

TOWARDS STRONGER PRIMARY EDUCATION INSTITUTIONS

POLICY ANALYSIS AND
RECOMMENDATIONS



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TOWARDS STRONGER PRIMARY EDUCATION INSTITUTIONS

POLICY ANALYSIS AND RECOMMENDATIONS



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In accordance with the Program Cooperation Agreement, signed by UNICEF Turkey and Education Reform Initiative (ERI) in February 2011, research and policy development activities were initiated, in collaboration with the Ministry of National Education (MoNE) Directorate General of Basic Education.



In the **'Determinants of student absenteeism and its relation with the economic crisis'** research project, data that has been accumulated in the e-school database since 2007-2008 were econometrically analyzed. The analysis aimed to find out the social and economic determinants of student absenteeism. Another aim of this research was to present recommendations to MoNE on improving data collection and reporting processes for the e-school database.

The research on **'Determinants of transition from primary to secondary education'** aimed to identify the determinants of transition from primary to secondary education in year 2010-2011, by econometrically analyzing the e-school data. Another aim of this research was to develop policy recommendations by interviewing representatives from public institutions and non-governmental organizations in three cities.

The research on **'Financial management of primary education institutions,'** aimed to investigate the financial management systems of primary education institutions by analyzing data on public expenditure, by interviewing key actors in public institutions, and by conducting case studies in 15 schools. Another aim of this research was to develop models of management by examining international examples and by organizing workshops with stakeholders.

Research in these three fields were conducted by expert academies. Their reports were also evaluated by referees. Based on the research findings, three policy reports were drafted. Policy reports were written by ERI experts and were revised according to discussions in meetings with broad participation.

This document is one of the final products of concerted efforts by the MoNE Directorate General of Basic Education, UNICEF Turkey and ERI.

REPUBLIC OF TURKEY MINISTRY OF NATIONAL EDUCATION

Primary responsibilities of Ministry of National Education include programming, executing, monitoring and auditing education and training services in Turkey; regulating and executing education and training-related services that Turkish citizens will receive abroad; responding to accommodation, nutrition and financial needs of youth in higher education; opening all kinds of formal and non-formal education institutions and authorizing the establishment of educational institutions except for the higher education level; and other duties stated in its law of establishment.



UNICEF TURKEY

The UNICEF Turkey carries out its activities on the basis of a Country Programme developed and undersigned in line with priorities set together with the Government of Turkey.

The UNICEF does not deliver direct services to children and adolescents in countries like Turkey that have large economies and strong institutions. Instead, it contributes to the development of policies regarding children and to the design and operation of mechanisms for implementing these policies. In this context, the UNICEF shares its international experience, engages in advocacy for change in legislation and systems, facilitates coordination and cooperation and extends technical assistance to its partners in developing replicable child-friendly models for delivering services and monitoring the progress achieved. Gathering and disseminating information for the realization of the rights of children and women, building awareness in related issues, supporting policy discussions and raising funds are all inseparable components of the Country Programme. To attain the targets set in the Country Programme, the UNICEF Turkey works with many governmental organizations and agencies, other international organizations, universities and research institutions and children themselves.

EDUCATION REFORM INITIATIVE

Education Reform Initiative (ERI) was launched in 2003 with the aim of improving education policy processes and outcomes in Turkey towards the ideal of "Quality Education for All" through research, advocacy and training. Policy recommendations developed by ERI aim at realizing all girls' and boys' right to and rights in education in Turkey and contributing to human, social and economic development of the country. ERI also attempts to serve as an example as to how policy dialogue should be conducted within a contemporary democratic framework by bringing together concerned civil society groups and relevant state agencies to catalyze an innovative collective thought process for education reform policy.

INSTITUTIONAL SUPPORTERS



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ABBREVIATIONS

ERI	Education Reform Initiative
GDP	Gross Domestic Product
MoNE	Ministry of National Education
OECD	Organization for Economic Co-operation and Development
UNICEF	United Nations Children’s Fund
OGP	School Development Program
TEFBIS	Information Management System for Education Finance and Educational Expenditures in Turkey
İKS	Primary Education Institutions Standards

EXECUTIVE SUMMARY

This report is an output of a wide-ranging collaboration between DG for Basic Education of Ministry of National Education (MoNE), UNICEF Turkey Country Office, and Education Reform Initiative (ERI). The aim of this collaboration was undertaking research in various areas of primary education and developing policy recommendations. This leg of the collaboration focused on how the finance and fiscal management system in primary education (elementary schools and middle schools) can be improved. Within this larger framework, a field research led by Dr. Ayşen Köse was undertaken. (A research report that presents of this research entitled as “Financial Management of Primary Education Institutions” has been published separately.) This report uses the findings of this background research, investigates the systems in other countries, and proposes models that would be feasible and desirable to implement in Turkey.

WHY IS THE FINANCIAL MANAGEMENT OF PRIMARY EDUCATION INSTITUTIONS IMPORTANT?

The basic characteristics of finance and fiscal management systems in education are (1) sources and amounts of revenues, (2) methods of allocation and spending of these revenues (grants), and (3) mechanisms of inspection and accountability. The fact that different combinations of these factors lead to variation in education inputs and student achievement has been documented well by research in several countries (especially in the USA). In a 2011 Special Report, UN also states that sufficiency of public resources allocated to education and mechanisms that would ensure an egalitarian and quality education is a precondition for realization of the right to education. Thus, education finance mechanism plays a key role in the realization of children’s right to education especially in primary and basic education.

FINDINGS OF THE BACKGROUND RESEARCH: “FINANCIAL MANAGEMENT OF PRIMARY EDUCATION INSTITUTIONS”

For a comprehensive overview of the characteristics of financial management mechanism of primary education in Turkey, a field research was undertaken in 2011 by MoNE, UNICEF and ERI. The field research comprised of close investigation of relevant pieces of legislation, descriptive analysis of public expenditure data, 26 semi-structured interviews with bureaucrats at central and local levels, site visits to 15 schools in three provinces. School visits included interviews with 138 school stakeholders, a survey of 1306 parents and investigation of budget and expenditure documents at the school level (of school-family associations).

According to the findings of this research, Turkey has a very centralized education finance system. In other words, public resources allocated to primary education are

usually managed and spent by public agencies that are proximate to the center rather than the school. Expenditures for teachers are directly undertaken by the central government. Grants for non-personnel current expenditures (purchase of education materials, goods and services for extracurricular activities, small-scale maintenance and repairs, cleaning, electricity, water, heating and telecommunications) are sent to provincial administrations by MoNE, and these grants are expended by these administrations at the request of provincial directorates of education. There are no major problems in the payment of bills of the schools and purchases of durable goods. Yet, the above-described mechanism through provincial administrations does not work especially when needs of schools for small-scale repair and maintenance and extracurricular activities occur. Primary education institutions do not receive grants from schools directly.

The interviews held during the field research suggested that provincial administrations use the grants only when they receive requests from provincial directorates of education and hold these institutions responsible for the identification and fulfillment of needs of primary education institutions. Citizens are largely unaware of the important role of provincial administration in primary education finance. As a result, provincial administrations cannot be held accountable within the larger education governance system. The role played by the provincial administration does only increase the number of transactions and thus decrease their pace.

Due to the insufficiency of public resources and inadequacy of the mechanism, schools have to resort to collection of fees and donations from parents through school-family associations. Although these contributions are formally defined as “voluntary donations,” research suggests that they turned to compulsory payments in practice. The procedures of collecting the contributions lead to difficulties especially in schools in socioeconomically disadvantaged schools. The revenues of schools through parents’ contributions and renting school facilities varies widely across regions with higher and lower socioeconomic indicators. This variation leads to a divergence in the quality of learning environments of schools. At times, this divergence occurs between different classrooms within the same school. As school-family associations drifted to be a mechanism of revenue generation, they cannot be employed for participation and control functions.

The most important finding of the research is the fact that schools are deprived of tools and resources through which they can enhance the quality of education. As a result of the current education finance system, primary education institutions are weak institutions. This situation prevents full realization of the right to education for all and constant improvement of the education system.

STEPS BY MONE TOWARDS REFORM AND SOLUTION

MoNE takes various steps to solve the above-mentioned problems. “e-performance budgeting” project that aims to provide an electronic and online tool through which schools would notify the central organization of MoNE of their needs, and “TEFBİS”¹ that aims to keep an electronic track of incomes and expenditures of school-family

¹ An abbreviation of “Information Management System for Education Finance and Educational Expenditures in Turkey”.

associations are just two of these steps by MoNE. Furthermore, an experiment of transferring direct grants to schools and requesting them to decide on the use of grants through participatory mechanisms was also undertaken under the heading of “School Development Program” between 2010 and 2012. The changes in public administration system also changes the education finance mechanism: Law No. 6230 recently abolished provincial administrations in 30 provinces in which 78 percent of primary education students live. It is still uncertain which public agency will assume the role which was so far executed by provincial administrations.²

INTERNATIONAL TRENDS AND EXAMPLES FROM OTHER COUNTRIES

Comparative studies also suggest that Turkish education finance system is overcentralized. Many European countries have taken steps to decentralize their education finance and fiscal management systems. In Western European countries, the spending autonomy of schools and municipal/local governments were increased beginning from 1970s. In Ireland, Spain and Italy are examples of such reforms. In the post-socialist period, Eastern European countries followed the same path and made extensive use of per-capita finance formulae. Poland is a frequently studied country within Eastern Europe. In general, studies suggest that, decentralization in fiscal management in education may yield beneficial results in terms of efficiency, equity and accountability, if they are designed carefully to the specific needs of the society.

MODELS PROPOSED IN THIS REPORT FOR TURKEY

The last section of this report presents three different models that Turkey could adopt. The aims of these models are (1) contributing to the evolution of schools towards stronger institutions so that they can diversify and improve the services they provide for children and (2) improving equity and accountability of the education system. In light of these principles, three different models are constructed and discussed. In proposed model A, district-level directorates of education would be the level to which grants for non-personnel current expenditures are transferred and the level which hold the responsibility for these expenditures. In proposed model B, municipalities, and in proposed model C, schools bear the responsibility for managing these grants. The weaknesses and strengths of each model is discussed respectively. Furthermore, a proposal for a typology of grants and allocation mechanisms is also presented in the last section of the report. Accordingly, grants should be diversified and mechanisms and formulae should be adopted so that schools with higher number of disadvantaged students can receive a larger amount of grants. In addition to regular grants for compulsory needs of schools, MoNE is also recommended to construct program-based grants, through which it can steer and incentivize schools to implement programs which would benefit disadvantaged students, and project-based grants, through which entrepreneurship and innovation capacity of schools can be enhanced.

² During writing of this report (August 2012; executive summary has been written in August 2013), the legal change regarding the provincial administration was not decided yet. Therefore, the main part of the report does not contain any information regarding the change of provincial administrations. Yet, Education Reform Initiative prepared a policy brief on the potential effects of the abolishment of provincial administrations in 30 provinces, when the legal change was decided by the parliament. This policy brief is appended to this report and can also be reached at http://erg.sabanciuniv.edu/sites/erg.sabanciuniv.edu/files/PolitikaNotu_BelediyeYasaTasarisillOzellereleleri_Final.pdf

INTRODUCTION

Efforts for increasing quality in Turkish education continue vibrantly. Policy makers aim to undertake improvements in components of education so that quality of education rises: “Reforms in teacher policies” and “transformation of educational settings through the FATİH project” are examples of important steps taken towards this direction.

Another area of transformation to increase the quality of education is governance. “Restructuring of governance in education” started in September 2011, when Decree No. 652 was issued and the central organization of Ministry of National Education (MoNE) was rearranged. Transformation of governance mechanisms and processes is of vital importance for creating and assuring quality in the education system.

Aim of education, especially of basic education, is contributing to the development of the child’s skills in all possible areas through prioritization of his or her needs over all other requirements and taking his or her specific characteristics into consideration. An approach to education which considers the child as an individual with personal characteristics and aims to equip him or her with life skills necessitates **a school-centered governance approach in which schools are strengthened as institutions**. In this approach, schools are positioned as potent institutions which can effectively respond to the needs of children that differ greatly in line with various personal characteristics.

This report aims to present policy recommendations for improving the education finance system so that primary education institutions (elementary schools and middle schools) can transform into strong institutions within the process of increasing the quality of education and restructuring governance.

Education finance system is, as international human rights organizations such as UN point out, a determinant of how quality and egalitarian an education system is because it encompasses how resources are distributed and managed. Therefore, the outcomes education finance systems lead to should be investigated closely and necessary improvements should be undertaken without delay.

In line with this aim and as a component Project Cooperation Agreement between Turkish Ministry of National Education DG for Basic Education, UNICEF Turkey Office and Education Reform Initiative (ERI), a field research entitled “Financial Management of Primary Education Institutions” was undertaken between April-October 2011 and led by Dr. Ayşen Köse. The findings of this research (presented in a separate research report) showed the problems caused by the finance system for primary education institutions. While the research was being undertaken, practices and systems from different countries were investigated and recommendations for new mechanisms were prepared, under the consultation of Assoc. Prof. Dr. Pınar Akkoyunlu. These recommendations were then discussed in meetings held in İstanbul and Ankara,

modified by the researchers in light of the suggestions collected in the meetings and are being presented in the seventh section of this report.

Next section of the report outlines more detailed opinions about the importance of financial management mechanism. The third section presents the general framework and findings of research undertaken in the area of financial management mechanisms in education. Then, the situation in Turkey is explained in light of the findings of the field research "Financial Management of Primary Education Institutions." The fifth section explains the current changes and reforms in Turkey in the area of financial management and discusses their potential effects. The sixth section gives an outline of the current trends in the world in financial management of public education and suggests examples from different countries, while focusing mainly on European countries. The seventh section presents three recommended models prepared as part of Project Cooperation Agreement. The concluding section is a general discussion.

WHY IS THE FINANCE SYSTEM OF PRIMARY EDUCATION INSTITUTIONS IMPORTANT?

Education is a basic human right and the most fundamental tool for the realization of other human rights. “Basic education” in which ideally every individual is equipped basic knowledge and life skills is of vital importance for the realization of human rights.

Education is a right for all human beings and it is an indispensable instrument for the realization of other human rights. Every member of the society should be able to access to basic education for the realization of these rights.

