

tepav

türkiye ekonomi politikaları araştırma vakfı

economic stability institute

Fiscal Monitoring Report

**- 2007 July-August
Budget Results**

**- The Court of Accounts' General Concordance
Notice and Treasury Transactions Report:
Findings and Evaluation of the Auditing Format**

**- IMF Performance Criteria and
Consolidated Public Balance:
Will the Year End Target be Achieved?**

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I. 2007 August Month End Results

A. A Brief Look at the Central Government Budget Implementation 2007 August Month End Results

Together with the results of July, which were disclosed with a delay, the Central Government Budget had a cumulative deficit of 8.4 billion YTL by the end of August. After the corrections for local government and fund shares have been made, the budget deficit turns out to be 9.3 billion YTL. Considering that the budget had had a surplus of 474 million YTL by the end of last year, the budget performance is observed to continue its degradation increasingly.

As a matter of fact, when considered in conjunction with the much worse month end results of July which were disclosed with a delay due to the fiscal recess, the relatively positive performance in August was not sufficient to stop the degradation in budget performance. The budget deficit of July was 6 billion YTL, close to the cumulative deficit of the first six months. After the partial improvement of performance in August, budget performance of July-August was about 50% of the budget deficit of the first half of the year (Box 1).

**Box 1. Initial Budget Targets of the Ministry of Finance
and Revised Targets; Which are Correct? The Problem of Credibility in
Fiscal Reporting**

The Ministry of Finance has significantly revised the year end target for budget deficit from 16.8 billion YTL to 8.5 billion YTL in the report titled “2007 Central Government Budget Realizations and Expectations Report” which it published in July. On the other hand, in the press commentary on July and August data, which was disclosed with a delay, it was expressed that budget targets would be adhered to and there would not be any degradation in budget performance while initial target figures were used instead of the revised ones. This issue has been pointed out by various economic commentators in September. (See: Dr. Şükrü Kızılot’s article in Hürriyet newspaper on 09.15.2007)

	Initial Target	Revised Target	Aug.07	% Realization Compared to Initial	% Realization Compared to Revised
Budget Expenditure	204.989	201.872	135.817	66,26	67,28
Primary Expenditure	152.043	148.926	98.839	65,01	66,37
Budget Revenue	188.159	193.345	127.391	67,70	65,89
Budget Balance	-16.830	-8.527	-8.427	50,07	98,83
Primary Budget Balance*	36.116	44.419	28.552	79,06	64,28

*Defined by the Ministry of Finance

**Table 1. Central Government August 2007 Realizations
(Compared to 2006)**

<i>million YTL</i>	Jan-Aug 2006	Jan-Aug 2007	Difference (%)
Expenditures	115,048	135,818	18.1
1-Primary Expenditures	80,913	98,839	22.2
Employee Expenditures	24,814	29,164	17.5
Social Sec. Inst. Govnt Premium	3,154	3,621	14.8
Purchase of Goods and Services	9,947	12,189	22.5
Current Transfers	33,138	42,370	27.9
Capital Expenditures	5,257	6,766	28.7
Capital Transfers	1,788	2,422	35.5
Lending	2,815	2,306	-18.1
2-Interest Expenditures	34,136	36,979	8.3
Revenues	115,522	127,391	10.3
1-General Budget Revenues	112,726	124,261	10.2
Tax Revenues	91,332	99,322	8.7
Enterprise and Property Revenues	5,887	6,601	12.1
Interests, Shares and Fines	15,088	10,781	-28.5
Capital Revenues	217	5,992	2,662.1
Received Donations and Aids	203	1,566	670.3
2-Special Budget Revenues	1,853	1,949	5.2
3-Revenues from Reg. and Sup.	943	1,180	25.2
Announced Budget Balance	474	-8,427	
- Local Govt and Fund Share Payments	1,522	916	-39.8
Corrected Budget Balance	-1,048	-9,343	791
Announced Primary Balance	34,609	28,552	-18
Corrected Primary Balance (Local Govt and Fund Shares deducted)	33,087	27,636	-16.5
Program Defined Primary Balance	28,892	17,368	-39.9
Program Def. Corrected Prim. Balance	27,370	16,452	-39.9

As we have done in the last Fiscal Monitoring Report, when we look at the budget results after privatization revenues booked in central government revenues (TELEKOM revenues and revenues from sales of land in the scope of privatization) have been corrected for, we see that the budget deficit compared to that of last year has gone up from 2.4 billion YTL to as high as 16.2 billion YTL.

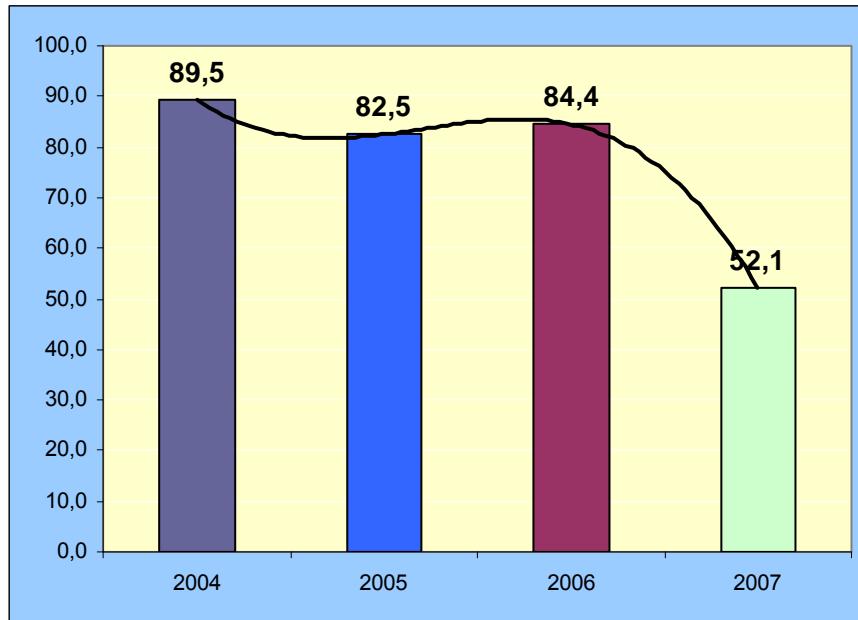
Table 2. August Budget Balance, Excluding Privatization Revenues (2006-2007)

<i>million YTL</i>	Jan-Aug 06	Jan-Aug 07
Disclosed Budget Balance	474	-8.427
- Loc. Gov. and Fund Sh. Paym.	1.522	916
Corrected Budget Balance	-1.048	-9.343
Privatization Revenues	1.365	6.906
Calculated Budget Balance	-2.413	-16.250

It is observed that a much higher increase in budget expenditures compared to budget revenues, specifically budget tax revenues, had led to this degradation in budget balance experienced in 2007. On the other hand, we should point out that the other reason for this degradation has been the lower than planned realization of increase in tax revenues.

The adverse development trend in program defined cumulative primary surplus continued in August. Realizations of 2007 have been continued the fact that 2007 has been the worst among recent years. After the realizations of July and August, program defined primary surplus performance have been realized as 52.1% of the year end target. Meanwhile, the fact that primary surplus performance for the years 2004-2006 had been, on the average, 85% of the year end targets explicitly shows the size of the negative development in the 2007 performance and the significance of the risk of not achieving year end target figure.

Graphic 1. January-June Consolidated Budget (2004-2005) and Central Government Program Defined Primary Surplus Performance (2006-2007) (as percentage of the year end target)



As we have continuously underlined, even when expenditure deferrals which should have been booked in previous years are taken out, total revenues are increased due to various accounting practices and differences in fiscal reporting, and various one time precautionary practices like social security premium indemnities and Savings Deposit Insurance Fund tax debt collections are excluded, 2007 budget performance still turns out to be negative. As we have been doing since our April report, we will present an evaluation considering the issues we mentioned above in the section titled “Budget Trends and Year End Budget Performance Expectations” to provide a picture of these developments in the coming sections of our report of August.

B. Budget Expenditures

Central government budget expenditures have increased by 18.1% compared to the same period last year, while primary expenditures have increased by 22.1%. The increase in both total budget and primary expenditures have been 4 and 7 points higher than the increase in growth and inflation (about 14%), respectively.

By the end of the first 8 months, 66.3% of total budget expenditures and 65% of primary expenditures have been used up. Usage of allocations, especially primary expenditures, have increased by 2.5% compared to that of last year.

Table 3. 2006-2007 August Comparative Budget Expenditures

(million YTL)	January-August				
	2006	2007	Increase (%)	2006 Real. (%)	2007 Real. (%)
Central Government Total Budget Exp.	115,048	135,818	18.1	65.6	66.3
Primary Expenditures	80,913	98,839	22.2	62.5	65.0
I. Emp. and Soc. Sec. Ins. Gov. Pre. Exp.	24,814	29,164	17.5	65.8	66.8
II. Social Sec. Ins. Gov. Pre. Exp.	3,154	3,621	14.8	62.2	35.8
III. Purchase of Goods and Services	9,947	12,189	22.5	53.3	78.2
Health Expenditures	3,780	4,226	11.8	70.7	
Medication Expenditures	521	580	11.4		
Treatment and Health Eq. Expenditures.	1,005	1,014	0.9		
Green Card	2,254	2,632	16.8	77.4	101.2
Defense and Security (Except Health)	3,102	3,609	16.3	41.4	44.2
Other Goods and Services Expenditures	3,066	4,355	42.0	66.8	69.6
IV. Current Transfers	33,138	42,370	27.9	66.8	69.6
Duty Losses	1,256	682	-45.7	67.5	57.4
Treasury Aids	17,497	24,468	39.8	63.8	70.8
Social Sec. Inst.	16,066	22,921	42.7	64.7	70.9
Transfers to SSI	15,650	22,408	43.2	64.8	70.9
Unemployment Insurance Fund	417	513	23.1	63.3	67.5
Transfers to Non Profit Org.	132	561	325.7	71.2	84.7
Transfers to Households	502	636	26.7	62.9	68.4
Agricultural Transfers	4,375	5,118	17.0	92.2	97.5
Other Transfers to Households	178	228	28.3	54.0	47.3
Social Transfers	16	22		59.8	10.2
Transfers to Overseas	455	331	-27.4	76.9	51.9
Shares from Revenues	8,726	10,324	18.3	62.6	60.9
V. Capital Expenditures	5,257	6,766	28.7	44.0	55.9
VI. Capital Transfers	1,788	2,422	35.5	67.8	66.4
Domestic Capital Transfers	1,733	2,382	37.4	70.5	69.6
Foreign Capital Transfers	55	40	-26.9	30.7	17.7
VII. Lending	2,815	2,306	-18.1	75.3	62.4
Domestic Lending	2,684	2,185	-18.6	77.3	63.7
Foreign Lending	130	121	-7.2	49.4	45.6
VIII. Auxiliary Allowances					
Interest Expenditures	34,136	36,979	8.3	74.3	69.8

Source: Ministry of Finance Directorate of Accounting and our calculations

Although primary expenditures have increased by 5.1% in August, it is observed that the distribution of the increase among items has changed significantly. In this context, especially the items listed under current transfers (except the transfers to social security institutions) and capital expenditures have been much lower than those of last year, whereas some expenditure items have increased to high above the average. Budget health expenses, including the green card, have increased by 112% while transfers to social security institutions have increased by 248%.

