

FISCAL SPACE IN EDUCATIONAL SERVICES AND ITS SUSTAINABILITY: THE CASE OF TURKEY*

Tuba GEZER¹, Hatice DAYAR²

ABSTRACT

In this study include definition of fiscal space which is importance in recent years also is give place to method for creating fiscal space. How fiscal space can be created for education which is called human capital? Where should find the necessary resources to educate? Like these questions has been answered. Many studies have been made on the fiscal space but, lack of research on the creation of fiscal space for spending on education is of the importance of working on this issue. This paper, aims to find out how to create a new fiscal space the share of the budget balance without disturbing the allocations for education services in Turkey.

Keywords: Fiscal Space, Sustainability, Education Spending, Turkey

*This study was represented at International Second Economic Congress on EconworldTorino2015,Italy.

¹ Gezer Tuba, Research Assistant, Faculty of Economics and Administrative Sciences, Department of Finance, University of Dumlupinar.

² Dayar Hatice, Assistant Professor, Faculty of Economics and Administrative Sciences, Department of Finance, University of Dumlupinar.

Introduction

Globalizing world economic, financial, political etc. is inevitably affected by the crisis with become addicted. The elimination of the effects of the crisis it varies according to the level of development. The development level of countries also it varies in exit strategies. These strategies, generally, it is shaped according to independent and can apply policy instruments and economic resources owned by country. One of the concepts dealing with the economic crisis and the crisis notable out measures is the concept of fiscal space.

Fiscal space is can be defined as room in a government's budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy by Peter Heller at 2005. After that many studies made different metrics on how to measure it.

Education is one of the most important factors determining the development level of countries. Education, which is also called as development currents, plays an important role in increasing social welfare together with providing special benefits to individuals because of its externalities. Besides, it is seen that governances are more democratic and have political stability where communities have higher level of education. In addition, crime rates are lower in these communities in comparison with countries with lower level of education as well. Moreover, expenditures on education make a positive impact on economic development. It is seen that allocated budgets of countries on education starts to increase, and countries start to enforce their fiscal opportunities for it. Organizing new fiscal space is crucial for sustainable educational services. Organizing new fiscal spaces and providing its sustainability is also important for literature due to restricted fiscal resources and changes in state perception.

Our study, firstly mentioned to the concept of fiscal space and resources then, the importance of fiscal space for education sector, it will discuss how to create and sustainable. After mentioned how effect of countries educational will level their welfare. Finally the aim of our study will examine how to create fiscal space in the education sector in Turkey.

1. The Concept of Fiscal Space

Fiscal space is a subject that gained importance in recent years. It has been used by advocates of higher health and education spending need to be done through higher return on human capital as a result of spending. Although the term is new, this phenomenon is not new. It becomes a fiscal analyse factor for a long time. Fiscal space is a room in government's budget that allows it to supply resources without disturbing or negatively affecting the stability of the economy and the sustainability of financial position of government budget (Heller, 2005:99).

The concept of fiscal space emerged with United Nations Millennium Development Goals (MDGs). Some of these goals are; eradicating extreme hunger and poverty, achieving universal primary education, improving health level of people and providing accessibility to these services, aiding the need of sheltering. And these can be realised with economic growth. If there are not enough fiscal resources for growth, fiscal space can enable to realise these targets. Fiscal space usually consists of four components. These are taxes, domestic borrowing, subsidies, and shifting investment from low priority areas to high priority areas. But, constituting a fiscal space is not only related with increasing taxes or borrowing, it is a process related with the whole economy (Jansen and Khannabha, 2009:325).

The concept of fiscal space is usually used in financing deficit, inclosing deficit without causing increase in funding cost, and financing unexpired private investment without crowding out effect. That is to say, fiscal space is difference between current public debt level and determined debt limit of the country (Ostry and et al, 2010:6).

