

tepav

türkiye ekonomi politikaları araştırma vakfı

Economic stability
institute

Fiscal Monitoring Report

- 2009 April
Budget Results

- Amendments in Borrowing Limit and
Budget Rights of the TGNA

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I. April 2009 Budget Execution Results

A. A Brief Outlook at the Central Government Budget Implementation 2009 April Month End Results - Executive Summary

Budget implementation results announced by the Ministry of Finance indicate that central government budget has a deficit of around 20 billion TL as of the end of April. In the given period, officially defined primary balance had a surplus of 1 billion TL whereas program defined primary surplus has a deficit of 6 billion TL. While budget revenues have improved by 4% compared to the same period last year, the rise in budget expenditures reached 6 times of revenues at 24.6% leading to a budget deficit as of the end of April high above the estimates for overall deficit for 2009.

Therefore, April implementation results together with the results attained over the first quarter of the year have confirmed that budget deficit has almost two folded the original estimates and that the deficit will grow further at the end of the year. While 25% of the primary budget allocations have been spent in the first three months of the year when compared to the same period last year, the proportion have reached 32.9% as of the end of April. Consequently, it appears that primary expenditures have elevated steeply in April. Over the same period last year, 31% of the allowances were used.

In terms of revenues, a 4 percentage point fall to 27.1% was observed, as compared to the same period last year. Reduction in tax revenues is more striking. Despite the income tax collections carried out at the end of April, the rate realized was 25.2% as compared to the original

estimates, and decreased by almost 6 percent than the previous year as per the revised estimates of the Pre-accession Economic Program (PEP).

*Table 1. Central Government Budget February 2008
Realizations (Compared to 2007)*

<i>million YTL</i>	April 08	April 09	Change (%)	Real. Com. to 08 Year- end	Real. Com. to 2009 allow.
Expenditures	70.200	87.435	24,55	31,07	33,74
1-Primary Expenditures	52.283	66.306	26,82	29,82	32,88
Personnel	16.526	19.199	16,17	33,85	33,56
Govern. Premiums to Social Security	2.074	2.326	12,17	32,40	32,12
Good and Service Purchase	5.613	7.128	27,00	23,44	28,00
Current Transfers	24.046	32.008	33,11	34,29	36,39
Capital Expenditures	1.926	2.930	52,11	10,45	19,74
Capital Transfers	686	767	11,75	21,64	27,16
Lending	1.412	1.948	37,95	32,02	41,80
Reserve Appropriations	0	0			
2-Interest Expenditures	17.916	21.128	17,93	35,37	36,74
Revenues	64.751	67.361	4,03	31,06	27,08
1-General Budget Revenues	62.446	64.866	3,88	30,85	26,70
Tax Revenues	53.158	50.958	-4,14	31,63	25,22
Enterprise and Property Revenues	3.787	5.797	53,08	51,89	78,73
Interests, Shares and Fines	5.103	6.286	23,18	29,97	32,36
Capital Revenues	57	1.365	2298,38	0,63	10,39
Grants and Aids	341	400	17,10	39,27	42,45
Collections from Loans	0	61			
2-Special Budget Revenues	1.283	1.364	6,32	29,37	35,18
3-Revenues from Supervisory and Regulatc	1.022	1.131	10,73	58,73	58,81
Budget Balance	-5.449	-20.073	-268,37	31,18	193,06
Primary Balance	12.467	1.055	-91,54	37,57	2,24
Program Defined Primary Balance	9.662	-6.062		54,46	

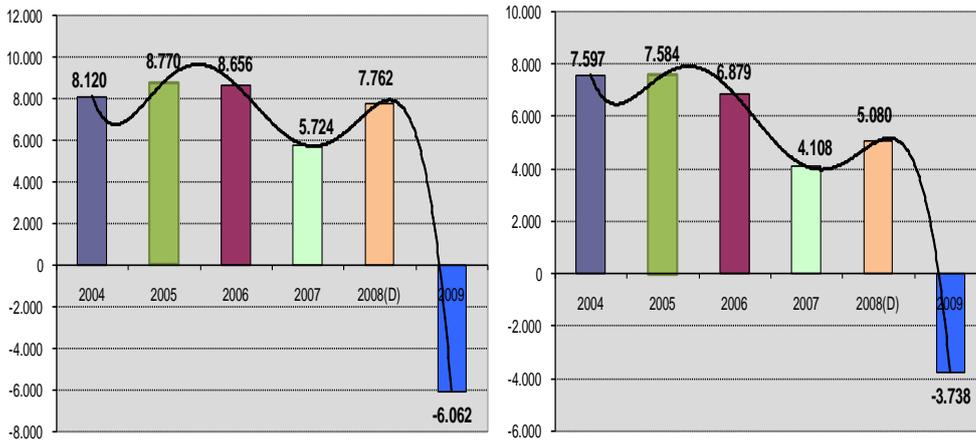
Rise in primary budget expenditures as of the end of April stood at 24.6%, high above inflation rate. On the expenditure side, though the rise in capital transfers took the lead as did in previous years, the increase in purchase of goods and services also become a determinant factor in the elevation of budget expenditures.

Under the current transfers item, the rise in duty losses of public enterprises become striking in this period. As discussed in detail below, an important part of duty losses of public enterprises pertained to Directorate General for Turkish Grain Board (TMO). To ensure that this situation

does not create further negative impact on the financial condition of the mentioned institution, it is necessary to allocate more resources for TMO from the budget. This will push the already-rising budget deficit upward and lead to additional borrowing from the markets. Most probably to remove this risk, the Government, with a law draft submitted to the Turkish Grand National Assembly (TGNA) on 27 May 2009, has proposed to grant bonds to the TMO in form of a loan under the title "campaign period for 2009" by amending the No 4749 Law on Regulating Public Finance and Debt Management. The possibility that Treasury bonds issued for onlending will not be reflected on the budget deficit and thus on the borrowing limit in cash should be regarded¹. As also emphasized in various issues of the fiscal monitoring reports in the recent period, this development proves that the duty losses that begun to accumulate over public enterprises have started to create a pressure on the central government budget. Cost of policy decisions of previous periods in a way manifests itself as if it is the cost of a crisis period. On the revenue side, the rises in dividend shares of state banks that are recorded in Treasury accounts; revenues from GSM 900 frequency distribution fees, and interests, fines and shares and privatization revenues attract attention.

¹ According to No 4749 Law on Regulating Public Finance and Debt Management Article 6 Clause 3, in case the Treasury receivables arising from bonds issued for onlending is not paid by the debtor institution to the Treasury, the amount shall be recorded as expenditure in the budget. However, in the recent past, the receivables arising from this type of bonds in transactions like Saving Deposit Insurance Fund (TMSF) and Housing Aid (KEY) payments were cancelled and the transactions were as a whole removed off the budget.

Graph 1. Realization of Program Defined Primary Surplus Performance of Central Government Budget (2004-2009 April end comparisons - million TL)



With current prices

with 2003=100 prices

2008(D) indicates that KEY payments were included in the primary balance

As a result of these developments, deterioration in program defined primary surplus performance of the budget both in nominal and real terms. Though this inevitably calls to our minds to discuss the impact of this situation on debt dynamics, this issue of the Fiscal Monitoring Report we would like to focus in detail on an issue that was addressed in the previous issue. As might be remembered, the report that covered the January-March 2009 period underlined that borrowings made to finance the budget deficit transcended the legal borrowing limit and that it is necessary to submit a draft for additional budget to the TGNA in terms of protecting the Budget Right of the TGNA. Synchronously with the period of publication of our report, the Government submitted to the TGNA a law draft which is known to be

called “mixed law” by the public. 31st article of the draft proposes that a provisional article must be added to the No 4749 Law on Regulating Public Finance and Debt Management to quadruple the borrowing limit. Then, during the consultation of law at TGNA Planning and Budgetary Commission, the limit was changed from quadruple to quintuple. In the face of the possibility that during the Planning and Budgetary Commission meetings some discussions were made on how the borrowing limit will be calculated and the risk that the limit can be interpreted in a way to damage the budget right of the TGNA, an assessment that aims to introduce a legal point of view concerning the issue has been added to the final section of the report.

B. Budget Expenditures

As of the end of April, budget expenditures have developed by 24.6% and primary expenditures by 26.8% compared to the same period last year. The majority of the rise in budget expenditures results from current transfers.

Realization rate of expenditures as of the end of April is 2.6 points above the rate same month last year and reached 33.7%. For primary expenditures, realization rate is 32.9%, 3.1 above the value for same month last year.

When realization rates for the budget are examined, duty losses of public enterprises grab attention with a rate of 80%. The relevant rate for last year stood at 23.4%. In this period, rate of realization for public enterprises overall reached 62.8%, highly above the rate for the previous year at 27.6%.

When compared to the same period last year, compensation for employees has increased by 16.2% and expenditure for purchase of goods and services has risen by 27%. Two most important sources of the rise in expenditures on goods and services were the defense expenditures with 37.7% rise and green card expenditures with 22.7% rise.

Table 2. April End 2008-2009 Comparative Budget Expenditures

(million YTL)	April				
	2008	2009	Rate of Increase (%)	2008 Realiz. Rate (%)	2009 Realiz. Rate (%)
Central Government Budget Expenditures	70.200	87.435	24,6	31,1	33,7
Excluding Interest	52.283	66.306	26,8	29,8	32,9
I. Compensation of Employees	16.526	19.199	16,2	33,8	33,6
II. Government Premiums to Social Security Agencies	2.074	2.326	12,2	32,4	32,1
III. Goods and Services Procurements	5.613	7.128	27,0	23,4	28,0
Health Expenditures	2.113	2.443	15,7	31,2	34,5
Medicine Expenditures	300	296	-1,1	31,7	25,9
General Cure and Pharmaceutical Products	513	553	7,7	28,7	30,2
Green Card	1.300	1.594	22,7	32,2	38,8
Defense and Security (Excluding Health)	1.373	1.891	37,7	16,8	20,7
Other Goods and Services	2.127	2.794	31,4	32,1	38,1
IV. Current Transfers	24.046	32.008	33,1	34,3	36,4
Duty Losses	563	1.934	243,2	27,6	62,8
Treasury Aid	13.512	19.057	41,0	34,9	37,7
Treasury Aid to Social Security Agencies	295	332	12,6	28,9	31,7
Health, Retirement and Social Aid Expenditures	12.475	17.775	42,5	35,5	38,1
Social Security Deficit Finance	9.944	9.689	-2,6	38,5	45,3
Transfers to non-financial Establishments	184	456	147,7	41,5	54,8
Transfers to Households	376	444	18,3	34,4	33,6
Agricultural Subsidy	3.206	2.731	-14,8	55,2	55,2
Other Transfers to Households	145	228	57,6	16,4	26,9
Social Transfers	69	268	289,2	15,6	31,7
Foreign Transfers	190	271	42,5	31,3	32,0
Shares from Revenues	5.802	6.620	14,1	29,0	26,8
V. Capital Expenditures	1.926	2.930	52,1	10,4	19,7
VI. Capital Transfers	686	767	11,8	21,6	27,2
Domestic Capital Transfers	671	765	13,9	22,1	28,9
Foreign Capital Transfers	15	3	-82,9	11,5	1,5
VII. Lending	1.412	1.948	38,0	32,0	41,8
Domestic Lending	1.342	1.809	34,8	33,7	41,7
Foreign Lending	70	139	98,6	16,2	42,6
VIII. Reserve Appropriations	0	0			
Interest Expenditures	17.916	21.128	17,9	35,4	36,7

Current transfers, which are the main source of the rise in budget expenditures has gone up by 33.1% in the given period. The biggest contribution was made by the resources transferred to social security institution under the title of health, retirement and social aid expenditures. Social security contribution made by the state as of the end of April rose approximately to 3.7 billion TL while burden of the 5-point premium cut introduced under the context of the measures to tackle the crisis reached 1.2 billion TL.