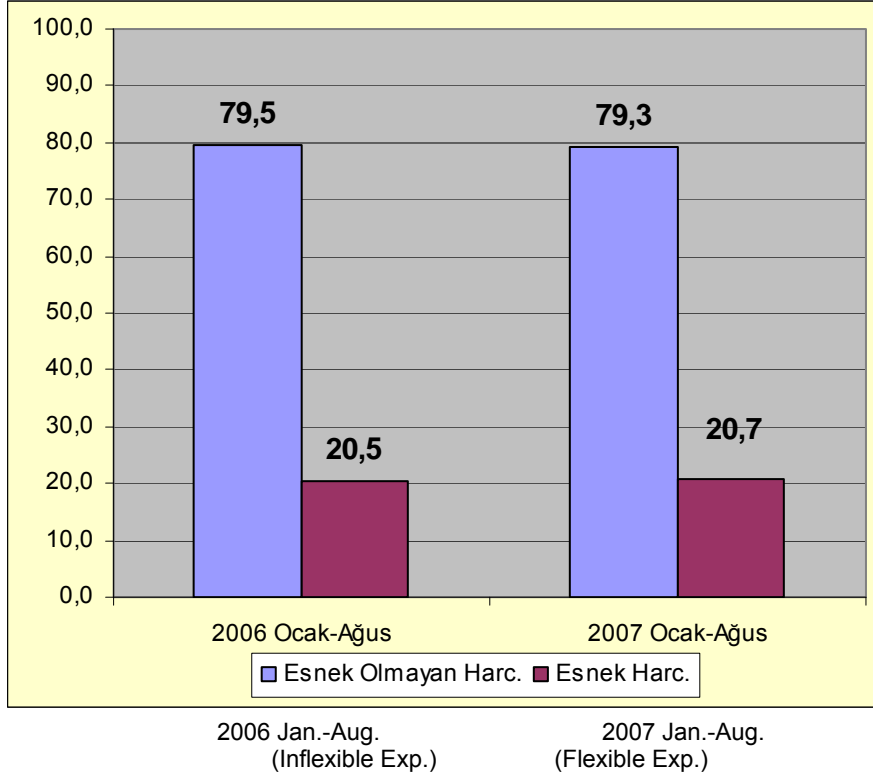
As of end of August, the greatest contribution to primary expenditures was by current transfers: 51.5% of the total increase is due to this item. When green card and medication expenses for civil servants are included this figure approaches 55%. The major item in current transfers has been Treasury aids to social security institutions. Due to the base effect of the last year, this item is expected to increase too much higher levels in the months to come.

Table 4. Contribution of August Central Government Budget Primary Expenditures to Primary Expenditures

	Contribution to Increase	(%) Distribution
Primary Expenditures	22.2	100.0
Current Expenditures	8.1	36.8
Employee	5.4	24.3
Purchase of Goods and Services	2.8	12.5
Health	0.6	2.5
Defense and Security	0.6	2.8
Current Transfers	11.4	51.5
Treasury Aids to Social Security Inst.	8.5	38.2
Transfers to SSI	8.4	37.7
Agricultural Transfers	0.9	4.1
Shares from Revenues	2.0	8.9
Capital Expenditures	1.9	8.4
Capital Transfers	0.8	3.5
Other	-0.6	-2.8

Following current transfers, the second highest contribution came from current expenditures with 36.8%. Current transfers and current expenditures have been the determining items of the increase in expenditures in this period.

Graphic 2. Development of the Share of Flexible and Inflexible Expenditures in the Budget (January-June)



As of end of August, the ratio of inflexible expenditures has been 79.3%. The share of inflexible expenditures in total expenditures has not changes compared to that of last year.

C. Budget Revenues

As of end of August, central government budget revenues have increased by 10.3%. When privatization revenues are accounted for, the increase in budget revenues turns out to be 5.5%. Moving forward of TELEKOM share sale revenue and revenues from sale of land prevented budget revenues from being realized at much lower figures.

On the other hand, total tax revenues have increased by 8.7%. Internal VAT and special consumption tax were lower than targeted partially because of the slow down in the economy and this has led to a real degradation in tax collections.

Table 5. Central Government Budget Revenues (January-August)

(million YTL)	August 07	August 06	Incr. (%)
Central Government Revenues	127,391	115,522	10.3
A. General Budget Revenues	124.261	112.726	10.2
I-Tax Revenues	99.322	91.332	8.7
1. Taxes from Income and Earnings	31,177	26.490	17.7
a) Income Tax	21,723	18,195	19.4
Income Tax Collection	19,430	15,990	21.5
b) Corporate Tax	9,454	8,295	14.0
Prepaid Corporate Tax	9,345	7,635	22.4
2. Taxes from Properties	3,062	2,706	13.1
b) Motor Vehicles Tax	2,982	2,638	13.2
3. Domestic Goods and Services Tax	40,900	39,627	3.2
a) Domestic VAT	10,881	10,921	-0.4
b) Special Consumption Tax	24,976	24,372	2.5
c) Bank and Insurance Transactions Tax	2,091	1,705	22.7
d) Lottery Games Tax	221	246	-9.9
e) Special Communications Tax	2,731	2,383	14.6
4. Tax From Int. Trade and Trans.	18,635	17,836	4.5
b) VAT From Imports	16,958	16,469	3.0
5. Stamp Duty	2,398	2,056	16.6
6. Fees	3,122	2,575	21.2
Taxes Not Classified Elsewhere	29	42	
II- Enterprise and Property Revenues	6,601	5,887	12.1
III- Received Donations, Aids and Special Rev.	1,566	203	670.3
IV- Interests, Shares, Penalties	10,781	15,088	-28.5
1. Interest Revenues	3,530	3,918	-9.9
V- Capital Revenues	5,992	217	2,662.1
B. Revenues from Special Budget Organizations	1,949	1,853	5.2
C: Revenues from Reg. and Superv. Agencies	1,180	943	25.2

As of end of August, 62.8% of the total tax revenue target figure has been reached. This figure is 3.6 points lower than that of last year.

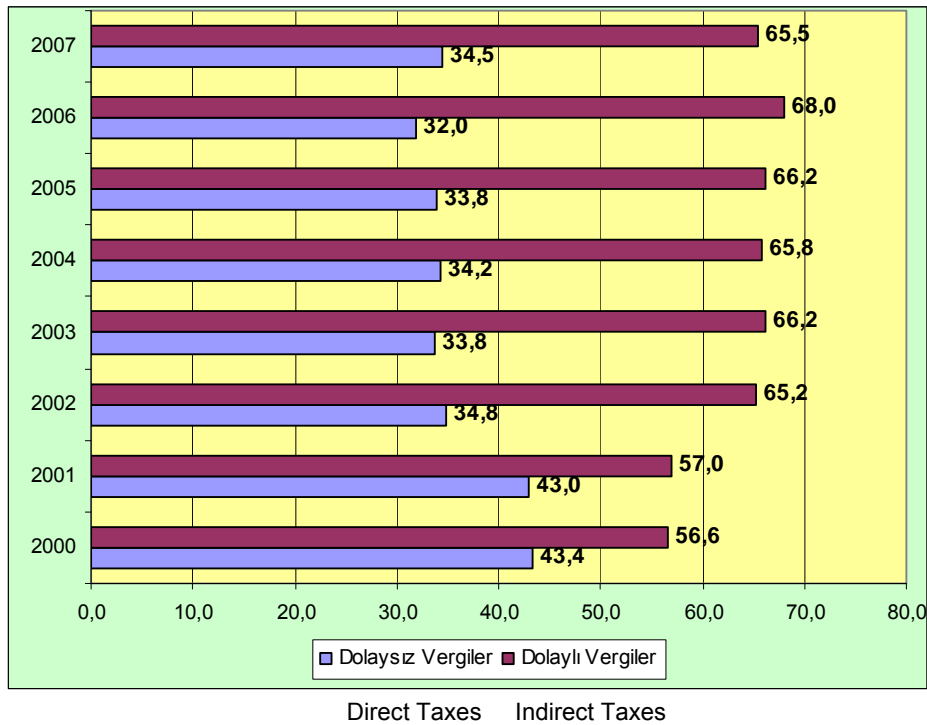
The positive performance in income tax, unlike internal VAT collections and special consumption tax, has prevented the tax revenues from being realized at much lower figures. 43% of the increase in tax revenues was at this item. Since we do not expect a surprising increase in the performance of VAT and special consumption taxes due to the decrease in the aggregate demand in the economy and various arrangements made concerning these items, we anticipate that tax revenues will be lower than the year end target figures.

Table 6. 2006-2007 August Budget Tax Revenue Realizations and Contribution to Increase

million YTL	January - August		Increase (%)	Contribution to Increase (%)
	2007	2006		
Tax Revenues	99,322	91,332	8.7	100.0
Taxes from Income and Corp. Revenues	31,177	26,490	17.7	58.7
Income Tax Collection	19,430	15,990	21.5	43.0
Prepaid Corporate Tax	9,345	7,635	22.4	21.4
Special Consumption Tax	24,976	24,372	2.5	7.6
Spec. Cons. Tax for Petr. and Nat. Gas. Prod.	14,053	13,294	5.7	9.5
Cokes, Sodas, Alcoholic Bev. and Tobacco	7,790	7,804	-0.2	-0.2
VAT Collection	27,839	27,389	1.6	5.6
VAT from Imports	16,958	16,469	3.0	6.1
Domestic VAT	10,881	10,921	-0.4	-0.5
Other Taxes	15,330	13,080	17.2	28.2
Stamp Duty	2,398	2,056	16.6	4.3
Fees	3,122	2,575	21.2	6.8
Banking and Insurance Transactions Tax	2,091	1,705	22.7	4.8

The low performance observed in indirect taxes, primarily in VAT and special consumption tax, led to a seasonal improvement of 2.5% in the performance of direct taxes, compared to last year. In this context, 66.5% of the total tax revenues were composed of indirect taxes, whereas the remaining 34.5% were composed of direct taxes.

Graphic 3. Direct and Indirect Tax Shares of 2000-2007 August General Budget Revenue Collections



C. Budget Trends and Year End Budget Performance Expectations

In this section, where we evaluate the developments of the first eight months together with the budget policies of the previous period, we continue the analytical work which we have started with our report of April. In this context, we are essentially trying to clear out the effects of precautions that belong to the last period and that have decreased the budget deficit last year but are deferred to this year and the one time precautions from this year's expenditures and revenues, in an effort to look at the composition of the structural deficit¹.

