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Discussion Paper No. 6

COMMENTS ON THE RELIABILITY OF TURKISH BUDGETARY AND TREASURY ACCOUNTS FOR ECONOMIC ANALYSIS

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FOREWORD

In the last few years, considerable attention has been focused on the various problem areas of budget administration in Turkey. The Turkish government and Ministry of Finance officials have shown concern with modernization needs; in fact a Budget Reform Group has been established. The American government, through the Budget Administration Project, has worked closely with Turkish officials to provide funds, foreign training and consultants on the various aspects of budget administration in Turkey. There is strong momentum in the drive for broadly-based budget reform.

This paper is intended to focus attention on specific data problems encountered in the use of the Turkish budgetary and Treasury accounts for economic analysis. In the text general and brief comments are made on the requirements of and deficiencies in these data. Three appendices are attached to develop in more detail specific issues raised in the text.

Appendix I describes the accounting procedures used in the disposal of the TFY 1967 budget surplus. Appendix II illustrates by example the analytical difficulties resulting from the unclear distinction of budgetary line items by economic category. Appendix III questions the classification of specific line items of the TFY 1967 accounts.

January 1971

GENERAL COMMENTS

The following paragraphs briefly outline the minimum requirements of a budgetary reporting system to serve as a source of useful and accurate data for economic analysis.

Three requirements of the budgetary system are fundamental to this end. (1) An economic classification must be possible, so that current and capital account items readily are distinguished. The distinction between current and capital account items must be based on the simple question as to whether or not the balance sheet data are affected by changes in the budgetary line item. (2) A consistent functional classification must be possible on both income and expenditure accounts.1/ (3) The budgetary and Treasury Final Accounts must be set up so that the changes in financial assets and liabilities associated with budgetary operations can be distinguished from those resulting from strictly Treasury operations.

An examination of the Closed Accounts of the General Budget, Annexed Budgets, and the Treasury reveals that the budgetary reporting system does not satisfy these minimum requirements.2/ The apparent reasons underlying the deficiencies of the accounts are (1) coding inconsistencies, (2) inconsistent economic concepts, and (3) unrelated budgetary and balance sheet data.

(1) Coding Inconsistencies

In 1964, the Ministry of Finance established a "uniform system of five-digit codes" in order to simplify and rationalize the accounts. However, inconsistencies in and misuse of this coding system have undermined

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1/ For a feasible functional classification of Turkish Government accounts, see Dr. James Land and Mrs. Nimla Heplevent's Economic Accounts of Government in Turkey, SIS Training Center, Publication No. 570/18. We shall not dwell on this point in this paper.

2/ The General Budget and Treasury accounts are shown as examples in this paper, but the observations are also applicable to Annexed Budget accounts. "Closed Accounts" are examined rather than budget documents because (1) budget documents do not have "budgeted" Treasury accounts and (2) Closed Accounts are more comprehensive in that they represent actual income and expenditures. The latest available Closed Accounts are those of TFY 1967, unfortunately a two-year lag. See Appendix I for data presentation.

its usefulness.1/ Furthermore, this "budgetary" coding system is not applicable in a consistent manner to the "Closed Accounts." For example, sections 4 through 6 of the "Closed Accounts" Revenue accounts have no applicable code. All sections of Expenditure accounts have applicable codes, but the section called "Special Expenditures" is not consistent with the three expenditure categories specified in the budget documents.2/ Lastly, published Treasury accounts have no specified codes.

(2) Inconsistent Economic Concepts

Expenditure line-items theoretically are classified according to three broad economic categories: (a) current, (b) investment, and (c) capital formation and transfer expenditures.3/ In practice, items classified within one category may actually represent expenditures of another category.4/

1/ Certain examples may illustrate this point. On the revenue accounts, item 64,200 represented "local currency counterpart of foreign aid" until 1967; thereafter it was coded 71,200. On the expenditure accounts, for the Ministry of Public Works, codes 22,646-22,648 between 1964-1967, become 22,656-22,658 in 1968; code 22,711 in 1965 became 22,783 in 1966. In the Ministry of Finance, code 49,124 in 1965 became 34,542 in 1966, code 49,113 in 1965-1966 became 34,542 in 1967. No mention is made of these changes; they must be discovered by the analyst.