1.1. Sustainability of Fiscal Space

High expenditure must be done for human capital as like education, health expenditure in order to realise sustainable growth and development in developing countries. Besides, investments must be oriented to strengthen R&D, and communication infrastructure. However, these investments create an important burden on countries' budget and endanger fiscal sustainability. So, countries need incomes that would not paint into corner the budget in order to realise investments and development. Thereby, countries must constitute fiscal space in order to provide fiscal sustainability in such a situation (Karaca, 2012:418).

Fiscal sustainability is a situation that the government would attain available source of income in future periods to finance long run expenditures and accumulated debts (Heller, 2005:3).

One of the endemic opinion if there is not enough fiscal space in developing countries, they will effect from global crises inevitably. There are several ways to ensure fiscal space without endangering economic stability or sustainability of developing economies. One of them is increasing the share of tax income of GDP in low tax burden countries. According to IMF, this rate must be %15 of GDP in low income countries. Another point is the government must rearrange its expenditure, or it must do more spending towards high priority areas as like health, defence, security, education than low priority areas. Another way is the government must increase public-private partnership and privatisation incomes in order to increase infrastructure investments (ILO, 2009:20-23).

Fiscal space is the development of policies to improve the current economic growth rates. Turkey usually uses tax increase, privatisation incomes, or borrowing income in order to create an extra source due to lack of natural resource wealth (Atabey, 2013:181). In recent years, fiscal space, which is generated by savings constituted with the reduction in interest payment and the increase in budget revenue, is used for project finance which will support the long-term growth performance of turkey positively, and used in development of physical infrastructure (Ağbal, 2016).

1.2. Methods of Creating Fiscal Space

IMF looks for creating extra sources to ensure more public savings by the way of borrowing, or grants in order to determine potential fiscal space. In addition, it assesses the factors underlying government policy as well (Heller, 2005).

At first glance, while the supply of spending more effectively and the increase in ordinary income is more acceptable to enable fiscal space, or expanding the existing space, borrowing is considered as a secondary source due to it includes interest obligations, and together with risks posed to growth of stocks.

According to Heller (2005), the main methods of creating fiscal space are determining priority expenditure, increasing efficiency and income by the way of borrowing, generating additional resource to economy with foreign aid and grants, and finally creating fiscal space by determining the best macroeconomic policies in the long run, are the main methods in creating fiscal space.

Fiscal space that can be used as a fiscal policy tool enables the opportunity of supplying resources more easily to market, and making expenditure in the period of economical shrinkage.

1.2.1. Determining the Priorities of Expenditures

The amount of government spending can be changed depending on the preferences of political authorities, and economic conditions. Prioritisation of government spending is one of the methods used by countries in creating fiscal space. At this point, budgeting systems becomes important. Budgeting systems aim to use public resources effectively, efficiently, and in accordance with law. A change is observed from classical allowance based budget to zero based and performance based budget according to macroeconomic stability and the importance of distribution of public resources. The amount of expenditures is increased at the ratio of deflator and inflation rate in developing countries, but it does not enable to create a fiscal space (Çelen and Yavuz, 2014:38).

To create fiscal space, it is necessary to determine priorities again for each fiscal year, and measure the performance of resource usage in accordance with zero based and performance budgeting process (Heller, 2005).

1.2.2. Increasing Public Revenues

Increasing public revenues is a frequently used method to create fiscal space. In general, it is an effective preference for low tax burden countries. Increasing public revenues, increasing tax rates, creating new tax fields, extending tax base can be possible with increasing the tax collection power of tax administration.

If the taxes cannot be increased, reorganization of tax expenditures, changes in reducing exemptions and deductions may provide an increase in revenue, and reduce fluctuations occurring in the economy. (Ulusoy and et al, 2013:257).

The development is small scale in developing countries due to lack of savings and investments. So, these countries are in need of direct foreign investments. Thereby, these countries can introduce some tax incentives in order to create fiscal space and encourage investments. These incentives can be possible with arrangements in corporation tax rates. Besides, the share of income and corporation taxes in GDP is low in developing countries.

