FOR AGENDA

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To: Members of the Executive Board

From: The Acting Secretary

Subject: **Turkey—Report on the Observance of Standards and Codes—Fiscal Transparency Module**

The attached report on the observance of standards and codes for Turkey—the fiscal transparency module has been prepared in the context of the second review of the on-going Stand-By Arrangement for Turkey, which is tentatively scheduled for discussion on Thursday, July 6, 2000.

It is expected that following the Board discussion, this report will be published on the Fund's external website.

Mr. Cangiano (ext. 37330) and Mr. Mottu (ext. 34113) are available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

TURKEY

Report on the Observance of Standards and Codes (ROSC) Fiscal Transparency Module

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EXECUTIVE SUMMARY

This report provides an assessment of fiscal transparency practices in Turkey in relation to the requirements of the IMF *Code of Good Practices on Fiscal Transparency—Declaration on Principles* based on the authorities' response to the IMF fiscal transparency questionnaire and other documents provided by the authorities.

Although significant steps have recently been taken to improve transparency of fiscal operations, Turkey's fiscal management practices fall short of the requirements of the fiscal transparency code in a number of important respects. Budget coverage is limited because of a large number of budgetary and nonbudgetary organizations collecting and spending public resources which, moreover, are subject to differing accounting and reporting requirements; budget preparation and execution are fragmented among a number of institutions; budget formulation is not based on a comprehensive costing of the government's policies nor cast against a medium-term macroeconomic framework; and financial relations within the public sector need clarification in key aspects.

The report identifies broadening the coverage of the budget, improving budget preparation, and addressing long-standing shortcomings in budget classification and accounting systems as priority areas to improve fiscal management and transparency. While some of the above shortcomings have begun to be addressed within the IMF-supported three-year disinflation and adjustment program signed in December 1999, measures undertaken so far have not yet been fully formalized so as to ensure a long-lasting improvement of fiscal management and transparency practices in Turkey.

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I. INTRODUCTION[1]

1. This report provides an assessment of fiscal transparency practices in Turkey. The assessment has two parts. The first part is a description of practices in relation to the requirements of the IMF *Code of Good Practices on Fiscal Transparency—Declaration on Principles*, prepared by the IMF staff on the basis of the authorities' response to the IMF fiscal transparency questionnaire and additional information provided by the authorities. The second part is an IMF staff commentary on fiscal transparency in Turkey.

II. DESCRIPTION OF PRACTICE

A. Clarity of Roles and Responsibilities

2. **The boundary between general government and the private sector has become clearer in recent years**. Statistics and reporting of general government operations have improved and broadly conform to internationally accepted standards such as the System of National Accounts (SNA) and the Government Finance Statistics (GFS), although considerable delays persist in gathering information on local governments' finances. Despite the recent resumption of privatization, which has been conducted openly through public offerings subject to public scrutiny, the government remains deeply involved in the economy. The share of the public sector in total economic output rose from 28 percent of GNP in 1990 to 38 percent of GNP in 1999.[2] Government involvement in the economy—through state-owned enterprises and banks—takes numerous forms which are not always reflected in budget documents. A large share of the banking system's assets and deposits (about 40 percent) are still held by state-owned banks, which carry out substantial quasi-fiscal activities. The extent of government intervention in the economy is also reflected in the detail and relative complexity of regulations, which in general are not based on clear policy goals.

3. **The government budget does not fully reflect the cost of noncommercial activities conducted by nonfinancial state-owned enterprises**. One main aspect of the relation between government and nonfinancial state-owned enterprises are the so-called "duty losses" incurred in providing goods and services below cost or purchasing agricultural products above world market prices (mostly tobacco, cereals, and sugar beets). These quasi-fiscal activities are not set in formal contracts specifying their conditions in advance, and, until recently, went either unreported in the central government budget or were significantly

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[1] Discussions on fiscal transparency were held in Ankara during April 20–28, 2000. The staff team, comprising Messrs. Cangiano (head), Mottu (both FAD), and Tandberg (FAD resident advisor in Bulgaria) met with officials from the Undersecretariat of Treasury, the Ministry of Finance, the State Planning Organization, and the Turkish Court of Accounts.

