



STRUCTURAL FISCAL REFORMS AND IMF CONDITIONALITY IN TÜRKİYE: A CONTENT ANALYSIS OF THE 1998-2008 PERIOD

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Abstract

This study examines the role of International Monetary Fund (IMF)-supported programs in the process of structural fiscal reform in Türkiye. Utilizing data from the IMF Conditionality Database and the IMF-MONA database, the study investigates, within the framework of descriptive content analysis, the key areas and temporal patterns of policy conditionalities and structural reform proposals included in these programs. The analysis focuses on identifying the areas and timeframes in which IMF conditionalities aligned with the structural transformation of Türkiye's public finances. The findings indicate that IMF-related conditionalities primarily encompassed strengthening fiscal discipline, enhancing transparency and accountability, improving the efficiency of public spending, strengthening debt management, improving tax administration, and restructuring state-owned enterprises. The conditionalities and structural reform proposals associated with IMF-supported programs, which were particularly concentrated during the 1998–2008 period, coincided with significant legal and institutional reforms implemented in Türkiye's public financial management. However, the implementation of these reforms and their resulting outcomes cannot be attributed solely to IMF conditionalities; Türkiye's domestic political and economic conditions, the 2001 economic crisis, the European Union accession process, and the country's own reform preferences also played important roles in shaping the reform process.

Key Words: IMF-supported programs, IMF conditionality, Structural fiscal reforms, Türkiye

JEL Codes: F33, F34, O19

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INTRODUCTION

Crises stemming from globalization and the efforts of developing countries to integrate into the global order have weakened the functioning and structure of the public sector. Thus, the globalization process has narrowed the fiscal room for maneuver in public finance, and the search for reforms in the public sector has accelerated due to frequent crises. Countries that experienced economic crises during the transition to liberalization faced common fiscal problems such as high public deficits and heavy debt burdens, despite differing economic, social, and political structures. Another common point is the structural reform efforts carried out with international organizations to overcome these problems (Bakkal & Susam, 2011).

Structural reforms are basically measures aimed at changing the structure of an economy and the institutional and regulatory framework within which businesses and individuals operate. They are designed to help the economy realize its growth potential in a balanced way. The likelihood of structural reforms being realized can be influenced by many factors, both internal and external. Domestic dynamics are dominated by the current state of economic structures and basic regulations, macroeconomic conditions, fiscal and monetary policies, and the overall political environment. There may also be pressure from external sources when a country embarks on reforms (ECB, 2017). Global institutions such as the International Monetary Fund, the World Bank, and the European Union significantly influence structural reform efforts by providing financial assistance to countries. Consequently, these reforms are not solely shaped by domestic actors but are also guided by the involvement and conditionalities of international organizations (Galiani et al., 2015).

The institutional foundations of structural reform policies associated with the International Monetary Fund (IMF) and implemented through economic programs in member countries can be traced back to the 1944 Bretton Woods Conference. The IMF's primary objectives are to promote international monetary cooperation, safeguard financial stability, and support macroeconomic stability in its member countries. Accordingly, the IMF's activities have predominantly focused on maintaining macroeconomic and financial stability, strengthening public finances, reducing external imbalances, and promoting debt sustainability (Sidenko & Kulbida, 2020). Within this broader framework, economic reform programs supported by international financial institutions, particularly since the 1980s, have increasingly incorporated policy recommendations associated with the Washington Consensus. These recommendations have included reducing public expenditure, privatizing state-owned enterprises, liberalizing trade, allowing interest rates to be determined by market forces, reducing regulatory restrictions, establishing independent central banks, and protecting property rights (Ruckert, 2006).

Among the international organizations involved in structural reform processes, the IMF has played a significant role in shaping the economic policy frameworks of member countries through financial assistance and policy advice. Within the framework of financial support programs, the IMF provides policy recommendations aimed at promoting macroeconomic stability and strengthening public finances, while attaching specific conditionalities to these programs. Accordingly, countries participating in IMF-supported programs may undertake various policy commitments and structural reform measures as part of their program arrangements and in pursuit of the agreed program objectives. Over time, IMF-supported programs implemented across different countries have addressed a wide range of reform areas, including fiscal policy, public expenditure, tax administration, debt management, and public enterprises, through conditionality and policy-transfer mechanisms. Nevertheless, the effects of IMF-supported programs on economic and structural reforms have been interpreted differently in the literature, with varying assessments of both their implementation and outcomes.

