

# tepaav

türkiye ekonomi politikaları araştırma vakfı

economic stability institute

## **Fiscal Monitoring Report**

- **2008 March and April  
Budget Results**
- **Medium-Term Fiscal Framework and  
Fiscal Policies for the Future: What Do the  
Debates on Softening Fiscal Discipline  
Mean?**

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## *I. March and April 2008 Budget Execution Results*

### *A. A Brief Look at the Central Government Budget Implementation 2008 March and April Month End Results-Executive Summary*

Budget implementation results declared by the Ministry of Finance show that the central government budget has a deficit of 4.4 billion YTL as of end of March. This deficit reached 5.4 billion YTL as of end of April. This situation reflects an increase in the budget deficit by 31.2% in the first quarter of the year compared to the same period last year. The deterioration in the budget balance in April declined to 1.3% increase level compared to the same period last year.

The relatively positive performance of the central administration budget in the first two months of the year displayed deterioration with the March results; yet this situation showed a significant improvement in April. In effect, the central government budget had a deficit of 4.9 billion YTL in March and a deficit of 116 billion YTL was observed in the primary balance. March realizations thus displayed a reverse progress in contrast to the relative performance observed in the first two months of the year. Furthermore, the official primary balance in the first quarter of the year had a surplus of 9.4 billion YTL by a decline of about 26% compared to the same period of last year. Nevertheless, the primary surplus as of end of April was 12.5 billion YTL and had a decline by 8.8% compared to the same period of last year.

Table 1. Central Government Budget 2008 March-April Realizations (Compared to 2007)

<i>million YTL</i>	Mar.07	Mar.08	Change(%)	Real. Compa. to 2007 Year End	Real. Com to 2008 Appropria.	Apr.07	Apr.08	Change (%)	Real. Compa. to 2007 Year End	Real. Com to 2008 Appropria.
<b>Expenditures</b>	<b>49.442</b>	<b>51.562</b>	<b>4,29</b>	<b>24,30</b>	<b>23,17</b>	<b>65.805</b>	<b>70.200</b>	<b>6,68</b>	<b>32,34</b>	<b>31,54</b>
<b>1-Primary Expenditures</b>	<b>33.475</b>	<b>37.811</b>	<b>12,95</b>	<b>21,63</b>	<b>22,70</b>	<b>46.757</b>	<b>52.283</b>	<b>11,82</b>	<b>30,21</b>	<b>31,39</b>
Personnel Expenditures	11.192	12.513	11,80	25,70	25,71	14.813	16.526	11,57	34,01	33,95
Social Security Inst. Govt. Premium	1.406	1.585	12,79	24,23	24,75	1.846	2.074	12,35	31,82	32,38
Goods and Service Procurement	3.461	3.780	9,21	15,62	16,50	5.343	5.613	5,05	24,12	24,50
Current Transfers	14.857	17.514	17,89	23,49	25,31	20.609	24.046	16,68	32,58	34,74
Capital Expenditures	1.258	930	-26,06	9,74	7,90	2.334	1.926	-17,46	18,07	16,36
Capital Transfers	438	546	24,62	12,37	26,19	715	686	-3,98	20,18	32,93
Loans	863	943	9,25	24,29	23,96	1.098	1.412	28,59	30,92	35,90
Auxiliary Appropriations	0	0				0	0			
<b>2-Interest Expenditures</b>	<b>15.967</b>	<b>13.751</b>	<b>-13,88</b>	<b>32,76</b>	<b>24,56</b>	<b>19.047</b>	<b>17.916</b>	<b>-5,94</b>	<b>39,09</b>	<b>31,99</b>
<b>Revenues</b>	<b>46.109</b>	<b>47.188</b>	<b>2,34</b>	<b>24,32</b>	<b>23,07</b>	<b>60.424</b>	<b>64.751</b>	<b>7,16</b>	<b>31,87</b>	<b>31,65</b>
<b>1-General Budget Revenues</b>	<b>45.433</b>	<b>45.330</b>	<b>-0,23</b>	<b>24,66</b>	<b>22,73</b>	<b>58.831</b>	<b>62.446</b>	<b>6,14</b>	<b>31,93</b>	<b>31,32</b>
Tax Revenues	33.941	40.256	18,60	22,21	23,51	43.800	53.158	21,36	28,66	31,05
Enterprise and Property Revenues	1.479	1.016	-31,34	18,71	11,31	3.114	3.787	21,58	39,40	42,18
Interests, Shares and Fines	3.932	3.792	-3,56	25,17	26,86	5.780	5.103	-11,72	37,00	36,14
Capital Revenues	5.882	38	-99,35	96,78	0,88	5.916	57	-99,04	97,35	1,32
Donations and Aids Received	199	228	14,67	11,04	28,45	219	341	55,66	12,18	42,60
<b>2-Special Budget Revenues</b>	<b>644</b>	<b>926</b>	<b>43,82</b>	<b>16,96</b>	<b>27,10</b>	<b>923</b>	<b>1.283</b>	<b>38,97</b>	<b>24,33</b>	<b>37,55</b>
<b>3-Revenues of Regul. &amp; Superv. Council</b>	<b>32</b>	<b>933</b>	<b>2772,05</b>	<b>2,05</b>	<b>53,96</b>	<b>670</b>	<b>1.022</b>	<b>52,47</b>	<b>42,23</b>	<b>59,11</b>
<b>Budget Balance</b>	<b>-3.332</b>	<b>-4.374</b>	<b>-31,24</b>	<b>24,00</b>	<b>24,30</b>	<b>-5.380</b>	<b>-5.449</b>	<b>-1,28</b>	<b>38,75</b>	<b>30,28</b>
<b>Primary Balance</b>	<b>12.634</b>	<b>9.377</b>	<b>-25,78</b>	<b>36,26</b>	<b>24,67</b>	<b>13.667</b>	<b>12.467</b>	<b>-8,78</b>	<b>39,22</b>	<b>32,81</b>
<b>Program-Defined Primary Balance</b>	<b>6.218</b>	<b>8.342</b>	<b>34,15</b>	<b>28,71</b>	<b>26,66</b>	<b>5.724</b>	<b>9.662</b>	<b>68,79</b>	<b>26,43</b>	<b>30,88</b>

Compared to the deterioration in March, the reasons behind this relative improvement in April will be discussed in greater detail in the following pages.

When we take a look at the developments in the revenue side:

We see that there was a decline in the tax revenues in March, compared to the month of March of last year; and that the tax revenues in cumulative realizations of the first quarter increased by 19% compared to the same period of last year.

When we take a look at April, we observe an increase in the monthly tax revenue realizations compared to last year. Consequently, tax revenues increased cumulatively by 21.3% compared to the January-April period of last year. However, it is important at this point to note that the improvement in the revenues as a whole results from the increase in the tax revenues and especially in the non-tax revenues that display a rise compared to the first quarter of the year. The rise in the non-tax revenues flows from the dividend income paid by the Ziraat Bank to the Treasury, and from the dividend of State Economic Enterprises. The dividend paid by the Central Bank to the Treasury; however, remained at an insignificant level. Another reason that the performance in tax revenues weakened in March, but improved in April is that a considerable amount of the Declaration-Based Income Tax was collected within the first week of April. Moreover as compared to the same period of last year, it is noteworthy that the collection of Corporate Tax in the January-April period displayed a better performance, with regard to realization rates of the year end targets. However, the indirect taxes collected for domestic operations do not display a significant change in terms of collection rates as compared to the same period of last year; and the improvement in the collection of domestic VAT is compensated by the stagnancy in the Special Consumption Tax (SCT) and other indirect tax items

(the realization rates of SCT for durable consumer goods even display a downtrend). Consequently, the realization rate of targets in indirect taxes does not display a considerable change compared to the same period of last year. However, there has been a rise in the VAT collected for imports compared to the year end targets, possibly due to the continuing volatility in exchange rates and in import demands. Considering this characteristic of the Turkish Tax System which focuses on indirect taxes, it is necessary to closely monitor the development of these conflicting signals observed in the indirect taxes collected for domestic and international operations, especially in the upcoming period when recession trends will be more strongly felt.

Nevertheless, it is possible to indicate that the improvement in the collection of tax revenues as of April as a whole flows mostly from the indirect taxes.

When we take a look at the developments in the expenditure side:

We see an increase by 13% in the primary expenditures as of March, compared to the same period of last year. This increase was mostly due to the sharp rise by 103% in the agricultural transfers, compared to the same period of last year. The use of appropriations in capital expenditures (investment expenditures), on the other hand, decreased as compared to the same period of last year. This decline is also related to the freeing of capital expenditures in the first two months of the year at a considerably low rate, as compared to the same period of last year.

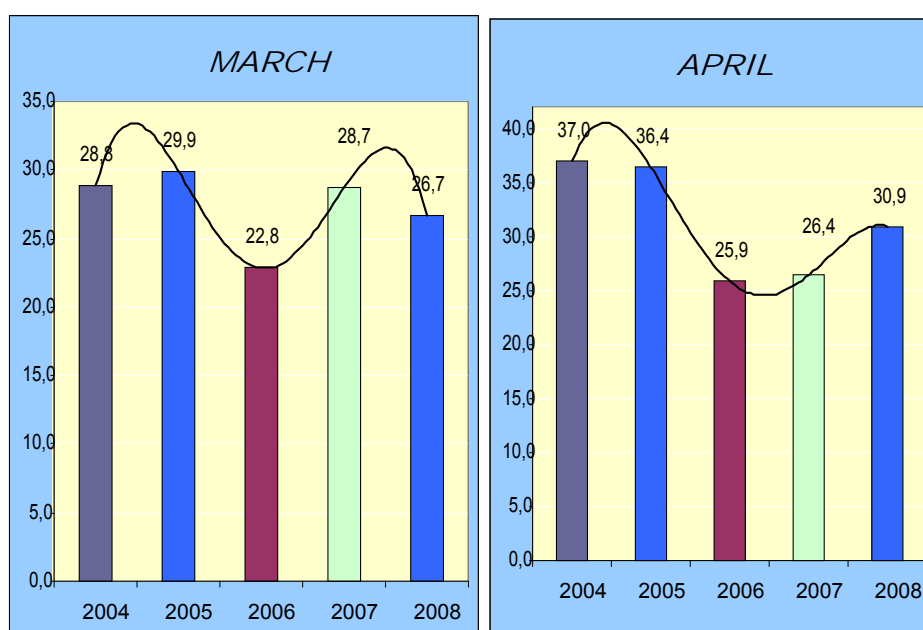
In April, on the other hand, a slow down is again observed in primary expenditures. Consequently, the increase in primary expenditures, based on the March data, was 11.8% by about a

decline of 1 point as compared to the same period of last year. This decline was most salient in goods and service procurements. Compared to March; however, investment expenditures display a change in terms of the use of appropriations.

When we observe the expenditure side in terms of the use of appropriations in March and April; however, it is seen that the appropriations in primary items are used more than those in the same period of last year. The factor that restrains total expenditures compared to last year is the relative improvement observed in the interest expenditure items as compared to last year. However, it is important to note that this situation is again the reflection of the first two months of the year, and that interest expenditures increased by 20% in March and by 35% in April as compared to same months of last year. Therefore, we can estimate that the budget deficit will have a more significant increase, combined with interest expenditures to accelerate especially as of the second half of the year. Among the additional aspects that support this assumption of ours comes, first and foremost, the possibility of intensifying use of appropriations in investment and transfer items due to the upcoming elections. Furthermore, we are also of the opinion that the upward effect of the increasing inflation on the budget size (e.g. staff salaries) and on investment appropriations (activities to escalate the publicly-known investment costs) should not be ignored.

However, what can affect both 2008 and the subsequent years in terms of budget sizes will be the Medium-Term Fiscal Framework declared and the realism of the targets set forth for the Framework, and the fiscal policy that the government will pursue accordingly. There are serious doubts on this issue, and a detailed discussion about the subject is provided in the second chapter of this report.

*Graphic 1. Program Defined Primary Surplus Performance Realizations of the Central Government Budget (2004-2008)*



Based on all these developments, we observe an improvement by 34% in the program defined primary balance as of end of March as compared to last year. This rate rises to 68.8% as of end of April. The increase in the collection of program defined budget revenue being higher than the rise in primary expenditures as compared to last year was the basic determinant of the development here. Nevertheless, a different picture is encountered when we compare the realizations of program defined primary surplus in March to the year end targets. Compared to the 2008 year end estimation<sup>1</sup>, the month end realization rate of March 2008 is two points below that of the same period in 2007.

<sup>1</sup> For the 2008 year end estimation, see. Fiscal Monitoring Report of November 2007



The realization rate in April compared to the target displays a better performance than that of the same period last year with an increase by 30.9%.

The decline of the performance in the program-defined primary balance in 2007 needs to be interpreted as a separate year because of the developments outside of the program that occurred in the budget revenue and expenditure items, both due to the expenditures which were delayed in 2006 and which reached a considerable amount, and to the upcoming elections this year. As we have emphasized in the previous sentence, the year 2006, unlike previous years, had been one where various sort of practices took place such as the expenditure delays that we estimate to be at considerable amounts and the rendering of TMSF collections as revenue. Excluding these two years, it is seen that the performance in the first four months of 2008 has been below that in 2004 and 2005.

Both the continuing ambiguity regarding revenue collection and the possibility that it will become more difficult to restrain primary expenditures under the new policy decisions signify that both the central government budget and public sector primary balance will be in a more risky position, and this necessitates closer monitoring of the developments.

### ***B. Budget Expenditures***

Compared to the same period in 2007, the total budget expenditures in March 2008 increased by 4.3%; while the cumulative increase by 9.3% in primary expenditures as of end of February accelerated and reached 13%.

As of end of April, the increase in total budget expenditures rose to 6.7% with the slow down of the periodic decline in interest expenditures. The rate of increase in primary expenditures was realized as 11.8%. Therefore, the decrease observed in total

expenditures compared to last year due to the declines in interest expenditures as of end of April started to increase both as of end of March and of April. This situation reflects, as we have indicated in previous reports, a relative decline in March and April in the pressure on budget expenditures that had been observed in the first two months.

It is also noteworthy that efforts are made to control budget appropriations as observed in such examples as goods and service procurements and capital expenditures, and primarily in health expenditures. It is highly likely in the upcoming months that budget primary expenditures will considerably strain the budget targets with the coming of such additional expenditure items on the existing ones as;

- The **inflation difference** to be paid to personnel in the second half of the year due to the inflation rate above the budget targets,
- Nominal increase in goods and service items, and primarily in energy that are used for consumer goods because of the increase in input costs,
- Engaging in expenditure expansion by the political decisions in the scope of curbing down the target for primary surplus, and
- The possible increase in the investment expenditures item due to the increase in input costs and contingency payments

The intensification of interest payments in the following months and the increase in interest rates may result in the pressure of interest expenditures getting heavier.

Table 2. 2007-2008 March-April Month End Comparative Budget Expenditures

(million YTL)	Mart					Nisan				
	2007	2008	Art?? Oran? (%)	2007 Gerç. Oran? (%)	2008 Gerç. Oran? (%)	2007	2008	Art?? Oran? (%)	2007 Gerç. Oran? (%)	2008 Gerç. Oran? (%)
<b>Central Government Budget Expenditures</b>	<b>49.442</b>	<b>51.562</b>	<b>4,3</b>	<b>24,3</b>	<b>23,2</b>	<b>65.805</b>	<b>70.200</b>	<b>6,7</b>	<b>32,3</b>	<b>31,5</b>
<b>Primary Expenditures</b>	<b>33.475</b>	<b>37.811</b>	<b>13,0</b>	<b>21,6</b>	<b>22,7</b>	<b>46.757</b>	<b>52.283</b>	<b>11,8</b>	<b>30,2</b>	<b>31,4</b>
<b>I. Personnel Expenditures</b>	<b>11.192</b>	<b>12.513</b>	<b>11,8</b>	<b>25,7</b>	<b>25,7</b>	<b>14.813</b>	<b>16.526</b>	<b>11,6</b>	<b>34,0</b>	<b>34,0</b>
<b>II. Govt. Premium Exp. to Social Sec. Inst.</b>	<b>1.406</b>	<b>1.585</b>	<b>12,8</b>	<b>24,2</b>	<b>24,8</b>	<b>1.846</b>	<b>2.074</b>	<b>12,3</b>	<b>31,8</b>	<b>32,4</b>
<b>III. Goods and Service Procurement Exp.</b>	<b>3.461</b>	<b>3.780</b>	<b>9,2</b>	<b>15,6</b>	<b>16,5</b>	<b>5.343</b>	<b>5.613</b>	<b>5,0</b>	<b>24,1</b>	<b>24,5</b>
Health Expenditures	1.669	1.610	-3,5	25,2	23,9	2.295	2.113	-8,0	34,6	31,3
Medication Expenditures	190	225	17,9	19,5	20,6	309	300	-3,0	31,7	27,5
General Treat. and Health Equip. Exp.	377	381	1,0	21,7	21,1	578	513	-11,1	33,3	28,5
Green Card	1.101	1.004	-8,8	28,1	26,1	1.408	1.300	-7,7	36,0	33,8
Defense & Security (Except for Health)	631	736	16,8	8,3	8,8	1.159	1.373	18,5	15,3	16,3
Other Goods & Services Procurement Exp.	1.162	1.434	23,4	28,2	25,6	1.889	2.127	12,6	36,0	33,2
<b>IV. Current Transfers</b>	<b>14.857</b>	<b>17.514</b>	<b>17,9</b>	<b>23,5</b>	<b>25,3</b>	<b>20.609</b>	<b>24.046</b>	<b>16,7</b>	<b>32,6</b>	<b>34,7</b>
<b>Duty Losses</b>	<b>153</b>	<b>468</b>	<b>205,2</b>	<b>10,9</b>	<b>30,1</b>	<b>347</b>	<b>563</b>	<b>62,3</b>	<b>24,8</b>	<b>36,3</b>
<b>Treasury Subsidies</b>	<b>9.223</b>	<b>9.648</b>	<b>4,6</b>	<b>25,4</b>	<b>24,2</b>	<b>12.156</b>	<b>13.512</b>	<b>11,2</b>	<b>33,5</b>	<b>33,9</b>
Treasury Subsidies to Social Security Inst.	198	222	12,5	24,5	23,8	388	295	-24,0	48,0	31,7
Health, Pension and Social Assistance Expenditures	8.483	8.875	4,6	25,7	24,0	11.083	12.475	12,6	33,5	33,7
Sosyal Güvenlik Açık Finansmanı	6.577	6.875	4,5	25,5	23,9	8.727	9.944	14,0	33,8	34,5
<b>Transfers to Non-Profit Organizations</b>	<b>150</b>	<b>116</b>	<b>-22,7</b>	<b>22,0</b>	<b>34,6</b>	<b>174</b>	<b>184</b>	<b>5,5</b>	<b>25,6</b>	<b>54,8</b>
<b>Transfers to Households</b>	<b>218</b>	<b>215</b>	<b>-1,3</b>	<b>21,9</b>	<b>19,6</b>	<b>340</b>	<b>376</b>	<b>10,6</b>	<b>34,2</b>	<b>34,1</b>
<b>Agricultural Transfers</b>	<b>1.116</b>	<b>2.270</b>	<b>103,4</b>	<b>20,1</b>	<b>42,0</b>	<b>2.218</b>	<b>3.206</b>	<b>44,5</b>	<b>39,9</b>	<b>59,4</b>
<b>Other Transfers to Households</b>	<b>115</b>	<b>131</b>	<b>13,9</b>	<b>18,7</b>	<b>20,8</b>	<b>127</b>	<b>145</b>	<b>13,6</b>	<b>20,6</b>	<b>22,9</b>
<b>Social Transfers</b>	<b>6</b>	<b>41</b>	<b>596,9</b>	<b>8,6</b>	<b>17,8</b>	<b>9</b>	<b>69</b>	<b>685,9</b>	<b>13,0</b>	<b>30,3</b>
<b>Transfers to Abroad</b>	<b>98</b>	<b>135</b>	<b>38,5</b>	<b>19,5</b>	<b>20,7</b>	<b>130</b>	<b>190</b>	<b>46,0</b>	<b>26,0</b>	<b>29,1</b>
<b>Shares from Revenues</b>	<b>3.778</b>	<b>4.491</b>	<b>18,9</b>	<b>22,0</b>	<b>23,2</b>	<b>5.107</b>	<b>5.802</b>	<b>13,6</b>	<b>29,8</b>	<b>29,9</b>
<b>V. Capital Expenditures</b>	<b>1.258</b>	<b>930</b>	<b>-26,1</b>	<b>9,7</b>	<b>7,9</b>	<b>2.334</b>	<b>1.926</b>	<b>-17,5</b>	<b>18,1</b>	<b>16,4</b>
<b>VI. Capital Transfers</b>	<b>438</b>	<b>546</b>	<b>24,6</b>	<b>12,4</b>	<b>26,2</b>	<b>715</b>	<b>686</b>	<b>-4,0</b>	<b>20,2</b>	<b>32,9</b>
<b>Domestic Capital Transfers</b>	<b>437</b>	<b>544</b>	<b>24,6</b>	<b>13,0</b>	<b>29,2</b>	<b>711</b>	<b>671</b>	<b>-5,6</b>	<b>21,2</b>	<b>36,1</b>
<b>International Capital Transfers</b>	<b>1</b>	<b>2</b>		<b>0,7</b>	<b>0,7</b>	<b>3</b>	<b>15</b>	<b>329,4</b>	<b>1,9</b>	<b>6,8</b>
<b>VII. Loans</b>	<b>863</b>	<b>943</b>	<b>9,2</b>	<b>24,3</b>	<b>24,0</b>	<b>1.098</b>	<b>1.412</b>	<b>28,6</b>	<b>30,9</b>	<b>35,9</b>
<b>Domestic Loans</b>	<b>854</b>	<b>923</b>	<b>8,0</b>	<b>26,1</b>	<b>24,9</b>	<b>1.074</b>	<b>1.342</b>	<b>24,9</b>	<b>32,9</b>	<b>36,2</b>
<b>International Loans</b>	<b>9</b>	<b>20</b>		<b>3,1</b>	<b>8,9</b>	<b>24</b>	<b>70</b>	<b>193,4</b>	<b>8,4</b>	<b>31,1</b>
<b>VIII. Auxiliary Appropriations</b>	<b>0</b>	<b>0</b>				<b>0</b>	<b>0</b>			
<b>Interest Expenditures</b>	<b>15.967</b>	<b>13.751</b>	<b>-13,9</b>	<b>32,8</b>	<b>24,6</b>	<b>19.047</b>	<b>17.916</b>	<b>-5,9</b>	<b>39,1</b>	<b>32,0</b>