Another budget item that made a significant contribution to the rise in the current transfers was duty losses. Here, in particular the rise in duty losses of public enterprises grabs attention. When public enterprise duty losses item is examined in the context of economic coding detail, it is observed that the elevation mainly stems from TMO duty losses.

Table 3. 2006-2009 April-End Public Enterprise Duty Losses

	(1000 TL)				Change(%)		
	2006	2007	2008	2009	2007 / 2006	2008 / 2007	2009 / 2008
Duty Loss Total	2.550.271	2.703.930	3.093.842	6.332.591	6,03	14,42	104,68
SEE Duty Loss	258.088	208.177	320.759	1.622.252	-19,34	54,08	405,75
To State Railroads	19.018	18.177	19.094	20.500	-4,42	5,04	7,36
To Turkish Grain Board			160.000	1.268.863			693,04
TETAŞ	7.678						
TTK	2.080						
TŞFAŞ	20.000	80.000			300,00		
TKİ	209.312	110.000	140.000	144.000	-47,45	27,27	2,86

Investment expenditures that increased by 52% as of the end of April compared to the same period last year seems to be accelerated thanks to the expenditures made within April.

The rise in capital transfers stood at 11.8% which predominantly stems from the capital transfer toward KÖY-DES (Project to Support Rural Infrastructure) in April.

Consequently, around 60% of the 26.8% increase in primary expenditures originated from current transfers item while the contribution by current expenditures stood at 30%.

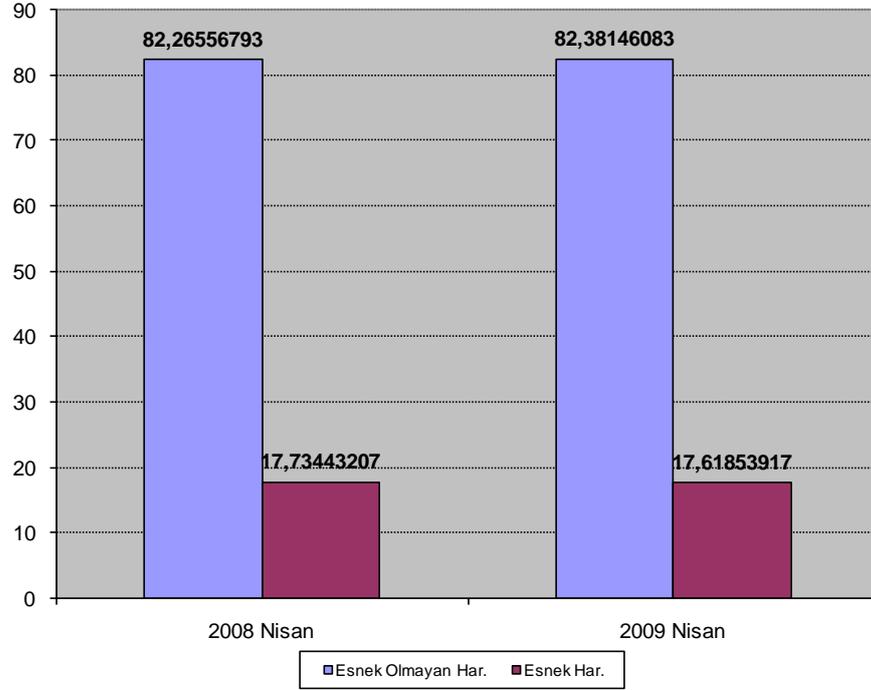
Table 4. Contribution of April Central Government Budget Primary Expenditures to Primary Expenditures

	Artış Oranına Katkı	(%) Dağılım
Expenditures Excluding Interest	26,8	100,0
Current Expenditures	8,0	29,9
Personnel	5,1	19,1
Goods and Services Purchases	2,9	10,8
Health	0,8	2,4
Defense and Security	1,0	3,7
Current Transfers	15,2	56,8
Treasury Aid to Social Security Agencies	0,1	0,3
Sağlık, Emeklilik ve Sosyal Yardım Giderleri	10,1	37,8
Health, Retirement and Social Aid Expenditures	-0,9	-3,4
Shares from Revenues	1,6	5,8
Capital Expenditures	1,9	7,2
Capital Transfers	0,2	0,6
Other	1,0	3,8

It is seen that as of the end of April, the share of inflexible expenditures² has reached 82.4 and of flexible expenditures reached 17.6%. As a result, in the periods of contraction, public revenues fall down whereas the rigidity in inflexible expenditures directly leads to an increase in budget deficit. Nonetheless, it is not possible to assess this increase solely as an expansionary fiscal policy as the mentioned phenomenon arises as the natural result of the economic contraction.

² Major inflexible expenditures are made to fulfill obligations such as interest and personnel expenditures and transfers to social security agencies.

Graph 2. Movement of the Share of Flexible and Inflexible Expenditures in the Budget (2008 - 2009 April)



C. Budget Revenues

Central government budget revenues have developed by 4% as of the end of April and reached 67.4 billion TL. Though the rise in enterprise and property revenues and revenues from interests, shares and fines has limited the fall, budget revenues have decreased by 2% in real terms as compared to the same month last year.

Negative developments considering tax revenue collection performance are still prevalent. While collection of tax revenue has decreased by 5.3% at the end of the first quarter of 2009, the rate has developed to 4.1% as of the end of April. 0.7% nominal fall in tax revenue collections

in April enabled an approximately 1 point lower fall in collections compared to the previous quarter.

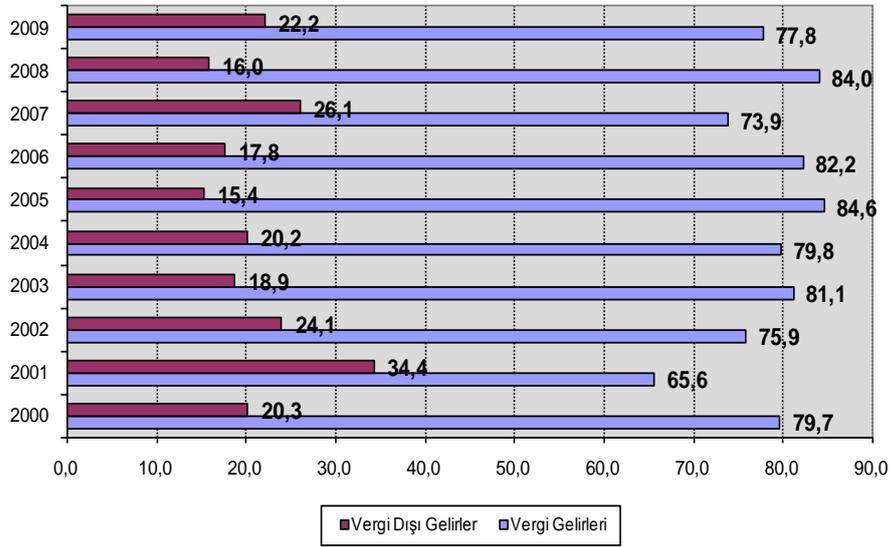
As of the end of April, realization rates in comparison with budget targets were 27.1% for total revenues and 25.2% for tax revenues. In comparison with the revised targets in the PEP document, realization rates appear as 31.8 and 30%, respectively. These rates prove that tax revenue performance was even below 2008, which is considered as a bad year in this respect. When GSM 900 frequency distribution fees (including VAT effect) and privatization revenues are removed, the fall in revenue performance becomes more striking. Moreover, the possibility that the share general budget received from several institutions and enterprises as well as the rise in interest revenue stemming from government debt securities recorded under interest revenues will not be as high as in April in the coming years makes the fiscal pressure on the revenue side of the budget severer.

Table 5. Central Government Budget Revenues (April)

(million YTL)	April 08	April 09	Rate of Change (%)
Central Government Revenues	64.751	67.361	4,03
General Budget Revenues	62.446	64.866	3,88
I-Tax Revenues	53.158	50.958	-4,14
1. Taxes on Income, Profits and Capital Gains	16.313	16.716	2,47
a) Income Tax	11.902	12.966	8,93
Based on Deduction	10.559	11.539	9,28
b) Corporation Tax	4.411	3.751	-14,96
Provisional Tax	4.078	3.529	-13,46
2. Taxes on Property	1.783	1.879	5,39
b) Motor Vehicles Tax	1.761	1.849	5,02
3. Domestic Taxes on Goods and Services	21.246	21.804	2,62
a) Domestic VAT	5.751	6.446	12,07
b) Special Consumption Tax	12.678	12.245	-3,42
c) Banking and Insurance Transactions Tax	1.263	1.546	22,42
d) Gambling Tax	139	132	-4,83
e) Special Communication Tax	1.415	1.435	1,43
4. Taxes on International Trade and Transactions	10.797	7.479	-30,73
b) VAT on Imports	9.834	6.697	-31,90
5. Stamp Duties	1.309	1.397	6,69
6. Fees	1.694	1.516	-10,53
7. Other Taxes Not Elsewhere Classified	16	167	959,97
II-Property Income	3.787	5.797	53,08
III-Grants and Aids and Special Revenues	341	400	17,10
IV-Interests, Shares and Fines	5.103	6.286	23,18
1. Interests	1.219	1.505	23,43
V-Capital Revenues	57	1.365	2298,38
VI-Collections from Loans	0	61	
Revenues from Special Budget Institutions	1.283	1.364	6,32
Revenues from Regulatory and Supervisory Institutions	1.022	1.131	10,73

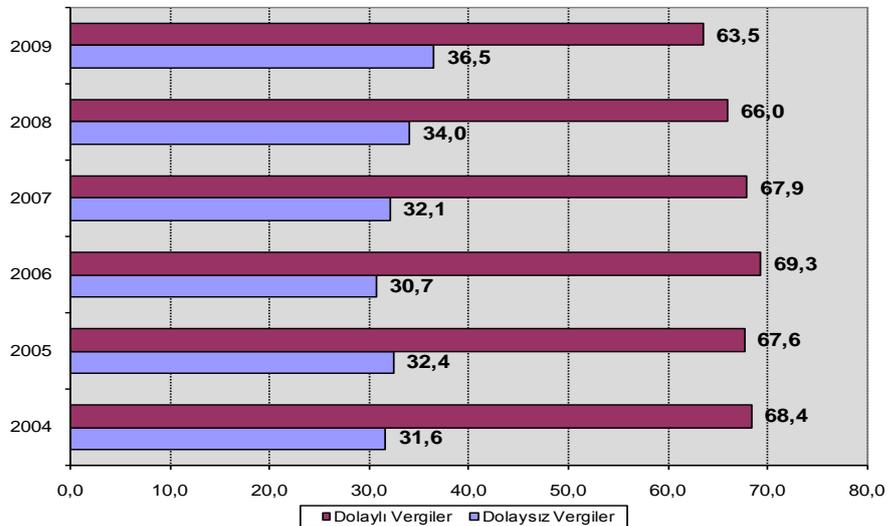
The contraction in tax revenues over the first four months of the year reduced the share of tax collections in total budget revenue collection almost by 6.2 points to 77.8%. The decrease in the share of normal revenues of the budget in total revenues is a significant indicator of the structural decay in the revenue side.

