitution strategy that provides for rapidly increasing public savings (marginal rate of 63%, substantially increasing investment in industry with emphasis on the public sector, reducing gross capital imports by almost two-thirds, maintaining a trade gap with only modest growth of imports and exports, and essentially balancing current account deficit with workers' remittances. The plan stresses capital-intensive industry and, despite assumed worker emigration, projects some increase in unemployment outside agriculture. The Plan provides for some extension of land reform, continued expansion of social insurance, education and health services and further extension of village electricity and water supply. While public sector saving is emphasized, the Plan also aims at mobilizing increased private savings through public borrowing, tax exemption for interbank transfers and other measures.

8. The Third Plan generally carries forward past development strategy, but continued rapid growth of population and urbanization together with institutional weaknesses in the government are likely to underline important conflicts among various competing objectives. The projected growth pattern emphasizing capital-intensity pre-empt resources from labor-intensive sectors and social objectives, notably housing, and does not appear to conform fully with the expected pattern of private demand. The aim to increase the public share of investment depends heavily on achieving a big increase in public saving, especially in the State Economic Enterprises, and through raising taxes; the new Government is moving boldly in this direction, but more time may be needed to overcome generally low profitability and large deficits of some SEEs.

9. On the external side, the continuing emphasis on protection for domestic industry may hamper achievement of the 1995 target for competitiveness with Europe. The growth of both foreign exchange earnings and import demand is

underestimated, and, in particular, export prospects of cotton and several major fruit and vegetable crops. The aim of reducing dependence on foreign capital, while consistent with the Plan's conservative assumptions for earnings and imports, have been rendered unrealistic by the large increases in total exports, imports and remittances in 1972-73 and by the steep rise in oil prices and uncertainties as to future remittances since then.

### Prospects

10. The vitality of Turkey's rapidly diversifying economy, demonstrated for over a decade, constitutes an important feature in an essentially favorable long-run outlook. The oil shortage and oil price increases and the German ban on workers' immigration will adversely affect employment and the balance of payments, and may lead to some reallocation of resources in the near term, but will probably not substantially affect the rate of economic growth in the medium term. The Third Plan's 8% growth target still seems feasible, barring a major economic crisis in Europe. The Third Plan forecasts a net emigration of 70,000 workers per year during 1973-77, or 17% of the increase in labor supply. If one assumes there will be no emigration in 1974-75, and a resumption of net emigration of 20,000 per year thereafter, domestic labor supply would increase by 240,000 over the Plan estimate (17% of the expected increase in labor demand). Alternatively, if one assumes a decrease of Turkish workers abroad from 650,000 in 1973 to 500,000 in 1974 and 350,000 thereafter, domestic labor supply would increase by 580,000 (40% of the expected increase in labor demand). The first case at present seems more likely and would lead to an increase in the urban unemployment ratio from 11% in 1972 to about 13% in 1977. In the second case, the return of workers would mean a considerable slowdown in remittances after 1975, which would adversely affect growth of consumption and production in later years, and urban unemployment could then exceed 15%.

11. The balance of payments projections included in the Plan were already obsolete before the energy crisis. Commodity imports and exports both reached levels in 1973 close to 1977 targets. Assuming that oil imports increase from about 8 million tons in 1973 to 10 million tons in 1977, with 2 million tons of extra imports in 1974 to replete existing stock, and that oil exports remain at about 1 million tons (as in 1972), the net effect of the oil price increase will be about \$320 million per year during 1973-1977, or less than 10% of the expected import bill, but as much as the gross capital flow envisaged in previous Bank projections for the same period. The uncertainty of future workers' remittances makes the balance of payments particularly difficult to predict. In the first case described in paragraph 10, remittances would reach \$1.4 billion in 1977 and amount to \$5.8 billion during the Plan period. In the second case, remittances would drop to \$600 million in 1977 and amount to \$4 billion during 1973-1977, including some repatriation of savings of returning workers.

12. The resulting balance of payments estimates are described in the table on the following page. Case 1 corresponds to the higher expectation of remittances, and indicates that reserves would remain satisfactory during the Third Plan (73-77) given an average flow of gross official capital of

ALTERNATIVE BALANCE OF PAYMENTS PROJECTIONS  
(billions of current US dollars)

	Case 1					Case 2					
	1972	1973	1974	1975	1976	1977	1973	1974	1975	1976	1977
Import goods of which oil	1.8 (.2)	2.2 (.2)	3.1 (.6)	3.4 (.6)	3.9 (.7)	4.5 (.8)	2.2 (.2)	3.1 (.6)	3.4 (.6)	3.7 (.7)	4.2 (.8)
Export goods	1.1	1.5	1.8	2.0	2.2	2.5	1.5	1.8	2.0	2.2	2.5
Trade deficit	<u>-.7</u>	<u>-.7</u>	<u>-1.3</u>	<u>-1.4</u>	<u>-1.7</u>	<u>-2.0</u>	<u>-.7</u>	<u>-1.3</u>	<u>-1.4</u>	<u>-1.5</u>	<u>-1.7</u>
Workers' remittances	.7	1.2	1.0	1.1	1.3	1.4	1.2	1.0	.7	.6	.7
<u>Current account balance</u>	<u>-</u>	<u>.2</u>	<u>-.4</u>	<u>-.4</u>	<u>-.6</u>	<u>-.8</u>	<u>.2</u>	<u>-.4</u>	<u>-.8</u>	<u>-1.1</u>	<u>-1.2</u>
Official capital	.3	.4	.3	.4	.4	.4	.4	.4	.4	.4	.4
Suppliers' credits	-	-	.1	.1	.1	.1	-	.2	.3	.3	.4
Debt repayment	-.1	-.2	-.2	-.2	-.2	-.2	-.2	-.2	-.2	-.3	-.3
Other capital	.4	.2	.1	.1	.1	.1	.2	.1	.1	.1	.1
<u>Capital account</u>	<u>.6</u>	<u>.4</u>	<u>.3</u>	<u>.4</u>	<u>.4</u>	<u>.4</u>	<u>.4</u>	<u>.3</u>	<u>.6</u>	<u>.5</u>	<u>.5</u>
<u>Change in reserves</u> (- increase)	<u>-.6</u>	<u>-.6</u>	<u>.1</u>	<u>-</u>	<u>.2</u>	<u>.4</u>	<u>-.6</u>	<u>.1</u>	<u>.2</u>	<u>.6</u>	<u>.8</u>
Reserves (Gross)	1.5	2.1	2.0	2.0	1.8	1.4	2.1	2.0	1.8	1.2	0.4

Case 1: Resumption of workers' emigration in 1976.

Case 2: Decrease of workers abroad to half the present level during 1974-75 and constant level thereafter.



about \$500 million per year. In case 2, lower remittances lead to large decreases in reserves in 1976 and 1977 despite some reduction in imports in 1976 and 1977 and an average gross capital inflow of \$0.7 billion during the Third Plan (more than twice the average during the Second Plan). Thus in case 2, measures would have to be taken by early 1975 to obtain increased capital commitments and slow down the growth of imports.

13. In the longer term, skilled labor and savings constraints might lead to a slightly slower pace of growth of the economy than expected, with agriculture growing more rapidly than projected and the rest of the economy less rapidly. A development strategy giving a higher priority to employment would imply higher investment in construction and services and a more open economy, and would result in greater urban migration, substantially improved income distribution, and a relatively small sacrifice of GDP growth. Adjusting the development policies to EEC entry with high GDP growth would imply a more open economy, greater investment in export manufacturing, and would be likely to lead to about the same growth and employment level. One draws the tentative conclusion that by a shift to an employment strategy, Turkey could reap important social gains and also ease the course of entry into the EEC without incurring a serious growth penalty. As discussed in Section E below, there appears to be a case for at least exploratory efforts to generate employment in rural areas and small towns since at best a new migrant usually must wait to find city employment and at worst finds none, in both cases adding to urban congestion.

#### Policy Performance

14. After three years of inflation averaging about 16%, any reformulation of policies to help implement a growth strategy, without excessive tensions and distortions, must begin with better demand management. Price controls, relatively successful in their primary aim during the sixties, have long produced undesirable distortions in resource allocation and income distribution, and have also contributed to inflation at least insofar as deficits in SEE's were ultimately financed by Central Bank advances to the Treasury. With continued inflation, these advances and Central Bank credit to agricultural price support agencies will again become available and will result in an excessive growth in money supply. Non-expansionary financing measures such as bond sales to the non-bank public and reliance on the commercial banking system for agricultural credit should be pursued, and an increase in interest rate ceilings to real levels abroad would help mobilize savings and improve investment allocations. Revenue policy has been more effective, but could be improved by extending the coverage of agricultural income taxation, introducing a value-added tax, and relying more on user charges and profit transfers from SEE's. Consideration may also have to be given to abandoning the present system of taxes and subsidies applied to trade in favor of a single more flexible exchange rate.

15. Public investment allocations have played a key role in Turkey's development, particularly in industry, but could have been more responsive to social needs, and employment opportunities. Education and health investments, though substantial, have declined steadily as a share of total public investment during the first two Plan periods. Third Plan investment in education appears biased toward universities at the expense of middle-level technical training. Private investment in housing, a relatively labor-intensive sector, has been discouraged despite rapidly growing urban squatter shanty towns.

16. The Bank's Basic Economic Report reviews the issue of resource mobilization and demand management. It notes the serious inflationary effects of accelerating both public and private investment without restraining private consumption and liberalizing imports further. It points out the constraining aspects of the current interest rate policy on private borrowing in the present inflationary situation. Turkey has built up over \$2 billion in exchange reserves thanks largely to workers' remittances, higher export prices and expanding industrial exports. However, the rise in oil prices may increase Turkey's oil import bill by some \$300 million a year (to over \$500 million), and the German ban on new immigration will slow down exchange earnings from this source as well as increase the pressure of urban unemployment (presently about 11%). The strong balance of payments position may therefore weaken in a few years' time unless policies to restrain and balance demand are followed.

17. The productive sectors are essentially meeting demand for goods and services, but there is room for improvement in the government's role. The government administers a far-reaching system of private investment incentives - to achieve sector, regional, and export expansion aims - and to overcome somewhat the disincentive of various controls. A systematic study of the incidence of incentives, their effectiveness, cost, and alternatives should be undertaken before a definite judgment can be made, but available indications show they may be too generous, and of little effectiveness in speeding development to regions. SEEs generally suffer from many management ills including government interference, rigid pricing policy, inability to hire and retain good management and technical staff because of civil service salary constraints, and the obligation to bear social cost burdens.

18. Addressing the problems of demand management and development strategy and policy in the recent past has been complicated by the weakness and short duration of governments, but the new government seems to be moving in the right direction. This fact together with the basically healthy political and social development of Turkey is a strong argument for continued major Bank support.

Economic and Social Objectives (1977)  
(in 1972 prices)

	Unit	Current	Country Target		Bank Projection	
		Level (1972)	Absolute	Growth Rate/a	Absolute	Growth Rate/a
GNP	M \$	15,954	23,340	7.9	23,435	8.0
Population	M	37.2	42.0	2.5	42.3	2.6
GNP Per Capita /b	\$	430	555	5.2	555	5.2
Employment						
- Percent of Urban Labor Force	%	89	89		87	
- Percent of Total Labor Force	%	95	94		95	
Investment	M \$	3,136	5,700	12.7	5,600	12.3
Saving	M \$	3,126	5,915	13.6	5,835	13.3
Exports	M \$	885	1,175	9.4	1,507	11.4
Imports	M \$	1,563	1,850	7.1	2,938	13.4
Net Official Capital Inflow	M \$	177	2		250	
Debt-Service Ratio	%	10.2	10.6		7.3	
p.c. Calorie Supply as % of Requirements	%	110				
Adult Literacy Rate	%	55				

/a Annual rate of growth in the indicator between the base year (as quoted in the "Current Level" column) and the year projected.

/b GNP in current dollars divided by mid-year population.

Source: Attachments 5, 6 and 7.

C. EXTERNAL ASSISTANCE

19. At the end of 1972, Turkey's medium and long term external debt outstanding and disbursed amounted to \$2.5 billion, 97% of which was owed or guaranteed by the government. The debt service ratio was 10.2% in 1972. Over two-thirds of it was owed to governments, with the United States (mostly Exim-bank), Germany and Great Britain as the major donors. About 15% was owed to international organizations, mostly the Bank Group (7.7%) and EIB (4.4%). During the Second Plan period (1968-1972), gross disbursements of official external assistance rose from \$265 million in 1968 to \$358 million in 1972. About half came from the OECD Consortium. Bank and IDA disbursements averaged \$25 million per year. Private direct investment averaged \$38 million per year. The terms and conditions of external assistance have remained favorable, although hardening somewhat. In 1972 the grant element was about 41% and the average terms of Consortium lending were about 3% interest, 27 years' maturity, and 9 years' grace.

20. Consortium lending is likely to be gradually replaced in importance by the European Investment Bank, but under the proposed program the World Bank would become the major lender in the late seventies. The terms of lending will continue to harden gradually, and Turkey is likely to borrow larger amounts of suppliers' credits than in the past few years as the economy grows and debt service capacity is strengthened. Project aid will probably continue to replace program aid. These trends have been assumed in the projections.

21. The balance of payments prospects are affected by a combination of unusual recent offsetting factors: booming world demand and high world prices, international currency adjustments, the sharp jump in workers' remittances, and the oil crisis with its effect on import prices and remittances. Assuming no major crisis in Europe, the Bank projects gross inflows of external assistance averaging \$500 million per year at current prices during 1975-1979, of which \$400 million is official assistance and \$100 million is suppliers' credits. Despite the substantial increase in the size of the proposed Bank lending program, the Bank Group exposure would remain limited. The shares of IBRD/IDA in total debt outstanding and in total debt service would remain under 25% until 1979, increasing to about 30% in 1989. The debt service ratio would remain under 10% during the whole period.

22. However, a recession in Germany would adversely affect the prospects for remittances and exports and increase the amounts of foreign assistance required to sustain its past growth rate. Under present circumstances, therefore, Turkey should continue to seek external assistance on the best terms possible and continue to limit suppliers' credit borrowing to prevent the debt service from weighing heavily on the balance of payments in the eighties.

#### D. PROGRESS TOWARDS PRIOR YEAR GOALS

23. The goals recommended in the last CPP may be summarized as follows: (i) at the macro-level, (a) strengthening of creditworthiness, (b) liberalization of the economy to improve competitiveness, (c) price stability, and (d) better resource mobilization; and (ii) at the sectoral level, (a) improved allocation of public investment to encourage more balance among the aims of rapid growth, increased employment, and better development of the underdeveloped regions, (b) institution building in the public sector, notably in management and pricing policy of SEEs, and (c) continued encouragement of private investment, with emphasis on export industries and tourism.

24. The Bank's macro goals have been pursued primarily through the economic report, the OECD Consortium meetings and staff discussions with the Government. Recent interim governments have agreed with most of these goals, but measures taken to achieve them since the last CPP were weak and hesitant. Rising remittances and to a lesser extent rising exports and tourism receipts were achieved largely without change in policy, although devaluing the lira undoubtedly provided some stimulus. The government took advantage of rising reserves to liberalize imports of raw materials and investment goods by increasing the import quota for goods in short supply and by eliminating custom

duties on some items (total imports rose by 34% in 1973). Further steps were announced as part of the 1974 import program. Progress toward greater price stability and resource mobilization has not been apparent although Government borrowing from the Central Bank was avoided in 1972 and 1973 by curtailment of current spending. The degree of encouragement of the private sector fluctuated with the successive governments. Problems of employment, regional development and price adjustments for the SEEs were dealt with weakly or partly ignored before the Ecevit Government. Nevertheless, the State Planning Organization (SPO) has organized a research effort on regional income distribution (some preliminary findings are described in the Economic Report), and a land reform law was passed in 1973 (but its effect is weakened by the large minimum size of holdings, various exemptions, and the fact that the existing land holding situation is not clear because title to much of the land has not been registered and the cadastral survey is proceeding slowly).

25. Under interim governments, the identification, preparation and implementation of regional development and relatively labor-intensive Bank Group projects (such as Livestock II and the proposed integrated Rural Development Project, which would benefit lower-income areas in eastern and central Anatolia) were hampered by lack of effective Government policies and programs, coordination problems and inadequate staffing. The pressure maintained by the Bank to correct these deficiencies and to promote institution-building in the public sector is starting to bear fruit. Furthermore, the Government has taken steps in response to specific loan objectives, e.g., railway tariff increases, creation of a transport coordination agency, and initial coordination steps in Istanbul development, e.g., creation of planning staffs, initiations of studies, preparation of legislation, and holding of inter-agency policy discussions. Parliamentary consideration of general SEE reform has been inconclusive, but the new Government has approved overdue price increases for several SEEs. On the whole, during the period of interim governments, several factors in Bank-Turkey relations emerged as premises for Bank lending. It is too early to forecast how the character of the new Government may affect these factors, but some, as noted below, are likely to endure through the programming period.

26. The central premise has been that the Government, despite the heavy resistance it has often exerted on specific points, basically has accepted the Bank's pursuit of the sectoral objectives stated in paragraph 23, as evidenced in general discussions, and in lending agreements. The resistance, apparent in project negotiations, and implementation alike, has reflected many realities - conflicting views within governments lacking authority and political backing to make decisions, ambiguity about pursuing policies and programs acknowledged to be sound but not fully consistent with the Plan, and the rigidity and heavy inertia of the administration.

27. Resistance has been overcome only within certain limits and after persevering Bank effort. Given the lack of a majority party in Parliament, changes in law have been difficult to obtain, but more flexible interpretation of existing law has been possible. Negotiation of reforms has been difficult and protracted, e.g. railway tariff increases, transport coordination. Fulfillment of conditions has generally been delayed and only partial, with

repeater projects usually required to reconfirm and institutionalize original loan objectives. Some experimentation in sectors and techniques has been possible, but the period of conditioning before serious work begins has been long, viz. rural development and tourism. Problems have persisted, achievements have come at a measured pace, and in consequence, the essential ingredients of Bank success have been continuity and patience.

28. Another factor has been the Government's pragmatic desire, despite the Third Plan's projected rapid decline in capital import requirements, to continue heavy borrowing from the Bank even during the period of unbridled optimism about remittances in mid-1973. Large-scale lending has strengthened the Bank's position in loan negotiations, but influence diminishes with the distance from the project level: macro policies can only be influenced indirectly and influence on sector policies has been most effective through good technical studies and pilot projects, viz., Antalya Forestry. Receptivity to Bank views has also hinged on the Bank's responsiveness in financing projects in public sector industry and on the Government's recognition of the inadequacy of the project pipeline.

29. The new Government has already shown signs of greater political strength and more rapid decision-making. If a united front can be maintained on development policies and the civil service can be geared to more rapid response, several problems of the past may be resolved, but the broad objectives, scale of lending and need for careful preparation and follow-up are likely to remain valid.

#### E. BANK GROUP STRATEGY

##### Objectives

30. Bank lending strategy is viewed on two levels. First, underlying the broad and complex objectives summarized in paragraph 23, aims and means are defined in terms of individual projects; loans and planning assistance are designed to help break key supply bottlenecks, create needed implementing administrative capacity, and encourage concurrent or subsequent financing from more conventional sources. Second, the projects financed contribute to the broader objectives, but given the relatively small number of lending operations per year, the unavoidable delays and deferrals and switches of projects, and the relative smallness of even a large lending program, the potential effect of Bank lending in the totality of Turkey is perforce modest; however, such strategy can influence the Government's own assessment of Turkey's development problems and support its reform efforts, particularly since the strategy agrees in several areas with declared objectives of the Third Plan and of the new Government.

31. On this second level, the broad objectives, which are discussed below, are supported by an effort to help (a) achieve a degree of balanced growth using for added leverage geographical concentration of Bank projects, (b) build Turkish reform capacity through strengthening development banks in several sectors, and (c) use Bank funds in coordination with bilateral and other multilateral lending in a manner to mitigate the effects of aid tying and to encourage more favorable credit terms consistent with Turkey's long term debt servicing capacity. In addition, the economic work program, while continuing to address macro problems, will give greater attention to sector and sub-sector issues related to the lending program (see Attachment 3).

#### SEE Reform

32. The aim of encouraging management and financial reform of State Economic Enterprises (SEEs) supports several of the Government's objectives discussed in Section B, e.g. improvements in control of inflation, capacity to finance public investment, public sector pricing and investment allocation, financing of social costs, and ultimately successful economic compatibility with the EEC. Reform of SEEs, while difficult, is a more accessible problem than many for the Bank since it arises in many of the top priority public sector projects for which large amounts of foreign exchange are needed and hard to obtain without Bank participation.

33. The Bank has been pursuing this objective for several years, with gradual but useful results, beginning with reorganization of public sector power and continuing with physical and financial resuscitation of the state railways and reorientation of new investment in state paper production. Further efforts are planned through the Elbistan project (lignite mining and power), Divrigi (iron mining), Zonguldak (coal mining), and the State Investment Bank for public sector industrial lending. The need and the opportunity argue that SEE reform should remain a continuing Bank objective.

#### Balanced Growth

34. The encouragement of better balance among the aims of rapid growth and industrialization on the one hand, and employment and the development of underdeveloped regions on the other, is a somewhat elusive and experimental Bank goal, a means to better distribution of income and living standards in an economy well into its second decade of roughly 7% growth. The main focus is to help improve urban development and promote rural development as an alternative to urban migration.

35. The urban strategy is ambivalent: improving facilities, services, institutions, planning, and coordination in metropolitan Istanbul under present policies probably benefits the middle 40% much more than the lowest 40% in the income scale; it may also encourage rapid urban migration. However, urbanization is inevitable, and Istanbul is still the vital source of Turkey's economic well-being. The best chance for a better life for many of the rural poor is a move to a city for a paid or higher paid job (at some risk of unemployment) and access to better services. Insofar as initiating an urban resource planning process and encouraging active coordination among diverse

agencies are key features of the Istanbul experience, it can provide useful experience for small nucleus cities in rural areas in this respect, though their other problems are different. Interim governments have supported the Istanbul priority, but have provided only limited help for mobilizing the diverse political and administrative interests involved at the local, regional, and national levels, leaving much of the burden to the Bank to press for each action needed. Continued efforts by the Bank are needed in exploring multi-sector projects with high employment content in rural towns, as a complement to rural development.

36. Rural development, a more direct approach to helping the lowest 40% and dampening the rate of urban migration, is largely an unknown, both in technique and in results. Inter-agency coordination is as difficult as in Istanbul; the incentive for government support is less because the problem is more diffuse, less visible, less pressing, does not impinge on the daily life of the Government or of powerful groups, and has the gradual solution of emigration. Nevertheless, despite emigration, the absolute number of low-income Turks in rural areas will remain high for several decades, and the Bank should encourage experimental efforts such as the 1972 Livestock II village development sub-project in remote north-eastern Turkey and the pilot integrated Rural Development project under preparation for the past two years for low-rainfall north-central Anatolia. The new Government has speeded the work of Rural Development I, and repeater operations are included in the program.

37. In less concerted ways, the Bank also encourages investments that contribute to greater regional balance and job creation, e.g., asking in the last loan to TSKB that TSKB take steps to expand its lending and technical assistance to Turkey's less developed regions, giving preferred lending support to projects like Elbistan and Divrigi located in eastern Turkey, and encouraging an ambitious program of labor-intensive tree-planting in the Antalya Forest Utilization Project.

38. Geographic concentration has been a subsidiary reinforcing aim in the Istanbul region with emphasis on industrial finance and urban development and in the Cukurova region around Adana on the Mediterranean coast with emphasis on power, irrigation, and fruits and vegetables. The program anticipates a broadening of lending into Anatolia in support of greater regional balance and rural development.

#### External Earning Capacity

39. Diversification of Turkey's capacity to earn foreign exchange has become more urgent in view of double jeopardy in the oil/remittances crisis; for the longer term, increased industrial exports are also a barometer of Turkish competitiveness vis-a-vis the EEC. The following table shows that overwhelming dependence on primary agricultural exports has been ended, but that even in 1977 agriculture and remittances together will still account for nearly three-quarters of Turkey's earnings.



Sources of Foreign Exchange Earnings /1  
(percent)

	<u>1967</u>	<u>1973</u>	<u>1977</u>
Agricultural exports	66	34	32
Industrial exports	17	18	21
Tourism	2	5	6
Workers' Remittances	15	43	41
	<u>100</u>	<u>100</u>	<u>100</u>

/1 Excludes miscellaneous services like shipping;  
1977 figures are Bank estimates.

40. A dichotomy between agricultural and industrial exports is, of course, an over-simplification; and the lending program attempts to support diversification within both categories, recognizing the opportunities noted in Section B for export of fresh and processed fruits and vegetables. Lending to TSKB is partly oriented to sub-lending for export industries. Direct Bank lending for industrial projects has been primarily for competitive import-substitution, an essential complement to export promotion, but export opportunities will continue to be explored.

41. Foreign tourism remains one of Turkey's more obviously underexploited resources. The Government has **not actively promoted it**, but the annual tide of visitors is rising - already above a million - and private entrepreneurs are investing in lodging and services, with the Government now belatedly trying to catch up with support for needed infrastructure and leadership in planning and zoning. After several years of Bank overtures the government, in December 1973, accepted a project identification mission, which has been followed by a preparation mission. Apart from direct projects, the Bank is encouraging TSKB to enter tourism financing, and is urging the Government to ensure in major industrial projects, e.g., Antalya Forestry, that location, design, environmental protection and transportation facilities will be compatible with potential tourism development.

Development Banks

42. As noted in paragraph 4, the program proposes to increase the share of lending extended to development banks. Experience with TSKB shows that lending policies and capacities for independent preparation, appraisal, and supervision consistent with Bank standards can be developed in a reasonable period of time under good management and personnel incentives. The Agricultural Bank, the Tourism Bank, the State Investment Bank (for SEEs in industry, mining, and power), the Illerbank (for water, sewerage and other urban services), the proposed Cooperative Bank, and other public banks - offer an institution-building opportunity with enormous multiplier potential if they can be put on the right footing.

43. In the public sector, there are constraints on policy, operations, and personnel management. Agreement to channel Bank funds for the Antalya paper mill sub-project through SIB prepared the way for the proposed FY74 DFC loan to SIB. Several projects involving circumscribed sub-lending by the Agricultural Bank should lead to a broader type agricultural credit loan in FY76. Lending to Illerbank, already involved in preparation of an Istanbul wastewater project, is foreseen for FY78. Illerbank, ABT, and the proposed Cooperative Bank could potentially become major channels for support of regional balance and rural development. The Tourism Bank is the only one of these institutions with which the Bank has had no experience, but the Tourism mission of December 1973 opened the door.

#### Aid Coordination

44. On the aid-giving side, the Bank seeks to mitigate the costs of tied aid by encouraging appropriate joint and parallel procurement with the European Investment Bank and bilateral lenders and, in a lower key, to assure Government awareness of the need and means to obtain better terms on commercial credits for large projects such as Elbistan. The Bank also seeks to coordinate project lending objectives, including institutional reforms, notably with EIB in the case of Antalya Forestry, which was jointly negotiated. Given the staff burden and the Government's preference, fund-raising for large projects is left to the Government. The Bank also participates as actively in the OECD Consortium as its decreasing role permits, emphasizing its remaining value as a forum for occasional frank discussion of development and lending problems with Turkey's main trading partners. The lending program assumes continuing close cooperation with UNDP and sister agencies in project studies.

45. On the aid-receiving side, the Bank will continue to encourage agreement among the Governments of Turkey, Syria and Iraq on development of the Euphrates and Tigris waters. This effort, started with a focus on water release schedules from the dams to be filled, is now nearing the problem of ultimate agreement on overall division of the waters following Iraq's request for Bank mediation. The Bank's influence in Turkey as regards this issue will hinge on the Karakaya and Golkoy power dams and especially the Karababa multi-purpose dam scheduled for FY75-78.

#### F. BANK GROUP PROGRAM

46. Although the main contribution of Bank lending is qualitative in helping to break supply and institutional bottlenecks, a continuation of a high level of lending will also be important for a number of years until external earning capacity is better stabilized, whether development policy emphasizes growth or high employment and an open economy. The projected rise in gross capital imports from about \$400 million in 1972 to \$550-\$650 million in 1979 (see Section C) will have to be met largely through increased suppliers' credits and Bank lending since private capital flows may increase only modestly and increased EIB disbursements may roughly offset declining

bilateral aid. To help Turkey avoid excessive resort to suppliers' credits, the proposed lending program rises to \$300 million in FY78, which is \$120 million above the amount in the last CPP, and to \$330 million in FY79.

47. The FY74 lending and FY75-79 operations programs essentially continue the pattern of sector allocation of Bank Group lending established during FY71-73; the key changes are: increased multi-sector urban and rural development, use of DFCs in more sectors, and entry into tourism.

Sector Allocations of Bank Group Lending  
(percents of total value)

	<u>FY71-73</u>	<u>FY74-79</u>
Agriculture	30	29
Industry	39	28
Power	10	14
Transport	10	8
Water & Sewerage	8	6
Multi-Sector Urban	0.5	6
Education	3	4
Tourism	-	5
	<u>100</u>	<u>100</u>

Of which:

-- Urban Development	12	15
-- Rural Development	3	17
-- DFC (5 Sectors)	17	30
-- Other Relending	10	16

Agriculture

48. The major tasks faced by Turkish agriculture are to: increase livestock and feed production; increase and diversify food production (rapid increases in production of industrial-export crops dominated the last decade); increase the level of credit provided to farmers and reduce the drain on credit absorbed by intervention agencies; increase the construction of onfarm irrigation works and the completion of existing irrigation projects; restructure price and investment policies to encourage desired production diversification patterns (by region and by commodity) and reduce delays in investment projects; and extend land reform and land consolidation.

49. In this setting, Bank lending for agriculture centers on four broad aims: (a) to help break certain production bottlenecks through repeater operations (milk and meat production, irrigation rehabilitation and completion, and fruit and vegetables exports); (b) to help finance major irrigation and multi-purpose projects (Ceyhan Aslantas, Lower Firat); (c) to help launch a multi-sub-sector approach to regional rural development; and (d) to help build a versatile lending institutions- the Agricultural Bank and the proposed Cooperative Bank. Progress has been slow across the board, the main

problems being coordination, effectiveness of new project units, reluctance to accept consultants, inadequate salaries, and slow administrative decision-making. As a result, both initial and repeater operations recurrently slip; there are no agricultural projects in FY74, and Rural Development is the only one in FY75.

50. However, by the nature of the sector, most of the projects are complex. Fruit and Vegetables involves vertical integration from seedling and multiplication nurseries through production orchards to transport and export marketing, with sub-lending provided by ABT and project coordination by a new unit in the Commerce Ministry. This FY71 project has overcome the usual problems of new project units and initial procurement difficulties, and is beginning to make headway on nursery and orchard development, but a repeater operation cannot be foreseen before FY77. The study to prepare for an Agricultural Credit Project has lost two years because of the fierce pride of the old line ABT and the tensions created by its position as a subordinate agency to the Commerce Ministry. On the other hand, implementation is at last proceeding well on the FY71 First Livestock (Dairy) Project, and preparation of a second dairy project (as part of the Agricultural Credit Project) - the first agricultural repeater - now seems probable for FY76. A major diversified program of further repeaters to Fruit and Vegetables, Livestock II (village fodder cropping and livestock breeding and fattening), Irrigation Rehabilitation, Rural Development, and Agricultural Credit is proposed in the late 1970's along with financing for multi-purpose development of the lower Euphrates River.

#### Industry, Mining and Industrial Finance

51. Management of SEEs and Government intervention in the private sector are the major problems in this sector as discussed in Section E. The program provides for lending (a) own natural resources, (b) indirectly to small and medium SEE industrial projects through SIB, and (c) indirectly to the private sector through TSKB. In the past, the Bank has also lent directly for IGSAS Fertilizer and Erdemir Steel, which are quasi-public projects. After an early change in plant capacity, IGSAS has progressed reasonably well; Erdemir has fallen well behind schedule as a result of management difficulties, but its problems now seem on the way toward resolution.

52. The lending program provides for repeater operations for TSKB and SIB (on a basis still to be negotiated), Divrigi iron ore and pelletizing in FY75, and in FY76 a second forest industry project to be based on a UNDP study growing out of the Antalya Forest Utilization project. A Lignite Drying Project to produce commercial fuel for use in Eastern Turkey is planned for FY77 as an outgrowth of the Elbistan Lignite Power Project. The Zonguldak Coal Mining Project is scheduled for FY78, subject to timely completion of a two-year master plan study. Bank association with the State coal enterprise (TKI) in the Elbistan Lignite Power Project in FY74 should facilitate a reform-oriented effort in Lignite Drying and Zonguldak.

### Power

53. The principal goal in electric power development, reinforced by the oil crisis, is to maximize use of indigenous resources through a balanced program by hydro and lignite generation. Bank lending is planned in support of Elbistan lignite in FY74, Karakaya hydro in FY75 and Karababa multi-purpose and Golkoy hydro in FY78. As noted in paragraphs 31-32, these operations afford an opportunity to press for further strengthening of TEK's management, financing, and its coordination role in power planning, and to encourage further agreement among riparians on use of the waters of the Euphrates (see paragraph 44). Since 1968, the Bank has been providing technical assistance in reorganization of the power sector through a \$1.95 million grant. The final phase of this work, implementation of consultants' recommendations, is under way. The Bank entered the distribution field through the Istanbul Power Distribution Project in FY73. No further request in this sub-sector has been received, but one could arise later in the context of urban development.

### Transport

54. In varying degrees all of the transport modes are in need of modernization of infrastructure and equipment, but ongoing government efforts have enabled traffic targets to be met or exceeded in all modes except railways, which also have operated with the largest deficits in the State sector. Bank lending for transport is accordingly concentrated on railways. The first loan in FY73 was envisaged by the Government and the Bank as part of a series of three operations in support of the State Railways' 1972-77 rehabilitation plan and included strong provisions for financial reform and transport coordination. Project implementation is proceeding on schedule, and the follow-up Bank loans are planned for FY75 and FY77. A loan in FY76 is also planned for Istanbul urban transit improvement in the context of the overall urban development program.

### Water and Sewerage and Multi-Sector Development

55. In view of the technical and financial weakness of local governments, the national Government provides assistance for water supply, to the larger cities through the State Hydraulic Works Agency (DSI), to the nearly 700 towns of 2,000 to 100,000 inhabitants through the Bank of the Provinces (Illerbank), and to villages through the General Directorate for Roads, Water and Electricity (YSE) of the Ministry of Village Affairs. Illerbank also helps with town sewerage and is preparing the Istanbul wastewater project.

56. The Bank entered this sector in FY72 by supporting the Istanbul urban development program with a Water Supply Loan and an Urban Development (Studies) Credit to meet an urgent infrastructure need and help develop the plans and organizations needed for orderly metropolitan growth. Planned operations include: an FY74 Studies Loan of \$2.0 million to address urgent problems of pollution and solid waste disposal while further developing the capability of local institutions; an FY75 Wholesale Market Relocation Loan; an FY76 Wastewater Loan, which may be integrated with Solid Waste Disposal; an FY76 Urban Transport Loan; and an FY78 Cluster Development Loan for the

rapidly industrializing Istanbul-Izmir corridor. Outside Istanbul, loans are planned in FY77 for Waste-water in Izmir and in FY77 for Illerbank to encourage, on a pilot basis, a more dynamic national approach to water and sewerage planning and financing, drawing on the experience of the National Housing Bank in Brazil, with a repeater in FY79, possibly to finance a broader range of urban facilities within Illerbank's lending authority.

### Education

57. Turkey's education and training system is fairly well developed quantitatively, with enrollment at about 90% for the primary level, 44% for middle, 20% for general secondary and technical, and 7% for higher, and with ambitious targets for the future. Expenditures in 1973 were 4.3% of GNP and 19% of the Government budget. However, as noted in paragraph 14, the allocation of resources may not be the best; specialized programs are weak, and quality in general could be improved.

58. The first Bank loan of US\$13.5 million, approved in FY71, is designed to assist in vocational, technical and management education. Although implementation has been seriously delayed, the project's basic economic and educational aims are still valid. A proposed second project, in agricultural education, identified jointly with FAO, did not obtain Government support, and since then the Bank has refrained from further initiatives pending an indication of government interest and action on education reform. Given the first election-based Government in three years, and the importance of education to overall development and to increased employment in the near term, the Bank should now reverse its passive position and sound out the new Government's position. Bank lending could usefully try to help correct some of the imbalances of the Third Plan and encourage qualitative improvements in the education system. Possible areas for exploration include literacy schemes and non-formal basic education for adults, accelerated vocational training of the unemployed and the emigrants, agricultural education, comprehensive secondary education, curriculum development and education research, and education management and planning. Two unidentified projects are included in the program.