2/ Three categories of expenditures are delineated and coded as follows in the budget documents:

Code	Economic Category	Group
10,000's	Current expenditures	A/1
20,000's	Investment expenditures	A/2
30,000's	Capital formation and transfers	A/3

The Closed Accounts adds a "Special Expenditure" category which can be roughly identified as follows:

Code	Economic Category
40,000's - 43,000's	Current expenditures
45,000's - 47,000's	Investment expenditures
48,000's - 49,000's	Capital formation and transfers

However, misclassifications within these categories occur.

3/ See footnote 2 above for details.

4/ For example, line items, 36,000's, represent (a) repayments of principal on loans and (b) interest payments on loans. The first is a capital expenditure, the second a current expenditure.

Secondly (and more difficult to detect) a code set up for a specific line-item within an expenditure category may actually represent two different categories of expenditures.1/

(3) Unrelated Budgetary and Balance Sheet Data

The original account system was conceived to consist of an articulated set of accounts with clearly defined relationships between the budgetary accounts and the Treasury balance sheet.2/ However, the present set of published accounts does not specify these relationships. Furthermore, these relationships cannot be deduced precisely from the published data for two reasons related to the points made earlier: Treasury accounts are not coded at all and budgetary line items are not coded consistently within economic expenditure categories. A third, and perhaps most crucial reason, is that in addition to the "netice hesabi," a balancing item in the original system, the 1953 amendments introduced the "cari yil kiymet tahavvülleri hesabi," into which corrections, adjustments, corresponding entries, etc., are lumped. The absence of details for these two accounts puts into question the entire classification system.3/

To summarize, the General Budget and Treasury Accounts as presently published are not satisfactory for use in economic analysis because of coding inconsistencies, inconsistent economic categorization of expenditures, particularly, and non-coded Treasury balance sheet line items. These deficiencies are probably the result of preparing the Treasury and budgetary accounts independently; that is, failure to consider whether or not the budgetary line-item is reflected on the Treasury balance sheet.4/ We suggest that the first step in the correction of these deficiencies is an examination of the inter-relationships of the budgetary and Treasury accounts. Appendix III briefly points out specific problem areas in the determination of these inter-relationships from the presently published Closed Accounts data.

1/ For example, categories 34.500 and 34.600 contain payments into loan funds, direct loans from the Treasury and transfers to reserve funds used for current expenditures such as the Traffic Insurance Fund for government vehicles.

2/ The General Accounting Law, No. 1050, plus amendments underlies the accounting system explained in the 1949 Manual Devlet Muhasebat Yönetmeligi and the 1953 amendments.

3/ In TFY 1967, the entries of the "Netice" and "cari yil kiymet tahavvülleri hesabi" were TL 7,038 million and TL 654 million, respectively. Appendix III points up specific problems of classification for budgetary line items which affect the balance sheet.

4/ We are not suggesting this is the only problem underlying economic classification of budgetary line-items. However, it is one which is identifiable and useful as a starting point for examination of the accounts.

APPENDIX I

The main purpose of this appendix is to illustrate the problems in the derivation of current and capital accounts from the budgetary and Treasury accounts.

Table I-1 gives balance sheet stock data for TFY 1966 and 1967.1/ Flow data derived for TFY 1967 represent a combination of Treasury operations for its own account and on behalf of the General Budget agencies for fiscal year 1967.