Graph 3. Changes in the Shares Tax Revenues and Non-tax Revenues in Total General Budget Revenue Collection (End of April) (%)



That the fall in tax revenues was relatively much higher for indirect taxes lead to an increase in the share of direct taxes in total tax collection. Therefore, share of direct taxes in total tax collection reached 36.5% which the highest rate for the recent period.

Graph 4. Shares of Direct and Indirect Taxes in 2004-2009 April End General Budget Tax Revenue Collection



When the fall in revenue collection is examined net of inflation, real decrease appears as 2% for total revenues and 9.7% for tax collection. Real decrease is observable in particular for VAT on imports, SCT, Corporation tax and fine collections. Falls in some tax items such as VAT on imports and SCT on durable goods have reached to quite serious levels over 30%.

Table 6. Real Increase in General Budget Tax Revenues (Net of Inflation) (2009/2008)

	2009	2008	Change	Real
	Jan-Apr	Jan-Apr	(%)	Change
	(tho. YTL)	(Tho YTL)		(%)
Central Government Revenues	67.361.292	64.750.629	4,03	-1,98
General Budget Revenues	64.865.697	62.445.747	3,88	-2,12
I-Tax Revenues	50.957.626	53.157.833	-4,14	-9,68
Taxes on Income, Profit and Capital Gains	16.716.416	16.313.059	2,47	-3,45
Income Tax	12.965.530	11.902.399	8,93	2,64
Based on Declaration	1.002.043	898.123	11,57	5,13
Lump-sum	119.787	106.700	12,27	5,78
Witholding Tax	11.538.944	10.559.018	9,28	2,97
Provisional Tax	304.756	338.558	-9,98	-15,18
Corporation Tax	3.750.386	4.410.660	-14,96	-19,87
Based on Declaration	139.394	276.806	-49,64	-62,55
Witholding Tax	82.454	55.951	47,37	38,86
Provisional Tax	3.529.038	4.077.903	-13,46	-18,46
Tax on Property	1.878.962	1.782.804	5,39	-0,69
Inheritance and Gift Taxes	29.825	22.039	35,33	27,51
Motor Vehicles Taxes	1.849.137	1.760.765	5,02	-1,05
Domestic Goods and Services Taxes	21.803.569	21.246.249	2,62	-3,30
Domestic VAT	6.445.503	5.751.297	12,07	5,60
Special Consumption Tax	12.244.605	12.678.121	-3,42	-9,00
SCT on Petroleum and Natural Gas	6.951.717	7.319.365	-5,02	-10,51
SCT on Motor Vehicles	858.986	1.293.620	-33,60	-37,43
SCT on Coke, Alcoholic Bev. & Tobacco Prod.	4.222.286	3.738.226	12,95	6,43
SCT on Durable Goods and Others	211.616	326.910	-35,27	-39,01
Banking and Insurance Transaction Tax	1.545.747	1.262.629	22,42	15,35
Other Taxes on Goods and Services	1.567.714	1.554.202	0,87	-4,96
Taxes on International Trade and Transactions	7.478.852	10.796.539	-30,73	-34,73
Customs Duties	768.924	947.797	-18,87	-23,56
VAT on Imports	6.696.601	9.834.116	-31,90	-35,84
Other Taxes on International Trade and Trans.	13.327	14.626	-8,88	-14,14
Stamp Duties	1.396.678	1.309.048	6,69	0,53
Fees	1.515.939	1.694.359	-10,53	-15,70
Other Taxes Not Elsewhere Classified	167.210	15.775	959,97	898,75

Nominal decrease in tax revenue collection mainly stemmed from the drop in VAT on imports, provisional

corporation tax and SCT collections, as will also be seen in the following tables.

Table 7. 2008-2009 April End Budget Tax Revenue Realizations and Contribution to the Increase in Revenue

million YTL	April		Rate of increase (%)	Cont. To rate of increase (%)
	2009	2008		
Tax Revenues	50.958	53.158	-4,1	100,0
Taxes on Income, Profits and Capital Gains	16.716	16.313	2,5	-18,3
Income Tax Collection	11.539	10.559	9,3	-44,5
Provisional Corporation Tax	3.529	4.078	-13,5	24,9
Special Consumption Tax	12.245	12.678	-3,4	19,7
SCT on Petroleum and Batural Gas	6.952	7.319	-5,0	16,7
Coke, Alcoholic Beveragges and Tobacco Prod.	4.222	3.738	12,9	-22,0
VAT Collection	13.142	15.585	-15,7	111,0
VAT on Imports	6.697	9.834	-31,9	142,6
Domestic VAT	6.446	5.751	12,1	-31,6
Other Taxes	8.855	8.581	3,2	-12,4
Stamp Duties	1.397	1.309	6,7	-4,0
Fees	1.516	1.694	-10,5	8,1
Banking and Insurance Transaction Tax	1.546	1.263	22,4	-12,9

Negative sign implies an increase and positive sign implies a decrease. As tax revenues falls down in general, positive sign implies a positive contribution to the rise in tax revenues.

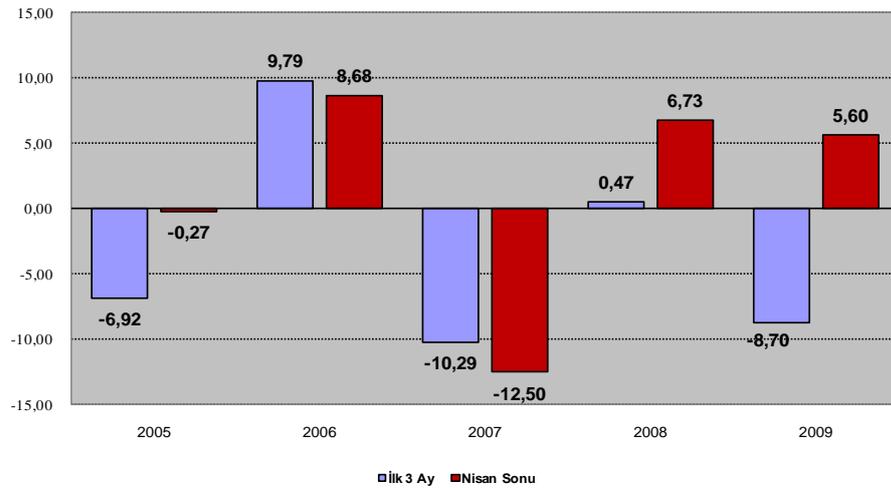
When provisional taxes recorded under indirect taxes are excluded and in case revenue collection performance does not improve, the revenue measures implemented following the negative growth and fall in the level of private consumption might possibly accelerate the reduction in indirect tax collection as also emphasized in the previous fiscal monitoring report. Again as emphasized in the previous report and confirmed with April realizations, we expect an additional slowdown in the rate of growth in the taxes on income and gains, predominantly in the corporation tax.

If we take a closer look at the evolution of some tax items to see the impacts of the changes in economic structure:

It is observed that domestic VAT collection that decreased by 8.7% in real terms over the last quarter when compared to same period last year increased by 5.6% as of

the end of April. When VAT collection from GSM 900 frequency distribution fees is excluded, real increase appears to be below 1%. Nonetheless, the risk that VAT collection does not rise in the following months unlike the rise in April raises the sensitivity of total tax revenue collection to VAT.

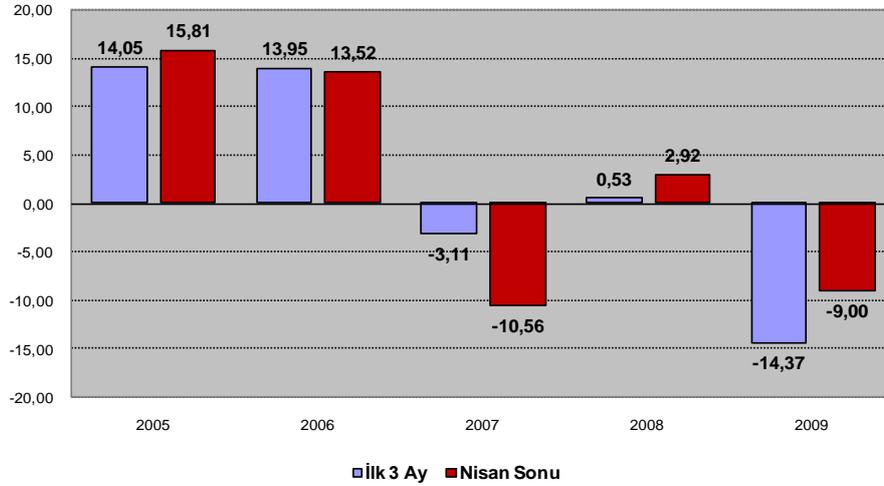
Graph 5. Real Increase in Domestic VAT Collection (%)



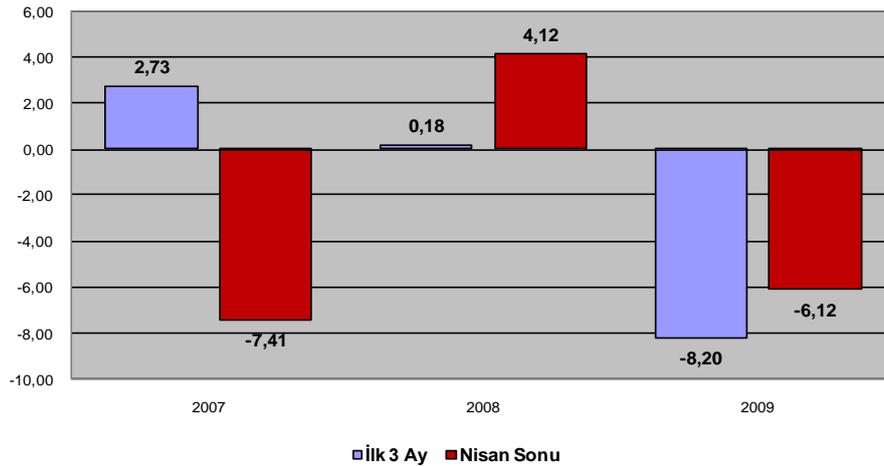
When the evolution of total SCT collection and accrual is considered,

- It is observed that collections that dropped by 14.4% in real terms over the first quarter of 2009 have fallen down to 9% as of the end of April.
- SCT accrual has decreased by 8.2% in the first month of the year and 6.1% as of the end of April. Real fall in accrual rate is high below the fall in collection rate. This should be considered as an important development in terms of indicating the seasonal deterioration in tax paying performance.