Resource: Ministry of Finance General Directorate of Public Accounts and our own calculations.

When we take a look at the increase in primary expenditures, it is observed that certain items display an increase above the general increase rate and that certain expenditure areas display decline in March and April, a little unlike the previous months. Whereas the current transfers item and the lending item increase above the average, the increase rate in the goods and service procurements item declines unlike previous years; and capital expenditures, on the other hand, seem to have declined nominally.

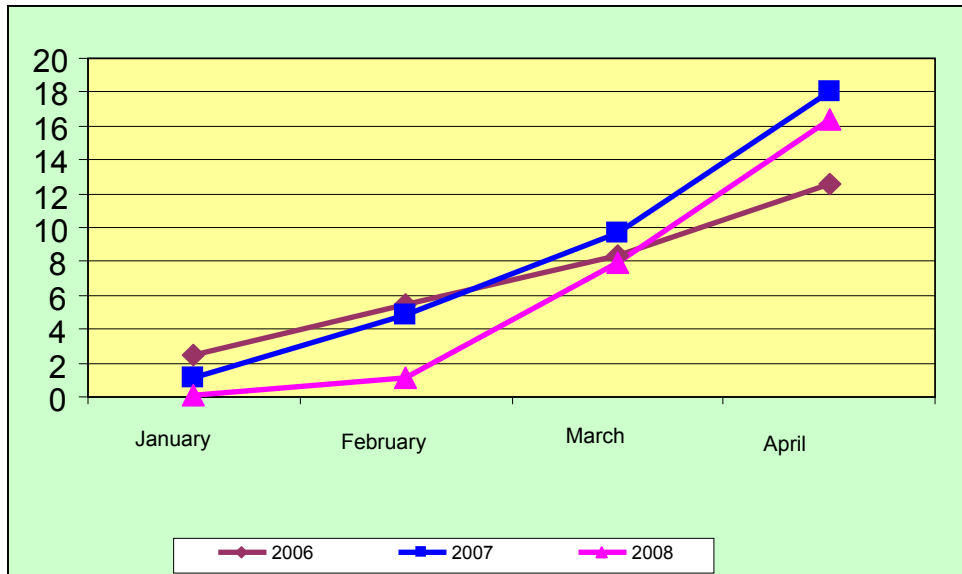
*Table 3. Contribution of the March-April Month End Central Government Budget Primary Expenditures to the Increase in Primary Expenditures*

	<b>March</b>		<b>April</b>	
	<b>Contribu. to Increase Rate</b>	<b>(%) Distribut.</b>	<b>Contribu. to Increase Rate</b>	<b>(%) Distribut.</b>
<b>Primary Expenditures</b>	<b>13,0</b>	<b>100,0</b>	<b>11,8</b>	<b>100,0</b>
<b>Current Expenditures</b>	<b>4,9</b>	<b>37,8</b>	<b>4,2</b>	<b>35,9</b>
Personnel	3,9	30,4	3,7	31,0
Goods and Service Procurement	1,0	7,4	0,6	4,9
Health	-0,2	-1,4	-0,4	-3,3
Defense and Security	0,3	2,4	0,5	3,9
<b>Current Transfers</b>	<b>7,9</b>	<b>61,3</b>	<b>7,4</b>	<b>62,2</b>
Treasury Subsidies to Social Security Ins	0,1	0,6	-0,2	-1,7
Health, Pension & Social Assistance Exp	1,2	9,0	3,0	25,2
Agricultural Transfers	3,4	26,6	2,1	17,9
Shares Allocated from Revenues	2,1	16,4	1,5	12,6
<b>Capital Expenditures</b>	<b>-1,0</b>	<b>-7,6</b>	<b>-0,9</b>	<b>-7,4</b>
<b>Capital Transfers</b>	<b>0,3</b>	<b>2,5</b>	<b>-0,1</b>	<b>-0,5</b>
<b>Other</b>	<b>0,2</b>	<b>1,8</b>	<b>0,7</b>	<b>5,7</b>

In terms of the items that contribute to primary expenditures, it is seen that the contribution comes primarily from the current transfers item as in 2006 unlike the year 2007. The fact that the appropriations for investment expenditures are not yet fully available for use shows that the limitations on expenditures are realized basically by restraining investment expenditures,

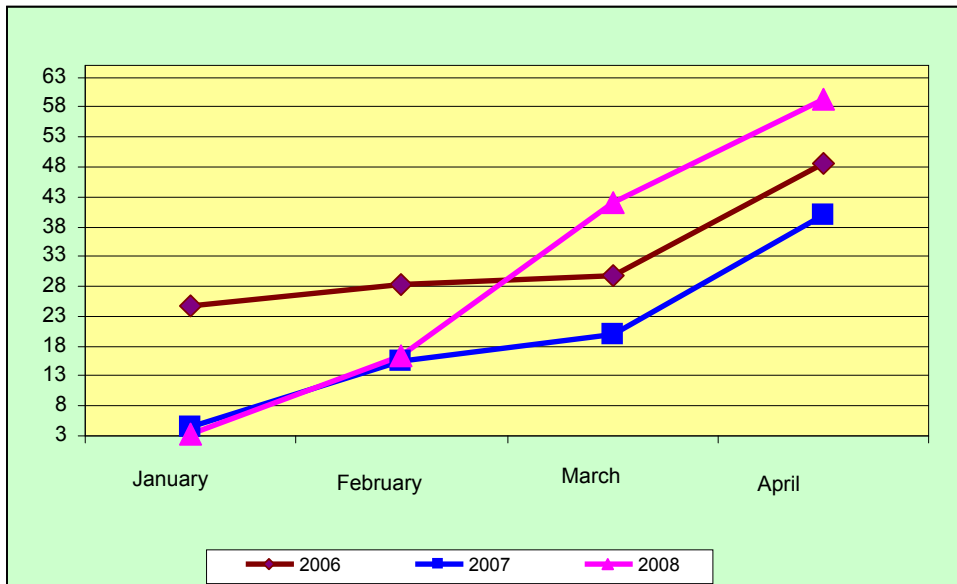
besides health expenditures. We estimate that this situation, coupled with the above-mentioned factors, might create a pressure to increase in the upcoming months.

*Graphic 2. Monthly Cumulative Budget Realization Rates of Capital Expenditures (%)*



We have indicated before that the item which contributed most in March to the increase in expenditures is the agricultural transfers. We are of the opinion that the increase in these expenditures has been due to the fact that the payments were moved forward because of the stagnation in the agricultural sector and of the demands resulting from the draught. In effect, the symptoms of the recession which is observed in the world economies and which has begun to also affect our country gives signals that the year 2008 might be a problematic year in terms of ensuring the fiscal discipline, both since it generates problems in collection of public finance revenues which are based on indirect taxes, and since it generates pressures to increase expenditure demands as observed in the agricultural support payments.

*Graphic 3. Monthly Cumulative Budget Realization Rates of Agricultural Transfers (%)*



When we look at the items which contribute to the increase in expenditures in terms their being flexible and non-flexible expenditures, it is observed that having been observed to be about 87.8% as of end of February, the share of non-flexible expenditures; which are not possible, due to their qualities, to be increased or decreased arbitrarily as a public policy instrument<sup>2</sup>; within total expenditures declined to 84.2% as of end of March and to 82.3% as of end of April. The share of periodically controllable expenditures as of end of April is observed to be at a rate similar to that of last year.

<sup>2</sup> Main non-flexible expenditures are made to fulfill such liabilities as interest, personnel and transfers to social security institutions.

*Graphic 4. The Development of the Share of Flexible and Non-Flexible Expenditures within Budget Expenditures (2007 - 2008 March-April)*



### *C. Budget Revenues*

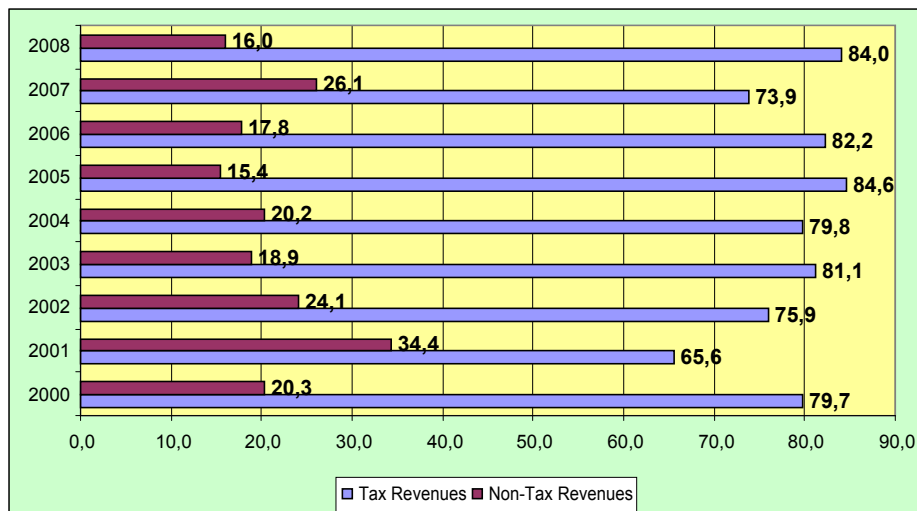
We have emphasized in our two latest reports that the central government budget revenues displayed a significant increase as of January and February 2008, compared to the same period last year, due to general budget tax revenues. We also discussed in the said reports the factors that may have caused this performance; and tried to assess, based on the details of tax items, what kind of developments and practices might have caused this effect. Another aspect we drew attention in the February report was the question whether the increase in tax revenues resulted from one-time measures, from periodic shifts, or from structural changes.

March and April realizations do not provide a clear picture as to whether the increase in tax collection is a periodic performance change or a result of the efforts of the revenue department to collect taxes, or even whether the effort to collect taxes is a periodic initiative. We believe that the declaration of the information on the sector-based details of the fiscal tables

published on tax collection is as important as the budget results to be declared in the upcoming months for a clearer picture.

The share of taxes in total revenue collection has again increased above 80% after a long time. This development also shows us that the effect of the one-time measures in the previous years within the non-tax revenues (e.g. privatization revenues) has begun to decline.

*Graphic 5. Development in Shares of Tax Revenues and Non-Tax Revenues within Collection of Total General Budget Revenues (%)*

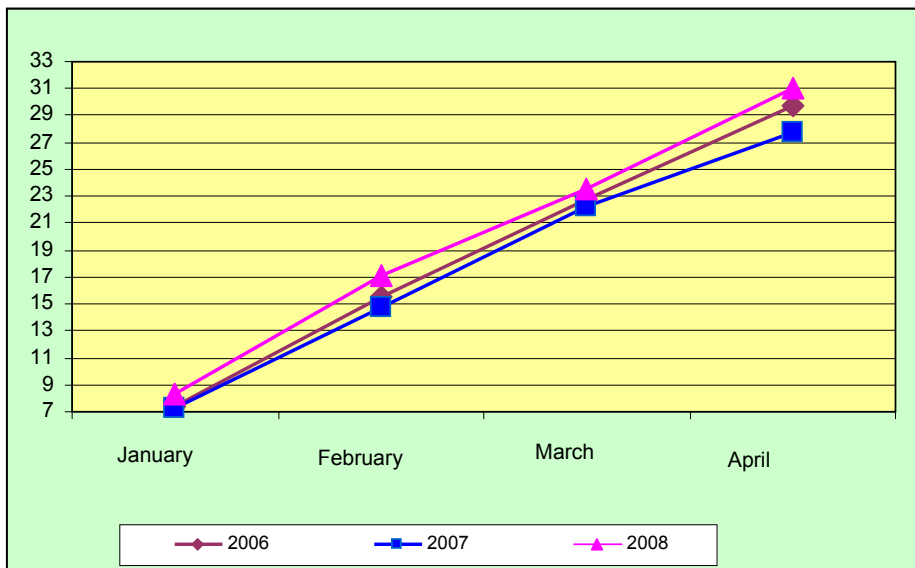


It is observed that the increase in the central government budget revenues lost its speed in March. While the central government revenues declined by 13.9% in March compared to the same month of last year, the decline in the general budget tax revenues realized as 3.6%. The cumulative increase in total budget revenues in April realized as 7.16%. This development in the total budget revenues has also been caused by the early collection of the revenues from the sale of the shares of TELEKOM which was placed in the capital revenues item in March last year and which had a one-time effect.



The realization rates of tax revenue collection compared to year end targets and realizations display a better performance in the first four months of the year as compared to the two previous years. However, though the March results reflect a certain slow down, the trend to increase gained speed in April.

*Graphic 6. Monthly Cumulative Budget Realization Rates of Tax Revenues (%)*



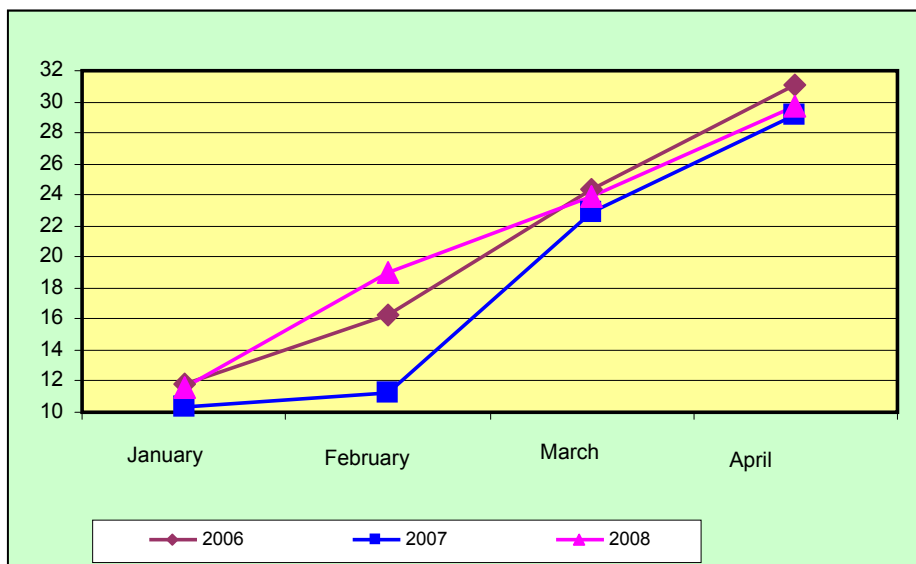
As of end of March, the increase rate in total budget revenues was 2.3%, and 18.6% in general budget tax revenues compared to the previous year. These rates rose in April to 7.16% and 6.14% respectively. The periodic increase in general budget tax collection, and the realization of enterprise and property revenues in April that realized above the performance in previous years due to dividend revenues of public banks also improve the appearance of the budget.