Table I-2 is a classification of General Budget actual income and expenditure line items into the minimum basic economic categories necessary for derivation of interrelated current and capital accounts.2/

Table I-3 is a classification of I-2 data into the current and capital account format suggested by the latest United Nations manual on national accounts.3/

Table I-4 is in the same format as Table I-3. However, (a) current account data are derived from General Budget accounts shown in Table I-2, (b) gross capital formation data are the sum of two items: gross capital formation shown in the General Budget accounts of Table I-2 and changes in tangible assets shown on the Treasury balance sheet of Table I-1, and (c) other "capital account" data are derived from the Treasury balance sheet of Table I-1.

The following paragraphs briefly examine the economic classification of the Closed Accounts as presented in Tables I-3 and I-4. It will be shown that the capital account data differ from those derived from the Treasury balance sheet. The significance of these differences is that the data comprising economic concepts such as gross capital formation, budgetary deficit, etc., are different; thus the economic analysis based on these data may differ according to the source.

1/ These data, basically derived from Hazine Genel Hesabi, "Hazine Genel Vaziyeti" are adjusted by the process of netting and elimination of certain accounts as shown in the 1968 Budget Draft submission to the Parliament. Table 32.

2/ This classification is subject to the limitations described in the text. Some arbitrary classification decisions, therefore, may be subject to change.

3/ United Nations, A System of National Accounts, Studies in Methods, Series F, No. 2, Rev. 3, New York, 1969. For detail within the current account, see forthcoming work by the National Income Division of the State Institute of Statistics.

First, the current account is defined for both tables and second, the capital finance accounts are compared.

Current account income and expenditures are defined as including those line-items determined not to result in a change in the Treasury's balance sheet position. The current account, therefore, excludes all financial asset and liability transactions, and changes in capital stock (or inventories). On Tables I-3 and I-4, current expenditures are defined as TL 15,601 million and current income as TL 17,627 million, for a "surplus on current account" of TL 2,026 million.1/ The item "surplus on current account" is normally called "government savings." Government savings, transferred to the capital account, is viewed as budgetary sources available to the Government for finance of its investment program. In Table I-3, the gross capital formation expenditures of the budget (item 4) are TL 2,080 million, whereas in Table I-4, this item is TL 2,327 million.2/ An accepted economic definition of the budget deficit/surplus is the difference between surplus on current account and expenditures on gross capital formation. In Table I-3, the deficit is TL 54 million; in Table I-4, the deficit is TL 301 million.3/

The deficit also represents the net borrowing of the budget. In the combined accounts of the Treasury and the budget, this item is shown separately as an asset and liability (See item 5).

1/ As stated previously, these data are for demonstration purposes and are subject to the limitations described in the text.

2/ Changes in fixed assets shown on the Treasury balance sheet are added to the defined budgetary investment data because there is no indication that the budgetary investment data already include these changes. This decision is arbitrary; however, it points out one difficulty in determining the level of government investment from the Closed Accounts.

3/ The defined budget surplus of TFY 1967, TL 98 million, does not correspond to the economic definition used here. Appendix II describes the accounting procedure used to dispose of this surplus in the traditional accounts.

The consolidation of the capital finance accounts for Tables I-3 and I-4 gives following results:

	1967 TFY (TL Million)	
Assets	Table I-3	Table I-4
Gross capital formation	2,080	2,327
Change in financial assets	1,923	2,881
Total Assets	4,003	5,208
Liabilities		
Savings	2,026	2,026
Change in financial liabilities	2,075	3,128
Total Liabilities	4,101	5,154
Unexplained residual		
Change in assets	—	54
Change in liabilities	98	—

Table 1-1
Closed Accounts of
the Treasury
FFY 1966, 1967
(Million TL)

