
TÜSİAD

GUIDE TO BUSINESS AND

INVESTMENTS

IN TURKEY

1986



TURKISH INDUSTRIALISTS AND BUSINESSMEN'S ASSOCIATION

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TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION.

MEMORANDUM OF TÜSİAD'S FOUNDERS

AGREEMENT

We, the undersigned, agree, collectively, to undertake, on detailed terms to be agreed, to assure and provide the financial support necessary for the continued maintainance and fulfillment of the stated objectives of the Turkish Industrialists' and Businessmen's Association. We make this undertaking in the knowledge that the Association has been founded with the objective of contributing, in compliance with the economic principles laid down and envisaged in the Constitution of the Turkish Republic and the ideals of Atatürk, the Republic's founder, to Turkey's development through democratic and planned processes to this country's achieving the standards of living and industrialisation already reached by the Western industrialised world. The Association shall make its contribution to this development by bringing together, in harmony, and taking the maximum possible advantage of the knowledge, activities and experience of members of the professions, academics, businessmen and industrialists.

Date: April 2, 1971

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INTRODUCTION

TUSIAD - The Turkish Industrialists and Businessmen's Association was founded in 1971 by a group of leaders of Turkish industry who saw the need for an independent, non-profit organisation which would seek to improve the quality and effectiveness of free enterprise through research and development, and the wider dissemination of business information.

Within the context of Turkey's adoption of the principles of an outwardly-oriented free market economy, TUSIAD's role in regard to the overall business environment, fiscal matters and, particularly, foreign investment opportunities, has gained still greater importance. Its membership embraces the foremost names in the Turkish business world and their fields of interest in regard to joint ventures and other forms of co-operation with foreign investors cover virtually every sector of modern business endeavour.

This survey has been prepared with the objective of providing potential foreign investors with as much information concerning the business climate in Turkey, and the regulations governing and attitudes towards foreign investment as is practicable in a single, modestly-sized publication. It is fully appreciated that this is not a comprehensive survey but TUSIAD will welcome readers' enquiries for more information and will gladly furnish detailed explanations of any points which are of particular interest to any reader.

In great measure, TUSIAD will have achieved its objective if this survey succeeds in stimulating a connection between foreign and Turkish investors and entrepreneurs and at the same time provides them with mutually beneficial information.

SAKIP SABANCI
Chairman of the Board

Istanbul, April 3, 1986

CHAPTER I

GENERAL INFORMATION

1. Geography and Climate

Turkey is uniquely situated at the junction of Europe and Asia and may be described as the bridge between two continents. The Republic of Turkey has an area of 781,000 sq.klms., which is three times the size of West Germany and England put together. Its location on two continents gives the country a major advantage in serving the markets of Europe, the Middle East, and North Africa. Turkey shares common borders with Greece and Bulgaria in the northwest, with the USSR in the north and east, with Iran to the east, and with Iraq and Syria to the south. Many of the markets in the Middle East are close enough to be served by trucks. Turkey also operates shipping ports on four seas; the Black Sea in the north, the Aegean in the west; the Mediterranean in the south, and just south of Istanbul, the Sea of Marmara. These are connected by the Bosphorus and the Dardanelles.

The topography is extremely varied and climatic conditions differ widely between regions. The country consists of a highland plateau surrounded by mountainous areas in the east and fertile plains in the coastal regions. The climate of the west and south is humid, and temperatures range between 10 and 25° Centigrade. The Black Sea coast has rainfall all through the year and the temperature ranges between 6 and 21° Centigrade. Anatolia has a steppe like climate which is hot and dry during summer, cold and wet in the winter, and the minimum and maximum temperatures are 1° and 27° Centigrade, respectively.

2. Population

The population of Turkey was 51.4 million at the October 1985 census. During the past decade, population growth averaged some 2.6 percent per year. Although, there has been considerable migration to the towns, approximately 46 percent of the population still lives in rural areas.

Ninety-nine percent of population are Moslems and there are small Chistian and Jewish minorities. The population is concentrated in the west of the country and especially along the coast. Istanbul, with approximately 6 million inhabitants, is the largest city and the center of industry and commerce. Ankara, the capital city, has

3.4 million inhabitants. The other large cities are Izmir with 2.3 million inhabitants and Adana with 1.6 million.

3. The City of Istanbul

Area is 5711 square kilometres. Population is about 6 million. Minority ethnic groups are Armenians, Jewish and Greeks. Expansion or, more accurately, explosion has violently transformed Istanbul over the course of the last three decades. The city has two parts, one in Asia and the other in Europe separated by the Bosphorus across which is a bridge connecting the two continents, and a second bridge is being built. The European part of Istanbul has two sections: the Old City and Beyoglu (called Pera), connected by three bridges across the Golden Horn.

Istanbul is Turkey's manufacturing and commercial centre, it accounts for 40% of the country's industrial output and 400,000 workers produce about 60% of all export's of manufactured and processed goods. Heavy and light industry abounds in and around the City-shipbuilding, glassware, textiles, leather goods, cigarettes, chemicals, foodstuffs, motor vehicles and parts, domestic appliances, pharmaceuticals, metal products - the list is endless. The noise factor in Istanbul is 70.6 dB.

The Headquarters of most of the largest groups of private companies and of the banks are located in Istanbul, as are all the secondary banking establishments and three special finance houses. Almost all the foreign investment companies operate in or near Istanbul, or at least have offices there.

Weather changes are remarkable throughout the year. Winters start with cool breezes and rains from mid-September onwards. The sombre mood set in by fog and damp resembles the supposedly typical English weather. Temperature drops fast, reaching its climax in January and February

Snow should be expected any time between December and March. The beginning of April and May are synonymous with spring but usually cool. Suddenly in late May comes Summer in all its might and sunshine.

POPULATION (in thousands)

	1980	1985	Changes
Population	44,737	51,421	2.8%
- Rural	25,092	23,828	-1.0%
- Urban	19,645	27,593	7.0%
Urban(% of total)	43.9%	53.7%	
Age Under 24 Years	26,451	..	
Youth Ratio	59.1%		

Source: SIS

4. Transportation

4.1) Highways

Major international highways - such as the E.5, E.80, E.88, E.90, E.880, and E.908 - link Turkey with Western Europe and with the Middle East. An ever-growing volume of goods goes from, comes to and passes through Turkey by road and Turkish-owned trucks play a prominent role in this traffic. On the other hand, regular ferryboat services provide a connection between Istanbul, Izmir, Brindisi and Venice and between Mersin and Famagusta, in Cyprus. There are also non-stop ferry services across the Bosphorus (in addition to the Bridge) and across the Dardanelles.

4.2) Railways

The railways are linked to Iraq, Iran, Syria, Lebanon and the USSR in the east, and to the European countries in the west. The main railway terminal ports are Samsun, Istanbul Derince, Bandirma, Mersin and Iskenderun.

4.3) Airways

Turkish Airlines (THY) has scheduled flights to the main cities of Europe; London, Paris, Zurich, Geneva, Frankfurt, Vienna, Amsterdam, Munich, East Berlin, Milan, Copenhagen, Rome, Tel Aviv, Tripoli and Ercan (Cyprus): the numerous other destinations are soon to be added. In addition, THY has transfer cargo services to those cities where it has no regular flights. Domestic services provide scheduled flights to 15 provincial capitals. In addition, Bursa Airlines, a private airline company, has flights between Istanbul and Bursa and at least two more Turkish private airlines are expected to begin operations soon.

4.4) Sea Transport

The main seaports are Istanbul and Izmir; other include Mersin, Iskenderun, Antalya, Tekirdag, Hopa, Trabzon, Giresun, Ordu and Kusadasi. Turkish cargo lines operate regular sailings to North and South US ports, to the principal European ports and to North African ports; several Turkish private shipping companies also operate regular foreign services and, overall, the Turkish merchant fleet operates world-wide.

5. International Relations

Turkey is a charter member of the United Nations and participates in many of its specialized agencies. Turkey is a member of NATO of the Council of Europe, the World Bank, the IMF, and the OECD. In addition, Turkey is a party to the GATT. Turkey is also a member of the Organization of Islamic Conference and Islamic Development Bank, and is a member, together with Iran and Pakistan, of the RCD (Organization for Cooperation in Development). In 1963, Turkey concluded an Association Agreement with the EEC. In 1970, a supplementary agreement was entered into between Turkey and the EEC, providing for a transitional second stage of Turkey's integration with the Community.

CHAPTER II

FOREIGN INVESTMENT REGULATIONS

1. Introduction

The Turkish Government welcomes foreign investment as a means of facilitating the country's economic development. Each proposal for foreign investment requires a specific permit from the authorities and such permits are issued after careful review of feasibility studies and other supporting documents provided by the applicant. Foreign investments are governed by one of the two alternative regulations. These are;

- Law 6224 on the Promotion of Foreign Capital Investment, together with Framework Decree 86/10353, covers capital for investment.
- Decree No: 30 on the Protection of the Value of Turkish Currency and Communique 84/30/1 cover capital for commercial activities.

Foreign investment in the petroleum industry is subject to Petroleum Law No: 6326 and its Amendment Law 2808. Applications are made to General Directorate of Petroleum Affairs directly.

2. Types of Establishment

In principle, all legal forms are open to foreign investment including unincorporated joint-ventures (civil law partnerships). However, the legal requirements of the Turkish Commercial Code make most partnership features incompatible with the spirit of Law 6224.

Foreign investors may establish:

- A branch
- A representative office
- A new company with a local partner
- A 100% foreign company and/or
- Invest in an existing Turkish Company

In setting up an establishment as above, permission must be obtained from the FID (Foreign Investment Department of the State Planning Organisation of the Prime Ministry). Under Decree 86/10353, the FID may issue investment permits and provide investment incentives in its own right for all investment projects with foreign participation of up to US \$ 50 million. For projects with foreign participation of over US \$ 50 million, applications must be submitted for preliminary investigation to the SPO and then presented to the Council of Ministers for approval.

Decree 30, Regarding Foreign Investment, was put into effect in 1984. Within the provisions of this Decree 30 and of its related Communiqué, persons resident abroad are free to realize investments, to participate in partnerships, to open branch offices, to acquire shares and to establish bureaux, representative offices and agencies in Turkey provided that they bring the capital required for such activities into Turkey in the form of foreign exchange, that they obtain the permission of the FID, and that they perform their activities within the framework of the granted to them. The importation of intangible rights, such as patents, licences and know-how, into Turkey shall be subject to the same principles.

Persons resident abroad, who shall realize investments or commercial activities in Turkey, in accordance with the principles foreseen in Decree 30, shall register and cash the capital they have brought into Turkey at the FID. The minimum capital requirements for each enterprise is US \$ 50,000.

In case of the importation of real assets (machinery & equipment) an inspection shall be performed in accordance with principles to be determined by the FID, to determine whether or not the imported equipment and materials comply with the granted permits.

3. Incentives for Foreign Investments

In order to encourage foreign investment in Turkey, a number of specific incentives are available to foreign investors under both Law 6224 and Decree 30. Foreign investors may also benefit from the incentives available to domestic investors. Incentives may vary depending upon the economic sector or geographical location but they may be summarized as follows.

- Exemption from customs duties and other import taxes or payment of initial customs duties in installments
- Investment allowance, up to 100% of total investment depending on the geographical location of the enterprise
- Medium term credit at subsidized interest rates

It should be noted that in order to claim both tax and non-tax investment incentives offered, it is necessary to obtain an "Investment Certificate". This certificate is issued by the SPO (State Planning Organization). Application must be submitted to the SPO through FID.

FID foreign investment approvals do not in themselves constitute an incentive certificate.

4. Formation Procedures

In order for an application to be processed, a feasibility report containing the information described in the format established by the FID must be submitted. The key subjects of the format are:

- General information about the investors
- Nature and type of investment
- Investment finance
- Information concerning proposed operations
- Project evaluation

Documents to be supplied at the same time of application to the FID for investment permission are summarized below:

- Three copies of feasibility study
- Financial statements for last 2 years commitment (for legal entities)
- Foreign partner's participation commitment in the company to be established or in an existent company
- In the said commitment, the amount of the capital to be imported and the type thereof (cash or in kind) must be indicated.

Formation procedures are the same for both Decree 30 and Law 6224. However, formation procedures for foreign investments, under Decree 30 are more simple in so far as only the FID need be directly approached by the applicant for a permit.

5. Acquisition Procedure

Under Law 6224 and/or Decree 30, foreign companies may invest in an existing Turkish Company (including banks). In the case of acquisition of a bank, applications for permits should be submitted in the first instance to the FID which will then review them in consultation with other departments of Undersecretariat of Treasury and Foreign Trade (UTFT).

The FID does not have the authority to approve banking investments. It is however, the organisation which is responsible for processing the applications in the first instance and accordingly it is the FID that an intending foreign investor should first turn.

The following must be enclosed with the application to be presented to the FID in order to found a bank to open a branch, or to invest in any existing bank in Turkey.

5.1) On opening a branch in Turkey

- Articles of Association of the Bank,
- A Feasibility Report giving the reasons in detail for opening a branch in Turkey
- Balance Sheets and Income Statements of the Bank for the previous five years
- Such other documents as may be required by the FID and UTFT
- All the above to be certified by the competent authorities of the country concerned.

5.2) On making an acquisition.

- The application should be supported by a Feasibility Report in sufficient detail to enable the authorities reviewing it to take admission thereon.
- Articles of Association of the Participating Bank
- Balance Sheets and Profit/Loss Accounts of the Participating Banks for the previous five years should be submitted.

This Feasibility Study should be prepared according to the Format issued by the FID.

The affirmative opinion of the FID is necessary in accordance with Foreign Capital Law: 6224 and the permit Decree of the Council of Ministers is published in the Official Gazette in due control.

6. Work Permits For Foreign Personnel

If it is desired to employ foreigners in the company, application must be made to the FID in the first instance. A special application format is available from the FID.

7. Transfer of Dividends

Within the framework of the permit granted in relation to the investments and commercial activities realized in Turkey by real persons and legal entities resident abroad:

- Application for the transfer of profits, dividend, and the like shall be directly fulfilled by the commercial banks, upon the request of the company concerned and the FID shall be informed of the details of such transactions.
- Sales and, liquidation values shall be determined at the end of an investigation to be performed by the FID, or by any institution it may appoint to carry out such investigation on its behalf, and the Central Bank shall thereafter be requested to issue a foreign exchange transfer permit for the amount in question.

8. Utilization of Dividends

The amounts acquired by the persons (real and/or legal entities) residing abroad, from the companies engaged in business activities in Turkey in the form of dividends, profits, and sales revenues, in whole or in part of in respect of equity shares may upon request by the concerned parties and with the approval of the Undersecretariat of Treasury and Foreign Trade (UTFT), be added to the share capital or may be invested in other enterprises or fields of activity under the provisions hereof without necessitating any book transfer operations.

9. Transfer Guarantee

Foreign investors under Law 6224 or Decree 30 may obtain, on application to the FID, a Ministry of Finance & Customs endorsement to their share certificates, or temporary receipts in lieu thereof, guaranteeing repatriation of amounts due in respect of dividends, the sale of shares or of capital assets provided by the shareholder. Such endorsements concern access to the relevant currency from the Central Bank and/or the commercial banks but they make no provisions as regards exchange rates. Provided the FID is duly notified, share certificates and temporary receipts endorsed as above may circulate freely in Turkey or abroad. In the event that certificates/temporary receipts so endorsed are sold to real persons or legal entities resident in Turkey, the basis for the sale price shall be the stock market price at the time or if a stock market has not been developed the price shall be determined by the FID; certificates/temporary receipts sold locally must thereafter be presented to the FID for cancellation of the endorsement.

CHAPTER III

COMPANY LAW REQUIREMENTS

1. Business Entities

Except for farming and self-employment activities, all other business activities (manufacturing, trading services etc.) of trading entities are governed by the Turkish Commercial Law which, has been in effect since 1957. In accordance with the Commercial Law, trading entities have been grouped and defined as follows:

1.1) Personal Companies

- Sole Proprietorship
- General Partnership
- Ordinary Limited Partnership

1.2) Joint Stock Companies

- Limited Partnerships with specific capital
- Limited Liability Companies (Ltd.)
- Joint Stock Corporations

2. General Characteristics

A corporation is a legal form of organization used to carry on a business enterprise. It is recognized by law to be an entity separate and distinct from its shareholders, directors and officers. A corporation has several notable characteristics, including the power to enter into contracts and to hold property in its own name, continuity of life, and free transferability of ownership interest. Additionally, the liability of corporate shareholders for the fact of the corporation is limited to their investment in its stock. Management of the corporation is centralized in its board of directors.

Limited liability companies differ from corporations mainly in respect of the minimum number of shareholders and capital requirements. In this form of business, shares can not be issued for capital paid in by the shareholders. Limited liability companies require a minimum of two partners of capital subscribers.

3. Formation Procedures

In Turkey, companies are set up in accordance with Turkish Commercial Law No: 6762. The companies that foreign concerns establish in Turkey according to the provision of this Law, either entirely on their own or with Turkish partners, are regarded as "Turkish Companies" and are therefore entitled to all the rights granted by this Law.

Turkish Commercial Law, in its provisions governing the founding of companies, makes no distinction between Turkish citizens and foreigners, and partners and founding partners, be they Turks or foreigners, are entitled to the same rights and are eligible for the same privileges.

Foreigners and foreign companies have the right to set up companies in Turkey as long as they comply with the provisions of Turkish Commercial Law. Foreign firms which want to operate in Turkey in the form of "Turkish Companies" are usually organized either as corporations or as limited companies, since these two forms of organization are most advantageous in so far as the tax laws are concerned.

The Turkish Commercial Law stipulates two different methods of formation:

- formation in a single step, when the founders raise the whole capital stock themselves
- formation by successive subscription, when capital stock is raised by public subscription.

In the latter case, the founders draw up proposed articles of incorporation and a prospectus, on the basis of which those interested may subscribe to the capital stock.

4. Methods of Formation

The conditions and operations required for setting up limited companies are explained below:

- The founders must be at least two share-holding individuals or legal entities, and the number of partners may not exceed fifty. As in the case of Corporations, the partners' liability is in proportion to the amount of capital to which they have committed themselves.
- The capital of a limited company must be at least TL. 10,000. The capital is divided into TL 500 worth portions, and each partner must contribute TL 500 or a multiple thereof. Each partner receives a share of the net profit in proportion to the amount of capital he paid in.
- Unlike corporations, limited companies do not need to obtain permission from the Court for their establishment.

- In the organization of limited companies whose partners exceed twenty, there must be one or more auditors whose duties and authority are as those of the auditors of corporations.

Corporations may be formed with a minimum number of five shareholders and a minimum capital of TL 500,000 where the capital subscribed is to be paid in cash or in kind; 25% of the subscription in cash must be paid up at the date of formation. According to the Foreign Investment Regulations however, foreigners and foreign legal entities wishing to operate in Turkey are required to bring at least US \$ 50,000 worth of capital into Turkey from abroad.