World Declaration on Education for All defines basic learning needs as follows: “Essential learning tools (such as literacy, oral expression, numeracy, and problem solving) and the basic learning content (such as knowledge, skills, values, and attitudes) required by human beings to be able to survive, to develop their full capacities, to live and work in dignity, to participate fully in development, to improve the quality of their lives, to make informed decisions, and to continue learning.” Primary education plays a very important role for gaining skills defined by World Declaration.

Convention on the Rights of the Child that was ratified by Turkey in 1994 also states that “States Parties recognize the right of the child to education” in Article 28. According to the convention, States Parties are particularly obliged to “make primary education compulsory and available free to all.”

Provision of a sufficient level of financial resources is of vital importance so that primary education services can be delivered. Provision of these resources gains even more importance when the vitality of basic education, primary education in the context of Turkey, is taken into consideration.

Economic rights one of which is education can be realized by states incrementally as economic resources become sufficient. Yet, free primary education is not one of the economic rights which can be realized in an incremental manner. A special report by the UN Special Reporter on domestic financing of basic education published in August 2011 also reminds that “States have undertaken international legal obligations for the fulfillment of the right to education through various human rights instruments and assumed the responsibility of providing the resources required for its realization.”³

Moreover, various international human rights documents clearly suggest that resources as much as possible should be allocated to efforts for realization of human rights.⁴ In other words, in terms of allocation of financial resources, states and societies should not be limited to the realization of minimum requirements and should

³ UN, 2011. The Special Report prepared by Kishore Singh (Special Rapporteur on the Right to Education) and presented by the Secretary-General to the General Assembly focuses on the issues of education finance and education in cases of emergency.

⁴ Article 2 of the International Covenant on Economic, Social and Cultural Rights; Article 4 of the Convention on the Rights of the Child; Article 4 of the Convention on the Rights of Persons with Disabilities.

make more effort for increasing the allocation of resources to education as it is a basic human right.

Convention on the Rights of the Child, Article 4:

States Parties shall undertake all appropriate legislative, administrative, and other measures for the implementation of the rights recognized in the present Convention. With regard to economic, social and cultural rights, States Parties shall undertake such measures **to the maximum extent of their available resources** and, where needed, within the framework of international co-operation.

Allocation of sufficient public resources to education is a necessary condition for the realization of right to education, but it is not sufficient. There is a need for governance mechanisms which would ensure utilization of resources for egalitarian education of high quality.

Allocation of sufficient public resources for basic education / primary education does not necessarily mean that all conditions for the realization of human rights is met. These resources should also be allocated in a way that would enable an egalitarian and high quality education and education can be harmonious with the norms of human rights. For states to ensure that, UN draws attention to following issues:⁵

- (1) "Evaluation of the effectiveness of financial management in the area of education requires attention to the core principles of equality and non-discrimination. In the allocation of funds to the various education levels and regions within a territory, prevailing socio-economic disparities and their implications for the education sector must be taken into consideration. In situations where schools are funded through sub national budgets, it is also necessary to ensure that differences in revenues collected locally do not result in inequalities between regions."
- (2) "Specific resources must be ensured to address the root causes of the exclusion from education of girls, those living in poverty or with disabilities, ethnic and linguistic minorities, migrants, and other marginalized and disadvantaged groups."
- (3) "Frameworks regulating education expenditure must give foremost consideration to the improvement of quality education (...) Investment in essential areas such as the development of pedagogic materials, the training of teaching personnel and improving working conditions remains neglected."

As should have been obvious, financial resources and mechanism/frameworks regulating the expenditure of these resources are of vital importance for the realization of the right to education which is one of the foremost obligations of states. ***Education finance systems are one of the most important components of the institutional infrastructure that enables the realization of human rights.***

International organizations invite states periodically to allocation of sufficient resources for education services. High Level Group on Education for All which gathers every year under the auspices of UNESCO calls on states to allocate fixed shares of their GDP

⁵ UN, 2011.

to education services. In March 2011, High Group agreed on inviting governments in developing countries to allocate 6 % of their GDP or 20 % of their governmental budget to education and use these resources cost-efficiently.⁶

International law documents suggest that states have also obligations at educational levels other than primary education. According to the Article 28 of the Convention on the Rights of the Child, states parties shall “encourage the development of different forms of secondary education, including general and vocational education, make them available and accessible to every child, and take appropriate measures such as the introduction of free education and offering financial assistance in case of need.” The same article also suggests that states shall “make higher education accessible to all on the basis of capacity by every appropriate means.”

⁶ High Level Group on Education for All, 2011.

FINANCIAL MANAGEMENT IN EDUCATION AND ITS EFFECTS: A CONCEPTUAL FRAMEWORK

Education finance systems are composed of many components and these components vary across countries. As a result of this variation, researchers find that education finance systems in education has differential impact on the provision of educational inputs and student achievement.

The aim of this section is presentation of a conceptual framework which would be helpful for a better understanding how education finance systems differ from each other and how they affect educational inputs and outcomes. Research on education finance systems in education usually use the framework presented in this chapter. The conceptual framework would also serve as a framework for the discussion of the findings on the Turkish system and of the recommended models, both of which will be presented in the following sections.

CHARACTERISTICS, EFFECTS AND DETERMINANTS OF FINANCE SYSTEMS IN EDUCATION

Different education finance systems in education can vary to a great extent across countries. Each aspect of this variation would help us identify the characteristics of the education finance systems in education (Figure 1). The first of these aspects concerns the **characteristics and sources of revenues used for expenditures of educational institutions**. These sources of revenues are generally categorized as public sources, private sources, and international sources. It is generally expected that in countries whose education systems are dominated by public schools, most of the educational expenditures are undertaken through revenues of public sources. Revenues of private sources are generally by systems in which private schools are dominant or revenues of public sources are insufficient. Revenues of international sources are generally used in poorer countries such as many countries in Africa.

It is also important which kinds of revenues of public sources are used for educational services. This might affect the general system and its outcomes. Revenues collected by central government, sub national (state, regional or provincial governments) or local (city, town or village) governments can be used for the provision of education services. In cases in which revenues collected by central government are used (e.g. income tax), inequalities of educational expenditures or inputs across lower units (provinces, districts, schools) are expected to be lower. Conversely, if revenues collected by local governments (e.g. property tax) are used for the provision of educational services,

SOURCES, REVENUES, EXPENDITURES FOR EDUCATION SERVICES

Revenues should be allocated and *expenditures* should be undertaken using these revenues for education services to be provided. Revenues can come from various sources. Sources which provide the revenues allocated to primary education are: public sources, private sources and international sources.

Public sources: Central government and local government are the public sources of revenue for educational institutions

Private sources: Private corporations and households are private sources of revenue for educational institutions. School fees, donations from corporations or households, fees collected by schools for usage of its physical facilities (canteen, parking lot, sports facilities, etc.) or other revenue generation activities (school trips, book or journal sales, etc.) are examples for types of revenue coming from private sources.

International sources: Revenues coming from international charity organizations, aid programs of other countries, and intergovernmental organizations such as World Bank or European Union.

inequalities across units of local governments are likely replicated in educational expenditures or inputs. For instance in the USA, many lawsuits have been filed since 1960s due to the high level of inequalities across local governments in educational expenditures per capita which results from the fact education in the USA was largely financed by the revenues of local governments. As a result, state governments (as a more central unit of government) increased their roles in education financing. In states which had to reorganize their education finance systems of education due to the court verdicts saw significant decreases in the inequality of their educational expenditures per student.⁷

Another aspect that varies across systems of education finance is the **authorities managing the allocation and expenditure of revenues and methods used for these purposes**. Revenues allocated to education services can be turned into expenditures by the agencies of central government, local government or schools, or the decision-making ability might be shared by a number of these agencies. For instance in Germany, teachers are hired and paid by state governments whereas current and investment expenditures are undertaken by local governments or school districts.⁸ The basic question which should guide the distribution authority is which agency can turn the revenues into expenditures in the most effective and efficient way. Central governments are expected to undertake more efficient expenditures as they are able to benefit from economics of scale, yet decentralization of the decision-making may lead to higher levels of responsiveness of expenditures to the needs of children.

In systems in which revenues are collected by upper (more centralized) levels of government, one of the most important distinguishing factors across systems is **how these revenues are allocated to lower levels of government and schools**. Central governments use several methods to allocate fiscal or human resources. These methods include formulae based on number of students, classrooms and schools, calculations based on previous years, bargaining with lower levels of government or schools, and performance-based budgeting.⁹ Different methods may be used for

⁷ Evans, Murray and Shwab, 1997; Corcoran and Evans, 2007.

⁸ Eurydice, 2000.

⁹ World Bank, n.d. The same source defines "performance-based budgeting" as allocation of resources according to pre-defined aims and objectives and also according to whether these aims and objectives were met in previous years.

different kinds of grants in the same system. If central government increases the number of specific grants, it constrains the spending autonomy of lower levels of government and schools.

Another aspect which varies across systems of education finance is existence of **additional resources allocated for disadvantaged students** and whether or not additional expenditures are undertaken to ensure full participation of these children in the education system. Some children in education systems may experience difficulties in access to education or attaining the learning standards. In order to overcome these difficulties and ensure that disadvantaged children benefit from the education system fully, additional expenditures may be necessary. For instance, bussing of children who live in rural areas and support services and special education teachers for children with disabilities may require these additional expenditures. The sources of these expenditures, the definition of disadvantaged children and the decision-making authorities for additional expenditures are the other aspects that set the characteristics of the system.

Mechanisms of fiscal control and accountability are one of the aspects of education finance systems that gained importance in recent years. Fiscal control activities may include, in addition to auditing or control for lawfulness of revenue collection and spending, performance-based inspection and control for appropriateness. One way of performance-based inspection is accountability mechanisms that aim to hold decision-makers responsible for the outcomes of their decisions. Some of these systems suffice with publicizing the outcomes of such decisions (generally learning outcomes measured by test results of children), whereas others foresee various sanctions for those decision-makers or institutions which could not reach outcomes defined previously.

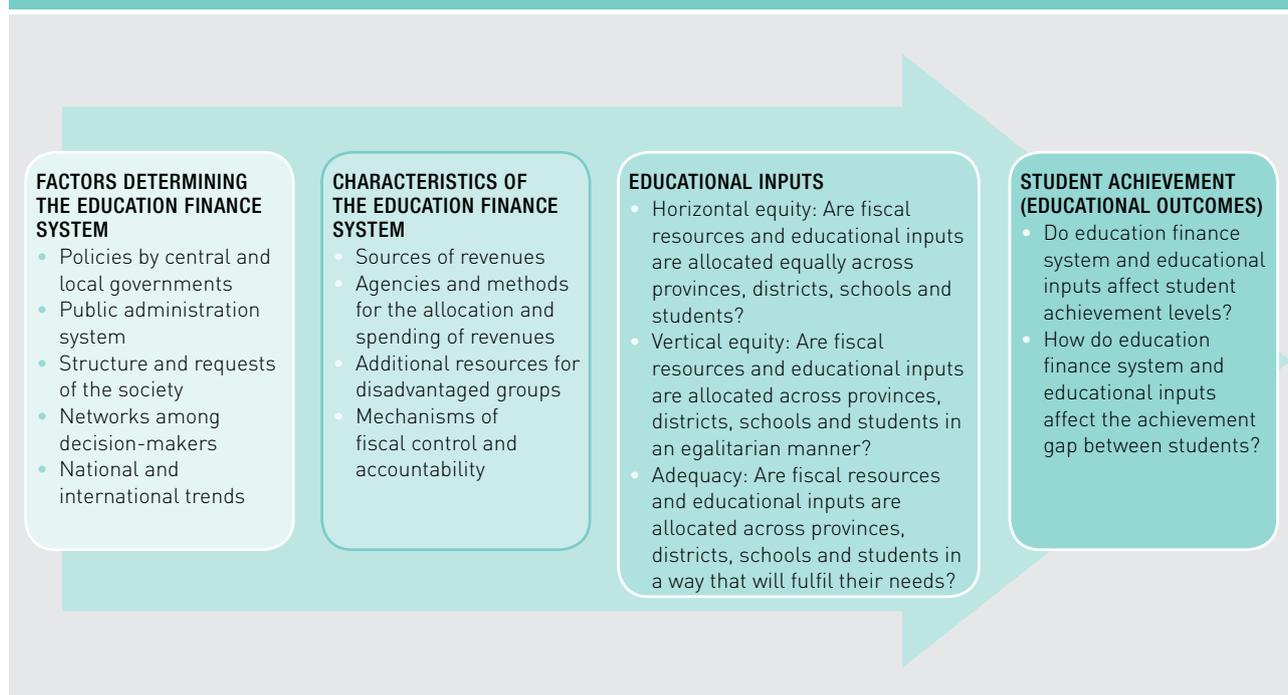
Systems of education finance usually vary across countries along the lines of the four aspects described above and displayed in Figure 1.

Figure 1 further conceptualizes the variables which are affected by the systems of education finance. The first of these variables is the set of “Educational Inputs” that are affected directly. The characteristics of education finance as described above determine the allocation of fiscal resources and educational inputs (teachers, laboratories, computers, etc.) to schools and students. For instance, if the revenues of central level of government are used for educational expenditures, expenditure and inputs per students are expected to be more equal across provinces and/or districts. The researchers who study the effects of the education finance system on educational inputs ask three main questions:¹⁰ According to the criteria of “horizontal equity,” revenues and inputs should be allocated equally across provinces, districts, schools and student. “Vertical equity,” on the other hand, emphasizes the importance of the egalitarian allocation of resources rather than equal allocation, and questions whether the resources are allocated in a way that would enable the education system to overcome disadvantages. It is more likely that the systems which allocate additional resources to disadvantaged students fulfill the criteria of vertical equality. The criteria for “adequacy” are only met if every student is ensured to be equipped with sufficient educational resources according to predefined standards. How education reforms

¹⁰ Downes and Stiefel, 2007.

affect equity and adequacy is an important question both for decision-makers and researchers. Rubenstein et al. found that states in the USA which implemented reforms to strengthen accountability mechanisms in education finance are more likely to meet the criteria of adequacy whereas there was no effect on equity. Researchers argue that this is most likely related to the definition of standards for accountability mechanisms that made the school with lacking resources more visible in the system.¹¹

FIGURE 1: GENERAL CONCEPTUAL FRAMEWORK CONCERNING THE EDUCATION FINANCE RESEARCH



Source: Constructed by authors using Carnoy and Loeb (2002) and Rubenstein et al. (2009).