Assets	Stock: Fiscal year 1966	Stock: Fiscal year 1967	Flow: Fiscal year 1967
A. Liquid assets	854.3	897.3	43.0
1. Cash in hand	37.3	37.5	0.2
2. Bank deposits	726.9	772.6	45.8
3. Consulate cash	1.9	1.7	-0.2
4. Other liquid assets (net) 1/	88.3	85.5	-2.8
B. Receivables	4,207.5	5,283.6	1,076.1
1. Taxes receivable 2/	1,125.9	1,352.6	226.7
2. Other revenues receivable 2/	600.0	687.2	87.2
3. Advances from Treasury:	89.6	97.5	7.9
a) Ordinary	(82.2)	(86.2)	(4.0)
b) Law 6797 3/	(7.4)	(11.3)	(3.9)
4. Advances from budget	3.1	4.5	1.4
5. Advances to contractors 4/	366.7	433.1	66.4
6. Other short-term receivables:	178.9	102.1	-76.8
a) From persons	(110.3)	(32.1)	(-78.2)
b) For budgetary services 5/	(68.6)	(70.0)	(1.4)
7. Long-term receivables from other government agencies 6/	151.7	137.9	-13.8
8. Loans	1,691.6	2,468.7	777.1
C. Capital Participation	9,773.3	11,718.5	1,985.2
1. Shares in mixed enterprises	723.0	742.9	19.9
2. Ownership in state enterprises	9,010.3	10,975.6	1,965.3
a) General budget revolving funds	(799.5)	(1,704.0)	(904.5)
b) SEE (100% Treasury)	(8,210.8)	(9,271.6)	(1,060.8)
D. Fixed assets	5,890.3	6,137.6	247.3
E. Balancing item	3,453.1	3,229.1	-224.0
F. Total assets	24,138.5	27,266.1	3,127.6

Table I-1 (continued)

Liabilities	Stock: Fiscal year 1966	Stock: Fiscal year 1967	Flow: Fiscal year 1967
G. Short-term debts:	2,166.3	2,691.8	525.5
1. Treasury bills	710.5	754.5	44.0
2. Central Bank advances	1,455.8	1,937.3	481.5
H. Other payables:	2,704.6	1,888.9	-518.7
1. Deferred obligation 7/	54.9	54.8	-0.1
2. Deferred payments 8/	1,291.3	1,036.4	-254.9
3. Guarantee trust deposits	1,061.4	797.7	-263.7
I. Long-term debts:	19,564.6	22,685.4	3,120.8
1. Internal debt 9/	13,043.2	14,753.0	1,709.8
2. Foreign debt 10/	6,521.4	7,932.4	1,411.0
J. Total Liabilities	24,138.5	27,266.1	3,127.6

Source: 1966 Fiscal year. Ministry of Finance
1968 Fiscal Year Preamble to the Budget Draft, Table 12, Ankara, 1967.

1967 Fiscal year. Derived from Treasury Closed Accounts, 1969, 1967 Treasury General Position.

Table I - 1

Footnotes

1/ Includes renewed coin, money-in-transit (net), gold, some bonds and certain small valuable items such as jewelry and gold ingots. This gold stock is considered as a liability of the Central Bank (Altin Alacaklilari) against which a loan is made to the Treasury by the Central Bank. The Treasury's liability is shown among "short-term loans against bills" in its own balance sheet, but the Treasury "cash position" does not include this as either a liability or asset of the Treasury.

2/ Taxes receivable and other revenues receivable are a classification made in the Preamble as an adjustment to the Treasury General Position. The sum of B_1 and B_2 represents the difference between Accrued Income and Actual Income received in the fiscal year.

3/ Advances to the mint for coin.

4/ Does not include advances to contractors. Advances for internal activities only such as travel advances for employees. This figure is an adjustment of an error made in the source.

5/ Found as a "footnote" (nazim hesaplar) in the Treasury General Position, but considered as a receivable in the Preamble.

6/ Includes non-bond debts assumed by Treasury on behalf of other government entities (not general budget); mainly of annexed budget agencies.

7/ Deferred obligations refer to various payables, such as shares in taxes collected but not transferred.