[2] Source: State Planning Organization, *2000 Annual Program*.

underestimated.[3] Tax offsetting and consolidation have been a constant practice in the past. In 1999, state-owned enterprises' duty losses amounted to about 1½ percent of GNP, of which only a marginal share was appropriated for in the central government budget while about 1 percent of GNP was allowed to be offset against liabilities (on-lent or guaranteed credit) due to the central government. As of end-1999, the stock of unpaid duty losses due to nonfinancial state-owned enterprises for past quasi-fiscal activities amounted to some 2 percent of GNP. As a result, state-owned enterprises run arrears on their tax liabilities and social security contributions; tax offsets were granted in annual budget laws in a limited number of cases.

4. **Until recently, the government budget did not fully reflect the cost of state-owned banks' noncommercial activities.** The two largest state-owned banks, Ziraat and Halk, provide subsidized credits to farmers and small- to medium-scale enterprises. Until 1999, these quasi-fiscal activities went unreported in the government budget. However, because of such operations, the outstanding stock of duty losses reached 12½ percent of GNP by end-1999. The 2000 budget includes an explicit appropriation for the cost of credit subsidies extended by public banks while at the same time phasing them out, and the outstanding stock of duty losses is envisaged to be securitized and remunerated.

5. **The relations between the government and the Central Bank of Turkey (CBT) are clearly identified.** While lacking some of the key characteristics typically associated with central bank independence, the CBT in practice operates quite independently. The CBT can provide a short-term liquidity facility to the treasury under the provisions and limits set by law, but does not engage in quasi-fiscal activities. CBT profits and losses are clearly reported along with its transfer to the government budget.

6. **Fiscal management responsibilities are fragmented among various institutions.** The budgetary legislative framework is based on the Constitution, the 1927 General Accounting Law, the Public Procurement Law, the Court of Accounts Law, the annual Budget Law, and regulations issued by the Council of Ministers and the Ministry of Finance (MOF). Three institutions are involved in budget preparation, execution, and control: the MOF, the State Planning Organization (SPO), and the treasury, each headed by a different minister. The MOF is responsible for budget preparation, budget execution, accounting and reporting, and revenue collection; the SPO is responsible for preparing the public investment program and the macroeconomic framework, and for reporting public sector statistics; and the treasury is responsible for cash and debt management, most extrabudgetary funds, and state-owned enterprises. As a result of fragmentation of responsibilities, there is no clear ownership of the budget. In some instances—interest payments, transfers to social security

[3] Information on these activities has significantly improved in the context of the IMF-supported Stand-by Arrangement (SBA) signed in December 1999.

institutions—budget execution is in practice controlled at the payment stage by the treasury, with discretion in prioritizing cash requests from spending units.

7. **Fiscal management is hampered by the limited coverage of the budget**. A sizeable portion of public spending takes place outside the budget, with little or no control and reporting. First, until 1999 there were 13 extrabudgetary funds, accounting for 15 percent of central government primary expenditure or about 3 percent of GNP, not subject to parliamentary review within the budget process.[4] Second, the central budget incorporates a large number of so-called budgetary funds, such as the Mass Housing Fund, which in practice operate as off-budget institutions since the budget only accounts for the transfer of appropriations but not for their total revenue and expenditure.[5] Third, there are some 3,000 revolving funds and agencies with special accounts, mainly concentrated in the health and education sectors, conducting off-budget operations amounting to more than 1 percent of GNP.[6] These funds operate like departmental enterprises, often carrying out commercial activities. Fourth, an increasing portion of public activities, notably social security services, take place through public foundations set up within budgetary agencies without being subject to regular accounting and reporting requirements. Finally, social security institutions' expenditures accounting for about 8½ percent of GNP in 1999 are outside budget coverage; they report to their respective line ministries and are audited by the High Auditing Board, which is under the Prime Minister's Office, but their reports are not publicly available.

8. **Taxes have an explicit legal basis and taxpayers' rights are protected**. The government can adjust rates within fairly broad parameters determined by the legislation. However, too frequent changes have made the tax system unpredictable. Despite their relative complexity, tax laws and regulations are accessible. Tax administration and the private sector provide pamphlets, interpretations, and taxpayer services. However, certain tax provisions remain subject to interpretations. Tax compliance appears low, partly reflecting weak enforcement and because amnesties granted in the past (the last partial one in 1997) continue to raise expectations for future amnesties. As a result, tax arrears reached about 4¾ percent of GNP in March 2000, of which more than half were related to public sector entities.[7] Tax incentives are numerous but strictly administered and uniformly applied within the scope of the legislation. Judicial protection of taxpayers is guaranteed by the law and

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[4] Source: State Planning Organization, *2000 Annual Program*.