### Tourism

59. Recent interim governments to some extent reversed traditional apathy and even antipathy toward tourism and initiated programs to develop the Aegean and Western Mediterranean coasts between the Dardanelles and Antalya. Within stringent detailed zoning plans already drawn up by the Tourism Ministry, the Government has intended to finance basic infrastructure up to the borders of sites designated for lodging and recreation, which would be developed by private capital. As a result of the Bank's December 1973 identification and March 1974 preparation missions, agreement has been reached on a UNDP study of Turkey's tourism market, with the Bank as executing agency, and the Tourism Ministry is moving ahead with preparation of an infrastructure project for FY75. Thus far, the Tourism Bank, which primarily finances and administers public sector projects for hotels and other "superstructure", has not shown interest in Bank lending, but a possible first Tourism Bank Loan in FY77 will be explored. There are, however, signs that the National Salvation Party may press the Prime Minister to go slowly in tourism, a reversion to old fundamentalist views about foreigners.

### Population

60. The current 5+% growth rate in Turkish GNP per capita provides a better than average margin for improving welfare; nevertheless, the absolute size of the population is beginning to press against agricultural and forest land and other relatively fixed resource stocks. The Ministry of Health and Population two years ago adopted (and sent to the Bank) a population planning strategy, but no government has taken action or responded to repeated Bank offers of an exploratory mission. The National Salvation Party's views ensure a continued and deeper taboo under the new Government. Given the potentially big proportions of the problem for Turkey, the Bank should at least expose the Government to our assessment of the economic and social implications of current population growth trends, for example, in draft economic reports, and continue to maintain our open-ended offer of a mission against the day attitudes may change.

### IFC

61. A traditional resistance to foreign investment and cumbersome governmental procedures have limited IFC activities in Turkey. However, IFC has made investments in TSKB and in six enterprises in synthetic fiber, paper, glass, aluminum sheet and foil, steel pipe, and tourism totaling \$44.4 million (original amount net of exchange adjustments), of which \$5.2 million remains undisbursed. Under consideration is the first of several textile projects under an arrangement for parallel financing with TSKB in which IFC will limit its appraisal to a desk review of TSKB's field appraisal. Also under normal consideration are two more synthetic fiber projects, and under preliminary consideration, as a result of a business development mission last year, are several projects in Eastern Anatolia that have been approved by the Government for investment incentives.

## G. CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

62. (a) Despite military intervention and frequent changes of government since 1971, the events of 1973-74 have demonstrated once again Turkey's underlying political stability rooted in a national commitment to democracy and moderation.
- (b) Despite political instability, a dynamic private sector has spearheaded a continuation of rapid economic growth; however, with the strong competition for resources between the public and private sectors, stricter demand management has become essential to restrain rapid inflation and avoid its distorting and social ill effects.

- (c) The net effect of changes in remittances and oil prices on the balance of payments has been a stronger short-run position, but greater need for capital imports over the medium term and for diversification of earning capacity over the longer term; employment will also be an increasing difficulty.
- (d) The new Government will probably make some changes in development policy emphasis in favor of social aims but will essentially follow the broad pattern already laid down.
- (e) Coordination of project preparation and implementation may improve somewhat, but will continue to require special efforts by Bank missions.

### Recommendations

63. The present lending strategy should be essentially reaffirmed, with continued emphasis on SEE reform, balanced development (urban, rural, and regional), and diversification of external earning capacity, but with an increase in the level of lending and with greater effort to build up DFC-type relending capacities in major borrowing sectors and with exploration of possible renewed lending in education.

64. The proposed landing program for FY75-79 totals \$1330 million, which is an increase of 41% over the \$940 million FY74-78 program in force until recently. Annual lending would rise from \$175 million in FY73 to \$330 million in FY79. Agriculture and industry would remain the largest sectors, accounting for nearly three-fifths of proposed operations. Activity in both sectors would be shifted significantly to DFC channels. In agriculture, a new sub-sector -- fisheries -- and a new DFC -- the Government's proposed Cooperative Bank -- would be explored. The scope of urban and rural development projects would be broadened, and the possibility of more general relending for urban development through Illerbank would be explored. Lending for tourism would be started.

EMENA Region  
Country Programs Department II  
Division 2A  
April 26, 1974



CONFIDENTIAL

TURKEY - COUNTRY PROGRAM PAPER

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**APR 09 2013**

**WBG ARCHIVES**

Postscript

65. This paper was reviewed in a meeting in Mr. McNamara's office on May 8, 1974. The proposed continuation of the essential features of ongoing Bank strategy was approved, but concern was expressed about Turkey's creditworthiness in the long run and the potential danger of too high a Bank exposure in Turkey's external debt and about the need to increase further the Bank's dialogue with the new Government in order to encourage better definition of development policies and more effective project implementation.

66. It was recognized that Turkey's debt service burden had lessened substantially and now justified significantly increased inflows of foreign capital to meet investment demand, but at the same time it was observed that bilateral aid appeared to be declining. As a result, the Bank was faced with a difficulty in responding to the extent it might otherwise consider appropriate. It was decided that future Bank lending should be kept to a level which would limit the Bank's participation in Turkey's total debt service to 25 percent. Accordingly, subject to review after a year, the proposed lending program should be reduced to \$250 million in FY77 and leveled off at that figure in FY78-79. Revisions of the lending program (Attachment 1) and of the debt projections (Attachment 6) reflecting these decisions are attached.

67. Attention was drawn to the new Government's efforts to improve the relatively moderate growth of agriculture and to correct the traditional inefficiency in the public sector industry, and Bank encouragement to these efforts was supported. Mr. McNamara welcomed the new Government's intentions. Before he would consider supporting a larger lending program than the one he had approved, however, he would want to see Government actions: (a) for the benefit of the poor on the farms and in the cities; (b) which actually improve the efficiency of the State Economic Enterprises. Reform objectives in these and other sectors should continue to be assisted through direct lending and lending to development banks, but the expansion of the latter should be kept under careful review and should not exceed levels consistent with sound programming; a further loan to TSKB in FY77, to be earmarked for projects in underdeveloped regions, should be substituted for another operation.

Attachments

Country Programs Department II  
Europe, Middle East and North Africa Region

June 5, 1974

Population : 38.2 million (mid-1973); 2.6% p.a.  
 Per capita GNP : \$440 (1973 in 1972 prices); 5.2% p.a. 1974-1978  
 Area : 780,000 sq. km.  
 Literacy rate : 55% adult popul. (1970)

TURKEY - ACTUAL AND PROPOSED LENDING THROUGH FY79  
 (\$ million)

		Through					Current	Program					Total	Total	Total	Total	
		FY68	FY69	FY70	FY71	FY72		FY73	FY74	FY75	FY76	FY77					FY78
Agricultural Cr. I (Agro-Ind/Dairy)	IBRD								60								
" " II (On-Farm)	IBRD										50						
Cooperative Credit I	IBRD								20								
" " II	IBRD											40					
Fruit-Vegetable I	IBRD				10												
" " I	IDA				15												
" " II	IBRD									50							
" " III	IBRD																
Irrigation Seyhan I	IDA	20															
" " II	IBRD		12														
" " III	IDA		12														
Irrigation Rehabilitation	IDA					18											
Ceyhan Aslantas	(IBRD)						44										
" " (IDA)	(IDA)						30										
Lower Firat (Multi-purpose: Karababa)	IBRD																
Livestock I (Dairy)	IDA				4.5												
" " II (Village Development)	IDA					16											
Grain Silos	IBRD	3.9															
Rural Development I (Integrated)	IBRD								30								
" " II (Forest Villages)	IBRD										50						
" " III (Village L/stock)	IBRD											30					
" " IV (Integrated)	IBRD												50				
Fisheries	IBRD											20					
DYCs - TSKB I to VI	IBRD	28															
" " I to VI	IDA	35															
" " VII	IBRD		25														
" " VIII	IBRD				40												
" " IX	IBRD					40											
" " X	IBRD							30									
" " XI	IBRD										40						
" " SIB (DYP) I	IBRD						40										
" " SIB (DYP) II	IBRD								70								
" " SIB (DYP) III	IBRD											70					
" " Tourism Bank	IBRD											30					
" " "	IBRD															40	
Education I Vocational	IBRD				13.5												
" " II Unidentified	IBRD											30					
" " III	IBRD																50
Ind. & Min. IGSAS Fertilizer	IBRD					24											
" " Erdemir Steel	IBRD					76											
" " Antalya Forestry & Paper I	IBRD						40										
" " Forestry & Paper II	IBRD								40								
" " Divrigi Iron Mine and Pelletizing	IBRD								40								
" " TKI Lignite Drying	IBRD																40
" " TKI Zonguldak Coal	IBRD																50
Power - Seyhan	IBRD	25.2															
" " Koban Transmission	IBRD		25														
" " TEK I	IBRD				24												
" " TEK II Elbistan	IBRD							130									
" " Cukurova I & II	IDA	25.7															
" " " II	IBRD	9															
" " " III	IBRD		11.5														
" " " IV	IBRD				7												
" " IETT	IBRD																14
" " DSI Karakaya	IBRD								65								
" " DSI Golkoy	IBRD																60
Tourism (Mugla-Antalya)	IBRD								20								
Ports I and II	IBRD																
Railways I	IBRD	16.3															
" " II	IBRD								50								
" " III	IBRD											50					
Urbanization - Istanbul I Studies	IDA					2.3											
" " " II	IBRD						2										
" " " III Market	IBRD								25								
" " " IV Transport	IBRD									40							
" " " V Cluster Dev.	IBRD											30					
Ilkerbank I	IBRD												30				
" " II	IBRD																50
Water Supply Istanbul	IBRD					37											
Severage I Istanbul	IBRD									40							
" " II Izmir	IBRD											40					
Operations Program	IBRD					145	212	280	270	320	350	340				1432	1560
	IDA					30	-	-	-	-	-	-				-	-
	Total					175	212	280	270	320	350	340				1432	1560
	No					4	4	7	6	8	8	7				35	38
Lending Program	IBRD	82.4	73.5		94.5	137.0	145	172	200	220	250	250	250			1092	1170
	IDA	80.7	12.0		19.5	36.3	30	-	-	-	-	-	-	10	450.0	-	-
	Total	163.1	85.5		114.0	173.3	175	172	200	220	250	250	250	54	97.8	-	-
	No	15	5		6	4	3	3	5	5	7	7	7	64	517.8	-	-
	Of which IDA	7	1		2	3	1	-	-	-	-	-	-	5	20	-	-

	Through	Actual					Current	Program					Total	Total	Total	Total
	FY68	FY69	FY70	FY71	FY72	FY73	FY74	FY75	FY76	FY77	FY78	FY79	FY64-68	FY69-73	FY74-78	FY75-79
<b>Other Agencies (CY)</b>																
<b>Multilateral</b>																
EMA	215.0	15.0	115.0	12.4	-	-	-	-	-	-	-	-	165.0	142.4	-	-
ETB	172.0	17.3	15.7	13.1	2.0	50.0	50.0	55.0	35.0	60.0	65.0	65.0	122.0	98.1	285.0	300.0
Other	n.a.	1.3	1.1	-	-	-	-	-	-	-	-	-	-	2.4	-	-
<b>Bilateral</b>																
USA, of which:	n.a.	76.5	75.4	57.3	60.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	559.7	344.2	375.0	375.0
Exim-Bank		(6.2)	(2.5)	(10.3)												
Germany	n.a.	36.2	34.5	54.6	50.0	50.0	45.0	45.0	40.0	35.0	35.0	30.0	110.0	225.3	200.0	185.0
USSR	n.a.	101.1	113.7	1.4	40.0	40.0	40.0	35.0	30.0	25.0	20.0	20.0	2.7	296.2	150.0	130.0
UK	n.a.	12.1	14.1	20.1	20.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	79.1	76.3	50.0	50.0
Other	n.a.	41.0	31.9	79.3	80.0	45.0	35.0	35.0	35.0	35.0	35.0	35.0	184.1	277.2	175.0	175.0
IBRD o/s <sup>1/</sup> incl. undisbursed	32.5	103.2	100.6	191.7	324.1											
excl. undisbursed	30.1	33.7	42.4	67.7	80.7	144.9	219.4	320.0	441.2	570.0	699.9	832.0				
IBRD Gross disbursements	68.3	6.5	11.3	28.6	17.5	54.7	64.0	101.2	117.7	135.1	144.9	157.2	7.6	118.6	562.9	656.1
Less: Amortization	38.1	2.9	2.5	3.4	4.5	6.7	7.1	9.7	10.1	15.9	21.8	29.2	18.7	20	64.6	86.7
Equals: Net disbursements	30.2	3.6	8.8	25.2	13.0	48.0	56.9	91.5	107.6	119.2	123.1	128.0	-11.1	98.6	498.3	569.4
Less: Interest & Charges	27.3	1.5	2.4	3.3	5.0	5.9	7.4	11.2	16.8	29.8	40.1	49.4	7.5	18.1	105.3	147.3
Equals: Net transfer	2.9	2.1	6.4	21.9	8.0	42.1	49.5	80.3	90.8	89.4	83.0	78.6	-18.6	80.5	395.0	422.1
IBRD/IDA Gross disbursements	128.9	17.5	20.5	33.2	21.8	60.1	82.0	111.0	132.1	145.6	152.5	162.3	68.0	153.1	623.2	703.5
Less: Amortization	38.1	2.9	2.5	3.4	4.5	7.0	7.5	10.4	11.0	16.8	22.7	30.2	18.7	20.3	68.4	91.1
Equals: Net disbursements	90.8	14.6	18.0	29.8	17.3	53.1	74.5	100.6	121.1	128.8	129.8	132.1	49.3	132.8	554.8	612.4
Less: Interest & Charges	28.3	2.0	3.0	3.9	5.9	6.6	8.2	12.0	17.7	30.7	41.1	50.4	8.3	21.4	109.7	151.9
Equals: Net transfer	62.5	12.6	15.0	25.9	11.4	46.5	66.3	88.6	103.4	98.1	88.7	81.7	41.0	111.4	445.1	460.5

<sup>1/</sup> As of end of fiscal year.

## TURKEY: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

(\$ millions)

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective	Closing Date	Forecast Date	FY'72	FY'73				FY'74				FY'75	FY'76	FY'77	FY'78	FY'79	FY'80	FY'81	
						1	2	3	4	1	2	3	4								
Keban Transmission Line IBRD 568	25.0 -	10/29/68 10/31/68 1/6/69	Orig: Rev: Act:	9/30/72 3/29/74 9/30/71	21.8 19.4 18.9	22.1 19.9 19.2	23.8 21.6 20.9	24.1 21.9 21.4	25.0 23.4 23.6	- 23.7 23.9	- 25.0 24.1	- -	- -	- -	- -	- -	- -	- -	- -	- -	
Seyhan Irrigation II IDA 143	12.0 -	2/25/69 2/28/69 6/17/69	Orig: Rev: Act:	6/30/75 9/30/71 -	- 12.0 9.4	- 10.2 11.3	- 11.3 11.6	- 11.6 11.8	- 11.9 11.9	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	
Seyhan Irrigation II IBRD 587 1/	12.0 -	2/25/69 2/28/69 6/17/69	Orig: Rev: Act:	6/30/75 9/30/70 (1st) 4/21/71	1.4 1.6 .3	2.4 3.9 .3	3.4 6.0 .4	4.4 6.7 .9	5.1 7.8 1.5	5.8 9.1 2.2	6.2 10.1 2.4	6.6 10.4 -	6.8 10.9 -	7.5*	-	-	-	-	-	-	-
Eighth DFC IBRD 589	25.0 -	3/4/69 3/12/69 5/29/69	Orig: Rev: Act:	3/31/73 4/30/74 -	24.5 24.5	24.8 24.8	24.9 24.9	25.0 24.9	- 24.9	- 24.9	- 24.9	- -	- -	- -	- -	- -	- -	- -	- -	- -	
Third Cukurova Power IBRD 623	11.5 -	6/24/69 6/27/69 12/11/69	Orig: Rev: Act:	9/15/73 12/31/73 9/30/71	- 8.7 7.6	9.4 8.5	10.1 9.0	10.5 10.1	10.8 11.1	- 11.5	- 11.5	- -	- -	- -	- -	- -	- -	- -	- -	- -	
Ninth DFC IBRD 713	40.0 -	11/24/70 11/27/70 2/9/71	Orig: Rev: Act:	12/31/74 11/6/70 -	14.5 8.7	18.7 14.4	23.0 16.6	27.3 22.4	31.5 28.8	34.7 35.1	37.0 36.8	38.5 39.2	39.2 40.0	-	-	-	-	-	-	-	
Intensive Dairy Production IDA 236	4.5 -	2/16/71 2/22/71 12/23/71	Orig: Rev: Act:	6/30/75 1/26/71 9/30/72	2.4 -	2.9 -	3.5 1.1	3.7 1.5	3.9 1.3	4.1 1.7	4.2 1.7	4.3 2.1	4.4 2.5	4.5 4.5	-	-	-	-	-	-	
Education Project IBRD 748	13.5 -	5/20/71 6/9/71 9/29/71	Orig: Rev: Act:	9/30/76 5/10/71 1/31/73	.2 -	1.2 -	2.2 1.1	3.2 1.1	4.1 1.2	6.1 2.2	8.1 2.4	10.1 2.7	12.2 3.0	13.2 10.9	13.5	-	-	-	-	-	
Fruit and Vegetable IDA 257	15.0 -	6/10/71 6/22/71 5/19/72	Orig: Rev: Act:	6/30/76 5/26/71 1/3/73	7.5 -	10.4 -	12.4 1.1	14.1 1.1	15.0 1.7	- 2.8	- 4.4	- 5.2	- 5.8	- 15.0	-	-	-	-	-	-	
Fruit and Vegetable IBRD 762 2/	10.0 -	6/10/71 6/22/71 5/19/72	Orig: Rev: Act:	6/30/76 5/26/71 1/3/73	- -	- -	- -	- -	.8 -	2.2 -	3.2 -	4.2 -	5.9 -	9.9 4	10.0 8.0	-	-	-	-	-	
Power Transmission IBRD 763	24.0 -	6/15/71 6/22/71 10/4/71	Orig: Rev: Act:	3/31/75 5/28/71 9/30/71	6.3 7.5 1.4	9.2 8.5 2.3	12.1 10.8 3.2	13.1 13.7 5.8	15.1 15.5 6.9	18.0 18.2 8.5	19.8 19.9 9.9	21.8 21.3	22.8 22.5	24.0 24.0	-	-	-	-	-	-	
Fourth Cukurova Power IBRD 775	7.0 -	6/29/71 6/30/71 10/14/71	Orig: Rev: Act:	3/31/75 6/15/71 9/30/71	2.1 .5	2.9 1.2	3.6 2.9	4.0 4.0	4.7 4.7	5.4 4.9	6.2 6.2	6.3 6.3	6.4 6.4	7.0 7.0	-	-	-	-	-	-	
Irrigation Rehabilitation IDA 281	18.0 -	1/18/72 1/25/72 4/27/72	Orig: Rev: Act:	6/30/77 1/4/72 -	- -	- -	.5 2.3	2.3 3.5	3.5 4.7	4.7 5.9	5.9 7.1	7.1 8.5	13.8 16.0	18.0	-	-	-	-	-	-	
Steel Plant Expansion IBRD 817	76.0 -	3/14/72 4/28/72 8/4/72	Orig: Rev: Act:	12/31/76 2/4/72 -	1.6 -	5.7 -	10.6 1.1	23.6 1.1	37.4 1.4	51.2 .9	57.7 2.6	62.6 -	63.7 -	68.2 -	76.0	-	-	-	-	-	
Istanbul Urban Development IDA 324	2.3 -	6/27/72 6/30/72 1/4/73	Orig: Rev: Act:	6/30/77 6/5/72 -	- -	- -	.2 1.4	.4 1.7	.7 1.0	1.3 1.3	1.5 1.7	1.7 2.3	-	-	-	-	-	-	-		
Istanbul Water Supply IBRD 844	37.0 -	6/27/72 6/30/72 1/4/73	Orig: Rev: Act:	6/30/77 6/14/72 -	- -	- -	.2 1.1	1.1 2.7	2.7 4.1	4.1 5.5	5.5 6.7	6.7 9.6	20.5 30.7	37.0	-	-	-	-	-		
Ammonia-Urea Manufacturing IBRD 845	24.0 -	5/16/72 6/30/72 10/6/72	Orig: Rev: Act:	6/30/76 4/12/72 12/26/72	- -	- -	1.0 2.0	2.0 3.5	3.5 5.0	5.0 7.0	7.0 9.0	11.5 11.5	23.5 23.5	24.0 24.0	-	-	-	-	-		
Second Livestock IDA 330	16.0 -	4/4/72 9/28/72 1/5/73	Orig: Rev: Act:	12/31/76 3/15/72 3/31/73	- -	.1 -	.5 1.1	1.1 2.0	2.0 3.0	3.0 4.1	4.2 5.5	5.5 7.0	12.7 15.6	16.0 16.0	-	-	-	-	-		
Tenth DFC IBRD 873	40.0 -	12/21/72 12/28/72 3/21/73	Orig: Rev: Act:	12/31/76 12/7/72 -	- -	- -	- -	1.5 3.2	3.2 4.9	4.9 6.7	6.7 8.5	18.0 34.0	40.0	-	-	-	-	-	-		
Multipurpose Irrigation IDA 360	30.0 -	2/13/73 3/22/73 N.E.	Orig: Rev: Act:	12/31/81 1/31/73 -	- -	- -	- -	- -	- -	- -	2.0 3.2	10.0 18.3	28.4 30.0	-	-	-	-	-	-		
Multipurpose Irrigation IBRD 883 3/	44.0 -	2/13/73 3/22/73 N.E.	Orig: Rev: Act:	12/31/81 1/31/73 -	- -	- -	- -	- -	- -	- -	- -	- -	- -	9.8	22.4	37.4	44.0	-	-		

## TURKEY: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

(\$ millions)

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective	Closing Date	Forecast Date	FY'72	FY'73				FY'74				FY'75	FY'76	FY'77	FY'78	FY'79	FY'80	FY'81
						1	2	3	4	1	2	3	4							
Istanbul Power IBRD 892	14.0 - 14.0	4/24/73 5/25/73 9/28/73	Orig: 12/31/76 Rev: - Act: -	4/ 6/73	-	-	-	-	-	2.5	5.5	8.7	10.0	12.7	13.8	14.0	-	-	-	-
Railway Project IBRD 893	47.0 - 47.0	4/24/73 5/25/73 8/28/73	Orig: 9/30/76 Rev: - Act: -	4/ 6/73	-	-	-	-	-	6.0	14.6	21.0	27.4	47.0	-	-	-	-	-	-

\* Balance indeterminate.

1/ To be disbursed after Credit 143 TU (except interest category).

2/ To be disbursed after Credit 257 TU.

3/ To be disbursed after Credit 360 TU.

Controller's  
2/8/74

TURKEY

Country Economic and Sector Work Program

FY74-FY79

In FY74 the economic work program has focused on completing the basic economic report and updating it in light of the German ban on immigration and the oil crisis. This has been discussed with the Government and agreement obtained for its publication. In addition, a tourism sector/identification mission reviewed Government tourism strategy and potential projects for Bank lending. Future economic and sector work is planned to fill gaps in our knowledge in preparation for a second Basic Report in FY79 and to support our operational and lending programs.

In FY75 a small mission is scheduled to update the Basic Report. A special economic mission is planned in May 1975 to review developments in population and manpower, and key areas in the agricultural sector, i.e. credit and price policies, particularly as they relate to feed grains, meat and livestock development--a key bottleneck in one of agriculture's least productive subsectors. A rural development mission will review the experience of projects in this field and assess the implications of current land tenure patterns for agricultural and rural development. Given Government emphasis on industry and our inadequate knowledge of the sector, a second mission is planned to focus on particular problems in that sector, especially its export potential, industrial protection policies, the effects on Turkish industry of the enlargement of the EEC, and the power and fuel needs of the sector. A small mission is also planned as part of the Bank's work on income distribution to review the subject in Turkey. In response to a request by the Ministry of Finance it is also hoped to send a special technical assistance mission early in FY75 to help the Turkish Treasury set up a program of studies and technical assistance aiming at computerization of various operations, and improving the cash and debt management and financial control systems.

In FY76 an updating mission will review capital market development as well as monetary policies and their effects on private resource mobilization. It will also review budget and fiscal policies. In addition, a mission to review developments in the mining sector, particularly in coal, is also planned for FY76. The FY77 economic updating mission will continue to revise and update economic data in preparation for the basic mission, with emphasis being placed on industry. During this year a mission is also planned to review urban problems and policies relating to regional development. Another mission is to review data on unemployment and underemployment, policies to relieve unemployment, and demand and supply in particular categories of labor. The expected continuation of very high rates of underemployment and unemployment and their impact on development strategies underscores the need for further work in this area. In addition, during FY78 our study of the industrial sector will continue with a review of the manufacturing industry, and another economic updating mission is planned. The Basic economic mission planned for FY79 will build on these earlier subsector analyses as it reviews developments during the Third Development Plan (1973-77) and evaluates the Fourth Plan (1978-82).

Title, Description and Fiscal Year of Report	Responsible Department	Status	Total Man Weeks Required
<u>FY 1974</u>			
<u>Tourism Sector Mission</u>			
Review Government tourism strategy and identify suitable areas for Bank involvement	TMP	Completed	16
<u>FY 1975</u>			
<u>Economic Updating Mission (Oct. 74)</u>			
Update the Basic Report	EM2	Scheduled	16
<u>Rural Development and Land Tenure</u>	EM2	Planned	24
<u>Special Studies</u>			
Review income Distribution	DRC	Planned	22
<u>Industrial Sector Special Mission (Oct. 74)</u>			
Study industrial development and export potential, and selected subsectors; may look into the power and fuel needs of the industrial sector.	EM2/NDP	Scheduled	40
<u>Technical Assistance</u>			
To prepare a program of work for technical assistance to the Treasury	EM2	Planned	30
<u>FY 1976</u>			
<u>Economic Updating Mission</u>			
Review capital market development and monetary policy and its effects on private resource mobilization. Review budgetary and fiscal policies	EM2	Planned	40
<u>Special Economic Mission (May 75)</u>			
Review of developments in population and manpower; review agricultural credit and price policies and livestock development.	EM2/EMPAG	Scheduled	60
<u>Special Mining Mission</u>			
Review developments in the mining sector, particularly in coal and petroleum	NPD	Planned	20

Title, Description and Fiscal Year of Report	Responsible Department	Status	Total Man Weeks Required
<u>FY 1977</u>			
<u>Economic Updating Mission</u>			
Review of economic development with particular emphasis on industry	EM2	Planned	12
<u>Special Mission on Urbanization</u>			
Review of urban problems and policies promoting regional development	TRU	Planned	16
<u>Population, Manpower and Employment Sector Mission</u>			
Review data on population, labor supply, unemployment and underemployment; demand and supply in particular categories of labor; training policies and programs; and policies to relieve unemployment	EM2	Planned	40
<u>FY 1978</u>			
<u>Economic Updating Mission</u>			
	EM2	Planned	30
<u>Industrial Sector Mission</u>			
Review of manufacturing industry	NPD	Planned	40
<u>FY 1979</u>			
<u>Basic Economic Mission</u>			
Review of Third Development Plan (1973-77) and evaluation of Fourth Plan (1978-82); preparation of basic economic report	EM2	Planned	120



## COUNTRY DATA - TURKEY

AREA  
780,000 km<sup>2</sup>POPULATION  
38.2 million (mid-1973)DENSITY<sup>2</sup>  
48 per km<sup>2</sup>  
140 per km<sup>2</sup> of arable land

## SOCIAL INDICATORS

	Turkey		Reference Comparisons		
	1960	1970	France 1970	Spain 1970	Egypt 1970
<u>GNP per Capita US\$ (Atlas basis)</u>	230	310	3,100	1,020	210
<u>Demographic</u>					
Crude birth rate (per thousand)	43.0/a	39.6/b	16.9/a	20.4	44.1
Crude death rate (per thousand)	13.5/c	11.6/b	11.0	8.8	16.5
Infant mortality rate (per thousand live births)	165.0/d	153.0/b	18.8	31.9	123.1
Life expectancy at birth (years)	48.0/d	54.5	72.5	70.5	49.9
Gross reproduction rate /1	2.9/a	2.9	1.3	1.4	3.0
Population growth rate /2	2.8/m	2.5	1.0	1.1	2.5
Population growth rate - urban	6.1/m	5.8	2.0	1.8	4.0
<u>Age structure (percent)</u>					
0-14	41.2	41.9/e	23.8	28.2	42.7/c
15-64	55.1	54.1/e	62.8	62.5	53.8
65 and over	3.7	4.0/e	13.4	9.3	3.5
Dependency ratio /3	81.5	84.5	59.2	60.0	85.9
Population density per sq. km.	37.0	45	93	66	33
Urban population as percent of total	31.9	36.8	70.1	60.8	43.1
Family planning: No. of acceptors cumulative (thous.)	5.0	282	..	..	200
No. of users (% of married women)	n.a.	4.4	..	..	9.0
<u>Employment</u>					
Total labor force (thousands)	12,993	15,948	21,944	12,138	9,174
Percentage employed in agriculture	74.9	66.2	14.3	33.7	54.7
Percentage unemployed	n.a.	6.0	1.1	1.2	3.1
<u>Income Distribution</u>					
Percent of national income received by lowest 20%	n.a.	3 /k			
Percent of national income received by highest 5%	n.a.	33			
Percent of national income received by lowest 40%	n.a.	9			
<u>Health and Nutrition</u>					
Population per physician	2,850 /e	2,260	747	770	2,004
Population per nursing person	3,432 /f	1,960	360	1,430	1,400
Population per hospital bed	570 /g	500	113	220	472
Per capita calorie supply as % of requirements /4	123.9	110.0/h	129.2	110.4	124.4/f
Per capita protein supply, total (grams per day) /5	97.5	77.9	103.7	83.6	76.3
Of which, animal and pulse	15.9	21.9	66.4	42.6	18.5
Death rate 1-4 years /6		..	0.8	1.0	37.9
<u>Education</u>					
Adjusted /7 primary school enrollment ratio	54.0	77	124	77	70
Adjusted /7 secondary school enrollment ratio	15.0	24	66	38 /a	30
Years of schooling provided, first and second level	11	13	12	15	12
Vocational enrollment as % of sec. school enrollment	17.7	14.4	24.9	21.6	15.8
Adult literacy rate %	38.0	46 /e	96	94	26
<u>Housing</u>					
Average No. of persons per room (urban)	n.a.	2.4	1.0/g	0.9/c	1.6/c
Percent of occupied units without piped water	44	36	20.2/g	29.7/c	60.5/c
Access to electricity (as % of total population)	23	39 /j			
Percent of rural population connected to electricity	n.a.	..			
<u>Consumption</u>					
Radio receivers per 1000 population	49.0	87	314	214	132
Passenger cars per 1000 population	1.7	4	252	70	4
Electric power consumption (kwh p.c.)	101.0	242	3,794	1,495	268
Newsprint consumption p.c. kg per year	0.8	2.0	11.9	5.8	1.0

Notes: Figures refer either to the latest periods or to the latest years. Latest periods refer in principle to the years 1956-60 or 1966-70; the latest years in principle to 1960 and 1970. Only significantly different periods or years are footnoted separately.

- /1 Average number of daughters per woman of reproductive age.  
/2 Population growth rates are for the decades ending in 1960 and 1970.  
/3 Ratio of under 15 and 65 and over age brackets to those in labor force bracket of ages 15 through 64.  
/4 FAO reference standards represent physiological requirements for normal activity and health, taking account of environmental temperature, body weights,

- and distribution by age and sex of national populations.  
/5 Protein standards (requirements) for all countries as established by USDA Economic Research Service provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are somewhat lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.  
/6 Some studies have suggested that crude death rates of children ages 1 through 4 may be used as a first approximation index of malnutrition.  
/7 Percentage enrolled of corresponding population of school age as defined for each country.

/a 1950-55 UN estimate; /b 1967; /c 1959 District Centers only; /d 1962; /e 1965; /f 1963; /g 1964;  
/h 1964/66 avg.; /i 1973; /j 1950-51 provincial capitals; /k 1968  
/l As % of total population rural and urban; /m 1950-1960 growth rate.

## TURKEY

ECONOMIC DEVELOPMENT DATA SHEET  
(amounts in millions of U.S. dollars)

	Actual			Projected			1960-	1965-	1970	1974-	1960	1970	1979	
	1960	1965	1970	1974	1975	1979	1965	1970	1975	1979				
<b>NATIONAL ACCOUNTS</b>														
	3-Year Averages at 1967-69 Prices & Exchange Rates						Average Annual Growth Rate				As Percent of GDY			
Gross Domestic Product	5390	7110	9616	12789	13759	18535	5.7	6.2	7.4	7.7	98.9	100.5	100.0	
Gains from Terms of Trade (+)	60	49	-45	40	24	-6					1.1	-5	-	
Gross Domestic Income	5450	7159	9572	12829	13783	18529	5.6	6.0	7.6	7.6	100.0	100.0	100.0	
Imports (incl. NFS)	618	719	1071	1252	1387	1705	3.1	8.3	11.5	6.4	11.3	11.2	9.2	
Exports "(import capacity)"	399	546	701	1209	1288	1756	6.5	5.1	12.9	8.5	7.3	7.3	9.5	
Resource Gap	219	173	370	43	99	-51					4.0	3.9	-3	
Consumption Expenditures	4931	6094	7990	10197	10919	14348	4.3	5.6	6.4	7.1	90.5	83.5	77.4	
Investment "(Incl. stocks)"	738	1237	1952	2675	2964	4130	10.9	9.6	8.7	9.1	13.5	20.4	22.3	
Domestic Savings	519	1064	1582	2632	2865	4181	15.5	8.2	12.6	9.7	9.5	16.5	22.6	
National Savings	536	1117	1768	3288	3563	4989	15.8	9.6	15.0	8.7	9.8	18.5	26.9	
<b>MERCHANDISE TRADE</b>														
	Annual Data at Current Prices						As Percent of Total							
<b>Imports</b>														
Consumer goods	45	25	47	156	187	368					9.6	5.0	8.6	
Intermediate goods (without petroleum products)	127	249	387	705	816	1108					27.1	40.8	25.8	
Petroleum products	52	57	67	636	607	972					11.2	7.1	22.6	
Capital goods	244	241	446	1328	1460	1840					52.1	47.1	42.9	
Total	468	572	948	2825	3080	4288					100.0	100.0	100.0	
<b>Exports</b>														
Agriculture products	227	348	443	945	1005	1155					70.8	73.1	51.9	
Petroleum products	-	6	1	90	90	90					-	-	4.0	
Industrial products (without petroleum products)	81	92	99	170	255	830					25.2	18.6	37.3	
Mining products	13	18	45	50	65	150					4.0	8.3	6.8	
Total	321	464	537	1275	1415	2225					100.0	100.0	100.0	
<b>Merchandise Trade Indices</b>														
	Average 1967-69 = 100													
Export Price Index	110.9	110.6	102.5	154.5	159.2	179.2	-	-1.5	9.2	2.9				
Import Price Index	89.5	94.9	112.8	150.1	156.4	179.7	1.2	3.5	6.8	3.6				
Terms of Trade Index	123.9	116.6	90.9	102.9	101.8	99.7								
Export Volume Index	51	75	113	177	191	267	8.0	8.5	11.0	8.5				
<b>VALUE ADDED BY SECTOR</b>														
	Annual Data at 1967-69 Prices & Exchange Rates													
Agriculture	2149	2380	2842	2994	3027	3637	2.1	3.6	1.3	3.9	39.2	29.6	22.2	
Industry	870	1288	2034	2712	3003	4567	8.1	9.5	8.1	11.0	15.9	21.2	27.9	
Services	1783	2724	3797	5548	6078	8107	8.8	7.7	7.9	7.9	45.9	49.2	49.9	
GDP factor cost	4802	6392	8674	11254	12108	16311	5.8	6.3	7.3	7.7	100.0	100.0	100.0	

## PUBLIC FINANCE

(Federal Government)				
Current Receipts	844 1/	1092	1735	
Current Expenditures 2/	690 1/	872	1331	
Budgetary Savings	154 1/	220	404	
Other Public Sector				
Public Sector Investment	396	584	1004	

CURRENT EXPENDITURE DETAILS  
(As % Total Current Expend.)