A review of the literature reveals that the effects of IMF-supported programs have been examined in relation to various economic and financial outcomes, including economic growth, fiscal balance, the current account, public debt, inflation, foreign aid, and capital flows (Khan, 1990; Conway, 1994; Barro & Lee, 2005; Easterly, 2005; Jorra, 2012; Gehring & Lang, 2020; Balima & Sokolova, 2021; Tığtepe & Demir, 2025). The existing

literature identifies direct and indirect channels through which IMF-supported programs can have positive or negative effects on macroeconomic outcomes in program countries. These channels involve program countries discussing and reviewing IMF conditions and policy recommendations, which are expected to foster program ownership (Evrensel et al., 2023).

Since the 1980s, the International Monetary Fund (IMF) has been involved in supporting reform initiatives in developing countries through financial assistance and policy guidance. Nevertheless, the influence of IMF-supported programs on domestic reform processes has remained a subject of ongoing debate in the academic literature. Some scholars contend that IMF conditionality may limit the policy autonomy of developing countries by promoting relatively standardized approaches to reform. Others, by contrast, highlight the contribution of IMF programs to fiscal discipline, institutional capacity, and macroeconomic stability. This debate has led to broader questions about the extent to which IMF-supported programs shape fiscal policies and structural reform processes in developing countries (Andrews, 2013). Against this background, this study examines the relationship between IMF-supported programs and structural fiscal reform, with a particular focus on the policy conditionalities and reform areas associated with IMF programs in Türkiye.

Accordingly, this study focuses on three fundamental research questions. First, what role did the IMF play in the structural transformation of Türkiye's public finances? Second, which areas of fiscal policy constituted the primary targets of conditionality and reform proposals within the scope of IMF-supported programs? Third, in which areas were structural reform proposals concentrated during periods of intensified programmatic relations between the IMF and Türkiye?

The study contributes to the existing literature in three respects. First, it synthesizes findings from the IMF Conditions Database and the IMF-MONA datasets to examine the evolution and content of fiscal conditionality and structural reform proposals associated with IMF-supported programs in Türkiye over time. Second, rather than focusing solely on the macroeconomic outcomes of IMF programs, the study analyzes the institutional and fiscal dimensions of the reforms prioritized under these programs. Third, by evaluating data on IMF programs alongside the historical development of Türkiye's public finance institutions, it identifies the periods and areas in which IMF-supported reform frameworks aligned with significant legal and institutional transformations in public financial management.

The remainder of this study is organized as follows: The first section presents the theoretical framework and literature on the role of the IMF in the fiscal reform process. The second section examines the structural transformations and key legislative arrangements in Türkiye's public finances from a historical perspective. The third section presents the methodology and data structure and analyzes the empirical findings derived from the IMF Conditionality and IMF-MONA databases. Finally, the last section discusses the findings and concludes with overall assessments and policy recommendations for future fiscal reforms.

1. The Role of the IMF in the Fiscal Reform Process

Structural reforms have become increasingly prominent in the field of public finance, especially in debates on fiscal discipline. Structural reforms are the steps that need to be taken to restructure a system so that it can operate more effectively and efficiently and become more resilient to shocks (Uysal Şahin & Akar, 2018). These steps are not limited to economic issues. The political system, the judicial system and the education system, which are closely related to and affect the economy, are all areas of structural reform. However, these are not on the IMF's agenda, as its mission does not include making recommendations on political and social issues. The IMF proposes structural reforms to countries that request financial support or consultancy from it, and if they implement a program together, it makes these reforms the conditions of that program (Eğilmez, 2020).

The relationship between the IMF, which plays an effective role in implementing structural reforms, and the countries it advises appears to differ from that of other global actors. The IMF makes policy recommendations to countries through its stabilization programs based on cooperation and integration. In particular, fiscal adjustment programs carried out jointly with developing countries play an important role in determining fiscal policies.

The hallmark of IMF-supported fiscal adjustment programs is the implementation of structural fiscal reforms. Structural reforms have become an essential part of the stabilization programs implemented jointly with the IMF. From a medium-term perspective, the sustainable success of the programs is identified with fiscal reforms, including structural measures. The IMF's structural reform proposals include tax policy and administration; salary and civil service reform; social spending; other spending; public enterprise reform; privatization; private sector development; social security and pension reform; institutional reforms; and pricing of public services. In this framework, when the stabilization programs implemented in developing countries (Romania, Tanzania, Algeria, Bulgaria, Philippines, Ecuador, Senegal, Egypt, Pakistan, Jordan, Ukraine, Costa Rica, Venezuela, Uruguay and Peru) are analyzed on the basis of fiscal structural reforms (IMF, 2003; Yılmaz, 2010).