8/ Deferred payments are expenditures made but not yet paid in cash.

9/ Internal debt consists of bonded debt repayable by the General Budget such as savings bonds, consolidated debt bonds and other borrowing bonds.

10/ Foreign debt figures are obtained directly from "Muntazam Borclar Servisi" in the Ministry of Finance; they are said to be debt to General Budget agencies only.

Table I-2

General Budget Income and Expenditures
TFY 1967

Economic Category	TL Million
General Budget actual expenditures	20,289
Current expenditures	15,601
Decrease in liabilities	666
Gross capital formation	2,080
Increase in financial assets	1,942
General Budget actual income	20,387
Current income	17,627
Increase in liabilities	2,741
Decrease in financial assets	19
General Budget "surplus"	98

Source: Budgetary accounts, TFY 1967 Closed Accounts.

Table I-3

Economic Classification of the
Closed Accounts of the
General Budget
TFY 1967
(Million TL)

Current Account

Expenditures		Income	
1. Current expenditures	15,601	3. Current income	17,627
2. Surplus on current account	2,026		
Disbursements	17,627	Receipts	17,627

Capital Finance Account

4. Gross capital formation	2,080	2. Surplus on current account	2,026
		5. Net borrowing	54
Gross accumulation	2,080	Finance of gross accumulation	2,080
5. Net borrowing	54	Increase in liabilities	2,741
6. Increase in financial assets	1,942	10. Decrease in liabilities	-666
Decrease in financial assets	-19		
9. Residual	44		
Net acquisition of financial assets plus net borrowing	4,101	Net incurrence of liabilities	4,101

Source: Budgetary accounts only. 1967 TFY Closed Accounts.

Table I-4

Economic Classification of the
Closed Accounts of the Treasury
and General Budget
TFY 1967
(Million TL)

Current Account

Expenditures		Income	
1. Current expenditures	15,601	3. Current income	17,627
2. Surplus on current account	2,026		
Disbursements	17,627	Receipts	17,627

Capital Finance Account

4. Gross capital formation	2,327	2. Surplus on current account	2,026
Investment in budget	(2,080)	5. Net borrowing	301
Tangible assets in Treasury	(247)		
Gross accumulation	2,327	Finance of gross accumulation	2,327
5. Net borrowing	301	10. Short-term debts	526
6. Liquid assets	43	11. Long-term debts	3,121
7. Receivables	1,076	12. Payables	-519
9. Other assets	-224	13. Other liabilities	54
Net acquisition of financial assets plus net borrowing	3,182	Net incurrence of liabilities	3,182

Source: Budgetary accounts for items 1 and 3, and investment from budget of 4. Items 6-12 are from Treasury Balance Sheet data. Items 2, 5 and 13 are residuals.

APPENDIX II

This appendix describes the accounting procedures used in the 1967 TFY Final Accounts to dispose of the defined budget surplus of that year.

The budget and treasury accounts are presented in a table called the 1967 yili Hazine Genel Mizani, hereafter called Mizan. This table is divided into four main categories (with subdivisions) called:

1. Budget transactions
2. Treasury transactions
3. Memorandum accounts, and
4. "Balancing" accounts.

Gross and net credits and debits are shown in four separate columns, and a grand total is shown for each column. Relevant items are carried over from this table to a type of "balance sheet" called the 1967 yili Hazine Genel Vaziyeti, hereafter called Vaziyet. A similar division of accounts is made, but the debits and credits are now classified as end-of-year stocks of assets and liabilities and a balance is achieved.

Table II-1 presents a classification of Mizan data which demonstrates the budgetary surplus of TL 90.6 million and its disposal as an excess of net debits over net credits within the non-budgetary accounts.

Table II-2 compares the data of Mizan and Vaziyet. Assets and liabilities are shown for both sets of accounts divided as budget, balance sheet and memorandum accounts. Subdivisions of differing accounts are made; an examination of these differences reveals the following adjustments of accounts in transferring from the Mizan to Vaziyet.