	Actual		Prelim. 1972	Est. 1973	Proj. 1974
	1965	1970			
Education	18.6	16.1	22.2		
Agriculture, rural affairs	4.1	4.2	5.8		
Health, social welfare	5.2	4.5	6.0		
Defense, gendarmerie	33.7	26.7	26.0		
Others	38.4	48.5	40.0		
Total	100.0	100.0	100.0		

## DETAIL ON

INVESTMENT PROGRAM	At 1967-69 P&ER		As Percent of Total	
	Last Plan (1968-72)	New Plan (1973-1977)	Last Plan (1968-72)	New Plan (1973-1977)
Agriculture	1144	1935	12.2	11.7
Industry	3480	7509	37.1	45.4
Transport	1566	2398	16.7	14.5
Housing	1904	2597	20.3	15.7
Social sector	582	1059	6.2	6.4
Other services	704	942	7.5	6.3
Total	9380	16540	100.0	100.0

## SELECTED INDICATORS

(calculated from 3-year averaged data)	1960-1965	1965-1970	1970-1975	1974-1979
Average ICOR	2.68	3.13	2.80	2.81
Import Elasticity	.51	1.39	1.13	.74
Marginal Domestic Savings Rate	.32	.21	.30	.29
Marginal National Savings Rate	.33	.25	.38	.32

## LABOR FORCE AND OUTPUT PER WORKER

	4/ Total Labor Force (millions)				
	In Millions		% of Total		1962-72
	1962	1972	1962	1972	Growth Rate
Agriculture	9.2	8.8	73.6	61.9	-0.9
Industry	1.0	1.5	8.0	10.5	4.3
Services	2.3	3.9	18.4	27.6	11.1
Total	12.5	14.2	100.0	100.0	1.0

## Value Added Per Worker (1967-69 Prices &amp; Exch. Rates)

	In U.S. Dollars		Percent of Average		1962-72
	1962	1972	1962	1972	Growth Rate
	230	310	53	45	6.1
	920	1490	214	216	10.1
	1030	1240	240	180	3.8
	430	690	100	100	9.9

. not applicable                      e staff estimate  
 .. not available                     - nil or negible  
 ... not available separately       -- less than half the  
   but included in total             smallest unit shown

1/ 1962  
 2/ including current transfers  
 3/ total public sector  
 4/ labor demand

## TURKEY

BALANCE OF PAYMENTS, EXTERNAL ASSISTANCE AND DEBT PROJECTIONS  
(amounts in millions of U.S. dollars at current prices)

	Actual			Estimated 1973	Projected					Proj. 1989	Avg. Annual Growth Rate			
	1969	1970	1971		1972	1974	1975	1976	1977		1978	1979	1974	1979
<b>SUMMARY BALANCE OF PAYMENTS</b>														
Exports (incl. NFS)	775	760	853	1109	1622	1804	2007	2233	2484	2796	3148	10293	11.9	12.6
Imports (incl. NFS)	-940	-1372	-1356	-1789	-2424	-3131	-3415	-3921	-4497	-4374	-4875	-13544	8.9	10.7
Resource Balance (X-M)	-165	-612	-503	-680	-802	-1327	-1408	-1688	-2013	-1578	-1727	-3251		
Interest (net)	-45	-47	-60	-62	-72	-78	-88	-100	-121	-137	-153	-386		
Direct Investment Income	-32	-33	-36	-35	-41	-42	-43	-45	-46	-48	-49	-66		
Workers' Remittance	141	273	471	740	1100	1005	1123	1254	1401	1471	1545	2516	8.9	10.2
Current Transfers (net)	-120	248	6	29	92	94	96	99	102	107	107	142		
Balance on Current Accounts	-221	-171	-122	-8	277	-348	-320	-480	-677	-185	-217	-1045		
Private Direct Investment	20	34	27	39	44	45	48	51	55	58	61	99		
Official Capital Grants	41	83	55	16	20	22	24	26	28	28	30	40		
Public M&LT Loans														
Disbursements	279	337	343	304	368	390	402	430	437	445	511	1137	5.7	8.3
-Repayments	-115	-197	-125	-127	-119	-128	-134	-143	-162	-190	-207	-441	10.1	7.9
Net Disbursements	164	140	218	177	248	262	268	287	275	255	304	696	3.4	8.6
Other M&LT Loans														
Disbursements														
-Repayments														
Net Disbursements														
Capital Transactions n.e.i. 1/	118	100	168	342	-79	-78	1	25	26	29	32	80		
Change in Net Reserves 2/	-122	-186	-346	-566	-510	97	21	91	293	-185	-150	210		
<b>GRANT AND LOAN COMMITMENTS</b>														
Official Grants & Grant-like														
Public M&LT Loans														
IBRD	49	40	55	177	105	175	172	200	220	250	250	500	7.5	7.2
IDA	12	-	20	36	30	-	-	-	-	-	-	-	-	-
Other (EIB)	17	16	14	2	50	50	55	55	60	95	110	200	13.7	6.2
Other Multilateral	16	115	12	27	-	-	-	-	-	-	-	-	-	-
Governments	267	267	251	178	135	170	165	155	155	200	270	370	9.7	3.2
Suppliers	21	27	21	31	30	21	23	50	110	150	180	300	48.4	5.2
Financial Institutions	10	20	9	14	15	15	15	20	20	25	25	40	10.8	4.8
Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Loans n.e.i.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Public M&LT Loans	392	486	382	465	365	431	430	480	565	720	835	1410	14.1	5.4
DEBT AND DEBT SERVICE														
Public Debt Out. & Disbursed	1647	1842	2191	2455	2703	2965	3233	3520	3795	4050	4364	9760	8.3	8.3
Interest on Public Debt	45	47	60	62	72	78	88	100	121	137	153	366	14.4	9.7
Repayments on Public Debt	115	197	125	127	119	128	134	143	162	190	207	441	10.1	7.9
Total Public Debt Service	160	244	185	189	191	206	222	243	283	327	360	827	11.8	8.7
Other Debt Service (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt Service (net)	160	244	185	189	191	206	222	243	283	327	360	827		
Burden on Export Earnings (%)														
Public Debt Service	15.4	16.9	12.9		7.6	7.3	7.1	7.0	7.3	7.7	7.7	8.0		
Total Debt Service	15.4	16.9	12.9		7.6	7.3	7.1	7.0	7.3	7.7	7.7	8.0		
TDS+Direct Invest. Inc.														
Average Terms of Public Debt														
Int. as % Prior Year DO&D	3.2	2.9	3.3	2.8	2.9	2.9	3.0	3.1	3.5	3.6	3.9	5.0		
Amort. as % Prior Year DO&D	8.1	12.0	6.8	5.8	4.9	4.7	4.5	4.4	4.6	5.1	5.2	7.9		
IBRD Debt Out. & Disbursed														
" as % Public Debt O&D	2.4	2.9	3.3		5.4	7.4	9.9	12.6	15.2	17.7	19.6	25.0		
" as % Public Debt Service					7.1	7.6	10.1	11.8	16.8	19.5	22.0	27.0		
IDA Debt Out. & Disbursed														
" as % Public Debt O&D	4.6	4.5	4.0		3.9	4.1	4.4	4.4	4.4	4.3	4.0	1.0		
" as % Public Debt Service					.5	.6	.7	.7	.6	.5	.4	.3		
ACTUAL AND PROJECTED EXTERNAL DEBT:														
	Actual Debt Outstanding on Dec. 31, 1972				Projected Debt Outstanding on Dec. 31, 1979				1972-79 Growth Rate					
	Disb. Only	Percent	Total	Percent	Disb. Only	Percent	Total	Percent	Disb. Only	Total				
World Bank	92	3.7	361	10.7	854	19.6								
IDA	99	4.0	156	4.6	175	4.0								
Other Multilateral	181	7.3	195	5.8	456	10.4								
Governments	1939	79.2	2403	71.4	2660	61.1								
Suppliers	66	2.7	134	4.0	120	2.7								
Financial Institutions	57	2.3	96	2.9	74	1.7								
Bonds	20	.8	20	.6	20	.5								
Public Debts n.e.i.	-	-	-	-	-	-								
Total Public M&LT Debt	2455	100.0	3364	100.0	4364	100.0							8.3	
Other M&LT Debts														
Short-term Debt (disb. only)														

. not applicable  
 .. not available  
 ... not available separately  
 but included in total  
 1/ including error and omission  
 2/ - increase

e staff estimate  
 - nil or negible  
 -- less than half the  
 smallest unit shown

Note on Import and Export Projections

Imports. Imports have been broken down into consumer goods, raw material and capital goods and their growth at constant 1972 prices has been linked to growth of various aggregates of the economy, as part of a two-gap model described in detail in "The Economic Development of Turkey", green cover, January 18, 1974, No. 316-TU.

The following import price increases have been used to convert the constant price estimates into current prices:

1973	-	10.1 percent
1974	-	5.8 percent
1975	-	4.2 percent
1976	-	3.7 percent
1977	-	3.5 percent

This corresponds to an average price increase of 4.7 percent per year during 1973-80. Upward adjustments have then been introduced to take into account increases in oil prices, based on the medium assumption expected for future oil price increases.

Exports. A commodity analysis of exports during the Third Plan 1972-77 leads us to a growth rate of 25 percent in 1973 in real terms and 8 percent per year thereafter.

The detailed export growth rates are as follows:

	<u>Average Yearly Growth Rate</u> <u>in real terms 1973-1977</u>
<u>Agricultural Exports</u>	7.8 /1
Cereals	-3.2
Nuts, fruit and vegetables	11.2
Cotton	6.1
Tobacco	2.5
Animal and fish products	17.0
Forestry products	26.0
<u>Mining Exports</u>	20.0
<u>Industrial Exports</u>	18.0
Total	11.4

It has been estimated that export prices had increased by 17 percent in 1973, and would increase by 3 percent per year thereafter; the drop in the price of cotton being more than compensated by increases in other export prices.

1/ Given the estimated 20 percent increase of agricultural exports in 1973, this implies a growth rate of 3.5 percent per year during 1974-77.



18RD 10673  
SEPTEMBER 1973



Map showing provincial boundaries and international boundaries. Major cities labeled include Istanbul, Ankara, Izmir, Bursa, Antalya, and many others. Neighboring countries are Bulgaria, U.S.S.R., Iran, Iraq, and Syria. Bodies of water include the Black Sea, Sea of Marmara, and Mediterranean Sea. The map includes a scale in kilometers and miles, and a north-south axis.

## F.(2) POLITICAL BACKGROUND

1. Turkish politics has been dominated by two conflicting trends which divide Turkish society and culture. One is traditionalist, religious, and more decentralized in terms of state power, as expressed by the Democratic Party (est. 1946) and its successor the Justice Party (JP) (est. 1961), both of which combined conservatism with emphasis on development under conditions of free enterprise. The other trend is Ataturkist, i.e. secular, statist and revolutionary (in the social reformist or liberal sense), as embodied in the Republic Peoples Party (RPP), the Party founded by Atatürk (1881-1938), subsequently led by Atatürk's close colleague İsmet İnönü (1884-1974) and presently by a young, dynamic leader, Bülent Ecevit (b. 1925), who has given the party a left-of-center image and likens his policies to the social democratic approach of Scandinavia. (See attached table for list of political parties and breakdown of election results during the Second Republic, 1961-1973). These two political traditions reflect Turkey's struggle to find the proper balance between its traditional Islamic culture, and Western civilization, and at the same time resolve the myriad of economic and social problems stemming from rapid growth, urbanization, and the need to bring its 40,000 villages into the 20th Century and Turkey as a whole into the European marketplace. (See also CPP, paras 1-2).

### The Underlying Issues of Turkish Politics

2. Atatürk's principal political legacy is a broad national consensus that Turkey should develop as a mixed economy under a democratic, secular government. Within this framework, Turkey's political parties differ in their approach to the resolution of three basic issues. First, the question of the role and place of Islam in modern Turkey. Second, the place of the state in the economy. Third, the question of how and at what speed social reform should be carried out.

3. Religion. The RPP and the Turkish Left in general are not against religion per se, but remain deeply concerned that the state is being silently re-Islamized. The JP on the other hand, while committed to the principle of secularism, is considerably more sympathetic to the conservative, Islamic bent of the bulk of its constituency--the Turkish villager. The position of the newly established reactionary National Salvation Party (NSP) is much more extreme, calling for a return to Islamic fundamentalism and even Islamic law. While the NSP cannot reject secularism outright, it clearly would like to see that principle diluted if not abandoned and religion given an active role in the State. Since the principle of secularism is considered the fundamental basis of the Ataturkist revolution, it is on this point that the Turkish military--as guardians of the revolution--are perhaps the most sensitive. For this reason they breathe more easily with the RPP in power.

4. The economy. In its economic policy the RPP stands for a more equitable distribution of economic benefits and stricter control of private enterprise and foreign investment. The State in its view plays a primary role in the economy. The JP tends to follow a laissez-faire approach, and while it favors a role for the state in basic industry, it gives private enterprise the major role in guiding and developing the Turkish economy. While the RPP has the usual leftist bias against private capital, the JP is the party of big business in Turkey. The NSP on the other hand is

probably closer to the RPP in that it supports efforts to stimulate greater public participation in the economy, however, its views on foreign investment are stricter than the RPP. The NSP opposes membership in the EEC while the RPP and other parties support Turkish participation, although the RPP desires certain changes in the EEC protocol.

5. Social Change. The major question here is whether social change should be imposed forcefully and rapidly by the state and by a small elite-- which tended to be the view of the RPP before Ecevit and that of part of the Left--or should be more evolutionary. The military, while not supporting the extreme left, clearly favors a larger role for the state in imposing social reform. The Right, including the JP and its predecessor the DP represents the views of those who feel the Ataturkian revolution moved too far, too fast and that the radical reforms of the 1920's and 1930's need consolidation. The Turkish villager, on the other hand, is not wedded to any one political philosophy but looks to his own practical interests. While he favors the religious views of the Right, he also favors social reform, including land reform and greater educational opportunities, but would prefer a minimum of State control.

#### Cyprus

6. Mainland Turkey has not always paid attention to the fate of the Cypriot Turks, but latent Turkish hostility to the Greeks, stemming from a century of conflict (beginning with the establishment of independent Greece in the 1820's and continuing through Turkey's war for independence against the Greek invasion of Anatolia), can be aroused quickly over Cyprus if so manipulated by journalists and politicians. This animosity was never really mollified by the subsequent rapprochement and Greek-Turkish cooperation initiated by Ataturk. The intercommunal fighting between the two communities on the island during the past decade and resultant bloodshed further heightened Turkish sensitivity. This sensitivity together with the pro-Enosis (union with Greece) nature of the recent coup, combined with the weakness of Turkey's coalition government, made the Turkish landing in July almost unavoidable.

7. The Turks are immensely proud of their handling of the crisis, yet they have remained calm and clearheaded throughout. As to the solution, most political parties support the establishment of some form of autonomous Turkish sector within a federation, as Ecevit has proposed. The NSP on the other hand has called for full partition--a hardline approach which helped precipitate the downfall of the coalition. Cyprus does not directly affect Bank work in Turkey but the Turks show a keen need for understanding of their views and sensitivity on this matter.



## Turkey: Election Results in the Second Republic, 1961-1973

Parties	1961	1965	1969	1973		Senate Seats 1973	total
Republican Peoples Party est. 1922	173 seats 37.2%	134 28.7%	143 27.4%	185 <sup>1</sup> 33.2%	founder: Kemal Atatürk successor: İsmet İnönü present leader: Bülent Ecevit	25	41
Justice Party est. Jun. 1961	158 seats 34.8%	240 52.9%	256 46.5%	149 29.4%	founder: Gen. Ragıp Gümüşpala leader: Süleyman Demirel	22	80
National Salvation Party est. 11 Oct. 1972				48 seats 11.9%	founder: Süleyman Emre leader: Necmettin Erbakan	3	3
Democratic Party <sup>2</sup> est. 18 Dec. 1970				45 seats 11.7%	founder: Saadettin Bilgiç leader: Ferruh Bozbuylu	0	6
Republican Reliance Party <sup>3</sup> est. 13 May 1967			15 seats 6.6%	13 5.4%	founder + leader: Turhan Feyzioğlu	1	10
National Action Party (previously RPP) est. Feb. 1954	54 seats 14%	11 seats 2.3%	1 3.0%	3 3.4%	founder: Osman Bölükbaşı leader: Alpaştan Türkeş	0	0
Turkish Unity Party est. 1967			8 seats 2.8%	1 1%	founder: Hüseyin Balan leader: Mustafa Timisi	0	0
Nation Party est. June 1962		31 seats 6.9%	6 3.2%	0 .5%	founder: Osman Bölükbaşı leader: Gen. Cemal Tural	0	0
Independents	.8%	3.3%	13 seats 5.6%	6* 3%		1	10
New Turkey Party est. Feb. 1961	65 seats 13.7%	19 3.5%	6 2.3%		not eligible to participate in 1973 elections		0
Turkish Labor Party est. Feb. 1961; closed 20 July 71	not eligible	15 seats 3%	2 2.7%		closed by court order. Former President Aybar run on TUP slate		0
National Order Party est. 26 Jan '70; closed 20 May '71					closed by court order leader Necmettin Erbakan joined MSP		0

<sup>1</sup> On 13 October, 1973 one independent joined the RPP, giving that party a total of 186 and leaving 5 independents.  
<sup>2</sup> Formed as a right-wing splinter group from the JP.  
<sup>3</sup> Former right-wing of the RPP which left that Party when the RPP moved further to the left-of-center.

### F.(3) ECONOMIC SITUATION AND FOREIGN ASSISTANCE

1. A basic report was published on April 22, 1974.
2. Economic growth in Turkey has been high and continuous for more than a decade (with GNP growth averaging nearly 7 percent p.a.). In 1973, despite a 10 percent decline in agricultural production caused by severe drought conditions, GNP grew by 5.5 percent, and it is estimated it will increase by more than 8 percent in 1974. The main growth sectors have been industry, power, transport and construction.
3. The balance of payments which was characterised by a chronic foreign exchange shortage prior to 1970, has improved dramatically since the devaluation of August 1970. The devaluation and the associated stabilisation measures, successive devaluations of the Turkish lira vis-à-vis the currencies of Turkey's main trading partners, rising world demand and prices and a rapid rise in workers' remittances (from \$140 million in 1969 to \$ 1.2 billion in 1973) helped to raise the foreign exchange earnings. Despite a rapid rise in imports (33 percent in 1972 and 34 percent in 1973) as a result of liberalization measures, gross foreign exchange reserves increased considerably and stood at about \$ 2.0 billion at the end of 1973.
4. Turkey's balance of payments is likely to remain strong in 1974. In the first six months of the year, exports and imports increased by 42 percent and 73 percent respectively over the same period in the previous year. Exports of industrial goods rose markedly (69 percent) over the same period. Workers' remittances may amount to as much as \$ 1.5 billion in 1974. Gross foreign exchange reserves stood at \$ 2.2 billion in early August, 1974.
5. Although tax revenues have grown for several years at a rapid rate (and amounted to 17 percent of GNP in 1973), the increase has until recently been more than offset by growing current expenditures and transfers. As a result, the overall budget deficit increased and the Treasury had growing recourse to the Central Bank for short term advances. In 1972 and 1973, Central Bank financing of the Treasury was reduced considerably as a result of a strict control of current expenditures and a sharp increase in the sale of Government bonds. The overall financial results of the State Economic Enterprises (SEE's) have been consistently poor, and low profits have necessitated increasing budget transfers. Reform of the SEE's - in organisation, management, executive and labor skills and pricing policies - remains crucial, especially to prepare Turkish industry for competition with the EEC (see para. 17 of CPP). Prices of SEE products were increased in 1971 and were again increased in early 1974 by amounts ranging between 25 and 100 percent.
6. Severe inflationary pressures have appeared in the last few years (see para. 3 and 14 of CPP). Wholesale prices increased by 20 percent in 1973 and by 13 percent in the first seven months of 1974. A number of measures were taken in 1973 to control price increases: increased import allocations for consumer goods in short supply, restriction of exports of goods in short supply and the setting up of a price control committee in October 1973. In 1974, various prices were increased: SEE products (para. 4 above), chemical fertilisers (250-300 percent), and the purchase prices of various agricultural commodities (e.g. wheat by 70-90 percent, tobacco, raisins, nuts, by 30-50 percent). To alleviate the impact of these prices on the purchasing power of various groups, the government increased civil servant's salaries and raised

the minimum wage in agriculture from TL 19 to 33 and in non-agricultural sectors from TL 25 to 40. With the continuing high rates of inflation, improved demand management remains an important issue (para. 14 of CPP).

7. The direct impact of the Cyprus war on the Turkish economy is unlikely to have been substantial. The financial burden of the Cyprus operation is officially estimated at TL 5 billion (\$350 million). However, it resulted in uncertainty in the economy, which led to large scale withdrawal of bank deposits and a liquidity shortage and also to some extent affected investment in the economy. Moreover, the long-term impact on military expenditures may be considerable because of the perceived need to modernise the armed forces.

8. In August 1974, the Government announced a package of measures to promote savings and ease the shortage of liquidity in the economy. Interest rates were raised by 1.5 percent for short-term credits and 20 percent for medium term credits. Deposit rates were also raised by 0.5 - 2 percent. In addition, banks' reserve requirements were reduced. Although these measures should help to ease the liquidity shortage, the increase in interest rates is not sufficient with inflation running at 20 percent or more.

9. The prospects for a favorable long-run outlook, despite the recent changes in oil prices and growth prospects of European countries, have been discussed in the last CPP (paras. 10 to 13). It is being increasingly realised in Turkey that the recent reserve accumulation does not necessarily represent a trend which would help to maintain selfsufficiency. The vulnerability of the present economic situation to major sudden international economic difficulties is a cause for concern. As a result, there may be more interest in the bureaucracy as well as political circles for good relations with possible sources of development funds.

10. Development strategy has emphasised the growth of output and labor productivity rather than employment. As a result, unemployment (including underemployment in agriculture) is about 10 percent of the labor force. There has been substantial migration from rural to urban areas, and urban unemployment is about 11 percent. There is therefore a need to generate employment in rural areas and small towns.

11. Although data on income distribution is scanty, the last basic report suggests that personal income distribution may have worsened in the last decade, though absolute poverty probably decreased. Income distribution is skewed both in rural and urban areas.

12. At the end of 1973, total external debt outstanding and disbursed was \$2.8 billion (a 12 percent increase over the previous year), of which more than two-thirds was owed to governments. The Bank group's share was about 9 percent. The debt service ratio in 1972 and 1973 was about 10 percent. For 1973, gross official external assistance is estimated at about \$350 million; Bank and IDA disbursements amounted to \$ 60 million and the rest of the OECD consortium about \$200 million.

13. In the future, the sources and types of foreign capital available to Turkey are likely to change, and a flow of appropriate amounts may require some changes in Government policy. First, Turkey will probably no longer be able to rely on loans on highly concessionary terms from multilateral or bilateral creditors, except under the ECC/EIB financial protocol and possibly some German aid, since the performance of the Turkish economy (especially the rapid increases in exports and workers' remittances) no longer justifies it. Second, the amounts of new public capital commitments available in the near term may be somewhat limited for several reasons - delayed ratification of British participation in the EIB financial protocol, heavy commitment of existing and future EIB and KFW funds for Elbistan, possible policy problems on the U.S. side, and a general lack of bilateral enthusiasm, except for extending suppliers' credits. Third, the Bank, despite its interest in increased lending to Turkey, could eventually be limited by its desire not to exceed a 25 percent participation in Turkey's outstanding debt (CPP para. 66). Fourth, Turkey continues to discourage foreign private capital, and this is one of the few variables subject to Government policy choice. Finally, a big unknown is the extent to which Turkey may be able to obtain financing from Arab oil funds. In summary, Turkey might well be between two chairs: too rich to have access to concessionary aid but still too poor to have full access to external capital markets.

THE EUPHRATES-TIGRIS RIPARIAN PROBLEM

(TURKEY, SYRIA, IRAQ)<sup>1/</sup>

Summary

1. The Euphrates and Tigris rivers represent a major part of the surface water resources of Turkey and Syria and the only water resources in Iraq apart from the rainfed northeastern corner of the country. Discussions on the apportionment of the rivers between the three countries have been going on inconclusively for more than a decade. In the absence of agreement, the three countries have proceeded unilaterally with their respective irrigation plans in the basins which, at full development, will substantially exceed the available water resources. The Bank attempted to bring about an agreement between the three countries on several occasions since it chaired the financing syndicate for the Keban dam in Turkey (1965). The simultaneous filling of the large Keban dam and of the Tabqa dam (in Syria) which started during the winter of 1973-74 created a serious and immediate problem and led Iraq to seek the mediation of the Bank (which had itself proposed a transitional agreement in 1972 to cope with such a situation). The Bank has formulated a work program intended to deal with both the short-term issue of reservoir filling and the long-term one of the division of available waters between the proposed irrigation developments. The three Governments have accepted in principle Bank assistance in this regard and will discuss the work program with a Bank mission in late November 1974. The Bank's interest in the matter is essentially to use its expertise and objectivity in resolving the difficult international problem and in compiling the data needed for decisions on an equitable and efficient apportionment of water between the three countries; secondarily, to provide a basis for its participation in the financing of irrigation and hydroelectric projects, especially in Turkey and Syria.

Water Resources

2. The annual average flow of volume of the Euphrates (32 billion m<sup>3</sup>) and Tigris (47 billion m<sup>3</sup>) rivers total about 80 billion m<sup>3</sup> or little less than the Nile (92 billion m<sup>3</sup>/annum).
3. River flow in both rivers is highly variable from year to year often resulting in damaging floods. Maximum and minimum recorded flow volumes on the Tigris river are 101.4 billion m<sup>3</sup> (1969) and 20.6 billion m<sup>3</sup> (1930) and on the Euphrates river 68.5 billion m<sup>3</sup> (1969) and 12.5 billion m<sup>3</sup> (1930). Flow variability is a constraint on development and extensive storage is required to effectively mobilize available water resources.

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<sup>1/</sup> Part of the Tigris watershed lies in Iran which also shares with Iraq the common outlet of the Euphrates and Tigris to the Gulf (Shatt El Arab). This paper is limited to a discussion of the issues affecting the other three riparians.

4. The indicative firm river yield at full development of required storage has been put at 38 billion m<sup>3</sup> for the Tigris and 25 billion m<sup>3</sup> for the Euphrates -- totalling 63 billion m<sup>3</sup>. This compares with present water use of 30-35 billion m<sup>3</sup>. The agricultural sector is the major water consumer (through control irrigation) but flows are also needed for navigation and salinity.

#### Existing Developments

5. At present some 1.5 million ha are irrigated from the Tigris River - 99% of this being in Iraq. Some 1.6 million ha are irrigated from the Euphrates River -- 10% in Turkey, 15% in Syria and 75% in Iraq. Major completed water control facilities on the Tigris river system are all in Iraq -- the Dokhan and Derbendi Khan dams on the Lesser Zab and Diyala tributaries and the Samarra and Kut Barrages on the mainstem of the Tigris. On the Euphrates two large dams have recently been completed on the mainstem of the river: Keban Dam in Turkey (capacity 31 billion m<sup>3</sup>) and Thawra (or Tabqa) Dam in Syria (capacity 12 billion m<sup>3</sup>). These two dams are presently in their initial filling stage (total water extraction required about 40 billion m<sup>3</sup>). In Iraq major water control structures are the Ramadi and Hindiyah Barrages. The Ramadi Barrage controls inlet to Lake Habbaniyah, a 2.9 billion m<sup>3</sup> live capacity off-river storage reservoir.

6. Between the two rivers, and northwest of Baghdad in Iraq, lies the natural depression of Wadi Tharthar. Under a Bank loan made in 1950 (and prepaid shortly thereafter) flood water has been diverted from the Tigris at Samarra Barrage over the last fifteen years into the depression as a flood control measure and a large lake has formed. The depression is now full, with 80 billion m<sup>3</sup> of water. (For comparison 80 billion m<sup>3</sup> is half the volume of Lake Nasser in Egypt but equal to nearly twice the average annual flow of the Tigris and three times that of the Euphrates). An outlet channel from Lake Tharthar to the Euphrates River is presently under construction by Iraq (capacity 1,100 cubic meters per second) and planned to be completed by 1975. Completion of this facility will provide an important (but one way) linkage between the Tigris and Euphrates River System.

#### Future Developments

7. Indicative development plans to mobilize the waters of the Euphrates River have been drawn up separately in Turkey and Syria, but no recent overall indicative plan has been prepared in Iraq. No overall plans for the Tigris river have been drawn up by Turkey and Syria; the development of both rivers was studied by Iraq in 1952 but the plan is largely outdated. A review of presently identified development opportunities however indicates that there is grossly insufficient water available for full development of the land resources of the river basin for irrigation so that sharing of the water resources by the riparian countries will be necessary in the future. In view of the limited rainfall (200 to 400 mm. ) in most of the areas proposed for development water requirements vary from 10,000 to 20,000 m<sup>3</sup> per ha.

8. The Euphrates. Present long-range plans for the development of the Euphrates in Turkey are for the construction of three additional dams on the mainstem - Karakaya (1975-82), Golkoi (1981-84) and Karababa (1979-83). Karakaya and Golkoi are hydropower projects and would not result in any extraction of water from the river apart from by evaporation and reservoir filling. Two large irrigation schemes, the Urfa System (300,000 ha) and the Hilvan System (400,000 ha) are proposed to be developed with the construction of the Karababa Dam, which would also have an important hydropower component.

9. In Syria some 640,000 ha have been earmarked for development on the basis of preliminary soil surveys, including the rehabilitation of some 180,000 ha in the Euphrates valley (i.e. development of new irrigation would total about 460,000 ha). Studies are presently underway in an area covering a total of some 500,000 ha with bilateral and international assistance. The Bank is financing a reconnaissance survey of some 200,000 ha of salt-affected lands in the Euphrates valley and a feasibility study of a 55,000 ha rehabilitation project in the valley as part of the Balikh Irrigation Project (Loan and Credit ). The Balikh Irrigation Project itself would provide for the development of 41,000 ha of new irrigation in the Balikh River Basin.

10. In Iraq construction of a dam across the mainstem of the Euphrates - the Haditha Dam is expected to start shortly. A number of rehabilitation and development projects are underway but no details are presently available. However the physical possibility appears to exist, in Iraq, to use all the water of the river for irrigation.

11. The Tigris. In Turkey feasibility studies for two dams on tributaries of the Tigris have been completed but there are apparently no plans for their construction in the near future. An indicative planning figure for development of irrigation is 250,000 ha, although no specific projects are known to have been formulated. There is only a minor potential for development using the waters of the Tigris in Syria, barring a major basin transfer from the Tigris, since the river forms the national boundary for a distance of about 50 km and only a small area (50,000 ha) is directly irrigable from the river. No plans have yet been formulated for this.

12. In Iraq, final designs are being prepared for the Mosul Dam, on the mainstem of the Tigris and the Himrin Dam on the Diyala tributary. A number of irrigation projects are underway, including the Bank-financed Lower Khalis Project, but no details of overall development are available. The potential to use most of the water resources of the Tigris River appears to exist in the Tigris basin in Iraq along quite apart from the large scale basin transfer possibilities created by the Wadi Tharthar facilities.

#### Background Discussions Between Riparians and Bank Involvement

13. Historical uses of the Euphrates and Tigris waters in Turkey and Syria were extremely limited while they were extensive in Iraq. Up to the Turkish-Iraqi Treaty of 1946 concern about the riparian issue was limited to safeguarding uses in Iraq; it did not extend to apportionment of waters until ambitious development plans started taking shape in Turkey and Syria in the 1950's.

14. The launching of the hydropower Keban dam (financed by a syndicate under Bank chairmanship) brought in the open in the early 1960's both the short-term issue of the releases to be effected by Turkey during the filling of the large reservoir (31 billion m<sup>3</sup> or more than the average yearly flow of the Euphrates) and the basic issue of the downstream uses to be satisfied by these releases. In 1965, a Bank mission (Hathaway, Bart et alii) visited the three countries, assessed present and potential uses on the basis of data submitted by the Governments (Iraq's requirements were considered excessive and had to be scaled down) and recommended specific minimum releases during Keban's filling, which could extend up to four years in case of a succession of low flows. In the end, the riparians could not agree on releases chiefly because Iraq claimed that its historical uses, at the high level they had assessed, represented "acquired rights" which should be recognized by the upstream riparians. Despite objections by Iraq and Syria, the lenders for the Keban dam (USA and European countries -- the Bank limited its financing to the transmission lines) proceeded with the financing in 1966 but included in their loan agreements covenants requiring Turkey to maintain its efforts to achieve arrangements with Iraq and Syria and, failing such arrangements, to adhere to a program of releases during filling (embodied in a letter to the US Ambassador, the validity of which was debated in Turkey when filling had started in 1974, and which was not adhered to in the end).

15. Occasional and inconclusive discussions between the riparians continued until the early 1970's especially after the Tabqa dam was started (with USSR financing) in 1968. Meanwhile the Bank had been asked to finance the Lower Khalis project (in the Tigris basin) in Iraq and the Balikh project on the Euphrates in Syria. In connection with Lower Khalis, it asked Turkey and Iran for their views in 1971, Turkey reserved its rights on the Tigris without formally objecting. Iran made **strong objections** based on its planned use of the Diyala river.

16. In order to ward off further objections regarding Balikh and to pave the way for an agreement between the riparians (excluding temporarily Iran) the Bank proposed in February/March 1972 to help formulate a "Transitional Agreement" aiming at satisfying consumptive uses in the three countries for the existing irrigation projects and those planned to be started until 1977; this would be done through an agreed program of reservoir operation for dams under construction or planned to be started before 1977. Turkey and Syria subscribed to the Bank's proposals, provided (a) the Tigris river be studied at the same time and (b) present uses be not considered as acquired rights. Iraq declined the Bank's proposals and resorted (or accepted to resort on Syria's request -- we have not clarified who took the initiative) to arbitration by Soviet experts. Meanwhile the Bank nevertheless proceeded with the financing of Lower Khalis (presented to the Board in January 1973) on the basis of its own determination that the project would have a sufficient supply of water even if Iran fully developed its Diyala project. We also continued to seek Iraq's agreement to Bank technical assistance for a comprehensive land and water survey in the Euphrates and Tigris basins which could have facilitated a larger undertaking encompassing Turkey and Syria; in the end, Iraq entrusted the survey to the USSR.



17. The proposal for a Transitional Agreement could not be pursued in the absence of agreement from the main user. It seems to have prompted the riparians, however, to increase the pace and substance of their bilateral or tripartite discussions in the following two years, especially as it appeared increasingly evident that the filling of Keban and Tabqa dams would be simultaneous as a result of the delays experienced for the former. Iraq proposed to Syria in April 1973 a protocol for the Euphrates which differed in major respects from the simple formula which was acceptable to Syria proposed in the Soviet experts report, i.e. that Syria should receive 40% and Iraq, 60% of the flow as measured at the Turkish/Syrian border; the interest of Iraq's proposal was to protect herself against natural or man-made shortages rather than to obtain a larger share of the average flow. It provided that: (a) Iraq's acquired rights would be set at 13 billion m<sup>3</sup> and those of Syria at 4 billion m<sup>3</sup> (thus leaving to Turkey 15 billion m<sup>3</sup> of the average flow, or 8 billion m<sup>3</sup> of the estimated firm river yield at full development); (b) surplus water at the Syro-Turkish border would be divided at the rate of 30% for Iraq and 70% for Syria and shortages would be borne at the rate of 70% by Iraq and 30% by Syria. After lengthy discussions, the only concession Syria made was to accept the Iraqi proposal for ten years after which division would be based on the Soviet formula. No agreement was reached in the end.

18. The tripartite talks during the period focused on the releases from Keban and Tabqa. Despite some progress on the technical analysis, no agreement could be reached, again because of the key issue of Iraq's acquired rights.