[5] In the context of the ongoing IMF-supported SBA, two extrabudgetary funds and 25 out of the 62 budgetary funds operating in 1999 have been closed in the first half of 2000.

[6] Source: Preliminary Report of the Ad Hoc Committee on Restructuring of Public Finance Management and Fiscal Transparency, February 2000.

[7] Source: Ministry of Finance, General Directorate of Revenues.

provides clear limits to administrative discretion in the application of tax laws and regulations.

9. **Ethical standards of behavior for public servants are covered under various laws**. These include the Law on Government Officials, the relevant provisions in the Criminal Law, and the Tax Procedure Law. However, according to the Constitution, civil servants can only be prosecuted after approval by administrative authorities designated by law. Procedures concerning employment in public service are clearly specified. Career progression is regulated by seniority and via public examination.

10. **Intergovernmental responsibilities are not clearly assigned, and accounting and reporting of local government operations is incomplete**. The Constitution grants limited formal autonomy to provinces and municipalities. Local governments are required to report to the Ministry of Interior on their final accounts, but this ministry does not publish information on budget outcomes. Available information on financial operations of local governments is therefore based on surveys conducted by the SPO and published with a 6-month lag; final data, published by the Statistical Office three years later, are not comprehensive. Information on local governments' enterprises, which are growing in number and size, is scarce. While revenue-sharing arrangements with the central government and own revenues (property tax and other fees and taxes) are clearly stated in legislation, the distribution of expenditure responsibilities is not based on stable principles, although local governments' expenditures represented about 5 percent of GNP in 1999.[8] After local authorities' approval, local government budgets are submitted to provincial governors (appointed by the central government) or to central authorities (in the case of provinces) for final approval. Local governments are required to follow public accounting standards, but compliance is uneven and their accounts are not audited regularly by the Turkish Court of Accounts (TCA) with the exception of the largest municipalities.

B. Public Availability of Information

11. **The coverage of the budget subject to parliamentary approval is limited**. The central budget submitted to parliament includes central government and annexed budget agencies—mainly universities and autonomous agencies accounting for half of investment spending in the budget—but excludes revolving funds and extrabudgetary funds operated by central government agencies and social security institutions. The budget includes transfers to social security institutions, state-owned enterprises, extrabudgetary funds, and revolving funds, but budget documents contain no information on their policies and on their financial situation. A large portion of foreign-financed projects are not included in the budget.

[8] Source: State Planning Organization, *2000 Annual Program*.

12. **Budget documents do not present estimates beyond the upcoming fiscal year.** The Budget Justification document, which is prepared by the MOF and submitted to parliament with the draft budget, includes original and end-year appropriations, and realizations for the preceding five years. Budget documents do not include information on contingent liabilities, tax expenditures, and quasi-fiscal activities carried out by state-owned enterprises. There is no statement describing the various quasi-fiscal activities and their justification, nor any quantification of their actual and potential fiscal significance.

13. **Information on contingent liabilities, most notably government loan guarantees, has been made publicly available since late 1999.**[9] However, this information does not indicate the aggregate maturity of the guarantees nor does it provide an overall analysis of the probability of realization. Thus, their potential budgetary cost cannot be assessed. In addition, the sizeable contingent liabilities arising from guarantees in the context of build-operate-transfer operations are not yet published.[10]

14. **Data on central government budget execution are published on a monthly basis by the MOF, the treasury, and the SPO.** The *Public Accounts Bulletin*, published by the MOF with a two- to three-week lag, is based on the central budget reporting system. The other institutions, while using the same data source, make some adjustments and focus on different aspects of budget realization and coverage (e.g., cash flow accounting and central government financing) in their monthly publications. Actual realization is not systematically compared with monthly estimates.

15. **The government has made specific commitments to the publication of fiscal information on central government operations.** The government is committed, in the context of the IMF Special Data Dissemination Standards (SDDS), to publishing information on central and general government operations, as well as central government debt.[11] However, published information on general government's financial assets is still limited. Advance release date calendars for fiscal reporting on central government operations and debt

[9] This information is available on the treasury website. Public guarantees are extended to state-owned enterprises, local governments, extrabudgetary funds, public and private development banks, and universities.