Table 4. Central Government Budget Revenues (March-April)

(million YTL)	March 07	March 08	IncreaseRate (%)	Nisan 07	Nisan 08	Artış Or. (%)
Merkezi Yönetim Gelirleri	46.109	47.188	2,34	60.424	64.751	7,16
General Budget Revenues	45.433	45.330	-0,23	58.831	62.446	6,14
I-Vergi Gelirleri	33.941	40.256	18,60	43.800	53.158	21,36
1. Gelir ve Kazanç Üz. Al.Vergiler	10.044	12.822	27,65	12.554	16.313	29,94
a) Gelir Vergisi	7.027	8.547	21,64	9.422	11.902	26,32
Gelir Vergisi Tevkifatı	6.313	7.654	21,26	8.250	10.559	27,99
b) Kurumlar Vergisi	3.018	4.275	41,65	3.132	4.411	40,84
Kurumlar Geçici Vergisi	3.127	4.021	28,59	3.179	4.078	28,27
2. Mülkiyet Üzerinden Alınan Vergiler	1.385	1.637	18,17	1.492	1.783	19,47
b) Motorlu Taşıtlar Vergisi	1.369	1.621	18,41	1.471	1.761	19,69
3. Dahilde Alınan Mal ve Hizmet Vergileri	14.223	15.781	10,95	18.553	21.246	14,52
a) Dahilde Alınan Katma Değer Vergisi	3.847	4.218	9,66	4.914	5.751	17,04
b) Özel Tüketim Vergisi	8.619	9.457	9,73	11.234	12.678	12,86
c) Banka ve Sigorta Muameleleri Vergisi	747	906	21,33	1.038	1.263	21,63
d) Şans Oyunları Vergisi	92	107	17,11	124	139	11,88
e) Özel İletişim Vergisi	920	1.092	18,67	1.243	1.415	13,82
4. Uluslararası Tic. ve Mua. Al. Verg.	6.265	7.725	23,31	8.546	10.797	26,33
b) İthalde Alınan Katma Değer Vergisi	5.676	7.018	23,65	7.749	9.834	26,91
5. Damga Vergisi	881	967	9,80	1.153	1.309	13,53
6. Harçlar	1.130	1.312	16,19	1.485	1.694	14,08
7. Başka Yerde Sınıflandırılmayan Diğer Vergiler	13	11	-13,78	16	16	-4,18
II-Teşebbüs ve Mülkiyet Gelirleri	1.479	1.016	-31,34	3.114	3.787	21,58
III-Alınan Bağışlar ve Yard. ile Özel Gel.	199	228	14,67	219	341	55,66
IV-Faizler, Paylar ve Cezalar	3.932	3.792	-3,56	5.780	5.103	-11,72
1.Faiz Gelirleri	804	1.074	33,49	1.614	1.219	-24,44
V-Sermaye Gelirleri	5.882	38	-99,35	5.916	57	-99,04
Özel Bütçeli İdarelerin Gelirleri	644	926	43,82	923	1.283	38,97
Düzenleyici ve Denetleyici Kurumların Gel.	32	933	2772,05	670	1.022	52,47

The development that emerged in the collection of tax revenues as of March is a slow down in the increase rate of indirect taxes compared to the first two months of last year due to the elimination of the effect of periodic factors. For instance, it is significant that domestic VAT in terms of year end realization rates displays a development below that in 2006, though above that in 2007. This trend also continued in April and the increase in this month in the collection of domestic VAT declined below that in 2006.

*Graphic 7. Monthly Cumulative Budget Realization Rates of Domestic Value Added Tax (%)*



The fact that the increase rate in the collection of direct taxes as of the beginning of 2008 has continued above that in indirect taxes with the effect of the relative slow down recently in the increase rate in the collection of indirect taxes has resulted in a development in tax collection in favor of direct taxes.

This finding is important for two aspects:

- First; due to the structure of the Turkish Taxation System which focuses on indirect taxes, there is the risk that the expected increases in indirect taxes in 2008 may not

realize in the upcoming period where it is expected that total demand will decline and growth rates will decrease.

- The second aspect is the possibility of developments, as a result of this development which started to have a structural quality, that will reduce total tax collection and increase the budget deficit, in case of a possible slow down in collection of indirect taxes and/or in case of no increase in the collection which will compensate the decline in the collection of indirect taxes.

In this framework, the developments in tax collection and the up and down structure need to be closely monitored in the upcoming months.

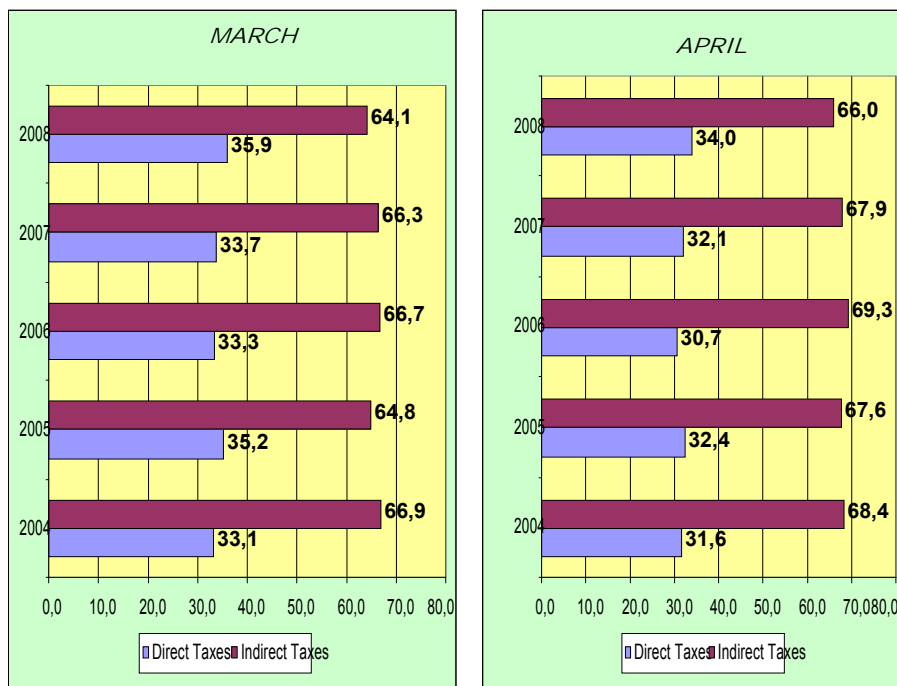
80% of the increase in the general budget tax revenues as of end of March has been due to increase in income tax withholding, temporary tax of corporation tax, SCT on oil and natural gas, and in the collection of VAT for these goods, and in the collection of VAT for imports. This situation continued in April without much change.

*Table 5. 2007-2008 March-April End Budget Tax Revenue Realization and Its Contribution to the Increase Rate*

Million YTL	Mart		Increase Rate (%)	Contribut. to Increase Rate (%)	April		Increase Rate (%)	Contribut. to Increase Rate (%)
	2008	2007			2008	2007		
<b>Tax Revenues</b>	<b>40.256</b>	<b>33.941</b>	<b>18,6</b>	<b>100,0</b>	<b>53.158</b>	<b>43.800</b>	<b>21,4</b>	<b>100,0</b>
<b>Tax from Income &amp; Corp. Gains</b>	<b>12.822</b>	<b>10.044</b>	<b>27,7</b>	<b>30,7</b>	<b>16.313</b>	<b>12.554</b>	<b>29,9</b>	<b>40,2</b>
Income Tax Withholding	7.654	6.313	21,3	19,9	10.559	8.250	28,0	24,7
Temporary Corporation Tax	4.021	3.127	28,6	7,7	4.078	3.179	28,3	9,6
<b>Special Consumption Tax</b>	<b>9.457</b>	<b>8.619</b>	<b>9,7</b>	<b>23,8</b>	<b>12.678</b>	<b>11.234</b>	<b>12,9</b>	<b>15,4</b>
SCT from Oil & Nat. Gas Products	5.536	4.575	21,0	13,8	7.319	6.224	17,6	11,7
Fizzy, Alcohol Drinks, Tobacco Pr	2.758	3.121	-11,6	7,0	3.738	3.683	1,5	0,6
<b>VAT Collection</b>	<b>11.237</b>	<b>9.522</b>	<b>18,0</b>	<b>29,3</b>	<b>15.585</b>	<b>12.663</b>	<b>23,1</b>	<b>31,2</b>
VAT from Imports	7.018	5.676	23,7	18,5	9.834	7.749	26,9	22,3
Domestic VAT	4.218	3.847	9,7	10,8	5.751	4.914	17,0	9,0
<b>Other Taxes</b>	<b>6.740</b>	<b>5.756</b>	<b>17,1</b>	<b>16,1</b>	<b>8.581</b>	<b>7.350</b>	<b>16,8</b>	<b>13,2</b>
Stamp Tax	967	881	9,8	2,5	1.309	1.153	13,5	1,7
Charges	1.312	1.130	16,2	3,2	1.694	1.485	14,1	2,2
Bank & Insurance Operations Tax	906	747	21,3	2,4	1.263	1.038	21,6	2,4

As of end of March 2008, 64.1% of general budget revenues consisted of indirect taxes and 35.9% consisted of direct taxes. In this framework, the share of direct taxes reached the highest rate observed in the last five years, i.e. 35.9%. Despite the increase by 50% in Income Revenue withholding in April, the share of direct taxes declined to 34% due to the general increase in the collection of indirect taxes. The increase in the share of direct taxes were due to the decline of the increase rate in indirect taxes, and primarily to the domestic VAT and SCT, besides the positive increase rate in the collection of these taxes.

*Graphic 8. Development of the Share of Indirect and Direct Taxes in Collection of General Budget Tax Revenues 2004-2008 March-April End (%)*



As a final remark, the budget implementation in March and April was a period where the revenue side gave confusing signals and where much effort was made so as to ensure fiscal discipline in the expenditure side by controlling appropriations; however, included many questions within itself as to the sustainability of

this structure (sustainability the of revenue performance and controllability of the expenditure side). We also believe that the Medium-Term Fiscal Framework (MTFF) document that has been declared by the government multiplies these questions for the future. Therefore we allocate the following chapter to the discussion of this subject.

## *II. Medium-Term Fiscal Framework and Fiscal Policies for the Future and IMF Letter of Intention*

We would like, in this chapter, to make the following arguments concerning the “Medium-Term Fiscal Framework” (MTFF) document that was declared by the Ministers responsible for the management of economy on May 3rd 2008.

1. It is not possible at this phase to relate this document both to the Medium-Term Program and to the Medium-Term Fiscal Plan that are the two important policy papers of multi-year budgeting which should be prepared as to the Law No 5018. Therefore, it also does not allow consistent examination and inspection of the expenditure and resource-use preferences of the Government. The sudden declaration of MTFF is more related to meeting a pre-condition for the acceptance of the Letter of Intention, which was submitted to the IMF, in the Executive Council of the Fund and for the release of the last tranche. Article 16 of the Law on Public Fiscal Administration and Control stipulates declaration of the Medium-Term Program (MTP) until the end of May, which was prepared by the State Planning Organization in order to ensure multi-year budgeting and is implemented as a Council of Ministers decision. This program is a document that specifies both investment priorities and such variables as growth, exchange rate and inflation rate which will be basic for budgeting.

Based again on this program, the Medium-Term Fiscal Plan (MTFP) is declared until the date of June 15th that has been prepared by the Ministry of Finance and declared as a decision of the High Planning Council. This plan is a document that identifies the targets of public finance and budget ceilings. The targets and priorities included in the MTP and MTFP that were declared in 2007 for the period of 2008-2010 are still valid. Given this situation, the position of the document titled MTFF, which was declared by the two ministers of the government, against the official MTP and MTFP is not much clear. The targets that are specified in this document and the expenditure preferences that were declared by the relevant ministers in the press conference cannot be related to the MTP and MTFP. Most importantly, it is not clear what growth, current balance and deflator rates the public finance targets in the MTFF are based on. Therefore, it is highly debatable to what extent such a fiscal framework declaration covering five years will be implemented, while the assumptions of the governments on macroeconomic parameters have not yet been officially accepted. Thus, the communication policy of the economic administration is not working with the sufficient clarity. For instance, the statements of the Treasury Minister to the press<sup>3</sup> that the MTFF is a document which needs to be formally prepared for the IMF and which the government has approved accordingly, and that the macro assumptions used are “IMF assumptions that follow behind” makes it questionable to what extent the assumptions included in the MTFF about the macro parameters should be taken into account and which has an endorsement problem, and makes it debatable whether the document has an endorsement problem. Therefore, we would like to emphasize that such

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<sup>3</sup> The article of Mr. Deniz Gökçe, published in the Akşam newspaper on May 29th 2008.

policy papers should be declared in a more careful and transparent manner. Whether the MTP and MTFP to be declared soon as required by the law and to cover the period of 2009-2011 will have parallelism to the MTFF, whether they will be compatible with these “assumptions that follow behind”, and what documents will be implemented signals the existence of a problem of convincing. The Medium-Term Program to be declared in the days ahead and the Medium-Term Fiscal Program to be declared in June need thus to be closely monitored.

2. MTFF Document is the indicator that the public authority has opted for a serious change of paradigm in public finance in favor of forgoing the indicator of primary surplus. It is hence assumed that policies will be allowed that will expand expenditures; yet it is postulated that this situation will not affect the debt dynamics in a negative way. MTFF does not also have the transparency to test the internal consistency of these assumptions. The statements of the ministers of the government give the impression that total budget deficit will be the basis to measure the performance of public finance instead of the primary surplus indicator.

As well-known, the measurement of primary deficit/surplus is an analytical budget measurement method, and is used in order to find the budget deficit and surplus outside of the previous borrowings of governments.

This measurement is useful in terms that;

- i. It shows us whether the public sector can secure public balance in terms other revenues and expenditures it can control, i.e. fiscal



performances and skills of governments to implement a balanced fiscal policy,

- ii. It helps us to assess, in terms of markets, whether debts of governments increase or remain stable, and to see the development of the indicator called debt dynamic, in other words, to see the sustainability of debts.

In the MTFF, primary surplus of the central government budget in proportion to the GDP is decreased gradually from 2.7% to 1.7% between 2008 and 2012; whereas the EU-defined gross debt stock is decreased from 37% to 30% with a 7-point decline. Primary surplus is necessary, but not enough for debt sustainability. Sustainability of debts gets also affected by real growth, real interest rates and by changes in exchange rates. Therefore, to attain a 7-point decline in the debt stock for a 1-point decline in primary surplus within 5 years; we conclude there is the assumption that there is going to be a significant performance in other factors which determine the debt dynamics to reduce this dynamic. Accordingly, we reason that the government postulates for the upcoming days that;

- there will be a significant slow down in real interest rates (inflation will gain speed and/or will slow down with the influence of a positive course of the estimations for real interest rates),
- along with this development, there will be an increase in real growth,
- real interest rates will be equal to or lower than real growth accordingly,
- with respect to the exchange rates, YTL will continue to increase in value (thus the rate of

change of the variables of exchange rate-sensitive expenditure and debt stock will slow down), and that

- the global crisis will not affect our country significantly

Considering that real interest rates in our country had realized significantly above real growth even when political stability had been ensured; it will be appropriate to regard these reverse assumptions in the relation between real interest rates and real growth, which are important in debt dynamics, as unrealistic wishes. Similarly, if YTL is expected to increase in value, there appears a contradiction between this foresight and the postulation that interest rates will decline. Even though it may be regarded that such contradictions had not emerged in the past as a result of expectations - movement of exchange and interest rates together parallel to estimations- it is not clear how these estimations have been included in the calculations.

It is therefore a deficiency that it has not been specified what the assumptions of the declared fiscal framework are about the macroeconomic variables. That these assumptions have been called ambiguous and unclear “back targets” by some newspaper articles <sup>4</sup>, but that the assumptions of these targets contradict with each other in terms of debt dynamics, shows that there are points of internal inconsistency that need to be explicated.

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<sup>4</sup> See Referans Newspaper Mayıs 7th, 2008.

3. Such comments as that the deficit to be monitored in MTFF will be the classical budget deficit, that the softening primary surplus is justified on the grounds of implementing conjunctural fiscal policy, or that declining primary surplus will not pose any problem in terms of “cyclically adjusted budget balance” are theoretically and practically debatable. The debates following the declaration of the Medium-Term Fiscal Framework posit two different views:
- a. One view maintains that opting for a decline in primary surplus does not mean a softening fiscal discipline, since primary balance is the indicator of fiscal discipline.
  - b. Opting for a decline in primary surplus does not necessarily mean a softening fiscal discipline.
    - i. Even if it does, it is significant because the economy has entered a period of recession and that requires a conjunctural fiscal policy.
    - ii. Also, when the budget balance is calculated as “cyclically adjusted”, there may not emerge a structural budget deficit. Therefore, declining primary surplus is not a matter of grave concern if the structural deficit does not increase or remains stable in a period where the proportion of debt stock to GDP is declining.<sup>5</sup>

Each of these arguments has points which are correct at the theoretical level from their own point of view. However, commenting on these arguments, we believe that it is necessary to take into consideration the practice and policy-making in our country, and consequently that we can draw the following conclusions as to which of the

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<sup>5</sup> The said arguments have been categorized from among news in the papers and the research of bank analysts.

above theoretical approaches have the better explanatory power in our country.

- a. Does opting for a decline in primary surplus signify a softening fiscal policy in the practice of our country?

Opting for about 1-point decline in the primary surplus number in proportion to the GDP within the upcoming five years does not signify a softening at first sight in the framework of debt stock/GDP developments and if we take into account only this period. However, our observations regarding the near past shows that the primary surplus performance of the Government started to deteriorate as of mid-2006, the capacity to create tax revenues decreased, and that the increase in expenditures cannot be held back.<sup>6</sup> Transforming the GDP rates of the primary surplus for 2008-2010, which is included in the MTFP that was declared by the Government in June 2007, into the new national revenue series; we have prepared a comparative table with the primary surplus estimations declared in MTFF on May 3rd, 2008.

*Table 6. Primary Surplus Targets Foreseen in MTFP and MTFF*

		2008	2009	2010
Primary Surplus/GDP (Former Series)	MTFP (June 2007)	5,6	5,4	5,1
Primary Surplus/GDP (New Series)	MTFP (June 2007)	4,3	4,1	3,9
Primary Surplus/GDP (New Series)	MTFF (May 2008)	2,7	2,3	2

Resource: MTFP(2007), MTFF (2008), TUIK (Turkish Statistical Institute) data and our own calculations.

<sup>6</sup> For observations of signals of deterioration in primary surplus as of mid-2006; see. The analysis section of our Fiscal Monitoring Report October 2007 ([http://www.tepav.org.tr/tur/admin/maliupload/2007\\_TEPAV\\_Mali\\_Izleme\\_Ekim\\_Raporu.pdf](http://www.tepav.org.tr/tur/admin/maliupload/2007_TEPAV_Mali_Izleme_Ekim_Raporu.pdf)) titled “*When Did the Deterioration in the Primary Surplus Performance Begin?: Some Reminders*”.

This table shows us that the Government opted for a policy change of 1.5- 2 points of decline in primary surplus for the years 2008-2010 compared to its estimations last year. Consequently, the fiscal policy that is implemented not only causes deterioration in the primary surplus performance in recent years, it also involves significant shifts in estimations for the future compared to those of last year. Therefore, the primary surplus policy reflects a relative softening to decline not only as of today into the future, but beginning from the past to the current time. Whether this relative decline of about 1 point for the upcoming five years at first sight will remain at this level or whether it will display more declines (i.e. whether it can stay firm once it is released) requires careful attention to be paid to a number of risk factors.

Though this analysis is made based on existing data, we would like again to emphasize important risk areas that we indicated in our previous reports in terms of the primary surplus policy.