Although it is difficult to increase income tax rates, additional fiscal space can be generated by increasing corporate tax rates or with exceptions and exemptions (Tan, 2014:194).

Increasing taxes is a subject related with the awareness of taxpayers. If taxpayers' awareness is low, or they do not think that taxes are using in appropriate resources, increasing tax rates could not work. Therefore, the number and the quality of personnel must be increased at tax administration, and underground economy must be focused instead of increasing the burden of tax payer in order to create fiscal space (Ünsal and Durucan, 2014:279).

1.2.3. Borrowing

Internal and external borrowing is one of the methods in order to create fiscal space. The important factors for borrowing are debt payback time, its interest, and finding necessary sources when paying the debt.

Internal borrowing is either done by using public bonds or repaying liabilities due of government suppliers and personnel. But, the method of repaying liabilities due is wrongly evaluated. In theory, this accumulation can be understood as the difference between pledged expenditure and payment. However, pledge base and payment base affect adversely the amount of matured liability. So, actual expenditure could not realise according to accounting procedure. Therefore, the variation of the payment of matured liabilities is not understood well. Whether the interest rate is similar to market interest rate is the most important point at internal borrowing (Brun, et al, 2006:36).

Borrowing can limit the fiscal space with its effect over the crowding out of private sector, as a result it can reduce growth. Thereby, countries use a 'golden rule', which aims to balance the recurrent budget and borrowing only for investment, in order to minimize the adverse effect of borrowing. By this way, while borrowing can be realised for financing infrastructure investment, it is recommended to make borrowing for social protection expenditure, even if it causes to reduce the growth of human capital and effective investments (Unicef, 2009:21).

As for external borrowing, fiscal space is affected from exchange rate and primary surplus. When the volatility of exchange rate is high, the real amount of external debt increases, and it shrank the fiscal space (Ünsal and Durucan, 2014:280).

1.2.4. Foreign Aid

Foreign aid can create more fiscal space unlike borrowing. But, pledge amount and its frequency are important as well. If endowment is made for once, it does not create a huge fiscal space. But, these endowments provide economic support to the developed and developing countries.

Foreign aid at economic level is made from international institutions to less developed and developing countries. The external loans, which will help the development of country, can be spent key to their initiative, or it can also be oriented by the institution to a particular project. Grants are used for financing infrastructure investments, which will provide social utility. In societies where there is no foreign aid, investments will have to be met with external loans. As a result, fiscal space will shrink in those societies. Therefore, increasing the amount of foreign fiscal aid and extending the support field will create a huge fiscal space (Çelen and Yavuz, 2014:51).

2. Education Expenditure and Fiscal Space in Turkey

Education is defined as acquisition of information, skill, and a healthy personality of posterity while preparing to the life. Besides, education is a formation process of change in the behaviour of individual spontaneously or learning. Education is an impact for human caused by physic and social environment. Education is an important tool used for enabling maximum benefit from the change and developments in economic, cultural, and social life and it can also be used to minimize negativity that may occur in them.

2.1. The Importance of Education as a Human Capital

Economic development of countries is only possible with qualified labour force. Nowadays, the knowledge level, health situation, and education level of individuals as human capital play an important role in the society. Education, which is one of the components of human capital, raises labour force, and enables new job opportunities for individuals.

Education as a human capital is to make investment to individual. Development of human capital is both directly and indirectly assist to economic development. Education plays a quiet importance role for individual and social welfare, and its indirect effect over social capital accumulation consist of happiness, health, aesthetics,

confidence, stability, organisation ability, nature protection, political freedom, reduce in fertility and crime rate, etc. The impact of education on individual and society make it the most important part of the government spending (Arabacı, 2011:101). According to Alvin Toffler “the strong in the first era, the rich in the industrial age won; knowledgeable will win in the information age”. According to this statement, the prosperity of individual, corporation, and society depend on production of knowledge and its usage efficiency at the forthcoming period (Yıldırım, 2001:3).