There are also studies which aim to analyze how the education finance system and its outcomes on educational inputs affect student achievement. The relationship between expenditure per student and student achievement as measured by test scores is one of the mostly studied questions in this area. In countries in which expenditure per student is not equally distributed, if there is a strong relationship between per capita expenditure and student achievement, this might mean that education finance system creates inequalities and they should be addressed. In cases where there is absolutely no relationship between per student expenditure and student achievement, it might be questioned whether expenditures are effective and efficient, and improvements may be needed.

Another area of research is on the factors which determine the education finance systems. As shown in Figure 1, these factors may be quite diverse. A research that collected data on the accountability mechanisms used in different states of the USA concluded that states that have higher ratios of students from minority groups and with higher populations instilled stronger accountability mechanisms.¹² This might be an example of how the social structure affects education finance systems.

¹¹ Rubenstein et al., 2009.

¹² Carnoy and Loeb, 2002.

USE OF PRIVATE SOURCES OF REVENUE FOR PUBLIC EDUCATION SYSTEMS

Although public resources should be used for the expenditures of public education systems, there are many countries in which donations and fees collected from households are used in addition to public resources for the expenditures of public education systems. In some countries, it is legal that public schools set a range or level for the school fees and collect them regularly. In some other countries, voluntary donations and contributions are collected from households.

Research in this area suggests that using private resources for public education systems is a widespread phenomenon in developing countries.¹³ A World Bank study that collected data from 79 countries, suggested that schools in 77 of these countries collect “school fees” in some form or other.¹⁴

Using private resources for public education systems can be considered a characteristic of education finance systems in the conceptual framework summarized in Figure 1. There may be several different reasons for using private sources in public education systems: It is widely assumed that insufficiency of public resources lead to this phenomenon. Researchers aim to test this hypothesis by estimating whether public resources are sufficient through an investigation of the share of public education expenditures in GDP or in general budget. Yet, even if the public resources are sufficient or possible to be increased, decision-makers may opt for the usage of private sources. Decision-makers may think that revenues collected with the effort of school administrators might be spend for effectively and efficiently. Increasing the participation of parents and other stakeholders in school governance or improving the accountability of schools to parents might be the reason behind this policy choice.¹⁵ On the other hand, researchers found out that introduction of the school fee system in South Africa after the breakdown of the apartheid regime can be explained by the efforts to prevent a sudden drop of quality in these schools and escape of middle classes from public education system.¹⁶ Schools may also implement policies to collect their own revenues even though decision-makers do not take a clear step to this direction. If schools have to compete in the larger system, schools may feel the need to collect revenues from households to have an advantage in this competition.

An advantage of usage of private resources in public education systems might be an increased level of participation of parents and local communities in education and school governance. It is hoped that in those systems in which parents participate more widely education services would be easier and more likely to be adapted according to the diverse needs of children. On the other hand, if the income levels of households directly affect the level of revenues collected by schools, large inequalities in the allocation of educational inputs across schools and students may occur.

The austerity policies implemented in developed countries in the aftermath 2008-2009 economic recession may lead to the fact that private resources are used for public education even in developed countries. Some news reports suggest that household spending on public education increased fast in last two years in New York City in the USA.¹⁷

¹³ Fiske and Ladd, 2007.

¹⁴ Kattan and Burnett, 2004.

¹⁵ Gershberg and Meade, 2005.

¹⁶ Fiske and Ladd, 2004.

¹⁷ Schoolbook, 2012.

In sum, ***education finance systems are complex systems with various components and there is a myriad of research findings showing the links between those systems and various outcomes such as allocation of educational inputs and student achievement. Thus, the system should be investigated and enhanced comprehensively.*** Next section summarizes the findings of previous studies on Turkish education finance system and also of the comprehensive field research which constitutes the background of this report.

FINANCING PRIMARY EDUCATION IN TURKEY

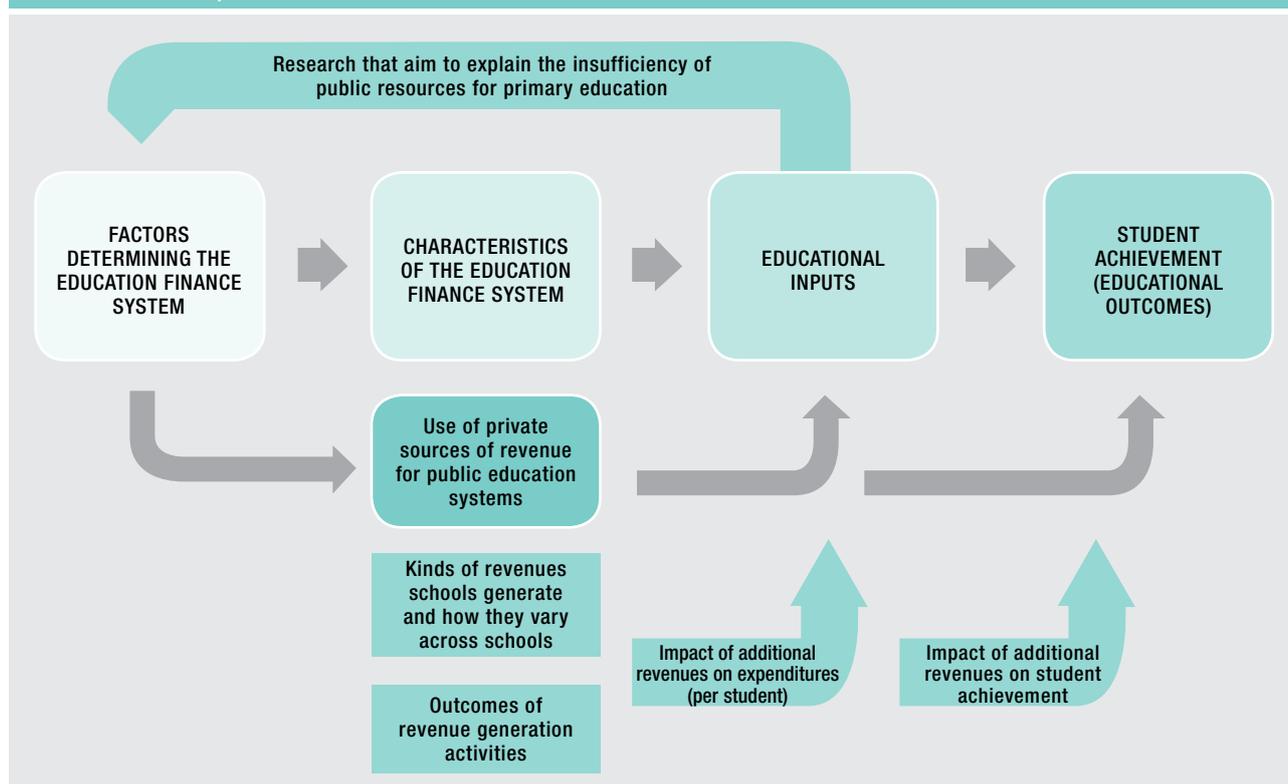
There is an important amount of research on finance and fiscal management system in primary education in Turkey which mostly focuses on why and how schools collect additional resources from families. A comprehensive research which takes all components of the system into consideration and presents findings on outcomes of all of these components has been undertaken by collaboration between DG for Basic Education of MoNE, UNICEF Turkey and ERI.

Most of the research on the finance system of primary education in Turkey finds out that public resources allocated to primary education are not sufficient. Among the reasons of this phenomenon, demographic structure of the country, internal migration towards larger cities,¹⁸ constraints due to high level of investment (capital expenditures)¹⁹ are listed by the researchers. As a result, researchers argue, schools take steps for generating their revenues, and they have 22 to 60 methods of revenue generation. Donations from parents, renting out school facilities and fees collected for pre-primary classes are three most important sources of revenue for schools' revenue

¹⁸ Kavak and et al., 1997; Altuntaş, 2005.

¹⁹ Koç, 2007.

FIGURE 2: THE TOPICS ON WHICH RESEARCH IN EDUCATION FINANCE FOCUSED SO FAR IN TURKEY (WITHIN THE GENERAL FRAMEWORK OF RESEARCH IN EDUCATION FINANCE)



generation activities.²⁰ Yet, these vary in relation with the socio-economic structure of the school region: Schools which are located in regions with higher socio-economic levels can generate revenues from various sources, whereas those in regions with lower socio-economic levels are more dependent on contributions and donations from parents.²¹

Figure 2 shows the areas on which research in Turkey so far focused on using the same conceptual framework introduced in previous section. Previous research in Turkey easily assumes that public resources are insufficient and concentrates on types of revenues collected by schools and outcomes of activities for revenue generation at the school level. Although these studies are very much useful for a better understanding of education finance system in Turkey, there is no comprehensive research so far that studies both macro (flow and management of public resources) and micro (revenue generation and spending at the school level) levels.

As a result of the Project Cooperation Agreement signed by UNICEF and ERI in February 2011 which is executed in cooperation with DG for Basic Education of MoNE, a comprehensive research was launched to investigate the characteristics of finance system in Turkish primary education. The research project entitled “Financial Management of Primary Education Institutions” was led by Dr. Ayşen Köse and aimed to reach findings on (1) the role of the public sector in primary education finance system, and how this role is shared and operationalized among different public institutions at different levels, (2) revenue generation activities at the school level and the opinion of those stakeholders who are part of these activities. In order to be able to answer the research questions at the macro level, relevant pieces of legislation and regulations were investigated, 26 interviews were undertaken with bureaucrats at central and local level public agencies, and public spending data were analyzed. To answer questions at the micro level, 15 public primary schools with different characteristics in three provinces were visited, interviews were held with 138 stakeholders in these schools, 1.306 parents were surveyed and budgetary documents of school family associations were investigated.

The study entitled “Financial Management of Primary Education Institutions” (whose findings are presented in a separate report) suggested that the education finance system has several important problems that negatively affect the effective fulfillment of needs of primary education institutions in Turkey.

The findings of the report suggest that primary education institutions (except regional boarding schools) are not institutions that can receive and expend public resources directly, thus the schools cannot control any public resources. Personnel expenditures (for teachers) are covered directly by the central government. Central government also transfers grants to provincial directorates of education for bussing of children in rural areas and to regional boarding schools for the needs of resident students. Yet, primary education institutions have other needs as well: Educational materials and durable goods for schools, goods and services necessary for extracurricular activities, small-scale maintenance and repairment, cleaning, covering the costs of water, electricity,

²⁰ Kavak et al., 1997; Zoraloğlu et al., 2005; Yolcu and Kurul, 2009.

²¹ Özdemir, 2011.

SCHOOL STAKEHOLDERS SPEAK UP

Some quotes from school stakeholders interviewed during the “Financial Management of Primary Education Institutions” field research

School principals:

“What we do is begging, panhandling... Whatever you can give, we say. Parents usually give 3-5 TL in their pockets. If you saw the parents, you would be even ashamed to ask even for that 3-5... TL”

“We ask for a minimum of 250 TL at the beginning of the school year for registration. There is no upper limit, but so far the maximum was 500 TL. Registration fee is well-known, I do not feel the need to hide that I collect it... We ask for a very small amount in this school, other schools ask for 2-3K. TL”

Teachers:

“As teachers, we never involve ourselves in the money business. If we do, parents do not come to parent-teacher conferences as they think we will ask for money. At the end of the conference we let the classroom mother talk. Classroom mother reports about the previous donations and how we used them, and shows the documents to mothers. Based on this, she says that more donation should be collected, it should come to such level, etc.”

Students:

“They constantly ask for money. They take little amounts, but they take frequently. We give this money out of our own pocket money. Because our families get angry if we ask for money from them. When we ask for something, teachers say, ‘You should first pay for it.’”

“Some students in our school did not pay their installments, and therefore they took the computers back. (You don’t have computers in school anymore?) Students who have paid their installments have them. We don’t have any in our classrooms.”

Parents:

“There are some school principals who can get anything from the mayor with one phone talk only. Mayor immediately sends teams of municipality and the schoolyard would be squeaky clean in a moment. Yet there are also school principals who call mayors ten times a day, and send parents to him ten times, and then the municipality would begin pay attention to that school. Could I make myself clear?”