Table 7. % Increase in Corrected Budget Revenues and Expenditures 2006-2007

	% Increase Compared to Last Year				
	Jan.-Mar.	Jan.-Apr.	Jan.-May	Jan.-Jun.	Jan.-Aug.
Budget Expenditures	25.6	20.7	21.8	23.4	18.1
Expenditures After Budget Corrections	17.5	14.4	15.0	17.1	12.4
Primary Expenditures	19.2	19.5	23.4	25.7	22.2
Primary Expenditures After Corrections	8.6	10.9	13.9	16.9	14.0
Primary Revenues	20.3	19.7	16.4	12.8	10.3
Primary Revenues After Corrections	10.6	12.6	12.9	10.3	8.1
Tax Revenues	8.6	7.2	8.0	7.0	8.7
Tax Revenues After Corrections	9.4	8.0	8.6	7.5	9.2

When budget performances of 2006 and 2007 are considered from a broader perspective, after clearing out the one time

¹ As we have stated in our April report, corrections have been done on the expenditure side by distributing local government and fund shares, VAT to Retirees, Accrued Expenditures, Liabilities to Contractors and other expenditures like Bağ-Kur and SSK premium remissions, which should have been recorded in the relevant year's accounts but deferred to next year, to the months they belong in the relevant year in accordance with certain assumptions. Other calculations which we published in the previous months' fiscal monitoring reports were used as a basis for these calculations. On the revenue side, corrections have been done by deducting one-time revenue items like excess TELEKOM cash and Savings Deposit Insurance Fund collections from the revenues items of the respective period. In addition to that, a correction has been made for VAT from Exports item by showing it in the respective year's account in accordance with previous year trends.

precautions, increase in the corrected primary surplus which was estimated to be 8.6% in the first quarter of the year increased by as much as 100% to 16.9% in the second quarter and as of January-August period decreased to less than 14%.

On the revenue side, corrected total budget revenues decreased from 10.6% in the first quarter to 10.3% in the second quarter and 8.1% as of January-August period. Corrected tax revenues have increased by 9.4% in the first quarter, 7.5% in the second quarter and 9.2% as of January-August period.

Among the structural problems of the budget is the tax revenue collection. As we have pointed out in our last report, tax revenue collections should have increased by 22% in the second half of the year in order to meet the year end target figures. The increase in the total figure for July-August period turned out to be 13.2%. The results for the first two months of the second half of the year necessitate that the total increase in tax collections in the last four months of the year has to be 26.8% in order to meet the year end target figures.

Especially fact that collections of internal VAT and special consumption tax as well as VAT from imports will be less than 5% shows that tax collection will be lower than the year end target figure. Besides, the fact that the last portion of the prepaid corporate tax for 2007 that will be paid in November will not be as much as that of August (due to the disappearance of the base effect arising from last year's deduction) strengthens this statement.

As can be seen in the following table, tax revenues need to increase by 26.8% from now on in order to achieve the year end target. A 10 point decrease in this item would lead to a decrease of 4.6 billion YTL in total tax revenue collections.

Table 8. Six Month and Last Four Month Budget Tax Revenue Performances 2004-2007

	<i>million YTL</i>				Increase (%)		
	I. Six Mo.	II. Six Mo.	Sep. – Dec.	Year End	I. Six Mo.	II. Six Mo.	Sep. – Dec.
2004	44.394	55.980	32.929	100.373			
2005	54.408	65.214	37.765	119.621	22,6	16,5	14,7
2006	65.975	71.499	46.143	137.474	21,3	9,6	22,2
2007*	70.588	87.266	58.532	157.854	7,0	22,1	26,8

* Taken from the Ministry of Finance Year End Expected Budget Realizations Report

II. Budget Financing and Developments in Debt Stock

Table 9. Treasury Cash Balance (January-August)

(million YTL)	Jan.*	Feb.*	Mar.*	Apr.*	May*	Jun.*	Jul.*	Aug.*	Total*
REVENUES	13.956	11.365	14.259	10.886	20.681	14.498	11.219	21.124	117.987
EXPENDITURES	17.524	15.894	15.696	15.070	17.682	16.750	17.666	16.295	132.575
Primary Expenditures	10.748	10.772	11.751	12.522	13.354	13.545	12.145	11.807	96.644
Interest Payments	6.776	5.121	3.945	2.548	4.328	3.206	5.521	4.488	35.932
PRIMARY BALANCE	3.208	593	2.509	-1.636	7.327	953	-926	9.317	21.344
CASH BALANCE	-3.567	-4.529	-1.436	-4.184	2.999	-2.253	-6.446	4.829	-14.588
FUNDING	3.567	4.529	1.436	4.184	-2.999	2.253	6.446	-4.829	14.588
BORROWING (NET)	6.228	6.851	268	-1.808	-2.424	-372	2.359	781	11.883
EXTERNAL BORROWING (NET)	905	590	-403	-1.454	-463	-304	-24	-664	-1.817
Utilization	1.811	3.472	145	41	1.541	320	696	114	8.141
Payment	906	2.882	548	1.496	2.004	624	720	778	9.957
DOMESTIC BORROWING (NET)	5.323	6.261	671	-354	-1.961	-68	2.383	1.445	13.700
Utilization	15.789	8.188	12.427	8.206	9.103	10.741	12.235	2.684	79.374
Payment	10.465	1.927	11.755	8.560	11.064	10.809	9.853	1.240	65.673
PRIVATIZATION REVENUE	0	0	5.984	0	0	0	982	0	6.966
TRASFERS FROM SDIF	0	0	11	66	20	0	0	0	97
ASSG.-GUARANT. DEBTR. RETURNS	32	82	92	94	17	38	59	26	440
BANKUTILIZATION	-2.692	-2.404	-4.919	5.833	-612	2.587	3.047	-5.636	-4.798
EXCHANGE RATE DIFF.	-46	-142	15	-742	-107	-86	-91	244	-955
BANK UTILIZATION NET	-2.646	-2.262	-4.934	6.575	-505	2.672	3.138	-5.880	-3.843

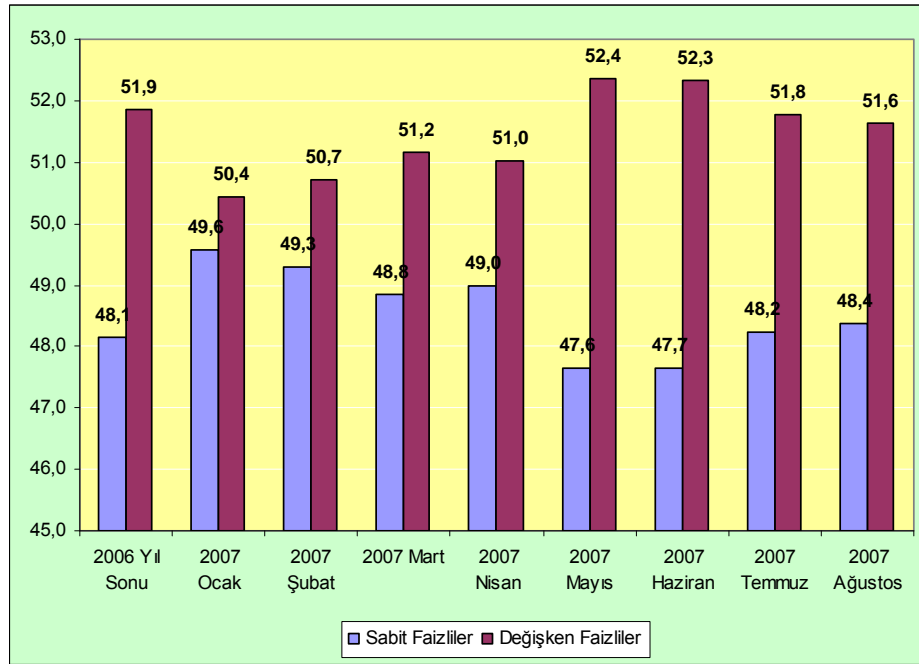
Treasury cash balance is the leading indicator used to predict budget figures when they are disclosed with a delay. Since cash balance also shows the privatization item in funding, which is booked as a revenue item in the budget, it allows us to better observe the financial position and the deficit.

Table 10. Cash Balances of General Budget and Central Government Budget (April)

General Budget Balance		Central Government Budget Balance	
(million YTL)	August	(million YTL)	August
Budget Balance	-9,697	Budget Balance	-8,427
Escrows	132	Escrows	82
Advances	575	Advances	596
Cash Balance	-8,990	Cash Balance	-7,750
Funding	8,990	Funding	7,750
Total Net Borrowing	12,453	Total Net Borrowing	12,476
Privatization Revenue	987	Privatization Revenue	987
Cash Increase	-5,007	Cash Increase	-6,270

The narrowly defined budget balance (general budget) had a larger deficit than that of the widely defined budget balance (central government) in this period. We think that this is due to the positive developments in cash balances of the specially budgeted institutions and regulatory and supervisory institutions which make up the remaining parts of the central government.

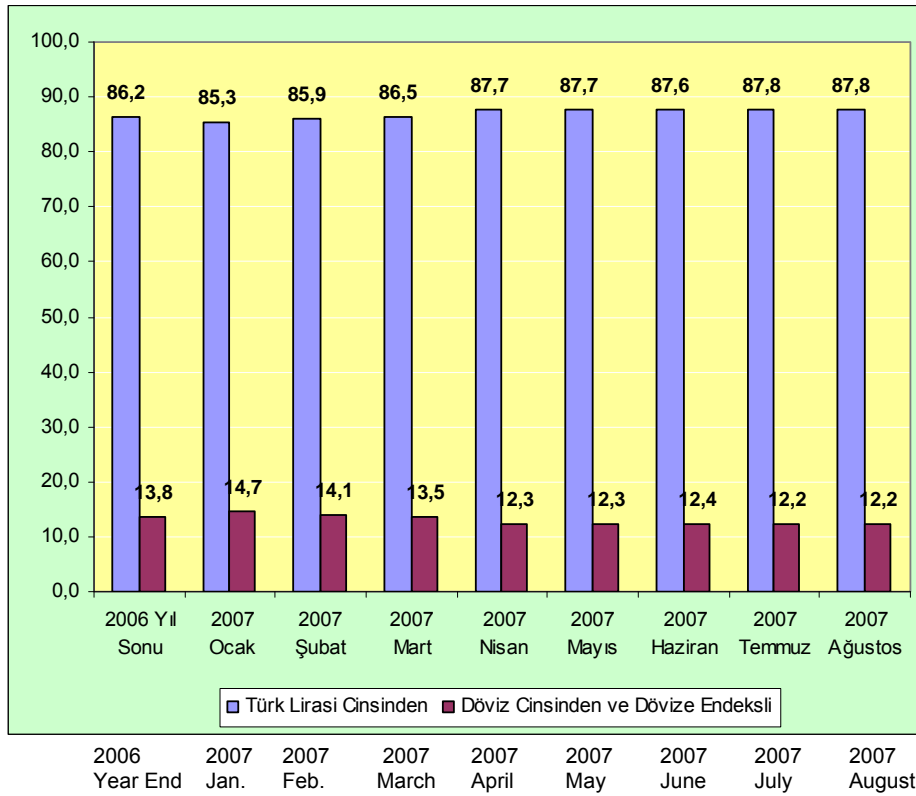
Graphic 4. Central Government Domestic Debt Stock Interest Composition



Fixed Interest Variable Interest

In the last two months, a decrease of 1-1.5 points in the variable interest debt in the central government debt stock was observed.