A society must have minimum conditions for industrialization and development of the country. These conditions are; a stable political area, high transportation facilities, a good communication and finance environment, and an adequate education level. These four conditions play a key role in social development (Taş and Yenilmez, 2008).

Education, which is called as human capital, enables decrease in crime rate, economic growth and development, participate more talent individual to political process, and stability in democracy. As a result, education realizes welfare increase by providing consumption externality without causing any effect over efficiency (Ayrangöl and Tekdere, 2014:5-8).

2.2. Share of Education Expenditure

Education must be physically and economically accessible in other words, there must be an equal opportunity in access to education. Education as economically accessible means that free education, existing of adequate scholarship opportunity, covering additional expenses related with education (Ayrangöl and Tekdere, 2014:8).

The Article 42 of the Constitution regulates the right to education and training and adjudges it with the statement “no one can be deprived of this right”. This statement foresees an implicit discrimination prohibition. Besides, it is decided that social utility is higher than individual utility, and the accessibility of this right is ensured with the statement “primary education services is both compulsory and free of charge at public schools” (TC. Constitution, Article 42).

The share of education in GDP is important for classification of countries as developed or developing. Hence, while obtaining information about the development of both Turkey and OECD countries, it is mentioned to what Turkey should do in order to create fiscal space in the field of education.

Table 1: Trends in Expenditure on Educational Institutions as a Percentage of GDP by Level of Education (2000, 2005, 2008, 2010, 2011)

	Primary, Secondary and High School					Tertiary Education					Total Education for Each Level				
	Education Expenditure														
	2000	2005	2008	2010	2011	2000	2005	2008	2010	2011	2000	2005	2008	2010	2011
Australia	3.6	3.7	3.7	4.3	4.1	1.4	1.5	1.5	1.6	1.6	5.2	5.3	5.3	6.1	5.8
Austria	3.9	3.7	3.6	3.6	3.6	1.1	1.3	1.3	1.5	1.5	5.5	5.5	5.4	5.8	5.7
Belgium	4.1	4.1	4.4	4.4	4.4	1.3	1.2	1.4	1.4	1.4	6.1	6.0	6.5	6.6	6.6
Chile	4.2	3.2	3.9	3.4	3.7	2.0	1.7	2.0	2.4	2.4	6.5	5.4	6.5	6.4	6.9
Canada	3.3	3.4	3.4	3.7	4.0	2.3	2.4	2.5	2.6	2.8	5.9	5.8	5.8	6.4	6.8
Check Republic	2.7	2.9	2.6	2.8	2.9	0.8	1.0	1.1	1.2	1.4	4.0	4.5	4.3	4.7	5.0