19. In June 1973, the Bank wrote Turkey and Iraq regarding its intention to finance the Balikh project. No response was received from Turkey. Iraq objected on the grounds of the new and substantial water requirements for the project and asked the Bank to postpone consideration of the project until negotiations between the three countries come to a just settlement. Mr. McNamara replied in November 1973 that, taking account of the present level of diversion in Syria, net additional diversion requirements for Balikh were well within Syria's allotment under any apportionment between the three countries; that a long-term agreement on the sharing of the waters (which the Bank deemed desirable) was unlikely in the near future; and that the Bank would be pleased if it could assist in the matter as it had offered in the past. The loan and credit for Balikh were presented to the Board in March 1974 after Syria had given assurances that it would pursue efforts to reach agreement with the other riparians and, failing such agreement, that it would maintain releases from Tabqa during filling as may be necessary to meet Iraq's reasonable requirements. In March 1974, the Iraqi Finance Minister wrote Mr. McNamara asking for Bank mediation to achieve an equitable solution between the riparian countries of the Euphrates.

#### The Proposed Work Program

20. In July 1974, a Bank mission (Bart and Fish) visited the three countries to discuss a program of work intended to assist in developing the data and principles needed for the cooperative management of the Euphrates. The mission's visit followed a last-ditch attempt by Iraq to reach a short-term agreement on releases and coincided with a quasi-total impounding of the river by Turkey and Syria which created a very serious situation in Iraq. It also coincided with the Cyprus crisis which monopolized attention in Turkey. After difficult negotiations

(see attached memo dated August 1, 1974), agreement in principle was secured from the three countries to proceed with a plan of work covering both Euphrates and (at Turkey's request) Tigris; Iraq's agreement to the inclusion of Tigris was contingent upon a separate study of the two rivers (presumably to avoid at this stage the consideration of trans-basin diversions from Tigris to Euphrates, through Wadi Tharthar, which would greatly alleviate Iraq's problem in the long run after full development in Turkey and Syria).

21. The work program (see attached outline), which was given to the three Governments in early October, would: (a) formulate as a first priority interim proposals for the operation of existing and future reservoirs on the Euphrates; the Bank has engaged consultants who are working on a computer model which will be completed shortly; (b) develop a series of alternatives under which water sharing could be discussed by the riparians; and (c) formulate proposals for the coordinated utilization of the water resources within the basins of the Euphrates and Tigris in the three countries.

22. The program would include, in addition to the preparation of the computer model, two phases: (a) to examine the data available and define the detailed work program needed; this phase is expected to last four months and to cost about \$300,000; (b) to execute the detailed program needed to meet the objectives; this might require about two years and financing of the order of \$5 million. UNDP has agreed to finance both phases, subject to the Governments' concurrence, under its 1975-81 Intercountry Program. The Bank would be executing agency.

23. The three Governments have agreed to receive a Bank mission in November to discuss the work program and the arrangements needed for its implementation.

Implications for Future Bank Lending

24. The Bank's Five-Year program includes several projects in Turkey and Syria which will use Euphrates waters; no projects are contemplated on the Tigris at present, unless Iraq revives earlier proposals. The projects in the program are:

	<u>FY76</u>	<u>FY77</u>	<u>FY78</u> (\$ million)	<u>FY79</u>	<u>FY80</u>	<u>Total</u>
<u>Turkey</u>						
Karakaya (power)	65					
Golkoi (power)			60			
Lower Firat (irrigation)			50			
<u>Syria</u>						
Balikh II	30					
Drainage I		40				
Irrigation III*			30			
Drainage IV				40		
Irrigation IV					40	
	<u>95</u>	<u>40</u>	<u>140</u>	<u>40</u>	<u>40</u>	<u>355</u>

\*Might be outside Euphrates basin.

Unless agreement were reached between the riparians, it would be very difficult for the Bank to justify lending for these projects (except perhaps drainage in Syria) as the uncoordinated implementation of the development plans would mean unsecure water supply for the projects and/or serious harm to the existing irrigation in Iraq.

EMENA

Attachments:

- Basic Data on Euphrates and Tigris
- Report of June 1974 Mission
- Outline of Proposed Work Program
- Map IBRD 3944

**TIGRIS-EUPHRATES BASINS**

**BASIC DATA**

Notes: All figures are preliminary

	TIGRIS			EUPHRATES		
<b>A. LOCATION</b>	<u>Area in sq km</u>			<u>Area in sq km</u>		
Area of Basins	240,000			440,000		
Int: (a) Turkey	37,000 (15%)			125,000 (28%)		
(b) Syria	3,000 (1%)			74,000 (17%)		
(c) Iraq	182,000 (76%)			177,000 (40%)		
(d) Iran	20,000 (8%)			-		
(e) Saudi Arabia	-			66,000 (15%)		
<b>B. RIVER DISCHARGE 1/</b>	<u>Volume in Billion Cubic Meters (BCM)</u>			<u>Volume in BCM</u>		
Average annual "natural" flow volume 2/	47.1			32.2		
Maximum recorded volume	101.4 (1969)			68.5 (1969)		
Minimum recorded volume	20.6 (1930)			12.5 (1930)		
Estimated annual "natural" flow volume leaving territory	-			-		
(a) Turkey	21.2 (45%)			30.0 (93%) 3/		
(b) Syria	-			32.2 (100%)		
(c) Iraq	47.1 (100%)			32.2 (100%)		
(d) Iran	4.0 (9%)?			-		
(e) Saudi Arabia	-			0 (0)		
<b>C. PRESENT WATER USE 4/</b>	<u>Area Irrigated</u> (1000 net ha)	<u>Water Diversion</u> (BCM)		<u>Area Irrigated</u> (1000 net ha)	<u>Water Diversion</u> (BCM)	
(a) Turkey						
Irrigation	07	07		153	2.1	
Transbasin Diversion	-	0.06 5/		-	- 5/	
(b) Syria						
Irrigation	0	0		212	4.3	
(c) Iraq						
Irrigation	1,430	15.0-18.5 6/		1,232	12.5-16.0 6/	
Reservoir Evaporation	-	5.0		-	0.5	
(d) Iran	1007	1.07		-	-	
<b>D. PROPOSED FUTURE WATER USE 4/</b>	<u>Area Irrigated</u> (1000 net ha)	<u>Water Diversion</u> (BCM)		<u>Area Irrigated</u> (1000 net ha)	<u>Water Diversion</u> (BCM)	
(a) Turkey						
Irrigation	2407	2.47		1950	13.3	
Reservoir Evaporation	-	0.17		-	3.0	
Transbasin Diversion	-	0.06 5/		-	-	
(b) Syria						
Irrigation	50	0.5		671	10.1	
Reservoir Evaporation	-	-		-	2.0	
Transbasin Diversion 7/	-	-		-	-	
(c) Iraq						
Irrigation	2,300	41.0		1,800	32.0	
Reservoir Evaporation	-	7.5		-	1.5	
Transbasin Diversion 8/	-	?		-	?	
(d) Iran						
Irrigation	2507	2.57		-	-	
Reservoir Evaporation	-	0.37		-	-	
Transbasin Diversion	-	0.27		-	-	
<b>E. SUMMARY OF PRESENT AND PROPOSED FUTURE WATER USE 4/</b>	<u>Volume (BCM)</u>			<u>Volume (BCM)</u>		
Present Diversion	21.0-24.5			19.4-22.9 2/		
Proposed Future Diversion	54.5			61.9		
Average Annual Flow	47.1			32.2		
Estimated firm yield with completion of proposed storage and excluding major transbasin diversions	38.0			25.0		
<b>F. STORAGE RESERVOIRS</b>	<u>Storage (BCM)</u>	<u>Proposed Power Capacity (MW)</u>		<u>Storage (BCM)</u>	<u>Proposed Power Capacity (MW)</u>	
C = completed	<u>Gross</u>	<u>Live</u>		<u>Gross</u>	<u>Live</u>	
UC = under construction						
(a) Turkey						
Keban - UC	-	-		30.7	16.3	1,240
Karakaya	-	-		9.6	5.6	1,500
Golkoy	-	-		0.17	0.04	500
Karababa	-	-		16.1	3.4	800
Miscellaneous	0.3	0.2		0.3	0.2	-
(b) Syria						
Tabqa, Stage I - UC	-	-		12.0	7.4	800
Stage II	-	-		17.4	12.8	1,100
Marqada (Khabour)	-	-		0.57	0.37	?
(c) Iraq						
Habbeniyah - C	-	-		3.5	2.9	-
Abu Dibbis - C	-	-		20.0	-	-
Rawa	-	-		?	4.0	345
Dokan - C	?	6.3	?	-	-	-
Derbendi-Khan - C	?	2.5	?	-	-	-
Wadi Thartar - UC	85.4	28.3-49.1 10/		-	-	-
Mosul	?	4.7-7.2	?	-	-	-
Bakha	?	7.8	?	-	-	-
Harrir	?	2.0	-	-	-	-
(d) Iran						
Miscellaneous	2.07	?	?	-	-	-

- 1/ Including tributary flow. Main Tigris tributaries: Khabour, Greater Zab, Lesser Zab, Adhain and Diyala. Main Euphrates tributaries: Murat and Khabour. (There are two different Khabour rivers.)
- 2/ Based on measured records 1929-1970 and adjusted upwards to account for diversions.
- 3/ Average annual volume at Keban about 21.0 BCM (65%).
- 4/ Return flows not considered.
- 5/ The Lake Hazar Hydro Project diverts an estimated 60 million m<sup>3</sup>/annum from the Tigris Basin to the Euphrates Basin.
- 6/ Range of estimates. Upper limit is claimed by Iraq and lower limit is estimated by independent sources.
- 7/ Return flow from the irrigation of about 100,000 ha near Aleppo would not return to Euphrates Basin (about 0.3 BCM).
- 8/ Substantial transbasin diversions from the Tigris to the Euphrates will be possible on completion of the ongoing Lake Thartar Project. No details are available.
- 9/ Gross present diversions may be reduced by about 2 BCM if usable return flow in Turkey and Syria is 30% of diversion.
- 10/ Storage reserved for irrigation would be 28.3 BCM. Higher storage would be escaped to make room for flood diversion from the Tigris. Some of this escaped water could be used for irrigation.

## OFFICE MEMORANDUM

TO: Mr. W. A. Wapenhans

Typed from handwritten note sent by Mr. Bart

DATE: Sofar, August 1, 1974

FROM: Maurice P. Bart

SUBJECT: Discussions on Euphrates problem in Turkey, Syria and Iraq

1. The situation which emerges from the talks Jim Fish and I had in the three countries appears to be as follows:

- (a) General: For different reasons, none of the three countries seems particularly anxious to discuss the long-term issue of division of waters with Bank assistance and only Iraq is pressing for an agreement on the filling of Keban and Tabqa as it is the most seriously hurt. Nevertheless, this first (and apparently dry) summer after the impounding of the dams has created a greater awareness of the need to do something and led to an agreement of principle to the Bank's proposals. We should not, however, underestimate: the reluctance of all three Governments to associate us to their negotiations; the difficulty to have them accept cooperation between themselves and with the Bank on the long-term studies; and the need to play our cards very skillfully if we are to achieve any progress on either the short-or the long-term issue. A beginning has been made with the release to us of documents of the type we had not obtained since the 1965 Hathaway mission.
- (b) Turkey: The traditional - and tough - attitude as stated by Minister Kayra and Mr. Gokmen (Foreign Affairs) remains the same: Turkey's priority for the use of the waters which originate on its territory; unwillingness to accept acquired rights, let alone "faits accomplis" (e.g. Balikh) in the downstream countries; requirements to discuss, at the same time as Euphrates, Tigris with Iraq and Orontes and Afrin with Syria (which is claimed to have diverted them totally); and determination to pursue its own schemes whether the downstream countries agree or not. Mr. Gokmen gave us copy of the Note given by the Turks to Iraq and Syria at the end of the talks held in May 1974 (attached). Minister Kayra claimed that Turkey had respected the 1966 letter on releases (a point which Jim Fish tried to elucidate) while Mr. Gokmen questioned the validity of the letter. Mr. Kayra also thought that the main problem was between Syria and Iraq who should settle it before tripartite discussions; I mentioned yesterday to Mr. Gul that they had a ruling from a Russian arbitrator (Turkey was not apparently aware of the fact) and that even though they disputed his conclusions, they were close enough to expect agreement once the broader framework was settled. Finally, we were left after our first visit with Minister Baykal's agreement to the Bank proposals; he confirmed, on my request, that he was speaking on behalf of the Government but asked me to return to see Foreign Minister Gunes to relay the response of the other two countries. He also emphasized that Turkey was not prepared

to delay Karakaya for lack of agreement with the others and that it would have to finance it without the Bank or that the Bank would have to be "flexible".

- (c) Syria: We had the usual recriminations and resistance to release information compounded by differing positions on the part of Deputy Prime Minister Haidar, who gave us the green light, and of Ministers Wannous (Euphrates) and Hallaj (Planning) who wanted to refer the matter to President Asad after being informed by the Bank of Iraq's reactions. Mr. Wannous presented the Russian arbitration as having been requested by Iraq, which eventually rejected its conclusions. (Minister Talabani in Iraq gave us the exactly opposite picture). Mr. Haidar recounted his negotiations with Mr. Saddam Hussein (Vice Chairman of the Iraqi Revolutionary Command) in the course of which he had proposed in vain that the waters be divided in proportion to the 660,000 ha. which Syria wants to irrigate eventually and the 1,200,000 ha. irrigated by Iraq. Mr. Haidar mentioned that Iraq was approaching whoever could bring pressure to bear on Syria but that the latter was nevertheless proceeding with irrigation development with Russian and Japanese aid on the right bank upstream of Tabqa. He appeared not to rule out technical discussions with Turkey on Orontes and Afrin as long as other rivers diverted by Turkey (Jaghjagh and Kuwaik) were covered as well.
- (d) Iraq: Minister of Irrigation Talabani focused on the very serious problems faced in recent months by Iraq as a result of the filling of Keban and Tabqa: rice production had been curtailed, summer crops were 10% of the normal acreage, pumps were installed to make up for the low level in the canals, etc. He stressed that unless Turkey increased releases from Keban before it started power generation (which would ensure a steady 340 cumecs), the situation would be dramatic. He indicated that he was planning to visit Turkey to pursue the matter but asked the Bank to help resolve this acute short-term problem. He also agreed to the gist of our long-term proposals as well as to Turkey's request to include Tigris in the studies provided, however, both rivers were treated separately. Meanwhile, Iraq was working full speed on the canal from Wadi Tharthar to Euphrates which would alleviate the situation on that river in the future; he was confident that the salinity problem in Tharthar could be solved but this required that waters be flushed in both Tigris and Euphrates (so as not to increase too much salinity in the latter) and a second outlet from Tharthar to Tigris was therefore planned. He gave us a copy of the Russian arbitrator's report as well as of the notes given by Iraq to the others at the end of the May meetings (all with Mr. Fish);

he declined to give us data on the Habbaniyah and Tabqa reservoirs. His visit to Ankara, which preceded immediately Jim Fish's and my return there, seems to have led to a solution of the immediate problem of release; he was reported to Jim by Mr. Yalabik (Undersecretary of Natural Resources) as having denied that Iraq had sought Bank mediation. The talks with Minister Jawad Hashim (Planning) and Kalamchi (Finance) added little to the above.

2. Where does this account (which could be usefully supplemented by Jim Fish) leaves us? The crucial play, and the possible trade-offs, are between Turkish water and Iraqi oil. The Bank's leverage hinges on: (a) the financing of Karakaya and lower Firat vis-a-vis Turkey; (b) the financing of Balikh II and Euphrates drainage vis-a-vis Syria; and (c) a possible acceptance as neutral and objective expert vis-a-vis Iraq (illustrated by the basic reliance on the Hathaway report in the Russian arbitrator's report). Our neutrality and objectivity would disappear in the eyes of all three countries if we financed any project without having pursued our initial proposals with specific steps which could resolve the short-and long-term problems.

3. The short-term problem is the filling of the remainder of Keban (19 billion cubic meters) and Tabqa (7 billion cubic meters) after they start power operation, and the filling of Karakaya. I believe that we should propose to the three countries as soon as possible, and in any event before the appraisal of Karakaya (otherwise, our credibility is at stake) a detailed program of reservoir operation leading to a tripartite agreement along the lines suggested by Jim Fish. The main problem would, of course, be the irrigation requirements to be taken into consideration. This issue could be deflated if it were possible to have the parties - especially Iraq - agree that any irrigation requirements used for the program would not prejudice the eventual division of water (para 4 below). In the event that Turkey does not agree to discuss or conclude such an agreement, we should not finance Karakaya. If one of the two others refuses, we are again in a Keban situation with unilateral determination of the needs of the obtaining party.

4. At the same time as the proposal for reservoir operation, we should expand on the program of work needed to resolve the long-term issue as outlined in the short note handed over to the three countries, and come forward with suggestions for the timetable and the financing (e.g. we could propose to Turkey to include funds for this purpose in the Karakaya loan, and to the other two to make small loans to them for the work on their territories). This whole subject needs much more thoughts than we gave it so far, but it should be revised at the same time as the short-term issue in para 3 above lest we lose again one of the rare opportunities we have had in the months over the past decade. A mission should be sent to the three countries in September or October to discuss our detailed proposals and pave the way for a possible tripartite meeting with Bank assistance.

cc: Messrs. Benjenk (copy to be sent to Turkey)  
El Darwish  
Springuel  
Fish  
Haynes  
H. Scott

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Outline of Proposed Work Program

A. INTRODUCTION

1. Rapid economic development in Turkey, Syria and Iraq during the last several years has greatly increased the demand for energy, food and fibre in these countries. To satisfy these requirements, attention is being increasingly focussed on the development of the water resources of Euphrates and Tigris river basins, where a large unexploited potential for development exists. Planning and implementation of projects to mobilize these unexploited resources has accelerated.
2. In recent months, two large storage dams on the mainstem of the Euphrates River--Keban Dam in Turkey and the Thawra Dam in Syria-- have been completed. These dams are now both in their initial filling phase, a process which extracts large quantities of water from the river system and can endanger existing schemes unless there is coordination in the management of water resources. Construction is expected to start shortly on two more dams on the Euphrates--Karakaya Dam in Turkey and Haditha Dam in Iraq. Their filling will require large quantities of water over a period of several years after the filling of Keban and Thawra reservoirs has been completed. On the Tigris river, planning is at an advanced stage on the Mosul Dam in Iraq and other dams are at the planning stage in Turkey.
3. Multi-objective development planning is proceeding in each of the three countries. A summation of consumptive water requirements which would result from the implementation of presently identified development opportunities far exceeds the water resource availability in the river systems, indicating that in the absence of coordination serious overdevelopment of water resources could take place.
4. The three riparian countries have each agreed that the Bank Group should put forward a proposal for the program of studies necessary to provide the technical information and background studies necessary to enable further discussion by the riparian countries of interim and long-term options for the coordinated utilization and development of the water resources of the Euphrates River basin and the Tigris River basin. The program of studies should make it possible to identify technical options which under the diverse hydrological and agricultural conditions that can exist, would optimize benefits from existing schemes; minimize negative effects from the filling and operation of dams and other control structures; and allow for development planning to proceed in the three countries with a firmer knowledge of possible future resource constraints.
5. This document outlines the IBRD proposal. It is put forward as a draft working document so that discussions between the Bank and the countries on the setting up of the Work Program can proceed.



B. STUDY AREA

6. The Study Area would include the drainage basins of the Euphrates and Tigris Rivers and any associated contiguous areas necessary for the purposes of the study. Any required field investigations would be limited to the territories of Turkey, Syria and Iraq.

C. OBJECTIVE AND SCOPE OF WORK PROGRAM

7. The Work Program would:

- (a) develop a series of alternatives, fully supported by background studies, which could form the basis for further discussions by the riparian countries of the sharing of the water resources; and
- (b) formulate detailed technical and institutional proposals for the coordinated utilization of the water resources.

8. Background studies for the Work Program would generally consist of the determination of water resource availability and use within the Study Area; an evaluation of alternative operating procedures for facilities within the river systems; and an evaluation of multipurpose potentials for further development of water resources. Data from the three countries for use in the Program would be brought to a comparable base, and consistent economic and technical criteria would be applied for data analysis. The Work Program would include specifically an assessment of:

- (a) the operation of the various water control facilities of the Euphrates River during construction and reservoir filling periods, to identify possible conflicts, and alternative operating regimes under various possible hydrological sequences that would resolve or minimize such conflicts;
- (b) the availability and quality of water resources in time and place within the Study Area, including precipitation, surface water and usable groundwater. The assessment would include an analysis of expected variability on a monthly and annual basis, taking into account historical records, and a review of the extent to which snowpack monitoring in the upper reaches of the Study Area can be used to predict floods and runoff in any year. The appraisal of groundwater would include an assessment of water quality, recharge and aquifer characteristics, in order to determine the extent of possible utilization for any purposes;
- (c) present water use, consumption, and requirements in time and place, within the Study Area, for all purposes including irrigation; municipal and industrial water supplies; power generation; reservoir evaporation and bank storage; and the maintenance of the natural ecology of the region. For irrigation, both water diversion and consumptive use would be evaluated

by consideration of measured canal flow data; the quality and use of presently irrigated land; and present irrigation and agricultural practices. An assessment would also be made of the quantity, quality and emergence pattern of return flows. Water use for power generation from existing hydro-power projects in the study area would be determined according to data collected on power and energy requirements of the national grid systems from these projects;

- (d) the density and quality of hydrological measuring stations in the Study Area and present methods of dissemination of basic hydrological data;
- (e) the extent to which the natural frequency of occurrence of surface water resources can be regulated by the construction and operation of storage facilities;
- (f) economically and technically feasible development projects, primarily, but not exclusively, in the agriculture and power sectors. The assessment would be at reconnaissance level. The extent to which implementation of some feasible development projects would be incompatible with other projects, or cause a reduction in benefits from existing or potential developments, would be determined by the consideration of a series of different development patterns under the overall constraint of water resource availability and predicted quality; and
- (g) any special regional problems that are relevant to the purposes of the work program, including the river flows needed to control sea water intrusion in the Shatt-el-Arab.

#### D. PROGRAM OUTPUT

9. Program output would be as follows:

- (a) Interim proposals for reservoir operation during the filling period would be prepared as a first priority of the Work Program for reservoirs on the Euphrates River. A simulation model would be developed to identify any constraints which should be imposed on reservoir filling and releases under different hydrological conditions to ensure that existing schemes are not negatively affected by the filling process. The model would first be tested using hypothetical data and reasonable assumptions, in order to establish its operational status. Subsequently data input agreed by the three countries, including hydrological data, and present water requirements in time and place, would be used to determine actual reservoir filling and release. The model would be ~~expanded~~ to yield optimum operating rules as the data quality improves during the Work Program.

- (b) Development of a series of alternatives under which water sharing could be discussed by the riparian countries. Following analysis of data assembled on water availability, present and future requirements and potentials in the Study Area, and other relevant factors, a series of alternatives under which both interim and long-term water sharing could be discussed by the riparian countries would be developed and tested so that the full implications of these alternatives could be demonstrated to the countries involved.
- (c) Formulation of proposals for the coordinated utilization of the water resources within the Study Area. Technical and institutional proposals for the coordinated utilization of the water resources within the Study Area would be formulated after analysis of data assembled on water availability; flood and runoff prediction potentials; requirements for irrigation, power generation, flood control; and other relevant requirements identified (such as reservoir filling). The proposals would include, as necessary, recommendations for the improved measurement and dissemination of relevant hydrological data.

#### E. ORGANIZATION

10. The International Bank for Reconstruction and Development would carry out the Work Program in close cooperation with the governments of Turkey, Syria and Iraq. The Bank would establish a technical group with the staff and specialists necessary to carry out the Program. The technical group would work with counterpart specialists in each of the three countries.

#### F. SCHEDULE

11. Much of the background information and data needed for the Work Program is already available in Turkey, Syria and Iraq but the quality and extent of these data are not known to the Bank. A detailed work schedule would be prepared when existing information and data have been evaluated. However it is expected that work would be carried out in three Stages:

Stage I would consist of preparation and testing of the model described in 9(a).

Stage II would consist of an examination and review of the existing information, data and reports relative to the purposes of the Program and the preparation of a detailed program of work for Stage III.

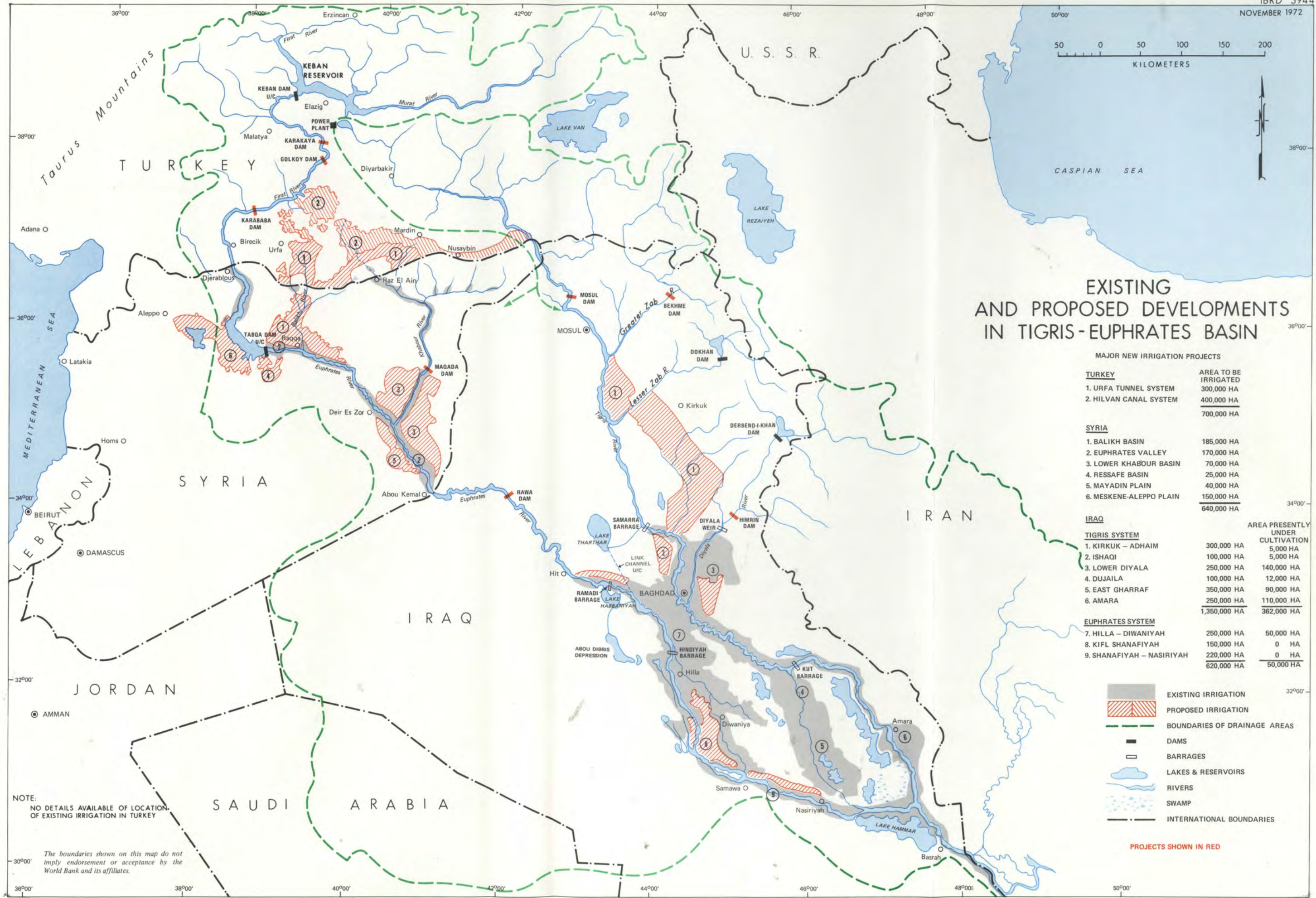
Stage III would consist of the necessary work required to meet the objectives of the Program, as generally described above.

12. Work on Stage I is underway in the Bank. Stage II would be completed in a period of about 16 weeks after reaching agreement to start the Work Program. The time required for the completion of Stage III would depend on the quantity and quality of information available as determined by Stage II.

G. REPORTING OF RESULTS, AND CONFIDENTIALITY OF INFORMATION

13. All reports prepared under the Work Program would be submitted simultaneously to the three countries for review and comment prior to finalization. All information, data and reports obtained by Bank personnel in the course of the studies would be treated with the same confidentiality as other comparable information made available to the Bank in the course of its operations.

Europe, Middle East and North Africa Region  
October 1, 1974



### EXISTING AND PROPOSED DEVELOPMENTS IN TIGRIS-EUPHRATES BASIN

MAJOR NEW IRRIGATION PROJECTS

TURKEY		AREA TO BE IRRIGATED
1. URFA TUNNEL SYSTEM		300,000 HA
2. HILVAN CANAL SYSTEM		400,000 HA
		<hr/> 700,000 HA
SYRIA		AREA TO BE IRRIGATED
1. BALIKH BASIN		185,000 HA
2. EUPHRATES VALLEY		170,000 HA
3. LOWER KHABOUR BASIN		70,000 HA
4. RESSAFE BASIN		25,000 HA
5. MAYADIN PLAIN		40,000 HA
6. MESKENE-ALEPPO PLAIN		150,000 HA
		<hr/> 640,000 HA
IRAQ		AREA PRESENTLY UNDER CULTIVATION
TIGRIS SYSTEM		
1. KIRKUK - ADHAIM	300,000 HA	5,000 HA
2. ISHAQI	100,000 HA	5,000 HA
3. LOWER DIYALA	250,000 HA	140,000 HA
4. DUJAILA	100,000 HA	12,000 HA
5. EAST GHARRAF	350,000 HA	90,000 HA
6. AMARA	250,000 HA	110,000 HA
	<hr/> 1,350,000 HA	<hr/> 362,000 HA
EUPHRATES SYSTEM		
7. HILLA - DIWANIYAH	250,000 HA	50,000 HA
8. KIFL SHANAFIYAH	150,000 HA	0 HA
9. SHANAFIYAH - NASIRIYAH	220,000 HA	0 HA
	<hr/> 620,000 HA	<hr/> 50,000 HA

- EXISTING IRRIGATION
- PROPOSED IRRIGATION
- BOUNDARIES OF DRAINAGE AREAS
- DAMS
- BARRAGES
- LAKES & RESERVOIRS
- RIVERS
- SWAMP
- INTERNATIONAL BOUNDARIES

PROJECTS SHOWN IN RED

NOTE:  
NO DETAILS AVAILABLE OF LOCATION OF EXISTING IRRIGATION IN TURKEY

The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.

F. (4) b AGRARIAN REFORM

1. Efforts at land reform in Turkey began with the adoption of the Swiss Civil Code in 1926, which legally ended feudal practices but did not eliminate large holdings, especially in the south and east. Land redistribution laws were enacted in 1927 and 1929, but little land was actually distributed. The laws were applied largely in the east, where the Government used land redistribution as a device to break the power of tribal chiefs who led the Kurdish uprising of 1925. The Land Reform Law of 1945 called for a transfer of sufficient land to landless and land-poor peasants to provide them a living. Four million ha, slightly more than one-fourth of the area then cultivated, were to be transferred to about one million peasant families.

2. The land to be distributed was held by the State, by religious foundations, by municipalities, by large landholders and by unknown owners. Private holdings in excess of 500 ha could be expropriated, and land-owners were to be compensated by 20-year Government bonds. A bitterly contested article of the law provided that in regions where these sources did not provide sufficient land for redistribution smaller private holdings could be broken up. This provision was never implemented, however, and was finally annulled in 1950.

3. From 1947 to 1967, almost 2 million ha were distributed to 370,000 peasant families in accordance with the 1945 Land Reform Law, of which about 1.8 million ha, or less than half the targets in terms of land and number of recipients, was distributed by 1960. Clearly, land redistribution had virtually ceased by the early 1960's. The State Planning Organization viewed land reform as essential if Turkey were to achieve its economic and social development objectives, but opposition from politically powerful landowners resulted in the deletion of any reference to it from the Development Plan. A resumption of modest land distribution, which began in 1967, reflected the land policy of the Justice Party Government to proceed with land distribution of the sort practiced in the 1950's, but it avoided controversial measures such as the expropriation of large holdings.

4. The existing landholding situation is still unclear because title to much of the land has not been registered and the cadastral survey is proceeding very slowly. Appendix Tables 7.44 and 7.45 compare conditions in 1963 with those in 1970. Both sets of census figures show that a large part of the land, e.g., about 13 million ha in each case, is unaccounted for. By 1970 about 4,000 farm units, with holdings of 1,000 ha or more, were at one end of the spectrum. At the other end were 800,000 farm units with 1 ha or less, and another 600,000 units with between 1 and 2 ha. Nearly half of all farms fall in these two latter categories, but accounted for only 11% of the land covered by the 1970 census sample. This share of total agricultural land would have been much lower had the census included more areas in the southeast, where large ownership units are numerous. A further complicating factor is that the distribution of rights within families, and the widespread practice of sharecropping, probably tend to reduce the size of the units which are reported in the census. The 1970 census sample also excludes 408,000 ha occupied by 97 State farms, and does not estimate the number of landless laborers.

5. There are significant differences in landholding patterns as among regions. In the fertile and generally well-watered alluvial plains on the Aegean, and in the Chukarova on the Mediterranean, large landholdings are numerous. These regions have the most productive, innovative and commercialized agriculture in Turkey and have been the major beneficiaries of large irrigation projects. In the short run, one would expect land reform in these regions to depress output, although much would depend on how a land redistribution was carried out. For example, factors such as the size of the new units, the availability of credit, marketing and other supporting services, and the extent to which existing landholders were permitted to retain viable holdings would affect the outcome significantly. Breaking up larger holdings would undoubtedly bring change to the pattern of agriculture, including crop selection, and by reducing the scale of operation would probably encourage more labor-intensive practices.

6. Ownership units are also large in the dry area of the southeast, often running to several villages under one owner and with absentee landlordism prevalent. Agricultural practices there are mostly traditional and much of the land is sharecropped. Because these tenure arrangements pose a barrier to innovation and to increased agricultural productivity, land reform in this region should serve to raise output as well as contribute to a more viable social and political order. The need for supporting services there would be especially great because these services are not well developed at present, and farmers rely on the traditional landlord-merchant relationships for such services as they receive. Finally, around the Sea of Marmara and along the Black Sea coast, land is generally owned in smaller units of more nearly equal size. Land ownership on the Anatolian Plateau is also distributed in a relatively even pattern, but large units do exist.

7. In addition to varied land ownership patterns, landholdings in most of Turkey are highly fragmented as a result of inheritance practices. Nearly all farm units (90%) consist of two or more parcels of land, more than half include six or more parcels, and about one-fourth have ten or more parcels. Parcels are often minute and located in scattered directions around the farm villages. There is obviously scope for improvement through consolidation, and the problems may be less than those encountered by a policy of expropriation and redistribution.

#### Current Land Reform Status

8. After elaborate preparation, a draft Agrarian Reform Law was published in 1972. It proposed sweeping reforms, including detailed land allocations by province, methods of implementation and establishment of supporting services. The total cost of the reform--including expropriation and fully developed services -- was given in 1973 as TL 33 billion. A total of 3.2 million ha were to be redistributed, of which 830,000 ha were to be obtained through expropriation and the remainder from land presently owned by the State. Beneficiaries were to total about 540,000 farm families.

9. The reform was carefully designed, but after publication of the draft Law a series of modifications were made which reduce the significance of the reform--primarily by allowing larger holdings and increasing the speed and size of compensation payments. The Turkish National Assembly passed the Land Reform Bill on June 13, 1973, but in still further watered-down form. Maximum limits of 30 to 101 ha were established for irrigated land, and 48 to 202 ha for unirrigated land--the limits varying according to climate and soils. A crucial modification was introduced at the last minute which permitted "model farms" (any farm with yields 10% above the average yield in the area) to retain twice the stipulated limit. In October 1973 the Government announced Urfa in the southeast as the first province in which the provisions of the Law are to be applied.

10. The future impact of the new Agrarian Reform Law is difficult to determine because it is not clear how fast, how completely and with what level of funding it will be carried out. Over TL 9 billion is to be earmarked for the reform during the Third Plan. This would be 27% of the total amount of agricultural investment, and commitment of such a sum or a larger sum to land reform, if made, may have to be at the expense of investment in agriculture or general investment.

