



**Declaration of Outcomes**  
**Third Meeting of the**  
**Investment Advisory Council of Turkey**  
**June 29, 2006**

We, the members of the Investment Advisory Council for Turkey, would like to express our deep appreciation to the Prime Minister for inviting us here today. This meeting has provided a timely opportunity to reflect on the Government's consistent effort to provide market stability, growth and an improved business environment to ensure that Turkey continues to be an attractive place for investment.

In our meeting last year, we advised on over a dozen key areas that need to be addressed to improve the investment environment. We have been impressed by the Government's commitment and effectiveness in successfully carrying out reforms, as reflected in the IAC Progress Report. Significant achievements include:

- Unprecedented success in implementing the privatization program, resulting in record high levels of revenues
- Acceleration of comprehensive tax policy reforms
- Passage of landmark social security reform legislation
- Reduced administrative barriers to investment, particularly the streamlining of work permit procedures for foreign investors
- Progress in establishing an investment promotion agency

These policies were expected to bring about an upswing in international investment. The results have far exceeded the expectations. International direct investment in Turkey soared to US\$ 9.7 billion in 2005, compared to an annual average of US\$ 1.1 billion in the decade between 1993-2002, US\$ 1.8 billion in 2003 and US\$ 2.8 billion in 2004. We congratulate Prime Minister Erdogan and his cabinet as represented here today by Minister of State Babacan, Minister of Finance Unakitan, and Minister of Industry and Trade Coşkun for this outstanding accomplishment. We have discussed these developments with them and raised issues that we believe must remain priorities for Turkey to build upon these gains in the years ahead.



Ms. Krueger, First Deputy Managing Director of the International Monetary Fund, underscored the importance of strong fiscal and monetary policies, continuing the flexible exchange rate regime, combined with ongoing structural reforms, to ensure continued macroeconomic stability as a base for sustained growth. Mr. Katsu, Vice President of the World Bank, spoke of the importance of improving education, strengthening innovation and use of quality standards, and removing administrative and infrastructure bottlenecks to increase investment, productivity, economic growth and job creation. Mr. Maystadt, President of the European Investment Bank, emphasized that continued progress on policy, regulatory and sectoral reforms in line with the EU accession process are critical for maintaining and enhancing investor confidence. We agree that all of these measures are critical to the investment environment.

The Council's discussions have emphasized the importance of the Government's commitment to implement policies and reforms that maintain and promote macroeconomic, political and financial market stability, while continuing on the path of EU accession. To meet these and other ongoing challenges, it will be important for the Government to prioritize the following issues:

- Continue with privatization and deregulation to improve competition
- Improve education and training to ensure better alignment with the needs of the private and public sectors
- Increase research and development, innovation, technology adoption and use of quality standards
- Improve infrastructure with a focus on:
  - Logistics: transport and customs processing
  - Continued liberalization of the energy sector
  - Access to and use of information and communication technology
- Accelerate the reduction of administrative barriers, particularly: licensing requirements, R&D approval processes, limited access to land and restrictions on imports
- Increase the efficiency of judicial processes
- Enhance the efficiency and flexibility of the labor market
- Enhance corporate governance



- Continue the reform of the social security system
- Deepen financial market development, including increasing access to finance, strengthening the regulatory framework for the insurance sector and broadening the equity market
- Improve investment promotion and communication activities
- Continue efforts to reduce the informal economy

These are areas that require sustained, long-term efforts and should remain at the forefront of the government's strategy to scale up private investment in Turkey. Progress on these fronts is certain to spur even greater FDI flows in the years ahead.

We are confident that strong, decisive and appropriate measures that are being taken by the Government and the Central Bank in response to the changing as well as challenging economic and financial environment will ensure that Turkey remains an attractive destination for investment. Furthermore, the authorities have confirmed their strong commitment to continue to take such measures as appropriate.

The members of the Investment Advisory Council, whose global businesses represents nearly US\$ 2 trillion of revenues and more than US\$ 3 trillion of market value, unanimously reaffirm for the third consecutive year their commitment to the Turkish economy and reiterate their substantial investment and growth plans for the future.

We are confident in the Prime Minister's leadership in maintaining a favorable investment environment in Turkey. We value the work undertaken by Minister Ali Babacan as government champion for the IAC, and appreciate the support of the YOIKK steering committee in implementing this agenda. We look forward to monitoring progress in these areas, and to holding another IAC meeting next year.



Respectfully submitted by the Members of the  
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June 29, 2006

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