Graph 6. Real Rise in Special Consumption Tax Collection (%)

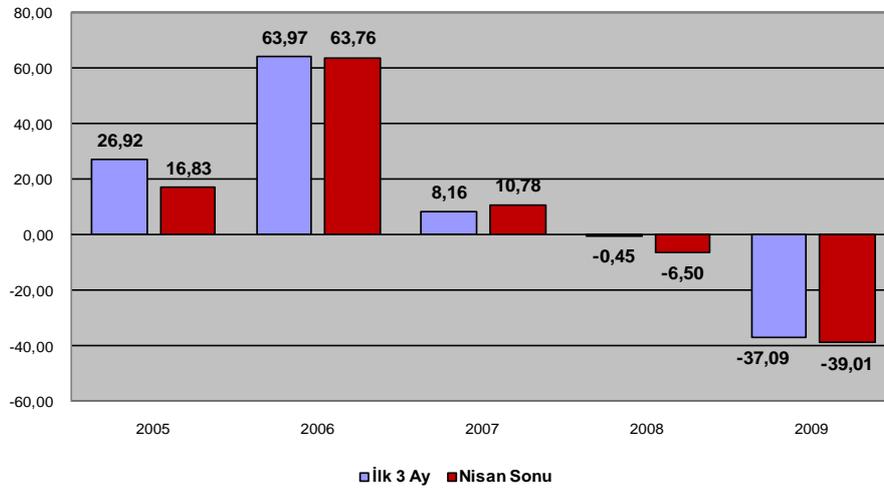


Graph 7. Real Rise in Special Consumption Tax Accrual (%)



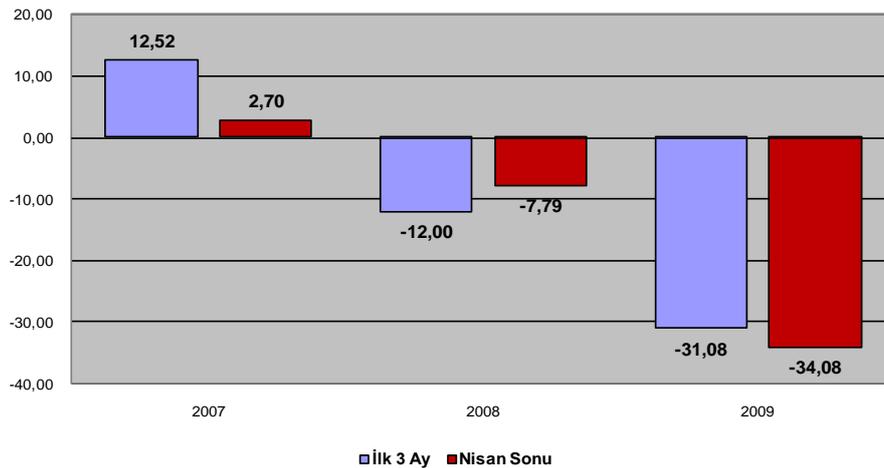
When real evolution of SCT collection and accrual on the basis of SCT collected for durable goods to take a closer look at the total demand tightening, as addressed in the previous reports, the said tightening appears more striking. Real decrease in collection elevated from 37.1% as of the end of the first quarter of 2009 to 39% as of the end of April.

Graph 8. Real Rise in Special Consumption Tax Collected for Durable Goods (% , Cumulative)



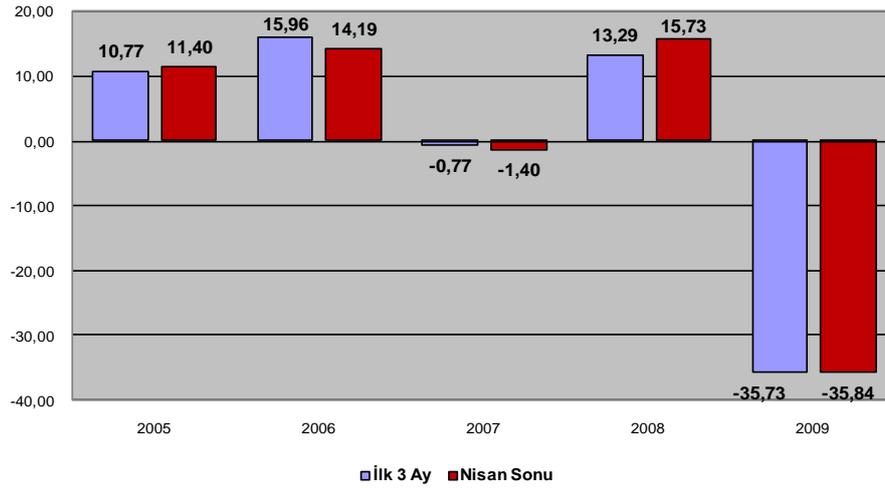
The fall in SCT collected for durable goods is observable as well for accrual. Real fall in accrual has exceeded 30% stemming from the reasons also emphasized in the previous reports.

Graph 9. Real Increase in Special Consumption Tax Accrual for Durable Goods (% , Cumulative)



Collection of VAT on imports has deteriorated strikingly due to the fall in imports (rise in the pace of the fall in imports), as was foreseen. Real fall in collection of VAT on imports transcended 35% as of the end of April.

Graph 10. Real increase in VAT on Imports (%)



II. Budget Financing and Developments in Debt Stock

Cash balance of the Treasury had a deficit of 534 million TL as of the end of April 2009. The Treasury, borrowing significantly above the cash deficiency, demonstrates a trend to accumulate reserves in this period. Net borrowing by the Treasury has reached 20.6 billion TL.

Table 8. Cash Balance of the Treasury (April)

(million YTL)	Jan*	Feb*	March*	April*	Total*
REVENUES	16.295	13.249	15.663	18.333	63.540
PRIVATIZATION AND FUND REVENUES	1	1.371	223	1.813	3.408
EXPENDITURES	18.215	26.611	20.543	20.680	86.049
Primary Expenditures	14.440	16.785	16.122	17.572	64.919
Interest Payments	3.774	9.826	4.421	3.108	21.130
PRIMARY BALANCE	1.854	-3.536	-458	761	-1.379
CASH BALANCE	-1.919	-11.992	-4.657	-534	-19.101
FINANCING	1.919	11.992	4.657	534	19.101
BORROWING (NET)	4.326	9.061	1.240	6.014	20.641
EXTERNAL BORROWING (NET)	1.156	115	-914	-635	-278
Utilization	1.632	721	45	11	2.408
Payment	476	606	958	646	2.687
DOMESTIC BORROWING (NET)	3.170	8.947	2.154	6.649	20.919
Utilization	6.840	23.315	3.748	12.300	46.203
Payment	3.670	14.368	1.594	5.651	25.283
PRIVATIZATION REVENUES	0	0	0	0	0
TRANSFERS FROM SDIF	34	29	1	0	64
ASSIGNED -GURANTEED DEBT RETURNS	50	53	98	82	282
BANK UTILIZATION	-2.490	2.848	3.319	-5.562	-1.885
EXCHANGE RATE DIFFERENTIAL	250	348	264	-204	657
BANK UTILIZATION NET	-2.740	2.500	3.055	-5.357	-2.542

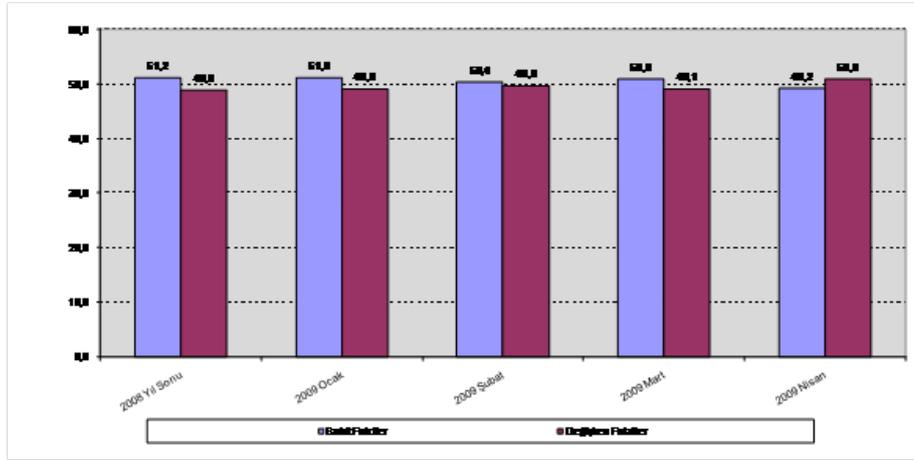
*Temporary

Table 9. General Budget Balance and Central Government Budget Balance, Comparative Table (April)

General Budget Balance		Central Government Budget Balance	
(million YTL)	April End	(million YTL)	April End
Budget Balance	-20.952	Budget Balance	-20.073
Escrows	-6.095	Escrows	-6.198
Advances	1.179	Advances	1.303
Cash Balance	-25.869	Cash Balance	-24.969
Funding	25.869	Funding	24.969
Total Net Borrowing	22.220	Total Net Borrowing	22.220
Let Lending (-)	-99	Let Lending (-)	-102
Privatization Revenues	0	Privatization Revenues	0
Change in Cash & Other Items (-) Entry (+) Exit	3.550	Change in Cash & Other Items (-) Entry (+) Exit	2.646