- Structural reforms focus on revenue elements, mainly taxation. 40% of fiscal reforms relate to taxation policies and tax administrations. Tax reforms focus on the expansion and effectiveness of expenditure taxes such as VAT and excise taxes. Taxes on wealth, such as income tax and property tax, are not emphasized.
- Quasi-fiscal policies are in second place. The main policies are shaped under the following headings: restructuring of public enterprises, privatization, private participation in sectors dominated by the public sector, and the social security and pension system.
- Thirdly, structural reforms focus on expenditure sub-headings, with a share of 20%. Priority has been given to wage control and limitation of public personnel reform, and the status and working principles of civil servants. In this framework, the focus has been on remuneration and public personnel reform. The rest of the expenditure policies are aimed at rationalizing the public investment program and reducing expenditures in general.
- Public reforms have focused on the efficiency of public expenditure, in particular transparency in public accounts and budgeting, expanding budget coverage, improving the budget preparation process, financial control and audit.
- Policies on the pricing of public services are the least concentrated of the nine topics. An example is policies on the fiscal impact of energy prices.
- When structural measures are analyzed by conditionality, taxes, and in particular tax policies, come first with a share of 40%. Taxation-related conditions are followed by structural conditions on public enterprises, privatization and private sector development.

Stabilization programs implemented in member countries include various measures such as currency devaluation, reduction in emissions, price increases by public enterprises, reduction of trade union rights, postponement of foreign debts, finding new sources of financing and, in addition to these, reducing state intervention in the economy (Bakkal & Susam, 2011). Another recommendation of international organizations is to take economic and fiscal measures to discipline the financial structure of countries after the emergence of crises. In this context, the Fiscal Transparency and Stable Practices Arrangement proposed by the IMF and the Medium Term Expenditure System developed by the World Bank provide some basic criteria for ensuring fiscal discipline. These are balancing public expenditures and public revenues, thus ensuring fiscal discipline and reducing budget deficits (Eker, 2009).

The general framework and insights from various country experiences under IMF-backed structural programs provide a baseline for understanding how similar conditionalities were operationalized in Türkiye's public finance.

2. Structural Transformations in Turkish Public Finance

The foundations of structural transformation in Turkish public finance were first laid with the liberalization steps in the early 1980s. The stability and structural adjustment policies of January 24, 1980, within the framework of conditions determined by international institutions, primarily the IMF, aimed to ensure a balance of payments and price stability in the short term, and to open up to the outside world through the establishment of a free market economy that would bring about structural transformations in the economy in the long term (Sönmez, 1986; Kargı & Özügürlü, 2007). However, poor management in the 1990s and the resulting macroeconomic and political instabilities prevented the Turkish economy from integrating into the global economy as desired (Acar, 2008). During this period, Türkiye's public finance gradually came under the control of international organizations during this period. The agreements and arrangements with the IMF started with the 1994 crisis, were interrupted at the end of 1995, and came back on the agenda in June 1998 with the 18-month Close Monitoring Agreement. This continued with the 1999, 2000, and 2005 Stand-By Agreements, as well as the 'Additional Letter of Intent' submitted by Türkiye (Boratav, 2003; Şenol, 2012).

Türkiye limited economic variables with the stabilization program it signed with the IMF in 1994 and took an important step toward an orderly fiscal policy by internalizing it as practices that deepened over the years. In this process, which began with the 1994 crisis, governments initially implemented fiscal policies aimed at generating primary surpluses (Bakkal & Susam, 2011). In 1999, the Letter of Intent submitted to the IMF laid out the objectives and general strategies for combating inflation and emphasized that inflation could only be eliminated if public finances were placed on a sustainable footing. The program called for structural reforms to make the fiscal adjustment sustainable and to reduce public debt through increased privatization revenues. The program also envisaged that fiscal adjustment would be complemented by a more active and diversified debt management policy and accelerated privatization to ease the burden of interest payments (Hazine Müsteşarlığı, 1999). Although the legal basis for a free market economy had been established, deficiencies and disruptions in the institutional infrastructure caused Türkiye, an open economy, to experience the 2001 crisis. A significant recovery was achieved thanks to the economic program implemented immediately after the crisis. This program took a number of steps towards the institutionalization of the economy. With the implementation of this economic program, important reforms such as ensuring public financial discipline, establishing the independence of the Central Bank, switching to an inflation-targeting regime, and implementing banking reform were successfully carried out (Acar, 2008).