Each shareholder's liability is limited to the value of his shares, and these may have a different nominal values, but each type of share must have equal voting rights. Share certificates, may be in bearer or registered form. Founding shares may be issued to the founding members at the date of formation. They do not bear a nominal value, but entitle the holders to dividends.

The firm to be set up must have a trade name. Companies are free to choose their trade name on the condition that it reveals the nature of their business.

To form a corporation, the following steps would normally be required to be taken:

- Preparation of the articles of incorporation, which would include such information as:
 - a corporate name
 - duration of life of the corporation(which may be indefinite)
 - corporate purpose
 - number and classes of authorized shares of the equity
- Signing and authentication of the articles of incorporation

5. Business Registrations

Before applying to the Ministry of Industry and Commerce (MIC) foreigners must hold a permit granted by the FID for Law 6224 and Decree 30 investments, and a permit from the GDPA for Law 6236 investments in the Petroleum Industry.

Seven copies of the Articles of incorporation and the letter written to the Ministry by the bank which blocked the 25% of the nominal capital must be submitted to the MIC along with the foreign investment permit issued by the relevant authority. Formation permits for a trading entity are issued by the MIC, but are subject to the approval of the Commercial Court.

A trading entity is constituted by being registered with the local Trade Registry. Following registration, the articles of association are published in the Trade Registry Gazette. Any changes in the articles of the company, changes in the place of business, or changes in division of duties among its members as well as the minutes of annual general meetings must also be gazetted.

Corporations whose shares or bonds have been issued to the public must also be registered with the Stock Exchange. Corporations whose number of shareholders exceeds 100 are subject to the regulations of the Capital Market, which include financial reporting requirements, disclosure and announcement of a prospectus for the issue of shares to the public and an authorised share capital. The Capital Market Commission is the Law's executive body.

6. Additional Formalities

The following are the additional formalities which concern most new businesses:

- Registration of trade marks is not obligatory by Law: registration is with the MIC
- All trading entities are required to register with the Chamber of Commerce and/or Chamber of Industry in the locality of their operations.
- Registration with the relevant Employer's Association is optional.
- Permits to start operations must also be obtained from the local authorities.
- Registration with the provincial office of the Ministry of Labour is required.
- Ownership of real estate must be registered in the Property Registration Office.
- Registration with local tax and social security offices is obligatory, as is the notification and registration of any changes therein.

7. Board of Directors

All powers of a corporation are vested in the board of directors unless otherwise provided in the articles of incorporation. The company is administered by the board of directors composed of a minimum of three and maximum of nine persons. The directors are elected at the general meeting for a period fixed by the shareholders. The directors may be re-elected for an indefinite period. They must deposit at the corporation's principle office, for the duration of their term of office TL 5,000 in shares provided by the Law and designed to protect the corporation against any damages which they may possibly cause in the fulfilment of their duties. The board of directors designates the individuals authorised to represent the company vis-a-vis third parties and determines the details concerning signatories powers. Foreigners may be appointed as members of the board of directors.

8. Auditing

Individuals must be appointed as auditors and they must not be related to any Board member. Auditors may not be shareholders. In the event that the number of auditors exceeds one, they constitute a board and act as a body with the majority vote prevailing, unless it is otherwise stated in the articles of incorporation of the company concerned. The total number of auditors may not exceed five. In addition to the Statutory auditors, Certified Public Accountants (for equivalent) may also be appointed by corporations.

9. Annual Meeting

The general meeting is the supreme authority of the company and is composed of all shareholders. There are two types of meeting;

- the ordinary general meeting of shareholders which is held annually within four months following the end of the fiscal year
- the extraordinary general meeting called as often as is considered necessary.

The general meeting has the right to adopt and modify the articles of incorporation, to appoint directors and auditors, to approve the profit and loss account, the balance sheet and the directors' report, to ratify the acts of the directors, and, in general, to make all important decisions which are not delegated to any other body. The shareholders must also approve the amount recommended by the directors to be distributed as a dividend as well as the directors' profit participation or other remuneration.

A general meeting is called by the board of directors or, if it fails in its duties, by the auditors. One or more shareholders, representing in aggregate at least onetenth of the capital stock, can at any time request the calling of an extraordinary shareholders' meeting. They must do this in writing, indicating the purpose of the meeting.

In general, a simple majority of votes represented at the general meeting is sufficient to pass a resolution and make elections to office. However, certain decisions require a vote of two thirds of the capital stock.

10. Liquidation of a Company

A company may be dissolved for any voluntary reason provided for in the articles of incorporation or by decision of the general meeting of shareholders, including decisions concerning mergers or conversion. An involuntary, dissolution can be imposed upon the company by a declaration of bankruptcy or by a court decision. A court may decide upon the dissolution, for example, in a case where the number of shareholders falls below the mandatory number or where

serious violations of legal or statutory provisions have occurred. Furthermore, shareholders representing at least ten percent of the capital stock may request dissolution by the court if they have good cause (for example, if minority interests have been grossly violated). Upon dissolution - whether voluntary or involuntary - a company is to be liquidated, unless the dissolution is incident to a merger or takeover operation.

11. Mergers and Consolidation

Mergers and consolidation of corporations are permitted under the Turkish Commercial Law. To accomplish a merger or consolidation, a resolution must be approved by the respective boards of directors and must be approved by the shareholders of each corporation. The Tax Laws may have a considerable effect on the execution of a merger.

12. Accounting Principles

General principles for the keeping of books and the preparation of financial statements are laid down in the Commercial Law and the Tax Procedure Law. The Commercial Law and Tax Procedure Law prescribe the official books which commercial establishments must maintain. Every transaction and all financial statements must be based on the books. The Tax Procedure Law specifies various formalities, the most important of which are given below:

12.1) The books must consist of at least:

- Cash book
- General ledger, including bank accounts
- Journal
- Stock (inventory) ledger
- Fixed assets register
- Accounts receivable and payable ledger
- Costing ledger (for manufacturing operations only)
- Minute book of meetings of the Board of the Directors and of shareholders.

12.2) The Law requires that all books be bound, and their pages numbered and authenticated by a public notary before use. By the end of January following the year to which it relates, the journal entry book must be stamped by Notary. The books must be handwritten in Turkish. Every entry must be recorded individually. EDP records are permitted. All outputs must be authenticated by a Notary Public.

13. Reporting

Accounting and valuation principles are not codified in Turkish Commercial Law so that in practice they generally derive from the Tax Law. Financial reporting practices are limited to those required by;

- the Commercial Law, only imposed on corporations
- requirements imposed by various government offices and agencies on banks and insurance companies,
- additional requirements imposed on Public Corporations by the Capital Market Commission.

An auditted annual report is required in respect of each fiscal year. Reports must be filed with the local Trade Registry with in 30 days of the annual meeting and must be available for inspection by all shareholders 15 days prior to annual general meeting. The annual report must comprise a profit/loss statement and a balance sheet. Public corporations, in addition, must publish their financial statements together with the auditors' report in the Official Gazette and in a minimum of two local newspapers. They must also submit them to the Capital Market Commission.

Banks and insurance companies have to submit their quarterly and annual reports to various agencies and their financial statements must be published in a newspaper. The format of financial statements must be in accordance with the grouping approved by the related government offices.

State Auditors may conduct audits of all business entities. The fiscal authorities have the right to examine the relevant books and records of a tax-paying company within five years of the relevant balance sheet date. This right is almost invariably exercised in respect to medium-sized and large companies. Small businesses are subject to fiscal audit on a random basis. The five years statutory period is strictly adhered to, and can only be interrupted if the fiscal authorities communicate to a taxpayer the additional amount of tax which they claim is due. Fiscal audits are carried out with out any warning.

CHAPTER IV

INVESTMENT INCENTIVES

1. Introduction

Until 1985, published decrees listed incentives for investments on the basis of sectors and products. With Decree 84/8530, dated October 14 1984, there has been a change in the form of presentation of the incentive system. In this decree are listed "investments that are not encouraged" rather than encouraged investments, which would be found in the positive lists published prior to 1985. This new negative list enumerates sectors and products in which investment will not receive any incentives. All activities that are not found in this list are thus encouraged.

Incentives are granted on the basis of an incentive certificate to be issued in respect of each investment projects by the State Planning Organisation. Requests for incentive certificates must be supported by documentation demonstrating the desirability of the projects within the context of the overall economic development of the country.

Incentive measures have been directed towards three major aims:

- to reduce the cost of investment.
- to reduce the need for external financing,
- to increase profitability.

There are certain particularities in Turkey's incentive scheme. The first such is the differentiation of incentives on a regional basis. For the purpose of incentives, Turkey has been divided into four zones:

- developed regions,
- regions enjoying first degree priority in development,
- regions enjoying second degree priority in development,
- normal regions

The second category derives from having to meet certain minimum conditions, such as, "lower limits", "investment totals", "minimum level of own sources" and "export potential" in order to benefit from certain kinds of incentives.

Yet another characteristic is that all incentives originate from the central government. Provincial, or municipal administrations are not involved in such schemes. The agency of the government which administers the incentives scheme is the "Incentives Application Directorate" of the Prime Ministry's State Planning Organization. The incentives scheme is implemented on the basis of "incentive certificates" granted by this agency.

2. Incentive Measures

Incentive measures may be divided into the following groups from the point of view of the benefits they provide:

2.1) Tax Benefits

These are in the form of tax exemptions during investment and subsequent phases (exemption from custom duties, real estate tax and various other taxes, fees, and duties)

2.2) Economic benefits

These render investment and operations more productive and profitable (such as the availability of low interest credits and monetary contributions). These are payments in cash made by the government on the basis of realized investment, or equipment purchased domestically. As examples of such pecuniary support, may be mentioned the "fund to support investment". or the "incentive premiums" paid against capital goods obtained domestically.

2.3) The availability of certain opportunities

These consist of allowances to the investor depending on the nature of the undertaking (such as in allocation of foreign exchange and authority to import and install other than new machinery and plant)

2.4) Other benefits

In addition to the above categories, there are certain incentive schemes particular to specific undertakings.

As may be seen from the foregoing it is possible to classify currently applied incentives according to whether they apply to the investment phase, or to the operations phase. Some apply to both phases.

3. Incentives Applicable to the Investment Phase

Incentives directed towards the "investment phase" are those which apply to the period between investment activities per se and the commencement of actual production.

3.1) Customs Exemption

Machinery which must be imported for investments which bring new technology and increased competitiveness, and which are sanctioned by the development plans and programme may be imported duty free.

The customs exemptions for investments requiring equipment and machinery which must be brought from outside the country, for which an incentive certificate has been obtained also apply to the stamp duty, wharf dues and municipal contributions. The 5 percent of CIF value of the imported machinery and 10 percent of CIF value of the imported raw materials is deposited to the Export Promotion Fund at the Central Bank.

Although such imports are subject to VAT, the payment of this tax on imported capital goods specified in incentive certificates may be postponed until such time as the tax is actually levied on output. Since this postponement does not entail the payment of interest, the VAT will not increase costs during the investment period.

3.2) Exemption From Taxes, Fees, and Duties

If an investment is guaranteed to generate a certain level of exports, then the loans made for this investment will receive exemptions from taxes, fees, and duties. These exemptions apply to medium and long term domestically obtained investment loans and to foreign exchange and externally funded loans received for investment projects which include an undertaking to export a given proportion of their output for five years after reaching full capacity output. The exemption from taxes, fees, and duties applies to all such financial obligations accruing during the period in which the loan is obtained and repaid, including bank, notary, cadastral etc. charges (bank operations tax, mortgage fees, stamp duty and notary fees).

The necessary ratio of exports to output, in keeping with the logic of the incentive system, varies according to region, and is lower in the less developed regions.

	<u>Minimum Annual Export Rate</u>
Investments in developed regions	%20
Investment in normal regions	%10
Investment in development priority re.	% 5

3.4) Premium to Support Investments

Of the investment amounts to more than TL 1,000 million, then a cash payment to the investor is made from the "Fund to Support the use of Resources". This monetary contribution to investors is called an investment support premium. The amount of this premium varies according to the scale of investment

a) Investment exceeding TL 1 billion

If the investment amounts more than TL 1 billion, the support premium as indicated below, is calculated as a percentage of the actual fixed investment cost (excluding customs duties):

- regions with first degree priority in development	20%
- regions with second degree priority and investments in shipbuilding	15%
- normal regions	7%
- Plants which have been re-located due to expropriation or other outside intervention	10%

b) Investment below TL 1 billion

In such undertakings, there is no monetary support calculated on the basis of the cost of investment. Instead, the support premium is paid on the basis of investment credits loaned to investors with certificates of incentives. The ratio of this premium is 7%.

3.5) Incentive Premium on Domestic Capital Goods

This monetary incentive is a premium paid to the investors amounting to 15% of the value of capital goods obtained domestically.

3.6) Other Incentives

Various other incentives have been brought into the economy. Among those currently valid are foreign currency allocations; the availability of external credits in cash or kind; allowances for imports of used plants; exemption from construction permit etc. fees; incentive premiums to investment goods manufacturers; exemption from taxes, fees, and duties on the purchase retail or transfer of ownership of land in regions with development priority; land allocations by the government in tourism investments and its undertaking of infrastructural investments. However, this last group of incentives are of negligible importance in this study concerning industrial investments.

4. Incentives During Operations Phase

"Operating Phase" means the period which comes after the completion of investment activities, i.e., the period which begins with a commencement of production.

4.1) Investment Incentive Allowance

The investment allowance is applied in the form of a tax exemption for investment projects for which the investment allowance is granted by an incentive certificate. This is applicable to investments which aim at production, increasing production, raising productivity, increasing exports, raising the quality of output, saving energy, raising the level of culture, developing scientific and technical research, improving work-place safety, and attracting tourists (without distinguishing between expenditures from own sources and borrowed funds). A percentage of the cost of buildings, machinery, equipment, instruments and other depreciable capital assets may be deducted from the company's taxable corporate income. As may be seen, this allowance constitutes a tax benefit by relieving the company of Corporation or Income tax until authorised level of exemption is reached. The investors anyway pay no taxes until such time as investment per se is completed. If the company fails to make a profit, or suffers losses, this allowance may continue with regard to the taxable income of subsequent profitable years. The percentage of the investment incentive allowance varies according to region as follow:

- Developed regions	30%
- Normal regions	40%
- Agricultural investments	60%
- Regions with second degree priority	60%
- Investment in aquatic products	100%
- Regions with first degree priority	100%

Where the total amount of investment exceeds 1 billion, investment in the following fields are eligible for an investment allowance of 100%; energy, electronics and communications; production of medical equipment; integrated agricultural and animal husbandry and related establishments, all kinds of tourism and educational investments; aquatic products; shipbuilding; importation of Ro/Ro, train ferry, ferryboat and container vessels.

4.2) Investment Finance Fund

This fund may be used by holders of investment incentive certificates, including those who also qualify for an investment allowance. The amount used from the finance fund is deducted from the profits of the year in which the investment is undertaken and is therefore chiefly of assistance to companies already in production. When the investment is completed, such amount may no longer be set aside.

The amount set aside may not exceed the amount of the total investment, and is limited to 25% of the corporate taxable income. The amount is deducted from the corporate taxable income and deposited in an account at the Central Bank. It can be withdrawn using a withdrawal slip issued by the State Planning Organization and used for investment.

4.3) Low Interest Credit

In addition to investment credits derived from rediscount operations, investments with incentive certificates may benefit from the same type of credit for their production operations. This credit, which carries an interest rate lower than the current bank rate, has a maturity of five years.

4.4) Real Estate Tax Exemption

In investments benefiting from incentives, the real estate tax on fixed real estate assets such as land and buildings is waived.

4.5) Employee Wage and Salary Tax Exemption

Employees working in facilities constructed in either first or second priority development regions or in priority industries are exempted from income tax on their wages and salaries for a limited period. This practice could result in lower gross wage levels and is thus, in effect, a labour cost subsidy.

CHAPTER V

EXCHANGE CONTROL

1. Exchange Control

Until recently, Turkey operated a very rigid system of exchange control originally established to protect the value of Turkish Currency and put into effect during the world economic crises in 1929.

A new and for, for more liberal decree (Decree:30) came into force in 1984. In order to protect the value of the Turkish Lira, all transactions involving foreign exchange are now governed by the Communiques and Circulars issued by the Under-Secretariat for the Treasury and Foreign Trade (UTFT).

The provisions of this new decree concerning currency rates and foreign exchange may be summarized as below:

- The value of the Turkish Lira against foreign currency shall be determined by the Central Bank. All foreign exchange purchasing and sales shall be effected on the basis of current rates on the date of each transaction. Within the framework of the principles determined by the Central Bank, banks may effect time purchasing and sales of foreign exchange. The prices shall be determined by the parties concerned.

- The commercial banks must transfer at least 15% of their foreign currency revenues to the Central Bank and may retain up 85% of their foreign currency revenues. The Central Bank is authorised to increase or decrease this rate .

- Non-residents may, with the permission of the FID purchase real estate and participate in investment in Turkey, but shares in Turkish companies, open branch offices and operate as agencies or as representatives of foreign companies, provided they import the necessary capital.

- Profits, dividends and the proceeds of sales by foreign investors may be transferred abroad or reinvested in Turkey.

- Turkish residents may export capital (in cash or in kind) up to \$ 3 million with the permission of the UTFT.

- Foreign credits may be contracted directly by authorized banks and trading companies, as well as residents holding investment incentive certificates. Interest rates, bank charges and commissions are negotiable and banks must make transfers of principal and interest payments from their own resources. The exchange rate risk is to be born by the interested parties. Residents in Turkey, including banks, may extend foreign exchange credits to parties abroad.

- Persons in Turkey are not subject to any restrictions whatsoever for carrying or holding foreign currencies or opening foreign currency accounts with the banks concerned. Foreign exchange accounts may be freely used for saving purposes, and may be utilized as effective foreign exchange.

- Banks acting as intermediaries for export transactions must comply with the procedures for bringing into Turkey the foreign exchange corresponding to the value of the exports effected.

2. The Foreign Trade Regime

2.1) Import Regime

Imports are governed by the import regime decree. Imports are divided into two categories as follows:

- Items subject to import licence.
- Items may be freely imported.

Within the import regime, imports from countries whose foreign trade is state-controlled are subject to a separate system. According to this system, goods from such countries may only be imported by;

- State owned corporations which require such imports for their own use, or
- Export Trading companies whose exports in the preceeding calendar year exceeded \$ 50 million.

In the case of imports from countries with which Turkey has no payment agreement, payments have generally to be made in convertible currency.

The importation of reconditioned used or defective goods such as machinery and equipment is prohibited. The Incentives Application Directorate may however, authorize importation of such goods on project basis.

With the exception of imports subject to licence, all imports may be conducted through the mediation of any bank authorized to operate a foreign exchange position. In the case imports subject to licence, applications must be made to the UTFT.

2.2) Guarantees for Imports

Persons requesting the allocation of foreign exchange are required to deposit a guarantee based on a percentage of the Turkish Lira equivalent of the foreign exchange requested of the authorized banks.