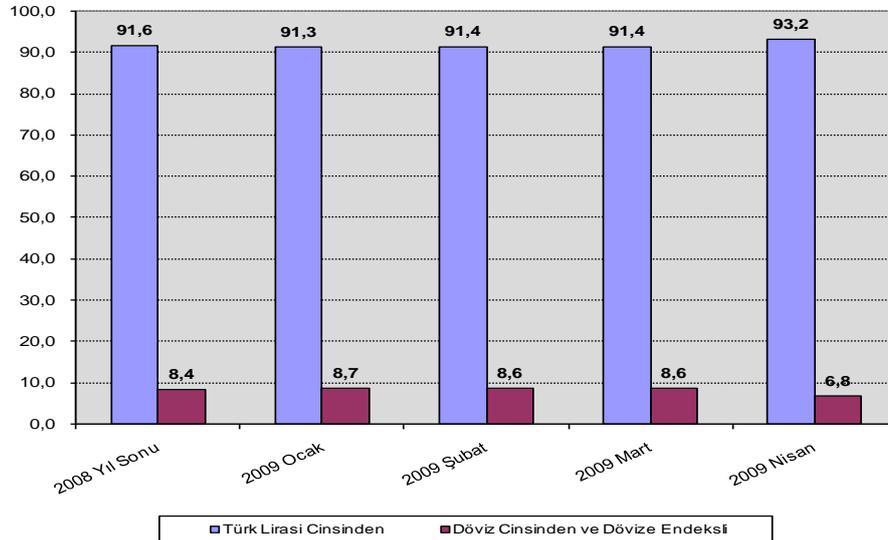
Difference between the cash balance of the Treasury and the General Budget cash balance that has to be financed is around 6 billion TL, for the benefit of the General Budget. This situation, which is addressed also in our previous reports, is explained with the shifts in month-end accounts.

Graph 11. Central Government Domestic Debt Stock Interest Structure



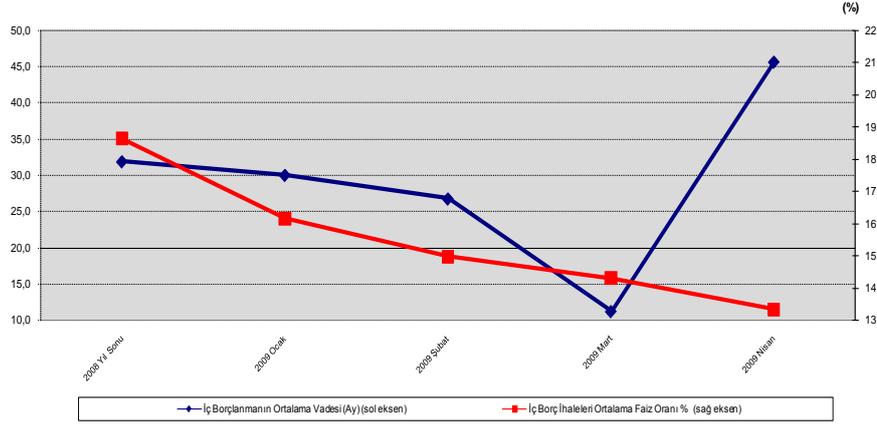
Though interest rate composition of the central government domestic debt stock did not change significantly compared to end of 2008, the rate has changed in favor of variable interest.

Graph 12. Central Government Domestic Debt Stock YTL-FX Structure



Domestic debt stock YTL-FX composition did not change significantly when compared to the end of 2008.

Graph 13. Average Maturity and Interest Rate for Domestic Borrowing



In January, domestic borrowing interest rate continued the downward trend that began last year and stood at 16.2% in average. Nonetheless, the downward trend is observable also in terms of borrowing maturity. In February, domestic borrowing interest rate maintained the same trend and fell to 15% while the average maturity also tended to shorten. This trend was observable also in the following months whereas borrowing maturity has surged significantly. It is observed that the main cause of this is the large security borrowing made in April. While domestic borrowing rate for April stood at 13.4%, average borrowing maturity reached 45.6% due to the large security sales carried out in April.

FAR FROM INTRODUCING A NEW FISCAL RULE, THE ONLY EXISTING FISCAL RULE IS LOOSENING

III. Evaluations on the Impact of the Amendments Tried to be Introduced with No 4749 Public Finance and Debt Management Law on Borrowing Limit and Budget Rights of the TGNA

A. Introduction

With the 31st article of the draft law, which still occupies the agenda of the TGNA, which is submitted to the Plenary Session after being negotiated in Planning and Budgetary Commission and which is known as a “mixed law” by the public, the borrowing limit promulgated in the 5th article of No 4749 Public Financing and Debt Management Law is quintupled. As it is understood that the central government budget deficit, originally foreseen and announced as 10.46 billion TL in 2009 Fiscal Year Budget cannot be met and thus the legal limit defined at the beginning of the year will be insufficient to finance such a large deficit, executive authority appears to prefer to raise the borrowing limit with such an amendment laying a legal basis for an actual situation.

Nonetheless, we believe that some points should be examined with the assumption that the planned amendment gives way to some legal problems both in terms the calculation of the borrowing limit and protecting the budget right of the TGNA. We will first touch upon how the impact of the planned amendment on borrowing limit must be assessed in legal terms; and then express our views on the undesirable and antidemocratic attitudes with respect to the budget right of the TGNA.

B. What should be the legal assessment considering the calculation of borrowing limit?

B.1 Legal arrangements

To answer this question, let us take a glance at the legal arrangements that will facilitate our analysis.

a. No 4749 Law Regulating Public Finance and Debt Management, Article 5 titled borrowing and guarantee limit:

The article stipulates as follows: "...in line with the principles of the Article 1 (of this Law) and fiscal sustainability, net debt utilization can be made up to the difference between the allocations mentioned in the budget law and estimated revenues. Borrowing limit cannot be changed. This limit can be increased by up to 5% within the year by taking into account the development and requirements of debt management. When even this amount is not sufficient, there can be an additional 5% increase only through the decision of Council of Ministers upon the proposal of the Minister and opinion of the Undersecretariat..."

Article 5, which is among the most important articles of No 4749 Law and which regulates the borrowing limit, can basically be defined as a "soft fiscal rule". Whereas fiscal rules mainly lay on principles such as transparency, accountability and sanctions, the Article involved in the Law and pertaining to borrowing limit puts emphasis on the first two of these principles and does not propose a specific principle on sanctions for exceeding the limit. Here, specific principle refers to the imposition of sanctions like calling the resignation of the Minister, implementing a motion of confidence, ceasing public services etc. in the event of the violation of the limit. Besides, article 5 assumes a

perception which grounds borrowing limit on budget deficit and tries to prevent over-borrowing of governments by increasing arbitrary expenditures. In this respect, the article proposes a structure that tries to solve the fiscal discipline issue within the general supervisory authority of both the public and the parliament as well as within general legal rules.

Therefore, the philosophy of the limit must be assessed as borrowing at the amount of estimated budget deficit. Five percent increases demonstrate the interval of loosening for the limit. The monitoring of the limit is left to role of the public and the parliament within general rules of law.

b. Article 31 of the mixed law still negotiated in the TGNA;

The article stipulates as follows:

“The following provisional articles have been added to the No 4749 Law Regulating Public Finance and Debt Management dated 28/03/2002:

Provisional Article 20 - Net debt utilization for 2009 as regulated by article 5 shall be applied as five times of the net utilization amount raised by the Ministry and the Council of Ministers effective as of 1/01/2009.”

This way, the legal limit is quintupled including the 5% raises applied under the authority of the Minister and the Council of Ministers. Since 2002 when No 4749 Law entered into force, no limit excess was observed and accordingly no legal arrangement was carried out as borrowing requirement decreased thanks to both relatively disciplined budget performance and privatization revenues.

However, due to the fall in revenues under the impact of the ongoing global crisis, inability to control expenditures and the constraints in privatization opportunities budget deficit has passed beyond the originally estimated level even at the beginning of the fiscal year and is expected to increase further. Under these circumstances, borrowing limit has already been exceeded and thus an illegitimate situation has appeared. Let us examine the legal consequences of this illegitimacy, if not overcome until the end of the year. Theoretically, upon the inspection of Treasury transactions, Treasury officials other than the Minister may be considered as political responsible for exceeding the power before the Court of Accounts. However, this is seen as a weak possibility. A higher possibility is that the Court of Accounts can leave the authority to impose sanctions to the discretion of the TGNA as the situation occurred for the first time. As a matter of fact, we are of opinion that the Mixed Law is submitted to the TGNA to overcome this type of “legally undesired outcomes”.

c. 2009 Fiscal Year Budget Law articles in the Expenditures, Revenues, Financing and Balance section:

These articles are of importance as the calculation of borrowing limit is based on.

“Expenditure

ARTICLE 1 - (1) As shown in Schedule (A) annexed to this Law, public administrations under the scope of the general budget and shown in Schedule (I) annexed to 10/12/2003 dated no 5018 Public Financial Management and Control Law, are given 257.742.143.488 TL allocations.

Revenues and Financing

ARTICLE 2 - (1) Revenues:

As shown in Schedule (B) annexed to this Law, general budget revenue shown in Schedule (I) annexed to No 5018 Law, is estimated as 244.170.907.000 TL.

Balance

ARTICLE 3 - (1) The difference between the allocations defined in Article 1 sub-clause (a) of this Law and the estimated revenues given in Article 2 clause 1 sub-clause (a) shall be met by net borrowing."

The amount net borrowing for a given fiscal year is determined associating the calculation of deficit based on these texts involved each year in budget laws with the borrowing limit regulated by the Article 5 of No 4749 Law Regulating Public Finance and Debt Management.

B.2 How can the limit be calculated? How can the legal situation arising from the calculation of the limit with teleological rather than grammatical interpretation?

The impression from the discussions in the Planning and Budgetary Commission on the Mixed Law still negotiated at the TGNA is that there are still some question marks about how to calculate the limits. In particular the statements on the fiscal effects of the Mixed Law the Minister of Finance delivered to the Commission, the impression that the increase in the borrowing limit will almost reach 75 billion TL is get.

Consequently, two opinions have appeared:

As per the first opinion; taking departure from the first, second and the third articles of the budget law text, borrowing limit

must be calculated taking as a basis the 13.5 billion TL, which is the difference between the total general budget allowance given as 257.7 billion TL and general budget revenue estimate given as 244.2 billion TL. As the amount is increased two times by 5% each and then quintupled, borrowing limit reached approximately 74.8 billion TL ($13.5 \times 1.05 \times 1.05 \times 5$). Proponents of this opinion directly interpret the legal texts given above grammatically and calculate the borrowing limit as 74.8 billion TL. Considering in terms of the central government budget the limit appears as 74.2 billion TL.