The most optimistic outcome of the February 2001 crisis for the Turkish economy was the acceleration of the structural transformation and reform process. The predominant structural transformation in the post-crisis period has been the steps taken to increase the effectiveness of key regulatory institutions (Taşar, 2010). With the reforms introduced in May 2001 under the IMF Stand-By Arrangement and the Transition to a Strong Economy Program supported by World Bank loans, establishing a balanced budget, limiting borrowing, and ensuring the effective and efficient use of public revenues through control and supervision came to the fore. With the implementation of financial discipline, which was accepted as one of the most basic elements of the program, financial rules also began to show themselves (Bozdoğan & Buyrukoğlu, 2012). In the Letter of Intent submitted to the IMF in 2005, it was declared that the tight fiscal policy and policies aimed at reducing the public debt stock would definitely continue with the Stand-By Arrangement requested for implementation between May 2005 and May 2008. In addition, intentions were expressed to increase the efficiency of public expenditures, take steps to improve the tax system and accelerate structural reforms. Other fiscal targets were shown as expanding the tax base and reducing the volume of the informal economy. During the process, fiscal discipline and ensuring the sustainability of domestic borrowing were determined as the most fundamental

elements of fiscal policy. The understanding of fiscal discipline, which became the fundamental goal of fiscal policies, also formed the essence of the 19th Stand-by Agreement (Abukan, 2023). Thus, the 2000–2001 crisis was addressed through an IMF program, and crisis management was again handed over to the IMF. Care was taken to implement the IMF program between 2003 and 2007. Considering that the last stand-by was for 3 years, the Turkish economy was managed by IMF programs uninterruptedly between 1998–2008 (Boratav, 2003; Şenol, 2012).

Table 1. Timeline of Key Events (1998–2008)

26 June 1998	An 18-month Staff-Monitored Program was agreed upon with the IMF.
18 April 1999	Parliamentary elections were held. A coalition government consisting of the Democratic Left Party (DSP), the Nationalist Movement Party (MHP), and the Motherland Party (ANAP) came to power.
10 December 1999	Türkiye's candidacy for full membership was endorsed at the European Union's Helsinki Summit.
19 December 1999	A three-year Stand-By Program was agreed upon with the IMF (Türkiye's 17th Stand-By Agreement).
10 April 2000	The first review of the 17th standby is complete.
22 June 2000	The second review of the 17th standby has been completed.
31 August 2000	The Banking Supervision and Regulation Agency became operational
20 November 2000	Banking crisis started
06 December 2000	The IMF granted the Supplemental Reserve Facility, and the capital outflow stopped. The Third and Fourth Reviews of the 17th Stand-By were completed.
30 January 2001	Fifth Review of the 17th Stand-By completed
19 February 2001	There was a public dispute between President Sezer and Prime Minister Ecevit. Short-term interest rates soared to over 5,000%.
23 February 2001	The exchange rate based stabilization program failed, the lira left to float
02 March 2001	Dervis appointed as the Minister of Economic Affairs
15 May 2001	“Strong Economy Program” announced by Dervis
03 May 2001	Sixth and Seventh Review of the 17th Stand-By completed
26 June 2001	Eighth Review of the 17th Stand-By completed
31 July 2001	Ninth Review of the 17th Stand-By completed
20 November 2001	Tenth and last review of the 17th Stand-By completed
18 January 2002	New three-year Stand-By agreement with the IMF signed (18th Stand-By agreement of Türkiye)
03 April 2002	First Review of the 18th Stand-By completed
19 June 2002	Second Review of the 18th Stand-By completed
30 July 2002	Third Review of the 18th Stand-By completed
10 August 2002	Kemal Dervis resigned from the government.
End August 2002	Legislation on financial sector reform, agricultural reform, and privatization was passed, satisfying both the IMF's conditionality and the EU's Copenhagen criteria.
03 November 2002	In the parliamentary elections, the AKP majority government came to power and declared that they would continue to implement the Stand-By program.
12–13 December 2002	The Copenhagen Summit of the European Union, where the decision was made to begin accession talks with Türkiye on the condition that it meet all the Copenhagen criteria by December 2004.
05 April 2003	Fourth Review of the 18th Stand-By completed
09 April 2003	In line with the program's performance criterion, Parliament passed the first phase of the direct tax reform into law.
25 July 2003	The fifth review of the 18th standby has been completed.
31 October 2003	The Sixth Review of the 18th Stand-By has been completed.
02 April 2004	Parliament approved the second phase of direct tax reform, which was a prior action required for the seventh review. The seventh review of the 18th Stand-By Arrangement has been completed.
15 July 2004	The eighth and final review of the 18th Standby has been completed.
20 September 2004	Türkiye and an IMF team began discussions on a new Stand-By Arrangement following the completion of the 18th Stand-By program.
14 December 2004	Türkiye and the IMF reached agreement on the draft Letter of Intent for a new Stand-By Arrangement.