The guarantee rate is 3% for importers in general and 1% for imports carried out by way of an Investment Incentive Certificates, for imports of liquid fuels; wheat; sugar; coal; fertilizer; electrical energy; vegetable oils; pharmaceuticals and raw materials therefor; X-ray films; for imports against acceptance credits, and for industrialists importing for their own needs.

The guarantees are turned over to the Central Bank to be withdrawn when the payment for the import is finalized. In case the import is not realized within the period allowed, the guarantee is forfeited to the Export Promotion Fund.

2.3) Validity Period

The validity period of import is six months from the date on which the intermediary bank receives the guarantee and issues the relevant import documents. This period may be extended up to twelve months by the intermediary banks. For every additional month, however, it is required to deposit in the Export Promotion Fund 0.1% of the TL equivalent of the value of the imports (with a maximum of TL 1 million).

2.4) Change of Country

Requests for a change in the country of origin or in the destination of payment, must be made to the Central Bank. No changes in the importing firm are permitted.

2.5) Export Regime

Exports are governed by the export regime decree. Like the import regime, the export regime decree is no longer valid for only one year, but has been made permanent. According to the export regime, UTFT is the authority on all matters pertaining to exports. All goods the export of which is not prohibited by law or decree, may be exported without restriction within the framework of the export regime. However, in the case of exports of some goods, a licence or registration of exportation with the UTFT is required.

2.6) Types of Exports Requiring Authorization

- Temporary exports
- Transit trade
- Re-export trade
- Term sales of commodities

2.7) Exports Based on Registrations

The following types of exports are subject to registration with the UTFT.

- Credit term exports
- Export realized via free trade zones, either in Turkey or abroad via bonded warehouses
- Exports realized within the framework of special credit agreements
- Exports based on licences.

3. Foreign Exchange Credits

Persons domiciled in Turkey may obtain credits in cash or in kind from abroad as follows:

- Through the banks
 - maximum one year term credit provided directly
 - as intermediaries prefinancing merchandise and acceptance credits
- Maximum two year term credits provided by the major foreign trading companies approved by the UTFT and related to their operations
- Credits for business operations abroad
- Acceptance credits, prefinancing, credits on merchandise and the like and maximum two year term credits to be provided by the persons domiciled in Turkey who anticipate receiving credits within the framework of incentive certificates.

Obtaining foreign credits other than those mentioned above is subject to the prior permission of the Ministry of Finance. Interest and other expenses related to the said credits shall be dealt with freely between the parties concerned and their transfers and the instalments of the principal shall be met by the banks out of their own resources.

Favourable and unfavourable changes which may occur in the exchange rate are for the account of the parties concerned.

Medium-term investment credits in foreign exchange are available to the private sector (including foreign investment companies) from the Industrial Development Bank of Turkey and the Industrial Investment & Credit Bank on special terms in so far as approved projects are concerned. The volume of such credits is limited but they have the attraction of fixed exchange and interest rates.

CHAPTER VI

FREE TRADE ZONES

1. Legal Framework

The Law concerning the Free Zones was passed in June 1985 and published in the Official Gazette. The Council of Ministers Decree and the Decision of the Supreme Coordination Committee for Economic Affairs and Regulations which are referred to in this Law, were published in September 1985, thus completing the legal infrastructure concerning the Mersin and Antalya Free Zones.

2. Location of the Free Zones

The Free Trade Zones (FTZ) of Mersin and Antalya are within easy access of the largest and best equipped Turkish ports on the Mediterranean. Both ports play a vital role in Turkish trade with Europe and the Middle East. Mersin Port, in particular, is a major entry point for products destined for Iran, Iraq and the Arabian peninsula. The Mersin FTZ occupies 763, 500 m² of land consisting of roughly 115 plots. The Antalya FTZ encompasses 573, 500 m² of land in approximately 130 plots. The FTZ's of Adana (Yumurtalik) and Izmir (Nemrut), the latter being located in a particularly advantageous location on the Aegean Sea, will be opened as Free Industrial Zones in the not too distant future.

3. Objectives of the Free Zones

The objectives of the FTZ in Turkey are the promotion of export and of export oriented investments and production; the augmentation of employment opportunities; the acceleration of the foreign capital and technological inflow; the procurement of input needs of the economy at a cheaper rate; the exploitation of foreign finance and trade opportunities on a large scale, and attainment of new dimensions in international economic relations.

4. Subjects of Activity

Article 4 of the FTZ Laf No:3218 dated 6 June 1985, which is related to the subject of activity; stipulates that "all kinds of activities related to industry, commerce, and services, deemed appropriate by the supreme Coordination Council of Economic Affairs (SCEA) may be undertaken".

Consequently, on the one hand, it is implied that all kinds of proposals aimed at serving the realization of the objectives given in Section 3, above and which are forwarded by those wishing to enter into activity in the FTZ, will be considered and evaluated; on the other hand, the determination of subjects of activity in the free zones is due to its importance, assigned to the SCEA.

5. Major Activities

5.1) Commercial Activities

Commercial activities such as warehousing; arrangement and classification; sampling; combination and segregation of stored goods; re-packing items from bulk and volume into smaller volumes and quantities; labelling; display for advertisement and sales purposes; and purchases and sales etc.

5.2) Service Activities

Service activities such as banking; insurance; engineering; architecture; consultation; investigation; agency operation and maintenance and repair and ect.

5.3) Industrial Activities

Industrial activities in fields such as electronics; petroleum and petro-chemicals; medicines; cosmetics; metals; assembly; packing; spare parts; yarn spinning and weaving; textiles; paint; paper; glass-ware; construction materials; rubber; food supplies; printing; plastics; kitchenware; leather garments and ready to wear clothing; optics; ceramics; X-ray equipment and films; micro-electronic spare parts; micro-circuits; long life cable; bicycles; footwear; cassettes; transistors; machinery production; ships; locomotives, and aircraft etc.

6. Expectations of Entrepreneurs' Interest

For the reasons detailed here-below entrepreneurs are expected to show a great interest in Turkey's Free Zones:

- The conclusion of FZ transactions in foreign currency
- The possibility of obtaining foreign currency credits under favorable conditions: and ease of repayment because revenues are in foreign currency
- The big overall volume of investment
- Low cost labour and high workers' productivity
- The possibility of obtaining inputs at attractive prices due to the fact that the goods brought into the Free Zones from other parts of Turkey are considered as Turkish exports
- The completion of infrastructure, and the variety of facilities that may be granted by the Council of Ministers
- The expeditious repair of Free Zone infrastructure and the development of the Zones with finance from the special Fund

- The possibility of shipping foods to and from Free Zones easily, without being subject to the Foreign Trade Regime
- Exemptions from tax, duty and charges
- Users of Free Zones do not pay dues to the Fund for the raw materials and other inputs they buy from Turkey
- Entrepreneurs will deal with a single authority only, while obtaining their Activity Permit, establishing their facilities and performing their sales and other activities. No bureaucracy or formalities in the Zones.

7. Application

Application should be made in Turkey or abroad for the allocation of space in Mersin and Antalya free zones. Application period for domestic firms closed on January 25th 1986. The last day for applications for the allocation of space in Mersin and Antalya free zones for foreign firms is March 31, 1986.

All applications made for entering into business in the Free Zones within the application periods announced by the State Planning Organization (SPO), based on the principles determined by the Council of Ministers and SCEA, will be evaluated collectively and Activity Permits will be granted to those projects which promise the best contribution to the Turkish economy and are most suitable to the objectives of the Free Zones.

8. Administrative Structure

The central administration of the FTZ is conducted by the Prime Ministry State Planning Organization (SPO), while local administration is the domain of the Regional FTZ Directorate. The Free Trade Zones Directorate (FTZD) of the SPO is the responsible authority for planning, coordination and all policy decisions pertaining to the development of Free Zones.

The Regional Free Trade Zone Directorate (RFTZD), staffed by the SPO, is established for the local administration of each separate FTZ. These local Directorates are attached to the Governor's office of the province in which the respective FTZ operates.

9. Activity Permits

Long term Activity Permits, for 15-20 years, will be issued to those who rent land for the purpose of entering into business in Free Zones, and who build infrastructures on this land. This means that the owners (holders) of such permits will benefit from the facilities provided in the Free Zones at least for the said period. Any changes in the scope of activities, in rentals or in the transfer of titles are subject to FTZD approval.

A separate Activity Permit (Operating Licence) must be obtained for each of the (Mersin and Antalya) Free Zones, in which the applicant wishes to operate. The FTZD has sole discretion in the granting of activity permits for operations within the free zones. Where the situation warrants, the FTZD may revoke any such licences that have been previously issued. In cases where an applicant fails to observe the conditions enumerated in his application documents, the FTZD may revoke his permit prior to its expiration.

In order to obtain an Activity Permit, applicants must submit a prefeasibility report in accordance with the format issued by the SPO. In addition to this, an application fee of \$1,000 must be paid.

10. Foreign Capital in Free Zones

There is no limitation on the proportion of foreign capital participation within the FTZs where the Foreign Investments Laws (Law 6224 & Decree 30) are not applicable.

11. Transfer of Profits and Capital

Dividends and profits, as well as the proceeds derived from the full or partial sale and/or liquidation of capital shares by foreign domiciled persons or entities operating within the FTZs may be added to their existing capital, or transferred to entities or sectors encompassed by the Law for the Encouragement of Foreign Capital No:6224; or to other FTZs within Turkey, or to other countries, provided always that the RFTZD is given due notification and that ownership of the funds can be fully documented.

12. Incentives for Foreign Capital

Foreign capital entities operating within the FTZs may benefit fully from all the incentives described below.

These incentives may be categorized as Incentives for the Investment Stage, and Incentives for the Production Stage.

Turkish and foreign entities possessing an Activity Permit for the FTZs may benefit from the following incentives in both the investment and the production (operation) stages of their activities.

13. Incentives for the Investment Stage

a) Exemptions from Taxes, Duties and Tolls

Investors may bring into the FTZs any inputs they require from foreign locations without being subject to any taxes, duties or tolls.

b) Export Treatment of Turkish-origin Inputs

In cases where investors decide to obtain their necessary inputs from the host country, they will be able to obtain these at attractive prices, due to the fact that such goods entering the FTZs will be treated as exports from Turkey.

c) Exemption from Export Formalities

If desired by the investor, and subject to prior approval, goods of less than \$ 500 value may be obtained from the host country without their being subject to export procedures.

d) Income Tax Exemption

The salaries of persons working within the FTZs are not subject to Turkish income taxes.

e) Payment in Local Currency

During the investment phase, payments in respect of rents, salaries, services, and goods may be made in Turkish currency (TL)

14) Incentives for the Production Stage

a) Exemption from Taxes, Duties and Tolls

All necessary production inputs may be transported from foreign locations into the FTZs without their being subject to any taxes, duties or tolls whatsoever.

b) Export Treatment of Turkish-origin Inputs

In cases where production inputs are procured from the host country, because of the fact that such transactions will be considered as exports, they will be obtained at attractive prices.

c) Income Tax Exemption

No Turkish income tax will be levied upon the salaries of those working within the FTZs during the production stage.

d) Exemption of Profits from Income and Corporate Taxes

The FTZ - originated profits of those entities operating within the FTZs are not subject Turkish income or corporate taxes or charges; nor will their accounts within the FTZs be merged, for fiscal or any other purposes, with their accounts within Turkey. FTZ-origin profits and incomes of corporate and real entities who are subject to full or limited liability in Turkey will also be exempted from the income and corporate taxes, provided that it can be documented in accordance with the foreign exchange regulations, that such profits and income have been brought into another location within Turkey.

e) Right to Benefit from New Incentives

In the event that new incentives are deemed necessary to enhance the competitive position of the FTZs, existing users will also be able to benefit fully from any such additional benefits.

15) Conditions Pertaining to Production and Flow of Goods

The FTZs are outside the jurisdiction of the Turkish customs. The controls and restrictions provided for by the Customs Law are not applicable within the FTZs.

Only those goods which cross FTZs customs borders and are destined for use by Turkey are subject to customs regulations and the relevant taxes, duties and tolls. These goods will be subject to normal import formalities, and wharf dues will be levied upon those which arrive by sea.

The procedures described above are not applicable to goods which arrive from or are destined for other FTZs, or for foreign locations. Nor are they applicable to goods destined from Turkey to the FTZs. These exemptions apply both the investment and the production stages of FTZ operations.

Goods despatched to the FTZs from Turkey are subject to normal export procedures as specified in the relevant decrees and regulations.

No "FTZ Establishment and Development Fund" (E&D Fund) contribution will be levied on goods arriving in the FTZs from Turkey.

16) Establishment & Development Fund

As its name implies, the Fund has been established to help finance the formation and the continued development of the FTZs. The maintenance and repair of facilities, the training of workers, the provision of special incentives designed to encourage new entrants into the FTZs, as well as projects involving modernization and research are some of the areas which the Fund is designed to support.

The Fund operates under the direct authority of the Prime Minister, and can be utilized only through his instructions. The Fund is audited by the Prime Ministry's Superior Audit Council.

With the exception of (a) goods which are Turkish made and which originate from Turkey, and (b) goods brought in for the investment stage and for maintenance and repair which remain within the FTZs for a maximum of six months, 0.5% of the CIF value of all goods brought into the FTZs, and 0.5% of the FOB value of all goods leaving the FTZs will be paid into the Fund by the parties concerned.

Four percent of gross revenues derived from activities within the FTZs by the company managing them, and by banks operating within the FTZs, must also be paid into the Fund.

17. Employment & Working Conditions.

The minimum wage rates determined for Turkey in general are also applicable to the FTZs. The current rate, as of 31 March 1986, is TL 41,000 or approximately \$ 63 per month.

The 45 hour work-week and 270 hour yearly overtime limits apply too, to the FTZs.

The employment of foreign managers and specialists by entities operating within the FTZs is not restricted.

Within the general framework of Turkish labour laws the unionization of labour and collective bargaining agreements are permitted in the FTZs too.

For a period of ten years following establishment of a FTZ, the strike, lockout and arbitration provisions specified by Turkish Law are not applicable. However, any disputes arising from labour agreements during this period are subject to the decision of the Supreme Arbitration Council which is an independent state organization, established to act as a mediator of last resort in labour relations.

CHAPTER VII

FINANCIAL MARKET

1. Banking System

The Turkish Banking system, with its wide variety of private and public banks (some of which were created under special laws and decrees) has developed largely over the last 60 years. Basically it today comprises

- The Central Bank
- Banks founded by special laws (State-owned banks)
- Commercial Banks (private banks)
- Foreign Banks
- Investment & Development Banks

The banking system is still evolving in Turkey, and some important changes have been initiated by the government in recent years:

- Foreign banks have been allowed to operate freely
- Interest rates have become more market-oriented
- Attempts have been and are being made to strengthen Turkey's underdeveloped capital and money markets
- Banks have started to operate in the Stock-Exchange
- Special Finance Houses have been allowed to operate within the Islamic Banking Principles

2. Central Bank

The focal point of the Turkish Banking System is the Central Bank of Turkey. The Central Bank was founded in 1930, is technically a private bank (that is to say it is a public company) and banker to the government.

The Central Bank of Turkey administers government monetary policy, holds the foreign exchange reserves, and acts as lender of last resort to other banks, and to the Treasury. It controls the Turkish Lira note issue and fixes imperative exchange rates for the Turkish Lira with other currencies

The Central Bank's principal powers are:

- To issue bank-notes(it has the sole right to do this)
- To determine discount rates
- To recommend interest rates for lending and deposits (including bank charges and their maximum level) to be charged by the commercial banks
- To recommend minimum liquidity ratios, and deposit reserve requirements for the commercial banks
- To control the credit volume and to issue directives as to credits by sectors
- To establish interest rates on bonds issued by private sector
- To establish the terms of credit sales
- To grant working permits for Special Finance Houses.

3. Money & Credit Council

In January 1980 the Money & Credit Council was established to co-ordinate monetary and fiscal policies. The members of the MCC are representatives of the Ministry of Finance and Customs, the Ministry of Commerce and Industry, the State Planning Organization (SPO), the Under-Secretariat of Treasury and Foreign Trade (UTFT), and the Central Bank. Depending on the nature of the case, representatives of (other) concerned ministries are co-opted.

4. Association of Banks

All banks must be members of the Association of Banks, founded in 1958 with the objective of maintaining collaboration and preventing unfair competition between the banks.

Currently, the Turkish Banking System comprises 50 banks; several more foreign banks have applied to the FID to obtain a permit to operate here.

<u>Owner</u>	<u>Commercial Banks</u>	<u>Investment Banks</u>
- State-owned	13	2
- Privately-owned	19	2
- Foreign-owned	18	2
- Joint-venture	1	-
Total	51	4

5. Banking Legislation

The basis of the Turkish Banking System is to be found in three fundamental laws:

- The Banking Law No:3182
- The Central Bank Law No: 1211
- Money Lending Transactions Law

These laws have been developed from a series of legal provisions and regulations as part of a lengthy process which continues today. The Banking Law's development has also been through a series of Circulars issued by the Central Bank and outlining the rules which it is mandatory for all registered banking establishments to observe. The principal provisions of the laws relating to private banking and the establishment of a new bank, to the opening of a branch and to investing in an existing bank are briefly summarised below.

The objective of the Banking Law is to regulate the foundation and management, the operational procedures, the assignment, the merger, liquidation and overall control of the banking sector. Banks founded in Turkey and to be founded in the future, and banks established in foreign countries which operate or may operate in Turkey in the future through branches established by them are all subject to provisions of this Law.

The specific authority of the Council of Ministers is necessary for the establishment of a bank (including a joint-venture enterprise), for the opening of a branch in Turkey by a foreign-based bank, and for an investment by a foreign-based bank in a bank already existing in Turkey.

6. Establishing a New Bank

- It must have corporate form
- The number of its shareholders should not be less than 100
- Its total shares must be registered and issued against cash and quoted on the stock exchange
- Its net worth should not be less than 1 billion, excluding the amount it is required to have for each branch excluding the main branch
 - TL 100 million for each branch opened and to be opened in cities whose population is over one million
 - TL 50 million for each branch opened or to be opened in cities whose population is above 500 thousand and less than 1 million
 - TL 25 million for each branch opened and to be opened in the cities whose population is less than 500 thousand

7. Opening a Branch

A foreign bank operating in Turkey by opening a branch must:

- Have the status of a corporation, or similar entity under laws of the country of which they are established; this does not apply to banks in which capital is entirely owned by a foreign state.
- Have paid-up capital allocated to Turkey of not less than TL 1 billion, and additional capital for each branch according to the population
- Have Articles of Incorporation which are free of any provisions contrary to the Banking Law
- General managers, branch managers and their assistants should be domiciled in Turkey or be Turkish nationals.
- The founders must not have been bankrupt or convicted of committing serious crimes.