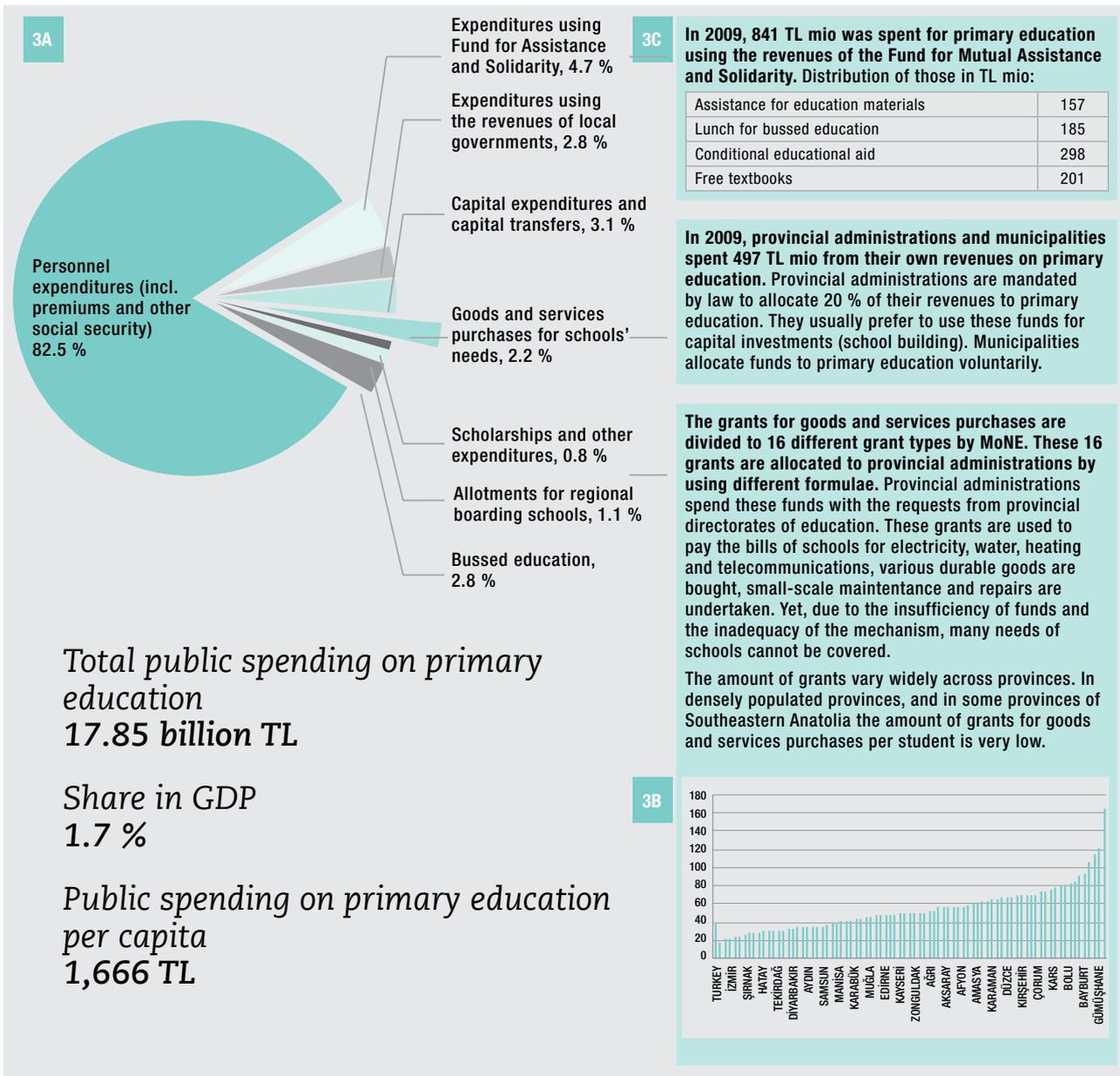
“They elected me as the president of the school-family association only because my business is close to the school. Somebody should be ready to come immediately when the principal calls. There is so much paperwork to do. I sign the papers, go back to my business.”

heating and telecommunications, are among the primary needs of schools. As a rule of thumb, resources coming from the central government are used to fulfill those needs. Ministry of National Education divides its total revenues (within the boundaries set by the Ministry of Finance) into grants. All of these grants are defined specifically and transferred to provincial administrations according to formulae separate for each grant. Provincial administrations, in turn, expend these grants in accordance to the requests of the provincial directorates of national education. Whereas there are no major problems in the payment of bills of schools and provision of durable goods, it is one of the major findings of the research that this mechanism does not function well for the small-scale maintenance and repairment, and covering for the needs of extracurricular activities.

As a requirement of law, provincial administrations have to allocate 20 % of their own revenues to primary education. Yet, in practice, the grants of provincial administrations are usually expended for investment (capital) expenditures. Provincial administrations usually resist to the idea of using these grants for current expenditures of schools. Municipalities are not required to allocate grants to primary education, but they may contribute to covering various needs of schools, such as maintenance, repairment, cleaning and purchase of various goods for educational purposes.

The last item of public spending is expenditures which use the revenues of the Designated Fund for Mutual Assistance and Social Solidarity. For these expenditures, see Figure 3c. They include conditional aid for education, and aid for educational materials. These are managed through the foundations of social assistance and

FIGURE 3: PUBLIC EXPENDITURES IN PRIMARY EDUCATION, 2009



Source: "Financial Management of Primary Education" research report.

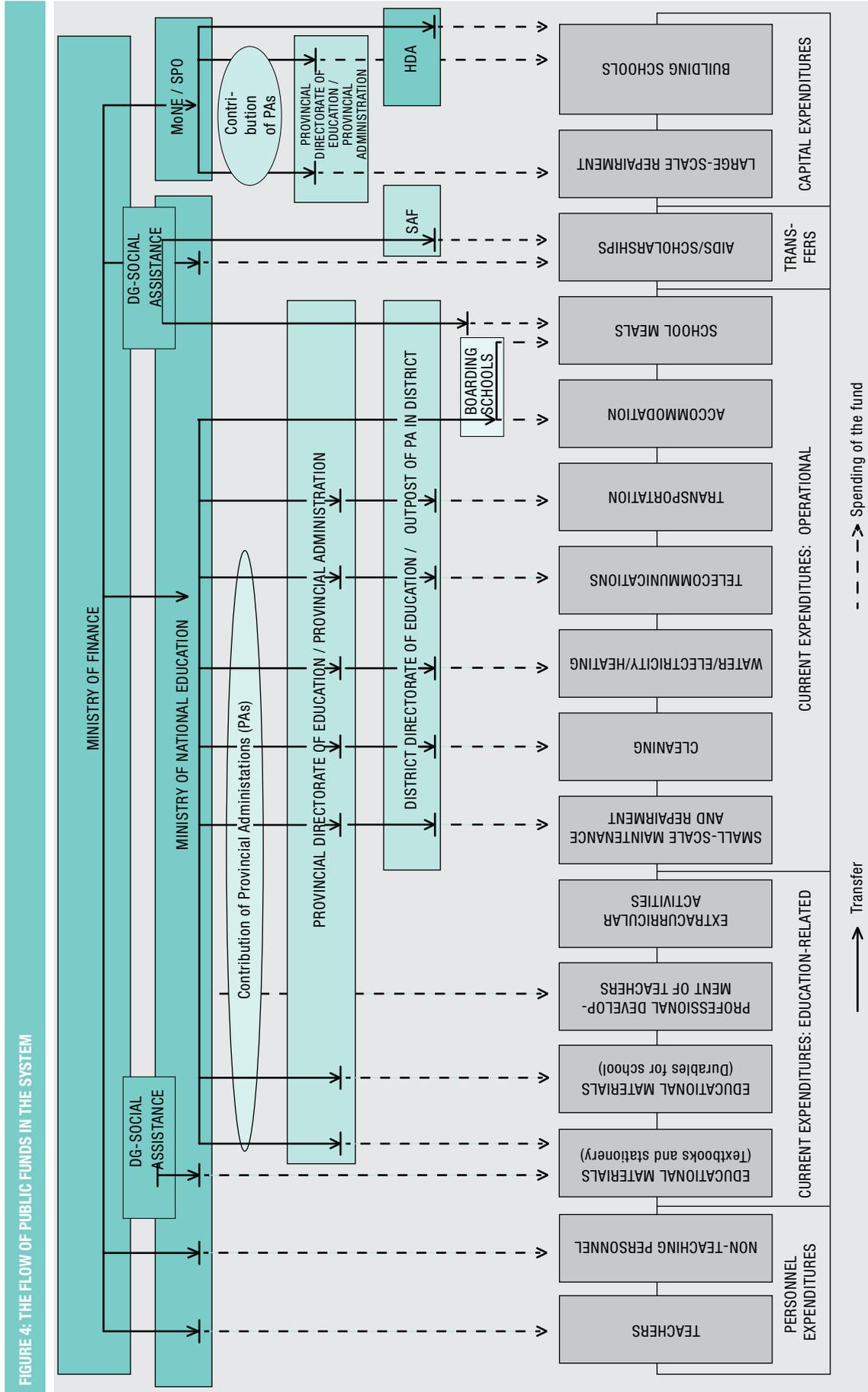
solidarity founded by law at every district. Parts of the fund are also used for free textbooks and aid for school lunch, but these funds are directly transferred to MoNE.

Figure 3a suggests that public expenditures are to a great extent undertaken with the revenues collected by the central government (92-93 %). 17.9 billion TL in 2009 and 18.8 billion TL in 2010 are spent by public agencies for primary education. This is the equivalent of 1.7 % of GDP. In 2009, total public expenditure per student is 1.666 TL and only 39 TL is spent for goods and services purchases of schools, per student. Public expenditure on education in Turkey is quite low (total public expenditures on education is 3.9-4 % of GDP). One of the reasons of not covering the needs of primary education institutions such as copy machines, projectors, labs, small-scale maintenance and repairment and cleaning is the fact that total public expenditure on education is quite low in Turkey.

On the other hand, insufficiency of public resources is not the only reason. The mechanism through which resources are mobilized has also problems. The fact that grants for primary education institutions are transferred to provincial administrations and expenditures for purchasing goods and services are made by provincial administrations lie at the center of these problems. As specified above, earmarked grants for purchasing goods and services are transferred by MoNE to provincial administrations. Although the grants are earmarked, the discretion on which schools will benefit from the grant belongs to the provincial governments. The research findings suggest that provincial administrations are unwilling to make such decisions and wait for the requests from provincial directorates of education. When asked about the reason of this unwillingness, bureaucrats in both provincial directorates of education and provincial administration tell that schools belong to MoNE rather than local governments (provincial administrations), and provincial administrations are not in a position to be well-informed about the needs of schools and how to prioritize among these needs. In addition, provincial administrations do not have sufficient human resources.²² In two of three provinces visited for research, civil servants of provincial directorates of education were working in the premises of provincial administrations so that the transactions for purchasing goods and services can run smoothly.

The situation described above makes provincial administrations “unaccountable” institutions within the system of education governance. Many citizens are not aware of the fact that provincial administrations have duties in fulfilling the needs of primary education institutions. Thus, they are not held accountable by the citizens. In addition, MoNE cannot hold them accountable either as they are agencies of local government or are not directly controlled by the agencies of central government. Neither of external or internal control/accountability mechanisms works in the case of provincial administrations (when it comes to their decisions and actions in education governance). Rather than facilitating or enabling accountability, the fact that provincial administrations are part of the education governance increases the number of transactions and decreases the pace of the mechanism. The outcomes of this situation include the unfulfillment of the requests by schools for small-scale repairs and maintenance. There are also no standards for the allocation of the grants for cleaning of schools which started to be transferred by MoNE to provincial administrations since 2010. The lack of standards leads to discontents among schools. According to the opinion of many school stakeholders, the role assumed by provincial administrations in school governance does not benefit anybody.

²² Türkoğlu, 2004.



Source: "Financial Management of Primary Education" research report. Dotted line indicates spending of the fund, solid line indicates transfer. For abbreviations, refer to the Abbreviations List on p. 6.

Within the hierarchy of MoNE, schools cannot directly put requests to provincial administrations as they have to be represented by provincial or district directorates of education. Most schools, on the other hand, report that their requests are not even responded by directorates of education, let alone the fulfillment of the requests. There is no national system which could regulate the requests of schools and responses of upper level agencies. There is no transparency in how these requests are handled by upper level agencies, either. Some directorates of education suggested that sometimes they were not aware how much of grants sent by MoNE are spent or left. The unregulated structure of the relationships between schools and directorates of education and between directorates of education and provincial administrations lead to a situation in which informal networks between persons are the determining factor. The losers of this situation are schools which are due to various reasons excluded from these networks and schools in larger and densely-populated provinces in which constructing these informal networks is extremely hard.

The insufficiency of public funds allocated to primary education and the inadequacies of the mechanisms to mobilize the funds leads schools to generate their own revenues. Yet, this situation leads to various problems in school governance practices and for the equity principle of the education system.

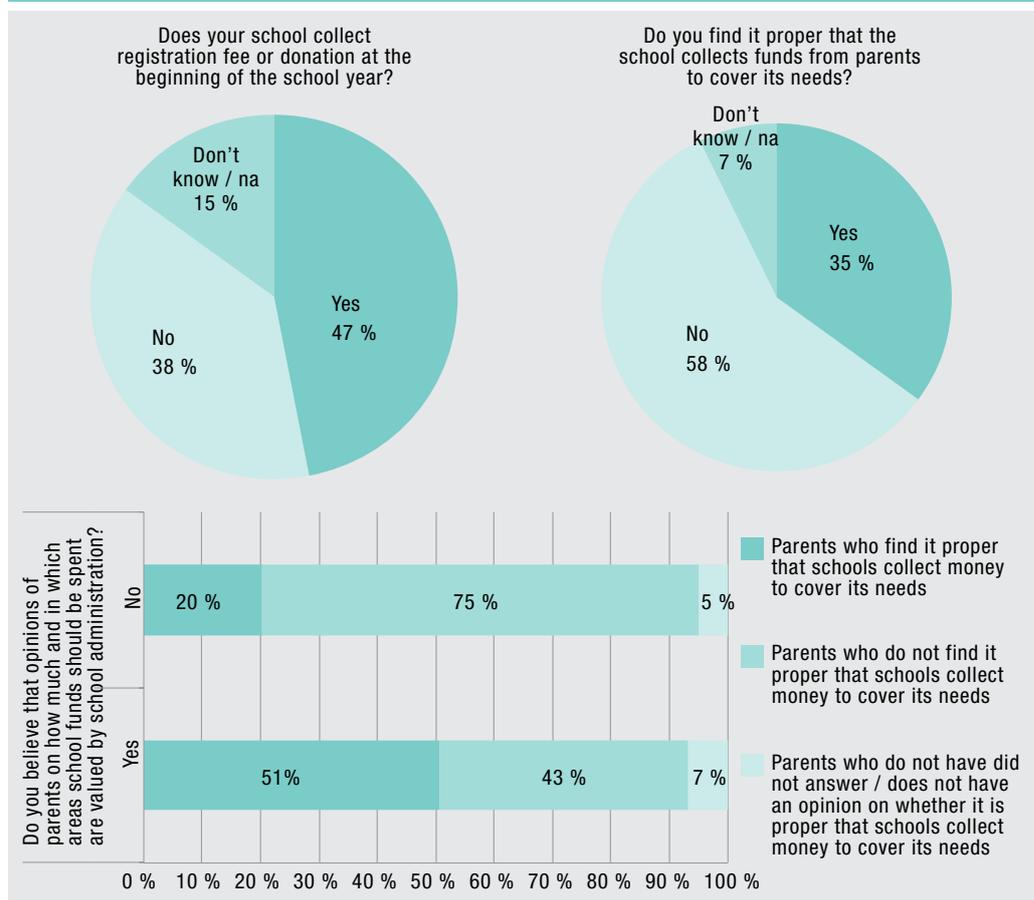
Public funds and mechanisms to mobilize these funds are not able to meet the basic needs of primary education institutions. Therefore, school administrators draw on collecting in-cash and in-kind donations from parents both at the beginning of and throughout the school year. Although they are formally collected as “donations,” they almost turned compulsory in practice. While collecting these donations, schools in lower socio-economic regions have serious hardships experienced by administrators, teachers, parents, and children. There is also a big gap in the amount of donation and revenues generated by renting out school facilities between schools in lower socio-economic regions and higher socio-economic regions. For instance, in 2010-2011 school year, one of the schools visited during field research had spent 307 TL per student, while another one had spent only 11 TL (out of the schools-generated funds). The importance of this gap might be better understood when one takes into account the fact that public expenditure per student in primary education in 2009 was 1,666 TL (in 2010 price level). This gap deepens the divide in the environmental quality of schools: Schools in lower socio-economic regions are still deprived of funds necessary for their basic needs such as cleaning and small-scale maintaining items.

