Chapter 1

A Comparative Study of the Central Administration Budget Preparation Process in Turkey and Sweden

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ABSTRACT

Sweden was one of the countries among the OECD states yielding maximum budget surplus at the end of 1980s and became one of the countries yielding maximum budget deficits in the first years of the 1990s. The budget deficit almost doubled in five years. During that period, the government decided the most important reason of the budget deficits was the budget process itself and commenced studies to reform the budget process and enhance its consistency and reliability. Basic steps were taken to grant budget surplus for whole public sector, to set an allowance cap for whole public sector and create equivalent budget structure for all municipalities and a series of studies were conducted. In this study, the stage of the budget preparation process in Turkey and Sweden will be reviewed and compared to the budget preparation process in Sweden with the budget preparation process in Turkey.

INTRODUCTION

Budget form is the most important instrument of the economic and fiscal policies of a state. A budget, generally defined as a document demonstrating revenues and expenditures of a state correlative, may differ from state to state in terms of its preparation, negotiation, implementation and supervision. Underlying reasons of those differences include, for example, economic crises, ever-increasing public expenditures, and the public’s decreasing confidence in a state as a taxpayer.

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Sweden has determined a new framework for its budget policy under the influence of these deep economic crises. Hence, Sweden, as one of the OECD countries with the highest budgetary surplus in the late 1980s, had been among the countries with the highest budget deficit in the beginning of the 1990s. Sweden’s budget deficit nearly doubled in five years. The government has decided that one of the most significant causes for budget deficits is budgetary process and therefore aimed for improved stabilization and reliability in this process thorough reforms. Accordingly, a range of studies have been made for having budgetary surplus and setting a ceiling on allowance for public sector as well as preparation of a balanced budget for all municipalities. In this study, the budget preparation process in Sweden and Turkey shall be analysed comparatively.

GENERAL INFORMATION ON THE BUDGET PREPARATION PROCESS IN SWEDEN

Sweden is a Scandinavian country which is ranked in the front of all comfort and peace indexes with respect to money and freedoms. A constitutional monarchy where the King has limited ritualistic roles, the status of the monarchy has become symbolic since the adoption of the Constitution in 1974. Sweden is ruled by parliamentary democracy in which the people are represented by Parliament (Riksdag) at the national level and a one chamber Parliament which consists of 349 members (Regeringskansliet, 2016a). Blöndal (2010) states that Sweden has always been one of the countries implementing the most developed techniques with respect to the budgeting and public administration. Reformist precautions have been taken as a result of budgetary deficits and realization of pre-existing modern drafts. Financial crisis created by budgetary deficits has given rise to more extensive implementation of these precautions in a shorter period.

Sweden moved into the performance-based budgeting system within the context of the reform studies first initiated in 1993. The system requires preparation of 3-year reports so as to exhibit operating results of institutions as part of the objectives set out by those reports (Tügen, Egeli, & Özen 2010, p. 42). Additionally, some reforms to the system have been made such as monthly monitoring of expenditures; abolition of open-ended allowances (of the social security system); gross budgeting (e.g., expenditures not being offset by income); entering nominal expense ceilings set in a 3-year term; setting expense ceilings for 27 expenditure areas as well as total expenditure (excluding government debit interest) and pension system including social security; evaluation of all governmental organizations in terms of economy and administration (Molander & Jörgen, 2013, pp. 4-5).

The issues shown in Table 1 are of great importance to improve the stability and reliability in the Swedish budgeting process in line with the budget policy (Carlgren, 2016).

Budgetary Surplus/Margin

Budgetary surplus is intended for government savings and comprises around 1% of total Gross National Product (GNP). This target was lowered from 2% to 1% immediately after the change to the definition of the public sector in 2007. The fundamental objectives of the budgetary surplus are to act as a buffer against the worsening economic cycle and to invigorate the economy as well as to enable next genera-