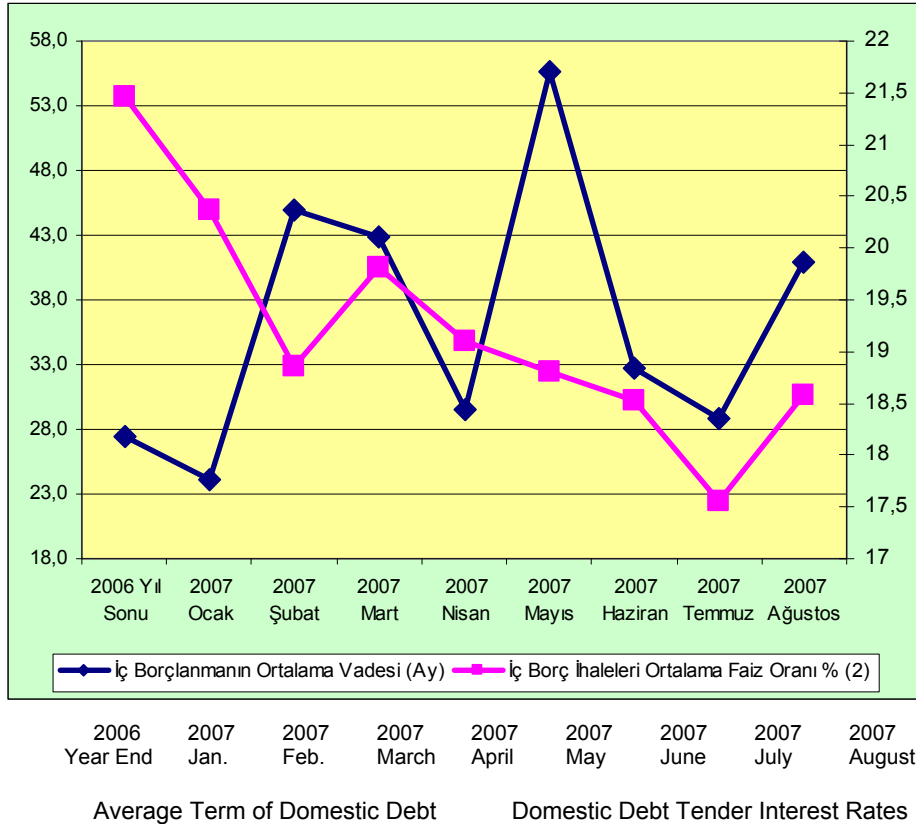
Graphic 5. Central Government Domestic Debt Stock YTL-FX Structure



Denominated in YTL Denominated in FX and FX Indexed

There has not been a significant change in the domestic debt stock structure.

Graphic 6. Average Term for Domestic Debt and Interest Rate



Average term of debt has not been affected by the fluctuations experienced in July and August. Nevertheless, the interest rate of tenders has increased by about 1 percent.

III. IMF Performance Criteria and Consolidated Public Balance: Will the Year End Target be Achieved?

We have not made an evaluation of the stand-by arrangement made with the IMF for a long time. We would like to elaborate on the latest situation with respect to those criteria and some findings related to the year end situation.

The performance criteria about the consolidated public sector primary balance performance which was enclosed in the annex to the letter of intent given to the IMF in May 2007 have not been met and there has been a 24% deviation (38% when SEE's are excluded) from the target. As a matter of fact, this has been pointed out as negligence and it has been expressed that precautions would be taken. Nevertheless, the prediction of deviation has been realized but the precautions turned out to be of minor importance which was insufficient to reverse the predictions. Another adverse point in the letter of intent given to the IMF is the performance criteria set for month end August. We predict that, similarly, the performance criteria for August will not be able to be met, primarily due to the degradation in budget performance. Our evaluation is summarized in the table below.

Table 11. Consolidated Public Sector Targets and Realizations (2007)

(million YTL)	April 2007			Aug.07			Year End
	Target	Realizat.	Deviat. (%)	Target	Real. Pred.	Deviat. (%)	Target
Program Defined Primary Balance	12.338	9.342	-24,3	32.338	23.698	-26,7	39.738
Prg. Def. Prim. Bal. (Excl. SEE's)	11.738	7.311	-37,7	31.138	20.053	-35,6	37.238
Central Government Budget		5.724			17.368		
Non_Budgetary Funds*		936			1.139		
SEE's*		2.032			3.645		
Social Security Institutions*		-250			-281		
Unemployment Insurance Fund*		900			1.828		

Consolidated public sector primary balance figure decreased to 60%, whereas this figure had been about 86% in the same period

last year. Thus, all else being equal and with the assumption that no further precautions have been taken, we think that the risk of not meeting the target figures agreed upon with the IMF in the rest of the year is rapidly increasing.

Table 12. Comparison of Public Sector Consolidated Targets and Realizations of the Same Period Last Year

	August 2006	2006 Real. %	August 2007 (Pred.)	2007 Real. %.	2007/2006 Change %
Program Defined Primary Balance	31.441	87,0	23.698	59,6	-24,6
Prg. Def. Prim. Bal. (Excl. SEE's)	29.828	86,1	20.053	53,9	-32,8
Central Government Budget	28.869	86,3	17.368		-39,8
Non Budgetary Funds*	-1.733	87,2	1.139		
SEE's*	1.614	106,7	3.645		125,9
Social Security Institutions*	1.278	143,5	-281		
Unemployment Insurance Fund*	1.414	62,1	1.828		29,2

* 2007 TEPAV's prediction

While the we have derived our predictions in the table above from the data trends observed in previous periods, both news covered in media during the course of the publishing of our report and the press statement of the Treasury made it clear that, in accordance with our predictions, 2007 IMF performance criteria will not be met (a realization of 4.3% instead of a 6.5%). Moreover, developments points to the fact that especially SEE balance is in a more serious degradation because of energy costs.

We will provide a detailed evaluation of the 2007-2008 budget predictions of the public authority in our September report.

IV. The Court of Accounts' General Concordance Notice and Treasury Transactions Report: Findings and Evaluation of the Auditing Format

The Presidency of Court of Accounts has disclosed the Notice of Concordance for Budget practice results for 2006 and the Treasury Transactions Report for the same year². We will make some evaluations on these two reports in this section of our Fiscal Monitoring Report.

A. General Notice of Concordance and Turkish Grand National Assembly Talks - Expenditures out of Allocation

Notice of Concordances of the Court of Accounts are reports which provide information to the National Assembly on whether the authority obtained from it to make expenditures and collect revenues for the budget year has been exercised within the confinements of the authority granted, especially with respect to allocations. From this perspective, the close monitoring and evaluation of both the Final Account Bills and notice of concordances by the Assembly and the general public are among the most important mechanisms of accountability. On the other hand, in our country final account and concordance talks are generally made very briefly and evaluation of the previous year's accounts as well as questioning of the deficiencies are not performed adequately. As such, the impact of the fact that final account and concordance talks are performed right after lengthy talks on next year's budget can not be denied. As consideration and evaluation of a document which can be termed as a bulk of numbers (as an example, this year notice of concordance is 565 pages) is not generally performed, and thus the previous year's

² This report can be seen at <http://www.sayistay.gov.tr/rapor/rapor3.asp?id=73>

performance is not questioned but the apparent deficiencies are assigned to the Court of Accounts to be prosecuted and the Final Accounts Statement as well as the Notice of Concordance do not receive the attention they deserve from the Assembly and the general public.

From this perspective, we think that an arrangement which can accommodate for evaluations of the Final Accounts Statement and Notices of Concordance in a separate specialty commission or in the same Plan and Budget commission but with a special agenda and before the talks for the budget of next year take place would be highly beneficial.

The most striking issue in this year's notice of concordance is that there has been a total excess expenditure of 3.036.842.839,99 YTL which is beyond the allocation obtained from the Assembly and that belonged to the following items:

- *In General Budget Administrations, 955.062.605,20 YTL for expenditures made for which allocation sending document were not required, 917.175.474,76 YTL for personnel expenditures, 1.159.120.004,55 YTL for expenditures mandating responsibility,*
- *In Private Budget Administrations, 789.829,12 YTL for expenditures made for which allocation sending document were not required,, 4.124.324,44 YTL for personnel expenditures, and 570.601,92 YTL for expenditures mandating responsibility.*

From this, it can be deducted that about 3 billion YTL had been spent without allocations, that is, expenditures above the limit of the authority granted by the Assembly have been made. In such cases, which happen virtually in every budget year, a practice of "complementary allocation" is put to use and through the following expressions, Court of Accounts asks for additional allocation for a portion of this over-the-limit expenditure and for another portion (which requires taking responsibility) leaves it to the discretion of the Assembly.

"As such, it would be appropriate to handle the expenditures beyond the allocation as follows:

a) in General Budget Administrations: the amount of 955.062.605,20 YTL belongs to payments made in accordance with Law number 657, article 62, which arranges for payment of permanent task transportation allowance expenditures made for which allocation sending document were not legally required for, and in accordance with Law number 657, articles 207 and 208, which arrange for birth and death aids. The amount of 917.175.474,76 YTL is for expenditures that necessitate payments for personnel for which allocation sending document were not required. Hence, **these amounts are appropriate to be provided with complementary allocation.**

Remaining allocation expenditure of 1.159.120.004,55 YTL which is above the allocated amount, pertains to expenditures which are not allowed to be done without an allocation by laws.

b) in Special Budget Administrations: the amount of 789.829,12 YTL belongs to payments made in accordance with Law number 657, article 62, which arranges for payment of permanent task transportation allowance expenditures made for which allocation sending document were not legally required for, and in accordance with Law number 657, articles 207 and 208, which arrange for birth and death aids. The amount of 4.124.324,44 YTL is for expenditures that necessitate payments for personnel for which allocation sending document were not required. Hence, these amounts are appropriate to be provided with complementary allocation.