[10] Under these arrangements, a private sector entity is given a permit to operate a facility for a specified period during which it is responsible for capital improvement and maintenance while being entitled to a financial return. To this end, government guarantees are issued to ensure determined levels of product sales and/or input use, and final payments in connection to returning the facility to the government, as well as to provide short-term loans.

[11] The authorities publish data covering central government domestic and external debt (excluding extrabudgetary funds, social security institutions, and state-owned enterprises). Information has been published monthly since September 1999 for domestic debt, and quarterly for external debt. A breakdown is given by maturity, type of instrument, currency composition, and borrower. However, the stock of unpaid duty losses to state-owned banks is not yet reflected in the above data.

have been announced, although not yet for general government. The SPO also consolidates cash-based accounts of government entities with the accrual-based accounts of state-owned enterprises. However, reporting standards are not harmonized, significant extrabudgetary funds remain outside the coverage, and data related to local government are incomplete. Data on local government and, therefore, on the general government are available only on an annual basis, with a considerable lag (six months), and based on surveys carried out by the SPO.

C. Open Budget Preparation, Execution, and Reporting

16. **Budget preparation reflects the fragmented responsibilities among the institutions involved and its limited coverage**. Budget preparation begins relatively late in the year. Macroeconomic constraints are not explicitly taken into account early on. As a consequence, budget preparation is principally driven by line ministries' bids for increased spending (bottom-up approach) and downward reviews by the MOF. The 2000 budget prepared in the context of the IMF-supported SBA marked a significant improvement in this respect, as the medium-term macroeconomic and fiscal framework outlined in the December 1999 Letter of Intent (LOI) was widely publicized. However, this framework has not yet been reflected in the formal budget formulation process.

17. **There is no document presenting in detail or quantifying the policy objectives to be achieved by budget programs**. The government's broad fiscal policy objectives are announced in the Prime Minister's Budget Call, usually released in June. However, this document does not provide a macroeconomic framework or the main policy parameters on which to formulate the budget. The Budget Guidelines, issued by the MOF inviting spending units to submit their requests for the upcoming fiscal year, do not provide information on either macroeconomic variables or sectoral parameters and indicators. Guidelines for the public investment program are issued later. Requests for investment appropriations are initially submitted in constant prices and exchange rate.

18. **The main fiscal policy indicators are the overall balance and the primary balance of the central government budget**. Budget documents do not include any quantitative or qualitative assessment of medium- to long-term fiscal sustainability (such as the primary balance required to stabilize public debt), or an analysis of the stance of fiscal policy by focussing, for instance, on the operational balance. Although a five-year Development Plan is prepared by the SPO (the last one being the VIIth Plan covering 1996–2000), it is not updated on a yearly basis. As such, it does not provide a guide as to the authorities' current orientation regarding macroeconomic and fiscal policies. In any event, no long-term fiscal scenarios are being prepared.

19. **Budget documents submitted to parliament do not distinguish between new policies and existing commitments**. There is no clear identification of the links between inputs and program outputs, and policy outcomes. While some line ministries present more detailed budgets with explanations about major programs, policy changes, and their expected

fiscal effects, these documents, which are not standardized nor public, are only provided to the parliamentary budget commission.

20. **Because of the high volatility of the macroeconomic environment and of inadequate consideration of fiscal risks, deviations between budget estimates and outcomes have been substantial in the past**. On average, nominal primary expenditure exceeded budget estimates by some 20 percent during 1989–97, leading to the adoption of supplementary budgets. Over the last two years, however, excess primary spending as compared with budget estimates dropped substantially to less than 5 percent and there have been no supplementary budgets.

21. **Budget classification does not provide a functional classification of expenditures**. The current code structure of budget allocations consists of five different levels (program, subprogram, appropriation type, project, and line expenditure item). However, programs and subprograms in practice relate to administrative units and there is no clear identification of broad policy areas. Moreover, revolving and extrabudgetary funds, and lower levels of government do not follow budget classification.

22. **The current accounting system can be characterized as a modified cash-based system**. The 1927 General Accounting Law does not provide an adequate basis to set unified accounting standards across the general government; no statement of accounting standards is presented with the budget. Transactions (revenue as well as expenditure) are recorded on a cash basis (at the payment stage). Accounts are kept open for an additional period ("offset period") after the end of the fiscal year, during which accounting of transactions in connection with the previous period continues. In addition to these operations, some liabilities (deferred payments, noncash-generating loans) and assets that do not generate cash are recorded. Commitments are not recorded and monitored so that arrears on unpaid bills may accumulate without being detected.