- i. The first of these is the pressure that will be generated in the upcoming period by expenditures and primarily the health expenditures that have been delayed so far and the size of which is not yet known. We also would like to remind that the State Trial Balance in which these delays can be monitored has not been published since 2006.
- ii. Second are the additional loads such as the risk of realization of the initiative to create non-budget resources for transportation investments that are not included in the calculated primary surplus; and as the

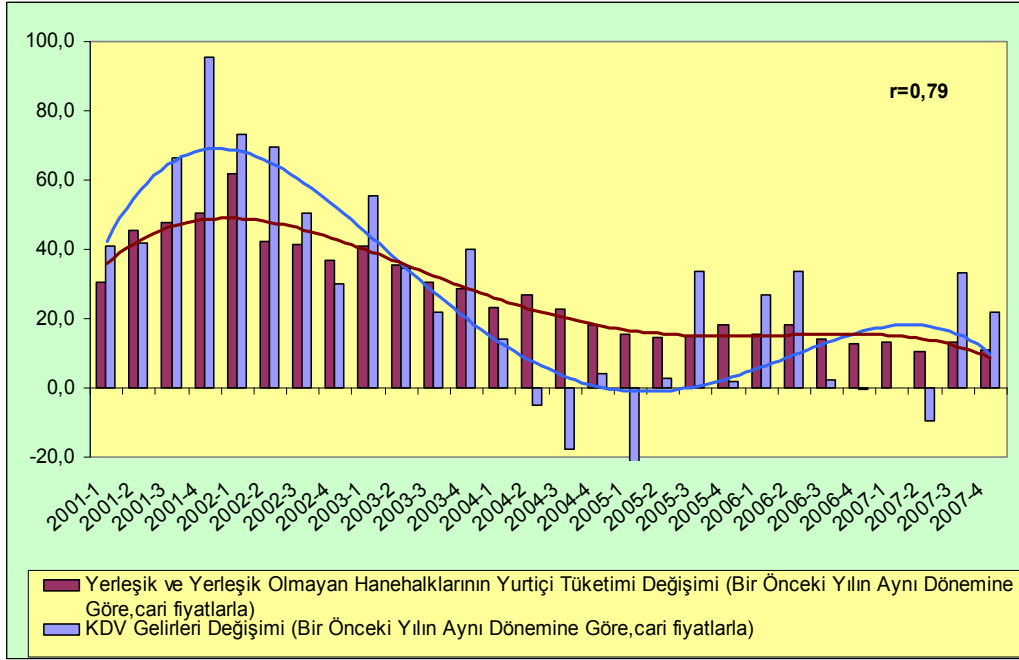
Treasury liabilities that might result from making widespread the build-operate-transfer model. We believe that the assurance of the government to the IMF in the letter of intention for the 7th review about not to create non-budget funds is not much binding in a period where there is no such implementation with the IMF as a stand-by.

- iii. Third is the increase in primary expenditures primarily along with the increase in personnel expenditures and in consumer goods and services for the use of inputs, in case the inflation rate realizes significantly above the start target. It should be carefully monitored whether this signifies a delay of expenditure for the upcoming years in the budget.
- iv. Fourth are the financial loads of such arrangements as the use of Unemployment Fund revenues in GAP investments, decreasing the deductions in social security premiums, and reducing the deductions in revenue shares to be transferred to local administrations for a year, though not clear in what scope it is foreseen and to what extent it is reflected in the calculations, despite that fact that it is indicated in the MTFF in a general expression that they have been “accepted as policy steps for local administration reform and the employment package”.
- v. Fifth is the increase envisaged by the Law on Local Administration Revenues, which is under discussion in TBMM (Turkish Grand National Assembly), in the share of tax revenues to be transferred to local administrations, while

eliminating some of the fees to be charged at the local level for services. This decision means the transfer of possibly 0.5% of the GDP to local administrations, which may be summarized as an increase in the budget deficit and which is assumed not to be included in the MTFF (This effect will be 0.25% for 2008 if it becomes effective in July). This means, as we have indicated above, that the fiscal framework declared is already breached.

- vi. Sixth are the risks regarding the realism of the assumptions on inflation for this and the upcoming years. We regard the budget estimations of this year based on the target of 4% inflation as a problematic one that foresees a decline in the budget deficit of 2008 compared to last year (from 1.6% to 1.4% in proportion to the GDP), despite the shift in the inflation rate more than twice the target. This estimation becomes more problematic considering the possible mark-up payment, which is discussed recently and will be paid to contractors who work with the government if it is accepted.
- vii. Seventh is the question of to what extent the possible loss in the collection of indirect taxes are taken into account due to declining consumption of households under the economy in recession.

*Graphic 9. Change in Domestic Consumption of Households and in Domestic VAT Revenues (%)\**



Resource: Ministry of Finance General Directorate of Public Accounts TÜİK data and our own calculations.

\*One month delayed data has been used for VAT revenues.

- viii. Eighth is the technical quality of the estimations. As can be remembered, the estimations last year and in previous years in Year Average Economic Update Reports had to be revised in very short times and even their margins of error were significantly high.
- ix. Ninth is the risk that the upcoming local elections will encourage increasing expenditures and forgoing revenue collection, which will not be limited to the MTFF. This risk has realized with the amendments we have mentioned above that are included in the new proposal on the shares to be transferred to local administrations.
- x. Tenth is the arrangement on the elimination of the Housing Assistance Benefit (KEY) accounts which has not yet been much discussed. An arrangement made in the Law on Public Finance and Debt Management



which is still under discussion in TBMM implies that it will be possible to make these payments outside of the budget to the Housing and Real Estate Investment Company (EGYO) through Treasury loans and through special arrangement government bonds.<sup>7</sup>

The above-listed risks require careful attention since they show that the relative deterioration in the budget might not be limited to 1 point.

We can as a whole regard these risks and the fiscal policy which displays signals of deterioration as indicators of signals of softening in the fiscal discipline of the government's policy-making. As we have noted before, real interest rates, real growth and exchange rate assumptions must continue in a positive way in order for this softening not to cause an increasing debt stock; nonetheless, the possible internal inconsistency of these variables among themselves indicates that the dynamics of debt stock may not function positively in an environment where primary surplus is reduced (loosing the required condition).

In effect, the Letter of Intention of the 7th review dated April 28th 2007 accepted that almost all targets of public finance had shifted in all periods of 2007 (See Table 7) and promised to ensure fiscal discipline for the future. It is highly questionable how the targets, which could not even be achieved under the stand-by with the IMF, can be achieved

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<sup>7</sup> Bu yıl içinde bütçeye yansıtılmayacak olan bu harcamaların ileriki yıllarda gelir-ödenek kaydı ile bütçeleştirileceği tahmin edilmektedir.

from now on in a non-binding policy implementation process.

- b. Can opting for a decline in primary surplus be regarded as a requirement of the conjunctural fiscal policy? To what extent is the concept of cyclically adjusted deficit (structural deficit) explanatory instead of primary surplus?

It makes sense to re-activate the economy in recession periods by having deficit (Keynesian fiscal policy); which can be observed in the United States that implements such policies in the global crisis. These policies opt for measures that increase the disposable income of households (tax cuts etc), rather than those to increase expenditures. From this perspective, it is possible to make an assessment of the MTFE since the expenditure and revenue composition of its policies to decrease primary surplus is not clear.

*Table 7. 19. Fiscal Targets in the Stand-By Letters of Intention and Their Realizations*

Letter of Intention	Performance Criteria		Why Target Failed and Assurance of Measures
	Target	Realized	
24 <sup>th</sup> November 2005 1st and 2nd reviews	2005 September-end target for primary balance of consolidated public sector including SEEs		Since cumulative primary surplus of SEEs remained The determined level in the program as of August.
	25.995	24.157	
7 <sup>th</sup> July 2006 3rd and 4th reviews	2005 year-end fiscal targets		Due to weaker-than-expected performance of social security system and SEE sector. Decline in SEE performance is mostly Based on one-time factors
	Primary balance of consolidated public sector		
	30.363	28.254	
	Consolidated public sector primary balance except for SEEs		Measures taken to compensate social security deficit such as to control expenditures and to increase revenue collection.
	26.660	26.615	
	2005 year-end target for general balance of social security institutions		Part of expenditure increases is due to early expenditures and part of it due to expenditures delayed in 2005 .
-21.500	-23.398		
Realization of expenditures in line with program in 5 months of 2005.		Necessary amendments made in expenditure plans to make expenditures in line with the program again.	
27 <sup>th</sup> November 2006 5 <sup>th</sup> review	2006 September-end, central budget and social security institutions consolidated primary expenditures.		A blokeage by 0.2% of GNP made in current expenditure in order to partially compensate expenditure increases foreseen for the whole year In case the proposed (amending upper ceiling of 2006 December -end) new 2006-end program ceiling is exceeded, it is also decided to make deductions in appropriations as much as the excess itself until March 2007, as an additional support .
	124.046	124.859	
1 <sup>st</sup> May 2007 6th review	2006 year end, central budget and social security institutions consolidated primary expenditures.		Due to such factors as higher-than-planned investments and health expenditures that increase more rapidly than expected As foreseen in the program, shifts in expenditures seen in expenditures as of end of December 2006 will be compensated in 2007.
	173.084	174.972	
	2007 April-end targets		Ministry of Finance made a blokeage by 0.6% of GNP in priority current and investment expenditures and in transfers Various measures taken to prevent developments in health expenditures to impede attainment of 2007 budget targets
	Primary balance of consolidated public sector		
	12.338	9.358	
	Primary balance of consolidated public sector except for SEEs		Fixed taxes and prices of SEE product –including energy prines- will be made in line with program assumptions
	11.738	7.327	
	Consolidated primary expenditures of central budget and SSIs		
56.485	59.690		
Social security institutions general balance			
-5.000	-8.976		
28 <sup>th</sup> April 2008 7th / last review	2007 year-end targets		Due to expenditures above the plans and revenues below expectations. Improvement of tax administration was focused on so as to strengthen public finance, including activities which yielded increase in revenues in late 2007 and early 2008 and which aimed to improve tax collection
	Primary balance of consolidated public sector		
	40.738	29.183	
	Consolidated primary expenditures public sector except for SEEs		Measures taken to improve effectiveness in health Expenditures.
	190.795	195.988	
	Social security institutions general balance		
-24.200	-25.041		

Resource: [www.hazine.gov.tr](http://www.hazine.gov.tr) 19th Stand-By Letters of Intention

However, considering the statements to the public opinion including investments to be made in the GAP region, construction of double roads and the resources to be transferred to municipalities; it gives the impression that the government will pursue an expenditure-oriented policy. It is generally debatable to what extent such expenditures can contribute to conjunctural re-activation in the short run. The second aspect is the matter of financing these expenditures. It has not been explicated in the MTFF what sort of borrowing policy will be employed in the financing of these expenditures. In case the listed risks come true, it is likely that the possible positive effects of a conjunctural fiscal policy will be nullified with the influence of increasing borrowing interest rates. Furthermore, conjunctural fiscal policy is based on the idea that the economy displays deficit in recession periods, and that this deficit is compensated in expansion periods. Yet the MTFF foresees a continuing relative softening in primary surplus for the upcoming five years. We thus consider that the picture before us is not relevant to and appropriate for a conjunctural fiscal policy.

Although the government opted for a relative reduction in primary surplus in the budget, it is argued that there is no problem for the budget discipline because there is no structural budget deficit. Structural deficit or cyclically adjusted deficit is another measuring method for analytic budget balance. In this method, the budget deficit/surplus after nullification of such automatic stabilizers as revenue increases/declines (decline in tax revenues during recession periods) and expenditure increases/declines (increase in employment benefits etc during recession periods) that result from cyclical

features is the indicator of to what extent the government can ensure budget balance. This can substitute for an early warning indicator as to whether certain fiscal policy decisions that are taken as indicators may result in structural problems in the future.<sup>8</sup> While this balance is measured via various methods; the accounting methods, budget transparency and regulative arrangements create serious problems in adjustment of cyclicity; therefore such deficit measurements bring about serious methodological and interpretation problems both in the literature and in practice. Consequently, though this type of calculation is useful in elimination of seasonal changes within the budget, its use as a policy indicator is highly debatable in the literature.

4. With the assumptions it invokes in the public and expenditure plans that have not been explained in details, MTFF as a whole seems to reflect a preference for the upcoming local elections rather than implementing a consistent fiscal policy for the future. As we have pointed out above, two aspects stand out in the MTFF: The first of these is the little information except for the press conference by the public authority with a PowerPoint presentation of only 6 pages long<sup>9</sup>, and a number of press releases and statements the authority made without giving sufficient information to the public. Therefore, any comments to be made have to be based on perceptions rather than on information. The second aspect is the fact that the expenditure expanding policies largely focus on

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<sup>8</sup> For this aspect of structural deficit and the problems it generates, see “Early Warning or Just Wise after the Event?”

See: “The Problem of Using Cyclically Adjusted Budget Deficits for Fiscal Surveillance.” Andrew Hughes Hallett, Rasmus Kattai and John Lewis-Prepared for the EMS annual conference 2007.

<sup>9</sup> Medium-Term Fiscal Framework document is a Powerpoint presentation, and the section that tells the fiscal framework for the future consists of tables of about 6 pages.

transportation (primarily double roads) and on GAP investments as can be observed in the limited set of information. It cannot be debated whether GAP investments and allocation of resources for development projects is appropriate for the welfare of the country and the local people. However, the question that needs to be posed is why now for a policy to allocate resources for this purpose as if the problem has just been noticed, although the GAP and the Southeastern problem has been there for years. An action plan was also been declared following the statements after the MTFF. How this action plan will be related to the resources to be allocated for GAP, how expenditures will be channelized and especially the bidding processes will be the candidates for close monitoring in the upcoming periods. The same aspect is also true for the expenditures on transportation. Considering all these aspects combined with the above-mentioned risks to soften the fiscal discipline more just after the MTFF was declared; it becomes more likely that the MTFF will be used as an election-oriented policy instrument rather than a medium-term perspective. Our expectation is that especially the regional development-oriented approaches will be executed with a will of systematic implementation by taking into account the good management principles and resource expenditure balance.

In light of all these explanations, we discuss the estimated costs of these decisions that will be basis for the fiscal policy of the Government in the upcoming period in Table 8.

**Table 8. Latest Decisions and Their Estimated Costs**

Policy Decisions Taken	Explanation	Estimated Cost	Assumptions
1) Housing Assistance benefits	The burden to be carried by Treasury as to amendment to Law No 4749 and processing non-budget operations.	2.5 - 3 billion YTL	Estimations based on implementation year and scope
2) Resource allocation to GAP.			
a-1.3 billion YTL for 2008 from Unemployment Fund and 1/4 of dividend revenues for 2009-2010 to be transferred to GAP & other economic and social projects.	Negative impact on public sector general balance due to misuse of the Fund and its consequent deficit.	6 - 6.5 billion YTL for 2008-2012	Assumptions based on 2008 prices and on target inflation and interest rate in line with inflation
b- 1 billion YTL of cash surplus of Privatization Fund to GAP and other social projects via assuming as revenue and appropriation for 2008; 2.5 billion YTL for 2009; and via increasing as much as the deflator for years 2010-2012.	Use of cash surplus for expenditures rather than debt payments and negative impact of Privatization Fund on public sector general balance.	9 - 10 billion YTL for 2008-2012	
3) Transfer of resource from Unemployment Fund in scope of employment package; employer premium for young people between ages of 18-29, for women of 18+ and for the disabled be paid from Unemployment Insurance Fund	A positive step to increase employment and change employment composition in favor of young people and women; yet includes aspects open to misuse. Shifting employment of 30 year olds and above to those at 30 and below gives the impression that what is intended is to register existing unregistered personnel rather than recruiting new ones.	2.8 - 5 billion YTL for 2008-2012	Assumptions based on potential employment to increase by 10% and 20% for both groups, And on premium real profit to be 10% above minimum wage.
4) Mini debt write-offs via Law on Procedure of Collection of Public Claims.			
a- TCDD's (State Railways) claims be deducted from its debts.	Negative effect on fiscal discipline and transparency and a bad example.	Unclear cost	
b- Partial elimination of the claims of university circulating capitals from the government.	Increase in prices by private sector in following procurements since there will not be a deduction at the same rate in claims of private sector firms that have claims in university circulating capitals.	180 - 200 million YTL for 2008	Assumptions based on 15% of accumulating claims are erased.
5) a-Increase resource to be transferred to Local Administrations from central government tax revenues	Increase in central government budget deficit via transfer of resources to local administrations, accounts of which cannot be easily audited.	19 - 20 billion YTL for 2008-2012	Assumption based on tax revenues will only increase as much as deflator with 2008 prices by taking into account the distribution rates in the new proposal.
b-Decrease amount of deduction from the resource from 25% to 20% for one year.		200 - 225 million YTL for 2008-2009	
6) Mark-up payments to contractors via amending Public Procurement Law.	Expanding practice of mark-up payments via continuing to give up the "payment upon handing the key" system which is the basic philosophy of this law, and via also including operations with foreign exchange		
<b>Total Estimated Cost</b>		39.7 billion YTL - 44.9 billion YTL	

### *III. Developments in Budget Financing and Debt Stock*

Cash balance of the Treasury had a deficit of about 4.7 billion YTL as of end of March 2008. This deficit reached 9.3 billion YTL as of end of April.

*Table 9. Treasury Cash Balance*

(million YTL)	January*	February	March*	April*	March End Total*	April End Total*
REVENUES	16.520	17.281	12.286	13.568	46.087	59.655
EXPENDITURES	15.344	17.742	17.680	18.223	50.766	68.989
Primary Expenditures	11.374	12.943	13.702	13.954	38.018	51.972
Interest Payments	3.970	4.799	3.979	4.269	12.748	17.017
PRIMARY BALANCE	5.146	4.339	-1.416	-386	8.069	7.683
CASH BALANCE	1.176	-461	-5.394	-4.655	-4.679	-9.334
					0	0
FUNDING	-1.176	461	5.394	4.655	4.679	9.334
BORROWING (NET)	1.597	2.214	1.003	1.902	4.814	6.716
EXTERNAL BORROWING NET	-998	-587	-930	-396	-2.514	-2.910
Utilization	1.214	4	1.203	158	2.421	2.579
Payment	2.212	591	2.132	554	4.935	5.488
DOMESTIC BORROWING NET	2.594	2.801	1.933	2.297	7.328	9.626
Utilization	5.726	4.970	4.212	11.338	14.909	26.246
Payment	3.132	2.169	2.279	9.040	7.580	16.621
PROVATIZATION REVENUE	52	0	0	0	52	52
TRANSFERS FROM SDIF	0	0	0	0	0	0
ASSG. - GUARANT. DEBT						
RETURNS	8	28	30	36	67	103
BANK UTILIZATION	-2.833	-1.782	4.361	2.718	-254	2.463
EXCHANGE RATE DIFF.	129	132	1.205	0	1.466	1.466
BANK UTILIZATION NET	-2.962	-1.914	3.156	2.717	-1.721	997

The Treasury had a net borrowing of 4.81 billion YTL in the first quarter. Net borrowing reached 6.72 billion YTL as of end of April. Domestic borrowing constituted again the majority of cash borrowing, while the trend to net back payment continued in external borrowing. We are of the opinion that the strategy to substitute domestic borrowing for external borrowing may be sustained due to the developments in World markets in the upcoming months. Thus, reserve accumulation was continued by



transferring the additional borrowing proceeds, which realized a bit above the cash deficit in March, to the cash accounts of the Treasury. Nevertheless, cash use was positive due to net borrowing below the cash deficit because of significant debt redemptions in April.