Research documents that various non-governmental organizations and associations at the local and national level provide funds for schools. Yet, these organizations cannot be expected to have a comprehensive and strategic perspective of the national primary education. Therefore, the assistance can only be provided for schools in proximity of these organizations and for others these organizations find appropriate to support (in line with their own visions). It is also observed that school stakeholders’ skills in initiating fund-raising activities also play much role in obtaining external funds.

School-family associations cannot be operated in line with the legislation especially in schools in lower socio-economic regions. Hardships are experienced in finding members for the boards of the associations. Furthermore, even in schools in higher socioeconomic regions, school-family associations are passive in making spending decisions. School principals are ultimate decision-makers in spending the funds (generated formally through school-family associations).

Municipalities usually assume the role of maintaining the schoolyards. Yet, there are important differences across regions in the assistance provided by municipalities for schools. The relationship between municipalities and schools is not regulated and formalized, either. As a result, schools in close personal relationships with municipalities in a better position to receive assistance. This creates in some other schools a questioning of the intentions of municipalities.

FIGURE 5: OPINIONS OF PARENTS ON COLLECTION OF REGISTRATION FEE/DONATION IN SCHOOLS



Source: Survey undertaken during "Financial Management of Primary Education" research. 1,306 parents responded. na: no answer.

Although parents are in practice requested to assume a serious role in fulfilling the needs of schools, 58 percent of parents who responded to the survey reported that they do not find proper the fact that parents are requested financial contribution for schools' needs. Yet, among parents who think that their opinions are taken into consideration in spending decision this ratio falls to 43 percent. Among those who do not think that their opinions are valued, it is 75 percent.

There is a consensus among school stakeholders on the opinion that the current situation in which schools find themselves should be ameliorated dramatically. A large majority of school stakeholders criticize the current finance system in primary education as unfair and “schools are left to their fates.”

One of the main concerns of principals in primary education institutions is generating extra revenues to be able to cover schools’ basic needs. This leads to the fact that school principals cannot act as leaders of educational activities. Yet, the capacity of the school to generate revenue is usually determined by the relationships of their administrations and/or the socioeconomic level of the region of school. Therefore, schools in socioeconomically disadvantaged regions are not able to organize extracurricular activities, diversify learning environments, and organized additional learning opportunities for disadvantaged students. In other words, the current education finance system cannot provide a framework for a high quality and egalitarian basic education.

Education finance system is one of the most important elements of the institutional infrastructure that would enable the realization of the right to education. Yet, currently in Turkey it does not function in a way that would lead to full realization of right to education for all. Reforms are needed for amelioration of the system.

The findings of the research on “Financial Management of Primary Education Institutions” can be summarized as follows.

- The mechanism through which public funds allocated to primary education are mobilized is very complicated.
- Provincial administrations are exempt from accountability mechanisms and therefore they cannot increase their capacities.
- Public funds allocated especially to the product and service purchases of primary education institutions are insufficient.
- School-family associations are generally perceived as a mechanism of generating additional funds for schools, rather than an instrument enabling participation of stakeholders in governance or control by stakeholders over decision-makers.
- As funds generated by schools through school-family associations cover the most of non-personnel current expenditures of schools, inequalities across schools emerge especially in the quality of learning environments. In some schools, the same factor even leads to inequalities across classrooms.
- Schools are deprived of instruments (extracurricular activities or professional development activities for teachers) and funds through which they can enhance educational quality. Schools of primary education are not strong institutions. This prevents full realization of right to education for all and constant improvement of the education system.

NEED FOR REFORM IN EDUCATION FINANCE: RECENT PROJECTS, REFORMS AND OPPORTUNITIES

There are various projects currently undertaken by different units within MoNE that aim to ameliorate the finance system in education described in the previous section. In addition to these projects, Turkish education system underwent very serious changes during 2011-2012 school year. All these projects and changes provide an important opportunity for decision-makers to construct a comprehensive system in education governance. This section focuses on basic characteristics that should be possessed by such a governance system.

Many projects are currently implemented by MoNE that are directly or indirectly related to the finance and fiscal management system in primary education. The structures these projects build can be organized in such a way that it buttresses a school-based financial management system.

As explained above, primary education institutions do not use direct public grants. The grants for the needs of these public institutions are transferred to and expended by provincial administrations. The project entitled “**e-performance budgeting**” and implemented by Strategy Development Presidency of MoNE aims to construct an electronic tool to which schools will be enter their needs. If such an electronic tool/ medium can be constructed, MoNE will transfer public funds to schools directly without a need for an intermediary institution such as provincial administration. Yet, in such a situation, human resources need of the central organization of the Ministry might increase substantially.

Another project currently undertaken by Strategy Development Presidency of MoNE is entitled “**Information Management System for Education Finance and Educational Expenditures in Turkey**” (abbreviated as **TEFBİS**) and aims to create yet another electronic medium in which all the incomes and expenditures of schools and school-family associations are recorded and can be monitored. A circular in the beginning of 2011 requested all schools and school-family associations to enter all their incomes and expenditures to this online medium. The bureaucrats in charge of the project suggest that the online medium will enable the central policy-makers monitor schools’ revenue generation capacity and thus transfer more public funds to schools in disadvantaged regions. Thus, TEFBİS might be tool for more egalitarian education system. On the other hand, a system which would enable direct transfer of resources from the Ministry to schools will still be necessary for this purpose.

Another project which can be regarded an important experiment in education finance system is **School Development Program (abbreviated as OGP)** which was co-implemented by MoNE and the World Bank. This project foresees direct transfer of additional funds to schools in disadvantaged regions. In 27 districts in which net enrollment ratio in primary education was less than 90 %, all schools (3,583 schools in total) were allocated one-time grants in 2010-2011 school year. Schools were asked to decide on how to use these grants. The declared aim of the project is “improving the learning conditions of students who happen to be in regions affected most negatively by the economic crisis and with lowest enrollment ratios.” Since primary education institutions normally do not receive direct public funds from upper authorities, OGP was an important innovative experiment for the Turkish system. It created an opportunity to see how schools would decide and in which areas they would concentrate their spending.

ERI was commissioned in March 2012 to submit an evaluation report on OGP. The evaluation report suggested that 80 % of the funds allocated directly to schools were used by schools to buy equipment, cleaning services and small-scale repair construction. The majority of the rest of the funds were used for purchasing services from private tutorial centers and publishing houses regarding tests and test books, so that students can be better prepared for the competitive centralized examinations. Stakeholders report that the expenditures contributed massively to the improvement of learning conditions in schools. The increase in satisfaction levels of teachers and students, the increase in the capacity of schools to identify their own needs and to meet them, and improvement in the relationship of schools to provincial and district offices of MoNE are widely cited as the benefits of the program. Yet, OGP could not fulfill its promise in increasing the participation of parents and the community in school governance. Evaluation report also suggested that an effective monitoring and control mechanism was not constructed to accompany the implementation of the OGP.²³

Before designing a school-based financial management system, the results of OGP should be investigated much more closely. Yet, the report suggests clearly the contribution of school grants in increasing the satisfaction of stakeholders and strengthening the school as institution. Yet, the experience also suggests that much more attention should be paid to the construction of participatory decision-making and control mechanisms.

Another reform undertaken by MoNE recently which would affect education governance is the fact that **Primary Education Institutions Standards (abbreviated as İKS)** has put into force. İKS is a comprehensive governance tool which identifies processes and characteristics that should be possessed by each primary education institution in the country. The standards should also function as benchmarks according to which primary education institutions should evaluate their current situation and develop school-based improvement policies. Data which form the indicators of present situation and performance indicators are entered to the system by the school principal, and surveys are undertaken to a sample of parents and students each year to feed into perception-based indicators. These processes create a huge source of information on schools. Policy-makers aim to form user-friendly reports at school, district, provincial and national levels and thus transform the data to information to be used for school

²³ Köse ve Şaşmaz, forthcoming.

improvement purposes. Consequently, it is hoped that evidence-based and solution-oriented policies can be implemented at every level of policy-making.

As of July 2012, İKS is being revised in line with the latest changes in the system. İKS can also be used in different forms in financial governance. Objective identification of schools with more immediate needs may lead to the prioritization of these schools in allocation of financial resources, as well. The important factor which would determine whether İKS will be used for these purposes is how İKS will be positioned as a policy-making tool within MoNE.

There were far-reaching changes in the education system during the 2011-2012 school year. The restructuring of the central organization of MoNE through the decree, the changes in the Bylaw for School-Family Association and legal changes concerning the transition to “4+4+4” system will also create consequences in education finance system.

Decree No. 652 that was put into force in September 2011 **changed the structure of central organization of MoNE** completely. The aims of the change were increasing coordination among the units of MoNE central organization, constructing a structure that would facilitate the allocation of resources in line with policy goals and strengthening of control and inspection mechanisms. The service-providing units including the DG for Basic Education were restructured in line with the aim of supporting all components of education at the same time, and therefore groups/teams were created in each DG to develop policies to strengthen the educational components (such teaching-learning processes and content of education). Another team/group was created to develop common policies at the DG level (Group of Education Policies), one for the specific projects the DG would implement (Group of Projects) and another one for the monitoring and evaluation of policies and projects (Group of Monitoring and Evaluation).

The decree is considered as a first step of a long-term restructuring process of education governance in the country. In the later steps of this process, duties and responsibilities of the central organization, local outposts and schools should be better clarified. Furthermore, decision-making authority should be devolved as the inspection and control mechanism are strengthened.

The Bylaw for School-Family Association underwent a relatively important change in February 2012. Resulted, school principal and teachers will no more sit in the boards of school-family associations anymore, which are the decision-making organs these associations. Furthermore, the new bylaw states that any kind of financial contribution even in the form of “donation” cannot be accepted during the enrollment period at the beginning of the school year. Background research for this study suggests that schools use enrollment as the most important excuse to ask for donation. The prohibition can lead to substantial decreases in the amount of revenues generated by schools. Central organization of MoNE is thus expected to compensate for this loss by increasing the number of types and amounts of grants allocated for school’s goods and service purchases. It is widely speculated that the aim behind removing the seats of the school

principal and teachers aims to render the control power of school-family associations more effective.

Law no. 6287 which was put into force in April 2012 foresees a restructuring of primary education schools are elementary schools, middle schools and imam-hatip (religion-based) middle schools. Yet, there is no indicator of change in education finance system as a result of this far-reaching change in the system. Only, the legal mandate for provincial administrations to allocate 20 % of their own revenues to primary education was extended to encompass secondary education as well. Another change triggered by the law was the decrease of school starting age to 66 months from 69 months, and the option of starting for children who are 60 to 65 months old. These two factors may lead to worsening of the insufficiency of the public funds especially at the beginning of the 2012-2013 school year when the law will begin to be implemented.

Another consequence of “4+4+4” system is increase in the adaptability of the system to children’s and parents’ needs through elective classes in middle school, flexibilization of school starting age and increase in the number of school types at the lower secondary level. Yet, for the beneficial results in children’s development, their parents should be better able to participate in school governance. Yet, school-family associations can only be effective for revenue-generation in schools, and cannot be operationalized for the adaptation of the content of education. Steps should be taken to ensure such an improvement of school-family associations.

The projects already undertaken by MoNE suggest clearly that there is a need for a far-reaching reform in education finance system. Yet, the process of restructuring in education governance started with the decree may lead to a comprehensive approach in this reform and thus increase its probability of success. Main principles of the restructuring in education governance should be more clearly identified for this purpose.

The primary aim of any reform in the governance and finance of primary education institutions should be repositioning of schools in education systems as strong institutions that can provide the children with quality and egalitarian education and a constant improvement of these schools. School as a comprehensive unit is the most important determinant of the quality of education. The education of the child does not only take place within classrooms and under the effect of teachers. All processes within schools affect the skills and attitudes children would gain and also classroom practices. Therefore, a school-based approach that puts the school at its center, and that aims to improve the school as a whole is necessary.

Following questions should be answered to effectively operationalize such an approach for a successful reform process:

- How can schools turn into strong institutions that aim to provide children with quality education services? What kind of resources should be possessed by schools so that can provide high quality and egalitarian education?

- Which principles guide the allocation mechanisms that would ensure that schools have these resources? Which unit of MoNE should be running this allocation mechanism?
- What kind of a public administration system is needed so that schools can learn from each other and collaborate for a more efficient use of public resources?
- How can the inspection and control mechanism be formed that would ensure a high quality and egalitarian education provided by schools? Which unit in the central organization should be responsible for the control and inspection? How should it extend to the local organization?
- How should the data be collected so that it would enable an effective monitoring of service provision? How can we ensure the reliability and integration of data that are collected with different methods? How can their effective use be ensured?

GENERAL TRENDS IN THE WORLD AND EXAMPLES FROM OTHER COUNTRIES

Many countries implement policies towards decentralization in education finance especially since 1970s. Decentralization in education finance can be defined as the increase in the responsibility of local governments and/or schools for revenue generation to spend for the needs of schools and increase in the autonomy of local governments and/or schools to decide on how to spend the self-generated or transferred funds. This section presents practices in different countries to show the different forms decentralization reforms take, their various outcomes and what lessons can be drawn from the experiences of other countries for Turkey's upcoming reform efforts. Articles and reports in the literature are used in addition to the report entitled as "Financing Decentralized Education: A Survey of National Strategies" which was prepared by Evan Tachovsky for the ERI.