1. The "expenditure commitments" accounts (item I-A and III-B) are transferred from the memorandum accounts to budget accounts.

2. Values-in-transit are cancelled out. Two such accounts are shown in 1967 TFY. Within balance sheet accounts, a net asset balance of TL 0.3 million is unaccounted for; within memorandum accounts a zero balance is obtained (Items II-C and III-A).

3. The "Temporary Accounts" category is eliminated in the Vaziyet which results in an unaccounted for TL 353.7 asset balance. (II-B).

4. The "Balancing Account" of the Vaziyet is larger than that of the Mizan. The differences can be explained by the following calculations:

Mizan "balancing account"	7,692.1
+Mizan "temporary accounts"	353.7
+Mizan "value-in-transit" balance	0.3
	8,046.1
-Surplus on budget accounts	98.6
Vaziyet balancing account	7,947.5

The surplus on budget accounts is omitted to avoid double-counting, presumably since it is already included elsewhere although not identified.

5. The following summary table shows clearly the net effect of these accounting maneuvers by pointing up the net differences between the Genel Vaziyet and the Genel Mizan. The Genel Mizan accounts exceed those of the Genel Vaziyet by the following amounts:

(TL Million)

Differences in	Assets	Liabilities	Net Liabilities
I Budget Accounts	60,870.3	60,968.9	+98.6
II Balance Sheets	325.3	226.7	-98.6
III Memorandum	670.3	670.3	0.0
TOTAL	61,865.9	61,865.9	0.0

This is because the Mizan by law and/or regulation has to account for the budget surplus or balance.

Table II-1

Genel Mizan
TFY 1967
(Million TL)

Name of Account	Actual Debit	Actual Credit	Net Increase Debit	Net Increase Credit
I. Budget transactions	87,498.7	87,597.3	63,535.6	63,634.2
A. Income	23,700.8	44,087.5	22,426.5	42,813.1
Net increase (1)				20,386.6
B. Expenditure	63,797.9	43,509.8	41,109.1	20,821.1
Net increase (2)			20,288.0	
C. Net budget transactions (2) - (1)				98.6
II. Other transactions 1/	220,462.0	220,363.4	38,100.4	38,001.8
Net other transactions			98.6	
III. Total transactions (Sum of I + II)	307,960.7	307,960.7	101,636.0	101,636.0

1/ Sum of Treasury transactions, memorandum accounts and "balancing" accounts shown in Genel Mizan table of the 1967 TFY Treasury Final Accounts.

Table II-2

Comparison of Genel
Vaziyet and Genel Mizan
TFY 1967
(Million TL)

Name of Account	(2) Genel Vaziyet		(1) Genel Mizan Net	
	Asset	Liability	Asset	Liability
I. Budget Accounts	2,665.3	2,665.3	63,535.6	63,634.2
A. Expenditure Commitments	625.4	625.4		
B. Revenues Receivable	2,039.9	2,039.9		
II. Balance Sheet accounts	30,213.6	30,213.6	30,538.9	30,440.3
A. "Balancing" account	7,947.6		7,692.1	
B. Temporary accounts			353.7	
C. Values-in-Transit			226.9	226.9
D. Other	22,266.0	30,213.6	22,266.2	30,213.7
III. Memorandum accounts in transit	6,891.2	6,891.2	7,561.5	7,561.5
A. Stamps and valuables			44.9	44.9
B. Expenditure Commitment account			625.4	625.4
C. Other	6,891.2	6,891.2	6,891.2	6,891.2
IV. General Total	39,770.1	39,770.1	101,636.0	101,636.0

APPENDIX III

In a recent publication by a member of the Budget Reform Group[1/], the traditional budget line-items dealt with in this paper are classified into 20 new expenditure categories in order to simplify the process of program budgeting. However, an examination of the above-mentioned document reveals that the problems raised in this paper concerning, particularly, economic classification and the interrelationships between Treasury and budgetary accounts have not been considered as within the scope of their immediate tasks. With this fact in mind, this appendix has the following aims: (1) to point out the new expenditure categories within which these problems lie, (2) to specify the problems by reference to the traditional budget line item in question, and (3) to suggest possible interrelationships between these budgetary accounts and the Treasury Mizan (or balance sheet).