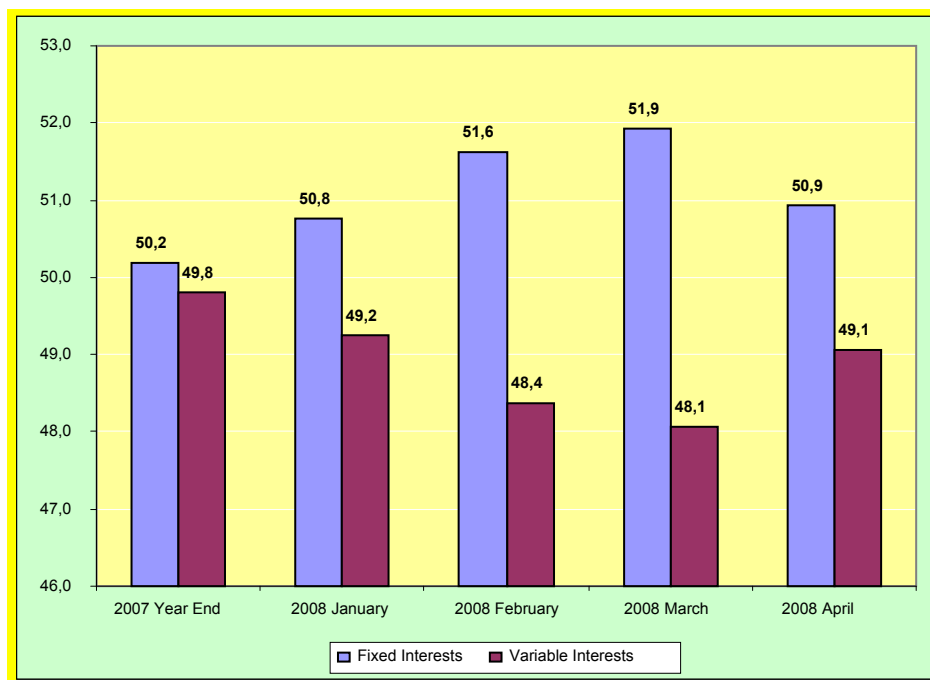
*Table 10. Comparative Table of General Budget Balance and Central Government Budget Balance (March-April)*

General Budget Balance			Central Government Budget Balance		
(million YTL)	March End	April End	Million (YTL)	March End	April End
Budget Balance	-5.541	-5.849	Budget Balance	-4.374	-5.449
Escrows	-2.739	-1.813	Escrows	-2.959	-2.115
Advances	211	197	Advances	359	314
Cash Balance	-8.068	-7.465	Cash Balance	-6.974	-7.251
Funding	8.068	7.465	Funding	6.974	7.251
Total Net Borrowing	7.921	8.472	Total Net Borrowing	7.921	8.472
Net Loaning (-)	-52	-69	Net Loaning (-)	-42	-58
Privatization Revenue	64	64	Privatization Revenue	64	64
Change in Cash and Other Items (-) Entry (+) Exit	31	-1.140	Change in Cash and Other Items (-) Entry (+) Exit	-1.053	-1.344

In our previous report, we have underlined the fact that the Treasury cash balance had a surplus as of end of February, while the central government budget cash balance had a deficit in the same period; and added that this had to be explained by the authorities. Whereas Treasury officials provided no explanation on this subject, both general and budget cash balance and the Treasury cash balance realized with a deficit again in the same direction as of end of March. The Treasury cash deficit was lower than the central government budget cash deficit as of end of March; whereas the Treasury cash deficit realized higher as of end of April due to the difference that realized **as ?** in April. The Treasury cash deficit realized as 4.6 billion YTL in April, while the central government budget cash balance had a deficit of only 277 million YTL. We believe it is necessary that the Undersecretariat of Treasury give more explanatory information to the public as to how such significant differences occur. In this

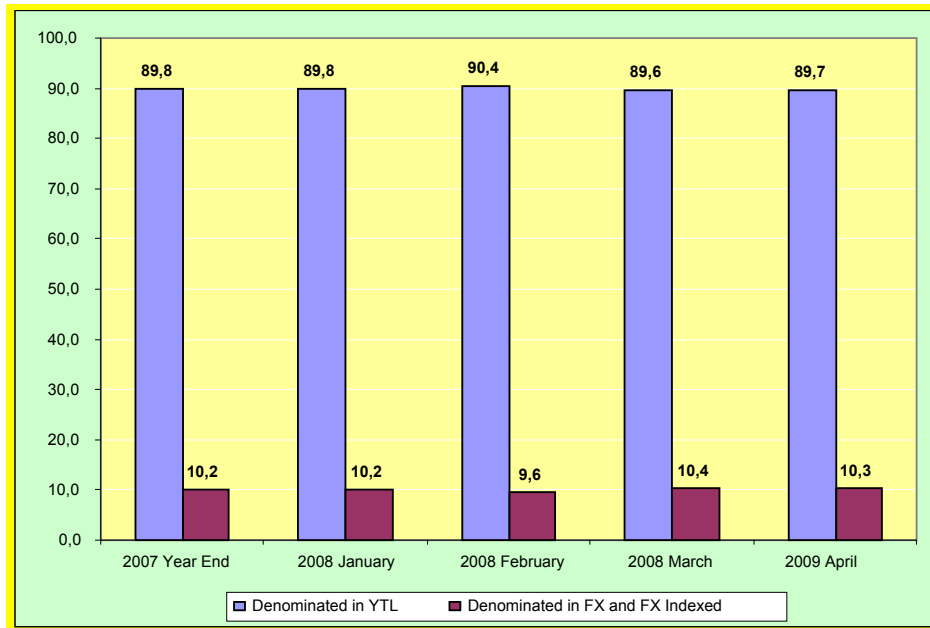
framework, we consider that the said difference might have been caused by the fact that the tax collections, which were registered as revenues in budget accounts as of end of April, were transferred by the banks to the Treasury accounts in the first week of May.

*Graphic 10. Central Government Domestic Debt Stock Interest Composition (%)*



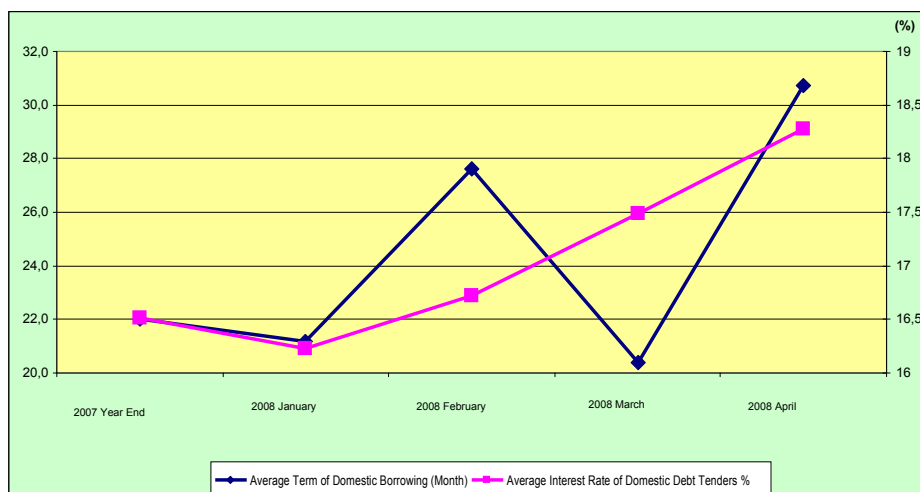
We see in the interest composition of the central government domestic debt stock that the share of variable interest bills declined by 1.7 points as of end of March 2008, compared to 2007 year end. This difference declined to 0.7 as of end of April.

**Graphic 11. Central Government Domestic Debt Stock YTL-FX Structure (%)**



In terms of the domestic debt stock YTL-FX composition; there has not been a significant change in the share of bills denominated in foreign exchange and foreign exchange indexed.

**Graphic 12. Average Term of Domestic Borrowing and Interest Rate**



Domestic borrowing interest rates of the Treasury continued the increase also in March 2008 and realized as 17.5%, and became 18.28% in April. While the borrowing term shortened in March, this term rose to the level of 30.7 months in April due to securities-weighted borrowing.

# ANNEX

Annex Table 1. 2008 Central Government Budget Appropriations and Expenditures (March-End)

	January	February	March	Total	2008 Budget	(%) Realization	Expenditure Distribut. (%)
<b>Expenditures</b>	<b>16.305.696</b>	<b>16.607.569</b>	<b>18.648.608</b>	<b>51.561.873</b>	<b>222.553.217</b>	<b>23,17</b>	<b>100,00</b>
<b>Primary Expenditures</b>	<b>12.022.554</b>	<b>11.893.206</b>	<b>13.895.276</b>	<b>37.811.036</b>	<b>166.553.167</b>	<b>22,70</b>	<b>73,33</b>
<b>I. Personnel Expenditures</b>	<b>4.841.110</b>	<b>3.855.601</b>	<b>3.815.917</b>	<b>12.512.628</b>	<b>48.672.049</b>	<b>25,71</b>	<b>24,27</b>
Civil Servants	4.289.467	3.228.100	3.210.697	10.728.264	40.520.597	26,48	20,81
Workers	153.846	281.982	242.865	678.693	3.707.208	18,31	1,32
Other	397.797	345.519	362.355	1.105.671	4.444.244	24,88	2,14
<b>II. Social Security Inst. Govnt. Premium</b>	<b>622.053</b>	<b>482.950</b>	<b>480.375</b>	<b>1.585.378</b>	<b>6.405.463</b>	<b>24,75</b>	<b>3,07</b>
Civil Servants	554.603	389.389	387.082	1.331.074	5.249.058	25,36	2,58
Workers	20.860	44.275	44.889	110.024	649.292	16,95	0,21
Others	46.590	49.286	48.404	144.280	507.113	28,45	0,28
<b>III. Goods and Service Procurement</b>	<b>1.058.671</b>	<b>1.192.957</b>	<b>1.528.206</b>	<b>3.779.834</b>	<b>22.905.423</b>	<b>16,50</b>	<b>7,33</b>
<b>Defense-Security</b>	<b>89.447</b>	<b>211.258</b>	<b>435.675</b>	<b>736.380</b>	<b>8.410.568</b>	<b>8,76</b>	<b>1,43</b>
Ministry of Defence	67.348	144.923	355.977	568.248	6.783.580	8,38	1,10
Gendarmerie	4.837	35.846	49.164	89.847	1.033.708	8,69	0,17
General Directorate of Security	17.262	30.489	30.534	78.285	593.280	13,20	0,15
<b>Health Expenditures</b>	<b>699.281</b>	<b>501.846</b>	<b>408.446</b>	<b>1.609.573</b>	<b>6.741.000</b>	<b>23,88</b>	<b>3,12</b>
Health Services Related to Green Card	496.929	242.684	264.693	1.004.306	3.850.000	26,09	1,95
Medication	76.049	96.365	52.102	224.516	1.089.414	20,61	0,44
Treatment and Health Equipment	126.303	162.797	91.651	380.751	1.801.586	21,13	0,74
<b>Govnt. Debts General Expenditures</b>	<b>0</b>	<b>7.309</b>	<b>7.016</b>	<b>14.325</b>	<b>130.000</b>	<b>11,02</b>	<b>0,03</b>
<b>Other Goods and Service Expenditures</b>	<b>269.943</b>	<b>472.544</b>	<b>677.069</b>	<b>1.419.556</b>	<b>7.623.855</b>	<b>18,62</b>	<b>2,75</b>
<b>IV. Current Transfers</b>	<b>5.136.224</b>	<b>5.643.299</b>	<b>6.734.851</b>	<b>17.514.374</b>	<b>69.206.600</b>	<b>25,31</b>	<b>33,97</b>
<b>Duty Losses</b>	<b>65.750</b>	<b>215.784</b>	<b>186.115</b>	<b>467.649</b>	<b>1.551.334</b>	<b>30,14</b>	<b>0,91</b>
SEE Duty Losses	20.000	120.000	120.000	260.000	733.000	35,47	0,50
Financial Inst. Duty Losses	39.000	87.110	34.924	161.034	611.000	26,36	0,31
Other Duty Losses	6.750	8.674	31.191	46.615	207.334	22,48	0,09
<b>Treasury Subsidies</b>	<b>3.571.197</b>	<b>2.944.747</b>	<b>3.131.625</b>	<b>9.647.569</b>	<b>39.912.216</b>	<b>24,17</b>	<b>18,71</b>
<b>Treasury Subsidies to Social Security Inst.</b>	<b>74.451</b>	<b>74.307</b>	<b>73.353</b>	<b>222.111</b>	<b>932.000</b>	<b>23,83</b>	<b>0,43</b>
Unemployment Insurance Fund	74.451	74.307	73.353	222.111	932.000	23,83	0,43
<b>Health, Pension and Social Assistance Expenditures</b>	<b>3.341.001</b>	<b>2.662.995</b>	<b>2.870.973</b>	<b>8.874.969</b>	<b>37.031.000</b>	<b>23,97</b>	<b>17,21</b>
Financing Social Security Deficit	3.006.881	2.302.700	1.565.300	6.874.881	28.804.000	23,87	13,33
<b>Local Administrations</b>	<b>109.123</b>	<b>141.333</b>	<b>134.986</b>	<b>385.442</b>	<b>1.235.100</b>	<b>31,21</b>	<b>0,75</b>
Subsidies to Municipalities	380	570	150	1.100	50.000	2,20	0,00
Other (Special Provincial Adm.-SPA- and villages)	108.743	140.763	134.836	384.342	1.185.100	32,43	0,75
<b>Other Treasury Subsidies</b>	<b>46.622</b>	<b>66.112</b>	<b>52.313</b>	<b>165.047</b>	<b>714.116</b>	<b>23,11</b>	<b>0,32</b>
SPSF	30.000	29.000	30.000	89.000	350.000	25,43	0,17
Other	16.622	37.112	22.313	76.047	364.116	20,89	0,15
<b>Transfers to Non-Profit Organizations</b>	<b>84.298</b>	<b>8.081</b>	<b>23.782</b>	<b>116.161</b>	<b>335.898</b>	<b>34,58</b>	<b>0,23</b>
<b>Transfers to Households</b>	<b>46.619</b>	<b>52.130</b>	<b>116.647</b>	<b>215.396</b>	<b>1.101.438</b>	<b>19,56</b>	<b>0,42</b>
Scholarships and Allowances	35.685	38.593	45.552	119.830	508.386	23,57	0,23
Other Educational Transfers	1.710	2.208	52.786	56.704	466.521	12,15	0,11
Transfers for Health	3.763	3.705	3.416	10.884	65.271	16,68	0,02
Transfers for Food	4.970	6.189	13.900	25.059	54.894	45,65	0,05
Transfers for Housing	491	1.435	993	2.919	6.366	45,85	0,01
<b>Agricultural Subsidization Benefits</b>	<b>185.000</b>	<b>696.065</b>	<b>1.388.887</b>	<b>2.269.952</b>	<b>5.400.000</b>	<b>42,04</b>	<b>4,40</b>
Direct Income Support	0	0	844.000	844.000	2.554.000	33,05	1,64
Product Support Benefits	50.000	513.000	0	563.000	1.758.000	32,03	1,09
Livestock Husbandry Support Benefits	105.000	140.000	528.872	773.872	731.000	105,86	1,50
Other	30.000	43.065	16.015	89.080	357.000	24,95	0,17
<b>Other Transfers to Households</b>	<b>5.833</b>	<b>113.093</b>	<b>12.397</b>	<b>131.323</b>	<b>632.826</b>	<b>20,75</b>	<b>0,25</b>
<b>Social Transfers</b>	<b>3.282</b>	<b>14.193</b>	<b>23.133</b>	<b>40.608</b>	<b>227.791</b>	<b>17,83</b>	<b>0,08</b>
<b>Transfers to Abroad</b>	<b>35.765</b>	<b>26.843</b>	<b>72.591</b>	<b>135.199</b>	<b>654.057</b>	<b>20,67</b>	<b>0,26</b>
<b>Shares from Revenues</b>	<b>1.138.480</b>	<b>1.572.363</b>	<b>1.779.674</b>	<b>4.490.517</b>	<b>19.391.040</b>	<b>23,16</b>	<b>8,71</b>
<b>V. Capital Expenditures</b>	<b>15.692</b>	<b>117.364</b>	<b>797.179</b>	<b>930.235</b>	<b>11.775.030</b>	<b>7,90</b>	<b>1,80</b>
<b>VI. Capital Transfers</b>	<b>29.463</b>	<b>280.574</b>	<b>235.962</b>	<b>545.999</b>	<b>2.084.420</b>	<b>26,19</b>	<b>1,06</b>
<b>VII. Loaning</b>	<b>319.341</b>	<b>320.461</b>	<b>302.786</b>	<b>942.588</b>	<b>3.933.510</b>	<b>23,96</b>	<b>1,83</b>
<b>Domestic Loaning</b>	<b>319.341</b>	<b>320.461</b>	<b>302.786</b>	<b>942.588</b>	<b>3.708.510</b>	<b>24,88</b>	<b>1,79</b>
SEE	229.000	224.600	177.500	631.100	1.577.500	40,01	1,22
Risk Account	0	0	0	0	590.000	0,00	0,00
Other	90.341	95.861	105.286	291.488	1.541.010	18,92	0,57
<b>International Loaning</b>	<b>0</b>	<b>0</b>	<b>20.000</b>	<b>20.000</b>	<b>225.000</b>	<b>8,89</b>	<b>0,04</b>
Cyprus	0	0	20.000	20.000	225.000	8,89	0,04
<b>VIII. Auxiliary Appropriations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.570.672</b>	<b>0,00</b>	<b>0,00</b>
<b>Interest Expenditures</b>	<b>4.283.142</b>	<b>4.714.363</b>	<b>4.753.332</b>	<b>13.750.837</b>	<b>56.000.050</b>	<b>24,56</b>	<b>26,67</b>
<b>I. Domestic Debt Interests</b>	<b>3.621.818</b>	<b>3.823.329</b>	<b>3.793.296</b>	<b>11.243.443</b>	<b>46.055.000</b>	<b>24,41</b>	<b>21,81</b>
<b>II. External Debt Interests</b>	<b>661.324</b>	<b>894.750</b>	<b>786.241</b>	<b>2.332.315</b>	<b>7.066.050</b>	<b>33,01</b>	<b>4,52</b>
<b>III. Discounts and Short Term Transactions Interests</b>	<b>0</b>	<b>1.284</b>	<b>173.795</b>	<b>175.079</b>	<b>2.879.000</b>	<b>6,08</b>	<b>0,34</b>

Annex Table 2. Comparative Central Government Budget Expenditures 2007-2008 (March-End)