11 May 2005	The IMF Executive Board approved a new three-year Stand-By Arrangement, amounting to SDR 6.66 billion, covering the period through May 2008.
31 May 2005	The first review of the 2005 Stand-By Arrangement was scheduled, with fiscal performance criteria forming part of the program's monitoring framework.
30 June 2005	The second review of the 2005 Stand-By Arrangement was scheduled under the new program.
9 December 2005	The IMF Executive Board completed the first and second reviews. Structural conditions included banking and pension reform legislation, while fiscal conditionality included the primary balance and other quantitative targets.
28 July 2006	The IMF Executive Board completed the third and fourth reviews of the 2005 Stand-By Arrangement. The program continued to emphasize fiscal discipline, tax reform, pension reform, bank supervision, and state-bank privatization.
2006	Structural conditionality included establishing a Tax Policy Unit, restructuring the Revenue Administration, advancing personal income tax reform, establishing a large-taxpayer unit, and strengthening banking-sector regulations. Several measures were implemented with delays.
11 May 2007	The IMF Executive Board completed the fifth review of the Stand-By Arrangement. The review addressed second-stage personal income tax reform, privatization, and continued structural reforms.
2007	IMF program monitoring continued to focus on fiscal targets, public expenditure, primary balances, privatization, tax reform, and financial-sector reforms. Some structural reforms experienced delays.
3–14 April 2008	An IMF mission held discussions with the Turkish authorities concerning the seventh and final review of the Stand-By Arrangement. Discussions focused on the policy package required to complete the program.
9 May 2008	The IMF Executive Board completed the seventh and final review of the three-year Stand-By Arrangement. The Board approved waivers concerning several end-December 2007 fiscal performance criteria.
10 May 2008	The 2005–2008 Stand-By Arrangement expired, marking the end of the IMF-supported program.

Source: Arpac & Bird (2009); IMF Staff Country Reports and IMF Executive Board Press Releases, 2005–2008.

As highlighted in Table 1, the 1998–2008 period demonstrates an intense sequence of IMF conditionality and program reviews that closely aligned with Türkiye's political and institutional milestones. The rapid progression from the 17th Stand-By Agreement (1999) to the 2001 financial crisis, followed by the "Transition to a Strong Economy Program" and subsequent tax reforms, underscores how structural conditionality persisted across different political administrations. Furthermore, the synchronization between IMF reviews and EU Copenhagen criteria (particularly in late 2002 and 2004) highlights the dual external anchoring of Türkiye's structural reform agenda during this era.

The financial rules, which became particularly evident with the 17th, 18th, and 19th stand-by agreements, ended in May 2008. With the completion of the 19th stand-by agreement, the financial arrangements carried out jointly with the IMF have come to an end (Bozdoğan & Buyrukoğlu, 2012). During the period in question, including the years when the IMF was not on the agenda, most of the regulations described as 'structural' and referred to as 'reforms' were based on World Bank policies (Boratav 2003; Şenol, 2012). The fact that most of the legal arrangements targeted in structural reforms were implemented in the 1998–2008 period provided confidence for the post-crisis period. The legal arrangements regarding fiscal discipline and public financial management have also brought about a significant transformation in fiscal policies. Although the legal arrangements in question contain a very broad framework, it is possible to express the arrangements aimed at ensuring structural fiscal transformations under five important headings:

- The "Public Procurement Law" numbered 4734, adopted on January 4, 2002, aimed to create a more competitive and effective procurement system and to comply with international standards. It was stated that with this law, a more effective and competitive procurement method would be followed and that cost increases in tendered projects would be prevented. In addition, the Public Procurement Authority was established in order to regulate the practices to be carried out (TCMB, 2001).