Remaining allocation expenditure of 570.601,92 YTL which is above the allocated amount, pertains to expenditures which are not allowed to be done without an allocation by laws.

It is up to the Assembly to grant or not grant the complementary allowance for 159.120.004,55 YTL for General Budget Administrations and 570.601,92 YTL for Special Budget Administrations (Central Government total of 1.159.690.606,47 YTL) which were explained above in detail and which pertain to the 5. article concerned with complementary allocation of the Final Account Bill and which imposes responsibility. (Source: General Notice of Concordance for 2006, p.11)”

As can be seen from the expressions of the report, initiative as to whether to grant complementary allowances which impose responsibility or not is left to the discretion of the Assembly. Nevertheless, in accordance with law number 5018, not making expenditures above the allocated amounts is a principal cause for the use of allowances.

Besides, penalties like cutting off the salaries of responsible parties for those making excess expenditures is included in law number 5018. Even though this is the case, the Assembly grants an expenditure making authority in the form of complementary allocations after the expenditures have been made, which it had not given before, and this also means saving the responsible parties who have made the expenditure. Such responsibility imposing expenditures which amounts

amounted to 1.1 billion YTL in 2006 were nearly exclusively out of the budgets of ministries of Education and Health. We think that the Court of Accounts should prepare an additional report on what these expenditures are as well as where they came from and present it to the Assembly. Consequently, the course of action should be determined based on the findings of this report. The releasing of responsibility for these expenditures despite they were reported would turn the reports to a mere formality and harm the trustability of the Court of Accounts.

On the other hand, the Court of Accounts considers the reason for certain such expenditures to be rightfully inadequate in our opinion. The report provides clues in this issue:

“Despite the clauses stated above;

a) In the evaluation of the justifications for service and targets of the Fiscal Year 2006 Institutional Budget Drafts, it is observed that, –in general– explanations for each and every activity area of service units have been provided whereas enough explanation on forecasts and realizations (in the context of Budget Preparation Guide – Justifications for Service and Targets item) have not been provided;

b) In the evaluation of expenditure explanations for Fiscal Year 2006 Final Account Tables of the institutions, it is observed that, –in general– explanations for first and second levels of allocations of economic classification data on allocations, expenditures, cancellation of allocations, etc. have been provided, rather than the extent of realization of justifications for service and targets which should have been forecasted in the Institutional Budget Drafts for each service unit.

This makes it harder to compare the Budget justifications of service and final account expenditure explanations in terms of targets and realizations. On the other hand, although allocation cancellation rates were high, explanations for expenditure arrangements (which are shown separately for General Budget Institutions, Special Budget Institutions, and Regulatory and Supervisory Institutions) in the attached tables of final account expenditure explanations of institutions were found to be inadequate since the reasons for cancellation were not explained sufficiently. (Source: General Notice of Concordance for 2006, p.46)

In fact, we should note that similar statements have been being made in virtually all reports over the years. From this perspective, despite important findings and evaluations in these reports, one reason for the incapacity of these reports in creating the necessary awareness in the Assembly and the general public can be pointed out as the fact that

reports of the Court of Accounts still lack clarity and simplicity in terms of language, content and presentation. This has also been pointed out in the last Fiscal Transparency Monitoring report of TEPAV and in light of these observations, we think it is advisable that the Court of Accounts raise the communication strategy and report formats to a more professional level.

Box 2. TEPAV Fiscal Transparency Monitoring Report (V-VI, September 2007): Approval of Final Accounts by the Parliament and Transparency in External Auditing and Evaluation Process of the Reports

In scope of fifth article, the issues of comprehensive reporting of final accounts, presentation of them to the Parliament and availability of external auditing as well as the results of external auditing, have been considered through the questions in the evaluation form.

This principle was in decline in both periods in 2006, compared to 2005. The index value turned out to be 41.6 points, lower than the general index value for the first time.

Table 6: Index Results for Approval of Final Accounts by the Parliament and Transparency in External Auditing and Evaluation Process of the Reports

	Period I			Period II		
	2005	2006	Chg. (%)	2005	2006	Chg. (%)
V APPROVAL OF FINAL ACCOUNTS BY THE PARLIAMENT AND TRANSPARENCY IN EXTERNAL AUDITING AND EVAL. PROCESS OF THE REPORTS	45,4	43,1	-5,2	44,2	41,6	-5,7
V.1 Preparation and presentation of final accounts which show resource usage of the government and application results with the clarity and content that is understandable by the parties	51,5	49,2	-4,5	51,9	47,6	-8,3
V.2 Evaluation of final accounts in a special commission in the parliament and reporting the comparison of budgeted and realized figures as part of the final accounts.	51,9	41,2	-20,5	47,9	39,7	-17,2
V.3 Existence of a national external auditing institution, existence of pre determined auditing standards, and continuous information flow to the general public and the parliament	43,5	43,4	-0,2	43,9	42,4	-3,4
V.4 Availability of the reports presented to the parliament to media, NGO's and general public, and preparation of these reports so as for the citizens to be able to comprehend them	34,8	38,5	10,5	32,9	36,9	12,1

It should be deemed important in the current period in which change is experienced along with structural reforms in the budget process for the parliament to work effectively as well as informing the parliament and the public sufficiently. Comprehensibility issues with respect to the scope of and reporting the comparison between budgeted and realized figures continued to be a problematic field in this evaluation as well. In this respect, the understanding of the participants is that budget systematic between budget targets and realizations have not been established. Also in this respect, evaluation of final accounts in a separate commission is seen as an adverse condition from the perspective of fiscal transparency.

Considering sub-principles, the most negative perception in this period has been, as usual, "Availability of the reports presented to the parliament to media, NGO's and general public, and preparation of these reports so as for the citizens to be able to comprehend them".

B. Our Evaluation on Treasury Transactions

In addition to Notices of General Concordance, the Court of Accounts have been preparing a report titled as Treasury Transactions Report since 1995. In this report, audits of debt transactions and other functions of the Undersecretariat of Treasury as well as some other analyses and evaluations are performed. The report also includes details of transactions of the Treasury that are auditable and included in the Notice of General Concordance.

We will summarize our evaluation of this year's Treasury Transactions Report under a few headings.

1. Although we agree with the findings of the Court of Accounts on the extent of budget deficit we think it is insufficient.

According to the findings of the report, budget deficit is presented to be smaller than it actually is, due to non budgetary transactions. On cash basis, budget deficit for 2006 is 6.2 billion YTL, while this figure should have been 13.6 billion YTL due to non budgetary transactions. It is pointed out that non budgetary transactions arised from not associating written off receivables of the Treasury with the budget, non budgetary debt usage, funds provided as loans, privatization revenues, etc. Findings of the Court of Accounts on non budgetary transactions closely overlap with our findings which indicate that budget deficits are not correctly calculated and reported and the items leading to this, which we have been stating in our TEPAV Fiscal Monitoring Reports for the last two years. When we take a closer look at the reasons, it becomes clear that many clauses which have been applied to laws number 5018 and 4749 via bulk legislations have led to this. Attached to the report of the Court of Accounts is a detailed list of them.

On the other hand, a possible deficiency in the report of the Court of

Accounts are that it makes these statements only based on the books of Treasury. As we have stressed in our previous reports, budget deficits are not made up of booked transactions only. They may also be made up of liabilities and expenditures which are not booked as expenditures during the year through the account number 323, Debts to be Budgeted, and/or similar practices while they should have been booked as liabilities and expenditures in the same year which they belong. Per wired orders close to the end of the year, these transactions are not accrued and they are left out of the expenditure bookkeeping³. From this perspective, the Court of Accounts' checking not only the accounts of Treasury, but also the accounting balance entries of the Ministry of Finance and specifically the year end liabilities which are accumulated but not accrued as expenditure is necessary to be able to see the whole picture. As a matter of fact, in the press statement which appears on the web site of the Undersecretariat of Treasury it is stated that one of the reasons for not being able to meet the performance criteria of the IMF for 2007 is the expenditure liabilities accumulated in years, which is an indication of the importance of the issue. As a result, in order for the public to be able to track at least some of these liabilities, we believe that applications in the government accounting balances should be disclosed to the public and the Court of Accounts should get involved in these issues.

2. The Court of Account has made rightful but late identifications with respect to deficiencies in the accounting and tracking system of some payables and receivables of the Treasury

The identifications of the Court of Accounts in the Treasury Transactions Report pertaining to recording IMF guarantee bills, recording and tracking incentive oriented loans, deficiencies in SEE capital accounts, etc. are rightful but late. Because, these practices have been being performed since past and they are subject to the audit

³ For a detailed evaluation of this issue see the Fiscal Monitoring Report, July 2007.

of the Courts of Accounts every year. Except for the statement about the incentive oriented loans which was made last year, coming up of some practices which have been being performed for long points to a deficiency in the auditing process of the Court of Accounts as well. If these could have been detected and warnings could have been issued to the administration for correction of these accordingly, correct and orderly bookkeeping could have been achieved in the past. On the other hand, it has become a necessity for the Undersecretariat of Treasury to correct these deficiencies, which are known to have arisen because of deficiency in accounting standards and lack of coordination inside institutions, through new possibilities provided by law number 5018 and specifically law number 4749 as well as new accounting regulations and handle the internal auditing system accordingly.

3. It is not appropriate for the Court of Accounts to make debt analyses or similar evaluations in the Treasury Transactions Report, with respect to format and quality

The Court of Accounts performs some analyses concerning sustainability and composition of debts, interest and term structure, and etc. in the Treasury Transactions Report. Although it has been stated that ASOSAI's documents related to auditing public debt have been utilized for these evaluations, they are nothing more than repetition of known analyses and thus the report does not have the content and impact expected from a Court of Accounts report.

In our opinion, the chaos of concepts with respect to auditing standards of public debt play a role in this situation. Courts of Accounts essentially make fiscal and performance auditing. While fiscal auditing is an audit of concordance, performance auditing concerns with auditing the extent to which performance criteria set by the cabinet had been met and whether public resources have been used in accordance with these goals. On the other hand, Treasury Transactions Report consists of both a fiscal audit as an audit of concordance and a debt analysis, which does not have a certain content and which is not certain as to

why it has been included in the concordance report, whereas this analysis can not be termed as a performance audit either. From this perspective, Treasury Transactions Report can neither be termed as a completely fiscal concordance report nor a performance audit report. The Court of Accounts can not make an evaluation on the extent to which performance has been realized without considering any performance target/criteria whatsoever. We think that, had the Court of Accounts performed an evaluation of the extent to which IMF performance criteria had been met, it would have had a higher value added. From this standing point, we think that it would be more appropriate for Court of Accounts to prepare the Treasury Transactions Report primarily as a Fiscal Audit and Concordance Audit report and the Court of Accounts should include such analyses in a separate performance audit report with better content.