	2007				2008				Increase Rate	
	March	Total	Realized	Realization Rate	March	Total	Budget Estimation	Realization Rate	March	Total
<b>Central Government Budget Expenditures</b>	<b>15.640.534</b>	<b>49.441.897</b>	<b>203.500.684</b>	<b>24,3</b>	<b>18.648.608</b>	<b>51.561.873</b>	<b>222.553.217</b>	<b>23,2</b>	<b>19,2</b>	<b>4,3</b>
<b>Primary Budget Expenditures</b>	<b>11.661.529</b>	<b>33.475.107</b>	<b>154.769.069</b>	<b>21,6</b>	<b>13.895.276</b>	<b>37.811.036</b>	<b>166.553.167</b>	<b>22,7</b>	<b>19,2</b>	<b>13,0</b>
Personnel Expenditures	3.404.677	11.192.386	43.554.730	25,7	3.815.917	12.512.628	48.672.049	25,7	12,1	11,8
Govnt. Premium Expenditures to Social Sec. Inst.	429.403	1.405.582	5.800.916	24,2	480.375	1.585.378	6.405.463	24,8	11,9	12,8
<b>Goods and Service Procurement Expenditures</b>	<b>1.396.979</b>	<b>3.461.013</b>	<b>22.154.275</b>	<b>15,6</b>	<b>1.528.206</b>	<b>3.779.834</b>	<b>22.905.423</b>	<b>16,5</b>	<b>9,4</b>	<b>9,2</b>
Defense-Security	377.556	630.536	7.576.376	8,3	435.675	736.380	8.410.568	8,8	15,4	16,8
Health Expenditures	447.603	1.668.785	6.624.064	25,2	408.446	1.609.573	6.741.000	23,9	-8,7	-3,5
General Treat. and Health Equip. Expenditures	139.550	377.002	1.735.246	21,7	91.651	380.751	1.801.586	21,1		1,0
General Medication Expenditures	82.556	190.417	974.930	19,5	52.102	224.516	1.089.414	20,6		17,9
Green Card Health Services	225.497	1.101.366	3.913.888	28,1	264.693	1.004.306	3.850.000	26,1		-8,8
Govt. Debt General Expenditures	5.331	20.423	59.111	34,6	7.016	14.325	130.000	11,0	31,6	-29,9
Other Goods & Services Procurement Expenditures	566.489	1.141.269	7.894.724	14,5	677.069	1.419.556	7.623.855	18,6	19,5	24,4
<b>Current Transfers</b>	<b>5.415.417</b>	<b>14.857.044</b>	<b>63.249.159</b>	<b>23,5</b>	<b>6.734.851</b>	<b>17.514.374</b>	<b>69.206.600</b>	<b>25,3</b>	<b>24,4</b>	<b>17,9</b>
<b>Duty Losses</b>	<b>55.063</b>	<b>153.205</b>	<b>1.401.345</b>	<b>10,9</b>	<b>186.115</b>	<b>467.649</b>	<b>1.551.334</b>	<b>30,1</b>	<b>238,0</b>	<b>205,2</b>
SEE Duty Losses	10.000	50.000	699.891	7,1	120.000	260.000	733.000	35,5		420,0
Financial Inst. Duty Losses	34.473	66.000	376.432	17,5	34.924	161.034	611.000	26,4	1,3	144,0
Other Duty Losses	10.590	37.205	325.022	11,4	31.191	46.615	207.334	22,5		
<b>Treasury Subsidies</b>	<b>3.422.120</b>	<b>9.222.710</b>	<b>36.273.127</b>	<b>25,4</b>	<b>3.131.625</b>	<b>9.647.569</b>	<b>39.912.216</b>	<b>24,2</b>	<b>-8,5</b>	<b>4,6</b>
Treasury Subsidies to Social Security Institutions	70.704	197.500	807.545	24,5	73.353	222.111	932.000	23,8	3,7	12,5
Unemployment Insurance Fund	70.704	197.500	807.545	24,5	73.353	222.111	932.000	23,8		
Health, Pension and Social Assistance Benefits	3.125.000	8.483.001	33.063.333	25,7	2.870.973	8.874.969	37.031.000	24,0	-8,1	4,6
Financing Social Security Deficit	1.840.308	6.576.692	25.823.450	25,5	1.565.300	6.874.881	28.804.000	23,9		4,5
Treasury Subsidies to Local Administrations	166.211	410.792	1.706.350	24,1	134.986	385.442	1.235.100	31,2	-18,8	-6,2
Other Treasury Subsidies	60.205	131.417	695.899	18,9	52.313	165.047	714.116	23,1	-13,1	25,6
<b>Transfers to Non-Profit Organizations</b>	<b>20.332</b>	<b>150.203</b>	<b>681.416</b>	<b>22,0</b>	<b>23.782</b>	<b>116.161</b>	<b>335.898</b>	<b>34,6</b>		
<b>Transfers to Households</b>	<b>134.892</b>	<b>218.222</b>	<b>994.286</b>	<b>21,9</b>	<b>116.647</b>	<b>215.396</b>	<b>1.101.438</b>	<b>19,6</b>	<b>-13,5</b>	<b>-1,3</b>
<b>Agricultural Subsidies</b>	<b>260.110</b>	<b>1.116.263</b>	<b>5.555.090</b>	<b>20,1</b>	<b>1.388.887</b>	<b>2.269.952</b>	<b>5.400.000</b>	<b>42,0</b>	<b>434,0</b>	<b>103,4</b>
Product Support Benefits	101.209	246.209	1.708.455	14,4	0	563.000	1.758.000	32,0	-100,0	128,7
Livestock Husbandry Support Benefits	50.000	280.000	740.690	37,8	528.872	773.872	731.000	105,9	957,7	176,4
Other Agricultural Transfers	108.901	590.054	3.105.945	19,0	860.015	933.080	2.911.000	32,1	689,7	58,1
<b>Other Transfers to Households</b>	<b>106.515</b>	<b>115.280</b>	<b>617.967</b>	<b>18,7</b>	<b>12.397</b>	<b>131.323</b>	<b>632.826</b>	<b>20,8</b>	<b>-88,4</b>	<b>13,9</b>
<b>Social Transfers</b>	<b>2.296</b>	<b>5.827</b>	<b>67.400</b>	<b>8,6</b>	<b>23.133</b>	<b>40.608</b>	<b>227.791</b>	<b>17,8</b>	<b>907,5</b>	<b>596,9</b>
<b>Transfers to Abroad</b>	<b>38.265</b>	<b>97.617</b>	<b>500.571</b>	<b>19,5</b>	<b>72.591</b>	<b>135.199</b>	<b>654.057</b>	<b>20,7</b>	<b>89,7</b>	
<b>Shares from Revenues</b>	<b>1.375.824</b>	<b>3.777.717</b>	<b>17.157.957</b>	<b>22,0</b>	<b>1.779.674</b>	<b>4.490.517</b>	<b>19.391.040</b>	<b>23,2</b>	<b>29,4</b>	<b>18,9</b>
Local Administration Shares	1.016.825	2.950.969	13.285.805	22,2	1.387.549	3.656.116	15.059.000	24,3	36,5	23,9
Shares to Funds	319.744	709.297	3.223.685	22,0	395.868	876.766	3.822.378	22,9	23,8	23,6
Other Shares	39.255	117.451	648.467	18,1	-3.743	-42.365	509.662	-8,3	-109,5	-136,1
<b>Capital Expenditures</b>	<b>628.454</b>	<b>1.258.121</b>	<b>12.915.236</b>	<b>9,7</b>	<b>797.179</b>	<b>930.235</b>	<b>11.775.030</b>	<b>7,9</b>	<b>26,8</b>	<b>-26,1</b>
<b>Capital Transfers</b>	<b>53.158</b>	<b>438.146</b>	<b>3.542.631</b>	<b>12,4</b>	<b>235.962</b>	<b>545.999</b>	<b>2.084.420</b>	<b>26,2</b>	<b>343,9</b>	<b>24,6</b>
<b>Domestic Capital Transfers</b>	<b>51.918</b>	<b>436.906</b>	<b>3.354.759</b>	<b>13,0</b>	<b>234.342</b>	<b>544.379</b>	<b>1.862.447</b>	<b>29,2</b>	<b>351,4</b>	<b>24,6</b>
<b>International Capital Transfers</b>	<b>1.240</b>	<b>1.240</b>	<b>187.872</b>	<b>0,7</b>	<b>1.620</b>	<b>1.620</b>	<b>221.973</b>	<b>0,7</b>		
<b>Loans</b>	<b>333.441</b>	<b>862.815</b>	<b>3.552.122</b>	<b>24,3</b>	<b>302.786</b>	<b>942.588</b>	<b>3.933.510</b>	<b>24,0</b>	<b>-9,2</b>	<b>9,2</b>
<b>Domestic Loans</b>	<b>333.440</b>	<b>853.959</b>	<b>3.267.122</b>	<b>26,1</b>	<b>282.786</b>	<b>922.588</b>	<b>3.708.510</b>	<b>24,9</b>		
<b>International Loans</b>	<b>1</b>	<b>8.856</b>	<b>285.000</b>	<b>3,1</b>	<b>20.000</b>	<b>20.000</b>	<b>225.000</b>	<b>8,9</b>		
<b>Auxiliary Appropriations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1.570.672</b>	<b>0,0</b>		
<b>Interest Expenditures</b>	<b>3.979.005</b>	<b>15.966.790</b>	<b>48.731.615</b>	<b>32,8</b>	<b>4.753.332</b>	<b>13.750.837</b>	<b>56.000.050</b>	<b>24,6</b>	<b>19,5</b>	<b>-13,9</b>

Annex Table 3. Comparative Central Government Budget Revenues 2007-2008 (March-End)

	2008 March	2007 March	Increase (%)	Foreseen in 2008 Budget	2007 Year-End	Realized Compared to 2008 Budget (%)	Realized Compared to 2007 Year-End (%)
<b>Central Govt. Revenues</b>	<b>47.188.305</b>	<b>46.109.441</b>	<b>2,34</b>	<b>204.556.459</b>	<b>189.617.246</b>	<b>23,07</b>	<b>24,32</b>
<b>General Budget Revenues</b>	<b>45.329.731</b>	<b>45.433.127</b>	<b>-0,23</b>	<b>199.410.938</b>	<b>184.235.392</b>	<b>22,73</b>	<b>24,66</b>
<b>I-Tax Revenues</b>	<b>40.255.828</b>	<b>33.941.356</b>	<b>18,60</b>	<b>171.206.312</b>	<b>152.831.736</b>	<b>23,51</b>	<b>22,21</b>
<b>Taxes on Revenues, Profits and Capital Earnings</b>	<b>12.822.126</b>	<b>10.044.397</b>	<b>27,65</b>	<b>52.600.000</b>	<b>48.197.403</b>	<b>24,38</b>	<b>20,84</b>
<b>Income Tax</b>	<b>8.547.468</b>	<b>7.026.668</b>	<b>21,64</b>	<b>38.100.000</b>	<b>34.446.780</b>	<b>22,43</b>	<b>20,40</b>
Declaration-Based Income Tax	457.599	311.624	46,84	1.512.910	1.505.819	30,25	20,69
Lump Sum Income Tax	98.128	94.853	3,45	214.798	197.097	45,68	48,13
Income Tax Collection	7.654.488	6.312.716	21,26	35.141.082	31.678.554	21,78	19,93
Prepaid Income Tax	337.253	307.475	9,68	1.231.210	1.065.310	27,39	28,86
<b>Corporation Tax</b>	<b>4.274.658</b>	<b>3.017.729</b>	<b>41,65</b>	<b>14.500.000</b>	<b>13.750.623</b>	<b>29,48</b>	<b>21,95</b>
Declaration-Based Corporation Tax	201.193	1.871	10.653,23	220.000	156.122	91,45	1,20
Corporation Tax Collection	52.522	-111.113	147,27	16.000	42.494	328,26	-261,48
Prepaid Corporation Tax	4.020.943	3.126.971	28,59	14.264.000	13.552.007	28,19	23,07
<b>Taxes on Property</b>	<b>1.636.777</b>	<b>1.385.070</b>	<b>18,17</b>	<b>4.029.000</b>	<b>3.645.419</b>	<b>40,62</b>	<b>37,99</b>
Inheritance Tax	16.008	16.291	-1,74	152.000	124.603	10,53	13,07
Motor Vehicles Tax	1.620.769	1.368.779	18,41	3.877.000	3.520.816	41,80	38,88
<b>Domestic Goods and Services Taxes</b>	<b>15.780.774</b>	<b>14.223.464</b>	<b>10,95</b>	<b>71.382.312</b>	<b>63.589.293</b>	<b>22,11</b>	<b>22,37</b>
<b>Domestic VAT</b>	<b>4.218.208</b>	<b>3.846.559</b>	<b>9,66</b>	<b>17.652.000</b>	<b>16.792.632</b>	<b>23,90</b>	<b>22,91</b>
<b>Special Consumption Tax</b>	<b>9.457.463</b>	<b>8.618.540</b>	<b>9,73</b>	<b>44.719.366</b>	<b>39.110.505</b>	<b>21,15</b>	<b>22,04</b>
SCT on Oil and Natural Gas Products	5.535.510	4.575.239	20,99	25.638.366	22.051.751	21,59	20,75
SCT on Motor Vehicles	922.967	700.177	31,82	4.611.000	4.293.326	20,02	16,31
SCT on Fizzy, Alcohol Drinks and Tobacco	2.757.632	3.121.009	-11,64	13.207.000	11.720.469	20,88	26,63
SCT on Durable and Other Goods	241.354	222.125	8,66	1.263.000	1.044.959	19,11	21,26
<b>Bank and Insurance Operations Taxes</b>	<b>906.206</b>	<b>746.901</b>	<b>21,33</b>	<b>3.975.946</b>	<b>3.149.139</b>	<b>22,79</b>	<b>23,72</b>
<b>Other Taxes on Goods and Services</b>	<b>1.198.897</b>	<b>1.011.464</b>	<b>18,53</b>	<b>5.035.000</b>	<b>4.537.017</b>	<b>23,81</b>	<b>22,29</b>
<b>Transaction Tax on International Trade</b>	<b>7.725.130</b>	<b>6.264.798</b>	<b>23,31</b>	<b>33.502.000</b>	<b>28.970.325</b>	<b>23,06</b>	<b>21,62</b>
Customs Taxes	695.907	578.257	20,35	2.952.000	2.440.591	23,57	23,69
VAT on Imports	7.018.456	5.675.891	23,65	30.500.000	26.492.642	23,01	21,42
Other Foreign Trade Revenues	10.767	10.650	1,10	50.000	37.092	21,53	28,71
<b>Stamp Tax</b>	<b>967.313</b>	<b>880.954</b>	<b>9,80</b>	<b>4.200.000</b>	<b>3.641.947</b>	<b>23,03</b>	<b>24,19</b>
<b>Fees</b>	<b>1.312.371</b>	<b>1.129.524</b>	<b>16,19</b>	<b>5.400.000</b>	<b>4.741.541</b>	<b>24,30</b>	<b>23,82</b>
Other Taxes Not Classified Any where else	11.337	13.149	-13,78	93.000	45.808	12,19	28,70
<b>II-Enterprise and Property Revenues</b>	<b>1.015.548</b>	<b>1.479.146</b>	<b>-31,34</b>	<b>8.978.314</b>	<b>7.903.902</b>	<b>11,31</b>	<b>18,71</b>
<b>Goods and Services Sale Revenues</b>	<b>356.591</b>	<b>333.092</b>	<b>7,05</b>	<b>1.687.000</b>	<b>1.468.088</b>	<b>21,14</b>	<b>22,69</b>
<b>SEE and Public Bank Revenues</b>	<b>50.150</b>	<b>551.410</b>	<b>-90,91</b>	<b>4.247.707</b>	<b>4.454.737</b>	<b>1,18</b>	<b>12,38</b>
<b>Profits of Institutions</b>	<b>335.246</b>	<b>334.882</b>	<b>0,11</b>	<b>1.715.807</b>	<b>918.321</b>	<b>19,54</b>	<b>36,47</b>
<b>Rent Revenues</b>	<b>167.610</b>	<b>147.595</b>	<b>13,56</b>	<b>792.000</b>	<b>680.612</b>	<b>21,16</b>	<b>21,69</b>
Other Enterprise and Property Revenues	105.951	112.167	-5,54	535.800	382.144	19,77	29,35
<b>III-Donations, Aids and Specific Revenues Received</b>	<b>228.042</b>	<b>198.868</b>	<b>14,67</b>	<b>801.520</b>	<b>1.801.328</b>	<b>28,45</b>	<b>11,04</b>
Donations and Aids from Abroad	216	12	0	0	51.820	12	0,02
<b>Specific Revenues</b>	<b>227.826</b>	<b>198.856</b>	<b>14,57</b>	<b>801.520</b>	<b>1.749.508</b>	<b>28,42</b>	<b>11,37</b>
<b>IV-Interests, Shares and Fines</b>	<b>3.792.216</b>	<b>3.932.252</b>	<b>-3,56</b>	<b>14.118.022</b>	<b>15.621.495</b>	<b>26,86</b>	<b>25,17</b>
<b>Interest Revenues</b>	<b>1.073.546</b>	<b>804.203</b>	<b>33,49</b>	<b>2.225.152</b>	<b>4.615.880</b>	<b>48,25</b>	<b>17,42</b>
<b>Shares from Persons and Institutions</b>	<b>1.681.539</b>	<b>1.250.569</b>	<b>34,46</b>	<b>6.393.236</b>	<b>5.438.273</b>	<b>26,30</b>	<b>23,00</b>
State Shares	53.927	42.013	28,36	240.000	216.235	22,47	19,43
Shares of General Budget Institutions	1.627.612	1.208.556	34,67	6.153.236	5.222.038	26,45	23,14
<b>Fines</b>	<b>726.028</b>	<b>1.067.312</b>	<b>-31,98</b>	<b>3.399.900</b>	<b>3.675.028</b>	<b>21,35</b>	<b>29,04</b>
Judicial Fines	41.254	37.709	9,40	162.580	159.837	25,37	23,59
Administrative Fines	215.573	143.499	50,23	657.291	711.427	32,80	20,17
Tax Fines	457.222	859.634	-46,81	2.557.218	2.687.174	17,88	31,99
Other Fines	11.979	26.470	-54,74	22.811	116.590	52,51	22,70
<b>Other Various Revenues</b>	<b>311.103</b>	<b>810.168</b>	<b>-61,60</b>	<b>2.099.734</b>	<b>1.892.314</b>	<b>14,82</b>	<b>42,81</b>
<b>V-Capital Revenues</b>	<b>38.097</b>	<b>5.881.505</b>	<b>-99,35</b>	<b>4.306.770</b>	<b>6.076.931</b>	<b>0,88</b>	<b>96,78</b>
Revenues from Sale of Immovables	38.388	43.905	-12,57	401.300	231.148	9,57	18,99
Revenues from Sale of Movables	-291	-4.371	93,34	5.470	3.812	-5,32	-114,66
Other Capital Sale Revenues	0	5.841.971		3.900.000	5.841.971	0,00	100,00
<b>Revenues of Special Budgeted Institutions</b>	<b>925.990</b>	<b>643.843</b>	<b>43,82</b>	<b>3.417.133</b>	<b>3.795.238</b>	<b>27,10</b>	<b>16,96</b>
<b>Revenues of Regulatory and Supervisory Institution</b>	<b>932.584</b>	<b>32.471</b>	<b>2.772,05</b>	<b>1.728.388</b>	<b>1.586.616</b>	<b>53,96</b>	<b>2,05</b>