- The aim of the "Public Finance and Debt Management Law" No. 4749, enacted on March 28, 2002, was to ensure transparency and accountability in the public sector. Domestic and foreign borrowing and the state's guarantee system were regulated by a single law, and it was taken as a basis to bind public debt management to clear and transparent rules with defined boundaries. In addition, efforts were made to provide an effective infrastructure for borrowing and debt management policies (TCMB, 2001).
- According to the Metropolitan Municipality Law No. 5216, the Municipality Law No. 5393 and the Provincial Special Administration Law No. 5302, Provincial Municipalities, Metropolitan Municipalities and Provincial Special Administrations can only apply for external borrowing for the purpose of realizing the projects included in their investment programs within the framework of Law No. 4749. These laws have imposed restrictions on the external borrowing of local governments and have attempted to strengthen their financial structures (Bakkal & Susam, 2011).
- The Public Financial Management and Control Law No. 5018 was enacted in 2006 to replace Law No. 1050 in order to restructure public financial management in Türkiye. Law No. 5018, adopted on December 10, 2003, and which came into force at the beginning of 2006, reflects the trends and influences of international organizations in public financial management. Many systems, practices and concepts introduced by international organizations have been included in the Public Financial Management and Control Law No. 5018. Among the important innovations brought by the new law within the globalization process; fiscal discipline, fiscal transparency, accountability, performance-based budgeting, multi-year budgeting and the introduction of mechanisms for the effective, economic and efficient use of public resources can be listed (Kesik, 2005; Kömürçüler, 2011).
- **Implicit Fiscal Rules and Auxiliary Structural Regulations:** The establishment of new regulatory and supervisory institutions; reduction of public intervention in markets through privatization; the Special Consumption Tax introduced by Law No. 4760 in 2002; restructuring of public banks by Law No. 4603; limitation of private income and special allowance applications; transition to direct income support in agricultural policies; the Tax Amnesty under Law No. 4811; and the restructuring of social security premium debts under Law No. 5484 can also be listed among the implicit financial rules (Bakkal & Susam, 2011).

Overall, these legislative changes introduced new norms regarding budget discipline, fiscal transparency, and public expenditure control in the post-2001 period. While international financial institutions provided the technical background for many of these regulations, the extent to which these frameworks achieved their intended targets was mediated by domestic political dynamics and administrative implementation. This interplay between external conditionalities and domestic responses forms the empirical baseline evaluated in the subsequent sections.

3. RESEARCH

Member states receiving loans from the IMF have the primary responsibility for policy formulation, development, and implementation in order to successfully execute their economic plans. The program is usually accompanied by a letter of intent, which includes a memorandum of economic and financial policies outlining the policies in more detail. The objectives and policies set under the program are shaped by each country's specific situation. Therefore, policy commitments can take different forms². These usually include the following³:

² The overall objective is to maintain the sustainability of the balance of payments and restore macroeconomic stability. It also aims to create an environment of sustained and quality growth. Another objective for low-income nations is to reduce poverty rates (<https://www.imf.org/en/About/Factsheets/Sheets/2023/IMF-Conditionality>).

³<https://www.imf.org/en/About/Factsheets/Sheets/2023/IMF-Conditionality>

- **Prior actions:** These are the steps a country commits to take before approving IMF financing or completing a review process. They serve as prerequisites for financing approval. Examples include fiscal revenue measures, external debt liquidation, governance reform, and the banking sector restructuring plan.
- **Quantitative performance criteria:** These criteria are defined, measurable conditions for IMF support that are continuously linked to macroeconomic indicators under the control of country governments. These indicators include money and credit aggregates, international reserves, budget balance, and external borrowing. Examples include a ceiling on new public guarantees, an external debt ceiling and a ceiling on public sector external debt.
- **Indicative targets:** Indicative targets, defined as flexible numerical trackers, can be set in combination with numerical indicators to monitor progress toward achieving a program's objectives. Increasing uncertainties and limited resources may require greater use of indicator targets in certain situations. When uncertainties decrease, these targets can be converted into QPCs with appropriate modifications. Examples include a ceiling on the general government salary budget, a ceiling on domestic arrears, and a ceiling on government borrowing from the central bank.
- **Structural benchmarks:** These are reform measures that are often unmeasurable but are critical for assessing progress in achieving program objectives and are considered indicators for evaluating program implementation. Examples include strengthening tax administration, increasing fiscal transparency, improving the fight against corruption, and strengthening the rule of law. Other examples include reforming state-owned enterprises (SOEs) and their management.