8. Application

The following must be enclosed with the application to the UTFT in order to found a bank in Turkey, or to open a branch of a foreign bank, or to invest in an existing bank in Turkey:

- Declaration signed by the founders before a Notary Public
- Articles of Incorporation of the bank
- A report giving in detail the reasons for opening a branch
- Balance Sheet and Income Statement of the bank for the previous five years
- A statement to the effect that the founders have not been prohibited from undertaking banking operations in their own country
- Such other documents as may be requested by the Council of Ministers

All the above must be certified by the competent authorities of the country concerned and the application must be accompanied by a favourable report from the State Planning Organization in so far as the provisions of Law No.6224 are concerned.

In the event that the application is approved by the Council of Ministers, the Authorization Decree under Law No.6224, The Law for the Encouragement of Foreign Investments, will be published in the Official Gazette.

Of the banks authorized to be founded or to open branches in Turkey, the authorization decrees granted to those banks failing to begin operations within one year from the date of publication of their Decree, or which discontinue their operation for a period of one year, uninterruptedly will be cancelled by the Council of Ministers upon the proposal of the UTFT.

9. Reserve Funds

Banks are obliged to set aside 5% of their annual net profits as a "Contingency Reserve" until such time as the Reserve reaches an amount equal to the their paid-up share capital. The Contingency Reserve may be used to off-set losses but, thereafter, 5% of annual net profits must be set aside until the Reserve again equals the amount of the bank's paid-up capital. The Contingency Reserve is additional to the reserve funds compulsorily set aside in accordance with the Turkish Commercial Law and the bank's own Articles of Incorporation. The Contingency Reserve must be deposited in a Treasury Bond Account as the cover of statutory reserves with the Central Bank. Transfers to the Contingency Reserve are not tax deductible and must be set aside after tax.

10. Interest Rates

Interest on Deposits

The Council of Ministers is authorised to fix the minimum and

or maximum interest rates to be paid and other benefits to be provided for deposits and to liberalise the determination of interest rates, in part or in full, and to fix effective rates. Banks may not pay any interest on deposit in advance nor may they take any action which results in providing additional benefits in a manner contrary to the decisions and measures taken by the Council of Ministers.

Interest on Credits

The Council of Ministers is authorized to set the interest rates to be collected and the descriptions and maximum limits of the other benefits to be provided and the charges to be collected. Banks may not, in any manner whatsoever, collect interest or charges above the limits and rates established by the Council of Ministers.

Rediscount Rates

The Central Bank is authorized to set the rediscount rate and the global rediscount ceiling. The Central Bank establishes individual rediscount limits for each bank.

11. Lending Limits

The Banking Law stipulates certain limits for credits destined to a bank's clients, equity participations, and own share holders. A discussion of the limits and modes of such transaction are given below.

General Limits

The total amount of cash credits in forms other than cash to be extended, bonds and similar securities to be purchased, along with letters of credit, guarantees, avals; endorsements and acceptances by a bank may not exceed 20 times its equity. Overdue cash credits and the value of the credits other than cash which are converted into cash shall be considered as credits by disregarding the account in which they are shown.

A bank may not provide credits to, accept guarantees from, or purchase bonds or other securities from any one real person or legal entity for an aggregate amount in excess of 10% of its own equity. However, in the case of sectors specified in the annual Development Plans and Programmes, and in finance for exports or contracting abroad, this percentage is 25%.

Credits to Participations

the total amount of the credits to be opened by a bank to its equity participations and institutions in whose capital it owns 15% or more and the partnerships and institutions 25% of whose capital is owned by these participations and institutions,

separately or jointly, or to real persons and legal entities against the guarantee of the partnerships and institutions may not exceed three times the bank's equity and in no case 15% of the total amount of the banks' credits at any one time.

Credits to Shareholders

The total amount of credits to be opened by a bank to those of its shareholders who hold 5% or more of the shares of the capital of the bank or to real persons or legal entities falling within the scope of an indirect credit relationship with them may not exceed the bank's total equity and in no case exceed 5% of the bank's total credits at any one times.

12. Regulations and Supervision

The regulatory bodies controlling banking operations in Turkey are the UTFT and the Central Bank. These two bodies work closely together in performing their duties. The Money & Credit Council has authority to issue regulatory circulars regarding banking operations. The UTFT and the Central Bank supervise the operations of banks in Turkey in order to protect the public from unsound banking practices.

13. Reserve Requirements

Among the liabilities subject to reserve requirements a distinction is made between (i) Saving Deposits, (ii) Commercial Deposits, (iii) Interbank and (iv) Official Deposits. There are no minimum reserve requirements on Interbank deposits. The required reserves are determined by applying the percentages fixed by the Central Bank. The present ratio is 15%. If any bank's actual reserves fall short of its required reserves, the bank must pay penalty (45% p.a.) on the deficiency.

14. Cash Requirements (Disponibilite)

The minimum cash requirement is 15% of resources at any one time. Should actual cash holdings fall short of this percentage, the bank concerned is subjected to a penalty (at the rate of 66% p.a. of the amount of the shortage) until such time as the minimum is secured.

15. Savings Deposits' Insurance Fund

A "Savings Deposits' Insurance Fund", which is a legal entity, has been established in order to safeguard savings' depositors. All banks accepting deposits are obliged to cover their sight and time savings deposits by this insurance. Individual savings deposits (including deposit certificates) up to a maximum of TL 3 million at any one bank are covered by this insurance. The fund is fed by premiums payable by the banks (the tariff is fixed by the UTFT and based on their total savings deposits' as shown in their most recent balance sheet.

The insurance scheme does not apply to a bank's chairman, general managers, shareholders holding more than 10% of the equity, auditors, or to their respective spouses or children.

Penalties for Reserve Requirement, Cash Requirement and Premiums for Deposit Insurance are tax deductible.

16. Special Finance Houses

General principles concerning the application, and legislation for the establishment and operations of Special Finance Houses (SFH) have been determined by Decree. These enterprises may be set up in the form of joint stock companies having a minimum 100 shareholders and a capital of at least TL 5 billion, of which one quarter must be paid up in advance and another one-third within six months.

SFH may accept deposits in TL and/or in foreign currency in

- Current Accounts

An account opened either in Turkish Liras or in foreign currency being payable, partially or totally on demand for which account the holder receives no interest, profit or other proceeds under whatsoever name and which does not fall within the scope of the Saving Deposit Insurance Fund.

- Participation Accounts

Funds deposited with a SFH by real person or legal entity against a "Contract for Profit or Loss Participation Account" entitling the holders to participate in the profits and losses to be accrued from the utilization of such funds. SFH may also offer the under mentioned services:

- Rental safe deposit boxes
- Make remittances and transfer money
- Prepare feasibility studies
- Render other services approved by the bank
- Provide letters of guarantee
- Leasing
- Participate in other enterprises
- Buy and sell properties for commercial purposes
- Establish and operate in agricultural industries
- Collect funds in special accounts for placement in special projects.

The organizational structure of the SFHs consists of the General Assembly of shareholders the Board of Directors and the Committee of Auditors. The Board of Directors consists of seven members elected by the General Assembly.

Each share of TL 1,000,000 has one vote. Shareholders possessing shares of less than TL 1,000,000 - in value, have the right to vote by joining their shares and delegating authority to one of their number.

17. The Insurance Industry

The Turkish insurance market is loosely controlled by the government; it exercises this control through several different authorities although it does not itself deal directly in insurance. In the first place, the establishment of an insurance company is regulated by the Turkish Commercial Law, as well as by the Insurance Law. Secondly, under this latter there is a control office which regulates day-to-day operations through tariff committees, which are partly managed by a national reinsurance company; this company exercises a monopoly on the government's behalf, to the extent it participates with a certain percentage in every insurance policy written in Turkey, other than life insurance.

The insurance market is small in relation to Turkey's national product. There are 20 Turkish direct insurance companies, one mutual company, and 4 reinsurance companies. The premiums per capita are smaller than in comparable countries around the world, although Turkish companies are capable of dealing with and writing policies for all the types of insurance practised in Western Europe. Numerous foreign companies are represented in the market, through agents or subsidiaries.

The Insurance Law is currently being reviewed and it is understood that when it is amended foreign companies will be able to register themselves or form new companies in Turkey

18. Capital Market

The Capital Market Law was passed in 1981 giving the then established Capital Market Commission (CMC) authority to regulate the market and take the necessary measures regarding its functioning. The Law also includes provisions for the establishment and operation of public companies and financial intermediaries brokers.

Traditionally, the bond market, and specifically the primary bond market, has been relatively active in Turkey and bond issues have increased rapidly in recent years. Currently, issues of bonds by companies and the conditions governing interest on such bonds are controlled by the Central Bank and the Capital Market Commission. According to the Turkish Commercial Law, only corporate entities may issue bonds, up to the amount of their equity.

Compared with the bond market, the stock market in Turkey is markedly smaller. Recently, a stock exchange has been opened in Istanbul and this promises gradually to bring about an overall rise in share trading.

CHAPTER VIII

LEASING REGULATIONS IN TURKEY

1. Introduction

Financial leasing is a new and promising instrument in so far as the Turkish economy is concerned. It will become more important in future years, as more entrepreneurs accept leasing as an alternative means of acquiring assets.

2. Legal Matters

The main legal provisions concerning financial leasing contractors are contained in Law No.3226 (June 28, 1985), and Decree No.85/9860 dated September 28, 1985. Ministry of Finance & Customs Communique No.146 of September 28, 1985 governs the Customs duty and investment allowance aspects of leasing operations. Enforcement of the Leasing Law is the responsibility of the Council of Ministers and the principles governing the implementation of the Law are published by the Office of the Deputy Prime Minister (Treasury) and/or the Ministry of Finance & Customs. These regulations concern the establishment of financial leasing companies, the opening of foreign companies' branches in Turkey, and matters relating to their administration, field of activities, operations, fiscal obligations, customs duties, investment allowances, etc.

3. Status of Leasing Companies

The Turkish Leasing Law makes it necessary to obtain the Treasury's authority in order to establish a financial leasing company in Turkey, or to establish a branch of a leasing company which is based abroad.

a) To establish a leasing company

- It must be in corporate form
- All its shares must be registered and issued against cash, and quoted on the Stock Exchange
- Its nominal capital must not be less than 1 billion
- The founders must not have been bankrupt or convicted of serious crimes

b) To Open a Branch in Turkey

- The foreign based company must have corporate or similar status under the capitalization laws of the country where it is established,
- A paid-up capital of not less than US \$ 2 million must be allocated to the Turkish branch,
- The foreign company's Articles of Incorporation must not contain any provisions which run counter to Turkey's own Leasing Law,
- The branch manager and his assistants must be Turkish nationals or be domiciled in Turkey,
- The foreign based company must complete an application in the format provided by the UTFT
- A feasibility study must accompany the application to open a branch

The approval of the Foreign Investment Department (FID) in accordance with the provisions of Law No.6224 and Decree No.30 must be obtained by foreign-based companies desirous of opening a branch in Turkey. If it is intended to employ foreign nationals, applications for work permits must also be made to the FID at the outset.

There are no territorial restrictions but both domestic companies and foreign based leasing companies desirous of opening a branch in Turkey must obtain the prior approval of the Treasury.

Banks (domestic and foreign) are precluded from conducting leasing operations directly but they may establish separate leasing companies, in accordance with the relevant legislation. Violation of the terms of the Leasing Law may incur fines ranging from TL. 500,000 to TL 5 million and managers and other staff members may be sentenced to prison terms of from three months to one year.

4. Types of Leasing Agreements

Leases must relate to tangible assets - movable property and real estate - which the lessee uses exclusively for business purposes. Intangible assets, such as patent rights, goodwill, ect., may not be made the subject of a leasing agreement. Special authority is required for the leasing of secondhand, used or defective machinery, plant, etc.

All leasing contracts must be registered with the UTFT. The terms of the lease (duration of the contract) must be not less than 4 (four) years although a lesser period may be approved if -

- If the depreciation period of the leased assets is less than 4 years
- If the economic-life (useful-life) of the leased asset is less than 4 years, (This to be proven to the UTFT)
- Of the lease will be subject to renewal on termination of the contract.

The lessee and lessor may agree to defer the transfer of ownership until the end of the contract but this deferral may not be invoked against third parties. Under the leasing agreement, the lessor may grant a purchase option to the lessee at the end of contract. The lessee may not transfer possession of the leased assets to a third party.

5. Tax and Financial Matters

The lessor will be regarded for tax and accounting purposes as the owner of the assets leased. Consequently, he will be entitled to record and deduct depreciation allowances tax-wise and accounting-wise. As the lessor remains the owner of the equipment during the contract period, the equipment must be recorded on the balance sheet of the lessor and may be depreciated each year.

The lessee records in his profit and loss account the expenses corresponding to the payments due to the lessor each year.

6. Depreciation

Leasing companies are entitled to depreciate their equipment in the same way as any other company. The Turkish Tax Procedure Law provides two methods of depreciation:

- Straight-line method
- Declining-balance method:

The percentage of the declining-balance method may be as high as twice the percentage on the straight-line method. However, the applicable rate may not exceed 25% when straight-line depreciation is used, and in the case of the declining balance method it may not exceed 50%. The tax-paying company may change the method of depreciation from declining-balance method to straight-line (but not the other way around) at any time during the life of the leased assets.

The leased assets should be depreciated over their estimated useful life. In principle, the term of the lease does not influence the depreciation period. The Ministry of Finance published standard maximum depreciation rates according to the estimated useful life of assets, but is prepared to consider advance requests for higher rates provided these can be justified by the taxpayer company on the basis of special circumstances.

7. Rentals

The rentals and terms of payments may freely be determined by lessor and lessee. Rental may be determined as "fixed" or "variable" and payments may be made in Turkish Liras and/or foreign exchange.

Lease payments made by a lessee in respect of leased assets used by him for the purposes of his trade are tax deductible. They are treated on the same basis as any other business expenses, i.e., they must meet the requirement of having been incurred wholly and exclusively for the purposes of this trade. Proper accounting records must be maintained as must all supporting documents.

8. Incentives

In the case of investments based on an incentives certificate issued by the State Planning Organization, the investment goods may partially or wholly be leased, and the leased assets may be imported entirely Customs free.

9. Leasing in the Free Zones

According to the Turkish Free Zones Law, a leasing company may be established in the free zones. Foreign real persons and legal entities may carry on leasing operations in the free zones provided they obtain a licence from the State Planning Organization. The provisions of Foreign Capital Law 6224 and Decree 30 are not applicable to companies and real persons operating in the free zones.

The provisions of the laws and decrees concerning taxes, duties, charges, Customs, and foreign exchange are not applicable in the free zones. All firms may be granted the incentives determined by the Council of Ministers. The profits and incomes earned by real persons and legal entities subject to full and/or limited liability from their operations in the free zones are exempted from the provisions of the CTL and ITL in the event that it is authenticated pursuant to the exchange control regulation that they have transferred these funds to any part of Turkey other than the free zones.

CHAPTER IX

TAXATION

1. Introduction

The Turkish fiscal structure comprises tax levied on income, expenditure, and wealth. In addition, there are levies in the form of excise tax, customs duties and other charges on imports and VAT. The calendar year is also the fiscal year.

a) Income-based Taxes

- Corporation Tax
- Income Tax

b) Taxes based on wealth

- Property Tax
 - Real Estate Tax (on buildings, lots and land)
 - Vehicle Tax
- Transfer of ownership tax
 - Inheritance and Transfer tax
 - Vehicle Purchase Tax

c) VAT

d) Duties and Fees

- Stamp duties
- Fees
- Municipal fees

e) Others

Within the general classifications shown above, the taxes actually in effect in Turkey are as follows:

- Income Tax

This is a progressive tax levied on the income earned by individuals within a given fiscal year, and based on seven income brackets (Currently, 1986, these range from 25% on the first TL 3 mn of taxable income to 50% on income over TL 24 mn.) It applies to real persons. There are certain exemptions and (modest) special allowances depending upon marital status, and physical disabilities.

- Corporation Tax

This is a fixed rate tax levied on the earnings of corporations or other legal entities within a given year. Income Tax and Corporation Tax apply to business firms and are generally based on declarations made in March and April of the following year.

- Property Tax

This tax levied on buildings and land on the basis of their annual value.

- Vehicle Tax

This is a tax levied annually on motorized vehicles and boats according to a specific schedule. It varies depending on the age and type of the vehicle/boat

- Inheritance and Transfer Tax

This tax is levied on bequests and inheritances and varies between 3% to 44% depending on the size of the capital amount/value concerned.

- Vehicle Purchase Tax

This is a tax paid at the time of the purchase of a motor vehicle or boat. It is parallel to motor vehicle tax and is also based on a specific schedule.

- Bank and Insurance Transaction Tax

This is levied on all transaction carried out by banks and insurance companies. The tax rate is 3% of the value of transaction, although the Council of Ministers may reduce it to 1% or subsequently increase it again to 3%.

- Value Added Tax (VAT)

This tax levied on all goods delivered and services rendered in connection with commercial, industrial and agricultural activities and self-employment in Turkey, as well as on all imported goods and services. Those who deliver the goods or perform the services stated in the law are liable for VAT. In general, the tax arises when a receipt or similar document is drawn up prior to delivery of goods or performance of services, or, in the case of imports, when the actual import takes place, or a customs document is prepared. Exemptions and exceptions are as follows:

- Delivery of exports
- Diplomatic immunity
- Exemption for international transport
- Exemptions applied to imports specified in certain articles of the Customs Duties Law
- Exemptions for social, military and certain other purposes.

Tax rate is 10% on every taxable transaction, although rates and one or two exemptions apply to some basic foodstuffs. Tax payers may deduct the taxes they have paid on goods delivered to them, or services rendered for themselves, from the Value Added Tax they collect on their own sales/services.

2. The Concept of Liability

No distinction is made in Turkey between Turkish citizens and foreigners as regards taxation; that is, Turkish citizens and foreigners are accorded "equal treatment" in so far as taxes are concerned. Nevertheless, structural differences between "income tax" and "corporation tax" do involve certain discrepancies between the taxation of persons and legal entities domiciled in Turkey, and the taxation of those domiciled abroad.

Income and corporation taxes in Turkey are based on the principles of "full" and "limited" liability. In the case of "full liability", the total income and earnings received by persons and legal entities in Turkey and in foreign countries are taxed. Under "limited liability" on the other hand, only the earnings and incomes secured in Turkey are taxed, while those earned and received outside the country are not subject to tax.

3. Income Tax Liability

According to Article 6 of the Turkish Income Tax Law, persons not domiciled in Turkey are taxed only on the earnings and income they receive in Turkey. According to Article 4 of the Law, persons whose residence is in Turkey and persons who have lived in Turkey for more than six months of a given calendar year are regarded as being domiciled in Turkey; However, the following persons are regarded as not being domiciled in Turkey:

- Persons who come to Turkey for a specific, and temporary duty or employment, correspondents and journalists and similar persons; persons who come for education or medical treatment, rest or travel; and,
- Persons who stay in Turkey for over six months for reasons beyond their control such as imprisonment, litigation or illness.