Annex Table 4. % Distribution of 2008 Central Government Budget Expenditures as to Functional and Economic Classification (March-End)

4 a)

	Personnel Expen.	SSI Premium Payments	Goods and Serv. Procu.	Interest Exp.	Curr. Trans.	Capital Exp.	Capital Trans.	Loaning	Total
General Public Services	6.4	0.7	1.7	66.8	23.2	0.1	1.0	0.1	100
Defense Services	66.2	7.5	26.2	0.0	0.1	0.0	0.0	0.0	100
Public Order and Security Services	75.3	7.7	13.9	0.0	0.0	3.1	0.0	0.0	100
Economic Affairs and Services	16.1	2.4	5.3	0.0	53.3	10.4	0.6	11.9	100
Environmental Protection Services	63.0	8.7	6.5	0.0	0.0	0.6	21.1	0.0	100
Housing and Community Welfare Services	0.5	0.1	0.4	0.0	52.4	7.1	39.6	0.0	100
Health Services	48.8	7.5	41.8	0.0	0.1	1.9	0.0	0.0	100
Recreational, Cultural and Religious Serv.	67.2	9.5	12.4	0.0	8.7	2.1	0.1	0.0	100
Education Services	69.7	9.3	11.5	0.0	3.3	1.8	0.0	4.3	100
Social Security and Social Assistance	0.6	0.1	0.8	0.0	98.5	0.0	0.0	0.0	100

4 b)

	Personnel Exp.	SSI Premium Payments	Goods and Serv. Procu.	Interest Exp.	Curr. Trans.	Capital Exp.	Capital Trans.	Loaning
General Public Services	10,5	9,1	9,4	100,0	27,3	3,2	36,1	2,1
Defense Services	11,2	10,1	14,7	0,0	0,0	0,0	0,0	0,0
Public Order and Security Services	18,4	14,8	11,2	0,0	0,0	10,1	0,0	0,0
Economic Affairs and Services	6,9	8,0	7,6	0,0	16,3	60,1	6,2	68,0
Environmental Protection Services	0,2	0,2	0,1	0,0	0,0	0,0	1,6	0,0
Housing and Community Welfare Services	0,0	0,0	0,1	0,0	2,3	5,8	55,7	0,0
Health Services	11,4	13,7	32,2	0,0	0,0	5,9	0,0	0,0
Recreational, Cultural and Religious Serv.	4,4	4,9	2,7	0,0	0,4	1,9	0,1	0,0
Education Services	36,6	38,7	20,1	0,0	1,2	12,9	0,3	29,8
Social Security and Social Assistance	0,4	0,4	2,0	0,0	52,4	0,0	0,0	0,0
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Annex Table 5. General Budget Financing (March-End)

	January	February	March
<b>PRIMARY BALANCE</b>	<b>3.879.409</b>	<b>8.965.871</b>	<b>8.210.166</b>
<b>BUDGET BALANCE</b>	<b>-403.733</b>	<b>-31.634</b>	<b>-5.540.671</b>
BUDGET ESCROWS	1.283.528	-1.086.134	-1.234.121
OTHER ESCROWS	-1.432.399	-736.400	-1.504.497
ADVANCES	935.814	851.681	211.243
<b>Cash Balance</b>	<b>383.210</b>	<b>-1.002.487</b>	<b>-8.068.046</b>
<b>Treasury Funding</b>	<b>-383.210</b>	<b>1.002.487</b>	<b>8.068.046</b>
<b>Total Net Borrowing (Borrowing minus repayment)</b>	<b>1.891.361</b>	<b>4.657.815</b>	<b>7.920.935</b>
<b>Total of Borrowings So Far</b>	<b>8.327.310</b>	<b>15.537.429</b>	<b>21.227.182</b>
Domestic Borrowing	7.167.997	14.266.598	18.687.985
Bond	5.566.997	11.750.598	15.340.985
Bill	1.601.000	2.516.000	3.347.000
External Borrowing	1.159.313	1.270.831	2.539.197
<b>Total Capital Repayments</b>	<b>-6.435.949</b>	<b>-10.879.614</b>	<b>-13.306.246</b>
Domestic Borrowing	-4.226.664	-8.051.927	-10.478.559
Bond	-1.154.664	-4.188.927	-4.344.559
Bill	-3.072.000	-3.863.000	-6.134.000
External Borrowing	-2.209.285	-2.827.687	-2.827.687
<b>Funds Other Than Borrowing</b>	<b>90.365</b>	<b>71.880</b>	<b>116.137</b>
Privatization Revenues Transferred to Treasury	63.795	63.795	63.795
Net Loans (-)	-26.570	-8.085	-52.342
<b>Cash Movement (- entry, + exit)</b>	<b>-2.364.936</b>	<b>-3.727.208</b>	<b>30.974</b>
Resource: Undersecretariat of Treasury			



Annex Table 6. Composition of Central Government Debt Stock (March-End)

<i>(million YTL)</i>	Central Govt Debt Stock (End of 2007)	%	Central Govt Debt Stock January 2008	%	Central Govt Debt Stock February 2008	%	Central Govt Debt Stock (March 2008)	%
<b>Structure of Domestic Debt Stock</b>	<b>255.310</b>	<b>100,0</b>	<b>258.468</b>	<b>100,0</b>	<b>262.019</b>	<b>100,0</b>	<b>266.477</b>	<b>100,0</b>
<i>In Terms of Holders</i>	255.310	100,0	258.468	100,0	262.019	100,0	266.477	100,0
To Government	66.876	26,2	67.423	26,1	68.499	26,1	69.038	25,9
To Market	188.434	73,8	191.044	73,9	193.519	73,9	197.439	74,1
<i>In Terms of Interest Structure</i>	255.310	100,0	258.468	100,0	262.019	100,0	266.477	100,0
Fixed Interests	128.148	50,2	131.184	50,8	135.278	51,6	138.386	51,9
Variable Interests	127.162	49,8	127.284	49,2	126.741	48,4	128.091	48,1
<i>In Terms of FX Composition</i>	255.310	100,0	258.468	100,0	262.019	100,0	266.477	100,0
YTL	229.168	89,8	232.109	89,8	236.761	90,4	238.756	89,6
FX	24.931	9,8	25.132	9,7	24.007	9,2	26.316	9,9
FX Indexed	1.211	0,5	1.226	0,5	1.251	0,5	1.405	0,5
<b>Structure of External Debt Stock</b>	<b>78.168</b>	<b>100,0</b>	<b>78.170</b>	<b>100,0</b>	<b>79.725</b>	<b>100,0</b>	<b>86.439</b>	<b>100,0</b>
<i>In Terms of Interest Structure</i>	78.168	100,0	78.170	100,0	79.725	100,0	86.439	100,0
Fixed Interests	57.731	73,9	57.680	73,8	59.573	74,7	64.241	74,3
Variable Interests	20.437	26,1	20.490	26,2	20.152	25,3	22.199	25,7
<b>Structure of Total Debt Stock</b>	<b>333.478</b>	<b>100,0</b>	<b>336.638</b>	<b>100,0</b>	<b>341.744</b>	<b>100,0</b>	<b>352.917</b>	<b>100,0</b>
<i>In Terms of Holders</i>								
To Government	66.876	20,1	67.423	20,0	68.499	20,0	69.038	19,6
To Market	266.602	79,9	269.215	80,0	273.244	80,0	283.878	80,4
<i>In Terms of Interest Structure</i>	333.478	100,0	336.638	100,0	341.744	100,0	352.917	100,0
Fixed Interests	185.879	55,7	188.864	56,1	194.851	57,0	202.627	57,4
Variable Interests	147.599	44,3	147.774	43,9	146.893	43,0	150.290	42,6
<i>In Terms of FX Composition</i>	333.478	100,0	336.638	100,0	341.744	100,0	352.917	100,0
YTL	229.168	68,7	232.109	68,9	236.761	69,3	238.756	67,7
FX	103.099	30,9	103.303	30,7	103.732	30,4	112.756	31,9
FX Indexed	1.211	0,4	1.226	0,4	1.251	0,4	1.405	0,4
Average Term of Domestic Debt Stock (Month)	25,7		24,9		24,4		23,4	
Average Term of Domestic Borrowing (Month)*	22,0		21,2		27,6		20,4	
Average Interest Rate of Domestic Borrowings % (2)*	16,52		16,23		16,72		17,49	

\*December 2007 data has been used

(1) It is assumed that total of the External Debt Stock is for the market.

(2) Discounted Sales

Resource: [www.hazine.gov.tr](http://www.hazine.gov.tr)



Annex Table 8. Comparative Central Government Budget Expenditures 2007-2008 (April-End)

	2007				2008				Increase Rate	
	April	Total	Realized	Realization Rate	April	Total	Budget Estimation	Realizaion Rate	April	Total
<b>Central Government Budget Expenditures</b>	<b>16.362.700</b>	<b>65.804.597</b>	<b>203.500.684</b>	<b>32,3</b>	<b>18.637.973</b>	<b>70.199.846</b>	<b>222.553.217</b>	<b>31,5</b>	<b>13,9</b>	<b>6,7</b>
<b>Primary Budget Expenditures</b>	<b>13.282.377</b>	<b>46.757.484</b>	<b>154.769.069</b>	<b>30,2</b>	<b>14.472.353</b>	<b>52.283.389</b>	<b>166.553.167</b>	<b>31,4</b>	<b>9,0</b>	<b>11,8</b>
<b>Personnel Expenditures</b>	<b>3.620.372</b>	<b>14.812.758</b>	<b>43.554.730</b>	<b>34,0</b>	<b>4.013.661</b>	<b>16.526.289</b>	<b>48.672.049</b>	<b>34,0</b>	<b>10,9</b>	<b>11,6</b>
Govt. Premium Exp. to Social Sec. Inst.	440.374	1.845.956	5.800.916	31,8	488.486	2.073.864	6.405.463	32,4	10,9	12,3
Goods and Service Procurement Exp.	1.881.916	5.342.929	22.154.275	24,1	1.832.848	5.612.682	22.905.423	24,5	-2,6	5,0
Defense-Security	527.975	1.158.511	7.576.376	15,3	637.001	1.373.381	8.410.568	16,3	20,6	18,5
Health Expenditures	626.314	2.295.099	6.624.064	34,6	503.009	2.112.582	6.741.000	31,3	-19,7	-8,0
General Treat. and Health Equip. Exp.	200.928	577.930	1.735.246	33,3	132.743	513.494	1.801.586	28,5	-33,9	-11,1
General Medication Expenditures	118.543	308.960	974.930	31,7	75.068	299.584	1.089.414	27,5	-36,7	-3,0
Green Card Health Services	306.843	1.408.209	3.913.888	36,0	295.198	1.299.504	3.850.000	33,8	-3,8	-7,7
Govt. Debt General Expenditures	3.182	23.605	59.111	39,9	8.664	22.989	130.000	17,7	172,3	-2,6
Other Goods & Services Procurement Exp.	724.445	1.865.714	7.894.724	23,6	684.174	2.103.730	7.623.855	27,6	-5,6	12,8
<b>Current Transfers</b>	<b>5.751.921</b>	<b>20.608.965</b>	<b>63.249.159</b>	<b>32,6</b>	<b>6.531.372</b>	<b>24.045.746</b>	<b>69.206.600</b>	<b>34,7</b>	<b>13,6</b>	<b>16,7</b>
<b>Duty Losses</b>	<b>193.944</b>	<b>347.149</b>	<b>1.401.345</b>	<b>24,8</b>	<b>95.655</b>	<b>563.304</b>	<b>1.551.334</b>	<b>36,3</b>	<b>-50,7</b>	<b>62,3</b>
SEE Duty Losses	140.000	190.000	699.891	27,1	40.000	300.000	733.000	40,9	-71,4	57,9
Financial Inst. Duty Losses	31.000	97.000	376.432	25,8	34.000	195.034	611.000	31,9	9,7	101,1
Other Duty Losses	22.944	60.149	325.022	18,5	21.655	68.270	207.334	32,9	-5,6	13,5
<b>Treasury Subsidies</b>	<b>2.933.634</b>	<b>12.156.344</b>	<b>36.273.127</b>	<b>33,5</b>	<b>3.864.245</b>	<b>13.511.814</b>	<b>39.912.216</b>	<b>33,9</b>	<b>31,7</b>	<b>11,2</b>
Treasury Subsidies to Social Security Inst.	190.500	388.000	807.545	48,0	72.955	295.066	932.000	31,7	-61,7	-24,0
Unemployment Insurance Fund	190.500	388.000	807.545	48,0	72.955	295.066	932.000	31,7	-61,7	-24,0
Health, Pension and Social Assistance Benefits	2.600.300	11.083.301	33.063.333	33,5	3.599.998	12.474.967	37.031.000	33,7	38,4	12,6
Financing Social Security Deficit	2.149.830	8.726.522	25.823.450	33,8	3.069.550	9.944.431	28.804.000	34,5	42,8	14,0
Treasury Subsidies to Local Administrations	97.162	507.954	1.706.350	29,8	129.401	514.843	1.235.100	41,7	33,2	1,4
Other Treasury Subsidies	45.672	177.089	695.899	25,4	61.891	226.938	714.116	31,8	35,5	28,1
<b>Transfers to Non-Profit Organizations</b>	<b>24.180</b>	<b>174.383</b>	<b>681.416</b>	<b>25,6</b>	<b>67.800</b>	<b>183.961</b>	<b>335.898</b>	<b>54,8</b>	<b>180,4</b>	<b>5,5</b>
<b>Transfers to Households</b>	<b>121.356</b>	<b>339.578</b>	<b>994.286</b>	<b>34,2</b>	<b>160.221</b>	<b>375.617</b>	<b>1.101.438</b>	<b>34,1</b>	<b>32,0</b>	<b>10,6</b>
<b>Agricultural Transfers</b>	<b>1.101.718</b>	<b>2.217.981</b>	<b>5.555.090</b>	<b>39,9</b>	<b>935.572</b>	<b>3.205.524</b>	<b>5.400.000</b>	<b>59,4</b>	<b>-15,1</b>	<b>44,5</b>
Product Support Benefits	25.000	271.209	1.708.455	15,9	150.000	713.000	1.758.000	40,6	500,0	162,9
Livestock Husbandry Support Benefits	50.000	330.000	740.690	44,6	175.000	948.872	731.000	129,8	250,0	187,5
Other Agricultural Transfers	1.026.718	1.616.772	3.105.945	52,1	610.572	1.543.652	2.911.000	53,0	-40,5	-4,5
<b>Other Transfers to Households</b>	<b>12.081</b>	<b>127.361</b>	<b>617.967</b>	<b>20,6</b>	<b>13.299</b>	<b>144.622</b>	<b>632.826</b>	<b>22,9</b>	<b>10,1</b>	<b>13,6</b>
<b>Social Transfers</b>	<b>2.942</b>	<b>8.769</b>	<b>67.400</b>	<b>13,0</b>	<b>28.305</b>	<b>68.913</b>	<b>227.791</b>	<b>30,3</b>	<b>862,1</b>	<b>685,9</b>
Transfers to Abroad	32.676	130.293	500.571	26,0	55.062	190.261	654.057	29,1	68,5	46,0
<b>Shares from Revenues</b>	<b>1.329.390</b>	<b>5.107.107</b>	<b>17.157.957</b>	<b>29,8</b>	<b>1.311.213</b>	<b>5.801.730</b>	<b>19.391.040</b>	<b>29,9</b>	<b>-1,4</b>	<b>13,6</b>
Local Administration Shares	987.874	3.938.843	13.285.805	29,6	942.979	4.599.095	15.059.000	30,5	-4,5	16,8
Shares to Funds	172.174	881.471	3.223.685	27,3	173.026	1.049.792	3.822.378	27,5	0,5	19,1
Other Shares	169.342	286.793	648.467	44,2	195.208	152.843	509.662	30,0	15,3	-46,7
<b>Capital Expenditures</b>	<b>1.075.635</b>	<b>2.333.756</b>	<b>12.915.236</b>	<b>18,1</b>	<b>995.948</b>	<b>1.926.183</b>	<b>11.775.030</b>	<b>16,4</b>	<b>-7,4</b>	<b>-17,5</b>
<b>Capital Transfers</b>	<b>276.745</b>	<b>714.891</b>	<b>3.542.631</b>	<b>20,2</b>	<b>140.464</b>	<b>686.463</b>	<b>2.084.420</b>	<b>32,9</b>	<b>-49,2</b>	<b>-4,0</b>
Domestic Capital Transfers	274.495	711.401	3.354.759	21,2	127.097	671.476	1.862.447	36,1	-53,7	-5,6
International Capital Transfers	2.250	3.490	187.872	1,9	13.367	14.987	221.973	6,8	494,1	329,4
<b>Loans</b>	<b>235.414</b>	<b>1.098.229</b>	<b>3.552.122</b>	<b>30,9</b>	<b>469.574</b>	<b>1.412.162</b>	<b>3.933.510</b>	<b>35,9</b>	<b>99,5</b>	<b>28,6</b>
Domestic Loans	220.415	1.074.374	3.267.122	32,9	419.574	1.342.162	3.708.510	36,2	90,4	24,9
International Loans	14.999	23.855	285.000	8,4	50.000	70.000	225.000	31,1	233,4	193,4
Auxiliary Appropriations	0	0	0		0	0	1.570.672	0,0		
<b>Interest Expenditures</b>	<b>3.080.323</b>	<b>19.047.113</b>	<b>48.731.615</b>	<b>39,1</b>	<b>4.165.620</b>	<b>17.916.457</b>	<b>56.000.050</b>	<b>32,0</b>	<b>35,2</b>	<b>-5,9</b>

Annex Table 9. Comparative Central Government Budget Revenues 2007-2008(April-End)