Decentralization might have several different aims. In some countries, central governments aim to share the responsibility for revenue-generation with local governments, and thus decrease their own responsibilities. But **in many other cases, the aim is to increase the autonomy of local governments and schools in expenditures, so that the efficiency, accountability and responsiveness of the education system to children's needs can be increased substantially.**

Decentralization can also have different scales: Revenue-generation responsibility or spending autonomy might be devolved to regional or provincial administrations (which might be elected or appointed, or even mixed), to elected local / city governments or municipalities or to schools.

In many Western European countries, beginning from 1970s, revenue generation responsibilities and expenditure autonomies of local governments and schools have been increased. Many countries have undertaken reforms that granted autonomy to schools especially in (non-personnel) current expenditures.²⁴

Western European countries can be divided into three groups in terms of financial management systems of primary education institutions. In the Netherlands and England, schools have autonomy in spending decisions in the areas of both personnel and current expenditures. In other words, schools in these countries receive direct funds from upper authorities and spend them in line with their own decisions. In other countries like Belgium, Greece, Spain, Italy and Scotland, schools are autonomous for spending decisions in non-personnel current expenditures. In these countries, teachers are hired, fired and appointed by upper authorities. But schools receive funds for their current expenditures and they decide how to spend these funds. In other countries such as Germany, France, Austria and Portugal, spending autonomy

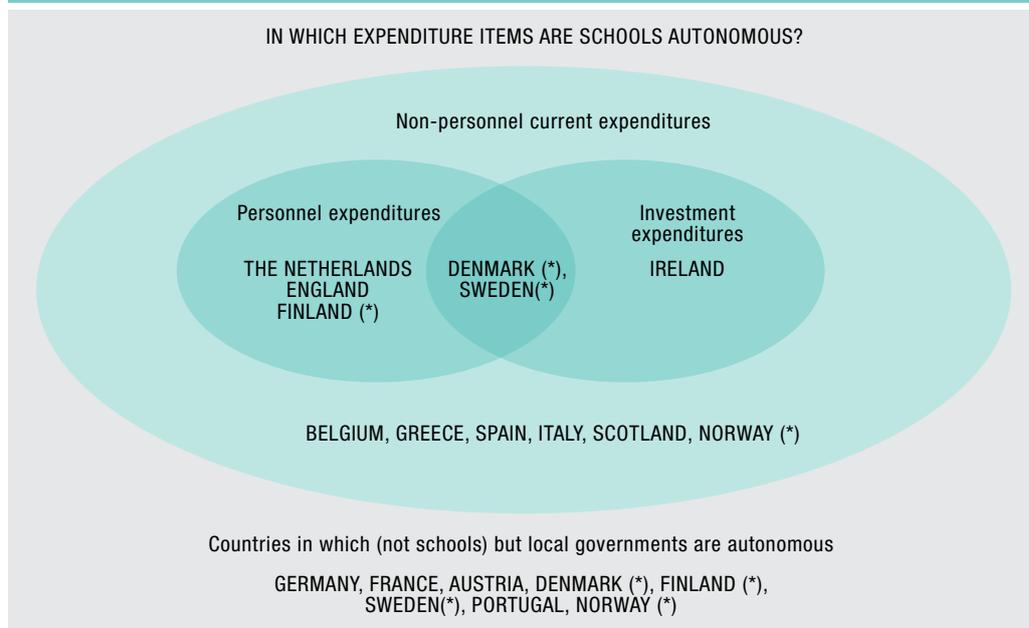
²⁴ Eurydice, 2000. Country examples from Western Europe are generally presented from this work, if not specified otherwise.

is granted to local authorities. In Denmark, Finland, Norway and Sweden, local governments may decide on the degree of autonomy schools (see Figure 6).

In Germany, the expenditures for teachers and other educational personnel are undertaken by state governments (*Länder*). Non-personnel current expenditures, on the other hand, are undertaken by educational authorities (*Schulträger*) that cover one or more local government areas. The revenues used by educational authorities comprise not only the taxes levied by federal and state governments but also taxes levied by local governments and other sources of income. Although some states granted autonomy to schools in the area of non-personnel current expenditures, in Germany the main level of decision-making for current expenditures is still educational authorities that are set up by local governments and are responsible for schools of relatively few numbers.

Although there are different practices across Western European countries, none of them is as centralized as in Turkey. In Turkey, the central government identifies several highly defined and earmarked grants. It is very difficult to transfer funds from one grant to another. These factors increase the power of the central government dramatically. Furthermore, the fact that provincial administration is the main governmental agency in charge of current expenditures of schools further contributes to the high degree of centralized decision-making in Turkey: Especially in larger provinces, and in those districts which are geographically away from provincial centers, there is absolutely no communication between schools and provincial administrations.

FIGURE 6: CATEGORIZATION OF WESTERN EUROPEAN COUNTRIES ACCORDING TO THE AUTONOMY OF SCHOOLS IN DIFFERENT EXPENDITURE ITEMS



In countries with (*) the decision on the extent of autonomy of schools is left to the local governments.
Source: Eurydice, 2000.

In Western European countries, a prevalent reform movement from 1980s onwards is increasing the spending autonomy of schools. These reforms are more frequently seen in the area of non-personnel current expenditures.

First steps for increasing the autonomy of schools have been taken in Spain in 1980. Schools were hesitant their newly designated authority until it was further clarified in 1985, with more detailed regulation on the members of the schools councils and their working procedures. Moreover, schools are equipped with administrative assistants. After 1985, schools were much more willing to implement the autonomy that was granted to them.

In Italy, the boundaries of the autonomy granted to schools in 1974 were extended in 1997. The reform was undertaken simultaneously with increased autonomy of schools in identifying the classes to be offered and organizing the teaching and learning processes. The reforms have increased both the autonomy and the responsibility of school principals in and for the expenditures undertaken by the schools. The reforms were part of the general efforts to modernize the public administration system in Italy.

In Ireland, central government increased the amount of grants transferred to schools for heating, electricity and painting in a way that the costs of cleaning, maintenance and educational materials can also be covered through these grants. Moreover, the government gave up on earmarked grants and started to transfer “block grants,” so that schools can decide how much to spend in each area by themselves.

All these decentralization reforms had various causes:

- In Ireland, the reformers aimed to increase the share of public sector in covering the needs of schools, and thus decrease the share and influence of private persons and institutions,
- In Spain and Italy, the reforms aimed to increase participation of different groups by creating an institutional infrastructure for the representation of those groups, and thus increasing the adaptability and responsiveness of schools to the needs of these different communities and children,
- In many other countries, the reforms aimed to enable an evolution of public administration from an approach based on hierarchies to a one that is based on participation and subsidiary.

In some other countries led by England, spending decisions regarding the expenditures of teaching personnel were also devolved to schools. This reform is advocated to be enhancing efficiency in the system, by increasing the role of market mechanisms in education system. On the other hand, this devolution policy increases the responsibilities of school principals immensely.

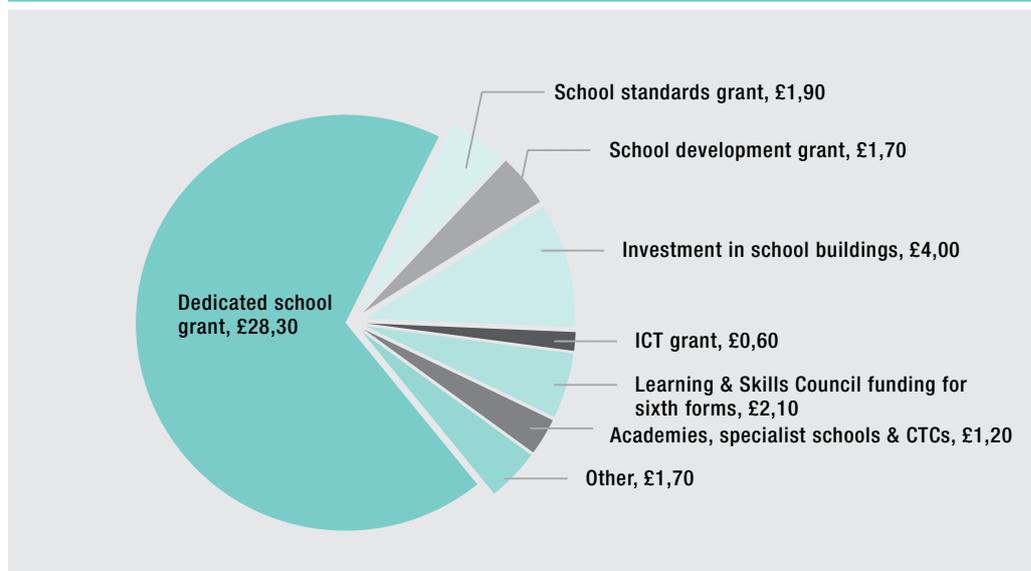
Since late 1980s, reforms are implemented in England that increased the school autonomy immensely. In England, spending decisions regarding the teachers and other educational personnel are also taken autonomously by schools. The authority of local governments was cut substantially. These reforms aim to create a competitive environment among schools, in which they compete for per-capita funding provided by the central government, and thus increasing quality through inter-school competition. These reforms undertaken by the Conservative Party also aim to decrease spending on public services.

Today in England, transfer of grants from central government to schools is undertaken in the following way: The government first sets the level of total educational budget. Then, the budget is divided to two big lines, as basic education budget and budget for other educational institutions (e.g. universities). Then, basic education budget is divided into several grant types that are shown in Figure 7.

“Dedicated school grants” are the basic source of funding for personnel and other current expenditures at the school level. This grant is calculated based on the past, but additions are possible due to “Ministerial priorities” and allocation across local educational districts may also be affected by these Ministerial priorities.

The size and allocation of dedicated school grants are planned on a multi-year basis. In other words, both local governments and school administrations are provided with the information on the grants they will receive in the upcoming three years. This suggests that a very important condition for multi-year planning by schools on their expenditures is met.

FIGURE 7: DISTRIBUTION OF GRANTS ALLOCATED TO SCHOOLS IN ENGLAND, 2007-2008 (BRITISH POUND STERLING, IN BILLIONS)



Source: Sibieta, Chowdry and Muriel, 2008.

Dedicated school grants are allocated to local educational authorities mainly based on the past allocations. Local authorities are allowed to use a limited portion of these grants for their own needs such as salaries of the personnel working at the local authority. This portion is limited by the central government. Local authorities are then mandated to allocate the grant to the schools based on the formulae local authorities had decided upon previously. Formulae may be subject to change by the local authority, but the changes have to be approved by the “Schools Forum”s that are established in each local authority area with the participation of school principals and parents.

Central government requests local authorities to allocate 75 % of grants based on number of students. The rest (25 %) is allocated in a way that schools with more disadvantaged students can receive larger grants. In England, “disadvantaged student” is usually the equivalent of the student who is entitled for a free school meal. As a result, as the number of students entitled for a free meal in a school increases, the likelihood of that school to receive a larger grant also increases.

In two other types of grants, local educational authorities do not have a say. “School standards grant” is directly transferred by the central government to schools, based on a formula that takes number of disadvantaged students into consideration, and aims that schools reach some pre-defined standards. As the formula takes disadvantage in achievement in addition to socio-economic disadvantage into account, grants are mostly used for additional and individualized educational activities. “School development grant” is another type of grant directly transferred to schools, but has no specific objective. Schools apply for this grant with projects that aim to enhance the quality of learning and teaching processes and are then entitled to grants of different sizes.

In the English system, the grants are allocated both on the basis of student numbers and on the basis of various disadvantages children may have. This system aims to incentivize schools to transform themselves into centers of attraction (to attract more students and deserve more grants from the central government) and also to try to attract disadvantaged students. Yet, the system creates a huge workload for school principals and therefore leads to a shortage of people who would like to act as principals. On the other hand, other aspects of the system such as multi-year planning, multiplicity of grant types some of which incentivize entrepreneurship and innovation at the school level, participatory mechanisms at the local government level might be contributing positively to the constant improvement of the education system.

In the post-socialist period, many Eastern European countries implemented reforms aiming at decentralization of education finance systems. Reforms have devolved spending autonomy to local administrations and schools and made extensive use of per capita financing formulae.

In post-socialist period, many countries in Central and Eastern Europe decentralized decision-making in their education systems. The aims of these decentralization reforms have been reported as balancing the power of the central government which had grown extensively during the socialist period, making more use of market mechanisms in the education systems, and optimization of the school network within the demographic context. In line with these aims, many countries also adopted “per capita financing” methods.²⁵

Several studies suggests that it was extremely hard to come up with sustainable per capita financing formulae and maintaining schools with funds transferred to schools with these formulae. An important reason of this is the existence of schools with widely varying characteristics, and the near impossibility of creating one formula that would take all these characteristics into consideration. Countries such as Estonia and Poland have reached more successful outcomes because they worked on the formulae over the years, and adapted them to their own characteristics.

Poland launched its efforts for the decentralization of its education system as early as 1990 public sector reforms. Studies suggest that policy-makers within the Ministry of Education were at the time acting more cautiously than the politicians, and were willing to transfer the responsibilities to the school level as the capacities of schools enhanced. In 1996, a two-stage education finance system was launched in Poland.

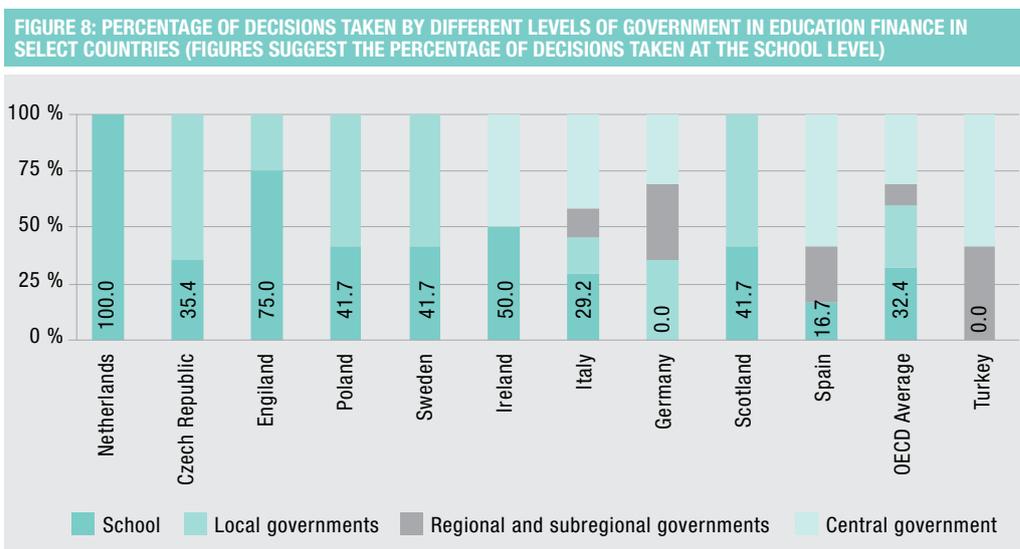
²⁵ Alonso and Sanchez, 2011; Levitas and Herczynski, 2001.