3.1. Data Sources

First, macroeconomic policy requirements are extracted from the IMF Conditions Database (1980–2019). This dataset tracks broad macro-level commitments imposed under IMF arrangements, totaling 694 conditions across 12 policy domains for Türkiye (including external debt, fiscal policy, revenues, and state-owned enterprise reforms).

Second, to move beyond broad macroeconomic targets and isolate actionable institutional changes, the study utilizes the IMF Monitoring of Agreements (MONA) database. Unlike general conditionality databases, MONA records specific structural reform measures and categorizes them under a precise taxonomy: Financial, Fiscal, Real, and Trade sectors. Within this dataset, structural reform proposals for Türkiye were filtered for the 1990–2021 period (yielding 102 structural items), with specific empirical concentration on the 1992–2008 period (45 targeted fiscal structural reform items), which marks the peak era of active IMF program implementation and structural transformation.

Because this study relies on documentary and descriptive evidence, the findings should be interpreted as evidence of institutional association and policy alignment rather than a definitive causal impact. Domestic political dynamics, economic crises, European Union accession requirements, and Türkiye's own domestic reform preferences simultaneously shaped these outcomes. Accordingly, the analysis evaluates the structural influence and policy relevance of international financial institutions without attributing the transformation of Turkish public finance exclusively to external actors.

Table 2. Distribution of IMF-Related Conditions in Türkiye, 1980–2019

Category	Number
Total Conditions	694
External Debt	144
Financial Sector, Monetary Policy & Central Bank	192
Fiscal Policy	159
External Sector (Trade & Exchange System)	59
Revenues and Tax Policy	43
State-owned Enterprise Reform & Pricing	15

Labour Issues (Public & Private Sector)	36
State-owned Enterprise Privatisation	31
Social Policy (Restrictive or Neutral)	1
Poverty Reduction Policies	1
Institutional Reforms	13
Other (Residual Category)	0

Source: <https://www.imfmonitor.org/conditionality>

In the initial part of the study, the conditions set by the International Monetary Fund in connection with the financial support provided to Türkiye between 1980 and 2019 were analyzed based on numerical data from the IMF Conditions Database. These conditions aim to prompt the country to carry out economic reforms and adjust its fiscal policies. At this stage, it was determined that a total of 694 policy reforms set by the IMF between 1980 and 2019 were mandatory. Of the 694 policy reforms realized during this period, 144 were related to external borrowing, 159 to fiscal policy, and 43 to revenue and tax policies. These “policy reforms,” in line with the circumstances and requirements, had a significant impact on structural fiscal reforms.

Researching the elements of IMF programs and their economic impact has become easier since the IMF made detailed information on its lending programs available (Youssef & Zaki, 2021). In particular, MONA, the IMF's publicly available database of fund arrangements, covers all aspects of program terms.

Table 3. Structural Reform Definitions and Coding in the IMF-MONA Program

Economic Reform Sectors	Structural	Economic Structural Reform Codes And Definitions
Financial		2. Central bank. 2.1. Central bank operations and reforms. 2.2. Central bank supervision, transparency and financial controls. 6. Financial sector. 6.1. Financial sector legal reforms, regulation and supervision. 6.2. Restructuring and financial institution privatization.
Fiscal		1. General government. 1.1. Revenue measures (other than trade policy). 1.2. Revenue management (including customs). 1.3. Expenditure measures (debt including payments). 1.4. Combined expenditure and revenue. 1.5. Debt management. 1.6. Expenditure control, expenditure accounting and financial controls. 1.7. Fiscal transparency (disclosure, parliamentary scrutiny). 1.8. Budget preparation (budget proposals or approval). 1.9. Intergovernmental relations. 4. Pension and other social sector reforms. 4.1. Pension reforms. 4.2. Other social sector reforms (e.g. social safety nets, health and education reforms). 10. Economic statistics (other than fiscal, central bank transparency and similar measures). 11.4. Anti-corruption legislation/policy
Real		3. Public service, public employment reforms and wages. 5. Public enterprise reforms and pricing (outside the financial sector). 5.1. Pricing and subsidies in public enterprises. 5.2. Privatization, public enterprise reforms and restructuring (pricing other). 5.3. Price controls and marketing restrictions. 9. Labor market (other than public sector employment). 11. Other structural Measures. 11.1. Private sector legal and regulatory environment reform (outside the financial sector). 11.2. Natural resources and agricultural policies (other than public enterprises and pricing). 11.3. Develop and implement anti-poverty strategies.
Trade		7. Exchange rate systems and restrictions (money and capital). 8. International trade policy (other than customs reforms)