ANNEX

Annex Table 1. 2007 Central Government Budget Allowances and Expenditures (August)

	Jan-Mar	Apr-Jun	July	August	Total	2006 Budget	(%) Real.	Expend. (% Dist..)
Expenditures	49,441,897	51,237,546	19,207,560	15,930,614	135,817,617	204,988,546	66,26	100,00
Primary Expenditures	33,475,107	40,310,870	13,439,890	11,612,787	98,838,654	152,042,522	65,01	72,77
I. Employee Expenditures	11,192,386	10,781,312	3,768,891	3,421,775	29,164,364	43,669,799	66,78	21,47
Civil Servants	9,824,731	9,034,573	3,113,890	2,890,182	24,863,376	36,781,520	67,60	18,31
Workers	568,173	802,531	304,911	270,078	1,945,693	3,558,224	54,68	1,43
Others	799,482	944,208	350,090	261,515	2,355,295	3,330,055	70,73	1,73
Social Security Inst. Govnt Premium	1,405,582	1,319,885	452,585	442,918	3,620,970	10,101,779	35,84	2,67
Civil Servants	1,217,878	1,057,800	368,384	365,602	3,009,664	7,382,093	40,77	2,22
Workers	94,225	148,203	51,469	50,535	344,432	630,273	54,65	0,25
Others	93,479	113,882	32,732	26,781	266,874	2,089,413	12,77	0,20
III. Purchases of Goods and Services	3,461,013	4,888,449	2,326,403	1,513,620	12,189,485	15,587,406	78,20	8,97
Defense-Security	630,536	1,569,782	859,311	549,175	3,608,804	8,165,600	44,20	2,66
M.N.D.	487,493	1,292,595	702,976	360,589	2,843,653	6,586,000	43,18	2,09
Gendarmerie	78,968	163,479	83,830	117,670	443,947	1,003,600	44,24	0,33
Police	64,075	113,708	72,505	70,916	321,204	576,000	55,76	0,24
Health Expenditures	1,668,785	1,556,112	556,418	444,778	4,226,093	165,000	2,561,27	3,11
Health Expenditures Related to Green Card	1,101,366	932,107	318,364	280,122	2,631,959	0	0,00	1,94
Medication	190,417	237,981	92,028	59,546	579,972	99,152	584,93	0,43
Treatment and Health Equipment	377,002	386,024	146,026	105,110	1,014,162	65,848	1,540,16	0,75
Govnt Debts General Expenditures	20,423	16,752	562	9,849	47,586	115,000	41,38	0,04
Other Goods and Services Expenditures	1,141,269	1,745,803	910,112	509,818	4,307,002	7,141,806	60,31	3,17
IV. Current Transfers	14,857,044	17,918,602	4,913,858	4,680,023	42,369,527	60,862,989	69,61	31,20
Duty Losses	153,205	357,301	57,682	113,792	681,980	1,187,853	57,41	0,50
SEE Duty Losses	50,000	230,000	20,000	50,000	350,000	660,000	53,12	0,26
SSI Duty Losses	0	0	0	0	0	0	0,00	0,00
Financial Institutions	66,000	82,500	26,000	48,000	222,500	345,000	64,49	0,16
Other Duty Losses	37,205	44,801	11,682	15,192	108,880	182,853	59,55	0,08
Treasury Subsidies	9,222,710	8,806,857	3,076,540	3,361,563	24,467,670	34,538,020	70,84	18,02
Treasury Subsidies to Soc. Sec. Inst.	197,500	187,908	64,614	62,826	512,848	760,000	67,48	0,38
Pension Funds	0	0	0	0	0	0	0,00	0,00
Bağ-Kur	0	0	0	0	0	0	0,00	0,00
SSI	0	0	0	0	0	0	0,00	0,00
Unemployment Insurance Fund	197,500	187,908	64,614	62,826	512,848	760,000	67,48	0,38
Local Governments	410,792	426,161	132,898	145,565	1,115,416	1,471,493	75,80	0,82
Subsidies to Municipalities	52,923	7,535	2,806	1,600	64,864	56,850	0,00	0,05
Other (special provincial adm. and villages)	357,869	418,626	130,092	143,965	1,050,552	1,414,643	74,26	0,77
Other Treasury Subsidies	131,417	184,488	70,028	45,172	431,105	717,527	60,08	0,32
SPSF	65,000	87,000	29,000	29,000	210,000	400,000	52,50	0,15
Other	66,417	97,488	41,028	16,172	221,105	317,527	69,63	0,16
Transfers to Non-Profit Organizations	150,203	296,469	46,172	68,164	561,008	662,338	84,70	0,41
Transfers to Households	218,222	285,916	101,247	30,697	636,082	929,541	68,43	0,47
Scholarships and Allowances	131,689	130,325	57,496	8,134	327,644	385,579	84,97	0,24
Other Transfers for Education	50,218	95,937	29,769	15,349	191,273	435,529	43,92	0,14
Transfers for Health	9,806	14,523	4,133	3,728	32,190	52,987	60,75	0,02
Transfers for Food	24,016	42,896	8,876	2,567	78,355	52,230	150,02	0,06
Transfers for Housing	2,493	2,235	973	919	6,620	3,216	205,85	0,00
Agricultural Subsidization Payments	1,116,263	3,717,459	272,755	11,102	5,117,579	5,250,000	97,48	3,77
Direct Income Support	483,759	2,041,238	10,000	8,534	2,543,531	2,730,000	93,17	1,87
Product Support Payments	246,209	1,230,047	232,429	-230	1,708,455	1,560,000	109,52	1,26
Animal Husbandry Support Payments	280,000	0	44,000	0	324,000	710,000	45,63	0,24
Other	106,295	446,174	-13,674	2,798	541,593	250,000	216,64	0,40
Other Transfers to Households	115,280	27,471	74,243	11,036	228,030	482,081	47,30	0,17
Social Transfers	5,827	8,588	3,398	4,636	22,449	219,059	10,25	0,02
Transfers to Overseas	97,617	129,055	65,265	38,619	330,556	636,524	51,93	0,24
Shares From Revenues	3,777,717	4,289,486	1,216,556	1,040,414	10,324,173	16,957,573	60,88	7,60
V. Capital Expenditures	1,258,121	3,208,335	1,254,700	1,045,229	6,766,385	12,103,930	55,90	4,98
VI. Capital Transfers	438,146	1,439,168	471,609	72,951	2,421,874	3,647,400	66,40	1,78
VII. Lending	862,815	755,119	251,844	436,271	2,306,049	3,694,600	62,42	1,70
Domestic Lending	853,959	675,120	241,844	414,271	2,185,194	3,429,600	63,72	1,61
SEE	448,586	393,800	110,096	182,454	1,134,936	1,360,000	83,45	0,84
Risk Account	55,623	74,198	16,400	31,970	178,191	600,000	29,70	0,13
Other	349,750	207,122	115,348	199,847	872,067	1,469,600	59,34	0,64
Foreign Lending	8,856	79,999	10,000	22,000	120,855	265,000	45,61	0,09
Cyprus	8,856	79,999	10,000	22,000	120,855	265,000	45,61	0,09
VIII. Auxiliary Allowances	0	0	0	0	0	2,374,619	0,00	0,00
Interest Expenditures	15,966,790	10,926,676	5,767,670	4,317,827	36,978,963	52,946,024	69,84	27,23
I. Domestic Debt Interests	13,380,641	9,202,602	5,030,580	3,998,526	31,612,349	43,626,000	72,46	23,28
II. External Debt Interests	2,519,305	1,141,661	737,090	319,301	4,717,357	8,450,024	55,83	3,47
III. Discounts and Short Term Transactions Interests	66,844	582,413	0	0	649,257	870,000	74,63	0,48

Annex Table 2. 2006-2007 General Central Government Budget Expenditure Comparisons (August)