Accordingly, central government first allocates funds based on a pre-defined formula to approximately 2500 local administrations. The formula has different weights for disadvantaged students. Local administrations are largely autonomous on how to use these block grants. They are mandated to allocate the grants to schools, once they supplement it with their own revenues. Teachers are hired and fired by local authorities and schools, but expansive regulations on their employment conditions are made by the central government.

The formula that dictates the allocation of funds across local governments is constantly developed over the years. The main determinant of funds to be received by local governments is the number of students in each local government. In other words, the coefficient in the formula for each student is "1". Yet, students may gain additions to their coefficients: 0.35 for students in rural regions, 0.2 for students in smaller cities, 0.05 for poorer districts are examples for these additions to the coefficients. Other additions are available for students with disabilities, the distance of children to schools, and also students coming from minority groups. Grants are also modified based on the seniority of teachers, as the regulations concerning the employment conditions of teachers are made by the central government.²⁶

Formula-based allocation is one of the factors that enabled decentralization efforts in many of these countries. Formulae ensure that central governments treat all local governments in an equal and fair manner.

In sum, both in Western and Eastern Europe decentralization and devolution to the school level are quite widespread. 2011 OECD data also suggest that Turkey stands out as the country which does not give any say to its schools in the use of public resources.



Source: OECD, 2012.

Decentralization in education finance can be evaluated in light of the principles of efficiency, equity and accountability. So far evaluations suggest that decentralization, when designed with precision, can have positive consequences in terms of efficiency, equity and accountability.

²⁶ Levacic, 2011.

It is highly improbable to reach conclusive findings on the impact of decentralization reforms on efficiency, as education systems are expected not only quantity but also quality. Yet, the abrupt increase in educational outcomes in Poland is widely cited as an indicator of successful reforms in education policy. These reforms were not by any means limited to decentralization. A study also suggests that construction and repair activities by local administrations are faster and cheaper. At the theoretical level, one can also conceive that local administrations and schools are in a better position to evaluate the daily needs of schools and take and implement more efficient and effective spending decisions.

As all other decentralization reforms, decentralization reforms in education finance may have negative consequences in terms of equity. In decentralization reforms in which revenue generation responsibility is devolved to local governments and schools, these consequences are more probable. Among the coefficients in formulae, those that foresee more funds per disadvantaged students are therefore to overcome potential equity-violating effects of decentralization reforms. This requires a sharp definition of disadvantaged students and calculation of good coefficient which takes the costs of overcoming the disadvantages children carry into account. These usually turn to critical success factors of decentralization reforms.

Studies suggest that decentralization reforms tend to reach limited improvement in accountability and participation.²⁷ If the responsibilities and authorities are devolved to governmental levels that are not proximate to the schools (regional or provincial), neither schools nor citizens cannot hold these agencies accountable, and thus one of the most important promises of decentralization reforms cannot be realized. Authorities should be devolved to local governments and/or schools to provide a more participatory and dynamic government environment.

Transparency is one of the most important factors which determine accountability. To reach transparency, the division of responsibilities between tiers of government should be clear and grant allocation formulae should as simple as possible. In any case, school administrators should be well informed and well trained as a precondition of decentralized education finance. Key success factors for a strong control and inspection system are a data collection system that keeps data about schools updated, organization of two separate committees at the school level (one for identification of needs and one for the purchasing purposes), and avoiding the fact that schools confront funds in cash.²⁸

²⁷ Tachovsky, 2009.

²⁸ Levacic and Downes, 2004.

POLICY RECOMMENDATIONS AND PROPOSED MODELS

Previous sections of this report suggested that the current finance and fiscal management system in primary education which is built around provincial administrations is inadequate. Due to the insufficiency of the public funds allocated to purchases of goods and services and inadequacy of bureaucratic mechanisms, current education finance in Turkey leads to dysfunction of school-family associations and deepening inequalities across schools. Sound recommendations for the amelioration and/or proposals for a new model in education finance are needed.

This section presents three different models for an upcoming reform in education finance system. Each of the proposed models is based on a public agency or governmental level, and therefore they are named after these agencies or levels. These are (1) district-based model, (2) municipality-based model, and (3) school-based model. In addition, the section also presents a proposed typology and allocation method for grants.

A quick note on the scope of models is in order: The recommendations of this report focuses on the non-personnel current expenditures of schools. The report does not assess potential impacts of employment and payment of teachers by local organizations or schools, and therefore does not present any policy recommendations regarding the employment status of teachers. The report foresees that expenditures regarding teachers and other educational personnel will be undertaken by the central government.

All proposed models that aim to improve the education finance system in Turkey should have the following objectives:

- The education finance mechanism should contribute to the ideal that all schools should evolve to strong institutions that can enhance and diversify the educational services they provide for children. These institutions should be able to cover their basic needs with the resources they have and to diversify the services they provide especially for disadvantaged children. An example would be expansion of social and cultural extracurricular activities within schools.
- The control and inspection of the decisions taken at the school level, and of their expenditures should be facilitated. The accountability of the school administrators to their immediate stakeholders and local community should be strengthened.
- The current centralized structure should be reformed. Schools should be in constant communication with proximate administrative agencies which aim to enhance the coordination among schools. The communication and coordination should be based on problem solution.

- Central organization or its local posts should construct alternatives for policies and programs that would be helpful disadvantaged children and/or children with differing needs. Schools should be supported so that they can implement these policies and programs in the best way possible.

The model proposed in the following pages aim to fulfill these criteria laid above.

PROPOSED MODEL A: DISTRICT-BASED EDUCATION FINANCE MECHANISM

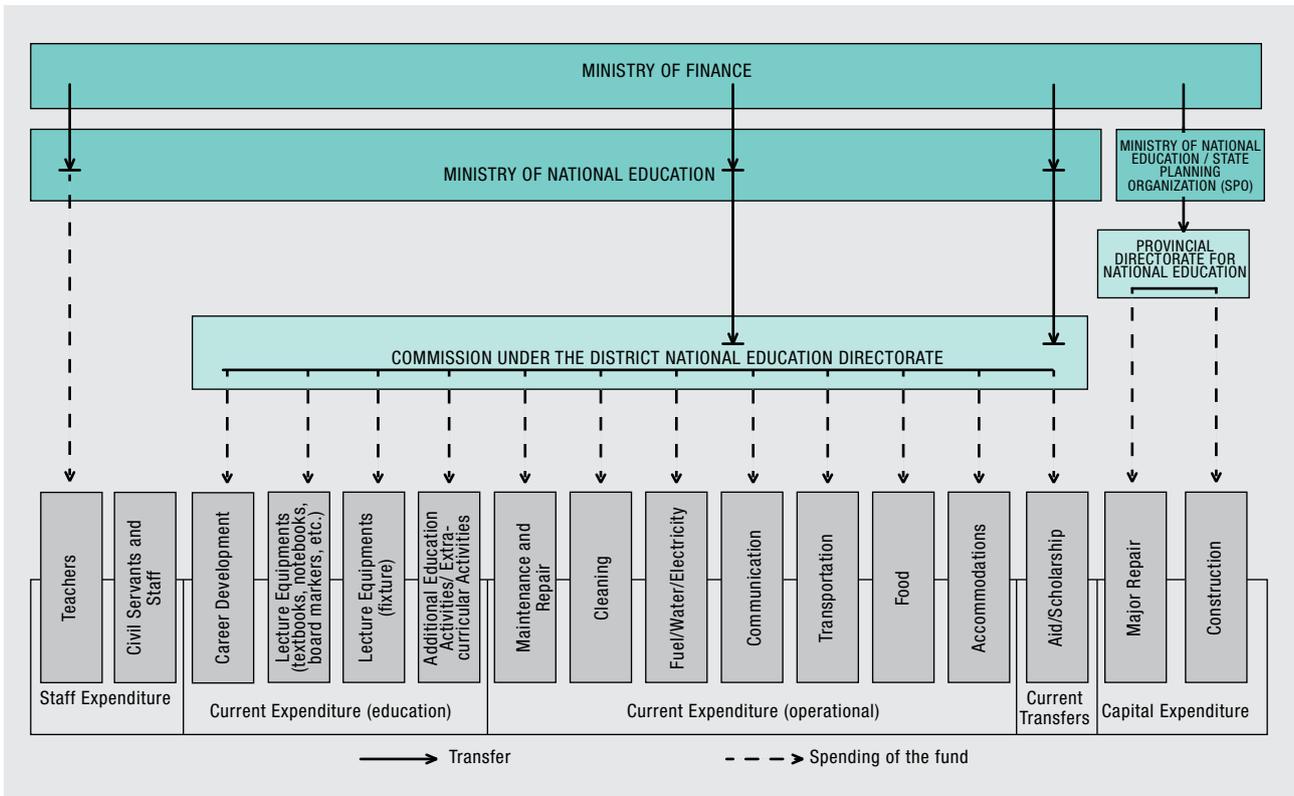
In district-based education finance mechanism, grants for non-personnel current expenditures would be transferred by MoNE to special committees within directorates of education at the district level. Expenditure decisions would be given by these commissions. In this model, expenditures related teaching and non-teaching personnel would continue to be undertaken by central government, whereas the management of grants for capital investment expenditures are left to provincial directorates of education and/or provincial administrations.

This model assumes that the district as a governmental level is in close distance to schools, a constant communication between schools and district administrators is possible and schools' needs can be constantly monitored and easily covered by agencies at the district level. A district-based financial management mechanism would also facilitate collaboration among schools and common utilization of some resources such as laboratories or sports facilities, which would lead to enhanced efficiency. Efficiency might also increase resulting from one-time purchases of common materials needed by all schools by district-level commissions.

In this model, the committee at the district level should comprise district-level administrators, school principals and parents, and should ensure the participation of various stakeholders in education system. The committee will be responsible for the division of the block grant into separate items that would enable diversification of educational services at the school level. Accountability for decisions and public expenditures to local community will be strengthened and different elements from the district community would likely increase their participation in education governance.

In case of realization of this model, schools might be deprived from the contribution of provincial administrations from their own-source revenues. Yet, the background research clearly documents that provincial administrations usually spend the grants from their own-source revenues for investment expenditures anyway. The realization of this model would only perpetuate the existing practice.

FIGURE 9: PROPOSED MODEL A



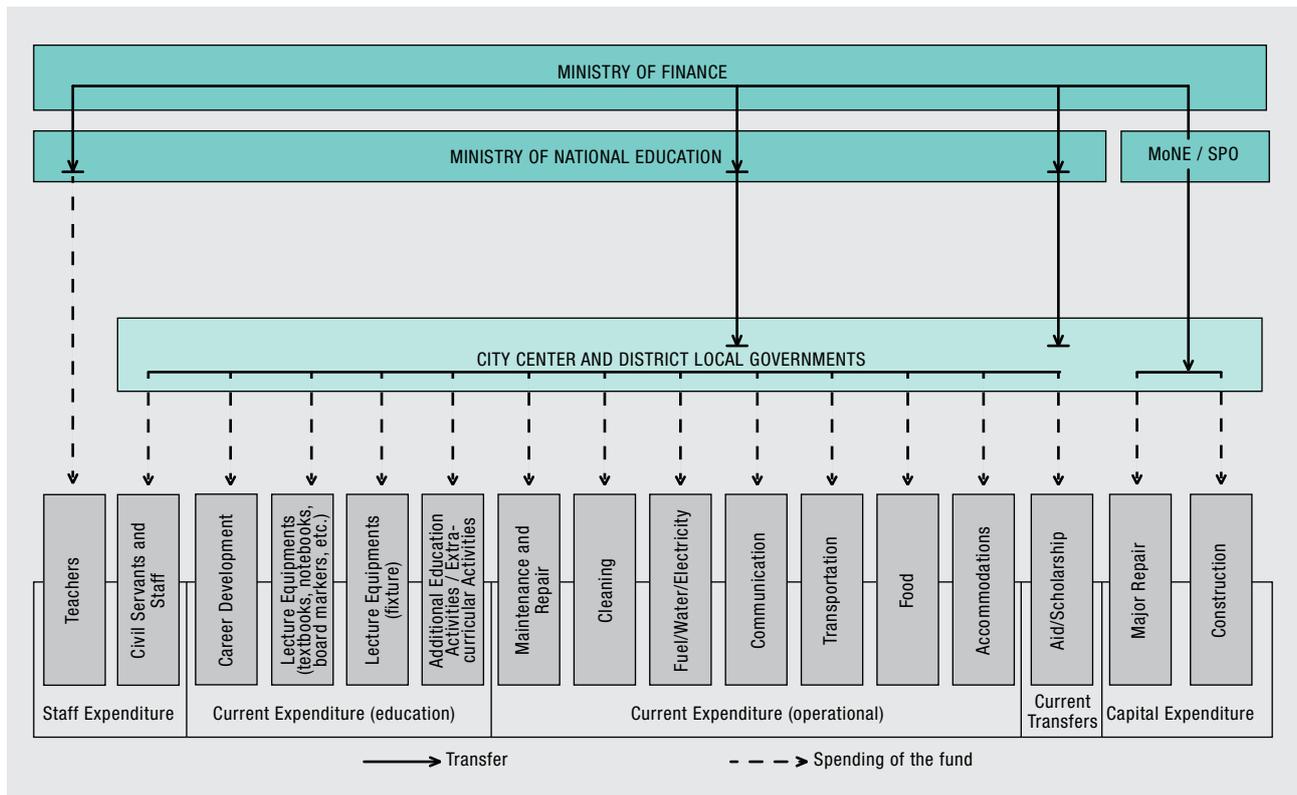
PROPOSED MODEL B: MUNICIPALITY-BASED EDUCATION FINANCE MECHANISM

In this proposed model which is municipality-based, only expenditures for teaching personnel is undertaken by the central government and grants for all other kinds of expenditures in primary education are transferred to (district) municipalities. Grants for investment expenditures could be transferred in an earmarked way, as the planning for investments is undertaken by the central government. On the other hand, grants for current expenditures should be sent to municipalities in blocks, so that municipalities as the proximate decision-making units can adapt the expenditures to the needs of the schools.