Despite this, the second opinion we adopt, on ground that the legal texts must be interpreted in terms of its purpose rather than grammatically, underlines that borrowing limit cannot be raised to 74.8% by quintupling the original limit as per the Mixed Law; rather only 57.9% of borrowing authority can be attained. The grounds of this opinion can be listed as follows:

1. A part of the general budget allowance contained in the first article of the Budget Law is cancelled by the Article 12 of the same Law that regulates "Allowance transfers and cancellations". To put it differently, the TGNA has cancelled with article 12 a certain proportion of the allowance granted in article 1. This approximately amounts 3.1 billion TL and following the deduction in the allowance, general budget deficit has fell down to 10.5 billion TL (considering the central government budget, the deficit corresponds approximately to 10.4 billion TL). Purpose of the Article 5 of Law Regulating Public Finance and Debt Management is financing the budget deficit defined as "the difference between the allocations mentioned in the budget law and estimated revenues". Therefore, in teleological terms, original budget allowance shall be interpreted as the allowance after deduction.

2. As the law maker has limited the original allowance by the 12th article, budget deficit shall be foreseen as 10.5 billion TL rather than 13.5 billion TL applicable for the institutions subjected to general budget. In fact, following this deduction, Ministry of Finance has announced the budget deficit target as 10.5 billion TL (10.4 billion TL for the central government budget). In that case, the deficit to be financed in line with the philosophy of the borrowing limit article of No 4749 Law shall be taken as 10.5 billion TL. Therefore, borrowing limit must be 57.9 billion TL upon the calculation (10.5 X 1.05 X 1.05 X 5= 57.9 billion TL). In case the other option is pursued, the additional borrowing burden created by the 3.1 billion TL difference between deducted and non-deducted allowance reaches a significantly higher level (3.1 x 1.05 x 1.05 x 5) = 16.9 billion TL.
3. Budget deficits with deducted and non-deducted allowances and possible borrowing limits for each case are summarized with the table below.

Table 10. 2009 Fiscal Year Central Government Budget and Deducted - Non-deducted Allowance and Revenue Estimates

	Bütçe Ödenekleri	Kesintili Bütçe Ödenekleri*
Total General Budget Allow.	257.742.143	254.680.210
Central Govn. Budget Allow.	262.217.866	259.155.933
General Budget Revenues	244.170.907	244.170.907
Central Govn. Budget Revenues	248.758.275	248.758.275
General Budget Balance	-13.571.236	-10.509.303
Central Govn. Budget Balance	-13.459.591	-10.397.658

* Deductions as per Budget Law Article 12

Note: Budget deficit announced to the public is 10.509 million TL for the general budget and 10.397 million TL for the central government budget; and General Directorate of Budget and Fiscal Control and General Directorate of Public Accounts prepare fiscal reports on the basis of these figures.

4. In this sense, No 4749 Law shall be interpreted in terms of its purpose and the figure announced to the public as budget deficit must be taken as a basis. Another point to the emphasized in this context is that the 1st and the 12th articles of the Budget Law seem contradictory, which should be overcome in the following legal texts. Nonetheless, this contradiction does not eliminate the main purpose of the No 4749 Law (financing the budget) deficit. Borrowing should be made only to finance the actual budget deficit (in our case, the actual deficit is the amount after deduction) as the provisions of article 12 invalidates article 1.

C. Mixed Law Regulating the Borrowing Limit and the Legal Status of the Budget Right

The amendment planned to be introduced in No 4749 Law Regulating Public Finance and Debt Management also raises interesting discussions considering the budget right of the TGNA. The discussions can be examined under two categories. However, the common argument in the discussions is that the TGNA falls short in supervising the implementation of budget right, which is the power of the executive authority to collect revenues, make expenditures and borrowing the TGNA assigned on behalf of the public at the beginning of the budget year, by the executive authority.

C.1 Grammatical interpretation of the Mixed Law poses the risk to violate TGNA's budget right.

As explained above, we believe that the budget right of the TGNA is explicitly violated in the event that the borrowing limit proposed in the Mixed Law is raised to 74.8 billion TL upon grammatical interpretation. We assess that if adopts the same interpretation and passes the law as it is, TGNA will come to terms with this violation. Negligence of the transfer to national assemblies of the budget right, which is among the most fundamental elements of the struggle for democracy since Magna Charta, can signal a serious weakness. Whereas the TGNA, by cancelling allocations, has defined the amount the executive branch is authorized to spend in practice (article 12), that the borrowing limit has been calculated over a higher expenditure and budget deficit level demonstrates the characteristics of exceeding power and violates the budget right.

C.2 That the TGNA was not submitted an additional budget law and rather borrowing limit was raised prevents the TGNA from having a say about the fiscal policies to be implemented throughout 2009, again violating the budget right.

As also stated before, the figures estimated in the budget adopted by the TGNA at the first months of the year have lost validity even as of the beginning of the year. Whereas budget deficit was estimated at 10.4 billion TL, Pre-accession Economic Program (PEP) published almost two months ago raised the amount to 50 billion TL level. While the first version of the Mixed Law submitted to the TGNA quadrupled the borrowing limit, the final version revised and quintupled the limit. Should the limit in the Law is interpreted to be raised to 74.8 billion TL,

this will implicitly mean that the Government estimates the budget deficit to be around 75 billion TL. The action we consider in the right direction in any case is that the Government submits an additional budget law based on the revenue and expenditure estimates it foresees. This way, the TGNA can be provided with the opportunity to discuss the fiscal plans, policies and priorities of the Government and decide alone under which conditions the authority it had assigned on behalf of the public must be renewed. In democracies, budget right has a meaning only if used as so. Making a law with the purpose of increasing the borrowing limit to finance a budget policy which is known to nobody but the Government eliminates the opportunity of the TGNA to have a say on the budget. The revisions to be introduced in the Medium Term Program and Medium Term Fiscal Plan to be announced in the upcoming days do not have any meaning in this context, as they are the discretions of the Government. But different from the past, paradigm of the authority to make the budget assigned by the TGNA has been changed completely and a new situation was created. Consequently, it is necessary to submit a new additional budget draft defining the new situation as well as a concordant borrowing limit to the TGNA to enable the legislative authority have a say about the issue.

D. Conclusion

The general conclusion to be drawn from the assessments given above is that increasing the borrowing limit with the Mixed Law still negotiated in the TGNA upon a grammatical interpretation and by exceeding the original limit defined by the TGNA violates the budget right. What is more important, carrying out a legal arrangement which increases the borrowing limit rather than submitting an additional budget draft to the TGNA leads to the

exclusion of the legislative authority, who on behalf of the public holds the budget right, the most important supervisory element in democracies. These signals a serious problem which should be regarded by all parties.

ANNEXES

Annexed Table 1. 2009 Central Government Budget Allowances and Expenditures (end of April)

	Jan	Feb	March	April	Total	2009 Budget	(%) Realization	Composition of Expenditures (%)
Expenditures	18.796.137	25.808.272	21.820.289	21.009.963	87.434.661	259.155.933	33,74	100,00
Primary Expenditures	15.013.225	15.949.584	17.371.673	17.971.922	66.306.404	201.655.903	32,88	75,84
I. Compensation of Employees	5.645.881	4.429.917	4.420.834	4.702.039	19.198.651	57.211.200	33,56	21,96
Civil Servants	4.978.248	3.770.439	3.745.801	3.867.045	16.361.533	47.650.824	34,34	18,71
Workers	177.728	236.373	235.956	287.204	937.261	4.103.648	22,84	1,07
Other	489.885	423.105	439.077	547.790	1.899.857	5.456.728	34,82	2,17
II. Govn. Premiums to Social Sec. Agencies	690.614	542.152	536.656	556.771	2.326.193	7.242.800	32,12	2,66
Civil Servants	605.190	436.489	431.260	433.219	1.906.158	5.857.701	32,54	2,18
Workers	29.198	48.967	45.197	59.577	182.939	698.623	26,19	0,21
Other	56.226	56.696	60.199	63.975	237.096	686.476	34,54	0,27
III. Good and Service Procurements	1.096.313	1.480.829	2.224.389	2.326.353	7.127.884	25.453.678	28,00	8,15
Defense and Security	118.841	343.784	794.382	633.508	1.890.515	9.113.219	20,74	2,16
Ministry of Defense	98.807	266.692	636.118	487.379	1.488.996	7.144.231	20,84	1,70
General Command of Gendarme	3.267	44.200	113.035	84.815	245.317	1.273.708	19,26	0,28
General Directorate of Security	16.767	32.892	45.229	61.314	156.202	695.280	22,47	0,18
Health Expenditures	541.729	574.581	640.249	686.789	2.443.348	7.084.000	34,49	2,79
Cure and Pharm. Prod. Exp. of Persons with Green Card	449.273	355.972	418.507	370.317	1.594.069	4.109.000	38,79	1,82
Medicine Expenditures	30.311	77.235	79.815	108.903	296.264	1.145.272	25,87	0,34
Cure and Pharmaceutical Products	62.145	141.374	141.927	207.569	553.015	1.829.728	30,22	0,63
General Debt Expenditures	23.855	470	2.501	186	27.012	145.000	18,63	0,03
Other Goods and Services Expenditures	411.888	561.994	787.257	1.005.870	2.767.009	9.111.459	30,37	3,16
IV. Current Transfers	7.166.408	8.777.144	8.235.812	7.829.130	32.008.494	87.955.756	36,39	36,61
Duty Losses	521.186	195.630	753.935	462.769	1.933.520	3.081.194	62,75	2,21
Duty Losses of Public Enterprises	454.050	106.017	675.885	366.000	1.601.752	2.004.999	79,89	1,83
Financial Institutions	63.443	54.148	60.891	61.681	240.163	750.000	32,02	0,27
Other Duty Losses	3.693	35.465	17.359	35.088	91.605	326.195	28,08	0,10
Treasury Aid	4.549.572	4.981.768	4.655.848	4.869.568	19.056.756	50.500.901	37,74	21,80
Treasury Aid to Social Security Agencies	95.813	80.064	76.782	79.644	332.303	1.048.000	31,71	0,38
Unemployment Insurance Fund	95.813	80.064	76.782	79.644	332.303	1.048.000	31,71	0,38
Provincial Offices	139.888	147.506	221.893	98.941	608.228	1.595.238	38,13	0,70
Municipalities	1.200	330	54.820	1.790	58.140	128.823	45,13	0,07
Other (provincial offices and villages)	138.688	147.176	167.073	97.151	550.088	1.466.415	37,51	0,63
Other Treasury Aids	63.871	76.003	106.706	94.157	340.737	1.167.663	29,18	0,39
DFIF	42.000	42.000	42.000	42.000	168.000	500.000	33,60	0,19
Other	21.871	34.003	64.706	52.157	172.737	667.663	25,87	0,20
Transfers to Non-financial Establishments	200.932	6.274	90.604	157.779	455.589	831.169	54,81	0,52
Transfers to Households	58.379	97.898	103.007	185.081	444.365	1.321.514	33,63	0,51
Scholarships & Pocket Money	42.714	50.386	53.129	90.184	236.413	615.025	38,44	0,27
Other Transfers for Education	4.241	28.591	32.153	66.998	131.983	527.042	25,04	0,15
Transfers for Health	4.091	4.609	5.083	4.213	17.996	68.609	26,23	0,02
Transfers for Foods	6.962	12.840	11.959	22.669	54.430	100.783	54,01	0,06
Transfers for Accommodation	371	1.472	683	1.017	3.543	10.055	35,24	0,00
Agricultural Subsidies	453.291	1.425.284	477.104	375.127	2.730.806	4.951.301	55,15	3,12
Direct Revenue Support	0	1.063.000	0	0	1.063.000	1.254.600	84,73	1,22
Differential Paying Supporting	150.000	150.000	263.000	155.000	718.000	1.870.200	38,39	0,82
Stockbreeding Support	245.000	200.000	150.000	198.000	793.000	1.182.600	67,06	0,91
Other	58.291	12.284	64.104	22.127	156.806	643.901	24,35	0,18
Other Transfers to Households	8.156	76.930	116.298	26.537	227.921	845.999	26,94	0,26
Social Transfers	52.797	68.689	70.812	75.891	268.189	847.092	31,66	0,31
Foreign Transfers	32.517	85.612	80.516	72.443	271.088	847.586	31,98	0,31
Shares from Revenues	1.289.578	1.839.059	1.887.688	1.603.935	6.620.260	24.729.000	26,77	7,57
V. Capital Expenditures	8.684	314.186	786.844	1.820.189	2.929.903	14.838.999	19,74	3,35
VI. Capital Transfers	80.300	71.821	235.209	379.822	767.152	2.824.819	27,16	0,88
VII. Lending	325.045	333.535	931.929	357.618	1.948.127	4.660.842	41,80	2,23
Domestic Lending	305.045	313.535	867.929	322.618	1.809.127	4.334.842	41,73	2,07
Public Enterprises	201.150	205.600	734.503	164.800	1.306.053	1.869.000	69,88	1,49
Risk Account	0	0	0	0	0	550.000	0,00	0,00
Other	103.895	107.935	133.426	157.818	503.074	1.915.842	26,26	0,58
Foreign Lending	20.000	20.000	64.000	35.000	139.000	326.000	42,64	0,16
Cyprus	20.000	20.000	64.000	35.000	139.000	326.000	42,64	0,16
VIII. Reserve Appropriations	0	0	0	0	0	1.467.809	0,00	0,00
Interest Expenditures	3.782.912	9.858.688	4.448.616	3.038.041	21.128.257	57.500.030	36,74	24,16
I. Domestic Interest	3.102.459	8.832.235	3.458.746	2.676.772	18.070.212	48.971.000	36,90	20,67
II. Foreign Debt Interest	680.453	1.026.453	971.803	361.269	3.039.978	6.308.030	48,19	3,48
III. Interest of Discount & Short Term Cash Operation	0	0	18.067	0	18.067	2.221.000	0,81	0,02