11. As noted above, the 1970 Agricultural Census has deficient data on large farm units i.e., the farms from which much of the expropriated land would be obtained. It therefore seems likely that, as in the past, initial land allotments will come from Government land. It also seems likely that lengthy legal disputes will arise in the Cukurova and Aegean areas where rapid agricultural improvement has taken place in the past decade, and where large-scale farmers can be expected to search for ways of subdividing their farms among family members to stay within the provisions of the law. The land reform implementation is expected to start in the Akcale town of the Urfa region, and concerns 122 villages. Then would come the 39 villages of Viransehir. Land registration and surveys throughout the Urfa region are expected to be completed in 1975.

12. Land Reform without a heavy investment in associated services and a fundamentally different set of institutions to serve small farmers is not capable of producing rapid improvements in production. This is particularly true for the southeastern region. If the physical reform proceeds without the services, the production pattern is likely to shift toward one of self-sufficient farming. The draft Agrarian Reform Law stipulates that such services as cooperatives, extension and credit will be provided, and that machinery will be established to resolve the intricate legal issues connected with land title, fragmentation and communal property. Nevertheless, it seems unrealistic to assume that these developments will proceed rapidly enough to have much effect on overall production during this plan period. On balance it appears that Agrarian reform is likely to proceed somewhat more rapidly than during the past decade, but firm estimates of the direction of movement and its consequences must await enough time to assess how vigorously government will press implementation of the law.



## OFFICE MEMORANDUM

TO: Mr. M.D. French-Mullen *MSK* *H2W* DATE: October 23, 1974  
FROM: Messrs. J.R. Vaughn, W.A. Hardison, H. Walters, G. Donovan, *MSK*  
D. Benor (C) and D. Curtis (C)  
SUBJECT: TURKEY - Corum-Cankiri Integrated Rural Development Project  
Issues Paper

1. The project was initially prepared by an FAO/IBRD Cooperative Program mission which visited Turkey in November 1972. A subsequent Bank preparation mission with CP assistance in March of 1974 completed the preparation. An appraisal mission visited Turkey from September 17 to October 17 and identified the following issues:

- (a) Project coordination and centralized authority;
- (b) Retroactive financing for irrigation structures and extension services, and
- (c) Lack of essential information for appraisal of agro-industries portion of the project.

2. The two provinces of Corum and Cankiri in central Turkey comprise the project area, which has an area of 21,271 square kilometres and a population estimated at 845,000. There are 1,240 villages in the two provinces, 890,000 hectares under cultivation (100,000 irrigated), 600,000 hectares of natural pasture and 600,000 hectares of forest lands.

The project would include:

- (a) Providing the means of increasing crop and livestock production in order to raise income and standard of living of the farmers;
- (b) Promoting technical improvements by an intensive effort in agricultural extension;
- (c) Providing essential credits for the farm inputs such as machinery, fertilizer, improved livestock and on-farm development;
- (d) Provision of additional irrigation facilities;
- (e) Improvement of range and forest lands, and
- (f) Provision of roads, electricity, drinking water and the establishment of agro-industries.

Issues3. Project Coordination, Reports and Accounts

- (a) It was agreed that each operating agency would be responsible for implementing its portion of the project and would maintain separate accounts and make separate reports. The State Planning Organization (SPO) would provide overall Project Coordination;
- (b) The mission strongly recommends that SPO be responsible for submitting a unified summary quarterly progress report, summary annual accounts, and would be the organization through which project funds would be channeled and implementation monitored. This would strengthen SPO's coordinating authority and provide the Bank with one central agency to deal with;
- (c) Both SPO and the Ministry of Finance are reluctant to have SPO assume these functions, indicating that this would not be a customary function of SPO and that it would be preferable for one of the operating agencies to have these responsibilities - namely the Ministry of Agriculture; and
- (d) When this issue was raised with the operating agencies, it was not possible to gain acceptance of the Ministry of Agriculture's performing this role. It was also the mission's understanding that the Bank had reservations, based on previous experience in Turkey, about the suitability of the Ministry of Agriculture performing such a role. Agreement was reached at the final meeting that SPO would coordinate discussions among the various agencies to resolve this issue and to agree upon one agency to perform these functions. It was further stated that if agreement could not be reached on assigning this role to the Ministry of Agriculture, SPO would reconsider whether it could or should take on these responsibilities in addition to coordination. It was also agreed that Turkey would provide the Bank, within 30 days, a proposed organizational arrangement for Bank consideration.

Recommendation

The Bank should await the proposal of the Government.

4. Retroactive Financing

- (a) DSI requested retroactive financing for two of six small irrigation projects which have already been contracted for and for feasibility studies, design and construction costs for the other four. In communication with the Bank, the Mission was informed that if it collected all information normally required for IBRD financing (which has been done) and the estimated design, costs, etc. were acceptable, a favorable decision would be possible, and

- (b) Retroactive financing was also requested by the Extension service, which plans to initiate its program this year according to the latest preparation report (which has been appraised favorably by the mission). This was encouraged by the mission, and they were promised an early decision from the Bank.

Recommendation

Bank agree to include retroactive financing requested in the project.

5. Delations from Project as proposed

- (a) The proposal of the Ministry of Cooperatives and Village Affairs for agro-industries had no feasibility studies, no accurate cost estimates and no marketing studies. They were informed that because of this, the proposal could not be included in the project. They were encouraged to complete the preparation for inclusion in some future Bank project, and
- (b) The Ministry of Forestry program for reforestation, pasture improvement and erosion control in the project area was received the day the mission left Turkey. Consequently the program has not been properly evaluated and the decision as to whether it is to be included in the project cannot be made until such an evaluation is completed. The major measurable benefit arising from the program, at least in the short-run, is a possible increase in livestock output as a result of improved pasture production. However, this will only occur if an effective grazing management system is followed. Unfortunately, indiscriminate grazing in the forest areas is the rule and no workable system has been devised that will maintain a reasonable balance between livestock numbers and available feed supply.

Recommendation

The agro-industry component be eliminated from the project, but the forestry component would be included provided examination of the material supplied justifies inclusion.

6. On the 14th of October, a meeting was held with the various Government agencies concerned with the project. The group was told of the findings of the mission and of the mission's proposed recommendation to the Bank. It was also pointed out that the Bank normally requires collection of data needed for evaluation of project assistance. Because this will be the first Rural Development project in Turkey, its effect on the income and standard of living of the farm families in the project area are of considerable interest. A baseline survey should, therefore, be carried out before the project affects the area. The mission suggested that the coordinating agency (SPO) should be responsible for such a survey and it proposes to include funds for this purpose.

JRVaughn:mc

cc: Messrs. Benjenk, Karaosmanoglu, Eccles, Haynes, Wyatt, Pollan, Finzi, Wapenhans, Lachman, Bart, Springuel (8), Gregory, van der Tak (5) Yudelman (5) Bowron, Gavin, Collell; Mesdames Larouché, Humber, Valad; EMENA Files

ATTACHMENT A

PROJECT INFORMATION BRIEF  
FOR ALL AGRICULTURAL AND  
RURAL DEVELOPMENT PROJECTS 1/

1. Country: TURKEY (FY75)
2. Location (region, province/state, etc): \_\_\_\_\_  
Central Anatolia region - Cankiri and Corum Provinces.
3. Project Title: Integrated Rural Dev. in Corum and Cankiri
4. Project Origin: Min. of Agr. in conj. IBRD/FAO Coop. Prog.  
Bank prep. mission in March and Apr./May 1974. Appraisal mission  
returned on September 18, 1974.
5. Brief Description of Major Objectives: \_\_\_\_\_  
Raise income and standard of living of rural population of Cankiri and Corum.  
through increases in production from crops, livestock, forestry and agro-  
industries. Technical improvement.  
Training  
Improvement in social infrastructure especially roads, electricity and  
drinking water.
6. Project Description (key components): \_\_\_\_\_  
Rainfed agri.-integ. rural dev. in Cankiri & Corum provinces.  
Small irrigation projects, pasture improvement, reforestation and  
agro-industries.  
Effective Extension operations.
7. Brief Description of Project Organization: \_\_\_\_\_  
Coordinating committee located in Ankara.  
Project manager in the field.  
State Planning Org. will be the Coordinating Agency.

1/ To be completed for all agriculture projects and all rural development projects having a predominantly agricultural basis, both of which are included in the first three years of P&B Table IVa "5-Year Operations Lending Program".

8. Total Project Cost Estimates (by major components):

<u>Components</u>	<u>\$ Million</u>
<u>Irrigation</u> -----	<u>39.0</u> -----
<u>Forestry</u> -----	<u>3.6</u> -----
<u>Farm Development</u> -----	<u>19.1</u> -----
-----	-----
<u>Infrastructure</u> -----	<u>22.9</u> -----
-----	-----
<u>Development Services</u> -----	<u>13.4</u> -----
-----	-----
<u>Total</u>	<u>98.0</u>

(to be updated after return of Bank App. mission)

9. Incremental Production Estimates (per annum at full development)

<u>Item</u>	<u>Volume (specify)</u>	<u>\$ Million</u>
<u>Wheat</u> -----	<u>200,000 t.</u> -----	-----
<u>Meat</u> -----	<u>4,000 t.</u> -----	-----
<u>Milk</u> -----	<u>15,000 l.</u> -----	-----
-----	-----	-----
<u>Total</u>		-----

10. Expected Economic Justification:

- (a) Expected Rate of Return: High   
Medium   
Low

(b) Briefly describe those components of the project for which the benefits cannot be quantified in money terms: Roads, drinking water, electricity and village center.

11. Project Beneficiaries:

(a) Number of farm families directly benefitting from project activities: No.: 45,000 (indirectly a large proportion of 800,000 people)

(b) Do at least 25% of the direct beneficiaries fall into the target income group?

Yes  No

(c) Average annual pre-project net income (from all sources) per directly benefitting farm family specified by target and non-target income groups:

<u>Target</u>	<u>Non-Target</u>
\$ <u>430.</u>	\$ _____

(d) As above in (c) but with income at full development:

<u>Target</u>	<u>Non-Target</u>
\$ <u>1,200.</u>	\$ _____

(e) Employment Generation (excluding farm family members):

	<u>Before Project</u>	<u>After Project</u>
Number of persons employed	-----	-----
Number of man/days worked	-----	-----

(f) Briefly describe the means used to derive the estimates for (a) through (e) above and the steps that will be taken, together with the approximate timing, to provide information not yet available:

(a) & (b) from feasibility study, c & d from appraisal mission  
e not yet calculated.

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12. Key Problems:

Organization and management conflicts between local and national  
priorities, coordination of as many as eight separate government  
institutions.

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Note: See Attachment B for explanatory notes.

October 25, 1974

F. (4) (d)

ISTANBUL URBAN DEVELOPMENT

1. The attached Aide-Memoire of January 1974 described the problems of Istanbul and the Bank's role therein. While there have been a number of developments since which are summarized in this memorandum, the fact that a paper prepared about 10 months ago is still substantially correct shows how slowly the preparation of various urbanization projects is moving.
2. In January, the problems were known in broad outline but ideas on how to solve them were sketchy. Today specific proposals are being developed for some of the major problems and some legislation has been drafted. In January, the dialogue with the Turks was somewhat one-sided and incomplete. Today, due to personnel changes on the Turkish side and a major effort by the Bank, several improved channels of communication exist and there is an increasing understanding of what the Bank is trying to help the Turks achieve. These are only modest accomplishments and the Turks have not yet come to grips with the major issue of creating a strong and effective metropolitan government. Progress in this direction faces two major problems touched upon in the Aide-Memoire and which continue to threaten the Government's achieving an enduring improvement. The first is the availability of capable staff to come up with workable solutions. The second is the political will to make substantial changes in institutions and policies in metropolitan areas.
3. The strong vertical organization of the Turkish system means that the central government agencies undertake most economic activity at the local, regional and national level. As a result, there is a dearth of Turkish personnel or organizations with sufficient training, experience and perspective to develop workable ideas for administering a metropolitan area. The Government has attempted to come to grips with this problem by the appointment of new senior staff and academic advisors to the Ministry of Reconstruction and by expanding the staff of the Master Plan Bureau. To date the participation of municipal authorities has been limited.
4. The assumption upon which we have built our program is that stronger regional or metropolitan institutions, with resources sufficient to carry out their duties, are the key to future successful urban development. The scale, complexity, and composition of activities within the metropolitan area impel this greater delegation of authority from Ankara. In principle, most of the Turkish authorities have passively accepted this idea. Now, however, we are at the difficult juncture where the authorities will have to agree upon, pass and implement specific legislation.
5. As noted below, a proposal prepared by the Master Plan Bureau has been approved by the Council of Ministers for a law on organization and housing problems. The proposed law, which would authorize the Government to make change by decree, demonstrates the support of the Ecevit government for urban reform. The approach attempts to speed up reform in circumstances where limited staff prevented the development of more detailed proposals. In addition, in the absence of initiatives from the Turkish authorities on the specific problems of wastewater and transport, the Bank financed consultants are developing recommendations for institutions. Past experience with consultant proposals indicates that these recommendations are unlikely to result in action unless the Turkish authorities become involved soon in their development and explication. It is thus time to press the Turkish authorities to take advantage of these initial efforts and to provide sufficient high level experienced staff and leadership to move ahead to broader and more sweeping reforms.



RECENT DEVELOPMENTS ON SPECIFIC PROJECTS

6. Current Projects

- a. Urban Development -
- (1) The Staff of Master Planning Bureau (MPB) was substantially increased and put under new leadership.
  - (2) The Prime Minister agreed, in principle, to support development of proposals for reform.
  - (3) An Advisory Commission of academics on Urban Development was established by the Minister of Reconstruction.
  - (4) A draft law was prepared by the Bureau/Ministry to give the Government power to deal by decree with major problems of urbanization, housing, and finance by changing parts of existing laws. The proposal covers land speculation, public land acquisition, **improving** housing supply and infrastructure for lower income groups and for better administration of such problems. The details of implementation are **being** worked on by the Bureau.
  - (5) The first phase of urban transport study completed and well received. Study gives priority to mass transit and proposes traffic engineering steps and policies to improve existing system (see 6 B).
- b. Water Supply Project -
- (1) Some progress on construction, especially DSI component covering sources. After considerable delay, ISI has engaged engineering and management consultants; otherwise progress on ISI side (distribution) has been very slow. No progress on regional organization for water. Adequate staff for ISI still a problem.
- c. Power Distribution Project -
- (1) Implementation remains a major problem. Bidding documents only just prepared. Substantial overruns likely due to delays.
  - (2) Consultants hired for transport and accounting work are expected to complete proposals for reorganization in November.

7. Future Projects.

- a. Wastewater Project - Technical preparation will be completed in January but major problems remain on construction priorities, organizational arrangements to construct and operate the system, arrangements for financing of construction, operating and maintenance. The central authorities consider the development of specific proposals a local responsibility. Industrial pollution disposal will have to be studied as part of project. Solid waste will be dealt with following study now being discussed with the Bank.
- b. Urban Transport Bus Project - Bank will assist completing project preparation later this year. Project will cover bus supply, implementation of traffic engineering and reorganization proposals developed under Urban Project and Power Project. Financing and traffic engineering implementation are major issues.
- c. Wholesale Market Relocation - Project delayed due to dispute over site; study of alternative sites underway, after which project preparation can continue.
- d. Gecekondü Improvement and Prevention - Project preparation delayed about four months due to overall slippage in review of plan and means of implementation in phase I of urban planning component of Urban Project.

8. Points for discussion

- a. For the Prime Minister or the Minister of Reconstruction:
- (1) What is the Government's Urban Development Policy?
- (i) Are rural programs designed to limit urban migration? Direct it?
- (ii) Will growth in Istanbul be limited? Stopped? Supported?
- (iii) Where should future Bank support be directed?

- (2) Does the Government support major reform in the arrangements for dealing with the major metropolitan areas?
- (i) What are the prospects for passing the proposed Urbanization and Housing Problems Authorizing Law (for municipal unions)?
  - (ii) What are the prospects for going beyond municipal unions into some substantive form of metropolitan, regional, or provincial government?
  - (iii) What emphasis will the government give to the development of metropolitan or regional public service agencies, such as for transport, wastewater, water and providing these agencies with adequate staff and financial resources?
  - (iv) What structural changes in the national administration are possible to support metropolitan reform: such as creation of a regional or metropolitan branch of SPO; strengthening the staff to develop the directives needed for implement the law in (i) or (ii) above; i.e. constitutional lawyer, expert in local and central government finance, expert in public administration of metropolitan areas, and a distinguished and experienced former politician.
  - (v) What mechanisms will be developed to involve the municipal and provincial authorities in the development of these ideas?

b. For the Governor or Mayor

- (1) What forms of regional or metropolitan wide government, administration, and service organizations are considered workable and will be supported by the local authorities?
- (i) A strong metropolitan or regional administration with a redistribution of functions between the central government agencies, the metropolitan administration and the present municipalities?
  - (ii) How might the compulsory municipal union scheme being considered by government fit into this scheme?
  - (iii) How should the proposed metropolitan wide service agencies for water, wastewater, power, and transport fit into this scheme?
  - (iv) What prospects are there for the provincial government being strengthened to carry out more regional functions?

## AIDE-MEMOIRE

### THE ISTANBUL METROPOLITAN AREA AND THE WORLD BANK

1. The following is a brief description of the World Bank and the International Development Association's (IDA's\*) program in Istanbul, the reason for their involvement, and the problems that have arisen. It has two purposes: first, to provide the reader unfamiliar with the Bank's program a brief understanding of its history and main features; and second, to bring to the attention of those concerned with policy in the Istanbul Metropolitan Area current problems as a basis for frank and fruitful discussion of solutions to these problems and the Bank's role therein.

2. The World Bank has been lending to projects in Istanbul for over 20 years. Most early loans were to the private sector through the Industrial Development Bank of Turkey (TSKB). In the late sixties the Government asked the Bank to become involved in a broader spectrum of problems facing the Istanbul region. This report summarizes that involvement. A chronology of major events and targets, together with a schedule of projects under preparation, is attached.

#### Background

3. The development of the Turkish economy since World War II has been characterized by rapid urbanization and a resulting complex of social and economic problems. The structure of the economy changed significantly: agriculture's contribution to GDP declined from about 50 percent in the early 1950's to about 30 percent in 1970. During the same period, the contribution of manufacturing increased from 11 percent to about 20 percent. Rapid population growth, the employment pull of fast developing urban sectors such as manufacturing and construction, the exhaustion of good agricultural land, and the mechanization of agriculture led to high levels of rural-urban migration. In 1950, some four million people lived in urban settlements of 10,000 or more. By 1971, this urban population had grown to more than 14 million, about 37 percent of a total estimated population of 37 million.

4. The Istanbul Metropolitan Area has a central role in the process of urbanization because of its importance in the Turkish economic and social life. Situated at the crossroads of historic land and sea routes between Europe and Asia, Istanbul became Turkey's most important center of industry, commerce, tourism and trade. A cosmopolitan city, Istanbul could play a key role as the Turkish economy adjusts to the prospect of full membership in the common market. Past growth in the Istanbul Metropolitan Area has been rapid, unplanned, and uncontrolled. The provision of urban services and amenities has not kept pace with growing demands. Installed water systems lack capacity to meet present demands and service is intermittent. Only one third of the city is served by a waste water system. Contamination of

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\* Throughout the rest of the paper the "Bank" refers also to the International Development Association (IDA).

surface and groundwater is widespread. The twin problems of lack of water and inadequate sewers were directly linked to a cholera outbreak in 1970. Storm sewers are lacking and standing water is a problem in certain parts of the city. The street system is choked by traffic, while public transport patronage is declining. Squatter settlements (gecekondus) pose a particularly serious problem. Growing by some 10,000 housing units each year, they now occupy half of the built-up area of Istanbul and house 35-40 percent of the population, most of them in lower income groups. Two-thirds of the gecekondu population surveyed in 1966 were without adequate water supply, sewerage, electric power or surfaced streets. Although these have now been supplied with minimal facilities, the newer gecekondu areas have not been.

5. With the completion in 1974 of the new Bosphorus Bridge and peripheral highway, linking Europe and Asia, the Anatolian side of Istanbul was opened for new development. To date, only skeletal programs have been prepared to guide residential and industrial development and to provide for the extension of public services and facilities to the area. In addition, major arterial improvements to connect the commercial, business and industrial areas on the European side with the Bosphorus Bridge and peripheral highway are only partially constructed. But growth is also an opportunity for the area - with the population doubling every ten years, Istanbul could, through effective direction of public and private investment, decide rationally where and how well one half of its population will live in the 1980's.

6. Istanbul's urban problems were and are aggravated by the diffusion of responsibility for local services among multiple agencies of the central and local governments and the absence of a single unit with overall metropolitan authority. The Central Government operates extensively at the provincial and district levels through the regional and specialized agencies of its various ministries and directorates. The metropolitan area includes, besides Istanbul, 31 other municipalities with specific local government powers and functions which complicates planning and plan implementation on an area-wide basis. Efforts to deal with the multitude of problems are yet further handicapped by lack of financial resources, ineffective land use controls, a shortage of technical and administrative personnel, and inadequate planning which has not yet provided a framework for sound investment decisions. Besides the variety of well established agencies and institutions, many of which were created to deal with a quite different scale of economic and social problems, there are a number of newer institutions and legal provisions which provide some basis for beginning to deal with Istanbul's problems. Among the latter, the Greater Istanbul Metropolitan Planning Bureau, an agency of the Ministry of Reconstruction and Resettlement, provides at least the nucleus for an integrated metropolitan planning effort. However, without a major effort to coordinate implementation in the urban projects now planned and executed on a piecemeal basis, more severe problems can be expected to develop.

Government/Bank Approach

7. The nature and complexity of Istanbul's problems made it unrealistic to expect that full comprehensiveness and coordination of policies, plans and programs could be quickly attained. This was the direction, however, in which all parties agreed planning should move, accompanied by improvements in decision-making and executing capabilities of implementing agencies. A step-by-step approach was needed, beginning with an examination of existing plans and leading to the formulation and implementation of a sound metropolitan development program. Concurrently preparations had to be made and projects carried out in areas where existing needs were critical. The Bank Group involvement in Istanbul was and is designed to assist these different requirements in parallel.

8. In response to a government request in 1969, several Bank missions visited Turkey over the following year to investigate the urbanization problems of Istanbul, review the plan prepared by the Istanbul Metropolitan Planning Bureau, and examine the status of existing and proposed studies and projects of the Government. The missions reported that the Bureau's plan was essentially an indicative physical plan of future settlement patterns and urban infrastructure required for the city's growth. The plan's strategy appeared conceptually sound, e.g. to encourage urban growth on the Anatolian side through development of urban clusters and planned low-cost/low-income settlements, while attending to the continuing needs of the already built-up and expanding areas on the European side. The plan lacked, however, the support of certain basic studies, particularly an inventory of planned or needed investments and the setting out of priorities among them, a specific program for urban transport, land use and price controls, a clear definition of Government policies regarding urban growth, and measures and institutions for implementing the plan. Moreover, the Bureau's staff and resources were limited and it had little authority to enforce its decisions and coordinate the multiple agencies responsible for plan implementation. The Government indicated its willingness to take the necessary measures, supply staff, and provide for coordination and implementation.

9. Encouraged by the work already done and the willingness to try to deal with the problems of a large urban area in an integrated way, the Bank concluded that Istanbul should be included among the cities in which the Bank would concentrate its urbanization efforts in order to develop patterns which could be followed elsewhere. Thus an urban development-program was prepared that would combine Bank lending for water supply, wastewater, and power projects with the planning and preparation of projects for urban expansion areas, basic infrastructure and services for existing gecekondu areas, new low-income settlements, and urban transport improvements. The Bank was satisfied that the preparation of these projects, as well as the proposal to relocate Istanbul's wholesale market complex (a major traffic bottleneck in the central business district), need not be deferred until refinement of the Bureau's plan, as they would be high priority projects in any case.

10. The approach taken was thus to combine lending to projects with project preparation and improvements in the institutions for planning and implementation. This was expected to provide:

- (a) in the short-run, projects addressing the most urgent problems confronting the Istanbul area, formulated with a clearer understanding of their inter-linkages; and
- (b) in the longer run, a policy framework and improved planning and implementation capabilities which will permit a more comprehensive, coordinated and effective approach to urban development.

#### The Current Projects

11. There have thus far been three Bank operations in the Istanbul program; the Water Supply Project, the Power Distribution Project, and the Urban Development Project. An important feature of all the projects is a metropolitan wide approach to both planning and execution. The water and power systems are designed to serve the metropolitan area, not just the present boundaries of the city of Istanbul. In connection with the projects, the Government undertook to initiate appropriate organizational arrangements by December 1976 to serve the metropolitan area in water supply and wastewater, and by December 1974 for the distribution of electricity, public transport, and the manufacture and supply of gas. For policy, an Interministerial Coordination Council for Reconstruction was established in 1972 responsible for the coordination of planning, implementation and investment decisions and measures related thereto in metropolitan urban areas. Specific features of each project are elaborated below.

12. The Urban Development Project was designed to lead to new types of inter-linked urban projects, some of which would be considered for Bank Group financing, all of which would be suitable for implementation. The project for urban expansion areas, for example, which is at the core of the Bureau's strategy, would be planned in conjunction with the proposed Istanbul-Izmit Highway, and could involve industrial estates and all types of urban infrastructure and services. The preparation of the wholesale market relocation project would be coordinated with proposed investments in the port and ground transport system and the re-use of the vacated old sites. And major urban transport projects, which play a large part in determining urban growth patterns, would be prepared with consideration for the urban transport system as a whole and land use decisions which make up the Bureau's plan. Assistance would also be given through the Bureau to a variety of institutions, particularly those concerned with urban expansion, including land purchase and controls, basic infrastructure programming and execution of urban expansion programs.

13. The Urban Development Project provides consultant services to assist in: (a) the preparation of an integrated urban development program for Istanbul including urban cluster preparation, (b) the preparation of an urban transport/land use model to provide a basis for future investment decision-making together with (c) the preparation of a traffic engineering and control

project to alleviate urgent problems, (d) the preparation of a wholesale market relocation project to relieve congestion in the center of the city and improve the efficiency of the markets operation, and (e) the preparation of the wastewater project based upon the feasibility work of the DAMOC master plan. Parts (a)-(d) are being executed by the Istanbul Metropolitan Planning Bureau, under the direction of the Ministry of Reconstruction and Resettlement and in cooperation with the Municipality of Istanbul, the Highway Department, and other institutions. ILLER Bank is responsible for part (e). The project was estimated to cost \$3.3 million during appraisal for which the Bank provided a credit of \$2.3 million to cover the estimated foreign exchange costs. The specific studies are a means of developing an adequately staffed planning organization to provide staff support for the policy level in making investment decisions.

14. The Water Supply Project is the major part of the Istanbul area water supply expansion program for 1972-76, which is based on the water supply master plan prepared by the DAMOC consultants under the auspices of UNDP/WHO. The project includes expansion of the water treatment, transmission, pumping and distribution systems for the metropolitan area. The project also includes consulting services for design and supervision of some specialized works (Bosporus pipeline crossing, main transmission pipelines and water treatment plants) as well as consulting services to analyze the distribution system and to assist in establishing a sound organization and accounting system in the Istanbul Water Administration (ISI). The project is being executed jointly by ISI and the State Hydraulic Works (DSI). The total cost was estimated at \$85.1 million with a Bank loan for \$37 million. As noted above, the Government agreed in connection with the project to create a metropolitan water authority for the planning, construction and operation of water supply facilities throughout the area.

15. The Power Distribution Project includes the 1974 and 1975 investment program of the Istanbul Electricity and Tramway and Tunnel Company's (IETT) electrical department including the expansion of the 34.5 kV network, substations, distribution lines and cables. Consultants are to be provided to: (a) improve IETT's overall organization and accounting procedures, (b) assist in carrying out of the project, (c) study and recommend improvements in the organization, administration, and means of financing of IETT's transport department in the context of the broader transport system of Istanbul being studied under the urban development project, and (d) study the most appropriate measures to be taken to rationalize the manufacture and distribution of gas in the Istanbul Metropolitan Area. The project is being executed by IETT. Total project cost was estimated at \$40.2 million with a Bank loan of \$14 million.

#### Status of Current Projects

16. Progress has been relatively good in the urban development project where, after some initial delays, substantial staff have been provided to the Master Planning Bureau and the four major consultant firms hired. Integration of the planning activities of the Bureau into the process for preparing and sanctioning investment projects has only just begun and it



has not yet provided much of a coordination function. Two of the projects being prepared by the Bureau, traffic engineering and market relocation, should be ready for execution within the next year. However, unless close and early attention is given to how they are to be implemented, especially which organizations will be responsible and who will provide financing, the usefulness of the consultants work will be lost. Similar concerns, although less urgent for the time being, attach to the possibilities of implementing the urban expansion and transport projects. The wastewater project is discussed below under future projects.

17. The water supply project is behind schedule in part because of the difficulties in coordination between ISI and DSI, which is exacerbated by a lack of staff assigned to the project by these agencies, and delays in obtaining assistance from consultants. The major works under construction by DSI are designed to serve the entire metropolitan area. However, as yet, a metropolitan authority to use these works has not been created. A draft law for a metropolitan water authority was prepared by ISI, and sent to the Bank in June 1973, but the Government has not yet furnished the Bank with its views on this proposal. There has been considerable delay in letting the contract for the treatment plant mostly because of DSI's initial insistence to follow a turn key procedure. As a result, it now seems likely that the recently completed Omerli dam and the Terkos Lake diversion will not be able to provide adequate supplies of treated water throughout the region for another two to three years.

18. Progress has also been slow in the power project. The organization and management consultants are in the field but will not be able to carry out their work effectively if the gas and transport consultants are not soon appointed. Improvements to the distribution network, which is of great immediate interest to the city, are delayed pending appointment of project consultants and execution of the study of the future development of the system, essential for locating some of the substations, has begun. This is likely to result in further serious deterioration of the power situation in Istanbul. Efficient power distribution for the Metropolitan area also suffers from a conflict between the laws establishing IETT's and TEK's responsibilities.

#### Future Projects

19. As noted above, important institutional decisions will be required if the projects now being prepared are to be successfully implemented. If satisfactory progress in institutional improvements can be achieved, the Bank is prepared to consider financial support for the following projects now being prepared by consultants, Turkish agencies and the Metropolitan Planning Bureau:

- (1) A new Fruit and Vegetable Market and Box Depot at the Zeytinburnu Wholesale Market Complex site. Uncertainties include organizational and financial arrangements. The project is expected to be ready for appraisal in Fall of 1974.

- (2) Urban Transport Projects arising from traffic engineering control work or the transport/land use planning studies. A 1974-75 project might include traffic control equipment, related construction works, and transport equipment. A later project might include infrastructure for public transport systems.
- (3) Wastewater Disposal Project (being prepared by Iller Bank and the Municipalities). The project, ready in early 1975, might include secondary sewers, treatment plants, submarine outfalls and interceptors. Decisions are required on the organization to construct and operate the system, sources of current and capital financing, including appropriate user charges.
- (4) Gecekondu Improvement and Prevention. A project in 1975-76 might include sites and services for urban centers or expansion of existing area.

20. Other areas for which the Bank would be willing to consider providing assistance for studies and/or project preparation include:

- Metropolitan bus system improvements;
- Solid waste disposal (both garbage and industrial waste);
- Environmental pollution control;
- Health care delivery;
- Other elements of the wholesale Market complex;
- Abbatoir and tanneries relocation; and
- Industrial location.

#### General Institutional Issues

21. In addition to the institutional and organizational improvements related to specific sectors or projects, general arrangements for metropolitan administration, planning and program implementation may well warrant close and early attention in the areas outlined below:

- (i) exploring and developing possibilities for stronger metropolitan institutions, such as was begun by the Ministry of the Interior, in order to carry out metropolitan functions more efficiently and equitably;

- (ii) improving the coordination of projects carried out by national agencies by strengthening the State Planning Organization's resources for dealing with metropolitan matters and improving its liaison with the Istanbul Metropolitan Planning Bureau;
- (iii) completing legislative action on the reform of local government organization and finance with a view to increasing resources (a crucial bottleneck) and clarifying responsibilities of provincial and municipal agencies for carrying out particular urban services and functions;
- (iv) for the short run, increasing the capacities, responsibilities and activity of existing agencies with responsibilities for policy-making at the metropolitan level; particularly the Inter-Ministerial Committee for Metropolitan Affairs and Provincial Planning Council; and
- (v) strengthening and expanding the legal and organizational framework of the Istanbul Metropolitan Planning Bureau to coordinate, plan and implement metropolitan economic and physical development strategies and to provide better services to the Municipalities and Central Government agencies operating at the local level.

22. In reviewing the above, the Government may well wish to consider whether ultimately the creation of a strong metropolitan authority with adequate sources of finance and broad responsibility to assume many of the present diverse municipal and sectoral functions for the Istanbul area is, or is not, the appropriate response to the problems enumerated.

#### Summary and Conclusions

23. To confront the problems of the Istanbul Metropolitan Area, the Government of Turkey has agreed during the past several years to begin to address the difficult organizational questions involved. As a result, the World Bank gave financial support to an extensive program of investments and preinvestments. Loans totalling \$53.3 million (TL 746 million) have been made for projects totalling \$103 million (TL 1,442 million). In these loans, funds were provided for major urgent problems and for assistance to improve institutions and prepare additional projects. The projects under preparation could result in investments totalling an additional several billion Turkish lira, for which the Bank might provide substantial support. However, both the current and future projects face serious difficulties because of the weak institutional framework in which they are being executed.

24. Timely implementation of the institutional and other obligations contained in the existing Loans and Credits are essential to achieving the objectives of the projects. The Bank appreciates that meeting these obligations involves some of the most difficult kinds of problems and changes in policy. On the other hand, the Bank would be less than frank if it did not

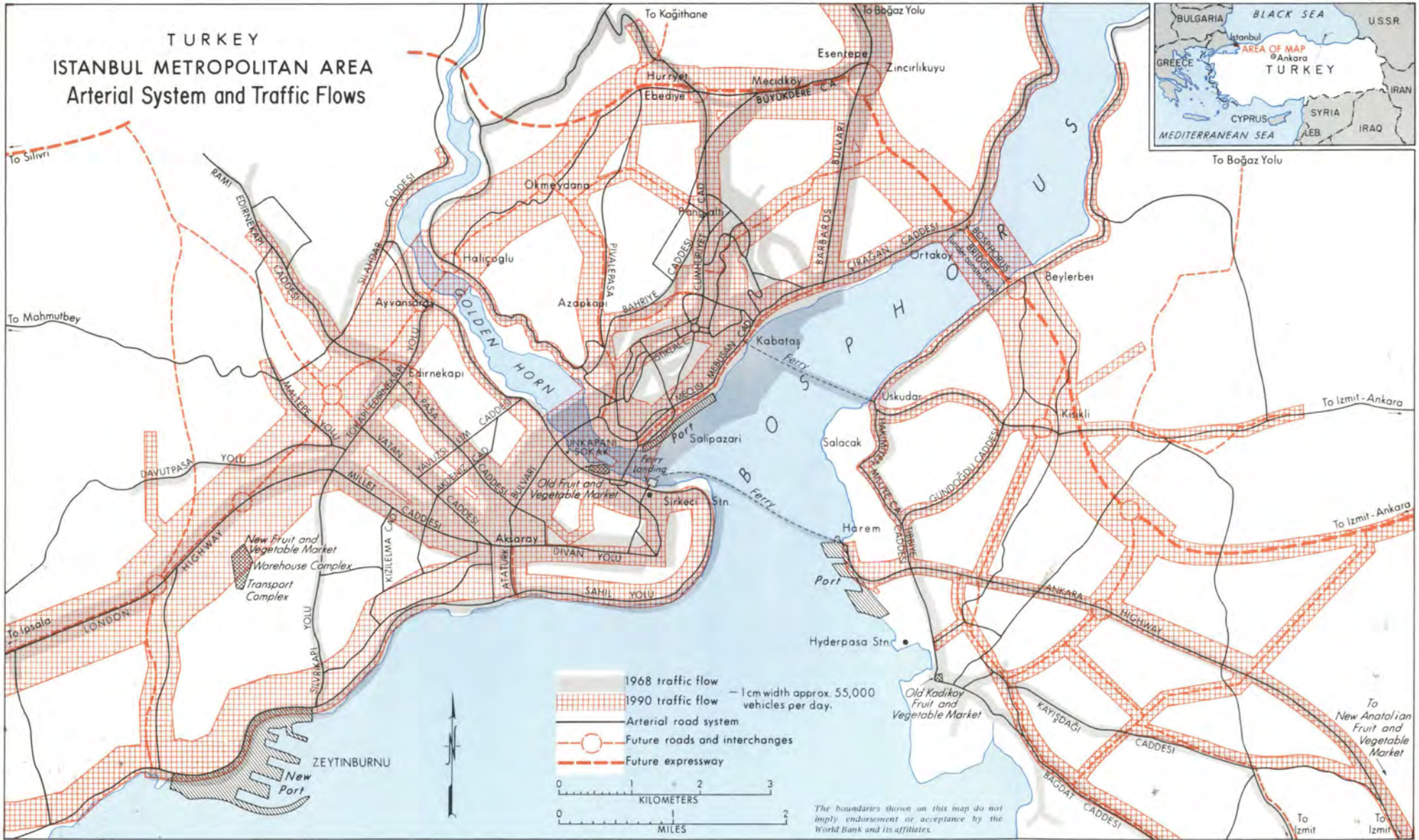
say that it is disappointed by delays in the process of making the institutional changes agreed upon, and in strengthening the organizations needed for adequate planning and coordination of the development in the metropolitan area. Further delays will prolong the difficulties which the people of Istanbul are experiencing and waste resources which the Bank and the Government may invest in the area. The Bank hopes that this paper results in fruitful discussion of measures to avoid further delay and progress towards meeting the development objectives of Istanbul.