The fact that municipalities will manage the grants for current expenditures of schools should not be interpreted as a violation of “unity in education” principles, one of the long-lasting principles of Turkish education. This would not prevent that schools employ the same curriculum during the majority of the instruction time and that they aim to equip students with similar skills, attitudes and knowledge. Yet, if municipalities which are run by the elected officials manage the current expenditures of schools, physical conditions of schools might be improved substantially. If citizens are well informed about the responsibilities of municipalities for the physical conditions of schools and hold them accountable, municipalities would be incentivized to use their own-source revenues for current expenditures of schools as well.

On the other hand, the fact that municipalities assumed limited responsibilities for education services so far decreases the possibility of success of this model. In case of implementation of this model, detailed legal documents would be recommended so that the relationship between schools and municipalities are regulated well.

FIGURE 10: PROPOSED MODEL B



PROPOSED MODEL C: SCHOOL-BASED EDUCATION FINANCE MECHANISM

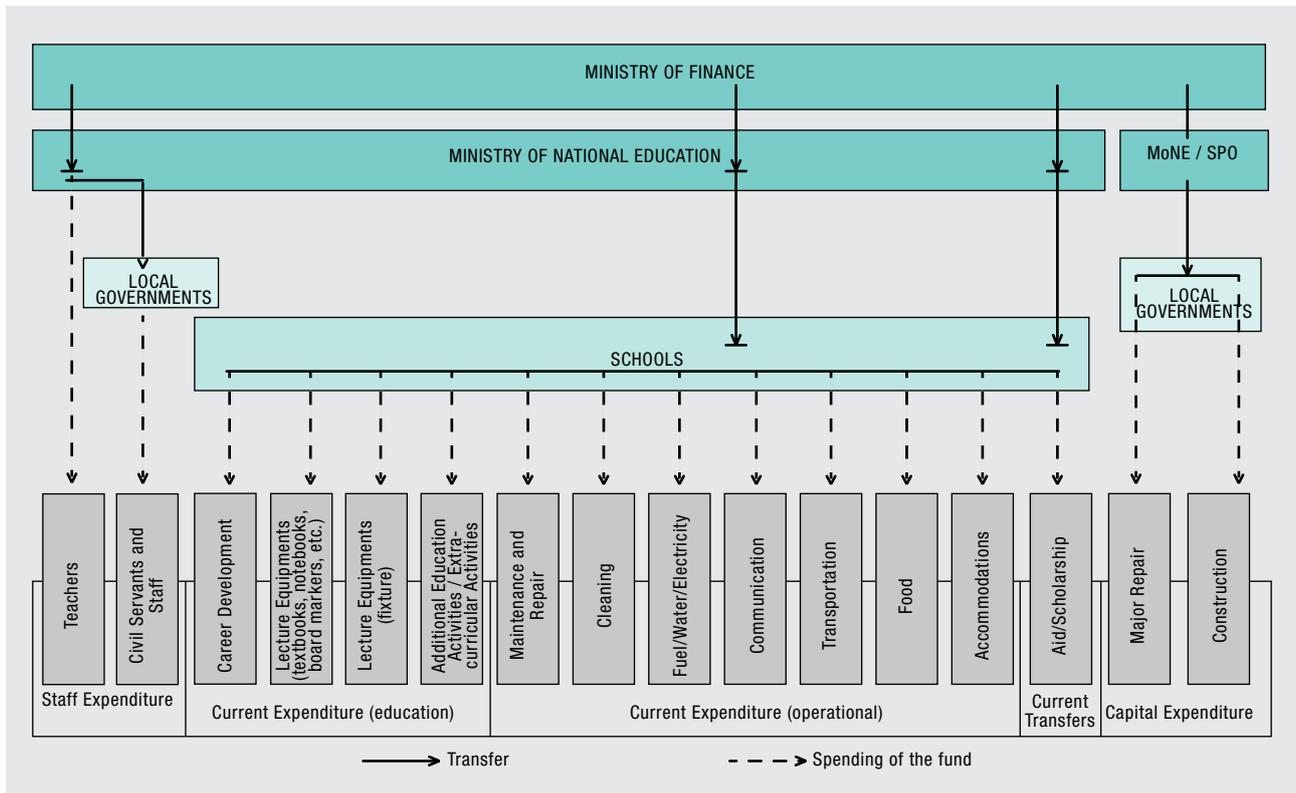
The management of non-personnel current expenditures by schools is another policy option. Before the selection and implementation of this option, on the other hand, it should be evaluated whether schools have the necessary capacity to manage grants and, if necessary, this capacity should be enhanced. Participatory committees within schools would be the best tool for the easiest and most accurate identification of the needs of school.

In this model, grants for investment expenditures can be administered by municipalities and/or provincial administrations.

An experimental program entitled “School Development Program” in which schools decided on how to use public grants through participatory mechanisms has been implemented in Turkey recently between 2010-2012. In this program, grants amounted to EUR32 million were allocated to schools in districts with the lowest enrollment rates and schools were requested to employ participatory mechanisms for their decisions regarding the use of grants. The experiences accumulated in this program should

be evaluated carefully to see how a school-based education finance mechanism would function in Turkey. Lessons should be drawn from this program to improve participation of parents and local community in decision-making processes at the school level.²⁹

FIGURE 11: PROPOSED MODEL C



All three models aim that non-personnel current expenditures for schools' needs are managed by public agencies that are more proximate to schools than provincial directorates of education or provincial administrations. In this way, a system in which schools' needs are covered much faster can be constructed. For each model, transparent mechanisms should be constructed which clearly indicate how the requests of schools are processed.

Another factor which would determine the success of the proposed models is the design of inspection and control mechanisms. Each model aims to enhance the accountability through participatory committees or elected bodies such as municipalities. Yet, the inspection mechanisms within MoNE would still play important role in ensuring the efficiency and effectiveness of expenditures. For better inspection mechanisms to be designed and implemented provincial directorates of education should be strengthened and objective criteria for inspection should be incorporated to education legislation.

²⁹ ERI prepared an evaluation report of the design, implementation and results of School Development Program and presented it to MoNE and the World Bank. See Köse ve Şaşmaz, forthcoming.

RECOMMENDATIONS REGARDING THE TYPES AND ALLOCATION METHODS OF GRANTS

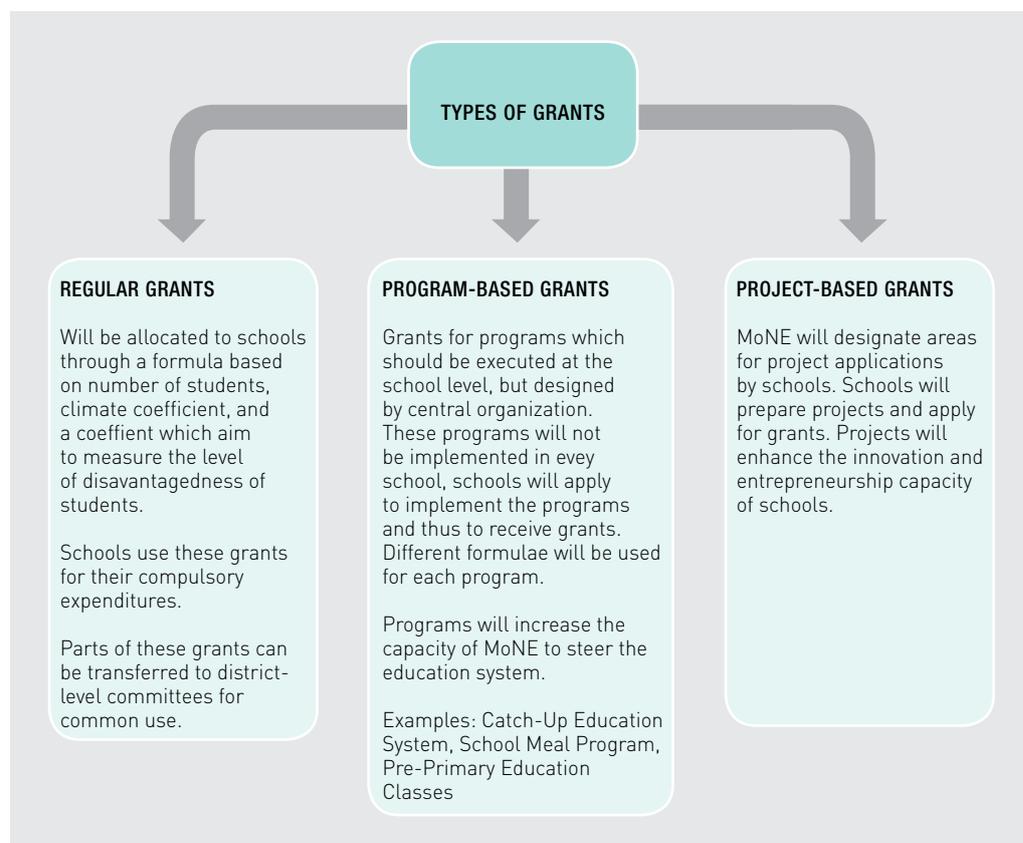
In each model, the allocation method of grants will be a major success factor.

Considering the needs of schools in Turkey and examples from different countries in the world, this report recommends three types of grants for non-personnel current expenditures:

- 1. Regular grants:** These grants will be used for the compulsory expenditures of school. They should be allocated to schools based on number of students, the climate of the region, and disadvantages student may carry. To serve the purpose of egalitarianism, the definitions of disadvantages should be made carefully. The only indicator which can be used as a proxy of student disadvantage and is currently being used in Turkey is the so-called “service points” which are utilized for calculations of points for teachers’ career ladders. In this system, teachers earn higher points for every year they spend in disadvantaged regions. Similarly, these points can also be used as coefficients through which the central organization transfers higher amounts of grants for schools in which more disadvantaged children study. Coefficients could also be modified for children with special needs.
- 2. Program-based grants:** These grants should be transferred for the implementation of special programs in schools especially for disadvantaged students. Catch-Up Education Program, School Meal Program, Preschool Education Program can be examples of such programs. These programs should be designed by the central organization, and schools should be entitled to receive the grants if they fulfill the criteria to implement the programs. These grants should only be used for the purposes of the designated program. These programs and grants would enable schools to diversify their services for children with differing needs. Furthermore, such a system would increase the capacity of the central organization to steer the system as a whole. Each program should also be monitored and evaluated by the central organization separately and improved on the basis of the findings of the evaluations continuously.
- 3. Project-based grants:** In addition to the programs that are designed by the central organization of the MoNE, project-based grants should also be designated in order to enhance the capacity of schools to develop and implement projects. These projects would be useful to advance the innovation capacity of the system as a whole. Each year, central organization should invite schools to apply for predefined amounts of grants through projects they developed. Application fields should be as broad as possible, as schools might have needs and ideas that would not be easily foreseeable.

Such a typology of grants would contribute to the primary education system in many different ways. Most importantly, both regular and program-based grants would prioritize disadvantaged students. This would at least partially decrease the dependency of schools on revenues generated by school-family associations, and would therefore contribute to a medium to long-term solution of the inequalities across

FIGURE 12: PROPOSED TYPES OF GRANTS



schools. Besides, the models proposed in this report do not foresee total abolishment of revenue generation through school-family associations. Thus, better-off families can still contribute to the needs of their schools financially.

The implementation of the policy recommendations in this section of the report would also lead to an enhanced capacity of the central organization of MoNE to steer the system as a whole. The proposed typology for grants would function properly under the new organizational structure of DG for Basic Education. The Group for Education Policies within this DG should be responsible for the allocation of regular grants, whereas program-based grant allocation should be managed by other groups that are responsible for the improvement of components of education. The Group for Monitoring and Evaluation within the same DG should undertake yearly evaluations of programs and projects, which would then serve as the bases of continuous improvements of such programs.

The recommendations in this section can also be implemented in line with other reforms already underway at MoNE. For instance, a program might be instituted for schools that are under acceptable levels according to the Primary Education Institution Standards. Resulted, program-based grants would be allocated to those schools, which would contribute to their efforts to reach the standards. TEFBIS would also work in conjunction with the proposed models in this section. The electronic tool of TEFBIS would be very useful for the monitoring and evaluation of different types of grants allocated to schools.

CONCLUSION

It is a requirement of the right to education that financial resources allocated to education is sufficient for an egalitarian and high quality education and expended in such a mechanism that would prioritize these principles. The equity principle in education required that more resources are mobilized for children who might have several disadvantages so that basic knowledge and skills are acquired by all children and access to equal opportunities are provided through the education system. Quality of education requires that the school as the service provider be strengthened as an institution. The school should be able to access to resources so that it can respond to different needs of children with diverse backgrounds. Furthermore, the school should be capable of organizing extracurricular activities and undertake efforts to improve learning and teaching processes within and beyond school.

Turkey should reform its education finance system in light of the above-mentioned principles. Public agencies which are more proximate to schools such as agencies at the district level, municipalities or schools themselves should be mandated to undertake expenditures for schools' needs, especially non-personnel current expenditures. Moreover, a typology of grants should be adopted that would enable the central government to allocate more resources to schools with more disadvantaged students, yet would also incentivize schools to improve the services they provide. Recommendations for such mechanisms and for different types of grants are presented in this report. If implemented by the decision-makers, mechanisms in the proposed models would also support the ongoing efforts in Turkish education for restructuring the education governance.

A policy approach which focuses on school-based management especially for non-personnel current expenditures has become more and more prevalent in Western European countries since 1970s. Beginning from 1990s, this approach has also been deployed by Eastern European countries. The results of the fact that Turkey did not adopt such an approach should be carefully investigated, and steps towards a comprehensive should be taken with the lessons from other countries in mind. Thus, it can be ensured that the reform would enhance the quality in education, decrease the inequalities across schools and contribute to the full realization of the right to education.

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