Source: Yalçınkaya et al., 2024

In the second part of the study, structural reforms in the financial, fiscal, real, and commercial sectors were identified for Türkiye based on the classifications in the IMF-MONA program. Measurements were made using numerical data on reform proposals made directly and sourced from the TCRG archive during the 1990–2021 period. At this stage, it was revealed that a total of 102 structural reform proposals were implemented in Türkiye between 1990 and 2021, 22 related to the financial sector, 40 to the fiscal sector, 39 to the real sector, and 1 to the commercial sector, based on IMF-MONA classifications. Moreover, 45 of these 102 structural reform proposals implemented between 1990 and 2021 were proposed and carried out specifically for Türkiye during the 1992–2008 period, which was included in the IMF-MONA program (Yalçınkaya et al., 2024).

CONCLUSION AND DISCUSSION

This study examined the structural fiscal reform process in Türkiye with particular emphasis on the role of IMF-supported programs. Using a descriptive content-analysis design, the study brought together evidence from the IMF Conditions Database and the IMF-MONA database and examined these records alongside relevant domestic legal sources. By organizing IMF-related policy conditionalities and structural reform items according to their policy areas and periods, the analysis sought to identify the extent to which IMF-supported programs coincided with major institutional developments in Türkiye’s public financial management.

The findings indicate that IMF conditionality in Türkiye extended beyond short-term macroeconomic stabilization and encompassed a range of structural fiscal policy areas. These included fiscal discipline, revenue and tax administration, expenditure management, debt management, fiscal transparency, and the restructuring of state-owned enterprises. Particularly during the 1998–2008 period, IMF-supported programs and structural reform initiatives became more closely associated with efforts to strengthen fiscal management and institutional capacity. In this respect, IMF conditionality constituted an important component of the policy framework surrounding Türkiye’s structural fiscal reform process, although the implementation and institutionalization of these reforms cannot be attributed to IMF programs alone.

The analysis also identifies substantial temporal and thematic overlap between IMF-supported reform priorities and major legal and institutional changes in Türkiye’s public financial management. The Public Procurement Law No. 4734, the Public Finance and Debt Management Law No. 4749, and the Public Financial Management and Control Law No. 5018 represent important examples of institutional changes that emerged during a period in which fiscal discipline, expenditure control, debt management, transparency, and public financial management were prominent elements of the reform agenda. The evidence therefore suggests a close association between the policy areas emphasized through IMF-supported programs and the subsequent institutional development of Türkiye’s public finance framework. Nevertheless, this association should not be interpreted as evidence that these legislative and institutional reforms were directly or exclusively caused by IMF conditionality. Domestic political and economic conditions, the urgency created by the 2001 economic crisis, Türkiye’s own reform preferences, and the broader European Union accession process also contributed to shaping the reform trajectory.

From this perspective, the role of IMF-supported programs in Türkiye can be understood primarily through policy alignment, temporal coincidence, and institutional association rather than through a simple one-directional causal relationship. IMF programs provided policy frameworks and conditionality mechanisms that placed particular fiscal and institutional issues on the reform agenda, while the extent to which these priorities were translated into permanent legal and administrative arrangements depended on domestic political choices, institutional capacity, and implementation processes. This distinction is important for interpreting the findings, given the descriptive and documentary nature of the present study.

Looking ahead, Türkiye’s trajectory toward a high-income economic structure necessitates sustained structural fiscal reforms. Future policy agendas should prioritize enhancing the efficiency and equity of the tax system, broadening the tax base, reducing the informal economy, strengthening performance-based public expenditure management, and accelerating digital transformation in fiscal administration. Ensuring high institutional quality and domestic program ownership will remain decisive in achieving sustainable fiscal governance in the long run.

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