4. Corporation Tax Liability

According to the Corporation Tax Law (CTL), of those legal entities liable to Turkish taxation, corporations whose legal or business headquarters are in Turkey have full liability. Legal headquarters is interpreted as being the location indicated in the taxpayer's Articles of Association. Business headquarters means the place where business transactions are actually concentrated or carried out. All foreign investment companies established under the Turkish Commercial Code are subject to full liability.

Limited liability is of considerable importance in so far as the implementation of Law 6224 and Decree 30 is concerned, because foreign companies establishing themselves in Turkey have corporate status abroad and their legal, and business headquarters are outside of Turkey. For this reason, in the case of foreign companies or foreign-Turkish joint venture companies, the foreign partners are regarded as having limited liability under the Turkish Corporation Tax Law.

5. Earnings and Incomes Regarded as Being Derived in Turkey

Under the Turkish Income and Corporation Tax Laws, whether or not income is regarded as having been derived in Turkey depends on the conditions, which are briefly summarised below:

5.1) Commercial Earnings

For commercial earnings to be regarded as having been derived in Turkey, the individual or company must have a place of business or a permanent representative in Turkey and the earnings must have been secured either at this place (s) of business or through this representative (s). Even if these conditions are fulfilled, those whose business headquarters are not in Turkey, who sell to other countries but do not sell in Turkey the goods they either purchased or manufactured in Turkey for export purposes, are not taxed on the earnings derived from this business. On the other hand, all the commercial earnings derived in Turkey (in a place of business or through permanent representatives) by foreigners or foreign legal entities, having a place of business or liaison offices or permanent representatives in Turkey are taxable here.

5.2) Agricultural Earnings

The earnings derived from agricultural activities carried on in Turkey are regarded as having been earned in Turkey.

5.3) Wages

In order for wages to be taxable in Turkey, the services in question have either to have been performed, or to have been used in Turkey; either the payment was made in Turkey, or, if it was made in a foreign country, it was transferred to the account of a company in Turkey.

The monies received by personnel sent to Turkey by companies with headquarters outside Turkey in order to carry out assembly work or to perform any other specific tasks to cover those persons' expenses whilst in Turkey are taxable. On the other hand, the remuneration which such personnel receive at their company headquarters outside Turkey is not regarded as having been earned in Turkey and is not, therefore, subject to Turkish taxation. However, monies (in the form of wages, salaries, attendance or other fees)

received outside Turkey by the Chairman, directors or other officials, by the auditors or, in the case of liquidation, the receivers of companies located in Turkey and which have been charged in the accounts of a company or individual established in Turkey are considered to have been earned in Turkey and are therefore liable to Turkish taxation.

6. Corporation Tax

Foreign-investment companies are subject to the CTL on their profits calculated under normal Turkish rules. For Corporation Tax purposes, profits are calculated in accordance with the provisions of the Income Tax Law. This latter specifies that all business-related expenditures and incomes must be included at historical cost, using the accrual method of accounting. Proper accounting records must of course be maintained, and these must be backed by all the relevant documentation. The current (1986) rate of Corporation Tax is 46% of net profits but there is in addition a contribution to the Defence Industries Support Fund at the rate of 3% of the amount of the Corporation Tax assessment. This contribution also has to be made by those subject to Income Tax, other than wage-and salary-earners.

6.1) Capital Gains

There is no special provision for capital gains. Profits resulting from the sale of fixed assets subject to depreciation are taxed at the normal rate, but may be deferred for three years and are not taxable to the extent that the proceeds are reinvested in new fixed assets. No income tax is imposed by the provincial or municipal authorities.

6.2) Deductible Expenses

Under the CTL, certain expenses specific to the corporate form are tax deductible. These are formation expenses, including expenses of issuing capital stock, start-up costs of business operations, and expenses of general meetings of shareholders.

6.3) Non-deductible Expenses

Since the historical cost method of accounting is strictly applied, unrealised exchange profits and losses are not taken into account in determining taxable income. Conversely general provisions against account receivables and inventories are not tax deductible.

6.4) Loss Carry-overs

Losses may be carried forward for five years, but may not be carried back. If the company suffers such losses that its share capital becomes impaired, or it becomes insolvent, the shareholders may recapitalize it but FID approval is required for this.

6.5) Tax Period

Tax procedure is governed by the Tax Procedure Law (TPL). The period of income assessment is normally the calendar year. Companies may have twelve months' fiscal periods other than the calendar year, appropriate to their business, subject to the prior approval of the Ministry of Finance.

6.6) Payments of Taxes

Corporation Tax returns must be filed within four months from the end of a company's own accounting period. Corporation Tax is payable in three equal installments starting from the month in which the tax return is filed. If the accounting period coincides with the calendar year (as the vast majority do) the tax return must be filed in April, and Corporation Tax paid in April, July and October.

Delays in the payment of taxes due involve a penalty of 10% of the amount due for the first month and of an additional 4% for each subsequent month's delay; however, the Council of Ministers is empowered to reduce/increase these statutory rates by up to 80% and the current (1986) rates are 10% for the first month, 7% for each of the next five months and 5% for each month thereafter.

If a taxpayer fails to file a return, the authorities may assess tax liability on the basis of their own estimates. In this event, a penalty of three times the tax due is also payable, immediately; but if the authorities' assessment is not challenged and settlement is made within one month, the penalty may be waived.

7. Calculation of Corporation Tax

A foreign company may declare to the tax office and pay tax on its gross profits earned in Turkey. In this event, the tax rate is 47.3% (46% plus 3% - see 7., above) and, thereafter, dividends distributed to shareholders will not attract an Income Tax charge.

Under Article 24, of the CTL, all income obtained by foreign companies, other than commercial, agricultural and sundry incomes, is subject to Corporation Withholding Tax. Non-resident companies which are thus subject to Withholding Tax have, however, the option of accepting the Withholding Tax as the final tax on this type of income and not then filing an annual tax return. However, this option is not applicable to income received from any type of debentures and government bonds, which are presently subject to a 10.3% (10% plus 3%) tax deduction at source.

Corporation Tax exempted income, such as investment allowances and export revenues, are subject to Withholding Tax. If such income is not distributed, the tax rate is 20.6% (20% plus 3%), if it is distributed and the recipient is a non-resident the tax rate is 47.3% (46% plus 3%).

Withholding Tax on non-resident's rents and leasing charges is currently (1986) 20.6% (20% plus 3%), on technical assistance and other fees it is 15.45% (15% plus 3%) and on the proceeds of the sale of royalties patents, processes, trade marks, etc. it is 25.75% (25% plus 3%)

ANNEX I

MAJOR INVESTMENT PROJECTS

The foreign credit requirement for 53 major investment projects to which the State Planning Organization is giving priority stands at \$ 4,372.3 million.

According to the SPO report on "projects available for foreign financing" the total cost of these 53 projects reaches \$ 7,537.6 million, with \$ 5,008.4 million representing the foreign exchange requirement. The SPO plans to supply \$ 636.1 million through national sources. As a result, the remaining \$ 4,372.3 million will be supplied from the World Bank and other foreign financial sources.

Below is more detailed information on the major investment projects available for external financing:

	Number of projects	(US \$ million)		1986 allocation		Foreign credit require.
		Total investment cost		Foreign	Total	
		Foreign	Total			
AGRICULTURE	2	74.0	124.0	--	5.3	74.0
MINING	7	155.0	310.0	39.1	64.1	321.0
MANUFACTURING	17	273.2	401.5	25.7	42.9	242.2
Textile and clothing	3	97.4	131.8	8.1	9.5	97.4
Petrochemicals	1	3.9	10.7	2.0	4.3	3.9
Petroleum Products	1	32.1	41.6	1.4	1.5	12.4
Iron and Steel	2	15.8	25.5	6.3	11.2	15.8
Non-ferrous metals	2	77.4	101.1	--	0.2	77.4
Vehicle repair & production	8	46.7	90.8	7.9	16.2	35.3
ENERGY	13	1 720.1	3 345.2	163.2	454.9	1 067.3
TRANSPORTATION	14	2 786.0	3 356.9	197.6	221.5	2 667.8
Highways	6	2 334.0	2 662.0	153.0	175.0	2 224.0
Railways	7	136.0	289.9	16.6	31.5	127.8
Pipelines	1	316.0	405.0	12.0	15.0	316.0
TOTAL	53	5 008.4	7 537.6	425.6	4 883.0	4 372.3

PROJECTS AVAILABLE FOR EXTERNAL FINANCING

Sponsor-location & Characteristics of the project	Duration	Invest- ment cost		1986 Allocation		Foreign credit re- quire- ment	Present status of the project
		Foreign	Total	Foreign	Total		
<u>AGRICULTURE</u>							
DSI-DEZİNLİ Işıklı Baklan Project (Storage: 250 x 10 ⁶ m ³ , Irrigation: 53925 Ha.)	1966-91	44.0	70.0	--	3.7	44.0	The project has been pro- posed to the IBRD for financing.
DSI-AFYON-KONYA, Eber-Akşehir first stage (Irrigation: 28801 Ha.)	1977-90	30.0	54.0	--	1.6	30.0	The project has been pro- posed to the IBRD for financing.
<u>MINING</u>							
ETIBANK-Marmara Island(Balıkesir) (4500 cu.m/a block marble)	1979-89	4.1	10.1	--	0.1	4.1	In pilot production stage.
ETIBANK-ANKARA, Çayırhan Soda Ash (750 000 t/y soda ash prod.)	1985-90	41.9	110.5	0.1	0.5	110.5	In planning Stage.
TKI-MANISA, Soma-Işıklar lignite project (2 300 000 t/y lignite production)	1980-87	49.5	78.6	10.5	15.6	35.0	In construction stage.
TKI-MUĞLA, Muğla-Husamlar Lignite project (2 000 000 t/y lignite production)	1985-89	25.9	48.6	0.2	1.0	25.9	In detailed engineering stage.
TKI-KÜTAHYA, Tunçbilek rehabilita- tion project (Rehabilitation and renovation)	1986-96	17.1	24.8	17.1	24.8	17.1	--
TKI-KÜTAHYA, Seyitömer rehabilita- tion project (Rehabilitation and renovation)	1986-96	8.4	13.3	8.4	13.3	8.4	--
TKI-ZONGULDAK, Zonguldak Hard Coal Basin rehabilitation project (Rehabilitation and renovation)	1986-96	8.1	24.2	2.8	8.8	120.0	Total investment cost is \$ 120 million for 5 years.
<u>MANUFACTURING (Textile and Clothing)</u>							
SÜMERBANK-Rationalization and modernization of 19 plants (Rationalization and modernization)	1985-88	82.4	114.3	3.0	3.8	82.4	--
SÜMERBANK-HEREKEF/İZMİT, Hereke modernization and ready made garments)	1986-87	2.7	3.2	1.6	1.9	2.7	At the feasibility study stage.
SÜMERBANK-BURSA, Merinos moderniza- tion (Modernization and expansion of 900 tons yarn and 2 million m. fabric)	1986-88	12.3	14.2	3.5	3.8	12.3	At the feasibility study stage.
<u>(Petrochemicals)</u>							
PETKİM-Yarımcı/İZMİT, caprolactam debottlenecking (debottlenecking of the existing plant)	1983-88	3.9	10.7	2.0	4.3	3.9	Negotiations are going on with several firms.
<u>(Petroleum Products)</u>							
TÜPRAŞ-Kırıkkale/ANKARA, Mild hydrocracking (Conversion of 660 000 t/y heavy vacuum gas oil into 231 300 t/y diesel.	1986-88	32.1	41.6	1.4	1.5	12.4	" "

Sponsor-location & Characteristics of the project	Duration	Invest- ment cost		1 9 8 6 Allocation		Foreign credit re- quire- ment	Present status of the project
		Foreign	Total	Foreign	Total		
<u>(Iron and Steel)</u>							
TDCI-Karabük, Karabük steelshop modernization (modernization of SIEMENS MARTIN furnaces by submerged oxygen blowing process and a new oxygen plant investment.	1974-87	13.4	18.9	3.9	4.6	13.4	The feasibility study has been completed.
ASILÇELİK-BURSA, Laddle furnace application at steelshop and completion-Finishing Line modernizations.	1986-86	2.4	6.6	2.4	6.6	2.4	The feasibility study has been completed. It takes part in 1986 investment programme.
<u>(Non-ferrous Metals)</u>							
ÇINKUR-KAYSERİ, Expansion project (mining and beneficiation of sulphide zinc-lead ores in Turkey expansion of existing plant to process sulphide zinc-lead ores, production of lead, silver and other precious metals, increase of zinc production)	1986-90	37.4	57.1	--	0.1	37.4	Prefeasibility study prepared.
ÇINKUR-KAYSERİ, Hydroelectric power station (Weirs to be constructed on Zamanlı River for production of electrical energy to supply ÇINKUR's annual demand of about 364x10 ⁶ kwh/y (by the realization of ÇINKUR's expansion project)	1986-89	40.0	44.0	--	0.1	40.0	" "
<u>(Vehicle Repair and Production)</u>							
TCDD-SIDEMAS(Sivas), Enlargement of SIDEMAS (increasing of capacity of rolling stocks and production of new type stock)	1976-87	6.7	12.2	1.0	2.5	5.7	Construction studies have been completed. Procurement of various machinery and equipment have been going on.
TCDD-MALATYA, Wagon repair factory (Repairment of freight and passenger wagons)	1978-89	3.5	21.8	0.3	3.0	3.1	Physically: -Main factory block 38%, -Construction of administrative and social buildings 65%, -Machine and equipment study is underway.
TCDD-ELMS(Eskişehir), electrical machinery factory, rearrangement of locomotive factory (Increasing of domestic production contribution)	1979-88	10.4	17.5	1.5	3.0	8.7	Construction studies of the two projects have been completed. Procurement of machinery has been going on.
TCDD-ELMS(Eskişehir), Rearrangement of locomotives factory (Increasing of domestic production contribution)	1979-88	6.7	11.5	1.1	2.0	5.8	Construction studies have been completed. Procurement of machineries has been going on.
TCDD-ELMS(Eskişehir), Electrical machinery factory (Increasing of domestic production contribution motive power)	--	3.7	6.0	0.3	0.9	2.9	" "
TCDD-ADVAS(Adapazarı), Procurement of machinery (machinery and equipment for railway vehicles)	1985-90	2.3	3.1	0.3	0.4	2.2	Procurement of various machinery and equipment have been going on.
TCDD-ELMS(Eskişehir), Procurement of machinery (Machinery and equipment for railway vehicles)	1985-90	5.4	7.5	1.5	1.9	3.2	Procurement of machinery and equipment is on progress.
TCDD-ELMS,ADVAS, Ankara railway factory (Machinery and equipment for railway vehicles)	1985-90	8.0	11.2	1.9	2.5	5.7	" "

Sponsor-location & Characteristics of the project	Duration	Invest-		1986		Foreign credit re- ment	Present status of the project
		Foreign	Total	Foreign	Total		
ENERGY							
DSI-DIYARBAKIR, Karakaya Project (Total reservoir storage: 9580x10 ⁶ m ³ , installed capacity: 1 800 MW, average production: 7 354 x 10 ⁶ kWh/year)	1971-89	354.1	585.0	45.7	133.3	112.0	Dam and hydroelectric power plant construction, the manufacturing of equipment are on progress.
DSI-SANLIURFA, GAP (Ataturk High Dam and Hydroelectric Power Plant) (Total reservoir storage: 48700 x 10 ⁶ m ³ installed capacity: 2400 MW, average production: 8900 x 10 ⁶ kWh/year)	1975-94	771.5	1142.9	106.1	224.2	360.0	Dam and hydroelectric power plant construction is on progress.
DSI-GUMUSHA NE, GİRESUN, E. Blacksea Harşit First Stage Project (Total reservoir storage: 279.67 x 10 ⁶ m ³ , installed capacity: 330 MW, average production: 1.132 x 10 ⁶ kWh/year)	1977-92	66.0	304.6	--	12.8	66.0	--
DSI-SAMSUN, Derbent dam and hydro- electric power plant (Total reservoir storage: 213 x 10 ⁶ m ³ , installed capacity: 56 MW, average production: 257 x 10 ⁶ kWh/year)	1977-90	15.0	76.2	--	10.7	15.0	Dam and hydroelectric power plant construction was tendered in 1984. The hydromechanical equip- ment is going to be ten- dered in 1986.
DSI-IÇEL, Gezende Dam and Hydro- electric Power Plant (Total reservoir: 66 x 10 ⁶ m ³ , installed capacity: 150 MW, average production: 528 x 10 ⁶ kWh/year)	1977-89	25.0	80.6	1.9	14.9	25.0	Dam and hydroelectric power plant construction works are on progress. The hydro- mechanical equipment is going to be tendered in 1986. The credit, negotia- tion is continuing with IBRD.
DSI-ADANA, Seyhan-Çatalan Project, (Total reservoir storage: 2100x10 ⁶ m ³ , installed capacity: 153 MW, average production: 509x10 ⁶ kWh/year)	1977-89	25.0	92.8	1.9	21.9	25.0	Dam and hydroelectric power plant construction works are on progress. The hydro- mechanical equipment is going to be tendered in 1986.
DSI-ESKIŞEHİR, Yenice Dam and Hydro- electric Power Plant (Total reservoir storage: 57.6 x 10 ⁶ m ³ , installed capacity: 36 MW, average production: 122 x 10 ⁶ kWh/year)	1977-92	10.0	64.8	--	5.5	10.0	Yenice dam and hydroelec- tric power plant construc- tion was put on tender in 1985.
DSI-DIYARBAKIR, Kalkızı-Dicle Project (Total reservoir storage: 1919 x 10 ⁶ m ³ , installed capacity: 200 MW, average production: 444 x 10 ⁶ kWh/year)	1981-92	50.0	143.8	--	10.5	50.8	Construction of the Kalk- kızı dam and hydroelectric power plant was put on tender in 1984. Construc- tion of the Dicle dam and hydroelectric power plant was put on tender in 1985.
DSI-BİNGÖL, Özlüce dam and hydro- electric power plant (Total reservoir storage: 1075 x 10 ⁶ m ³ , installed capacity: 160 MW, average production: 413 x 10 ⁶ kWh/year)	1984-91	30.0	83.6	--	5.7	30.0	Construction of the dam and hydroelectric power plant was tendered in 1984. Supply of equipment is going to be tendered in 1986
DSI-SİİRT, Batman dam and HPP (Total reservoir storage: 1175x10 ⁶ m ³ installed capacity: 165 MW average production: 463 x 10 ⁶ kWh/year)	1985-92	35.0	164.4	--	6.5	35.0	Construction works was tendered in 1985.