	2008 April	2007 April	Increase (%)	Foreseen in 2008 Budget	2007 Year-End	Realized Compared to 2008 Budget (%)	Realized Compared to 2007 Year-End (%)
<b>Central Govt. Revenues</b>	<b>64.750.629</b>	<b>60.424.276</b>	<b>7,16</b>	<b>204.556.459</b>	<b>189.617.246</b>	<b>31,65</b>	<b>31,87</b>
<b>General Budget Revenues</b>	<b>62.445.747</b>	<b>58.830.843</b>	<b>6,14</b>	<b>199.410.938</b>	<b>184.235.392</b>	<b>31,32</b>	<b>31,93</b>
<b>I- Tax Revenues</b>	<b>53.157.833</b>	<b>43.800.420</b>	<b>21,36</b>	<b>171.206.312</b>	<b>152.831.736</b>	<b>31,05</b>	<b>28,66</b>
<b>Taxes on Revenues, Profits and Capital Earnings</b>	<b>16.313.059</b>	<b>12.554.190</b>	<b>29,94</b>	<b>52.600.000</b>	<b>48.197.403</b>	<b>31,01</b>	<b>26,05</b>
<b>Income Tax</b>	<b>11.902.399</b>	<b>9.422.455</b>	<b>26,32</b>	<b>38.100.000</b>	<b>34.446.780</b>	<b>31,24</b>	<b>27,35</b>
Declaration-Based Income Tax	898.123	760.652	18,07	1.512.910	1.505.819	59,36	50,51
Lump Sum Income Tax	106.700	102.655	3,94	214.798	197.097	49,67	52,08
Income Tax Collection	10.559.018	8.249.914	27,99	35.141.082	31.678.554	30,05	26,04
Prepaid Income Tax	338.558	309.234	9,48	1.231.210	1.065.310	27,50	29,03
<b>Corporation Tax</b>	<b>4.410.660</b>	<b>3.131.735</b>	<b>40,84</b>	<b>14.500.000</b>	<b>13.750.623</b>	<b>30,42</b>	<b>22,78</b>
Declaration-Based Corporation Tax	276.806	48.111	475,35	220.000	156.122	125,82	30,82
Corporation Tax Collection	55.951	-95.457	158,61	16.000	42.494	349,69	-224,64
Corporation Tax Collection	4.077.903	3.179.081	28,27	14.264.000	13.552.007	28,59	23,46
<b>Taxes on Property</b>	<b>1.782.804</b>	<b>1.492.248</b>	<b>19,47</b>	<b>4.029.000</b>	<b>3.645.419</b>	<b>44,25</b>	<b>40,93</b>
Inheritance Tax	22.039	21.182	4,05	152.000	124.603	14,50	17,00
Motor Vehicles Tax	1.760.765	1.471.066	19,69	3.877.000	3.520.816	45,42	41,78
<b>Domestic Goods and Services Taxes</b>	<b>21.246.249</b>	<b>18.552.957</b>	<b>14,52</b>	<b>71.382.312</b>	<b>63.589.293</b>	<b>29,76</b>	<b>29,18</b>
<b>Domestic VAT</b>	<b>5.751.297</b>	<b>4.913.799</b>	<b>17,04</b>	<b>17.652.000</b>	<b>16.792.632</b>	<b>32,58</b>	<b>29,26</b>
<b>Special Consumption Tax</b>	<b>12.678.121</b>	<b>11.233.525</b>	<b>12,86</b>	<b>44.719.366</b>	<b>39.110.505</b>	<b>28,35</b>	<b>28,72</b>
SCT on Oil and Natural Gas Products	7.319.365	6.224.008	17,60	25.638.366	22.051.751	28,55	28,22
SCT on Motor Vehicles	1.293.620	1.007.354	28,42	4.611.000	4.293.326	28,06	23,46
SCT on Fizzy, Alcohol Drinks and Tobacco	3.738.226	3.683.310	1,49	13.207.000	11.720.469	28,30	31,43
SCT on Durable and Other Goods	326.910	318.853	2,53	1.263.000	1.044.959	25,88	30,51
<b>Bank and Insurance Operation Taxes</b>	<b>1.262.629</b>	<b>1.038.070</b>	<b>21,63</b>	<b>3.975.946</b>	<b>3.149.139</b>	<b>31,76</b>	<b>32,96</b>
<b>Other Taxes on Goods and Services</b>	<b>1.554.202</b>	<b>1.367.563</b>	<b>13,65</b>	<b>5.035.000</b>	<b>4.537.017</b>	<b>30,87</b>	<b>30,14</b>
<b>Transaction Tax on International Trade</b>	<b>10.796.539</b>	<b>8.546.285</b>	<b>26,33</b>	<b>33.502.000</b>	<b>28.970.325</b>	<b>32,23</b>	<b>29,50</b>
Customs Taxes	947.797	783.866	20,91	2.952.000	2.440.591	32,11	32,12
Customs Taxes	9.834.116	7.748.941	26,91	30.500.000	26.492.642	32,24	29,25
Other Foreign Trade Revenues	14.626	13.478	8,52	50.000	37.092	29,25	36,34
<b>Stamp Tax</b>	<b>1.309.048</b>	<b>1.153.050</b>	<b>13,53</b>	<b>4.200.000</b>	<b>3.641.947</b>	<b>31,17</b>	<b>31,66</b>
<b>Fees</b>	<b>1.694.359</b>	<b>1.485.226</b>	<b>14,08</b>	<b>5.400.000</b>	<b>4.741.541</b>	<b>31,38</b>	<b>31,32</b>
<b>Other Taxes Not Classified Any where else</b>	<b>15.775</b>	<b>16.464</b>	<b>-4,18</b>	<b>93.000</b>	<b>45.808</b>	<b>16,96</b>	<b>35,94</b>
<b>II- Enterprise and Property Revenues</b>	<b>3.786.690</b>	<b>3.114.497</b>	<b>21,58</b>	<b>8.978.314</b>	<b>7.903.902</b>	<b>42,18</b>	<b>39,40</b>
<b>Goods and Services Sale Revenues</b>	<b>490.760</b>	<b>454.494</b>	<b>7,98</b>	<b>1.687.000</b>	<b>1.468.088</b>	<b>29,09</b>	<b>30,96</b>
<b>SEE and Public Bank Revenues</b>	<b>2.559.902</b>	<b>1.931.211</b>	<b>32,55</b>	<b>4.247.707</b>	<b>4.454.737</b>	<b>60,27</b>	<b>43,35</b>
<b>Profits of Institutions</b>	<b>389.752</b>	<b>398.013</b>	<b>-2,08</b>	<b>1.715.807</b>	<b>918.321</b>	<b>22,72</b>	<b>43,34</b>
<b>Rent Revenues</b>	<b>225.212</b>	<b>199.682</b>	<b>12,79</b>	<b>792.000</b>	<b>680.612</b>	<b>28,44</b>	<b>29,34</b>
<b>Other Enterprise and Property Revenues</b>	<b>121.064</b>	<b>131.097</b>	<b>-7,65</b>	<b>535.800</b>	<b>382.144</b>	<b>22,59</b>	<b>34,31</b>
<b>III- Donations, Aids and Specific Revenues Received</b>	<b>341.413</b>	<b>219.328</b>	<b>55,66</b>	<b>801.520</b>	<b>1.801.328</b>	<b>42,60</b>	<b>12,18</b>
<b>Donations and Aids from Abroad</b>	<b>297</b>	<b>12</b>		<b>0</b>	<b>51.820</b>		<b>0,02</b>
<b>Specific Revenues</b>	<b>341.116</b>	<b>219.316</b>	<b>55,54</b>	<b>801.520</b>	<b>1.749.508</b>	<b>42,56</b>	<b>12,54</b>
<b>IV- Interests, Shares and Fines</b>	<b>5.102.887</b>	<b>5.780.467</b>	<b>-11,72</b>	<b>14.118.022</b>	<b>15.621.495</b>	<b>36,14</b>	<b>37,00</b>
<b>Interest Revenues</b>	<b>1.219.257</b>	<b>1.613.599</b>	<b>-24,44</b>	<b>2.225.152</b>	<b>4.615.880</b>	<b>54,79</b>	<b>34,96</b>
<b>Shares Received from Persons and Institutions</b>	<b>2.431.866</b>	<b>1.850.294</b>	<b>31,43</b>	<b>6.393.236</b>	<b>5.438.273</b>	<b>38,04</b>	<b>34,02</b>
State Shares	72.652	54.665	32,90	240.000	216.235	30,27	25,28
Shares of General Budget Institutions	2.359.214	1.795.629	31,39	6.153.236	5.222.038	38,34	34,39
<b>Fines</b>	<b>989.472</b>	<b>1.405.624</b>	<b>-29,61</b>	<b>3.399.900</b>	<b>3.675.028</b>	<b>29,10</b>	<b>38,25</b>
Judicial Fines	55.807	50.193	11,18	162.580	159.837	34,33	31,40
Administrative Fines	297.020	191.823	54,84	657.291	711.427	45,19	26,96
Tax Fines	615.870	1.128.586	-45,43	2.557.218	2.687.174	24,08	42,00
Other Fines	20.775	35.022	-40,68	22.811	116.590	91,07	30,04
<b>Other Various Revenues</b>	<b>462.292</b>	<b>910.950</b>	<b>-49,25</b>	<b>2.099.734</b>	<b>1.892.314</b>	<b>22,02</b>	<b>48,14</b>
<b>V- Capital Revenues</b>	<b>56.924</b>	<b>5.916.131</b>	<b>-99,04</b>	<b>4.306.770</b>	<b>6.076.931</b>	<b>1,32</b>	<b>97,35</b>
<b>Revenues from Sale of Immovables</b>	<b>57.025</b>	<b>77.344</b>	<b>-26,27</b>	<b>401.300</b>	<b>231.148</b>	<b>14,21</b>	<b>33,46</b>
<b>Revenues from Sale of Movables</b>	<b>-101</b>	<b>-3.184</b>	<b>96,83</b>	<b>5.470</b>	<b>3.812</b>	<b>-1,85</b>	<b>-83,53</b>
<b>Other Capital Sale Revenues</b>	<b>0</b>	<b>5.841.971</b>		<b>3.900.000</b>	<b>5.841.971</b>	<b>0,00</b>	<b>100,00</b>
<b>Revenues of Special Budgeted Institutions</b>	<b>1.283.213</b>	<b>923.357</b>	<b>38,97</b>	<b>3.417.133</b>	<b>3.795.238</b>	<b>37,55</b>	<b>24,33</b>
<b>Revenues of Regulatory and Supervisory Institution</b>	<b>1.021.669</b>	<b>670.076</b>	<b>52,47</b>	<b>1.728.388</b>	<b>1.586.616</b>	<b>59,11</b>	<b>42,23</b>

Annex Table 10. 2008 % Distribution of 2008 Central Government Budget Expenditures as to Functional and Economic Classification (April-End)

4 a)

	Personnel Exp.	SSI Premium Payments	Goods and Serv. Procu.	Interest Exp	Curr. Trans	Capital Exp	Capital Trans.	Loans	Total
General Public Services	6.7	0.7	2.0	68.2	20.7	0.2	1.2	0.3	100
Defense Services	58.5	6.7	34.7	0.0	0.0	0.0	0.0	0.0	100
Public Order and Security Services	73.2	7.5	16.2	0.0	0.0	3.1	0.0	0.0	100
Economic Affairs and Services	14.3	2.1	4.6	0.0	55.2	12.5	0.5	10.8	100
Environmental Protection Services	63.7	8.7	9.6	0.0	0.0	1.2	16.9	0.0	100
Housing and Community Welfare Services	0.6	0.1	0.4	0.0	58.1	8.2	32.6	0.0	100
Health Services	47.4	7.3	41.1	0.0	0.1	4.1	0.0	0.0	100
Recreational, Cultural and Religious Serv.	65.0	9.1	12.1	0.0	9.4	4.0	0.4	0.0	100
Education Services	65.8	8.6	11.9	0.0	4.7	4.4	0.1	4.5	100
Social Security and Social Assistance	0.5	0.1	0.9	0.0	98.4	0.0	0.0	0.0	100

4 b)

	Personnel Exp.	SSI Premium Payments	Goods and Serv. Procu.	Interest Exp.	Curr. Trans.	Capital Exp.	Capital Trans.	Loans
General Public Services	10.6	9.0	9.4	100.0	22.6	3.0	46.0	6.2
Defense Services	11.0	10.1	19.2	0.0	0.0	0.0	0.0	0.0
Public Order and Security Services	18.0	14.6	11.7	0.0	0.0	6.5	0.0	0.0
Economic Affairs and Services	7.2	8.6	6.8	0.0	19.3	54.6	6.3	64.4
Environmental Protection Services	0.2	0.2	0.1	0.0	0.0	0.0	1.3	0.0
Housing and Community Welfare Services	0.0	0.0	0.1	0.0	2.3	4.0	44.3	0.0
Health Services	11.1	13.6	28.4	0.0	0.0	8.3	0.0	0.0
Recreational, Cultural and Religious Serv.	4.4	4.9	2.4	0.0	0.4	2.3	0.7	0.0
Education Services	37.0	38.5	19.8	0.0	1.8	21.0	1.4	29.3
Social Security and Social Assistance	0.4	0.4	2.1	0.0	53.6	0.3	0.0	0.1
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Annex Table 11. General Budget Financing (April-End)

	January	February	March	April
<b>PRIMARY BALANCE</b>	<b>3.879.409</b>	<b>8.965.871</b>	<b>8.210.166</b>	<b>12.067.371</b>
<b>BUDGET BALANCE</b>	<b>-403.733</b>	<b>-31.634</b>	<b>-5.540.671</b>	<b>-5.849.086</b>
BUDGET ENCROWS	1.283.528	-1.086.134	-1.234.121	-1.131.630
OTHER ENCROWS	-1.432.399	-736.400	-1.504.497	-681.785
ADVANCES	935.814	851.681	211.243	197.263
<b>Cash Balance</b>	<b>383.210</b>	<b>-1.002.487</b>	<b>-8.068.046</b>	<b>-7.465.238</b>
<b>Treasury Funding</b>	<b>-383.210</b>	<b>1.002.487</b>	<b>8.068.046</b>	<b>7.465.238</b>
<b>Total Net Borrowing (Borrowing minus repayment)</b>	<b>1.891.361</b>	<b>4.657.815</b>	<b>5.765.077</b>	<b>8.472.389</b>
<b>Total of Borrowings So Far</b>	<b>8.327.310</b>	<b>15.537.429</b>	<b>21.227.182</b>	<b>33.704.143</b>
Domestic Borrowing	7.167.997	14.266.598	18.687.985	30.277.607
Bond	5.566.997	11.750.598	15.340.985	25.649.607
Bill	1.601.000	2.516.000	3.347.000	4.628.000
External Borrowing	1.159.313	1.270.831	2.539.197	3.426.536
<b>Total Capital Repayments</b>	<b>-6.435.949</b>	<b>-10.879.614</b>	<b>-15.462.104</b>	<b>-25.231.754</b>
Domestic Borrowing	-4.226.664	-8.051.927	-10.478.559	-19.671.755
Bond	-1.154.664	-4.188.927	-4.344.559	-12.894.970
Bill	-3.072.000	-3.863.000	-6.134.000	-6.776.785
External Borrowing	-2.209.285	-2.827.687	-4.983.545	-5.559.999
<b>Funding Other Than Borrowing</b>				
	90.365	71.880	116.137	132.644
Privatization Revenues Transferred to Treasury Hazineye Aktarılan	63.795	63.795	63.795	63.795
Net Loans (-)	-26.570	-8.085	-52.342	-68.849
<b>Cash Movement (- entry, + exit)</b>	<b>-2.364.936</b>	<b>-3.727.208</b>	<b>2.186.832</b>	<b>-1.139.796</b>
Resource: Undersecretariat of Treasury				

Annex Table 12. Composition of Central Government Debt Stock (April-End)

(million YTL)	Central Govt. Debt Stock (End of 2007)	%	Central Govt. Debt Stock (January 2008)	%	Central Govt. Debt Stock (February 2008)	%	Central Govt. Debt Stock (March 2008)	%	Merkezi Yönetim Borç Stoku (Nisan 2008)	%
<b>Structure of Domestic Debt Stock</b>	<b>255.310</b>	<b>100,0</b>	<b>258.468</b>	<b>100,0</b>	<b>262.019</b>	<b>100,0</b>	<b>266.477</b>	<b>100,0</b>	<b>268.794</b>	<b>100,0</b>
<i>In Terms of Holders</i>	255.310	100,0	258.468	100,0	262.019	100,0	266.477	100,0	268.794	100,0
To Government	66.876	26,2	67.423	26,1	68.499	26,1	69.038	25,9	69.120	25,7
To Market	188.434	73,8	191.044	73,9	193.519	73,9	197.439	74,1	199.674	74,3
<i>In Terms of Interest Structure</i>	255.310	100,0	258.468	100,0	262.019	100,0	266.477	100,0	268.794	100,0
Fixed Interests	128.148	50,2	131.184	50,8	135.278	51,6	138.386	51,9	136.920	50,9
Variable Interests	127.162	49,8	127.284	49,2	126.741	48,4	128.091	48,1	131.874	49,1
<i>In Terms of FX Composition</i>	255.310	100,0	258.468	100,0	262.019	100,0	266.477	100,0	268.794	100,0
YTL	229.168	89,8	232.109	89,8	236.761	90,4	238.756	89,6	241.152	89,7
FX	24.931	9,8	25.132	9,7	24.007	9,2	26.316	9,9	26.250	9,8
FX Indexed	1.211	0,5	1.226	0,5	1.251	0,5	1.405	0,5	1.391	0,5
<b>Structure of External Debt Stock</b>	<b>78.168</b>	<b>100,0</b>	<b>78.178</b>	<b>100,0</b>	<b>79.736</b>	<b>100,0</b>	<b>86.567</b>	<b>100,0</b>	<b>85.839</b>	<b>100,0</b>
<i>In Terms of Interest Structure</i>	78.168	100,0	78.178	100,0	79.736	100,0	86.567	100,0	85.839	100,0
Fixed Interests	57.731	73,9	57.687	73,8	59.583	74,7	64.344	74,3	63.824	74,4
Variable Interests	20.437	26,1	20.491	26,2	20.154	25,3	22.223	25,7	22.014	25,6
<b>Structure of Total Debt Stock</b>	<b>333.478</b>	<b>100,0</b>	<b>336.646</b>	<b>100,0</b>	<b>341.755</b>	<b>100,0</b>	<b>353.045</b>	<b>100,0</b>	<b>354.632</b>	<b>100,0</b>
<i>In Terms of Holders</i>										
To Government	66.876	20,1	67.423	20,0	68.499	20,0	69.038	19,6	69.120	19,5
To Market (1)	266.602	79,9	269.223	80,0	273.256	80,0	284.006	80,4	285.512	80,5
<i>In Terms of Interest Structure</i>	333.478	100,0	336.646	100,0	341.755	100,0	353.045	100,0	354.632	100,0
Sabit Faizliler	185.879	55,7	188.871	56,1	194.861	57,0	202.730	57,4	200.744	56,6
Variable Interests	147.599	44,3	147.775	43,9	146.895	43,0	150.314	42,6	153.889	43,4
<i>In Terms of FX Composition</i>	333.478	100,0	336.646	100,0	341.755	100,0	353.045	100,0	354.632	100,0
YTL	229.168	68,7	232.109	68,9	236.761	69,3	238.756	67,6	241.152	68,0
FX	103.099	30,9	103.311	30,7	103.743	30,4	112.884	32,0	112.089	31,6
FX Indexed	1.211	0,4	1.226	0,4	1.251	0,4	1.405	0,4	1.391	0,4
Average Term of Domestic Debt Stock (Month)	25,7		24,9		24,4		23,4		23,5	
Average Term of Domestic Borrowing (Month)*	22,0		21,2		27,6		20,4		30,7	
Average Interest Rate of Domestic Borrowings % (2)*	16,52		16,23		16,72		17,49		18,3	

\*December 2007 data has been used

(1) It is assumed that total of the External Debt Stock is for the market.

(2) Discounted Sales

Resource: [www.hazine.gov.tr](http://www.hazine.gov.tr)