Annexed Table 2. Central Government Budget Expenditures, Comparative 2008-2009 (end of April)

	2008				2009				Rate of Increase	
	April	Total	Realization	Realization rate	April	Total	Budget Estimate	Realization Rate	April	Total
Central Government Budget Expenditures	18.637.973	70.199.846	225.967.471	31,1	21.009.963	87.434.661	259.155.933	33,7	12,7	24,6
Primary Expenditures	14.472.353	52.283.389	175.306.166	29,8	17.971.922	66.306.404	201.655.903	32,9	24,2	26,8
Compensation for Employees	4.013.661	16.526.289	48.824.636	33,8	4.702.039	19.198.651	57.211.200	33,6	17,2	16,2
Government Premiums to Social Security Agencies	488.486	2.073.864	6.401.679	32,4	556.771	2.326.193	7.242.800	32,1	14,0	12,2
Good and Services Procurements	1.832.848	5.612.682	23.940.547	23,4	2.326.353	7.127.884	25.453.678	28,0	26,9	27,0
Defense-Security	637.001	1.373.381	8.187.995	16,8	633.508	1.890.515	9.113.219	20,7	-0,5	37,7
Health Expenditures	503.009	2.112.582	6.764.102	31,2	686.789	2.443.348	7.084.000	34,5	36,5	15,7
General Cure and Pharmaceutical Products	132.743	513.494	1.787.785	28,7	207.569	553.015	1.829.728	30,2	56,4	7,7
General Medicine Expenditures	75.068	299.584	945.583	31,7	108.903	296.264	1.145.272	25,9	45,1	-1,1
Medicine Expenditures of Persons Having Green Card	295.198	1.299.504	4.030.734	32,2	370.317	1.594.069	4.109.000	38,8	25,4	22,7
General Debt Expenditures	8.664	22.989	87.791	26,2	186	27.012	145.000	18,6	-97,9	17,5
Other Goods and Services	684.174	2.103.730	8.900.659	23,6	1.005.870	2.767.009	9.111.459	30,4	47,0	31,5
Current Transfers	6.531.372	24.045.746	70.115.598	34,3	7.829.130	32.008.494	87.955.756	36,4	19,9	33,1
Duty Losses	95.655	563.304	2.040.518	27,6	462.769	1.933.520	3.081.194	62,8	383,8	243,2
Duty Losses of Public Enterprises	40.000	300.000	1.283.537	23,4	366.000	1.601.752	2.004.999	79,9	815,0	433,9
Financial Institutions	34.000	195.034	573.159	34,0	61.681	240.163	750.000	32,0	81,4	23,1
Other Duty Losses	21.655	68.270	183.822	37,1	35.088	91.605	326.195	28,1	62,0	34,2
Treasury Aid	3.864.245	13.511.814	38.768.630	34,9	4.869.568	19.056.756	50.500.901	37,7	26,0	41,0
Treasury Aid to Social Security Agencies	72.955	295.066	1.022.167	28,9	79.644	332.303	1.048.000	31,7	9,2	12,6
Unemployment Insurance Fund	72.955	295.066	1.022.167	28,9	79.644	332.303	1.048.000	31,7	9,2	12,6
Health, Retirement & Social Aid Expenditures	3.599.998	12.474.967	35.133.382	35,5	4.596.826	17.775.488	46.690.000	38,1	27,7	42,5
Government Social Security Contribution	0	0	1.718.300		942.144	3.687.318	12.268.000	30,1		
Social Security Deficit Finance	3.069.550	9.944.431	25.849.685	38,5	2.858.000	9.689.100	21.378.000	45,3	-6,9	-2,6
Other	530.448	2.530.536	7.565.397	33,4	796.682	4.399.070	13.044.000	33,7	50,2	73,8
Treasury Aid to Provincial Offices	129.401	514.843	1.917.527	26,8	98.941	608.228	1.595.238	38,1	-23,5	18,1
Other Treasury Aids	61.891	226.938	695.554	32,6	94.157	340.737	1.167.663	29,2	52,1	50,1
Transfers to Non-financial establishments	67.800	183.961	443.784	41,5	157.779	455.589	831.169	54,8	132,7	147,7
Transfers to Households	160.221	375.617	1.091.651	34,4	185.081	444.365	1.321.514	33,6	15,5	18,3
Agricultural Subsidies	935.572	3.205.524	5.809.045	55,2	375.127	2.730.806	4.951.301	55,2	-59,9	-14,8
Differential Paying Supporting	150.000	713.000	1.848.000	38,6	155.000	718.000	1.870.200	38,4		0,7
Stockbreeding Support	175.000	948.872	1.095.465	86,6	198.000	793.000	1.182.600	67,1	13,1	-16,4
Other Agricultural Transfers	610.572	1.543.652	2.865.580	53,9	22.127	1.219.806	1.898.501	64,3	-96,4	-21,0
Other Transfers to Households	13.299	144.622	883.509	16,4	26.537	227.921	845.999	26,9	99,5	57,6
Social Transfers	28.305	68.913	441.617	15,6	75.891	268.189	847.092	31,7	168,1	289,2
Foreign Transfers	55.062	190.261	608.674	31,3	72.443	271.088	847.586	32,0	31,6	42,5
Shares from Revenues	1.311.213	5.801.730	20.028.170	29,0	1.603.935	6.620.260	24.729.000	26,8	22,3	14,1
Shares of Local Government	942.979	4.599.095	15.829.326	29,1	1.060.189	5.089.460	19.919.000	25,6	12,4	10,7
Shares on Funds	173.026	1.049.792	3.554.512	29,5	194.195	1.070.688	4.220.578	25,4	12,2	2,0
Other Shares	195.208	152.843	644.332	23,7	349.551	460.112	589.422	78,1	79,1	201,0
Capital Expenditures	995.948	1.926.183	18.440.515	10,4	1.820.189	2.929.903	14.838.999	19,7	82,8	52,1
Capital Transfers	140.464	686.463	3.172.592	21,6	379.822	767.152	2.824.819	27,2	170,4	11,8
Domestic Capital Transfers	127.097	671.476	3.042.320	22,1	379.822	764.585	2.648.027	28,9	198,8	13,9
Foreign Capital Transfers	13.367	14.987	130.272	11,5	0	2.567	176.792	1,5	-100,0	-82,9
Lending	469.574	1.412.162	4.410.599	32,0	357.618	1.948.127	4.660.842	41,8	-23,8	38,0
Domestic Lending	419.574	1.342.162	3.978.599	33,7	322.618	1.809.127	4.334.842	41,7	-23,1	34,8
Foreign Lending	50.000	70.000	432.000	16,2	35.000	139.000	326.000	42,6	-30,0	98,6
Reserve Appropriations	0	0	0		0	0	1.467.809	0,0		
Interest Expenditures	4.165.620	17.916.457	50.661.305	35,4	3.038.041	21.128.257	57.500.030	36,7	-27,1	17,9

Annexed Table 3. Central Government Budget Revenues, Comparative 2008-2009 (end of April)