23. **Lack of a unified accounting standard complicates consolidation of general government accounts and public sector data**. Although in principle the accounting system of entities in the annexed budget is governed by the General Accounting Law, in practice this requirement is not enforced. Extrabudgetary funds, local governments, and social security institutions follow different accounting standards. Accounting standards for revolving funds in line with private sector standards have been issued by the MOF in 1999.

24. **Internal inspection and control is conducted by the MOF and other line ministries, but it is not coordinated among all the agencies involved**. There is no general law on auditing indicating the objectives and standards of auditing institutions, which amount to an estimated 129 units.[12] Auditing procedures are not open to review by external auditors,

[12] Source: Preliminary Report of the Ad Hoc Committee on Restructuring of Public Finance Management and Fiscal Transparency, February 2000.

and the reports of auditing institutions (detailing their activities, audit results, and achievement of annual objectives) are not published. Central government purchases, with the exclusion of certain funds and a large portion of foreign-financed spending, are subject to the Public Procurement Law. Extrabudgetary funds are not subject to these procedures.

25. **Final central government accounts are reconciled with budget appropriations and audited by the TCA**. Audited accounts are prepared within seven months of the end of a fiscal year and are presented to parliament with detailed explanations. Treasury foreign debt accounts related to 1996–98 have not yet been fully recorded and approved by the TCA.

D. Independent Assurances of Integrity

26. **Macroeconomic forecasts are published once a year in September**. The SPO is institutionally responsible for producing macroeconomic forecasts on behalf of the government. Information on the underlying assumptions, data, and models used in its forecasts are not published nor reviewed by independent experts. The assurance of technical independence of the National Statistical Office is stated in legislation; standards for data integrity meet the requirements of the IMF's SDDS.

27. **The TCA is a judicial body appointed by the legislature and independent from the executive branch of government.** The TCA is responsible for auditing government accounts and for providing reports to the legislature on their financial integrity. However, the parliament does not oversee its operations and its findings are not fully reported to the legislature and the public. Its mandate also excludes important areas of general government, namely several extrabudgetary funds, part of military spending, social security institutions, privatization operations, and specific areas such as earthquake-related spending. Audit is rarely performed according to strategic plans giving consideration to priority and risk areas, and it is mainly focused on formal compliance. There is no formal coordination between the TCA and the government's numerous internal control bodies. Sanctions are relatively mild and often not applied. In addition, the TCA is engaged in budget execution activities (pre-audit).

III. IMF Staff Commentary

28. **The Turkish authorities have recently taken important steps toward improving fiscal management and transparency**. In the December 1999 LOI outlining the government commitments under the IMF-supported SBA, improving fiscal management and transparency was clearly identified as one of the main objectives in the fiscal area. Since then, steps have been taken such as closing a number of budgetary and extrabudgetary funds, and taking stock of existing contingent liabilities while making this information publicly available. As part of the government's existing commitments, reiterated in the June 2000 LOI, 20 budgetary funds will be wound up by end-August, with a view to eliminating the remaining ones by mid-2001, and five extrabudgetary funds will be closed by February 2001. Significant progress has also been made in decisively addressing duty losses vis-à-vis state-owned banks. Further

measures have already been identified, such as improving budget documentation and incorporating onlending operations into the budget. Pilot projects for the computerization of accounting and reporting procedures have been launched successfully.

29. **Turkey's fiscal management practices still fall short of the requirements of the fiscal transparency code in a number of important respects.** Budget coverage is limited to the consolidated central government; budget preparation and execution are fragmented among a number of institutions, with none of them having full ownership; budget preparation is not based on a comprehensive costing of the government's policies nor cast against a medium-term macroeconomic framework; and financial relationships between different levels of government and between government and state-owned enterprises need further clarification in key aspects. Many quasi-fiscal operations are not yet reflected in the budget. The presence of a large number of budgetary and nonbudgetary organizations collecting and spending public resources while following various accounting and reporting requirements hinders transparency of fiscal operations.