EMENA

January 25, 1974.

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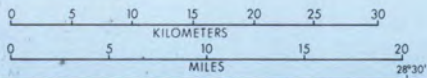
# TURKEY ISTANBUL METROPOLITAN AREA Arterial System and Traffic Flows



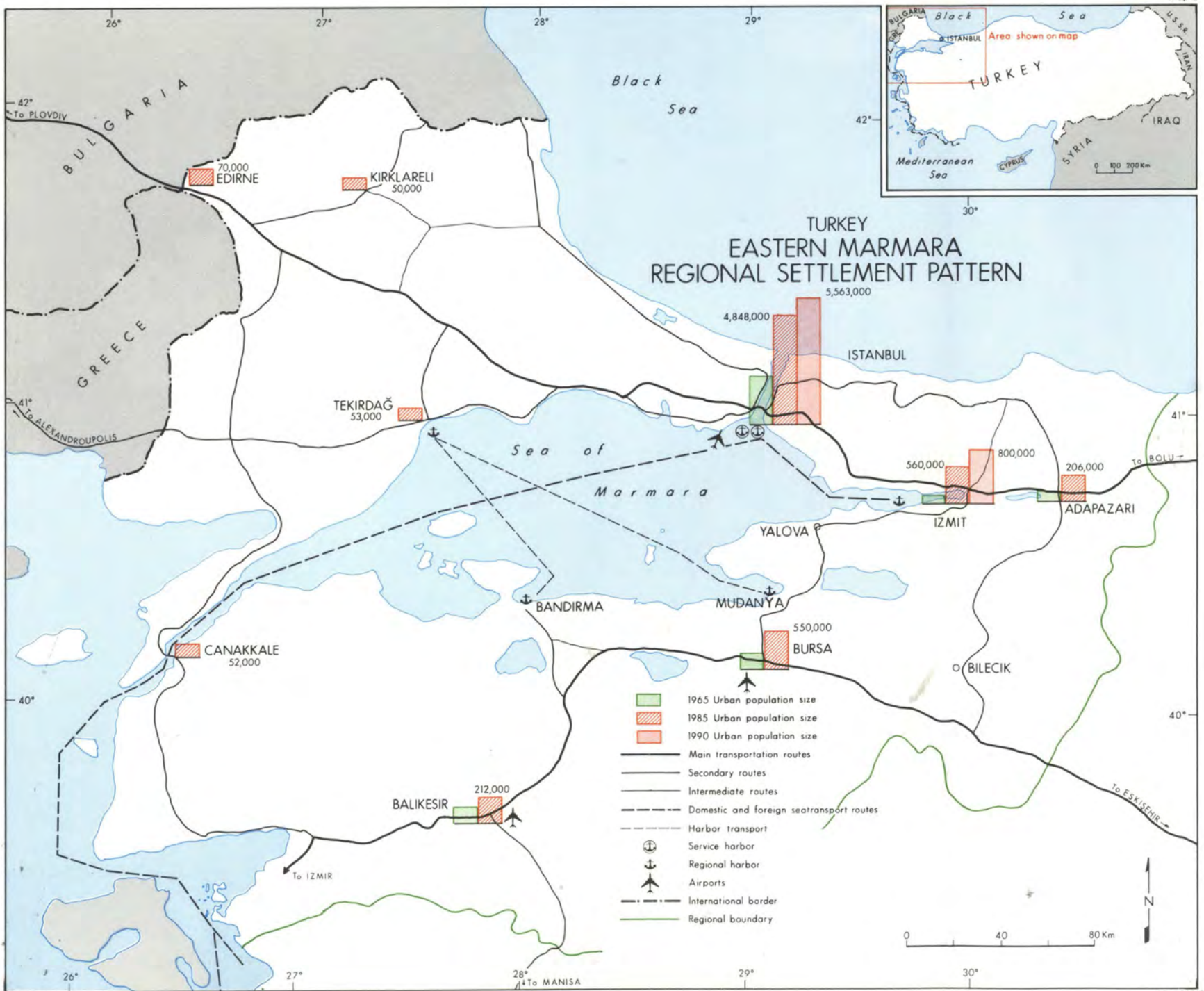
# TURKEY ISTANBUL METROPOLITAN AREA Boundaries

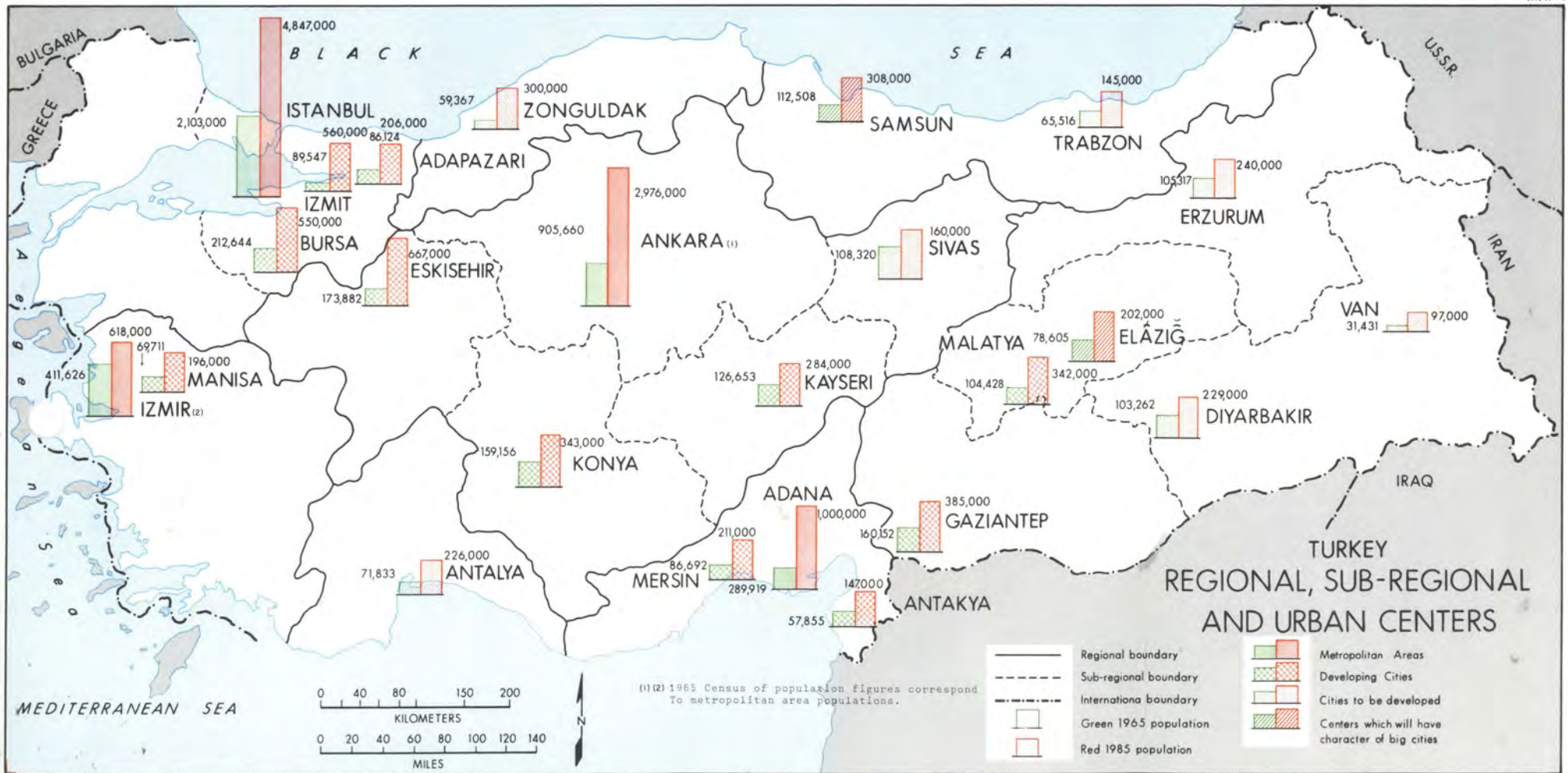


- Istanbul Metropolitan Area Boundary
- Istanbul Provincial Boundary
- IETT concessionary boundary
- Boundaries of areas outside of IETT concessionary area where IETT electricity and buses are used.
- Istanbul Municipal Area
- Proposed urban clusters
- Forest boundaries
- Highways
- Secondary roads
- Future expressway
- Proposed connecting links
- Railroads
- Bosphorus bridge (under construction)
- Ferry service



*The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.*

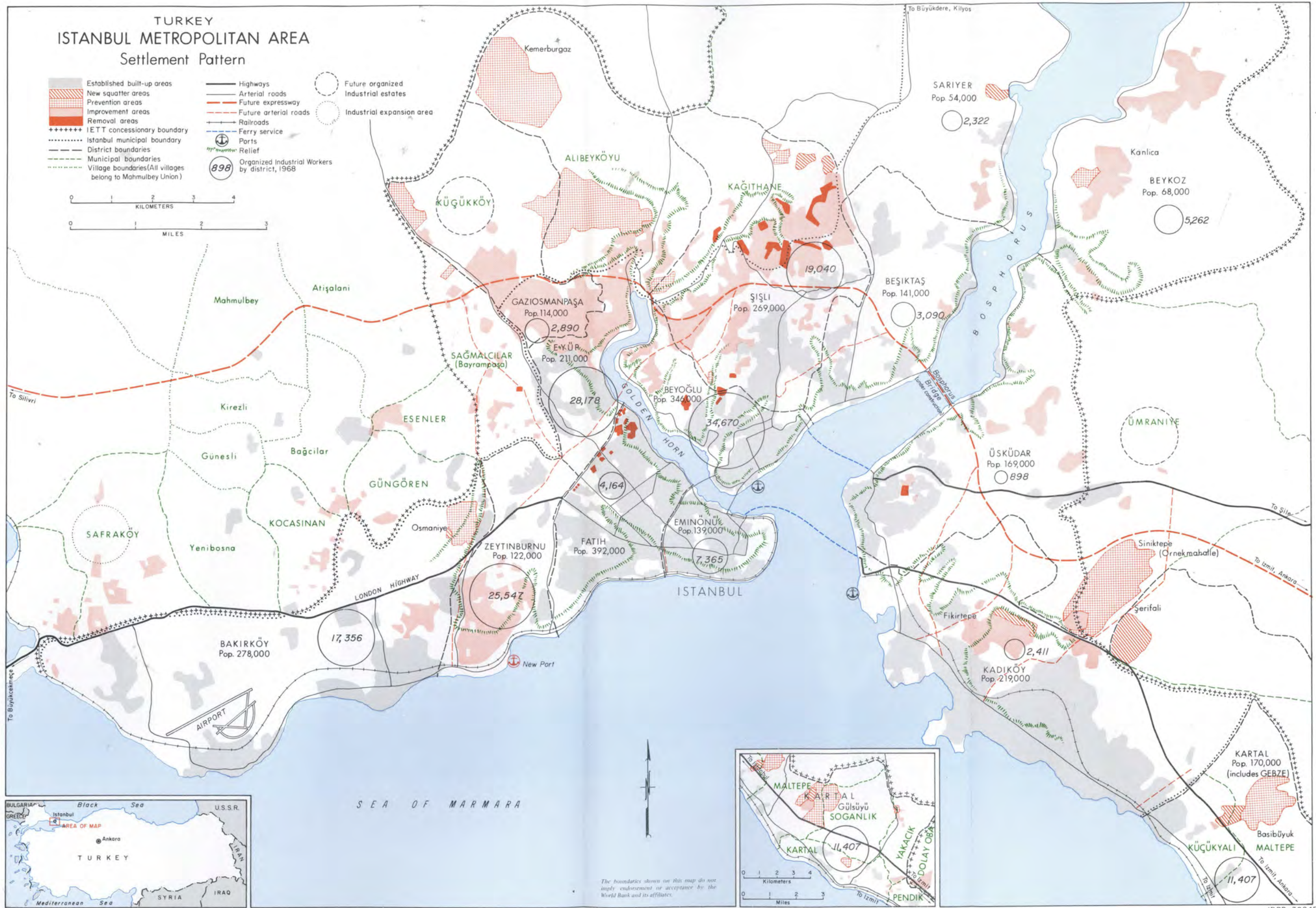
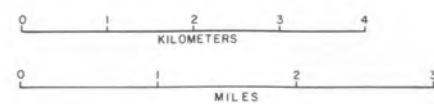






# TURKEY ISTANBUL METROPOLITAN AREA Settlement Pattern

- Established built-up areas
- New squatter areas
- Prevention areas
- Improvement areas
- Removal areas
- IETT concessionary boundary
- Istanbul municipal boundary
- District boundaries
- Municipal boundaries
- Village boundaries (All villages belong to Mahmudbey Union)
- Highways
- Arterial roads
- Future expressway
- Future arterial roads
- Railroads
- Ferry service
- Ports
- Relief
- Organized Industrial Workers by district, 1968
- Future organized industrial estates
- Industrial expansion area



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.

F. (4) e. PROJECT PROBLEMS

1. As mentioned in Section 3 of Mr. Benjenk's memorandum, lack of government decisions is often the main reason of delays in project preparation or execution and the most glaring examples are listed below. In addition a brief description of the financing problem of Igsas is also given because it might be raised by the Government.

Antalya Forestry Project (US\$ 40 million loan, signed January 28, 1974, for forestry development, an integrated saw mill and pulp and paper mill, and feasibility studies, with \$24 million joint financing from EIB).

2. Effectiveness has been postponed three times to November 29, 1974. The loan agreement specifies the mill site (9) which is supported by the Ministries of Tourism and Reconstruction, but opposed by the Minister of Finance (the site is in his constituency and armed farmers opposition has been reported). At a ministerial meeting in early June, it was decided to shift the plant to site 7 (without consulting the Bank). We cabled the Government in August and reiterated during the Annual Meeting that this proposal was unacceptable because of the adverse effect of the mill's very presence (despite good environmental protection) and probable satellite industries on future tourism development around the nearby historical site of Side on the Mediterranean beach.

3. During the Annual Meeting we were told confidentially that the Minister of Finance now believes the mill should not be located anywhere in the Antalya region and we learned since that there seems to be farmers' opposition to site 7 as well. In a subsequent letter to the Finance Minister we have warned that relocation outside the region would entail reappraisal, long delay and great cost, urged a return to Site 9, and said that if a satisfactory resolution is not possible by January 15, 1975, we would have to cancel the loan except for the studies portion, which we could make available for a new site study. While not formally opposing this position, EIB has indicated strong unhappiness with it; they would be prepared to accept site 7.

Erdemir Steel Mill Expansion Project (US\$ 76 million loan, signed April 28, 1972, to double flat steel production capacity).

4. Ineffective management has hampered procurement, created short-run financing problems, and put the project a year and a half behind schedule. Further delay is inevitable unless the Government takes immediate steps: (a) to install effective project management and expatriate advisors, and (b) to require the Board to delegate operational responsibilities to management. The Bank and AID have urged these actions on the company's management and board and the Government for 18 months; they promised concrete steps last February with no result to date. On the contrary, the NSP Minister of Industry appointed unqualified patronage seekers as General Manager and Project Manager. As a result, we sent the Minister

of Finance in September a proposed timetable for action this fall on (a) and (b) above. During the Annual Meeting, Mr. Gul said the matter was scheduled for early review by the High Planning Council, but we have heard nothing more.

Railways (US\$ 47 million loan, signed May 25, 1973, to begin support of 7-year rehabilitation and modernization program).

5. Railways II has been slipped out of FY 75 because Railways I implementation is: (a) behind schedule and second stage investment plans not ready, (b) at variance with the Project Description, and (c) not in compliance with the side-letter providing for passenger tariff increases by January 1, 1975, but the Railways Administration (TCDD) expects no action before completion of a tariff costing study in late 1975. In addition, TCDD has not reduced staff or closed any uneconomic lines as provided under the loan. The working ratio is already short of target, and TCDD remains the biggest SEE deficit. We have told the Government that Railways II can't be considered until the basic terms of Railways I are lived up to.

6. Moreover, transport coordination remains poor despite creation of a Transport Coordination Agency (TCA) in the Transport Ministry. Construction of highways and new railway lines falls under the Ministry of Public Works and often proceeds without, or even despite, feasibility findings (e.g. Tecer-Kangal iron-ore rail short cut). TCA unfortunately has largely avoided practical policy studies in favor of utopian data collection and day-to-day ministerial information requests.

#### Istanbul Urban Development

7. Paragraph 8 of the topics for discussion (E) lists the decisions which need to be taken to permit coherent preparation of the project for which we financed studies (\$2.3 million credit No. 324 of June 30, 1972) and on which we have been working since mid-1970. Subject brief F (4) d gives the background.

Igsas Fertilizer Plant (US\$ 24 million loan, signed June 30, 1972 for ammonia and urea production)

8. This is one of the Bank's best-managed projects in Turkey. It is mentioned here because it may be raised by the Government and because we should press for government approval this fall in the annual budget program for 1975 of \$21 million in lira and F.E. for overrun financing and \$9 million in lira for project expansion financing in order to avoid delays in implementation. We have told the Government we might be able to consider financing \$18 million in FEC needed for expansion if (a) the other financing above is assured and (b) the \$18 million could not be obtained from EIB or bilateral sources. The expansion represents essentially a return to the original project concept temporarily set aside by the Igsas board before our appraisal. The Bank approved the expansion in October 1973 and the Government undertook to cover the additional costs. Since then, with rising costs and pressure to undertake big new projects, particularly in power generation, the Treasury has leaned toward deferring the added

Igsas financing, which would increase the project cost by a further large amount. Given the priority of fertilizer and the good management of the quasi-public company, a second Bank loan is well justified if it can break the Government's financing log jam.

G

THE STATUS OF BANK GROUP OPERATIONS IN TURKEY

A. STATEMENT OF BANK LOANS AND IDA CREDITS  
(as of September 30, 1974)

Loan or Credit Number	Year	Borrower	Purpose	Amount (less cancellations) US\$ Million		
				Bank	IDA	Undisbursed
Nine loans and credits fully disbursed				107.2	80.3	
568-TU	1968	Republic of Turkey	Keban Trans- mission Lines	25.0		-0-
587-TU	1969	Republic of Turkey	Seyhan Irrigation Stage II	12.0		6.1
143-TU	1969	Republic of Turkey	Seyhan Irrigation Stage II		12.0	0.1
713-TU	1970	TSKB	Industry	40.0		.8
236-TU	1971	Republic of Turkey	Livestock II		4.5	3.2
748-TU	1971	Republic of Turkey	Education	13.5		13.2
762-TU	1971	Republic of Turkey	Fruit and Vegetable	10.0		10.0
257-TU	1971	Republic of Turkey	Fruit and Vegetable		15.0	7.6
763-TU	1971	TEK	Power Transmission	24.0		10.4
775-TU	1971	Republic of Turkey	Fourth Cukurova	7.0		.8
281-TU	1972	Republic of Turkey	Irrigation Rehabilitation		18.0	13.8
817-TU	1972	Republic of Turkey	Steel Mill Expansion	76.0		56.9
844-TU	1972	Republic of Turkey	Istanbul Water Supply	37.0		35.5
324-TU	1972	Republic of Turkey	Istanbul Urban Development		2.3	1.9
845-TU	1972	IGSAS	Fertilizer Industry	24.0		21.8
330-TU	1972	Republic of Turkey	Livestock II		16.0	15.9
873-TU	1972	TSKB	Industry	40.0		15.0
883-TU	1973	Republic of Turkey	Ceyhan Aslantas	44.0		44.0
360-TU	1973	Republic of Turkey	Ceyhan Aslantas		30.0	30.0
892-TU	1973	Republic of Turkey	Istanbul Power Distribution	14.0		14.0
893-TU	1973	Turkish State Railw.	Railway Project	47.0		35.0
957-TU <sup>a/</sup>	1974	Republic of Turkey	Antalya Forestry	40.0		40.0
1023-TU <sup>a/</sup>	1974	TEK/TKI	Elbistan Power	148.0		148.0
1024-TU	1974	DYB	Industry	40.0		40.0
TOTAL				748.7	178.1	563.5
of which has been repaid				67.3	.6	
Total now outstanding				681.4	177.5	
Amount sold				3.5		
of which has been repaid				1.2		
Total now held by Bank & IDA <sup>b/</sup>				679.1	177.5	
Total undisbursed				491.0	72.5	563.5

a/ Not yet effective

b/ Prior to exchange adjustments

THE STATUS OF BANK GROUP OPERATIONS IN TURKEYB. STATEMENT OF IFC INVESTMENTS

(as of September 30, 1974)

<u>Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount in US\$ Million</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1963	TSKB	DFC	-	0.92	0.92
1966	SIFAS I	Nylon Yarn	0.90	0.47	1.37
1967	TSKB	DFC	-	0.34	0.34
1969	TSKB	DFC	-	0.41	0.41
1969	SIFAS II	Nylon Yarn	1.50	0.43	1.93
1969	Viking I	Pulp and Paper	2.50	0.62	3.12
1970	ACS	Glass	10.00	1.58	11.58
1970	NASAS	Aluminum	7.00	1.37	8.37
1970	SIFAS III	Nylon Yarn	0.75	-	0.75
1971	Viking II	Pulp and Paper	-	0.05	0.05
1971	SIFAS IV	Nylon Yarn	-	0.52	0.52
1972	TSKB	DFC	-	0.43	0.43
1973	TSKB	DFC	10.00	-	10.00
1973	Akdeniz	Tourism	0.33	0.27	0.60
1974	Borusan	Steel Pipes	3.60	0.45	4.05
1974	AKSA	Textiles	10.00	-	10.00
1974	Kartaltepe	Textiles	1.30	-	1.30
	Total Gross Commitments		47.88	7.86	55.74
	Less Cancellations, Terminations, Repayments and Sales		11.61	1.23	12.84
	Total commitments now held by IFC		36.27	6.63	42.90
	Total Undisbursed		11.42	0.38	11.80

G. (2) EXISTING PROJECTS

Ln. No. 568 Keban Transmission Lines Project; US\$25.0 Million Loan of October 31, 1968. Closing Date: August 31, 1974. Progress on this project was interrupted for about a year in 1970/1971 by a dispute between the Turkish Electricity Authority (TEK) and the principal contractor concerning payment of the increased cost of the project, following the **devaluation of the Turkish lira**. The matter was resolved through arbitration and TEK carried out construction using its own staff. Both circuits have been energized from Keban to Ankara, and the final disbursement application has been received. The project is essentially complete.

Ln. and Cr. Nos. 587/143 Second Seyhan Irrigation Project: US\$12 million Loan and US\$12 million Credit of February 20, 1969. Closing Date: June 30, 1975 Work on Stage II of the Seyhan Irrigation Project is being performed in a satisfactory manner and no serious problems are being encountered. There has been a slight delay in progress due (i) to the need to terminate and readvertise several small civil works contracts due to issuance of a Government decree to protect contractors from financial distress from inflating costs on contracts with no price escalation provisions; and (ii) delays in onfarm development caused by farmers failure to make lands available because of interference with production of high value cotton crops. The Government has not yet granted permission for the use of loan/credit funds available for technical training of project personnel. Government has been urged to take action on this matter so that a decision can be reached to either reserve the allocated funds for the purpose intended or, cancel that portion of the loan/credit allotment.

Cr. No. 236 First Livestock Project: US\$1.5 Million Credit of February 22, 1971. Closing Date: June 30, 1975. Implementation was delayed initially by difficulties encountered by the Turkish authorities in fulfilling some of the effectiveness conditions under the Credit Agreement and by administrative problems in hiring the necessary staff for the project unit, because SPO lost all responsibility for the project in March 1971, without any new coordinating link being created between the various ministries concerned with the project and between the Government and the Bank Group. Steps have been taken to correct this deficiency and progress on the project is now satisfactory.

Ln. No. 748 Education Project: US\$ 13.5 million loan of June 9, 1971. Closing Date: September 30, 1976. The execution of the project is about two years behind schedule due to the initial unwillingness of the Ministry of Education to provide the project unit with adequate qualified staff and authority commensurate with assigned responsibility. With the active involvement of the new Minister of Education in the project, however, a significant change of attitude has taken place in the Ministry. A new project director and deputy director have now been appointed, other protracted vacancies have been filled, and long standing problems concerning the appointment of technical assistance specialists are in the process of being resolved. The procurement of equipment (the major component of the project) is also now proceeding satisfactorily. However, the preparation of training programs for the Management Training Institute and the selection of fellowship candidates and staff remains in abeyance pending enactment of long delayed legislation authorizing establishment of the Institute. Revised cost estimates are being prepared by the Project Unit but preliminary indications suggest cost overruns of about 65 percent above appraisal estimates. Except for commitment charges, no funds have yet been disbursed, however, disbursements are expected to increase significantly by the second half of FY75.



Ln. and Cr. Nos. 762/257 Fruit and Vegetable Export Project: US\$10 Million Loan and US\$15 Million Credit of June 22, 1971. Closing Date: June 30, 1976.

This project was delayed by difficulties in meeting some of the effectiveness conditions by the due date. Progress with 3 of 5 major project components is satisfactory (refrigerated trucks, ferry boats, marketing facilities). A new extension approach has been initiated to increase fruit and vegetable production, the fourth component. The fifth, the agricultural credit survey, has been dropped, however an agricultural credit project for Bank financing is currently under preparation.

Ln. No. 763 TEK Power Transmission Project: US\$24 Million Loan of June 22, 1971. Closing Date: March 31, 1975. Implementation of this project has been delayed by shortage of staff. First contracts were awarded early in 1972 and work is now progressing according to the revised schedule. Problems in meeting the financial covenants were considered in connection with the Elbistan project which incorporates revised procedures.

Ln. No. 775 Fourth Cukurova Power Project: US\$7 Million Loan of June 30, 1971. Closing Date: March 31, 1975. The project should be completed by the end of 1974 despite delays in the supply of steel for substation structures. There has been an overall increase of 33 percent in the cost of the Project due in part to increased costs of some equipment. The beneficiary Cukurova E.A.S. is also facing a serious shortage of cash stemming partly from the impact of increased fuel oil costs and the refusal of the Government to allow a tariff increase which is overdue under our covenant. The company is presently reviewing this problem with the Government, but has little hope of success because of the JP party affiliation of its general manager as well as the desire of administrative circles to unify the former system under TEK's administration.

Cr. No. 281 Irrigation Rehabilitation Project: US\$18 Million Credit of January 25, 1972. Closing Date: June 30, 1977. Civil works are well underway after a slow start. On-farm development is progressing with the receipt of part of the new equipment, but is still lagging behind schedule and will necessitate an extension of the credit closing date. Appointment of consultants for the Extension Service and Topraksu has not yet taken place because the Government has not authorized Topraksu and or the Extension Service to enter into contracts for more than one year.

Ln. No. 817 Steel Mill Expansion Project: US\$76 Million Loan of April 28, 1972. Closing Date: December 1976. See Section F (4) e. Project Problems para. 4.

Ln. No. 844 Istanbul Water Supply Project: US\$37 Million Loan of June 30, 1972. Closing Date: June 30, 1977. The amount of water now produced for Istanbul has increased by 48 percent since 1971 but shortages persist, particularly on the European side. Project progress is about one year behind appraisal estimates. See also Section F (4) d. Istanbul Urban Development, para. 6.

Ln. No. 845 IGSAS (Istanbul Fertilizer Company) Project: US\$24 Million Loan of June 30, 1972. Closing Date: June 30, 1976. (see Section F (4) e. para. 8).

Cr. No. 330 Second Livestock Project: US\$ 16 Million Credit of September 28, 1972. Closing Date: December 31, 1976. Despite special assurances in the Agreements on budgets and staffing, the execution of this project has been delayed more than two years due to lack of authority to use funds to hire technical field personnel. The personal intervention of the Minister of Agriculture and a special decree were required before the hiring of staff could begin. The project organization is only now being formed.

Ln. No. 873-TU TSKB (Industrial Development Bank of Turkey): US\$ 40 Million Loan of December 28, 1972. Closing Date: December 31, 1976. Since the first Bank loan was made in 1950, a satisfactory relationship has been developed with TSKB whose standard of appraisal work is consistently high. The present loan to TSKB has been almost fully committed and when completely disbursed will bring Bank lending to TSKB to \$168 million. (See also Section G (3) on FY-75 projects).

Ln. and Cr. Nos. 883/360 TU, Ceyhan Aslantas Multipurpose Project: US\$44 Million Loan and US\$30 Million Credit of March 22, 1973. Closing Date: December 31, 1981. Construction underway thus far includes the access road to the camp site at Aslantas dam, campsite buildings and some irrigation and drainage works on the left bank of the Seyhan river. Energoproject has been appointed as engineering consultant for the Dam and Power plant. Contracts for on-farm development equipment have been awarded. Because Topraksu and the Ministry of Agriculture are not permitted to enter into international contracts they cannot employ consultants for on-farm development and extension. DSI has prequalified two contractors for the dam which are not acceptable to the Bank and may lead to the Bank being unable to finance this major component.

Ln. No. 892 Istanbul Power Distribution Project: US\$14.0 Million Loan of May 25, 1973. Closing Date: December 31, 1976. After a one year delay due primarily to the failure to hire consultants, progress is now being made in developing regional engineering designs and in carrying out a management study of the company. See F (4) d para. 6.

Ln. No. 893-TU Turkish State Railways: US\$47 Million Loan of May 25, 1973. Closing Date: September 30, 1976. After initial delays, procurement of track material and other Bank-financed items is now progressing satisfactorily. TCDD's locomotive production is considerably behind schedule and, unless the remedial measures being taken resolve production problems, this may adversely affect the project in the long-run. In addition the track renewal program is proceeding slower than planned, although the Railways expect more rapid progress in the next year. See also Section F (4) e, paras. 5-6.

Ln. No. 957-TU Antalya Forestry Project: US\$40 Million Loan of January 28, 1974. Closing Date: December 31, 1978. Although the conditions of effectiveness have now been met, the date for effectiveness for this loan has been extended for a third time to late November 1974 because of the question of plant site location which has yet to be resolved. Ministry of Forestry in implementation of the project is also being delayed by difficulties in the hiring of consultants for forestry development and studies. (See also Section F (4) e, paras 2-3).

Ln. No. 1023 Elbistan Lignite Mine and Power Project: US\$148 Million Loan of June 28, 1974. Closing Date: July 30, 1982. This loan to the Turkish Electricity Authority (TEK) and the Turkish Coal Authority (TKI) is to help finance the development of an open-cast lignite mine in east central Turkey with an annual output of 20 million tons, and the construction of an adjacent lignite-burning 1200 megawatt power station and associated transmission lines. Date for effectiveness of this loan, originally November 1, 1974, has been postponed to March 31, 1975 as specified in Supplemental Letter 10 to the Loan Agreement to enable Government to establish new electricity tariffs scheduled to be implemented by no later than March 15, 1975. Financing by EIB, Germany and other bilaterals is still under negotiation.

Ln. No. 1024-TU DIB (State Investment Bank of Turkey: US\$ 140 Million Loan of June 28, 1974. Closing Date: December 31, 1978. This is the Bank's first DFC loan to the State Investment Bank and will provide resources for relending for investment projects in public sector industry during the next two years. The loan provides for improved appraisal and supervising practices and also for a bending of the Government's rigid annual budget programming to permit DIB to commit funds for the life of sub-projects. The loan was declared effective September 30, 1974.

Technical Assistance Project - Turkish Electricity Authority (TEK): US\$ 1.9 Million Grant of August 20, 1967. Technical assistance contracts covering the second phase of the work were terminated in November-December 1972. Achievement, though short of target in some respects, is generally satisfactory and TEK now has a much improved accounting, budgeting and financial reporting system. However, TEK is moving only slowly and reluctantly to implement changes in its organization structure recommended by the consultants. Contracts for the last phase of the technical assistance work have been signed and details of the final training program are being agreed upon.

G. (3) FY-75 OPERATIONS PROGRAM AND THE KEY PROBLEMS

\$ Million

- 30-50<sup>2/</sup> Integrated Rural Development -- now strongest project after 18-month delay; appraisal report in preparation (see also Item E, paras. 3-5, and F (4) c).
- 50<sup>2/</sup> Industrial Development Bank (TSKB) -- appraised, but Bank position being reevaluated in light of Government's inability to raise interest rates enough to eliminate enforced negative spread on TSKB's lira operations. Discussions and possibly negotiations to take place in Washington in early November. (see also Section E. para 13).
- 40<sup>1/</sup> Divrigi Iron Ore and Pelletizing -- being dropped from program because of far-advanced unilateral preparation and procurement actions, and lack of Government response to Bank initiatives to retrieve possible Bank participation.
- 65 Karakaya Power Dam and Transmission -- being slipped to FY-76 because of delay in preparation of cost estimates and financial plan for FEC of at least \$300 million and Bank requirement of riparian agreement on Euphrates water releases before appraisal. If above matters unexpectedly get settled soon, project might be restored to FY-75 and combined with TEK II below (see also Item F (4) a).
- 25<sup>1/</sup> Istanbul Urban Development II -- slippage to FY-76 is probable. see Item F (4) d.
- 50<sup>1/</sup> Railways II -- being slipped to FY-76. see Items E, paras 9-11, and F (4) f, paras. 5-6.
- 50<sup>2/</sup> TEK Transmission -- new addition to program made possible by Karakaya slippage, using original Karakaya appraisal team in October.
- 18<sup>2/</sup> Irsas Fertilizer Supplemental -- new addition to program. see Item F (4) f, para. 8.

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328-348 Total 8 projects of which 4 probable totalling \$148-168 million.

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<sup>1/</sup> Figures have not been conveyed to the Government.

<sup>2/</sup> Probable projects.

FY-76 OPERATIONS PROGRAM AND THE KEY PROBLEMS

\$ Million<sup>1/</sup>

60	<u>Agricultural Credit I</u> -- Proposed project includes agro-industry, on-farm development, and supervised credit, with the Agriculture Bank of Turkey playing a central role. Preparation will be completed in November by Bank-led mission assisted by FAO and UNIDO. Mission will find out whether major problems exist. Appraisal is scheduled for March.
20	<u>Co-operative Credit I</u> -- The Government is still considering alternative ways of financing co-operative development, including a possible specialized bank for this purpose. The Agriculture Credit preparation mission is making preliminary review of one approach to co-operative financing for small agro-industries. Project is still only <b>an idea</b> (see also Section E para 3 to 7).
70	<u>State Investment Bank (DYB) II</u> -- Timing depends on implementation of DYB I. Signed June 18, 1978 and made effective September 30, 1974.
40	<u>Forestry and Paper II</u> -- Being slipped to FY-77 because of delays in the Antalya Forestry Project. See Section F (4) f.
25	<u>Istanbul Wholesale Market Relocation</u> -- May slip from late FY-76 to FY-77. See Section F (4) d.
40	<u>Istanbul Wastewater</u> -- Slippage into FY-77 is possible. See Section F(4) d.
20-30	<u>Tourism</u> -- Preparation of infrastructure project along coast about 50 km southwest of Antalya (including ancient site of Phaselis) is proceeding well, with appraisal anticipated late spring 1975. No major problem <b>foreseen so long as</b> Government maintains present commitment to project.
275-285	Total

<sup>1/</sup> Figures have not been given to Government.