This Appendix deals with the following TFY 1967 Budgetary accounts.

Suggested New Expenditure Category	Traditional budget line items
15. Capital Formation	31,000's
17. Economic Transfers	33,000's
18. Financial Transfers	34,000's
20. Debt Repayments	36,000's

The new expenditure category, 15, represents expenditures of the following nature: contributions to revolving funds, participations in the capital of state economic enterprises, and participations in the capital of "similar institutions." In general, 31,000 items for all ministries represent transfers to revolving funds except for those of the Ministry of Finance. In the TFY 1967 Closed Accounts the Ministry of Finance expenditures, for example, no 31,000 item represents transfers to revolving funds. However, there is a non-coded lumpsum item cited as A/2 (investment code) which actually represents rebated profits of revolving fund agencies.

Question 1. In the Treasury Mizan there is an asset item called "Capital participation through rebated profits" (kardan sermayeye eklenen). Is this A/2 expenditure item cited above recorded within this account or is it accounted for as physical investment, i.e., increase in tangible assets?

1/ "Yardimci Muhasebe Kayitlari ile Ilgili Açiklama," Butçe Reform Grubu yayinlari. This paper does not represent the official opinion of the Group. We only take it as a basis for explanation of certain difficulties.

Question 2. Is there a definition of "similar" institutions or a list of any kind?

Question 3. How are "sectors" defined? Are the institutions grouped "into" predefined sectors?

Question 4. Why are "industry and commerce" grouped together?

Question 5. Do these expenditure items constitute balance sheet items?

31,120 - 31,190 line items represent expenditures for capital contributions to specific "institutions".

Question 6. Why are two separate line items given to one institution, the Agricultural Bank: 31,120 - nominal capital, and 31,130 - "iktiyat" capital? On the other hand, in the 1970 Budget, why is line item 31,130 related to payments to the Export and Development Bank?

Question 7. Why is there a mixing-up in the coding of state banks (Halk), general directorates (Land Office), autonomous government agencies (TRT) and other enterprises?

Question 8. Do all the expenditures within 31,120 - 31,210 line items represent increases in assets of the Treasury under the category "capital participations"? If so, how are the distinctions made between "General Budget Agencies" and "State Economic Enterprises" for balance sheet items?

The 31,210 expenditure line item is transfers to an autonomous agency for use as credit and dormitory aid to students. This agency is not an enterprise. The agency is similar to that of a revolving fund (but the capital is fixed) because although loans are repaid to the agency they are not repaid to the government budget.

Question 9. Is the description above correct? Does this expenditure represent an increase in assets of the Treasury?

31,400's represent transfers to revolving funds for most ministries (prison workshops, vocational schools, etc.).

Question 10. Do these expenditures affect an item in the Treasury assets?

In summary, questions 1 through 10 are designed to determine the expenditures in the 31,000 line items which affect the following items on the Treasury Vaziyet.

A. Capital participations

1. General Budget agencies

a. Cash from budget
b. Rebated profits
c. In kind

2. State economic enterprises

a. Cash from budget
b. In kind
c. Rebated profits
d. Other means

B. (1) Participations

The new expenditure category, 17, represents subsidies to public agencies distinguished as (1) state economic enterprises and (2) public institutions (enterprises). These line-items, 33,000's, show up in the Ministry of Finance and Ministry of Agriculture expenditures.