30. **Although most of these shortcomings have long been known, a more complete understanding of the need to improve fiscal management and transparency has only recently emerged.** The impressive amount of analysis and studies produced over the last year by the Ad Hoc Committee on Restructuring of Public Finance Management and Fiscal Transparency is a case in point. Clearly, sustained support at a high political level remains essential to meet the commitments stated in the 1999 LOI. Developing a modern public finance management system requires long-term efforts. In this regard, it is urgent to identify directions of reforms in a number of areas and set objectives to ensure full coordination among all the institutions involved. Priority areas are the following:

- first, the **coverage of the budget** should be broadened further by drastically reducing the scope of extrabudgetary and quasi-fiscal operations. Shifting the focus to achieving general government fiscal targets and improving transparency at all levels of government will require reviewing institutional aspects of intergovernmental relations and improving local government statistical reporting;

- second, poor **budget preparation** is possibly the root cause of most of the above-mentioned weaknesses. Even within its relatively narrow scope, there is an excessive and misled emphasis on a bottom-up approach and an excessive degree of confrontation in negotiating budget appropriations. As a result, discrepancies between original bids and final appropriations appear as requisitions, leading to limited ownership of the final appropriation on the part of spending units; and

- third, in spite of considerable progress made in the reporting area, there is an urgent need to address long-standing shortcomings in **budget classification and accounting systems, and budgetary procedures**. In this regard, the emphasis put on computerization, particularly on the reporting side, may run short of expectations or encounter difficulties if budget classification, accounting, and procedures are not revisited in a timely fashion.

In light of the above, the following steps should be taken to improve fiscal management and transparency.

- Continue effective broadening of budget coverage by accelerating the closure of extrabudgetary funds that no longer fulfill their original purpose and reviewing the activities of the numerous revolving funds and foundations.

- Strengthen financial controls of extrabudgetary and revolving funds, foundations, and local governments by enforcing existing reporting requirements and developing a unified accounting framework for all extrabudgetary spending units.

- Improve budget preparation by explicitly incorporating macroeconomic constraints in the prime minister's budget call and in the MOF budget guidelines. In particular:

    - the budget call should define existing expenditure policy commitments and priorities, as well as identify and quantify the costing and financing of new policies; and

    - the guidelines should also contain a set of program-specific parameters and overall expenditure ceilings per broad categories of programs/administrative units to avoid unrealistic bids on the part of individual spending units.

- To enhance transparency of fiscal operations, the quality of budget documentation also needs improvement by shifting the focus toward medium-term sustainability of existing expenditure policies. Material supplied to parliament and to the public should include:

    - three-year projections for main spending and revenue items; ten-year projections for aggregate revenue, expenditure, and debt; a comprehensive debt sustainability analysis;

    - a statement of fiscal risks, identifying, and possibly quantifying, risks to the fiscal position that may arise from changes in macroeconomic parameters and from contingent liabilities;

    - a report on government guarantees and other contingent liabilities, listing outstanding guarantees by type and by maturity, providing the probable cost of each liability if called, identifying those liabilities called over the previous two years and their treatment in the public accounts, and indicating what appropriation, if any, is envisaged in the budget for contingent liabilities;

- a statement of tax expenditures providing estimates of revenue foregone by tax and category of tax exemption; and

- a statement on accounting standards followed by the government and a summary table of the consolidated public sector, specifying the consolidation basis.

- Identify criteria for requesting treasury guarantees in the annual budget law or, possibly, in separate legislation. At the same time, set limits on the overall stock of outstanding government guarantees and on their annual net issuance.

- With more realistic budget estimates and appropriations, abolish all noncash transactions and offsetting between the MOF, the treasury, and state-owned enterprises. A detailed strategy to address preexisting stocks of duty losses/tax arrears will have to be developed, fully disclosed, and accompanied by a clear statement that offsetting of all sorts will no longer be allowed.

- Eliminate the possibility of adopting investment projects financed by treasury's direct borrowing or guarantees without explicit parliamentary approval.

- Establish a reporting system on commitments above a certain threshold and start monitoring via appropriate surveys the existence of expenditure arrears.

- Broaden the mandate of the TCA to include all revolving and extrabudgetary funds, provincial administrations, and social security institutions while reducing its preaudit function in budget execution.

- Develop an overall architecture for accounting and reporting systems; computerize accounting and budget offices; ensure that systems are specified, tested, and documented according to international standards.