October 15, 1974

R. H. Springuel, Division Chief, EMENA 2A

Turkey - Mr. McNamara's Meeting of October 3, 1974

Present were: - for Turkey

Mr. Denis Baykal, Minister of Finance  
Mr. Ahmet Tufan Gul, Secretary General, Department of the  
Treasury and Organization for International Cooperation  
Mr. Akinci, Chief Economic and Financial Counselor  
of the Turkish Embassy.

- for the Bank: Messrs. Knapp, Benjenk, Bart and myself.

Mr. Baykal referred to the present governmental crisis and the need for new elections to obtain a stable government; he felt that some interim form of government would prevail for a while, possibly with Mr. Ecevit heading a minority government, and that elections might take place in June, May or April. These political difficulties should in no way interfere with Mr. McNamara's visit to Turkey which was very important for the future development of the country.

Mr. McNamara understood it was difficult in the present circumstances to talk in any details about the World Bank program and its size. He nevertheless wanted to stress that the supply of projects might not be adequate, given the size of the lending program the Turkish Government wanted. Our lending in the past five years had averaged \$100 million a year and Mr. McNamara was hoping to lend about twice that amount over the next five years, with particular emphasis on projects benefitting the poor and the State Enterprises.

Mr. McNamara pursued, stressing that project preparation was slow and implementation even slower, as shown by the rate of disbursements. This created a problem for the Bank because in a period of inadequate resources, the Executive Directors tended to question rather sharply the apparent waste of resources when committed funds were not disbursed. Increasingly the Board was emphasizing the use of resources already committed before making new commitments. Mr. McNamara hoped that the Minister would take appropriate measures to expedite the implementation of difficult projects.

The Minister was very conscious of the problem and the need for specific action; the relationship with the World Bank was not equal to the standard which could be achieved. As in many developing countries, the administrative mechanisms were not satisfactory in Turkey. On the political level, the Government was very much aware it should act more quickly and efficiently; the Government was examining whether to set up within SPO a new coordination system for program implementation and preparation; a coordinating unit now existed, but did not do the job. The Government was considering whether to enlarge this unit or whether to designate individual managers for each project. They had not yet decided, but they were aware

Memorandum for the Record

October 15, 1974

that they had to find ways to use Bank funds better. One reason that little progress had been made in the last seven months was the political differences between the two parties of the coalition, and the diversity of origins and horizons of its members, further complicating any effort at coordination. The lag between the political circles and the administration had also created a problem in the latter.

Turning to the losses of State Enterprises, the Minister recalled the substantial price increases of a number of specific commodities introduced by the Government last March. However, the Minister was very much aware that it was not just a pricing problem, that organization and management of all State Enterprises had to be overhauled, and that the basic law creating SEEs needed to be completely reviewed to give SEEs more autonomy and responsibility, financial responsibility in particular. He was aware also of management and staff problems, in particular that the State Enterprises need to be in a position to attract and retain good staff. SEEs were very important for the economic development of the country; they had played an important role, but to continue that role, they had to abandon their archaic ways, modernize and stabilize their management, and adopt modern efficient methods.

Regarding external finances, the Minister mentioned that Turkey was contributing in starting up the Islamic Bank. He expressed great appreciation for the large financial contribution made by the Bank in the recent past. Like Mr. McNamara, he wanted to enlarge the impact of the Bank contribution and he welcomed the new emphasis on regionalization and on assistance to the poor which were two of the main elements of the Government's program. He earnestly hoped that the exchange with the World Bank would become progressively more fruitful. In this context, he looked forward to the visit of Mr. McNamara to Turkey.

Mr. McNamara indicated that while he was delighted to visit Turkey, he would understand it very well if the Government had to indicate the visit was not convenient, even shortly before the visit. If the present political uncertainty still prevailed, the Government should not feel embarrassed at all if it wanted to postpone the date. This did not mean Mr. McNamara did not want to come and he was looking forward to see the new orientations of Turkey. He also remembered the delightful little Hittite museum he visited before. The Minister replied that the visit of Mr. McNamara was needed in any case, regardless of what happened to the Government.

cc: Mr. McNamara (original + 1 copy)  
Mr. Knapp  
Mr. Benjenk  
Mr. Bart  
Division EMMA 2A

RHSpringuel:lo

R. B. Palmer

Annual Meeting -- Discussion with Mr. Gul, October 1, 1974 - Turkey

1. The following summarizes the topics covered by Messrs. Bart and Gul in the meeting which was also attended by Messrs. Akinci, Alper, and Sany on the Turkish side and Messrs. Wapenhans, Asfour, Springuel, Chopra, and Palmer on the Bank side.
2. Erdemir. Mr. Bart asked if Mr. Gul had any reply to the Bank's letter of September on Erdemir's management and financing problems. Although Mr. Bart emphasized the management aspect several times, Mr. Gul appeared to wish to avoid this subject and stressed the short-run cash problems of Erdemir. He also said Erdemir had recently built up excessive inventories and he had cut off their imports. He further suggested that the Bank and AID might not be in full agreement on Erdemir's financial problems. Mr. Bart emphasized that the September letter had been worked out in full agreement with AID, that the big price increases earlier this year suggested that financial problems were not Erdemir's top priority, and that in any event there was need for a clear written presentation of the company's financial situation. He said that management was essentially the root cause of Erdemir's financial difficulties. Mr. Gul finally said that the Government intended to hold a high planning meeting in the next ten days or so to discuss and react to the Bank's letter. Mr. Bart expressed the strong hope that the Government would take action to bring this major project back on the track.
3. Antalya. Mr. Bart asked whether the Government had a reaction to the Bank's letter of early August requesting reconsideration of the Government's selection of site No. 7. Mr. Gul said that in his Washington visit last spring he had, rightly or wrongly, obtained the impression from Mr. Knapp that any site other than the original beach site (No. 5) would be acceptable to the Bank. He suggested that as a result of that confusion the Turkish Government felt justified in proceeding with site 7 after it faced difficulties with site 9. Mr. Bart reiterated the Bank's difficulties with site 7 and our acceptance of site 9. He added that in July Agriculture Minister Ozal had told him that he, Ozal, was not aware of the site 9 problem. Contrary to information the Bank received from Sandwell Consultants in mid-September, Mr. Gul said that work on site 7 had been halted shortly after the Bank's message had been received in the beginning of August. Mr. Bart concluded by pointing out that effectiveness had been delayed again until November 29 and that the penalty for delay in terms of price escalation was very high. He hoped that Minister Baykal could speak to Mr. Benjesk this week on this issue.
4. The discussion then turned to the FY75 program.
5. Railways. Mr. Bart said it would be a shame if this project slipped into FY76 as now appeared to be happening. He hoped that preparation of the second slice of the investment plan could be speeded up so that appraisal could take place soon. He also referred to the problem of tariffs, saying this was a test issue for the Bank. He emphasized the



January 1 deadline for the second round of increases in freight tariffs under the covenant of Railways I. This he said was more important than increases in passenger tariffs. However, he added that the only justification for making no increase in passenger tariffs would be an overall approach to urban transit with the Government bearing any subsidies required. Mr. Gul noted Mr. Bart's points, but emphasized that suburban rail fares posed a particularly difficult political problem.

6. Divrigi. After a little sparring over Bank vs. Government interest in this project, Mr. Gul finally said that he did want the project in the program if at all possible and would look into the matter with TDCI, particularly in regard to the status of procurement, and would let the Bank know as soon as possible.

7. Istanbul Sewerage. Mr. Bart said this was important but clearly an FY76 project.

8. Rural Development. It was agreed that this project was moving ahead without major problems.

9. TSKB. It was agreed that Mr. Gul would continue his discussion of this project in a separate meeting with Mr. Springuel. However, Mr. Gul did note that he felt strongly enough about Lira borrowing that he was planning to require TSKB to match its foreign borrowing with domestic borrowing irrespective of requirements in the Bank loan agreement.

10. Istanbul Buses. Mr. Bart emphasized that from the Bank's point of view this project could not be merely a supply of buses but also must include an important traffic control aspect and organizational improvements in YHTT. Mr. Gul said he was not familiar with the details but was worried about international bidding for procurement of buses because of idle productive capacity in Turkey. Mr. Bart said that ICB could include Turkish suppliers and could be either on the basis of complete vehicles, chassis, or other components. A winning Turkish bid could be completely financed under a Bank loan as if it had been a foreign exchange bid. However, Mr. Bart emphasized the need for a formal definition of the project which was what the current mission was working on.

11. Karakaya and TEK Transmission II. Mr. Bart explained that the recent news that the English version of the Karakaya Project Document would be available only in November had led to the Bank's proposal to add a second TEK transmission project to the FY75 program. The mission staff originally planned for Karakaya appraisal in October were still available and did not have other assignments at this time. Therefore, it was a one-time-only opportunity to add this project. Mr. Bart added that we hoped to appraise Karakaya as soon as possible after receiving the project document but noted that the winter season might make a site visit difficult. He emphasized that Karakaya was finally in the Bank's program and that discussion of the Euphrates waters problems would go forward at the same time. Mr. Gul asked whether the Bank could move quickly on TEK Transmission II. He said he had stopped bidding procedures to assure that they would be on an ICB basis, but he did not want a lengthy delay. Mr. Wapenhans said that if bidding is on an ICB basis and the Bank is kept informed and given a chance to give

comment on the tenders, then bidding could go ahead without prejudice to our eventual financing of the project. Mr. Gul said he was awaiting final word on the timing of the mission but said that he could agree in principle on the mission right now. Mr. Bart said that the mission would therefore get ready to leave within the next few days.

12. Economic Updating Mission. Mr. Bart said we were tentatively planning the mission for November and that Mr. Chopra would be its leader. Mr. Gul said the timing was tentatively satisfactory and asked that we keep in close touch with him.

13. Release of 9% of subscription. Mr. Bart said it would be appreciated in the Bank if Turkey could release the remaining \$4.6 million. Mr. Gul said that this could be done.

14. Mr. McNamara's Trip. Mr. Bart gave Mr. Gul an outline of alternative schedules for Mr. McNamara's visit in Turkey and Mr. Gul promised to give the Finance Minister's reaction in the next day or two.

Cleared with and cc: Messrs. Bart, Springuel

cc: Messrs. Wapenhans and Assistant Directors  
Asfour  
Cash  
Ewey  
Elliott  
Saksu  
Venkateswaran  
Fish  
Rothberg/Harris  
Chopra  
Southall  
Division

NEPalmer:af

Files

October 11, 1974

R. B. Palmer

CONFIDENTIAL

Annual Meeting - Turkey - Antalya Paper Mill Site Issue

DECLASSIFIED

APR 09 2013

WBG ARCHIVES

1. During his discussion of this subject with Mr. Bart on October 1, 1974 (para 3 of general reporting memo), Mr. Gul made the following comment on a confidential basis:
2. The matter was now unfortunately less settled than ever. There was wider appreciation in the Government of the danger that would be posed for tourism development if the paper mill were located near Side. Mr. Gul credited the Bank's tourism mission last July with having helped to focus the issue. He said that Finance Minister Baykal, who represents an Antalya district in Parliament, had now gone even further and had concluded that the mill should not be located anywhere in the Antalya region. Given this attitude and the crisis in Government, Mr. Gul saw no immediate way to resolve the issue and offered no suggestions. Mr. Bart replied that the Minister's stand was a pity because it really would mean a new project, reappraisal, and probably an additional year's delay at great cost. He urged Mr. Gul to advocate a return to site 9 and added that if compensation for expropriated land was the obstacle, greatly increased payments would still only be a drop in the bucket compared to the cost of delay.

Cleared with and cc: Messrs. Bart, Springuel

cc: Messrs. Dewey, Southall, Odone, Overby  
Wapenhans, Asfour, Chopra

RBPalmer:af

H

H - UNDP ACTIVITIES

Attached are tables excerpted from the UNDP 1974 Annual Review summarizing the Country Program by year and sector.

The Bank is currently serving as executive agency for the following UNDP projects:

a. Transport Planning Technical Assistance.

Support of the Transport Coordination Agency (TCA) established in connection with our loan to the Turkish Railways to facilitate overall coordination/transportation planning in Turkey.

b. Turkish Railways Technical Studies.

As provided for in our loan to the Turkish Railways these studies deal with management and reorganization of the railways, closure of uneconomic lines, feasibility of new lines, and, signalling investments. Draft Consultants' reports now complete and to be discussed with the Government in December.

c. Tourism Development Studies for West Mediterranean and South Aegean.

These studies are being prepared in conjunction with proposed Bank lending in the tourism sector.

ANNEX IV -- SUMMARY OF COUNTRY PROGRAMME, TURKEY

(Based on First Periodic Annual Review, June 1974)  
(in thousands \$)

	1974	1975	1976	(74-76) (Total)	1977	(74-77) (Total)
"A" Ongoing/Approved Projects*	3,739,8	4,384,9	2,777,8	(10,902,5)	1,979,3	(12,881,8)
"B" New Projects*	74,1	1,135,5	1,290,8	( 2,500,4)	798,1	( 3,298,5)
"A" + "B" Sub-Total ---	3,813,9	5,520,4	4,068,6	(13,402,9)	2,777,4	(16,180,3)
Fellowship Reserve	250,0	228,6	228,6	( 707,2)	250,0	( 957,2)
Consultancy Reserve	40,0	80,0	80,0	( 200,0)	100,0	( 300,0)
 GRAND TOTAL	 4,103,9	 5,829,0	 4,377,2	 (14,310,1)	 3,127,4	 (17,437,5)

\*NB: "Ongoing" includes those continuing from the first 18 months of the 1973-77 CP period;  
New includes "new" as of the First Periodic Annual Review, June-July 1974

S U M M A R Y T A B L E

"A" Ongoing/Approved Projects  
(in thousands \$)

Sector	1974	1975	1976	(74-76) (Total)	1977	(74-77) (Total)
Agriculture	1,280,9	864,5	487,0	2,632,4	511,0	3,143,4
Industry & Int. Trade	1,081,1	1,571,2	1,282,6	3,934,9	1,065,7	5,000,6
Natural Res. & Energy	369,3	617,6	222,2	1,209,1	72,8	1,281,9
Human Resources	209,2	562,9	630,1	1,402,2	305,0	1,707,2
Infrastructure	799,3	768,7	155,9	1,723,9	24,8	1,748,7
SUB-TOTAL "A"	3,739,8	4,384,9	2,777,8	10,902,5	1,979,3	12,881,8

1



# ECONOMIC AND COMMERCIAL NEWS AGENCY

DAILY ECONOMIC & COMMERCIAL BULLETIN

(Founded : 1954)

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Owner, Publisher &  
President

Year 21, No. 6257

Ankara 9.10.1974

ZIYA TANSU

Foreign Trade Agree-  
ments  
Assembly Industry Requi-  
sition  
Turkish Banking Regime  
Decreases on Foreign Cap-  
ital (Since 1953)  
Promotion of Investments,  
Expo and Tourism.  
Daily Procurements Bulle-  
tin

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AND ADDRESSES

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No. 401

## NEWS FLASH:

### McNAMARA TO VISIT TURKEY

Ankara 8 (IKI) - Finance Minister Deniz Baykal and members of the trade delegation which accompanied him to Washington in order to attend the International Monetary Fund and World Bank Governors meeting have returned to Turkey.

Minister Baykal made the following statement in relation to the International Monetary Fund and World Bank meeting: "The Finance Ministers, Central Bank officials and executives of 126 countries attended this meeting. Principal topics on debate were inflation, financing problems created by rising petrol prices, the relationship between gold and currency, aid to the under-developed countries, all of which constitute world economic problems. It became evident that inflation, which closely relates to the whole world, was becoming a highly critical problem. The financial situation revealed by this meeting is one of anxiety and indeterminateness. It has once again become apparent that inflation carries an international character and, as such, requires measures which should be considered in an atmosphere of international understanding".

Having spoken of his visit with World Bank President Mr. Robert McNamara, Mr. Baykal stated he would be visiting Turkey on November 7th, 1974. (IKI)

# The Cypriot Agony

Text by Christoph Güdel  
Photos by Marc Riboud and Robert Azzi

SWISS REVIEW OF  
WORLD AFFAIRS  
October 1974

The refugee problem on the now divided island in the northeast corner of the Mediterranean is a direct result of massive Turkish military intervention. The Turks, who stepped in on behalf of their Cypriot compatriots (who constitute roughly 18% of the island's population), occupy about 40% of the island at the time of this writing. According to official estimates at least 190,000 people have fled from the occupied areas. The extent of the Cypriot refugee problem is made clearer by realizing that the island's total population numbers about 660,000 (79% Greeks, 18% Turks, 3% other nationalities). Moreover the areas held by the Turks include the most valuable industrially and agriculturally.

As in every political conflict situation, a historical review might help to understand it. It may not explain completely why it has been impossible to bring about peaceful coexistence between Greek and Turkish Cypriots, but it may help to understand what could have been done—or avoided—to prevent the dramatic developments of this summer.

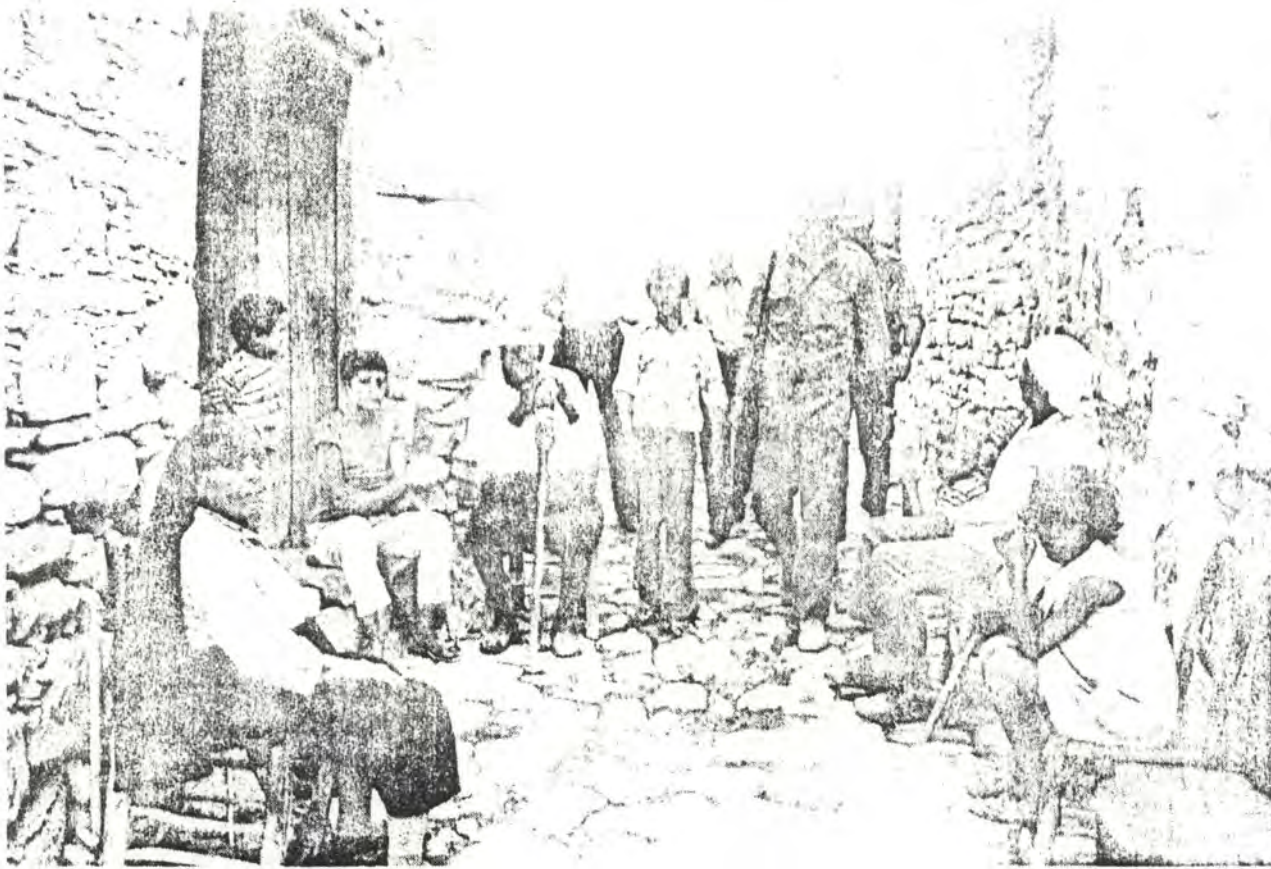
In making their claim to first rights on Cyprus, the Greek can point to traces of Greek settlement going all the way back to the 12th century B. C. Previously, and even during the period of progressive Hellenization, the island had experienced times

of independence and phases of occupation by Persians, Assyrians and Egyptians. But most of Cyprus' traditional history is Hellenic. Major landmarks were: In 330 B. C. Alexander the Great freed the island from Persian domination; 58 B. C., Cyprus became a Roman province; 45 A. D., Paul landed on the island and began its Christianization, and when the Roman Proconsul Sergius converted to Christianity it became "the first land in the world to have a Christian government." As a province of the Byzantine Empire, the island enjoyed relative peace from 350 to 1191 A. D., occasionally disrupted by Saracen attacks and revolts. During the Third Crusade Richard the Lionhearted gave sovereignty over the island to the French Lusignan dynasty; in 1498 it came under Venetian rule and was taken by the Turks in 1571.

Thus began the Turkish-Greek confrontation on the island. It would be mistaken to regard the rule of the Turks as purely negative, however. The elimination of serfdom and restoration of the rights of the Orthodox Church (which had been suppressed under Latin rule), gave the Greek Cypriots a greater degree of inner autonomy than they had had before. But when Greece itself won independence from the Ottoman Empire in 1821, with the aid of Western pow-



The open-air quarters of Greek Cypriot refugees near Larnaka in southeastern Cyprus.



"Street scene" in the Turkish quarter of the village of Tokai, with UN soldiers on patrol.

ers, and the Greek Cypriots began pushing harder for independence, the Sultan of Turkey came down hard and more than 400 leaders of the Greek Orthodox Church on the island were executed. Later, however, the Turks granted the Greek Cypriots greater autonomy in local affairs.

Turkey ultimately lost sovereignty over Cyprus not because of a rebellion, or foreign conquest, or a lost war. When the Ottoman Empire barely escaped calamity in the last Russo-Turkish war (1878) only with the aid of the Western powers, Disraeli succeeded in persuading the Sultan of the necessity of continued British support against the Czar. In a secret defense agreement Britain was permitted to establish bases on Cyprus and to "temporarily" take over the island's administration, though nominal sovereignty continued to reside with Turkey.

Shortly after the outbreak of World War I London annulled Turkey's sovereignty over the island (because the Turks had come down on the German side in this conflict). The following year Britain offered Greece a deal which, had it been accepted, would probably have spared the Cypriots much subsequent trouble. London proposed that Greece enter the war on the side of the Entente, in exchange for which it would be given Cyprus. But Athens did not agree, and the offer was never repeated, allegedly due to objections by Russia and Italy. Thus a chance for *enosis* (union between Cyprus and Greece), possible at that time because of Turkey's increasingly weak position, was missed, with grave consequences for all parties.



Cypriot President Glafkos Klerides visits a refugee camp.

The fact that Cyprus was now under British rule had in no way diminished the virulence of the drive for enosis. It might even be said that the British, who would not and could not adopt the brutal suppression methods of the Ottomans, encouraged civil and subsequently military resistance by their adamant yet rather hesitant moves against rabid supporters of union with Greece. After a first climax in 1931 and numerous other outbreaks of more or less passive resistance, the struggle of the Greek Cypriots again took on dramatic form in the 1950s. In 1950 Makarios III became archbishop and quickly grew into a symbolic figure around which the enosis movement rallied (for which the British exiled him to the Seychelles). Under the command of General Grivas the EOKA organization evolved into a genuine rebel movement, forcing Britain to keep some 30,000 troops tied up on the island.

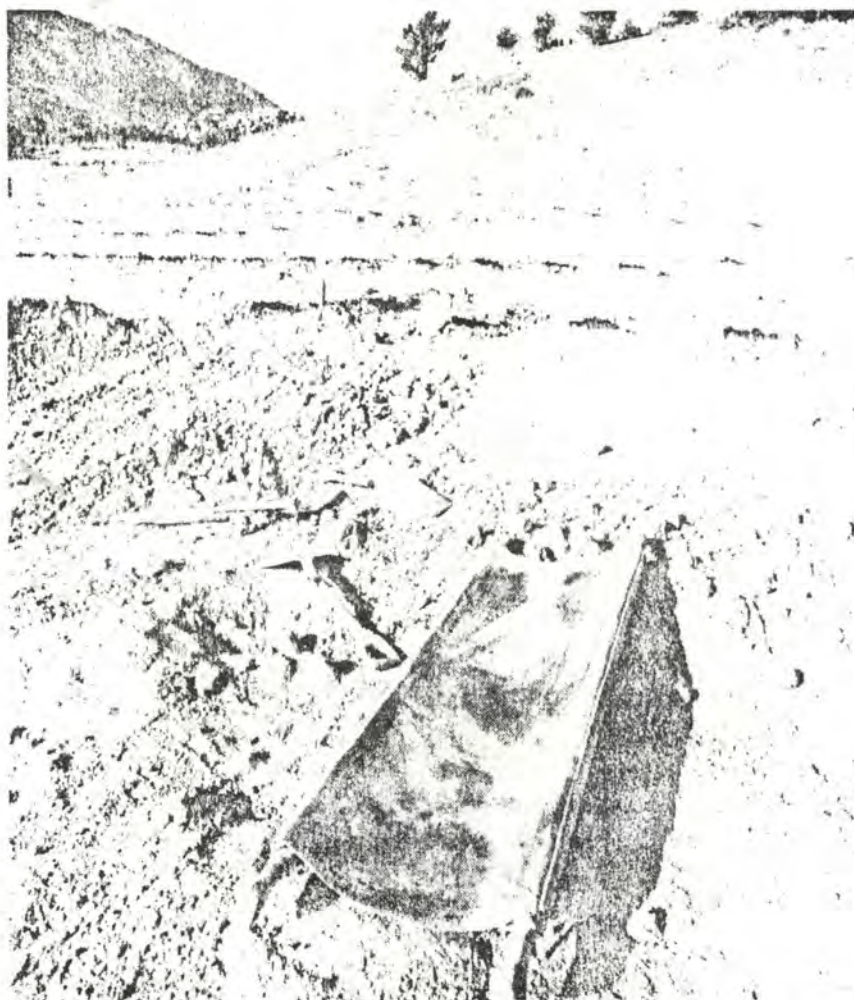
Turkey, grown stronger again as a result of the reforms carried out under Kemal Ataturk, was not willing to accept the rule of its NATO partner Greece over the strategically important island. The only way out was independence for Cyprus, with special laws to protect the Turkish minority. This solution was adopted and in early 1959 the treaties of Zurich and London gave Cyprus its independence, effective August 1960.

There are probably several reasons why this

"solution" did not yield the hoped for peace but rather became the starting point for new complications. One of them certainly was the fact that the EOKA people refused to relinquish their struggle for enosis. Makarios, now president of the island, seems to have shared this attitude at first, which he showed by violating from the outset the rights which the Cypriot constitution guaranteed to the Turkish minority. But in the winter of 1963-64 there were bloody riots, resulting in a UN peace-keeping force being stationed on the island, and Turkish intervention was only avoided by an energetic veto on the part of U. S. President Johnson. But this time Makarios, a hardheaded politician, realized that enosis was impossible, at least in the foreseeable future.

Under the circumstances the Cypriot leader gradually shifted to a position emphasizing the island republic's independence. This in turn earned him the bitter enmity of his former EOKA comrades who, still headed by the late General Grivas, again went underground as EOKA 2.

From that point, a direct line leads to the National Guard coup of last July 15, when Makarios was deposed and, at the same time, Greece's military leaders dug their own political grave. The consequence was Turkish military intervention—this time not prevented by the USA—and the present misery of the Cypriot refugees.



*Fresh graves of Turkish soldiers who died in the recent fighting.*



**THIS IS NOT JUST AN ISLAND**

**THE FACTS  
ON THE  
TURKISH  
INTERVENTION  
IN CYPRUS**

Dear Friends,

A group of private Turkish citizens, including businessmen, labour leaders, and journalists have prepared this question and answer brochure for you, with the hope that you may have a clearer idea about the Turkish stand on Cyprus.

This is not a government publication. It was conceived and published privately. However, it is an accurate reflection of official opinion, as its contents have been substantiated by careful study of official declarations as well as by interviews with authorized persons.

Our country is up against a big «propaganda machine.» Some of the written and spoken media, influenced by this machine, has indulged in biased and unethical reporting and unjustified comment. Greek propagandists have capitalized on the slogan «Greece, the cradle of democracy», brazenly forgetting how often that historic asset has been put to shame by the Greeks themselves. One dictatorship has followed another. And in Cyprus, murders, lies, and general brutality have become the means for those who have been attempting for years to exterminate the Turkish community, destroy the independent State of Cyprus, and annex the Island to Greece.

In the following pages we have tried to explain why Turkey, after the coup of July 15 in Cyprus, masterminded by the Junta in Athens, was obliged to take military action on the Island. We have also tried to explain why the second military action in Cyprus was imperative. We also underlined the Turkish policy for the establishment for an Independent Cyprus Federation, based on two geographically separated, autonomous Turkish and Greek administrations, which would not only insure the coexistence of the two communities but also the continuity of the state itself.

We hope that this brochure will help answer any of the questions you may have regarding Cyprus.

## QUESTION

*What is the reason for the Turkish Action in Cyprus on July 20, 1974 ?*

## ANSWER

The Turkish Government ordered the Turkish Armed Forces for an action in Cyprus to restore peace on the Island and to safeguard the independence and territorial integrity of the State of Cyprus.

Turkey has a vital stake in an Independent Cyprus, because the very existence of more than 120,000 Turkish Cypriots and the security of Turkey depend on it. This was a «Peace Operation», in full compliance with the three-power (Turkey-United Kingdom-Greece) Agreement, guaranteeing the Constitution of Cyprus. By this action, Turkey fulfilled her treaty obligations. It has since been universally accepted and formally acknowledged that this action was legal and justified.



## QUESTION

*What had happened in Cyprus that necessitated this action ?*

## ANSWER

On July 15, the Greek Cypriot National Guard, an army of approximately 20,000 men, established in violation of international agreements and of the Constitution of Cyprus and commanded by regular Greek Army officers from Greece, also in flagrant violation of the Constitution, staged a coup against President Makarios. Peace and security on the Island were thus shattered. But even more important, the territorial integrity and the independence of the country were in danger.

The coup was led by the Greek Army officers, in accordance with a plot hatched in Athens by the Junta. The aim was ENOSIS, union of the Island with Greece. Makarios had earlier warned that such a coup was being prepared in Athens and subsequently, after the change of regime in Greece, the new Government admitted that, indeed the Junta had plotted and ordered a coup aiming at ENOSIS. That the Junta replaced President Makarios by Nikos Sampson was further proof. Sampson, a leader of the terrorist EOKA organization, who has boasted of murdering Turks and Britons since the 1950's, had dedicated his life to immediate ENOSIS. He would not have hesitated to start massacring the Turks again.

While Makarios fled the country and a full-fledged civil war started on July 15, obviously a situation calling for the immediate action of the «Guarantor» powers was created in Cyprus.



## QUESTION

*What is the «Guarantee Agreement» and what obligations does it impose on the «Guarantor» powers ?*

## ANSWER

First, a brief historical background:

In the 1950's Greece started actively vying for the possession of Cyprus, which was then a British Crown Colony. ENOSIS, or the union of

the Island with Greece would be another important step towards the achievement of the MEGALO IDEA, the ideal of the re-creation of the Ancient Greek-Byzantine Empire. Archbishop Makarios led the ENOSIS movement on the Island and soon the EOKA secret organization, under the command of «Digenis» (General Grivas) launched a war of terror against the British and against the Turks. From 1951 onwards, Greece officially began to push for ENOSIS.

The aim was two-fold: to force the British Government to leave Cyprus and also to eliminate the resistance of the Turkish Community on the Island. The annexation of Cyprus to Greece would then be easily accomplished. The opposition of the Turkish Government prevented this fait accompli. Turkey could not forsake her people in Cyprus, nor could it put her own security into jeopardy.

After a long and bitter struggle, which at times created the danger of war between Greece and Turkey, reason prevailed and in 1959 the Zurich and London Agreements were signed, which in turn paved the way to the 1960 Constitution, establishing the Independent Cyprus State on August 16, 1960.

For extra measure, the three Governments signed a guarantee agreement as an annex to the 1960 Constitution. Article IV of this agreement stipulated that in case the independence, territorial integrity or security of Cyprus and the Constitution were violated the three Governments would immediately consult one another in order to take the necessary measures and precautions.

If common or concerted action was not possible, each of the «Guarantor» powers would then have the right to take unilateral action to put an end to violations and to restore the independence, territorial integrity and security of Cyprus.



#### QUESTION

*Why was it necessary for Turkey, U.K. and Greece to guarantee this new State and its Constitution ?*

#### ANSWER

Obviously, the Cyprus problem was a unique problem in the annals of history and therefore the solution had to be a «sui generis» solution. Agreements and the consequent Constitution were based on concessions made by all of the parties. It established an admittedly delicate, even a fragile structure.

To mention one aspect, there is no Cypriot Nation. The two Communities, the Turkish and the Greek, are strongly nationalistic with strong emotional ties to their «mother countries». Furthermore, in the geographical and historical context of Cyprus, the relationship between the numerically larger Greek Community and the Turkish Community could not be a simple majority-minority relationship. To preserve this delicate, fragile structure, to strengthen this new State, the Constitution necessarily contained intricate clauses, providing certain guarantees against ENOSIS, that is union of the Island with Greece or against the so called «Double Enosis», the partition of the Island between Turkey and Greece; there were also safeguards against the oppression of the smaller Turkish Community by the Greeks.

Guarantees on paper would not suffice; goodwill of all concerned was necessary to ensure the survival of Independent Cyprus. Consequently, a guarantee agreement was signed.



## QUESTION

*Why did Turkey act alone on July 20 ? Why was there no joint action by the three Guarantor Powers ?*

## ANSWER

Greece, as the main culprit, the real violator of the peace, security and territorial integrity of Cyprus, had forfeited her rights as a Guarantor Power. Turkey, on the other hand, was the country which was chiefly and vitally concerned.

To put it briefly again, proclamation of ENOSIS by a fait accompli, would put her own security and the security of the Turkish population on the Island in jeopardy. The existence of the Turkish community could not be entrusted to a so-called government under the leadership of a self-proclaimed murderer, Nikos Sampson. The 1960 Constitution, already violated and made practically inoperative by Makarios since 1963, had now become a dead-letter.

Swift action was necessary. The Turkish Government immediately got in touch with the British Government. The British Government hesitated. Turkish Prime Minister Ecevit, although uninvited, flew to London in order to convince the British Prime Minister personally of the necessity of joint action. Mr. Wilson and his government were surprisingly reluctant even to hold consultations on the crisis. They flatly refused to take joint action as stipulated in the agreement. Mr. Ecevit warned them that the forfeiture of their treaty obligations and subsequent results would eventually weigh on their conscience. Britain would have no moral right to blame Turkey later, for having fulfilled her treaty obligations unilaterally. Indeed, if Turkey and Britain had acted jointly at that time to stop the aggression in Cyprus, much unpleasantness would surely have been averted.

Mr. Ecevit has later remarked that Mr. Callaghan's irritation against Turkey probably stems from this guilty conscience.



## QUESTION

*Why is Cyprus so important for Turkey that she had to take the initiative of unilateral action ?*

## ANSWER

«The importance of Cyprus to Turkey», as William Shakespeare put it in *OTHELLO*, has a long historical background. It is quite obvious from the map that who controls Cyprus, controls the southern approaches of Turkey. The Ottomans were therefore compelled to conquer the Island from Venetians in 1571. (Cyprus, by the way, has never belonged to Greece).