Sponsor-location & Characteristics of the project	Duration	Invest- ment cost		1 9 8 6 Allocation		Foreign credit re- quire- ment	Present status of the project
		Foreign	Total	Foreign	Total		
DSI-IÇEL, Kayraktepe project (Total reservoir storage: 4800 x 10 ⁶ m ³ installed capacity: 420 MW average production: 991 x 10 ⁶ Kwh/year)	1985-93	210.0	212.2	7.6	8.6	210.0	The groups from IBRD came twice and appraisals were made at the site. Then the discussions on foreign credit were continued in Ankara.
DSI-MANISA, Özköy project (Total reservoir storage: 1100 x 10 ⁶ m ³ installed capacity: 150 MW average production: 182 x 10 ⁶ Kwh/year)	1986-93	28.5	118.1	--	0.02	28.5	Construction works are to be tendered in 1986. 1986 allocation can be increased.
DSI-SINOP, Boyabat project (Total reservoir storage: 1410 x 10 ⁶ m ³ installed capacity: 510 MW, average production: 1468 x 10 ⁶ Kwh/y)	1986-93	100.0	276.2	--	0.3	100.0	The feasibility report is going to be completed in the middle of 1986.
TRANSPORTATION							
General Directorate of Rural Services, Machinery renewal project (Renewal of the road construction and maintenance equipment fleet of which 41% were over 11 years old, generally uneconomic to use and scheduled for early renewal. Types of equipment which will be purchased: Dozers, graders, loaders, excavators, dumpers, spare parts, etc.)	1984-87	200.0	227.0	110.0	1.0	90.0	Approximately \$ 110 million will be procured from the Japanese credits. Financial agreements will be signed at the beginning of 1986.
TCK-SAKARYA-BOLU-ANKARA, Sakarya(Kazancı)-Ankara Motorway Project (Including Ankara Ringroad) (Construction of 470 km. motorway and Ankara Ringroad)	1986-89	857.0	977.0	57.0	65.0	857.0	At the feasibility study stage.
TCK-İZMİR-AYDIN-DEHİZLİ, İzmir-Denizli Motorway Project (incl. İzmir Ringroad) (Construction of 270 km. motorway and İzmir ringroad)	1986-89	438.0	499.0	19.0	22.0	438.0	" "
TCK-EDİRNE-KIRKLARELİ-TEKİRDAĞ-İSTANBUL, Edirne-Kinalı Motorway Proj. (Construction of 140 km. motorway between Edirne and Kinalı (Istanbul))	1986-89	267.0	305.0	29.0	33.0	267.0	" "
TCK-İZMİR, İzmir-Salihli Motorway Project (Construction of 90 km. motorway between İzmir and Salihli)	1986-89	143.0	164.0	10.0	11.0	143.0	" "
TCK-MERSİN-ADANA-G.ANTEP, (Tarsus-Pozantı) Int.-Adana-G.Antep Motorway Project (Construction of 250 km. motorway and Adana Bypass)	1986-89	429.0	490.0	38.0	43.0	429.0	" "
TCDD-Miscellaneous, (1773 km. track renewal)	1968-89	51.5	135.7	4.0	10.9	43.6	This is an ongoing project. The credit requirement will cover the 1987 and 1988.
TCDD-ANKARA(Kayaş)-Irmak, electrification (electrification of 52 km. railway line and necessary equipment)	1978-88	1.3	4.4	0.24	0.4	1.3	This is an ongoing project.
TCDD-Arifiye-ESKİŞEHİR, electrification (electrification on 182 km. railwayline and necessary equipment)	1979-88	4.1	14.0	1.1	2.4	4.1	" "

Sponsor- Location & Characteristics of the project	Duration	Investment cost Foreign	Total	1986	Allocation	Foreign	Total	Foreign credit req.	Present status
TCDD-Miscellaneous, expansion and renewal of signalization installation. (Expansion and renewal of H.Paşa-Ankara signalization project and automatic stopping equipment)	1985-89	9.3	15.3	1.8	2.3	10.0	"	"	
TCDD-Miscellaneous, renewal of locomotives (Renewal of 120 locomotives and their motors in the park)	1986-95	23.2	42.1	4.4	7.6	23.2	"	"	
TCDD-Karabük-ZONGULDAK, electrification (electrification on 124 km. railway line and necessary equipment)	1986-89	2.8	9.5	--	0.9	2.8	"	"	
TCDD-Miscellaneous, manufacturing of diesel mainline locomotives (70 diesel mainline locomotives manufacturing)	1986-89	44.8	68.9	5.4	7.0	44.8	In 1986 7 CKD mainline locos will be manufactured spare parts will be ordered for the 33 locos.		
<u>(Pipelines)</u>									
BOTAŞ-The Region of Marmara-Ankara USSR-Turkey natural gas pipeline (in 1987 1.5 bn. m3/year)	1984-87	316.0	405.0	12.0	15.0	316.0	The bidding documents are ready. The negotiations with the USSR at the final stage.		

ANNEX II

PUBLIC INVESTMENTS IN 1986 (Investment Projects)

TL 3,352.2 billion will be spent on public investment projects in 1986, according to the 1986 investment programme published in the Official Gazette on 29 December.

TL 1,139 billion of this sum corresponds to the foreign exchange requirement for these projects, with foreign exchange equivalent of TL 417.7 billion being supplied through national sources. The remainder TL 721.3 billion will be financed with foreign loans.

In terms of the US dollar, the financing of these investment projects will require \$ 2,171 million in foreign exchange, based on the assumption that 1 US \$ = TL 525. (The investment appropriations in terms of Turkish Lira will therefore have to be revised as the US dollar exchange rate will be much higher in 1986. Another alternative might be to further curb the appropriations in question)

The 1986 investment programme includes as few new investments as possible, according to information given by State Planning Officials. Priority has been given to investments in the communications, energy and mining sectors and agriculture. New projects in all sectors to be started in 1986 have a total value of TL 1,131 billion, with their foreign exchange requirement reaching equivalent of TL 320.6 billion, which means \$ 610 million based on the same assumption. \$ 293.2 million of this sum will be financed with foreign loans.

The lion's share of public investment appropriations in 1986 will go to the communications sector with TL 933.9 billion. New investments planned in this sector have a total value of TL 417.5 billion.

TL 665.7 billion will be spent on investments in the energy sector.

The 1985 investment programme included 8939 projects whereas the new programme includes only 8133 projects. It is understood that 806 projects have been excluded from the 1986 investment programme because they were either completed or suspended last year.

Although the number of investment projects has been reduced, the total value of the investment projects included in the public sector programme has increased from TL 13,000 billion last year to TL 23,600 billion in 1986. This is because of the high rate of inflation and the fast depreciation of the Turkish Lira against the US dollar.

Below is the sectoral breakdown of public investment appropriations:

	(TL million)						1986 investment appropriations ^{xx}		
	Number of projects	Project cost.		New projects		loans ^x	sources ^x	Total	
		Foreign	Total	Foreign	Total				
Agriculture	897	250057	2560209	10835	152075	21353	9810	346990	
Mining	214	559048	1224145	66713	135838	79342	83134	314026	
Manufacturing	649	1372936	2797250	20562	55317	68281	96369	362259	
Energy	957	2519957	5145953	21613	144416	140775	83915	665750	
Communications	709	3124237	7156831	187841	417591	387222	126409	933950	
Tourism	130	1027	165050	27	3826	--	427	21940	
Housing	749	55	469946	55	2945	--	55	48250	
Education	1162	8272	425172	3870	82142	779	4107	142865	
Health	454	9779	202373	8209	29928	129	8699	54500	
Other pub.ser.	2212	149590	3471044	916	107401	29003	4810	461706	
GRAND TOTAL	8133	7994558	23618018	320642	113479	721884	417735	3352236	

(x) foreign loans

(x) national sources

(xx) including new as well as ongoing investments

In the 1986 public investment programme, there are 252 projects each of which has a cost of over TL 12 billion of these. 252 projects, 72 projects are in transportation and communications sector, while there is only one large project in tourism sector. TL 1,845,380 million has been allocated for 252 projects in 1986, amounting 45.8% of total allocation. In 1985, for realization rate for the same projects is expected to be 126.9%.

Also, of these 252 projects, 147 projects have been accorded top priority while the priority for 31 projects is to be confirmed in the future.

Below is the more detailed information on the major investment projects covered in the 1986 programme;

PROJECTS	SCHEDULE	TOTAL PROJECT COST	ACTUAL SPENDING UNTIL END OF 1985 AT CURRENT PRICES	1986 ALLOCATION
I. AGRICULTURE				
A. MINISTRY OF AGRICULTURE AND FORESTRY				
AGRICULTURAL DEVELOPMENT PRO.	1979-88	218811	36861	11920
- LIVESTOCK DEVELOPMENT PRO.	1979-91	15388	8961	11970
- ERZURUM RURAL AREA DEVELOP. PR.	1979-91	118678	9518	1900
- AGRICULTURAL EXTENSION and APPLIED RESEARCH PRO. (AEARP)	1982-87	13647	4850	550
- NORTHERN ANATOLIA EARTHQUAKE BELT PRO.	1984-89	108098	8965	6500
B. STATE HYDRAULIC WORKS				
- LOWER CEYHAN-ASLANTAS I	1985-89	63000	4567	1000
- LOWER SUSURLUK-MANYAS I		812359	105188	55000
- KONYA-CUMRA II	1964-86	23000	21350	1650
- KONYA-KARAMAN I	1984 90	19000	1335	2000
- ERZURUM PROJECT(KUZGUN DAPHAN I)	1974-91	35000	1227	1500
- ERZINCAN II	1976-89	19346	4994	3500
- IGDIR	1984-90	30000	370	1000
- MALATYA-CAT	1964-89	14166	5540	2000
- SULTANSUYU	1966-88	16800	5864	3000
- MERIC-TASLAN	1984-90	19316	625	1700
- KRALKIZI DICLE	1984-90	21940	250	800
- DEVELI I	1964-94	22800	1543	500
- GELINGULLU	1985-92	103000	365	3500
- ANTALYA CAYBOGAZI	1976-87	14040	9294	2000
- GAP (Greater South-eastern Anatolia project)	1985-91	18640	10	400
- LOWER AKSU II	1985-90	23403	5	700
- EBER-AKSEHIR I	1977-95	157000	16845	8000
- GOLHISAR-ACIPAYAM	1977-88	18200	3880	1800
- HANCAGIZ	1977-90	29200	176	850
- LOWER BUYUKMENDERES	1985-91	24600	2	500
- GONEN I	1984-90	16500	700	2000
- KARA MENDERES	1966-89	61357	9011	3000
- COMPLETION WORKS	1976-91	20400	650	1000
- FLOOD CONTROL	1985-90	22700	5	350
- SMALL DAMS	1975-91	23400	8752	4000
	1977-89	33968	7133	4500
	1977-88	24583	5262	4750
TOTAL AGRICULTURE		1031170	142049	66920
TOTAL OF PRIORITY PROJECTS		807656	126031	54900
II. MINING				
A. TURKISH PETROLEUM CORPORATION				
- BATI RAMAN PETROLEUM PRODUCTION ENHANCEMENT	1979-86	91231	41197	50034
- DRILLING EFFICIENCY IMPROVEMENT	1979-87	23745	20341	3404
- RESEARCH BEFORE DRILLING	1986-86	31888	20856	11032
- RESEARCH DRILLINGS	1986-86	16373	0	16373
- RESEARCH DRILLINGS	1986-86	19225	0	19225
B. TURKISH COAL WORKS				
- AFSIN-ELBISTAN A	1973-87	607852	280130	123380
- BEYPAZARI LIGNITE. EXT. PRO.	1974-87	168220	146129	9000
- BURSA-ORHANELI	1974-87	61102	38147	19255
- SIVAS-KANGAL	1975-87	40500	13774	8000
- CANAKKALE-CAN	1976-87	52230	23585	8800
- BURSA-KELES	1976-87	40500	1829	15000
- SOMA-ISIKLAR	1980-88	22850	2735	12500
- SOMA-DENIS	1980-87	41400	15000	8250
- SEYITOMER TPP-IV. UNIT	1981-87	21200	7090	5000
- MILAS-SEKKOY	1982-87	30000	9298	7000
- TINAZ-BAGYAKA	1982-87	37500	11193	9500
- BINGOL-KARLIYA	1982-87	24000	11110	7500
- MUGLA-HUSAMLAR	1982-89	29850	165	75
- TUNCBILEK MAINTENANCE PRO.	1985-89	25500	75	500
C. TURKISH PITCOAL BOARD				
PITCOAL FIELD MAINTENANCE	1986-86	13000	0	13000
		12700	0	12700
D. MINERAL RESEARCH AND EXPLORATION INSTITUTE				
- GEOTHERMAL ENERGY RESEARCH	1986-86	12700	0	12700
- COAL RESEARCH PRO.	1977-90	49227	8486	4850
	1978-90	28728	3582	2805
	1978-90	20499	4904	2045
E. GENERAL DIRECTORATE OF ETIBANK				
- KURE COPPER MINE CONCENTRATOR FACILITY	1977-87	144329	33576	11327
- SOUTH-EAST ANATOLIA PHOSPHATE PRO.	1977-87	20950	12997	3440
- KUTAHYA GUMUSKOY CONCENTRATOR FACILITY	1978-88	23010	13680	2830
- SIIRT MADENKOY MINE DEVELOPMENT and CONCENTRATOR PLANT	1979-87	24369	6341	4750
- TRONA PROJECT	1980-89	18000	508	48
- MURGUL MINE DEVELOPMENT	1985-90	58000	50	259
F. BLACK SEA COPPER WORKS				
- DIVRIGI CONCENTRATION and PELLET	1978-86	12259	9170	3089
		12259	9170	3089
G. TURKISH IRON and STEEL WORKS				
		19752	18252	1500
	1971-86	19752	18252	1500
TOTAL MINING		937350	390811	206880
TOTAL OF PRIORITY PROJECTS		780300	390013	180298

PROJECTS	SCHEDULE	TOTAL PROJECT COST	ACTUAL SPENDING UNTIL END OF 1985 AT CURRENT PRICES	1986 ALLOCATION
III. MANUFACTURING				
A. FOOD				
1. TURKISH SUGAR FACTORIES CO.				
- ILGIN SUGAR FACTORY	1976-86	17998	15008	2500
- AGRI SUGAR FACTORY	1976-86	17700	14693	3007
- BOR SUGAR FACTORY	1976-86	14670	12835	1835
- CARSAMBA SUGAR FACTORY	1976-89	33650	5562	7630
- ELBISTAN SUGAR FACTORY	1976-87	24060	14976	7276
B. TOBACCO				
1. TURKISH STATE MONOPOLIES ADMINISTRATION				
SAMSUN CIGARETTE FACTORY	1976-87	20000	5215	1
AKHISAR CIGARETTE FACTORY	1976-88	20000	4600	1
IZMIR CIGARETTE FACTORY	1976-88	20000	1981	1
ERZURUM CIGARETTE FACTORY	1976-88	13000	1095	1
DIYARBAKIR CIGARETTE FACTORY	1976-88	14000	916	1
C. TEXTILE				
1. SUMERBANK				
- RATIONALISATION and MODERN.(RMP I)	1980-86	53544	48367	5177
- RATIONALISATION and MODERN.(RMP II)	1985-89	60055	0	2000
D. PAPER				
1. GENERAL DIRECTORATE OF SEKA				
- PULP and PAPER INDUSTRY REHABILITATION	1981-89	45300	351	10000
- IZMIT WASTE WATER TREATMENT SCHEME	1975-88	13706	1385	4045
E. TYRES				
1-PETLAS				
- TYRE PLANT	1974-87	126790	79590	15000
F. CHEMICALS				
1. ETIBANK				
II. BORIC ACID PLANT	1975-86	12500	7765	4500
HYDROGEN PEROXIDE	1976-86	17450	16028	3120
G. FERTILIZER				
1. TURKISH FERTILISER INDUSTRY CO.				
I. FERTILISER INDUSTRY RATIONALIZATION and ENERGY SAVING PRO.	1981-87	57489	30200	18000
- GEMLIK AMMONIA PRO.	1974-87	57154	18868	15360
- GENERAL DIRECTORATE OF KBI		21445	1876	10000
- REHABILITATION OF SAMSUN COPPER SMELTER and SULPHURIC ACID PLANT	1981-87	21445	1876	10000
H. PETROCHEMICALS				
1. TURKISH PETRO-CHEMICAL IND.CO.				
- ALIAGA COMPLEX	1971-89	402881	396391	4571
I. PETROLEUM PRODUCTS				
1. TURKISH PETROLEUM REFINERIES				
- IZMIR REFINERY EXTENSION	1978-87	44183	33280	6000
- MIDDLE ANATOLIAN REFINERY	1976-87	163877	144166	18511
J. CEMENT				
1. TURKISH CEMENT and CERAMIC INDUSTRY				
- SANLIURFA CEMENT FACTORY	1976-86	44468	15987	6979
- DENIZLI CEMENT FACTORY	1976-87	13934	11572	2362
- AKDENIZ CEMENT COMPLEX	1981-87	18140	3665	4000
		12394	750	617
L. IRON and STEEL				
1. TURKISH IRON and STEEL WORKS				
- KARABUK BLAST FURNACES MODERN.	1972-87	274632	253971	10500
- ISKENDERUN I. STAGE EXPANSION	1974-86	16383	12639	1000
- KARABUK SINTER PLANT MODERN.	1979-87	224000	217129	2536
- KARABUK POWER PLANT MODERN.	1979-87	12445	8735	3165
		21804	15468	3799
2. ETIBANK				
- FERRO-CHROMIUM PLANT EXPANSION	1977-87	14444	10768	1900
M. NON-FERROUS METALS				
1. ETIBANK				
		104100	50	410
		51000	0	300