Question 11. On what basis is the distinction made between SEE's and "public" institutions? For example, within category (1) (SEE's), the Ministry of Finance line items show subsidies to sectors, one of which, item 33,129, is a contribution to a loan fund of the Real Estate Bank. Under category (2) (public institutions) subsidies to the Agriculture Bank, the Soil Products Office, the Monopolies Administration, and to "SEE's for losses due to government policies" are shown. There is, therefore, a confusion between these two categories.

Question 12. Subsidies to the Agricultural Bank are shown under SEE's by the Ministry of Agriculture and under public institutions by the Ministry of Finance. Why?

Question 13. Category (1), item 33,129 is a contribution to a loan fund of the Real Estate Bank by Law 499. Why is it shown in the 33,000's?

In summary, the 33,000 line items represent subsidies to specific public enterprises (other than cash accounts). These expenditures do not affect the asset position of the Treasury. Is this true?

Financial transfers, category 18, is subdivided into nine sub-categories. From an examination of these sub-categories it can be stated that there is a mixture of current transfers and asset accumulations in these 34,000's line items.

1. Treasury aid to Annexed Budget Administrations--current transfers.
2. Payments to autonomous budgetary administrations--current transfers.

3. Aids and Payments to Special Administrations--current transfers.
4. Aids and Payments to be made to Municipalities--current transfers.
5. Loans and Advances.

Question 14. (See Question 3 for definition of sectors).

Question 15. What is the distinction between "loan" and "advance" here used?

Question 16. Does the expenditure within this category affect the Treasury account B(2) Ikrazlar (Loans)?

6. Payments into and Participations in Funds.

This category also is a conglomerate of items for which we have not been able to make clear distinctions. Two types of "funds" seem to be involved: "reserve" funds and "credit" funds. By laws 7126, 6085 and 197, civil defense, fire insurance and traffic funds, respectively, were established for government property and personnel. Payments into these funds are shown as expenditures.

Question 17. How is the accounting for these reserve funds made? That is, are disbursements from these funds shown anywhere? Do they show up in the Treasury Vaziyet (General Position) account?

Credit or "loan" funds show up as both assets and liabilities of banking institutions, for example, the tourism loan fund at the Province Bank. Loans are made from and repaid into these funds in the bank's accounts. Therefore, their nature is different from that of the reserve fund.

Question 18. Are payments into loan funds assets of the Treasury? If so, under what balance sheet item? Is there any corresponding liability?

7. Development Funds: The mentioned Budget Reform Group paper has not shown any line items within this category. A definition is needed.

8. Participation Shares in Public Enterprises. In the 1970 Budget item 34,693 represents payments into the "Selective Loan Fund at the Central Bank."

Question 19. What is the reason for putting this expenditure in this category? The Central Bank is private and this is not a participation share.

9. Payments to International Organizations--current transfers to abroad.

Debt Repayments, category 20, lumps together principal, interest and other debt service expenditures. This is a mixture of capital and current expenditures, respectively. These items must be distinguished and debt outstanding recorded as liabilities.

ECONOMIC STAFF PAPERS

DISCUSSION PAPERS

1. Iris Kapil and Hasan Gençaga, "Migration and Urban Social Structures," November, 1971. (Code No. 214)

2. Olan D. Forker, "Agricultural Price Policy in Turkey - Volume One," January, 1972. (Code No. 210)

3. Olan D. Forker, "Agricultural Price Policy in Turkey - Volume Two," January, 1972. (Code No. 210)

4. Charles K. Mann, "Government of Turkey's Policies Relative to On-Farm Land Development," February 1972. (Code No. 224)

5. Betty S. Yaşer, "Economic Aspects of the Devaluation of the Turkish Lira of August 10, 1970," April 1972. (Code No. 226)

6. Nimla Heplevent and Betty S. Yaşer, "Comments on the Reliability of Turkish Budgetary and Treasury Accounts For Economic Analysis," May 1972. Available in Turkish. (Code No. 196)