It remained in Turkish hands until 1878, when the administration of the Island was turned over to Britain as a base, with the condition that it would contribute to the defence of the Ottoman Empire against Russian encroachments. Britain made Cyprus a Crown Colony in 1919, a fact which was later confirmed by the Lausanne Peace Treaty in 1923.

This, however, did not put an end to Turkish interests in Cyprus. Its strategic importance increased especially vis-a-vis the revival by the Soviet Union of the Old Tzarist ambitions over the Turkish Straits and in the Mediterranean during the Stalin era.

Equally important, three centuries of Turkish rule had left a large

Turkish population with a rich cultural heritage on the Island. As long as Britain ruled Cyprus, Turkey could be reasonably sure that this «unmovable, unsinkable aircraft carrier» as it has been called, would not be used against Turkey. British rule provided a guarantee that the Turkish Community would not be oppressed or forced to migrate, as has happened in other Greek controlled areas.

●

#### QUESTION

*Turkey and Greece have been friends or allies since the 1930's. Why would Turkey object to annexation of Cyprus to Greece ?*

#### ANSWER

Turkey, after her victory against invading Greek Armies in 1922, had indeed made a great effort to build the Turkish-Greek friendship. But it is now apparent that this was mainly a one-sided effort. The MEGALO IDEA was not a mere fantasy which disappeared when the invading Greek armies were defeated in Anatolia (Asia Minor) in 1922. Even the friendship created by Atatürk and Venizelos in the 1930's and common threats from the North which brought the two countries into a military alliance within the framework of NATO had not extinguished this ambition. Nourished by the Greek textbooks and by the Greek Orthodox Church, MEGALO IDEA has lived in the hearts and minds of modern Greeks. The ultimate ambition is the conquest of a large part of Asia Minor (present Turkey), including Istanbul, Izmir and Trabzon !

ENOSIS would be a prelude to the fulfillment of this centuries-old dream. In 1947, the annexation to Greece of the Dodecanese Islands, natural extensions of Asia Minor, in the Aegean Sea and over its continental shelf, was an important step in the direction of MEGALO IDEA. Turkey at that time did not object, in consideration of existing Turkish-Greek relations. But she was being encircled; Greece was trying to make the Aegean a Greek Lake. Union of Cyprus with Greece would complete the circle. Also, as it had happened elsewhere, especially in Western Thrace and on the Dodecanese Islands, the Turkish population of Cyprus would be forced out, and this time with the EOKA terrorists in control, more brutally so!

●

#### QUESTION

*Has MEGALO IDEA found official political expression in contemporary Greece ?*

#### ANSWER

Yes. As a matter of fact, no Greek politician or high official can openly tell the Greek people that MEGALO IDEA is an absurd and comical notion at a time when the last remains of existing empires are crumbling down.

As mentioned before, the official Greek Orthodox Church still keeps this dream alive and it does have a strong influence on the Greek people.

#### QUESTION

*Greece and Turkey, both being allies within NATO, would encirclement be a real threat for Turkey ?*

#### ANSWER

Cyprus, at the crossroads of the Mediterranean, is of vital importance to super powers, but it is of more importance to the security of Turkey. Turkey cannot entrust her long term security to Greece, even if she is a NATO ally. Even now, Turkey's Western Aegean approaches and her Aegean interests are in jeopardy due to Greek control of the Dodecanese Islands.

Although, supposedly an ally, Greece has so far turned a deaf ear to Turkish requests for reaching an agreement on the Aegean sea and on the problem of the Aegean continental shelf. These islands which were supposed to be demilitarized according to treaties, have been fortified in recent years and obviously against Turkey.

Who could guarantee that Greece would always remain in NATO, and would not one day join another camp to fulfill her MEGALO IDEA ambitions? Recent events have confirmed these fears. First, the Greek Junta, miscalculating Turkey's determination, attempted a quick take-over in Cyprus. Now the new, supposedly democratic Government of Caramanlis has chosen to avenge its humiliation over Cyprus by quitting NATO.



#### QUESTION

*Would not an independent Cyprus under President Makarios satisfy Turkey's strategic and security apprehensions ?*

#### ANSWER

This obviously was the hope in 1959. Turkey earnestly hoped that an independent, neutral Cyprus with three-power guarantees, both against ENOSIS and Partition, would prevent the use of the Island against Turkey and also allow for the peaceful coexistence of the Turkish and Greek Communities.

But unfortunately, this was a short-lived dream. The international agreements and the Constitution were based on the good will of all concerned. Within a couple of months after the establishment of the Republic in 1960, it became evident that Makarios and his Greek Cypriot government did not have this goodwill.



#### QUESTION

*What about the Constitution ? Why did it not work ?*

#### ANSWER

«President» Makarios and his Government were determined not to make it work from the very beginning. They had apparently signed it in 1960 to gain time and to pull the wool over the eyes of Turkey. As the Greeks held the majority of the posts in the administrative,

legislative and judiciary branches, they effectively sabotaged the implementation of the provisions of the Constitution. They discriminated against the Turks and violated the Constitution. Turks were considered second-class citizens. Makarios, who had personally signed the Constitution himself a few months before, said that the Constitution was unworkable. He proposed to change the Constitution.

It was true; without his goodwill it could indeed not work. His objectives were clear: In flagrant violation of the letter and spirit of the Constitution, he did not even think it was necessary to hide that ENOSIS was his ultimate aim. He would achieve this aim by erosion of Turkey's patience and by erosion of the Turkish population. The Turkish Government repeatedly warned him that it would not stand for unilateral revisions of the Constitution. But Makarios continued his acts of terrorism. On January 1, 1964 he announced that the Constitution, together with the Zurich and London Agreements, were abrogated.

To put the recent Turkish action and subsequent events into their proper perspectives, one has to remember the tragic events of 1963, 1964 and 1967. These events have never been fully realized by world public opinion.

Starting with the infamous «Christmas 1963 Massacre» Makarios and his EOKA terrorists, with the support of Greek Governments of the time, attempted to achieve ENOSIS by terrorization and elimination of the Turkish population of Cyprus.



#### QUESTION

*What was the 1963 Christmas Massacre ?*

#### ANSWER

Between 21 December and 24 December 1963, armed EOKA bands attacked Turkish homes, villages and hamlets and massacred women and children in cold blood. The photograph showing the three murdered children and their mother in a bathtub, to this day remains a tragic symbol of that period and a sad commentary on man's inhumanity to man.

These attacks and massacres were repeated in 1964 and again in 1967, when Turkish villages were surrounded by superior military forces and Turkish people were again killed wholesale. Turkish protests again fell on deaf ears throughout the world.

In violation of the Constitution, Greek Cypriots had formed regular National Guard units and again in violation of the Constitution the Greek Government had smuggled regular army troops, officers and heavy weapons into the Island. The delicate balance set up by the 1960 Constitution was upset and the Turkish population was at the mercy of the Greeks.

In 1964 the Turkish Government, after futile attempts to alert world public opinion and to persuade the two other guarantor powers to a joint action, was obliged to send her jet planes on a limited warning operation. Turkey warned that if joint action or U.N. intervention was not forthcoming, she would be forced to intervene unilaterally. But at the end she again showed restraint.

It is indeed a sad note that world public opinion was more concerned with the flight of the Turkish jets or a possible Turkish action than with the massacre of the Turks.

## QUESTION

*What happened in 1967 ?*

## ANSWER

When Greeks again attacked Turkish villages in 1967, and it was apparent that there were illegal Greek troops in Cyprus, Turkey, after again consulting with the other guarantor powers and having had no satisfaction from them, warned that she would act unilaterally. Last-minute efforts by the United States and at the United Nations convinced the Athens Government to withdraw her troops which she had illegally smuggled into Cyprus. Turkey again refrained from acting; she again hoped that a peaceful solution would be reached through the mediation of the United Nations or of friendly countries. Danger of war was averted.



## QUESTION

*Was anything done to find a permanent solution to the problem ?*

## ANSWER

In 1964 the United States mediated to bring about a solution. Dean Acheson, a former Secretary of State of the US, in consultation with all parties, devised a partition plan which could have worked. This plan involved important concessions on the part of Turkey. The Turkish Government was willing to reach an agreement and to put an end to a problem which caused ill feelings among two NATO allies. But Greeks refused the plan. Similarly, efforts by UN Mediators failed due to Greek intransigence. It was quite obvious that they would not settle for anything short of ENOSIS.

After 1968, when negotiations for the revision of the Constitution between the representatives of the two Communities started, talks dragged on and on, again due to Greek intransigence. Makarios effectively sabotaged the negotiations.



## QUESTION

*Was Makarios also aiming at ENOSIS ?*

## ANSWER

Makarios never gave up the ideal of ENOSIS despite his constitutional oath to the contrary. Even as the President of «Independent» Cyprus, he continued to voice his dedication to this ideal on every occasion. But after the experiences of 1964 and 1967, having realized that Turkey would react immediately to a union with Greece, he was acting cautiously and bidding his time. Especially after the coup in Athens, he played the game of a «neutral, independent Cyprus». He would surely one day unite Cyprus with Greece, but in his own time and by his own methods.

As Premier Ecevit once remarked, Makarios probably wanted Cyprus to annex Greece, and thus become the sovereign of the new Greek Empire !

## QUESTION

*What happened after 1967 ?*

## ANSWER

It had become quite evident by 1967 that the 1960 Constitution was now completely inoperative due to the policies of Makarios and his administration. They literally forced the Turks into their enclaves. Turks were obliged to defend themselves against Greek oppression by establishing their own autonomous administrations. Only assistance from the home country could keep them going economically. Their only protection against Greek harassment and terror was the lightly armed Turkish Home Guard. While the Greeks, under pressure from the United Nations were obliged to enter into negotiations for the revision of the Constitution and for a radical solution of the problem, they continued their old tactics for oppression and elimination of the Turkish Community.

It is a sad commentary on the attitude of world press, the U.N. observers and the U.N. Peace Keeping Forces in Cyprus, that what happened between 1967 and 1974 has gone unreported. The same had been true for the massacres of 1963, 1964 and 1967.

Negotiations continued through U.N. mediation between the representatives of the two communities and later with the participation of the representatives of Turkish and Greek Governments. Makarios saw to it that no concrete results were obtained. While the talks dragged on and on since 1968, Turkish Cypriots were subjected to «Salami Tactics». Without an outlet to the sea, and without any access to airports, Turks were practically under siege in their Ghettos. The Turks were denied their share of international aids.

Their economic development was made impossible. They were at the mercy of Greek Cypriot authorities for all sorts of supplies, for water, for electric power and for fuel. Greeks would cut off these supplies at will and put pressure on the Turks. There has accumulated a long catalogue of Greek «dirty tricks» played on the Turkish community, from denial of birth certificates to denial of passports, even refusal of burial of the dead. The movement of Turks on the Island was controlled and often hindered. Turks were not issued passports if they wanted to leave for Turkey or for the U.K., or were refused entry when they wanted to return to Cyprus. But Greek Cypriot authorities issued passports immediately to those Turks who desired to migrate to Australia. Greeks clearly wanted to erode the Turkish presence in Cyprus. And of course there always was the threat of renewal of the 1963-64-67 massacres. And the threats were carried out in an unprecedented scale.



## QUESTION

*Did not the presence of the U.N. Peace Force prevent these acts?*

## ANSWER

Unfortunately, the U.N. Peace Force has never been a peace force in the true sense of the word. With rather ambiguous terms of reference, UNFICYP (U.N. Peace Force) has failed to perform its duties. The U.N. Force has been unable or unwilling to protect the Turks from massacres and from other various forms of oppression. It failed to prevent the smuggling of arms, Greek soldiers and officers into Cyprus after 1963 and again after 1967.

During the recent events, U.N. Forces have again failed tragically in their duties, when they were unwilling or unable to prevent Greek excesses and murders against Turkish Cypriots.

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#### QUESTION

*Did Greece send arms and troops into Cyprus after 1967 ?*

#### ANSWER

Yes. Although, they formally withdrew their armed units in 1967, they soon again resumed smuggling men and arms into Cyprus secretly. Due to this, the delicate balance of forces on the Island was upset.

Prior to July 15, 1974, there was on the Island a strongly armed National Guard Army of about 20,000 men under the command of Greek Officers, a sizeable Police Tactical Reserve force of several thousand men and armed EOKA and AKEL (Communist) bands. In addition to all these, there was the Greek Regiment which was «legally» in Cyprus according to treaties. These heavily armed forces confronted a lightly armed Home Guard of the Turkish Community, composed of poorly trained volunteers, who were defending their homes.

There was also the Turkish Regiment, stationed in Cyprus according to treaties, as a balance to the Greek Regiment. But in strict conformity with treaty obligations, the Turkish Regiment refrained from intervening in inter-communal matters. Turkey wanted to avoid the possibility of a clash between the Turkish and Greek regiments, which could then lead to a Turkish - Greek war.

Especially on July 15, 1974, when the Sampson coup took place, Turks in Cyprus were at the mercy of superior Greek forces. When the Turkish Forces landed on Cyprus, it was met by a stiff resistance of these superior forces, which were entrenched in heavy fortifications prepared since 1963.

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#### QUESTION

*What was the reason for the coup against Makarios ?*

#### ANSWER

Both the Greek Government and Makarios wanted ENOSIS. But, as explained before, Makarios waited for the right occasion. He was in no hurry. Whereas the Junta was in a hurry; they needed a quick victory in Cyprus to cover up for their internal problems and failures. They also wrongly calculated that Turkey, which had refrained from action on two other occasions in 1964 and in 1967, would not intervene. Turkish patience and conciliatory attitude was wrongly interpreted as indifference. The Junta saw Makarios as the man delaying ENOSIS and preventing an easy victory. He had to be eliminated, and of course, the turn for the elimination of the Turkish community would come later. On July 20, when Turkish Armed Forces landed on Cyprus, the plotters must have realized their tragic mistake.

## QUESTION

*What happened after the Turkish military action ?*

## ANSWER

As Premier Ecevit had predicted, the first result of the Turkish action was the collapse of the illegal government of Sampson in Cyprus and of the Junta Government in Athens. The fatal miscalculation of the Junta had made its position untenable and Mr. Caramanlis was invited to Athens from exile to restore democracy. In Cyprus, Glafkos Clerides replaced Sampson as the head of the Greek Administration.

After occupying a small bridgehead in the region of Kyrenia, the Turkish Armed Forces obeyed the cease-fire call of the United Nations Security Council on July 22, 1974. Hopefully, an agreement could now be reached to restore peace and order in Cyprus and to establish a constitutional order which would guarantee the security and legitimate rights of the Turkish Community. The Turkish Government went to the first Geneva Conference with this purpose and with this hope.



## QUESTION

*What happened at the first Geneva Conference ?*

## ANSWER

Obviously, the mission of the Turkish forces and the purpose of the Turkish action was not limited to the dismissal of Sampson in Cyprus and to the establishment of the Caramanlis Government in Greece. Turkey was determined to solve the Cyprus problem once and for all. Especially since 1963, her patience had worn thin. Turkey was now determined that a radical solution of the problem should guarantee not only the existence of the Turkish population in Cyprus but also involve strong safeguards for the economic and social development of the Turkish community. Turks should be allowed to live without fear of being oppressed or massacred. They should cease to be second-class citizens squeezed into Ghettos. They should have equal rights and opportunities within the framework of a free and independent Cyprus.

Equally important, there should be strong safeguards against ENOSIS (and Partition). Turkey wanted assurances that MEGALO IDEA was indeed dead, and that Cyprus would never be used against Turkey as a base, either by a Greek government or by a «neutralist» Cyprus government in collusion with foreign powers.

Turkey hoped that these principles would be accepted at the first Geneva Conference paving the way to a second Conference where permanent peace would be established. And indeed, the joint declaration signed by U.K., Turkey and Greece issued at the end of this Conference (July 25-30) seemed to answer minimum Turkish requirements and could well serve as a beginning. Among other things, the Declaration officially accepted and confirmed that the Turkish action of July 20 and the presence of Turkish Armed forces in Cyprus were legitimate and justified. At the same time, existence of two autonomous administrations of Greek and Turkish Communities was officially confirmed.



Establishment of peace in Cyprus and reestablishment of constitutional order would be taken up in a second conference among the three guarantor powers with the participation of the representatives of the two communities. Turkish Armed Forces would be reduced in stages after permanent peace and order were established on the Island.



#### QUESTION

*Is it true that Turkey's real intention was to carve a slice for herself in Cyprus and that she was gaining time for preparations through the Geneva Conference ?*

#### ANSWER

No, it is not true. Turkey made it quite clear from the very beginning and on several occasions that she did not want to conquer the whole or a part of Cyprus. If she had such an intention, her battle plans would have been quite different, and she would have reached her objectives without any difficulty. The Turkish Forces acted with limited objectives, always hoping that its foothold would serve the purpose of preparing the grounds for a peaceful settlement. Turkey accepted the cease-fire call with the best of intentions.



#### QUESTION

*What happened after the First Geneva Conference ?*

#### ANSWER

While Turkey adhered to the terms of the joint declaration, Greeks dragged their feet on their obligations. They did not evacuate the Turkish villages and enclaves in their region and they did not release the Turkish hostages who were being kept under inhuman conditions in open violation of the Geneva Declaration.

At the same time, violations of cease-fire continued, while Greeks harassed Turkish positions and while they prepared for an eventual attack. Massacres by the Greek National Guard and EOKA members had not ended. But Turkey still earnestly hoped that a permanent solution to all these would be found at the second Geneva Conference.



#### QUESTION

*What was the Turkish suggestion for a permanent solution at the Second Geneva Conference ?*

#### ANSWER

Turkey did not want the whole Island nor did it believe in the partition of Cyprus. The Turkish Government made this clear from the very beginning. The complicated 1960 arrangement, based on an intricate

Constitution had not worked. After all that had happened, it would be impossible to return to this system even if minor amendments were to be made. A new system with built-in guarantees and safeguards had to be devised under the light of past tragic experiences. The Turkish population could not be left at the mercy of the Greeks, nor could Turkey's security be left in jeopardy under the constant threats of ENOSIS.

The Turkish formula is simple: an independent Cyprus Federation, based on two geographically separated, autonomous administrations. These two administrations would have autonomy in their internal affairs, in matters of internal security, economy and education. The Turkish Administration would have access to harbours and to airports, allowing for its economic development. The formula envisaged a Turkish region of approximately one third of the Island covering the northern part of Cyprus. This concurred with the fact that Turkish land holdings on the Island are more than 30% of the total area.



#### QUESTION

*What happened at the Second Geneva Conference ?*

#### ANSWER

The Greek Government and the Greek Cypriots came to the Second Geneva Conference in an intransigent mood. They felt that world public opinion was now on their side due to the return of partial democracy in Greece. They believed that they could now negotiate from a position of strength. They did not even accept to negotiate the Turkish formula. Their contention was that the conference should not go into the details of a permanent peace and the establishment of a new constitutional order.

Their first condition was to discuss the evacuation of the Turkish Forces in Cyprus. They insisted that the establishment of permanent peace and constitutional order should be discussed only between the two communities. They seemed to be dictating their terms as if nothing had happened.



#### QUESTION

*Is it true that Turkey came to Geneva determined to continue its military action ?*

#### ANSWER

There was no reason for Turkey to resort to such a trick. If she had indeed desired to carve a territory by military means, she would not have obeyed the cease fire order in the first place.



#### QUESTION

*Is it true that Turkey was «unreasonable and arbitrary» in the Conference as British Foreign Minister Mr. Callaghan said later ?*

#### ANSWER

On the contrary, the Turkish Delegation was flexible. But the Greeks were unreasonable and were using tactics to mobilize the world public

opinion. Turkey had made its proposal of Geographical Federation known at the very outset of the Conference. Greeks never accepted to consider it. Then the Turkish Delegation made a most conciliatory offer: instead of a Federation based on two regions, Turkey was willing to accept a Federation based on various autonomous Turkish Cantons. Turkey asked only that Greeks accept this formula in principle - details could be worked out later. But, as these negotiations were bound to continue for a long time, Turkey asked that her military foothold be increased to 17 percent of the Island.



#### QUESTION

*Would 17 percent be the total area of the Turkish Federated Administration ?*

#### ANSWER

No, it would become one of the Turkish Cantons. Other predominantly Turkish areas would also be made Turkish Cantons. Since contact and communication between these separate small Cantons would be through Greek-controlled areas requiring Greek goodwill in the future, it was not a desirable solution for Turkey.

But the Turkish Delegation made this major concession, to convince the Greeks and the world that Turkey was not dictating terms as a victor. If this conciliatory proposal had been accepted, it would have been a sign of goodwill on the part of Greece to facilitate the discussion of further details.

As it was, the Turkish Forces were squeezed in a small strip, a triangle south of Kyrenia. They had no elbow room to move around. As they were concentrated in a narrow region, they were vulnerable to attacks. An aerial bombardment could easily decimate the Turkish Army. In case of a land attack, without adequate room for maneuvering and without proper defensive positions, the Turkish Forces would be at the mercy of the Greeks.

And indeed the Greeks were preparing for an all-out attack against the Turks. They were laying mines around the Turkish Forces and making preparations to bring new forces from Greece. Time was running against Turkey. Turkey wanted an agreement in principle and minimum guaranties in Geneva. But Greeks were unwilling to compromise.



#### QUESTION

*Mr. Callaghan has said that if Turkey had accepted the 36-hour delay requested by the Greeks and supported by himself, an agreement would have been reached. Is this so ?*

#### ANSWER

Mr. Callaghan is perhaps not familiar with Greek negotiation tactics, which Turkey knows only too well. Since 1967 for example, inter-communal talks dragged on and on because of these tactics.

The additional 36 hours requested by the Greeks was not due to a sincere effort to reach an agreement. The Greeks, who had stalled the talks

for six days without agreeing even to consider a single Turkish proposal, needed time for two reasons: one was, their hope to launch a surprise attack on the Turkish Forces. The Greek Military Command was split on the chances of success, but plans for an attack were being prepared. Secondly, they were trying to persuade various governments to intervene against Turkey or against the Turkish Forces.

So, the Greeks needed time, but Turkey, with all her past experiences could not allow herself to fall into this Greek trap. The risk was too great.



#### **QUESTION**

*What happened after the second Geneva Conference ?*

#### **ANSWER**

When it had become quite clear that the Greeks were playing for time in Geneva and that they had no intention of reaching an agreement, or even of complying with the Geneva Agreement of July 30, which they had signed, the Turkish Government ordered her Forces into new positions, again with limited objectives. First, massacring and oppression of the Turks had to be stopped. Then, Turkish Forces should not remain squeezed into a narrow triangle, vulnerable to possible attacks. Then most important, a permanent agreement should be facilitated by actually drawing the approximate boundaries of the Turkish autonomous region.

Turkish Forces stopped and obeyed the cease-fire call again when this objective was more or less reached on the evening of August 16 after a three-day operation.



#### **QUESTION**

*What is the position of the Turkish Government ?*

#### **ANSWER**

The official position of the Turkish Government is that the Cyprus problem can be radically solved only by mutual good will at a new Conference between the three Guarantor Powers and the representatives of the Greek and Turkish Communities. The basis for discussions should be the initial Turkish proposal: an independent federation on a geographical basis - that is, two autonomous administrations, separated approximately by the present line held by the Turkish Forces and united within an independent Federal State. The two Communities cannot, especially after all that has happened, live together, but they could co-exist within such a federation.

Turkey has invited Greece to come to this new Conference. Premier Ecevit has repeatedly said that Turkey would not act or negotiate from a position of strength of a victor, but that she would show understanding and flexibility. He has even volunteered to meet Mr. Caramanlis at a summit conference. Turkey would also be flexible on making revisions on the present line of demarcation and would speed up the phased reduction of forces. But Greece and Greek Cypriots have even refused to come half way. They have instead chosen

to attempt bringing diplomatic and international pressures on Turkey. They have chosen to put the blame on the shoulders of U.S. and NATO. Mr. Caramanlis, after having admitted that the Greek predicament was the result of the follies of the deposed Junta government, has refused to draw the proper conclusions.



#### QUESTION

*Why does not Turkey favour the Soviet Proposal for a broader Cyprus Conference, involving also the 15 members of the Security Council ?*

#### ANSWER

The fate of Cyprus concerns mainly the two communities and the two Countries, Turkey and Greece, as well as Britain as the third guarantor power.

Discussing the Cyprus issue at an 18 Nation Conference, would soon turn that Conference into an international arena, where some nations might be tempted to vote for considerations other than the real problems of Cyprus.

There are other reasons why Turkey would not favour a broader conference including many nations. To begin with, such a conference would probably drag on indefinitely and freeze the existing de facto separation of the two communities. As will be explained in the following paragraphs, these two separate communities would, in the absence of a federal administration, devise methods and procedures in order to co-exist, which would make the establishment of a workable federal system later on, difficult or even impossible.

Furthermore, Turkey believes that such a conference would become a precedent, allowing the permanent members of the Security Council to use their influence in the setting up of policies and statutes in similar cases of international concern in the future and thus infringe on the independence of the nations involved.

The Soviet Union might have legitimate worries over Cyprus. Understandably, she would not want this strategically placed Island to be used as a base against her. Turkey respects this and therefore she has been careful not to involve NATO in the matter. Also, she is against partition, which might have given cause to Soviet worries. These should be enough to satisfy the Soviet Union.

It is interesting to note that Greece favours the Soviet proposal. The reason is apparent: The Greek Government realizes that their past record in Cyprus and the recent attempt to annex the Island in violation of their international commitments, has made the Greek case totally undefensible. Greece would therefore favour a conference where the issues might get confused and where conflicting global interests might overshadow the relevant problems of Cyprus.



#### QUESTION

*Will the Turkish Plan for Federation necessitate an exchange of populations ?*

#### ANSWER

The Turkish formula does not envisage or stipulate a forceful exchange. Under the Turkish system, Greeks and Turks could remain where they are. With a balance between two people living in one another's autonomous regions and with enough federal safeguards, their

existence and development would be guaranteed. However, if Greeks and Turks wanted to move, they would be free to do so and a system facilitating their exchange could be devised.



#### QUESTION

*What does Turkey propose to do about the thousands of refugees on both sides ?*

#### ANSWER

The Refugee problem is not new in Cyprus: Since 1963, Turks have been forcibly evicted from their villages and homes by the Greeks and have suffered in caves and in tents. After the July 15 coup, many Cypriots, both Greeks and Turks were again displaced. There is indeed an important refugee problem, now involving not only the Turks but also the Greeks. Turkey would like to solve the refugee problem without delay.

This will probably require, as a first step, the return of peace and order to the Greek controlled areas; the Greeks will have to understand that defeat and humiliation on the battlefield cannot be reversed by acts of terror against defenceless civilians. It would be futile to attempt to solve the refugee problem, before law and order return to the Greek section of Cyprus.

Another obstacle is the recent threat of guerilla war against the Turkish Forces. It is not known if the Turkish Government will be inclined to accept 100,000 or more Greek refugees into the Turkish controlled areas, as long as these threats are not officially revoked to the satisfaction of the Turkish Government, because, the return of so many refugees would be an ideal opportunity for the infiltration of guerillas.



#### QUESTION

*What will happen if Greece does not accept to participate in a limited conference as proposed by Turkey ?*

#### ANSWER

Turkey has been careful from the outset not to upset the delicate balance of peace in the world and the atmosphere of detente between the super powers because of the Cyprus problem. Unfortunately, however, Greece, by refusing negotiations has been playing a dangerous game. She strives to achieve her illegitimate and unjust claims by certain devious methods. Through these methods she is trying to mobilize the world public opinion against Turkey; she is trying to pit the countries who might have some interests in Cyprus against one another, and by provoking the conflict of interest between the super powers, she is putting detente into jeopardy.

As time passes without an effective solution and due to Greek intransigence, autonomous and separate de facto administrations of the two Communities will take root, their respective authorities will enlarge and the two communities will have to improvise certain arrangements for co-existence, and thus there will be no room left for a Federal structure any more.

This will mean de facto partition, or «Double Enosis», something the Turkish Government decidedly does not want.

At the same time, the present situation will increase and prolong the sufferings of the two Communities. It is vitally important that a solution is reached without delay.



#### QUESTION

*Will the establishment of the Cyprus Federation be the end of the Cyprus problem and of the Turkish-Greek Conflict ?*

#### ANSWER

It is evident that even the best formula, the best solution cannot work if there is no mutual goodwill.

The two communities should be able to bury their hatreds and start anew with goodwill towards each other. This will take time, but time heals. It is also apparent that a permanent solution on Cyprus cannot be reached only between the two communities. Turkey and Greece should reach agreement on all issues. This would not only involve the problems of Cyprus, but the whole gamut of problems which have been poisoning the relations between the two countries. Profiting from the tragic experiences of the recent events, Turkey and Greece should earnestly try to solve, once and for all, most of these problems. Unless this happens, Turkey and Greece will not be able to establish real friendship or co-operation and Cyprus will continue to be the focal point of their conflict as well as a problem of international concern.

Turkey and Greece should be friends. A brief look at the map will confirm this. Prospect of peace and common problems are surely more important than memories of the past and dreams of grandeur. For one thing, Greeks should be able to get over the memory of their defeats and over the dreams of past Empires.

Prime Minister Ecevit has been a sincere advocate of Turkish - Greek Co-operation and has repeatedly expressed his willingness to offer a hand of friendship. It is quite evident why the Junta Government did not accept this offer. But surely Mr. Caramanlis can. The first step is to start where Atatürk and Venizelos left in the 1930's. They had laid down the foundations of friendship and co-operation in the worst of circumstances, right after a bitter war. Other countries have been able to bury centuries-old animosities and hatreds. Most recently, France and Germany have shown the way. Surely, with some goodwill and understanding on both sides, Turkey and Greece could do the same. There is no other alternative.

**CYPRUS is not just an island! It can be many things to many people: a beautiful, sunny island for the tourists, a land of archeology and history where many civilizations have left their imprints, and for foreign powers, a focal point of conflicting strategic interests.**

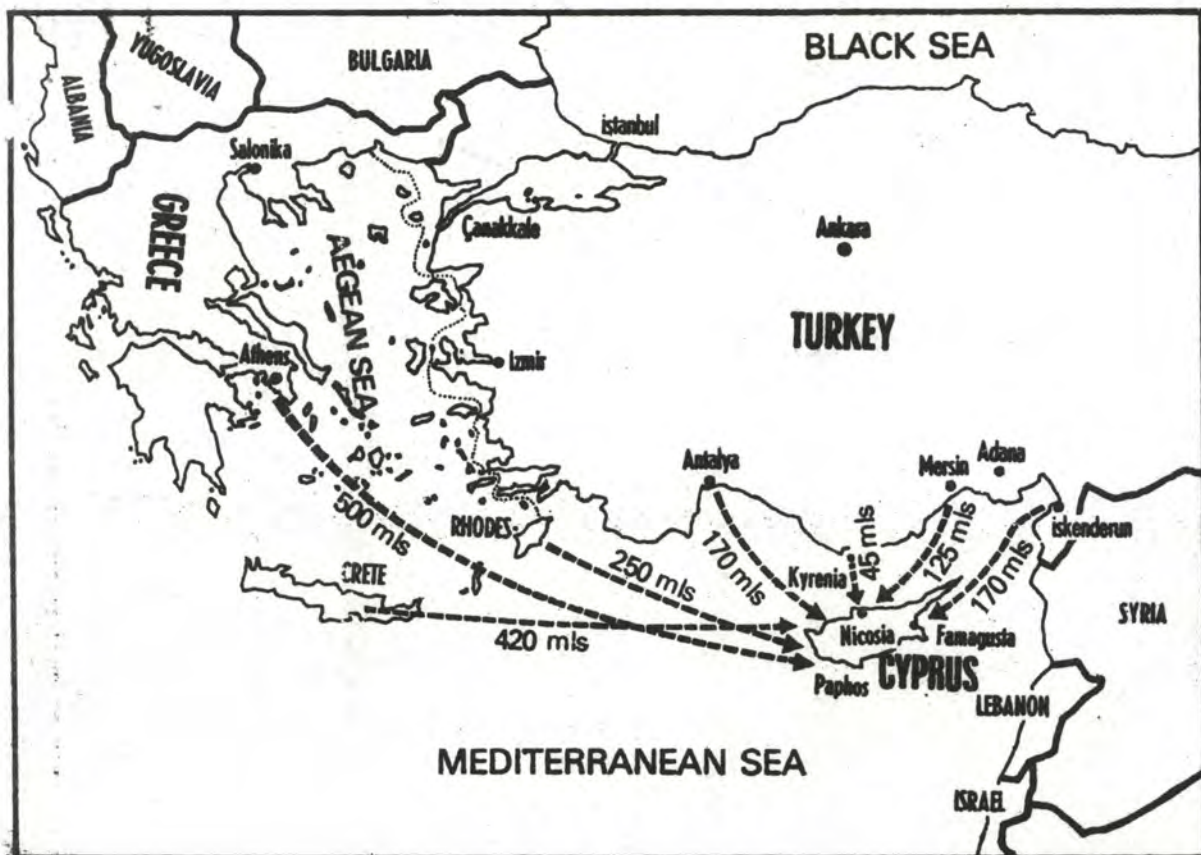
**But for the Turkish and Greek people of the Island, it is a home - a place where they have lived as culturally distinct communities for many centuries. For Turkey, the Island, which lies only some 40 miles from her shores, is of tremendous strategic importance: in unfriendly hands, this Island can be a virtual dagger pointed at the heart of Turkey.**

**Recent events have brought Cyprus into the fore-front of world affairs. Reading the news about the conflict, one might think that this has erupted suddenly. We also know that there are people abroad who think Turkey is an aggressor trying to «carve a territorial slice» for herself in Cyprus.**

**As we have tried to explain in the preceding pages, Cyprus is not a new problem. What is happening today is the culmination of tragic events which have taken place in Cyprus for more than twenty years. The tragic story of Cyprus - particularly the tragic story of the Turkish people on Cyprus - is a story of massacres, Byzantine intrigues, diplomatic tricks and also a story of the patience of a heroic people who have been oppressed in their Ghettos as second-class citizens. It is also a story of Turkey's patience despite provocations.**

**We believe that Cyprus is mainly a human problem with sad details of man's inhumanity to man. and we believe that these facts should be made known to all people who are concerned with the human aspects of the problem.**





#### CYPRUS : VITAL STATISTICS

Total Area : 3,572 square miles  
 Population : 650,000  
 Greeks : 520,000 (app.)  
 Turks : 120,000 ( " )  
 Other : 10,000 ( " )  
 Capital : Nicosia (Lefkoşa)

#### BRIEF CHRONOLOGY

- 1571 : Turks Conquer Cyprus from Venetians  
 1878 : Turkey turns over the administration of Cyprus to Britain  
 1919 : Britain proclaims Cyprus a Crown Colony  
 1945 : Greeks start the ENOSIS movement on the Island  
 1954 : Makarios and Grivas form the EOKA terrorist organization and terrorism starts in Cyprus  
 1955 : First Cyprus Conference in London (Turkey, UK and Greece)  
 1957 : Cyprus question discussed at the UN  
 1959 : Zurich-London Agreements for establishment of an Independent Cyprus signed  
 1960 : Constitution of Cyprus is promulgated and Republic of Cyprus proclaimed  
 1960 : Makarios is elected President, Dr. Küçük is elected Turkish Vice-President  
 1963 : Makarios attempts to revise the Constitution unilaterally  
 1963/64 : Massacres and attacks against Turks.  
 1964 : UN Peace Force sent to Cyprus  
 1964 : Turkish Jets fly over Cyprus to stop Greek attacks on the Turkish Community. Turkey refrains from military action  
 1967 : Greeks attack Turkish villages and Turkey refrains from military action, when Greece agrees to withdraw illegal forces from Cyprus  
 1968 : Intercommunal Talks start  
 1971 : Grivas secretly returns to Cyprus and forms the EOKA-B terrorist organization  
 1974 : Premier Ecevit proposes Federation; Makarios refuses  
 1974 : July 15 : The Greek Government stages a coup against Makarios  
 July 20 : Turkish Armed Forces land in Cyprus  
 July 22 : Cease-Fire  
 July 25-30 : First Geneva Conference  
 Aug. 8-13 : Second Geneva Conference  
 Aug. 14 : Turkey resumes military operations  
 Aug. 16 : Cease-Fire