	2009 April	2008 April	Increase (%)	2009 Budget Forecast	2008 Year End	Realization Compared to 2009 Budget (%)	Realization Compared to 2008 Year End (%)
Central Government Budget Revenues	67,361.292	64,750.629	4,03	288,758.275	288,898.182	27,88	31,80
General Budget Revenues	64,865.697	62,445.747	3,88	242,957.046	282,798.045	26,70	38,79
I-Tax Revenues	58,957.626	53,157.833	-4,14	282,889.598	168,887.237	25,22	31,63
Taxes on Income, Profits and Capital Gains	16,716.416	16,313.859	2,47	65,481.318	54,932.959	25,56	29,70
Income Tax	12,965.538	11,982.399	8,53	45,253.823	38,827.934	28,65	31,30
Based on Declaration	1.082.043	898.123	11,57		1.808.529		49,66
Lump-sum	119.787	106.700	12,27		208.705		51,12
Withholding Tax	11.538.944	10.559.018	9,28		34.833.466		30,31
Provisional Tax	304.756	338.558	-9,88		1.177.234		28,76
Corporation Tax	3.758.886	4.410.660	-14,96		28.148.295		18,62
Based on Declaration	139.394	276.806	-49,64		517.230		53,52
Withholding Tax	82.454	55.951	-47,37		182.834		30,60
Provisional Tax	3.529.038	4.077.903	-13,46		16.204.961		25,16
Tax on Property	1.878.962	1.782.884	5,39	4.822.548	4.888.815	38,96	43,61
Inheritance and Gift Taxes	29.825	22.839	35,33	122.548	144.091	24,34	15,30
Motor Vehicle Tax	1.849.137	1.760.765	5,02	4.700.000	3.943.924	39,34	44,65
Domestic Goods and Services Taxes	21,883.569	21,246.249	2,62	79,865.371	67,252.732	27,58	31,59
Domestic VAT	6,446.583	5,751.297	12,87	19,973.859	16,798.948	32,27	34,24
Special Consumption Tax	12,244.685	12,678.121	-3,42	49,375.936	41,831.789	24,88	38,31
SCT on Petroleum and Natural Gas	6.951.717	7.319.365	-5,02		23.941.458		30,57
SCT on Motor Vehicles	858.986	1.293.620	-33,60		3.804.905		34,00
SCT on Coke, Alcoholic Bev. & Tobacco Prod.	4.222.286	3.738.226	12,95		13.080.130		28,58
SCT on Durable Goods and Other Goods	211.616	326.910	-35,27		1.005.216		32,52
Banking and Insurance Transactions Tax	1.545.747	1.262.629	22,42	4.188.888	3.695.136	37,78	34,17
Other Taxes on Goods and Services	1.567.714	1.554.282	0,87	5.615.576	4.926.939	27,92	31,54
Taxes on International Trade & Transactions	7,478.852	10,796.539	-38,73	42,853.351	32,774.519	17,78	32,94
Customs Duties	768.924	947.797	-18,87	3,507.979	2,767.278	21,92	34,25
VAT on Imports	6.696.601	9.834.116	-31,90	38.500.000	29.968.120	17,39	32,82
Other Taxes on International Trade & Transactions	13.327	14.626	-8,88	45.372	39.121	29,37	37,39
Stamp Duties	1.396.678	1.389.848	6,69	4.717.880	3.944.984	29,61	33,18
Fees	1.515.939	1.694.359	-18,53	5.978.882	5.843.297	25,39	33,68
Taxes not Elsewhere Classified	167.218	15.775	959,97	68.888	58.731	278,68	31,18
II-Property Income	5,796.564	3,786.698	53,88	7,362.418	7,297.383	78,73	51,89
Revenues from Valuable Bank Checks	481.611	480.768	-1,86	1.658.880	1.582.834	29,19	32,66
Revenues from SEE's and Public Banks	2.582.212	2.559.982	-2,25	3.346.712	3.876.379	74,77	66,84
Corporation Profits	389.818	389.752	0,02	935.697	791.898	41,66	49,22
Rents	248.544	225.212	18,36	858.881	729.253	29,24	38,88
Other Property Income	2.174.379	121.664	1.696,86	588.888	397.827	374,89	38,49
III-Grants and Aids and Special Revenues	399,797	341,413	17,18	941,822	869,338	42,46	39,27
From Abroad	31	297		18.229	9.548		3,11
Special Revenues	399.766	341.116	17,19	931.593	859.790	42,91	39,67
IV-Interests, Shares and Fines	6,285,932	5,182,887	23,18	19,424,424	17,826,484	32,36	29,97
Interest Revenues	1,584,896	1,219,257	23,43	2,446,543	4,275,191	61,54	28,52
Shares from Persons and Agencies	2.764.848	2.431.866	13,69	9.653.869	6.938.694	28,64	35,85
Governmental Shares	55.705	72.652	-23,33	380.000	308.789	14,66	23,53
Shares of General Budget Agencies	2.709.135	2.359.214	14,63	9.273.669	6.629.985	29,21	35,58
Fines	1.171.232	989.472	18,37	3.457.812	2.928.271	33,88	33,88
Judicial Fines	63.721	55.807	14,18	212.181	184.013	30,03	30,33
Administrative Fines	295.352	297.020	-0,56	1.046.857	917.222	28,21	32,38
Tax Penalty	789.406	615.870	28,18	2.092.441	1.736.213	37,73	35,47
Other Fines	22.753	20.775	9,52	105.533	82.823	21,56	25,08
Other Miscellaneous Revenues	844.964	462.292	82,78	3.868.888	2.892.338	21,94	15,98
V-Capital Revenues	1,365,253	56,924	2,298,38	13,138,888	9,184,999	18,39	8,63
Sales of Immovables	69.718	57.825	22,26	499.888	214.765	13,95	26,55
Sales of Movables	551	-181	645,54	8.888	1.567	6,89	-6,45
Sales of Other Miscellaneous Capitals	1.294.984	0		12.631.888	8.868.667	18,25	8,80
VI-Collections from Loans	68.525	0		0	484.632		
Revenues from Special Budget Institutions	1.364.275	1.283.213	6,32	3.877.618	4.368.546	35,18	29,37
Revenues from Regulatory & Supervisory Inst.	1.131.328	1.821.669	-16,73	1.923.611	1.739.592	58,81	58,73

Annexed Table 5. General Budget Finance (end of April)

	Jan	Feb	March	April
PRIMARY BALANCE	910.856	2.264.540	-2.231.314	175.835
BUDGET BALANCE	-2.872.056	-11.377.060	-20.321.531	-20.952.419
BUDGET ESCROWS	-3.272.761	-5.012.684	-3.787.841	-3.815.836
OTHER ESCROWS	-2.651.690	-2.574.065	-2.588.381	-2.279.541
ADVANCES	1.740.241	1.211.619	1.360.623	1.178.817
Cash Balance	-7.056.266	-17.752.190	-25.337.130	-25.868.979
Treasury Funding	7.056.266	17.752.190	25.337.130	25.868.979
<i>Total Net Borrowing (Borrowing minus repayment)</i>	4.294.038	13.552.496	15.858.866	22.220.457
<i>Total Borrowing</i>	8.624.626	33.315.830	38.289.890	51.056.690
Domestic Borrowing	6.998.758	30.879.897	35.689.047	48.065.482
Bills	6.006.758	26.444.897	27.384.213	39.760.648
Bonds	992.000	4.435.000	8.304.834	8.304.834
Foreign Borrowing	1.625.868	2.435.933	2.600.843	2.991.208
<i>Total Capital Repayments</i>	-4.330.588	-19.763.335	-22.431.024	-28.836.233
Domestic Borrowing	-3.818.105	-18.683.804	-20.395.012	-26.118.971
Bills	-299.105	-12.437.804	-13.497.012	-19.220.971
Bonds	-3.519.000	-6.246.000	-6.898.000	-6.898.000
Foreign Borrowing	-512.483	-1.079.530	-2.036.011	-2.717.262
<i>Funds other than Borrowing</i>	24.395	23.013	74.898	98.781
Privatization Revenues Transferred to Treasury	0	0	0	0
Net Lending (-)	-24.395	-23.013	-74.898	-98.781
<i>Cash movement (- entry, + exit)</i>	2.737.833	4.176.682	9.403.365	3.549.740

Source: Undersecretariat of Treasury

Annexed Table 6. Composition of Central Government Debt Stock (end of April)

(million YTL)	Central Government Debt Stock (end of 2008)	%	Central Government Debt Stock Jan 2009)	%	Central Government Debt Stock (Feb 2009)	%	Central Government Debt Stock (March 2009)	%
Structure of the Domestic Debt Stock	274.827	100,0	279.236	100,0	288.933	100,0	292.306	100,0
<i>In terms of holders</i>	274.827	100,0	279.236	100,0	288.933	100,0	292.306	100,0
To the government	65.751	23,9	66.221	23,7	67.244	23,3	67.736	23,2
To market	209.076	76,1	213.015	76,3	221.689	76,7	224.570	76,8
<i>In terms of interest structure</i>	274.827	100,0	279.236	100,0	288.933	100,0	292.306	100,0
Fixed-interest	140.614	51,2	142.429	51,0	145.635	50,4	148.856	50,9
variable-interest	134.213	48,8	136.807	49,0	143.298	49,6	143.450	49,1
<i>In terms of FX composition</i>	274.827	100,0	279.236	100,0	288.933	100,0	292.306	100,0
TL Denominated	251.836	91,6	254.937	91,3	263.953	91,4	267.051	91,4
FX Denominated	22.227	8,1	23.531	8,4	24.198	8,4	24.448	8,4
TL indexed to FX	764	0,3	767	0,3	783	0,3	808	0,3
Composition of Foreign Debt Stock	105.313	100,0	111.914	100,0	114.591	100,0	115.523	100,0
<i>In terms of interest structure</i>	105.313	100,0	111.914	100,0	114.591	100,0	115.523	100,0
Fixed-interest	75.825	72,0	81.237	72,6	83.074	72,5	84.244	72,9
variable-interest	29.488	28,0	30.677	27,4	31.517	27,5	31.278	27,1
Structure of Total Debt Stock	380.140	100,0	391.150	100,0	403.524	100,0	407.829	100,0
<i>In terms of holders</i>								
To the government	65.751	17,3	66.221	16,9	67.244	16,7	67.736	16,6
To market (1)	314.389	82,7	324.929	83,1	336.280	83,3	340.092	83,4
<i>Faiz Yapısı Açısından</i>	380.140	100,0	391.150	100,0	403.524	100,0	407.829	100,0
Sabit Faizliler	216.439	56,9	223.666	57,2	228.709	56,7	233.100	57,2
Değişken Faizliler	163.701	43,1	167.484	42,8	174.815	43,3	174.729	42,8
<i>In terms of FX composition</i>	380.140	100,0	391.150	100,0	403.524	100,0	407.829	100,0
TL Denominated	251.836	66,2	254.937	65,2	263.953	65,4	267.051	65,5
FX Denominated	127.540	33,6	135.445	34,6	138.789	34,4	139.971	34,3
TL indexed to FX	764	0,2	767	0,2	783	0,2	808	0,2
Average Maturity for Domestic Debt Stock (months)	24,3		23,3		23,8		22,7	
Average Maturity for Domestic Debt (Months)*	31,9		30,0		26,7		11,2	
Average Interest Rate for Domestic Borrowing Auctions % (2)*	18,64		16,16		14,99		14,31	