	2006				2007				Increase	
	August	Total	Realization	Realiz. Ratio	August	Total	Budget Predict.	Realiz.Ratio	August	Total
Total Central Gov't Budget Expenditures	16.553.105	115.048.427	175.303.995	65,63	15.930.614	135.817.617	204.988.546	66,26	-3,76	18,05
Primary Expenditures	11.054.787	80.912.528	129.358.763	62,55	11.612.787	98.838.654	152.042.522	65,01	5,05	22,15
Employee Expenditures	2.939.704	24.813.921	37.732.718	65,76	3.421.775	29.164.364	43.669.799	66,78	16,40	17,53
Soc. Sec. Inst. Gov't Prem. Expendit.	378.412	3.153.996	5.067.252	62,24	442.918	3.620.970	10.101.779	35,84	17,05	14,81
Goods and Services Purch. Expendit.	1.261.014	9.947.498	18.646.449	53,35	1.513.620	12.189.485	15.587.406	78,20	20,03	22,54
Savunma Defense-Security	586.921	3.101.812	7.493.047	41,40	549.175	3.608.804	8.165.600	44,20	-6,43	16,35
Health Expenditures	209.239	3.779.806	5.344.560	70,72	444.778	4.226.093	165.000	2.561,27	112,57	11,81
General Treatm. and Health Equip.	105.334	1.005.248	1.629.800	61,68	105.110	1.014.162	65.848			
General Medical Expenditures	45.528	520.673	804.149	64,75	59.546	579.972	99.152			
Green Card Health Services	58.377	2.253.885	2.910.611	77,44	280.122	2.631.959	0			
Government Debt General Expendit.	18.163	61.484	85.360	72,03	9.849	47.586	115.000	41,38	-45,77	-22,60
Other Purchase of Goods and Services	446.691	3.004.396	5.723.482	52,49	509.818	4.307.002	7.141.806	60,31	14,13	43,36
Current Transfers	4.650.009	33.137.829	49.603.306	66,81	4.680.023	42.369.527	60.862.989	69,61	0,65	27,86
Duty Losses	397.659	4.890.895	7.242.239	67,53	113.792	681.980	1.187.853	57,41	-71,38	-86,06
SEE' Duty Losses	0	413.668	710.760	58,20	50.600	350.600	660.000	53,12		-15,25
T.R. Retirement Fund	260.478	3.634.503	4.975.265	73,05	0	0	0		-100,00	-100,00
Treasury Aids	1.058.436	13.862.537	21.739.476	63,77	3.361.563	24.467.670	34.538.020	70,84	217,60	76,50
Social Security Inst. Treasury Aids	910.146	12.431.667	19.201.062	64,74	3.170.826	22.921.149	32.349.000	70,86	248,39	84,38
SGK Transfer*	851.000	12.015.000	18.543.000	64,80	3.108.000	22.408.301	31.589.000	70,94		
Civil Servants Retirement Fund	360.000	3.809.000	5.687.000	66,98	0	0	0		-100,00	-100,00
Bağ-Kur	0	2.472.000	4.330.000	57,09	0	0	0			-100,00
SSI	491.000	5.734.000	8.526.000	67,25	0	0	0		-100,00	-100,00
Unemployment Insurance Fund	59.146	416.667	658.062	63,32	62.826	512.848	760.000	67,48	6,22	23,08
Health, Retirement and Social Benefits	0	0	0		3.108.000	22.408.301	31.589.000	70,94		
Treasury Aid to Local Governments	101.301	979.998	1.509.032	64,94	145.565	1.115.416	1.471.493	75,80	43,70	13,82
Other Treasury Aids	46.989	450.872	1.029.382	43,80	45.172	431.105	717.527	60,08	-3,87	-4,38
Transfers to Non-profit Org.	6.962	131.785	185.088	71,20	68.164	561.008	662.338	84,70	879,09	325,70
Transfers to Households	51.878	501.984	798.013	62,90	30.697	636.082	929.541	68,43	-40,83	26,71
Agricultural Transfers	1.740.955	4.375.226	4.746.722	92,17	11.102	5.117.579	5.250.000	97,48	-99,36	16,97
Other transfers to Households	18.930	177.785	329.023	54,03	11.036	228.030	482.081	47,30	-41,70	28,26
Social Transfers	2.386	16.134	26.970	59,82	4.636	22.449	219.059	10,25	94,30	39,14
Transfers to Overseas	62.042	455.111	592.200	76,85	38.619	330.556	636.524	51,93	-37,75	
Shares From Income	1.310.761	8.726.372	13.943.575	62,58	1.040.414	10.324.173	16.957.573	60,88	-20,63	18,31
Local Government Shares	1.019.989	6.769.132	10.906.193	62,07	872.909	8.061.767	13.632.573	59,14	-14,42	19,10
Shares to Funds	193.926	1.468.850	2.466.903	59,54	162.438	1.834.617	2.990.000	61,36	-16,24	24,90
Other Shares	96.846	488.390	570.479	85,61	5.067	427.789	335.000	127,70	-94,77	-12,41
Capital Expenditures	1.101.502	5.256.989	11.934.206	44,05	1.045.229	6.766.385	12.103.930	55,90	-5,11	28,71
Capital Transfers	426.295	1.787.787	2.637.056	67,79	72.951	2.421.874	3.647.400	66,40	-82,89	35,47
Domestic Capital Transfers	411.295	1.733.007	2.458.547	70,49	62.951	2.381.821	3.421.134	69,62	-84,69	37,44
Foreign Capital Transfers	15.000	54.780	178.509	30,69	10.000	40.053	226.266	17,70	-33,33	-26,88
Lending	297.851	2.814.508	3.737.776	75,30	436.271	2.306.049	3.694.600	62,42	46,47	-18,07
Domestic Lending	242.851	2.684.266	3.474.276	77,26	414.271	2.185.194	3.429.600	63,72		
Foreign Lending	55.000	130.242	263.500	49,43	22.000	120.855	265.000	45,61		-7,21
Auxiliary Allocations	0	0	0		0	0	2.374.619	0,00		
Interest Expenditures	5.498.318	34.135.899	45.945.232	74,30	4.317.827	36.978.963	52.946.024	69,84	-21,47	8,33

Annex Table 3. 2006-2007 General Budget Revenues (April)

	2007 August	2006 August	Increase (%)	2007 Budget Forecast	2006 Year End	Realization According to 2007 Budget (%)	Realization According to Year End 2006 (%)
General Budget Revenues	127.390.590	115.521.959	10,27	188.158.954	171.309.331	67,70	67,43
I-Tax Revenues	99.322.090	91.331.580	8,75	158.152.898	137.474.325	62,80	66,44
Taxes from Income, Profits, Capital Earnings	31.176.986	26.490.467	17,69	45.342.460	40.140.754	68,76	65,99
Income Tax	21.723.267	18.195.267	19,39	33.417.674	28.983.049	65,01	62,78
Declaration Based Income Tax	1.364.185	1.343.115	1,57		1.482.697		90,59
Lump Sum Income Tax	173.891	148.310	17,25		166.490		89,08
Income Tax Collection	19.430.008	15.990.216	21,51		26.348.394		60,69
Prepaid Income Tax	755.183	713.626	5,82		985.468		72,41
Corporate Tax	9.453.719	8.295.200	13,97	11.924.786	11.157.705	79,28	74,35
Declaration Based Corporate Tax	118.873	518.229	-77,06		523.637		98,97
Corporate Tax Collection	-10.271	142.001	-107,23		214.616		66,17
Prepaid Corporate Tax	9.345.117	7.634.970	22,40		10.419.452		73,28
Taxes From Properties	3.061.635	2.705.855	13,15	3.639.729	3.117.184	84,12	86,80
Inheritance Tax	75.981	67.463	12,63	135.468	119.079	56,09	56,65
Motor Vehicles	2.985.654	2.638.392	13,16	3.504.261	2.998.105	85,20	88,00
Domestic Goods and Services Taxes	40.899.933	39.626.684	3,21	68.828.147	59.419.991	59,42	66,69
Domestic VAT	10.880.617	10.920.531	-0,37	20.200.498	15.923.069	53,86	68,58
Special Consumption Tax	24.976.403	24.372.228	2,48	41.070.466	36.926.175	60,81	66,00
SCT from Petroleum and Natural Gas Products	14.053.281	13.293.941	5,71		20.550.743		64,69
SCT from Motor Vehicles	2.442.953	2.677.458	-8,76		4.138.481		64,70
Cokes, Sodas, Alcoholic Bev. and Tobacco	7.789.889	7.803.589	-0,18		11.262.044		69,29
SCT from Durable Goods and Other Goods	690.280	597.240	15,58		974.907		61,26
BITT	2.090.900	1.704.748	22,65	3.110.456	2.624.254	67,22	64,96
Other Taxes from Goods and Services	2.952.013	2.629.177	12,28	4.446.727	3.946.493	66,39	66,62
Transaction Tax From International Trade	18.634.868	17.835.508	4,48	32.053.232	27.551.053	58,14	64,74
Customs Taxes	1.652.379	1.339.797	23,33	2.375.876	2.080.931	69,55	64,38
VAT from Imports	16.958.250	16.468.685	2,97	29.583.000	25.425.510	57,32	64,77
Other Foreign Trade Income	24.239	27.026	-10,31	94.356	44.612	25,69	60,58
Stamp Duty	2.397.515	2.055.748	16,62	3.638.443	3.148.720	65,89	65,29
Fees	3.121.826	2.575.026	21,23	4.594.000	3.952.188	67,95	65,15
Other Taxes Not Otherwise Classified Vergiler	29.327	42.292	-30,66	56.887	144.435	51,55	29,28
II-Enterprise and Property Incomes	6.600.764	5.886.923	12,13	7.817.781	7.529.949	84,43	78,18
Income From Sales of Goods and Services	983.454	709.350	38,64	1.322.827	1.115.010	74,34	63,62
SEE and State Bank Incomes	4.269.698	3.136.119	36,15	3.593.637	3.626.959	118,81	86,47
Profits from Institutions	664.075	1.421.508	-53,28	2.199.829	1.728.806	30,19	82,22
Rent Income	419.697	399.441	5,07	701.488	641.702	59,83	62,25
Other Enterprise and Property Income	263.840	220.505	19,65	0	417.472	52,82	52,82
III-Received Donations and Aids and Special Income	1.565.587	203.241	670,31	480.118	416.509	326,08	48,80
Foreign Donations and Aids	14	3.661	7,137	3.658	0,20	100,08	100,08
Special Income	1.565.573	199.580	684,43	472.981	412.851	331,00	48,34
IV-Interests, Shares, Fees	10.780.952	15.087.676	-28,54	14.443.470	19.358.281	74,64	77,94
Interest Income	3.529.730	3.917.761	-9,90	2.089.136	5.146.021	168,96	76,13
Shares from Persons and Institutions	3.651.346	4.765.905	-23,39	6.031.412	6.278.944	60,54	75,90
State Shares	145.500	133.484	9,00	247.333	198.088	58,83	67,39
Shares from General Budget Institutions	3.505.846	4.632.421	-24,32	5.784.079	6.080.856	60,61	76,18
Fines	2.269.579	3.411.297	-33,47	3.129.396	4.360.565	72,52	78,23
Judicial Fines	106.091	70.999	49,43	115.396	112.067	91,94	63,35
Administrative Fines	423.076	261.692	61,67	395.556	398.617	106,96	65,65
Tax Fines	1.668.700	2.943.679	-43,31	2.117.578	3.506.489	78,80	83,95
Other Fines	71.712	134.927	-46,85	500.866	343.392	14,32	39,29
Other Various Income	1.330.297	2.992.713	-55,55	3.193.526	3.572.751	41,66	83,76
V-Capital Income	5.991.722	216.925	2.662,12	2.565.816	1.841.105	233,52	11,78
Immovable Sales Income	147.181	209.704	-29,81	413.659	313.337	35,58	66,93
Movables Sales Income	2.570	5.197	-50,55	5.157	8.787	49,84	59,14
Other Capital Sales Income	5.841.971	2.024	2.147.000	1.518.981	272,10	0,13	0,13
Revenues of Specially Budgeted Administrations	1.949.333	1.852.971	5,20	3.263.692	3.291.509	59,73	56,30
Düzenleyici ve Denetleyici Kurumların Gelirleri	1.180.142	942.643	25,20	1.435.179	1.397.653	82,23	67,44

Annex Table 4. % Distribution of 2007 Central Government Budget Expenditures Classified Functionally and Economically (August)

4 a)

	Employee Exp.	SSI Prem. Paym.	Purch. of G. And Serv.	Inter. Exp.	Curr. Trans.	Capital Exp.	Capital Trans.	Lending	Total
General Public Services	6.0	0.6	2.7	69.6	19.6	0.4	0.6	0.6	100
Defense Services	50.2	5.8	43.8	0.0	0.0	0.1	0.0	0.0	100
Public Order and Security Services	67.7	6.8	20.9	0.0	0.0	4.6	0.0	0.0	100
Economic Affairs and Services	13.6	2.1	6.1	0.0	43.2	26.7	0.5	7.7	100
Environmental Protection Services	63.5	8.8	9.7	0.0	0.1	8.3	9.6	0.0	100
Housing and Community Welfare Services	0.3	0.0	0.2	0.0	33.6	6.8	59.1	0.0	100
Health Services	44.2	6.6	42.8	0.0	0.1	6.3	0.0	0.0	100
Vacation, Cultural and Religious Services	58.5	7.9	12.0	0.0	10.8	9.0	1.9	0.0	100
Education Expenditures	65.5	8.4	10.4	0.0	4.2	6.6	0.2	4.7	100
Social Security and Social Benefits	0.5	0.1	0.9	0.0	98.2	0.1	0.0	0.1	100

4 b)