PROJECTS	SCHEDULE	TOTAL PROJECT COST	ACTUAL SPENDING UNTIL END OF 1985 AT CURRENT PRICES	1986 ALLOCATION
- ALUMINA PRODUCT PLANT	1986-90	51000	0	300
2. TURKISH ZINC INDUSTRY		53100	50	110
- LEAD MELTING PLANT	1985-90	30000	50	50
- HYDROELECTRIC POWER STATION	1986-90	23100	0	60
M. NON-ELECTRICAL MACHINERY		95373	42753	16780
1. MACHINERY and CHEMICAL INDUSTRY AUTHORITY		95373	42753	16780
- MODERN WEAPONS	1978-89	95373	42753	16780
O. AGRICULTURAL MACHINERY		24997	16477	4470
1. TURKISH MOTOR VEHICLES IND. CO.		24997	16477	4470
- TRACTOR FACTORY	1977-87	24997	16477	4470
P. ELECTRICAL MACHINERY		136047	205	4
1. TURKISH ELECTRO-MECHANICAL IND. CO.		136047	205	4
- STEAM and WATER TURBINES FACTORY	1977-93	58076	36	1
- LARGE GENERATORS FACTORY	1977-93	53000	28	1
- STEAM BOILERS FACTORY	1977-91	24971	141	2
A. VEHICLE and REPAIRS		72418	30512	12130
1. TURKISH MOTOR VEHICLES IND. CO.		41178	17764	6568
- TRACTOR ENGINES	1977-87	41178	17764	6568
2. TURKISH SHIP-BUILDING INDUSTRY		31240	12748	5562
- PENDIK SHIPYARD I	1969-86	13530	12748	782
- PENDIK SHIPYARD II	1985-88	17710	0	4780
TOTAL OF MANUFACTURING		2072468	1228139	195010
TOTAL OF PRIORITY PROJECTS		1197814	862303	153888
TOTAL OF PRIORITY TO BE CONFIRMED		339541	14812	1036
IV. ENERGY				
A. STATE HYDRAULIC WORKS		2044331	489086	115550
ORTA SAKARYA YENICE PRO.	1972-92	34000	296	2900
KAPULUKAYA PRO.	1977-87	12738	5143	1600
- GEZENDE DAM and HEPP	1977-88	42300	7432	3900
- KAYRAKTEPE PRO.	1985-93	111386	900	4500
- SEYHAN-CATALAN	1977-88	48700	18408	5750
- LOWER KIZILIRMAK II	1975-88	115700	59467	15000
- LOWER KIZILIRMAK III	1977-90	40000	2172	5600
- UPPER YESILIRMAK II	1973-87	13000	9372	2800
- PERI-OZLUCE PRO.	1984-91	43900	420	3000
- KRALKIZI-DICLE PRO.	1981-92	75500	1780	5500
BATMAN I	1985-92	86325	279	3400
- GAP(LOWER FIRAT I)	1975-94	675000	142764	36625
- KELKIT-KARATAS PRO.	1976-91	46459	16084	4875
- MIDDLE CEYHAN-MENZELET I	1977-89	48000	13869	3750
ADIGUZEL DAM and HEPP	1975-88	15323	5608	1500
EAST KARADENIZ HARSIT I	1977-92	159900	2464	6700
KARAKAYA PRO.	1971-89	307100	200628	6000
MACHINERY RENOVATION	1985-87	24000	2000	2000
BOYABAT PRO.	1986-93	145000	0	150
B. TURKISH ELECTRICITY AUTHORITY (TEK)		2744100	1105174	258565
GEOTHERMAL POWER STATION	1976-86	14700	13200	1000
ALIAGA COMPLEX	1976-86	12250	11250	500
- YATAGAN III	1980-86	67750	56450	4000
- AFSIN-ELBISTAN A I-II-III-IV UNIT	1972-87	422311	322811	35000
- CAYIRHAN I-II UNIT	1974-88	136950	98310	17500
- KANGAL I-II	1974-87	142765	103025	20000
- YENICATALAGZI	1974-87	62400	44125	7300
- ORHANELI I	1977-88	77750	35675	11000
- SOMA III-IV	1978-88	153250	112725	13000
- YENIKOY I-II	1978-87	208800	133800	25000
- SEYITOMER IV	1979-88	102125	13675	26000
- KEMERKOY (OREN) I-II-III	1984-89	288650	26685	27200
- THRACE NATURAL GAS	1984-87	94500	37125	23000
BEYSEHIR	1985-89	304050	19950	0

PROJECTS	SCHEDULE	TOTAL PROJECT COST	ACTUAL SPENDING UNTIL END OF 1985 AT CURRENT PRICES	1986 ALLOCATION
NUCLEAR STATION	1975-92	480000	0	0
ELBISTAN-SINCAN TRANSMISSION LINE	1974-86	16500	12450	4050
BOGAZATLAMA-ETILAR TRANSMISSION LINE	1972-86	19500	15000	4500
KARAKAYA-ATATIIRK-ERZIN TRANSMISSION LINE	1979-88	12000	15	3200
TRANSFORMERS and EQUIPMENT	1984-88	20000	3000	5000
DISTRIBUTION NETWORKS I	1980-86	25000	12000	13000
DISTRIBUTION NETWORKS II	1980-88	21000	6000	7500
NATIONAL DISTRIBUTION CENTER	1970-87	12549	7549	2500
GENERAL DIRECTORATE COMPLEX	1973-87	14000	7620	2750
ISTANBUL ELECTRICITY NETWORK	1983-86	12300	12734	565
- CITY and DISTRICT NETWORKS	1986-87	23000	0	5000
TOTAL OF ENERGY		4788431	1594260	374115
TOTAL OF PRIORITY PROJECTS		3507196	1460166	318000
V. TRANSPORTATION and COMMUNICATION		4718223	555078	573603
TRANSPORTATION		2762542	147609	303570
A. HIGHWAY TRANSPORTATION		2638999	122621	279070
1. STATE HIGHWAYS AUTHORITY		147253	30065	10350
MACHINERY-EQUIPMENT and SPARE PARTS	1973-90			
- KINALI-SAKARYA MOTORWAY(INCLUDING SECOND BOSPHORUS BRIDGE)	1980-88	340300	2900	77100
- TRANS-TURKEY HIGHWAY REHABILITATION PRO.	1981-90	266800	37616	30000
- SAKARYA-(KAZANCI)-HENDEK-BOLU ANKARA MOTORWAY(INCLUDING ANKARA RING ROAD)	1986-89	513000	0	34200
- IZMIR-TORBALI-AYDIN-DENIZLI MOTORWAY (INCLUDING IZMIR RING ROAD)	1986-89	262000	0	11400
- IZMIR-SALIHLI MOTORWAY	1986-89	86000	0	5700
- EDIRNE-KINALI MOTORWAY	1986-89	160000	0	17100
- (TARSUS-POZANTI) INT.-ADANA-TOPRAKKALE-GAZIANTEP MOTORWAY(INCLUDING ADANA CITY CONNECTION)	1986-89	257000	0	22800
ADIYAMAN-YESILYURT-MALATYA HIGHWAY	1969-90	18000	329	400
BINGOL INT.-SANCAK-KIGI and INT. ADAKLI HIGHWAY	1985-90	12000	4	110
CONSTRUCTION OF PRIME COAT SURFACE TREATMENT PREPARATION BITUMINOUS and AGGREGATE	1975-90	13880	1016	4350
STATE HIGHWAYS SIXTH DIVISION BOUNDARY-YILDIZELI-SIVAS-ZARA(REFAHIYE-GOLOVA) INT.HIGHWAY	1977-96	14581	1884	2260
- CIGLI-CUMAOVASI MOTORWAY	1986-90	32000	0	10
- KAPIKULE-EDIRNE MOTORWAY	1968-87	12900	2442	3735
- IZMIR-URLA-LESME MOTORWAY	1983-87	25810	4740	7500
- TARSUS-POZANTI MOTORWAY	1985-87	59600	1500	5000
- MACKA-GUMUSHANE HIGHWAY	1972-89	57745	8445	7000
BLACK SEA COAST HIGHWAY REHABILITATION PRO.	1974-89	16820	4487	6000
IMPROVEMENT OF PHYSICAL STANDARDS OF ASPHALT COVERED ROADS	1983-93	15436	602	1875
CONSTRUCTION OF PRIME COAT SURFACE TREATMENT CONSTRUCTION and IMP.OF BITUMINOUS HOT MIXTURE PAVEMENT	1977-88	17760	6955	5200
CONSTRUCTION and IMP.OF BITUMINOUS HOT MIXTURE PAVEMENT	1975-90	21473	1114	6760
PREPARATION OF BITUMINOUS and AGGREGATE	1975-90	15951	2243	1950
2. GENERAL DIRECTORATE OF RURAL SERVICES				
FACILITIES CONSTRUCTION	1973-96	111543	8712	9350
- BRIDGE CONSTRUCTION	1974-96	161147	7567	8920
MACHINERY RENEWAL		123543	24988	24500
- RURAL ROADS	1978-87	22948	18948	2000
B. RAILWAY TRANSPORTATION	1980-93	28595	6040	4090
1. DIRECTORATE GENERAL OF RAILWAYS, PORTS, AIRPORTS CONSTRUCTION(DLH)	1984-87	54000	0	500
- DIVRIGI-SIVAS RAILWAY CONSTRUCTION	1986-86	18000	0	18000
ARIFIYE-SINCAN RAILWAY CONSTRUCTION		926906	89972	48933
HANLI-BEDIRLI-BOSTANKAYA RAILWAY REHABILITATION		687969	44909	12343
NARLI-TOPRAKKALE LINE	1972-89	32653	6348	5000
- MENEMEN-ALIAGA DOUBLE TRACK RAILWAY LINE	1976-94	483653	37573	5843
	1978-88	26500	100	100
	1982-90	130775	245	200
	1980-88	14388	643	1200

PROJECTS	SCHEDULE	TOTAL PROJECT COST	ACTUAL SPENDING UNTIL END OF 1985 AT CURRENT PRICES	1986 ALLOCATION
2.STATE RAILWAYS ADMINISTRATION(TCDD)		238937	45063	36590
- TRACK RENEWALS	1968-90	84482	14602	6800
- TRACK MECHANISATION	1973-90	23019	12394	2530
- SIGNALISATION	1976-88	25663	8663	6000
- STATION REORGANISATION	1978-89	21143	3674	2000
- FREIGHT WAGONS	1986-86	14000	0	14000
- ELECTRIFICATION	1975-89	57480	2530	4760
C.SHIPPING and PORTS		217113	58994	39132
1.(DLH)		41344	8775	7560
- EXPANSION OF IZMIR PORT	1975-87	24589	8775	5360
- DREDGING EQUIPMENT	1985-89	16755	0	2200
2.TURKISH MARITIME WORKS(TDI)		70106	31233	12027
- PORTS REHABILITATION and MODERNISATION PROJECT II(THIRD PART PROJECT)	1985-88	15000	100	1025
- PORTS REHABILITATION and MODERNISATION PROJECT II(SECOND PART PROJECT)	1979-87	14836	8536	3502
- TWO FERRYBOATS	1982-88	22000	12337	3500
- 6 CAR FERRIES	1979-87	18270	10260	4000
3.MARITIME BANK CARGO TRANSPORT		74043	18841	10045
- CARGO SHIPS 6x5500 DWT. 2x70000-75000 DWT.	1976-86	23000	18591	4409
- PANAMAX TYPE BULK SHIPS 2x15-2000 DWT.	1985-89	25043	250	5436
- FULL CONTAINER TYPE SHIPS	1978-88	26000	0	200
4.STATE RAILWAYS ADMINISTRATION(TCDD)		31620	145	9500
- PORTS REHABILITATION and MODERNIZATION PROJECT II(THIRD PART PROJECT)	1984-89	31620	145	9500
D.AIR TRANSPORTATION		364517	163868	95350
1.STATE AIRPORTS AUTHORITY		27000	804	4000
- TURKISH AIRSPACE TRAFFIC CONTROL	1977-88	27000	804	4000
2.(DLH)		141181	33473	24605
- ATATURK AIRPORT CONSTRUCTION	1968-88	31070	13134	3155
- ADANA AIRPORT CONSTRUCTION	1973-89	13676	2186	350
- DALAMAN AIRPORT CONSTRUCTION	1975-89	18820	5198	3100
- CUMAOVASI AIRPORT CONSTRUCTION	1982-89	41655	11660	16600
- ESENBOGA AIRPORT IMPRO	1983-90	35960	1295	1400
3.TURKISH AIRLINES		196336	129591	66745
- AIRCRAFT REQUIREMENT PRO.	1984-86	196336	129591	66745
E.PIPELINE		447145	94635	86618
1.BOTAS		432495	90610	85618
- MIDDLE ANATOLIA REFINERY CRUDE OIL PIPELINE	1977-86	56179	48501	7678
- USSR-TURKEY NATURAL GAS PIPELINE	1984-87	212751	7962	7940
- IRAQ-TURKEY 2.CRUDE OIL PIPELINE (DLH)	1985-87	163565	34147	70000
- IPRAS-HARAMIDERE PIPELINE	1977-87	14650	4025	1000
		14650	4025	1000
COMMUNICATIONS		561998	43858	277785
1.POSTAL AUTHORITY(PTT)		523798	42658	271785
- INTERNATIONAL TELEPHONE and TELEX COMMU.IMP. SWITCHBOARD and SERVICE BUILDINGS	1982-87	227614	12227	64324
- TELECOMMUNICATION and SERVICE BUILDINGS	1983-88	17905	3695	4700
- CITY TELEPHONE and SERVICE BUILDINGS	1983-89	12823	3001	3900
- CITY TELEPHONE DIST.FACILITIES	1984-89	14074	1350	2531
- TELEPHONE and SWITCHBOARD EQUIPMENT	1986-86	73980	0	73980
- CITY VILLAGE TELEPHONE LINKS and EQUIPMENT	1986-86	90313	0	90313
- PTT SWITCHBOARD and SERVICE BUILDINGS	1986-86	20300	0	20300
- WESTERN ANATOLIA UNDERGROUND CABLE UNIT	1986-89	20550	0	2300
2.TURKISH RADIO and TV CORPORATION(TRT)	1981-87	46239	22385	9437
- TRT BUILDING CONSTRUCTION	1985-89	38200	1200	6000
		38200	1200	6000
TOTAL TRANSPORTATION and COMMUNICATION		5280221	598936	351388
TOTAL OF PRIORITY PROJECTS		3657082	417006	744184
VI.TOURISM				
A.MINISTRY OF TOURISM and CULTURE				
- SOUTH ANTALYA PROJECT	1976-89	14422	5000	2079
		14422	5000	2079

<u>PROJECTS</u>	<u>SCHEDULE</u>	<u>TOTAL PROJECT COST</u>	<u>ACTUAL SPENDING UNTIL END OF 1985 AT CURRENT PRICES</u>	<u>1986 ALLOCATION</u>
TOTAL OF TOURISM		14422	5000	2079
TOTAL OF PRIORITY PROJECTS		14422	5000	2079
VII. OTHER PUBLIC SERVICES		611652	119461	78258
A. WATER SUPPLY		462736	93716	54758
1. STATE HYDRAULIC WORKS		42000	11655	4000
- BURSA WATER SUPPLY PROJECT	1973-90	55425	13161	5000
- IZMIR WATER SUPPLY PROJECT	1972-90	12800	100	900
- KONYA WATER SUPPLY PROJECT	1985-90	132330	39366	19700
- ANKARA WATER SUPPLY PROJECT	1965-90	24000	2922	5258
- SAMSUN WATER SUPPLY PROJECT	1982-89	100162	26512	19000
- ISTANBUL WATER SUPPLY PROJECT	1968-91	47000	0	400
IZMIT WATER SUPPLY PROJECT	1986-92	26200	0	250
ANTALYA WATER SUPPLY PROJECT	1986-90	22819	0	250
SIYAS WATER SUPPLY PROJECT	1986-91	56000	13720	6500
2. MUNICIPALITIES BANK		16000	5400	1900
- ESKISEHIR WATER SUPPLY PROJECT	1973-89	12000	900	100
MARDIN WATER SUPPLY PROJECT	1971-89	15000	4000	1600
- TRABZON WATER SUPPLY PROJECT	1970-90	13000	3420	2900
- VAN WATER SUPPLY PROJECT	1982-88	92916	12025	17000
3. ISTANBUL WATER and SEWERAGE AUTHORITY		42430	5680	8500
- ISTANBUL AREA WATER SUPPLY PROJECT	1984-89	50486	6345	8500
- ASIAN SIDE WATER SUPPLY PROJECT	1984-89	613400	41296	56030
B. SEWERAGE SYSTEM		388000	11790	16800
1. MUNICIPALITIES BANK		63000	2218	1400
- ADANA SEWERAGE SYSTEM	1982-92	45000	1167	2000
- ANKARA SEWERAGE SYSTEM	1981-90	12000	0	150
BALIKESIR SEWERAGE SYSTEM	1985-93	20000	30	850
BURSA SEWERAGE SYSTEM	1985-95	12000	180	1000
ERZURUM SEWERAGE SYSTEM	1984-90	44000	1112	1700
- ESKISEHIR SEWERAGE SYSTEM	1975-90	15000	1243	1350
MERSIN SEWERAGE SYSTEM	1974-90	80000	3210	4000
- IZMIR SEWERAGE SYSTEM	1982-90	25000	2530	2400
IZMIT SEWERAGE SYSTEM	1982-90	30000	100	900
KONYA SEWERAGE SYSTEM	1984-92	15000	0	500
MALATYA SEWERAGE SYSTEM	1975-88	15000	0	350
KAHRAMANMARAS SEWERAGE SYSTEM	1984-94	12000	0	200
SAMSUN SEWERAGE SYSTEM	1984-92	225400	29506	39230
2. ISTANBUL WATER and SEWERAGE AUTHORITY		78000	20610	17500
ISTANBUL SEWERAGE SYSTEM I	1982-90	32300	2210	4730
ISTANBUL AREA SEWERAGE SYSTEM	1973-89	28760	1186	8750
BEYOGLU AREA SEWERAGE SYSTEM	1984-89	38712	2320	14700
C. LOCAL GOVERNMENT SERVICES		38712	2320	14700
1. MUNICIPALITIES BANK		16470	300	7700
- ISTANBUL-GALATA BRIDGE	1984-87	22242	2020	7000
- ISTANBUL TRAM PRO. I	1985-87	1263764	163077	148988
TOTAL OF OTHER PUBLIC SERVICES		774345	128588	101058
TOTAL OF PRIORITY PROJECTS				

ANNEX III
DEVELOPMENTS IN MAJOR PUBLIC
CONTRACTS IN 1986

The list of the major public contracts financed through foreign and domestic sources are shown below. Sectoral breakdown of public contracts and the developments, (projects for which bids received or invited, feasibility studies resumed etc.) are also given in the table

<u>Sector</u>	project/contract value in millions of the specified currency		<u>Developments</u>	<u>Financial source</u>
	<u>domestic</u>	<u>foreign</u>		
<u>PUBLIC SERVICES</u>				
-Bursa-Ank.-İst.-Konya Light rail system schemes		\$ 0.6	Negotiations held with Canadian UTDC LTD. on feasibility study related to Ankara light rail system scheme(692)	UNDP grant (\$ 190 000) Canadian government (\$ 600 000)
		\$ 1	Bidders for Istanbul scheme invited for negotiations on 15 July(693)	
	₺ 40.300		Bursa light rail system engineering-consultancy job awarded to UTDC-led consortium(691-700)	
	₺ 35.000		Istanbul light rail system job awarded to ASEA (694)	Swedish government loan
			SPO proposed to shelve KONYA light rail scheme(694)	
			Two local companies selected as subcontractors for the Canadian consortium in Ankara light rail scheme(703)	
			Canadian consortium to cooperate with KUTLUTAS-Canadian government to extend a further \$ 136 000 as grant - 21 companies willing to undertake installation of Ankara light rail system.(714)	
-Izmir municipality's duty machines contract			Bids received(696) - Orders placed(714)	suppliers' credits
-Ankara municipality's contract for 70 public buses		\$ 3.6	Mogurt of Hungary wins(691)	
-ISKI's computer contract		\$ 1.8	HONEYWELL wins(709)	
-Ankara water treatment facilities expansion job		£ 25	GURIS-PCI joint venture wins	
-Rural Services Directorate's duty machines contract			MITSUBISHI, FIAT ALLIS, BOMAG tipped to win(692)	suppliers' credits
-İpras-İlarsıdere product pipeline scheme			HOESCH to supply pipes (697)	
			The scheme was shelved(711-713)	
-Istanbul sewerage scheme		\$ 90	STFA wins Ahırkapi sea discharge facility job(708)	World Bank
			Bids invited for miscellaneous civil works contracts valued at ₺ 15 billion(598)	
			Bids invited for second stage engineering work	
-Istanbul traffic signalisation scheme			Bids received(696)-ETMAS-SIEMENS venture wins(698)	
-Second Galata bridge scheme		\$ 32.7	STFA-TIYSSSEN venture wins(701)	German government loan, German export loan