	Employee Exp.	Ssi Prem. Paym.	Purch. of G. And Serv.	Interest. Exp.	Curr. Trans.	Capital Exp.	Capital Trans.	Lending
General Public Services	11.0	9.4	11.6	100.0	24.6	2.9	13.0	13.0
Defense Services	11.3	10.6	23.7	0.0	0.0	0.1	0.0	0.0
Public Order and Security Services	17.8	14.5	13.2	0.0	0.0	5.2	0.0	0.0
Economic Affairs and Services	7.4	9.3	8.0	0.0	16.1	62.4	3.4	52.7
Environmental Protection Services	0.2	0.2	0.1	0.0	0.0	0.1	0.4	0.0
Housing and Community Welfare Services	0.0	0.0	0.0	0.0	2.6	3.3	80.5	0.0
Health Services	11.2	13.4	25.8	0.0	0.0	6.9	0.0	0.0
Vacation, Cultural and Religious Services	4.1	4.4	2.0	0.0	0.5	2.7	1.6	0.0
Education Expenditures	36.6	37.8	13.9	0.0	1.6	15.8	1.1	33.1
Social Security and Social Benefits	0.4	0.4	1.7	0.0	54.5	0.5	0.1	1.2
TOTAL	100	100	100	100	100	100	100	100

**Annex Table 5. Deficit Finance of the General Budget
(August)**

	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.
PRIMARY BALANCE	1.062.507	3.908.486	12.451.827	13.323.512	19.342.579	19.849.176	19.623.960	27.281.852
BUDGET BALANCE	-5.958.349	-8.079.299	-3.514.963	-5.723.601	-4.322.542	-7.044.290	-13.037.176	-9.697.111
BUDGET ESCROWS	-1.417.730	-758.273	-803.156	-664.976	-634.069	-493.670	-15.822	-311.561
OTHER ESCROWS	-18.451	-51.755	-943.730	-891.259	-702.009	-790.654	426.481	443.633
ADVANCES	5.367.759	1.303.900	1.168.133	1.122.322	958.553	703.681	683.563	574.927
Cash Balance	-2.026.771	-7.585.427	-4.093.716	-6.157.514	-4.700.067	-7.624.933	-11.942.954	-8.990.112
Treasury Funding	2.026.771	7.585.427	4.093.716	6.157.514	4.700.067	7.624.933	11.942.954	8.990.112
Total Net Borrowing (Borrowing min. repayment)	6.491.656	13.754.272	14.248.552	12.606.885	9.152.892	9.097.670	11.573.677	12.452.887
Total Borrowing	18.180.780	30.367.762	43.351.126	51.987.078	63.005.972	74.676.758	87.941.069	90.863.773
Domestic Borrowing	16.338.655	24.836.436	37.616.299	46.110.511	55.415.913	66.503.085	78.966.332	81.708.787
Bond	12.274.655	19.876.436	30.393.299	37.790.511	47.095.913	58.183.085	67.024.332	68.975.787
Bill	4.064.000	4.960.000	7.223.000	8.320.000	8.320.000	8.320.000	11.942.000	12.733.000
External Borrowing	1.842.124	5.531.327	5.734.827	5.876.567	7.590.059	8.173.673	8.974.738	9.154.986
Total Capital Repayment	-11.689.124	-16.613.490	-29.102.574	-39.380.193	-53.853.080	-65.579.088	-76.367.392	-78.410.886
Domestic Borrowing	-10.784.343	-12.807.338	-24.770.721	-33.523.736	-46.048.856	-57.152.095	-67.203.207	-68.493.204
Bond	-7.860.343	-7.956.338	-17.406.721	-24.533.736	-37.058.856	-48.162.095	-52.448.626	-52.842.624
Bill	-2.924.000	-4.851.000	-7.364.000	-8.990.000	-8.990.000	-8.990.000	-14.754.581	-15.650.581
External Borrowing	-904.780	-3.806.152	-4.331.853	-5.856.457	-7.804.224	-8.426.993	-9.164.186	-9.917.682
Funding Other Than Borrowing	49.958	131.951	223.944	383.793	421.081	464.377	1.514.413	1.544.403
Capital Collections From Previous Lending	49.958	131.951	212.831	306.724	323.536	366.832	430.159	460.148
Privatization Revenue Transfers to Treasury	0	0	0	0	0	0	986.710	986.710
Lending (-) Repayment (+)	0	0	11.113	77.069	97.545	97.545	97.545	97.545
Cash Movement (- in, + out)	-4.514.842	-6.300.797	-10.378.780	-6.833.164	-4.873.906	-1.937.114	-1.145.136	-5.007.178
Source: Und. Sec. of Treasury								

Annex Table 6. Composition of the Central Government Debt Stock (April)

(million YTL)	Central Gov't Debt Stock End of 2006	%	Central Gov't Debt Stock (Jan. 2007)	%	Central Gov't Debt Stock (Feb. 2007)	%	Central Gov't Debt Stock (Mar. 2007)	%	Central Gov't Debt Stock (Apr. 2007)	%	Central Gov't Debt Stock (May. 2007)	%	Central Gov't Debt Stock (Jun. 2007)	%	Central Gov't Debt Stock (Jul. 2007)	%	Central Gov't Debt Stock Aug. 2007	%
Structure of Domestic Debt Stock	251.470	100,0	257.350	100,0	263.165	100,0	263.724	100,0	262.336	100,0	258.968	100,0	253.718	100,0	256.125	100,0	258.109	100,0
<i>In Terms of Holders</i>	251.470	100,0	257.350	100,0	263.165	100,0	263.724	100,0	262.336	100,0	258.968	100,0	253.718	100,0	256.125	100,0	258.109	100,0
To Public	71.410	28,4	71.724	27,9	73.444	27,9	73.521	27,9	74.107	28,2	73.347	28,3	69.085	27,2	69.391	27,1	69.732	27,0
To Market	180.060	71,6	185.625	72,1	189.721	72,1	190.202	72,1	188.230	71,8	185.621	71,7	184.634	72,8	186.734	72,9	188.377	73,0
<i>In terms of Interest Structure</i>	251.470	100,0	257.350	100,0	263.165	100,0	263.724	100,0	262.336	100,0	258.968	100,0	253.718	100,0	256.125	100,0	258.109	100,0
Fixed Interest	121.053	48,1	127.558	49,6	129.732	49,3	128.805	48,8	128.495	49,0	123.389	47,6	120.922	47,7	123.520	48,2	124.860	48,4
Variable Interest	130.417	51,9	129.791	50,4	133.434	50,7	134.919	51,2	133.841	51,0	135.580	52,4	132.796	52,3	132.605	51,8	133.249	51,6
<i>In Terms of FX Composition</i>	251.470	100,0	257.350	100,0	263.165	100,0	263.724	100,0	262.336	100,0	258.968	100,0	253.718	100,0	256.125	100,0	258.109	100,0
YTL	216.800	86,2	219.577	85,3	226.051	85,9	228.215	86,5	230.043	87,7	227.092	87,7	222.316	87,6	224.969	87,8	226.555	87,8
FX	32.989	13,1	36.031	14,0	35.383	13,4	33.781	12,8	30.601	11,7	30.207	11,7	29.755	11,7	29.740	11,6	30.256	11,7
FX Indexed	1.681	0,7	1.742	0,7	1.731	0,7	1.727	0,7	1.692	0,6	1.670	0,6	1.648	0,6	1.416	0,6	1.299	0,5
Structure of External Debt Stock	93.573	100,0	95.256	100,0	94.906	100,0	94.159	100,0	90.158	100,0	89.095	100,0	87.768	100,0	88.093	100,0	89.264	100,0
<i>In terms of Interest</i>	93.573	100,0	95.256	100,0	94.906	100,0	94.159	100,0	90.158	100,0	89.095	100,0	87.768	100,0	88.093	100,0	89.264	100,0
Fixed Interest	65.113	69,6	66.820	70,1	69.184	72,9	68.787	73,1	66.680	74,0	64.706	72,6	63.658	72,5	63.857	72,5	65.159	73,0
Variable Interest	28.460	30,4	28.436	29,9	25.722	27,1	25.372	26,9	23.477	26,0	24.390	27,4	24.110	27,5	24.236	27,5	24.105	27,0
Structure of Total Debt Stock	345.043	100,0	352.606	100,0	358.071	100,0	357.882	100,0	352.494	100,0	348.064	100,0	341.486	100,0	344.218	100,0	347.373	100,0
<i>In Terms of Holders</i>																		
To Public	71.410	20,7	71.724	20,3	73.444	20,5	73.521	20,5	74.107	21,0	73.347	21,1	69.085	20,2	69.391	20,2	69.732	20,1
To Market (1)	273.633	79,3	280.881	79,7	284.627	79,5	284.361	79,5	278.388	79,0	274.717	78,9	272.401	79,8	274.827	79,8	277.641	79,9
<i>In terms of Interest Structure</i>	345.043	100,0	352.606	100,0	358.071	100,0	357.882	100,0	352.494	100,0	348.064	100,0	341.486	100,0	344.218	100,0	347.373	100,0
Fixed Interest	186.166	54,0	194.379	55,1	198.916	55,6	197.591	55,2	195.175	55,4	188.094	54,0	184.580	54,1	187.377	54,4	190.019	54,7
Variable Interest	158.877	46,0	158.227	44,9	159.155	44,4	160.291	44,8	157.319	44,6	159.969	46,0	156.906	45,9	156.841	45,6	157.354	45,3
<i>In Terms of FX Composition</i>	345.043	100,0	352.606	100,0	358.071	100,0	357.882	100,0	352.494	100,0	348.064	100,0	341.486	100,0	344.218	100,0	347.373	100,0
YTL	216.800	62,8	219.577	62,3	226.051	63,1	228.215	63,8	230.043	65,3	227.092	65,2	222.316	65,1	224.969	65,4	226.555	65,2
FX	126.562	36,7	131.288	37,2	130.288	36,4	127.940	35,7	120.759	34,3	119.302	34,3	117.522	34,4	117.833	34,2	119.519	34,4
FX Indexed	1.681	0,5	1.742	0,5	1.731	0,5	1.727	0,5	1.692	0,5	1.670	0,5	1.648	0,5	1.416	0,4	1.299	0,4
Average Maturity of Domestic Debt Stock (Mon)	24		23,9		23,9		24,9		24,8		26,1		26,9		27		26,2	
Avg. Matur. of Domest. Borrowing (Mon)	27,5		24,1		44,9		42,8		29,5		55,6		32,7		28,9		40,9	
Avg. Inter. Rate of Domest. Borrow. % (2)	21,47		20,36		18,85		19,81		19,1		18,81		18,52		17,56		18,58	

(1) It is assumed that the total External Debt Stock is held by the market.

(2) Discounted sales

Source: www.hazine.gov.tr