<u>Sector</u>	project/contract value in millions of the specified currency		<u>Developments</u>	<u>Financial source</u>
	<u>domestic</u>	<u>foreign</u>		
Modification of Ankara gas network for using Soviet natural gas	FFr 2.7		Bids received from five foreign contractors for designs & engineering work - Ankara municipality starts work on feasibility study	French government loan
Cukurova metropolitan region urban development scheme			10 companies apply for expansion & construction of gas network (714) Tender specifications for infrastructure investments being prepared (695) Total investment cost to reach 11 220 billion (710) Bids invited for equipment supply (713)	World Bank
- Cankaya municipality's duty machines contract			6 suppliers contending - Bid evaluation resumed (704-713)	
- Istanbul World Trade Center scheme			30 companies prequalified (708)	
- Yenimahalle municipality's duty machines contract			Bid evaluation finalised (708)	
- Istanbul municipality's waste recycling plant scheme			The scheme shelved (715)	
- Ankara waste sorting plant plant equipment and assembly works job			Bids invited (708)	
- Izmir municipality's contract for supply of & duty machines			ENKA wins (709)	
- Preventing air pollution in Ankara			JICA of Japan completes preliminary studies (715) Japanese and Swedish companies propose projects (713)	
- Free zones		11 2.290	KISKA wins Mersin free zone second stage civil works contract (710)	
- Izmir water supply scheme			Bids invited for supply of ductile pipes and miscellaneous equipment (710)	
- Izmir Trade and Tourism center construction			Bids received from three companies. (711)	
<u>CEMENT</u>				
- COTISAN's Iskenderun clinker grinding facility scheme	11 15.000		Negotiations with KAWASAKI underway (696) - Bidders asked to extend validity of their offers (714)	
- CITOSAN's contract for supply of 3000 tons of sinterized bricks			C.F. MINERALS wins (712)	
- Report on developments in cement industry scheme			Japanese Consulting Institute to carry out feasibility study on planned cement terminal in Iskenderun (714)	Islamic Development Bank

Sector	project/contract value in millions of the specified currency		Developments	Financial source
	domestic	foreign		
<u>PETROLEUM</u>				
- Iraq-Turkey Second crude oil pipeline scheme		\$ 255	TEKFEN-KUTLUTAS-SAIPEM venture wins(710)	Suppliers' credits
- Turkish Petroleum Corporation's contract for supply of drilling equipment			Orders placed(709)	World Bank
- Turkish Petroleum West Raman petroleum production scheme			Bids received for supply of drilling equipment	World Bank
- TPAO's contract for seismic surveys			Bids to be received on 15 January 1986(713)	World Bank
- TUPRAS' LPG terminal scheme			Bids to be received on 27 January(714)	
- Iran-Turkey crude oil and natural gas pipeline scheme			Developments discussed in Iran(715)	
<u>SECTORAL ANALYSES</u>				
- Schemes for rehabilitation & Modernisation of sectors		\$ 2	MORGAN GUARANTY to carry out feasibility study on privatisation of SEE(696)	
			LAZAR FRERES prepares report on privatisation of Turkish Airlines	
			Work on rehabilitation of fertilizer, cement, textile industries continue(709)	
- Report on private sector projects for energy investments			Bids received for supply of equipment for Hasanlar Dam(706)	
- Report on developments in Turkish defence industry			Negotiations underway with foreign and local investors(712)	
- Report on geothermal energy projects			JICA of Japan to carry out surveys (715)	
- Foreign investment plans in tobacco industry			Negotiations underway with four foreign companies(715)	
<u>AGRICULTURAL REHABILITATION</u>				
- Agricultural investment projects consultancy job			Prequalification bids received on 31 August(698)	World Bank
- DSI and Rural Services Directorate prepare to import duty machines			Bids to be invited soon	World Bank
- Ilgin plain irrigation contract	TL 2.225		OZISIK wins(701)	
- Kirklareli irrigation contract			Bids received(701)	
- Sarayozu dam construction			TISAN wins(704)	
- Yapraklı dam construction	TL 6.500		TISAN wins(704)	
- Mumcular dam construction	TL 2.500		KISKA wins(708)	
- Bayramic dam construction	TL 7.500		TISAN wins(707)	
- Sultansuyu dam construction	TL 7.000		YUKSEL INSAAT wins(711)	
- Orta Sakarya-Karaagac pumping irrigation scheme	TL 1.628		MAPA wins (709)	
- Ikiçetepeler dam construction	TL 3.000		MAPA wins(710)	

<u>Sector</u>	project/contract value in millions of the specified currency		<u>Developments</u>	<u>Financial source</u>
	<u>domestic</u>	<u>foreign</u>		
- Conen dam construction	TL 7.400		Prequalification bids received(714)	
- Daphan plain irrigation	TL 3.660		AK-INSAAT wins(715)	
- Rural Service Directorate's contract for supply of duty machines			CATERPILLAR to supply 900 bulldozers, KOMATSU to supply 750 graders, FIAT ALLIS to supply 125 loaders	Suppliers' credits
<u>TELECOMMUNICATIONS</u>				
- Coastal wireless station scheme			Tender cancelled(693)	
- PTT's mobile telephone system scheme			Bids evaluation continues(714)	
- TRT's second channel TV equipment contract			West German company wins(605)	
- Turkish Airspace Traffic Control scheme			Bid evaluation continues(709)	
- PTT's PCM multiplex equipment supply contract			TELETAS/BTM venture wins(699)	
-- PTT's third satellite earth station scheme			SUMITOMO wins(701)	
- TRT's contract for supply of colour cameras			C.ITOH wins(701)	
- TRT's contract for supply of rotating antenna systems			Bids received(704)	
- PTT's digital telephone exchanges scheme		\$ 150	Loan secured for supply of equipment(703)	
- Supply of X-ray equipment for customs inspection		\$ 8	Bids to be invited soon(712)	World Bank
- PTT's fiber-optic cable contract			Bids to be received in 20 February(715)	
<u>TOURISM</u>				
- Report on planned tourism investments			Tourism Ministry calls on foreign and local businessmen to invest in Turkish tourism sector(698)	
- Tourism sector report			Detailed information on planned investments in tourism industry (699)	
- KLAUS BESIRSKY holiday village scheme			Contractors and financing sought for 385-bed capacity holiday village scheme(704)	
<u>AIRCRAFT</u>				
- F-16 combat aircraft scheme			NUROL to construct staff housing for TUSAS(695)	
			DOGUS to construct aircraft engine test building for TUSAS(701)	
			AKKA to construct staff housing(703)	
- Transport aircraft scheme			Transport aircraft manufacture scheme to be integrated with F-16 scheme(711)	

<u>Sector</u>	project/contract value in millions of the specified currency		<u>Developments</u>	<u>Financial source</u>
	<u>domestic</u>	<u>foreign</u>		
<u>ENERGY</u>				
- Akkuyu nuclear power plant scheme		\$ 1.300	WESTINGHOUSE continues con- tacts with TEK-KWJ tries to arrange a new HERMES loan(691) AECL-TEK to set up joint venture capitalised at \$ 125 million (692) KUTLUTAS claims that the scheme has in fact been shelved (698) ONTARIO HYDRO to take part in the joint venture to operate the NPP(702) Negotiations underway to arrange finance(708) ELECTRIM of Poland offered Karlova TPP installation job (692) 14 suppliers submit bids(696) 5 suppliers placed with orders (712) BECHTEL, BBC, SEAPAC try to ar- range finance(693-705) Partners sought for foreign capital ventures(707) Bids invited(694-699) CD extended(713) Bids to be received in 1986 for World supply of turbines&generators Bank (695) Civil works contract delayed (700) Agreement reached on credit issue-negotiations underway with EPDC of Japan for \$ 80 millionloan(711) Bids received(712) KISKA wins(714) Disagreement with the Soviets on financial terms-Finance Minister goes to Moscow(696) Bids to be invited for cons- truction job(700) Foreign&local contractors show increasing interest(702) List of prospective bidders(707) Tender specifications to be presented to World Bank for approval	\$ 750 million under Canadian government coverage(+) \$ 200 million under British government coverage
- Karlova(Bingol) and Orta (Cankiri) thermal power plant schemes				
- TEK's contract to buy 200 000 wooden poles				
- Schemes for installation of thermal power plants based on imported coal				
- TEK'S Cayirhan TPP desulphu- risation system scheme				
- Kayraktepe Dam and HEPP scheme		\$ 250		
- Dicle Dam and HEPP civil works		fl 17.500		
- Thracian natural gas pipeline scheme				
TEK's new substation centers scheme		\$ 300		World Bank

<u>Sector</u>	project/contract value in millions of the specified currency		<u>Developments</u>	<u>Financial source</u>
	<u>domestic</u>	<u>foreign</u>		
- Sir Dam and HEPP scheme		\$ 100-120	Designs revised(697) Prequalifiers revealed(711) Bids for diversion tunnel construction job received(705-714) Bids invited for supply of hydro-mechanical equipment(713)	
- TEK's contract for supply of steel pylons		\$ 163	Four suppliers receive orders (697)	World Bank
- DSI's contract for supply of ductile pipes and fittings			Bids invited (697) Bids received(705) Tender cancelled(709)	Kuwait-based Arab Fund for Economic & Social Development
- Turkey-Cyprus energy transmission line scheme			The scheme shelved due to lack of finance(698)	
- TEK's Elbistan-Ankara energy transmission line scheme			Bids received for insulators contract(699)	Saudi loan
- TEK's contract for supply of 58 hydraulic-boom mobile cranes			Japanese company tipped to win(714)	
- TEK's energy transmission lines schemes		\$ 70	Tender specifications ready (704) Bids invited for power transmission to four islands(706) Prequalification bids evaluated (713) CD extended(714)	World Bank
- TEK's contract for serial capacitors			Tender expected to be cancelled(705)	World Bank
- Manavgat dam scheme	TL 12.000		Bids invited for main civil works contract(706) 25 firms apply for prequalification(708) Two firms submit bids(710)	
- Gezende and Catalan HEPP schemes			Bids to be invited in 1986 for supply of turbines&generators (709)	
- Batman Dam scheme	TL 29.000		21 companies submit bids(710)	
- Saray thermal power plant scheme	TL 210.000		Contract to be awarded on the "build-operate-transfer" basis (715)	
<u>IRON and STEEL</u>				
- TDCI's contract for supply of iron ore and pellets			Revised bids received(691)	
- TDCI's contract for supply of 2 million tons of coal			Bids received(693)-Orders placed with eleven suppliers(696) CD extended(691)	
- Sivas Rolling mill scheme			Foundation of the rolling mill laid(695)	

<u>Sector</u>	project/contract value in millions of the specified currency			<u>Developments</u>	<u>Financial source</u>
	<u>domestic</u>	<u>foreign</u>			
- ERDEMIR's contract for supply of coal and slab				An existing rolling mill in Portugal will be dismantled- reassembled in Sivas(696) Negotiations with the Portuguese company underway(699) Negotiations to be held with Japanese NIPPON KOKAN(704) Final bids received(710) Three bidders to be short- listed-Bid assessment continues- ASMAS acts in joint venture with DEMAG(713-715) Bid evaluation for coal supply job continues-MARUBENI wins slab contract(702)	
- ERDEMIR Expansion scheme		\$ 27		Bids to be received in December for 400 000 tons of slab(713) Contracts for Assembly works awarded(711) Bids to be invited for sintering facility and lime plant assembly jobs(711)	
- TDCI to import rail bloom				Bids invited for supply of 10 000 tons of rail bloom	
<u>COMMUNICATIONS</u>					
- Signalisation and electri- fication schemes of the State Railways Administration				Bids to be invited gradually in 1986(715)	World Bank and Saudi Fund
- Second Iraq-Turkey crude pipeline scheme				Final contract signed with the winning consortium(711)	
- TNY to import new passenger aircraft				Negotiations to buy 7 AIRBUS aircraft continue(704)	
- Ankara-Istanbul double-track railway scheme				The Council of Ministers has the final say on the fate of the scheme(705)	
- Bosphorus tube crossing scheme				Public Minister Giray briefed on feasibility study(704)	
- Second Bosphorus Bridge scheme				Finance secured from Japan, Italy and European banks(708)	Suppliers' credits
- 3rd Ports Rehabilitation Scheme		\$ 151		Bids for supply of cranes to be received on 24 January(715)	World Bank
- Airports modernisation scheme				Miscellaneous airport equipment to be imported(712)	
- Expressway schemes				Negotiations underway on nine schemes available for foreign investment	
- Istanbul municipality to buy hovercraft				None of the bidders has received a letter of intent as yet(712)	
- Menemen-Aliaga railway construction contract	6.880			Bids received-evaluation conti- nues(693) Mustafa OZCAN wins(697)	

<u>Sector</u>	project/contract value in millions of the specified currency		<u>Developments</u>	<u>Financial source</u>
	<u>domestic</u>	<u>foreign</u>		
- TCDD to purchase mono-bloc wheels			Bid evaluation finalised(703)	
- Kinalı-Sakarya highway scheme			Prequalifiers disclosed(694)	
- DLH's contract to purchase 13 port cranes	3.300		ST-FA/ANSALDO joint venture wins(697)	
- Civil works at Mersin, Iskenderun, and Trabzon ports			Contracts awarded(698)	
- Acetylene plant scheme			Bids received(703)	
- Malatya wagon repair factory contract			Bids received(704)	
- Trans-Turkey highway scheme		\$ 115	Contracts awarded for construction of three roads(705-706)	World Bank
- TCK's machinery pool renovation scheme		\$ 115	Bids received for supply of road rollers and crawler drills (710-711)	
<u>MINING</u>				
- Beypazari lignite works expansion scheme		£ 37.2	Bids invited for supply of 90 cranes(696)	Irish Republic government and EEC loans
- Black Sea Copper Works, copper concentrator modernisation		\$ 25.5	Feasibility study resumed (701) INGERSOLLRAND to supply two slurry pumps(702)	Foreign capital venture
- Espiye copper mine scheme			feasibility study resumed(701)	
- TKI's contract for supply of duty machines		\$ 27.00	Bids received for supply of 13 loaders, 22 graders, 2 snow-ploughs(707)	Japanese loan
- ETIBANK's Kutahya-Gümüşköy silver production scheme			Bids received for supply of duty machines(710)	
<u>FORESTRY</u>				
- Forestry Resources Development scheme			Bids received for supply of five fire-extinguishing vehicles(710)	European Investment Bank
<u>DEFENCE</u>				
- Closed circuit TV system job			Contract awarded(693)	
- Defence Ministry's Marmaris-Aksaz naval facilities first stage civil works job	2.775		British company wins(707)	
- Marmaris-Aksaz naval facilities third stage civil works job			Bids to be received on 3 February(713)	
- NATO-Tropospheric communications system supply		\$ 80	Prequalification call expected(710)	
- Defence Ministry: IIF-SSB wireless manufacture scheme			Tender specifications being prepared(710)	

<u>Sector</u>	project/contract value in millions of the specified currency			<u>Developments</u>	<u>Financial source</u>
	<u>domestic</u>	<u>foreign</u>			
- Defence Ministry, mobile communications complex contract		\$ 75		Italian company wins(710)	
- Air Force, radar scheme		\$ 450		GENERAL ELECTRIC proposes partnership to ASELSAN	
- Defence Ministry, Merzifon airport construction	TL 2900			Bids received(714)	
<u>FOOD INDUSTRY</u>					
- TMO'S grain storage scheme				Foreign and local consultants start work (697) Prequalification bids invited for turnkey construction of port silos(710) Approval by World Bank of tender specifications delayed(712) CD for prequalification bids extended(715) Bids invited-CARGIL of the US to supply 25 000 tons(715) 8 suppliers short-listed, await US Trade Department approval(714)	World Bank
- Importation of 250 000 tons of wheat from the US					
<u>PAPER INDUSTRY</u>					
- SEKA rehabilitation scheme		\$ 86.7		Bids sought from prequalifiers (699) Bids received for consultancy work(700) Evaluation continues(708)	World Bank (\$ 55.1 million)
<u>CHEMICAL INDUSTRY</u>					
- TZDK's contract for fertilizer supply		\$ 152.4		Orders placed for supply of 130 000 tons of DAP TZDK prepares to import 350 000 tons of fertiliser(699) Bids invited(705) Bids received(711) The results await World Bank approval(714) SOYUZCHIMEXPORT wins(696)	World Bank
- TUGSAS to import 120 000 tons of ammonia				Bids invited for supply of 40 000 tons(696) Bids invited for 42 000 tons(708)	
- TUGSAS to import phosphoric acid				Bids invited for assembly job (694)	
- TUGSAS Gemlik ammonia plant scheme		\$ 93.5		Seven companies submit bids (702-705)	OECD, French government, British government, European Resettlement Fund loans (\$ 13.4 mil.)

<u>Sector</u>	project/contract value in millions of the specified currency		<u>Developments</u>	<u>Financial source</u>
	<u>domestic</u>	<u>foreign</u>		
- Istanbul municipality's waste recycling plant scheme		DM 75	9 companies submit bids(695) Tender cancelled (701) The scheme shelved(715)	
- Mersin fertiliser complex scheme		\$ 230	Main contract of foreign capital venture signed(698) Negotiations with foreign companies continue(709) Bids invited(712)	
- TUGSAS to import 40 000 tons of sulphuric acid			Bids invited(712)	
- TUGSAS to import 150 000 tons of phosphate rock			Bids invited(712)	
Ankara drinking water network expansion scheme	₺ 12 000		THYSSEN to supply pipes(715) KISKA to construct Kurtboğazi dam-Egrekkaya water pipeline(703) Bids to be invited for engineering work(706) HAMM of West Germany wins(697)	
- Istanbul municipality's contract for supply of 75 road rollers			Bids received(708)	
- Izmir municipality's waste recycling plant scheme			Bids received(710)	
- Ankara municipality's Sıhhiye-Tandogan highway& bridge scheme	₺ 210		BECHTEL of the US to carry out feasibility study on Yumurtalık free zone Bids for Izmir free zone being evaluated(699) Orders placed(699-703)	
- Free zones				
- Ankara municipality's duty machines contract			Bids to be invited in February (715)	
- Ankara municipality's contract for supply of 400 public buses			41 suppliers submit bids(701)	
- Altındag municipality's duty machines contract			10 firms purchase bidding specifications (710) The tender delayed(716)	
- Ankara municipality's waste sorting equipment contract			Bids received (710)	
- Istanbul municipality's data processing center contract				