Denmark	4.1	4.5	4.2	4.8	4.4	1.6	1.7	1.7	1.9	1.9	6.6	7.4	7.0	8.0	7.9
Estonia	m	3.5	3.9	3.9	3.4	m	1.2	1.3	1.6	1.7	m	5.0	5.7	6.0	5.5
Finland	3.6	3.9	3.8	4.1	4.1	1.7	1.7	1.7	1.9	1.9	5.6	6.0	5.8	6.5	6.5
France	4.3	4.0	3.9	4.1	3.9	1.3	1.3	1.4	1.5	1.5	6.4	6.0	6.0	6.3	6.1
Germany	3.3	3.2	3.0	3.3	3.1	1.1	1.1	1.2	1.3	1.3	4.9	5.0	4.8	5.3	5.1
Greece	2.7	2.8	m	m	m	0.8	1.5	m	m	m	3.6	4.3	m	m	m
Hungary	2.8	3.3	3.0	2.8	2.6	0.9	0.9	0.9	0.8	1.0	4.4	5.1	4.8	4.6	4.4
Iceland	4.8	5.4	5.1	4.9	4.9	1.1	1.2	1.3	1.2	1.2	7.1	8.0	7.9	7.8	7.7
Ireland	2.9	3.4	4.1	4.7	4.6	1.5	1.1	1.4	1.6	1.5	4.4	4.5	5.5	6.4	6.2
Israel	4.3	4.1	4.0	4.0	4.2	1.9	1.9	1.5	1.6	1.7	7.7	7.5	7.0	7.0	7.3
Italy	3.1	3.1	3.2	3.1	3.1	0.9	0.9	1.0	1.0	1.0	4.5	4.4	4.5	4.4	4.6
Japan	3.0	2.9	2.8	2.9	2.9	1.4	1.4	1.5	1.5	1.6	5.0	4.9	5.0	5.1	5.1
Korea	3.5	4.1	4.2	4.2	4.1	2.2	2.3	2.6	2.6	2.6	6.1	6.7	7.6	7.6	7.6
Luxemburg	m	3.7	m	3.6	3.4	m	m	m	m	m	m	m	m	m	m
Mexico	3.5	4.0	3.7	4.0	4.0	1.0	1.2	1.2	1.4	1.3	5.0	5.9	5.7	6.2	6.2
Holland	3.4	3.8	3.7	4.1	4.0	1.4	1.5	1.6	1.7	1.8	5.2	5.8	5.7	6.3	6.2
New Zealand	m	3.9	3.8	4.4	5.4	m	0.9	1.1	1.0	1.5	m	5.1	5.4	5.9	7.5
Norway	5.0	5.1	4.8	5.1	4.9	1.6	1.7	1.6	1.6	1.7	6.8	7.5	7.1	7.4	7.4
Poland	3.9	3.7	3.6	3.7	3.4	1.1	1.6	1.5	1.5	1.3	5.6	5.9	5.8	5.8	5.5
Portugal	3.7	3.7	3.4	3.9	3.7	1.0	1.3	1.3	1.5	1.4	5.2	5.5	5.2	5.8	5.5
Slovakia	2.7	2.9	2.6	3.1	2.8	0.8	0.9	0.9	0.9	1.0	4.1	4.4	4.1	4.6	4.4

Slovenia	m	4.1	3.7	3.9	3.8	m	1.3	1.1	1.3	1.3	m	6.0	5.4	5.9	5.9
Spain	3.2	2.9	3.1	3.3	3.2	1.1	1.1	1.2	1.4	1.3	4.8	4.6	5.1	5.6	5.5
Sweden	4.2	4.2	4.0	4.0	3.9	1.6	1.6	1.6	1.8	1.7	6.3	6.4	6.3	6.5	6.3
Switzerland	4.0	4.2	3.9	4.0	4.0	1.1	1.4	1.1	1.2	1.3	5.4	5.9	5.3	5.6	5.6
Turkey	1.8	m	m	2.5	2.7	0.7	m	m	m	1.3	2.5	4.3	m	3.8	4.2
England	3.5	4.3	4.1	4.5	4.7	1.0	1.3	1.4	1.3	1.2	4.9	5.9	5.5	6.2	6.4
USA	3.6	3.6	3.9	4.0	3.7	2.1	2.3	2.5	2.7	2.7	6.0	6.4	6.8	7.0	6.9
OECD Average	3.6	3.7	3.7	3.9	3.8	1.3	1.4	1.5	1.6	1.6	5.4	5.7	5.8	6.1	6.1

Source: (OECD, 2014) m=no data

The share allocated to education is very low in Turkey. It is possible to see it clearly in comparison with OECD countries in Table 1. It is seen that Turkey is the country which makes the lowest rate public education spending both primary and whole education levels relative to GDP. Public expenditure on educational institutions is nearly half of the OECD average in Turkey. While the average of OECD is %5.4 in 2000, this share is %2.5 in Turkey temper to education report. While the share allocated to education is vicinity %7 in high income countries as like Denmark, Norway, Iceland, this ratio gradually decrease in countries standing with IMF and EU aids as like Italy and Greece.

Turkey tried to reduce the effects of 2008 Global crises in 2011, and the level of expenditure rises from %3.8 to %4.2 at the end of 2010. However, this level of expenditure is not a very decisive factor. Current expenses and personnel expenses are substantially included in the context of services allocated to education.

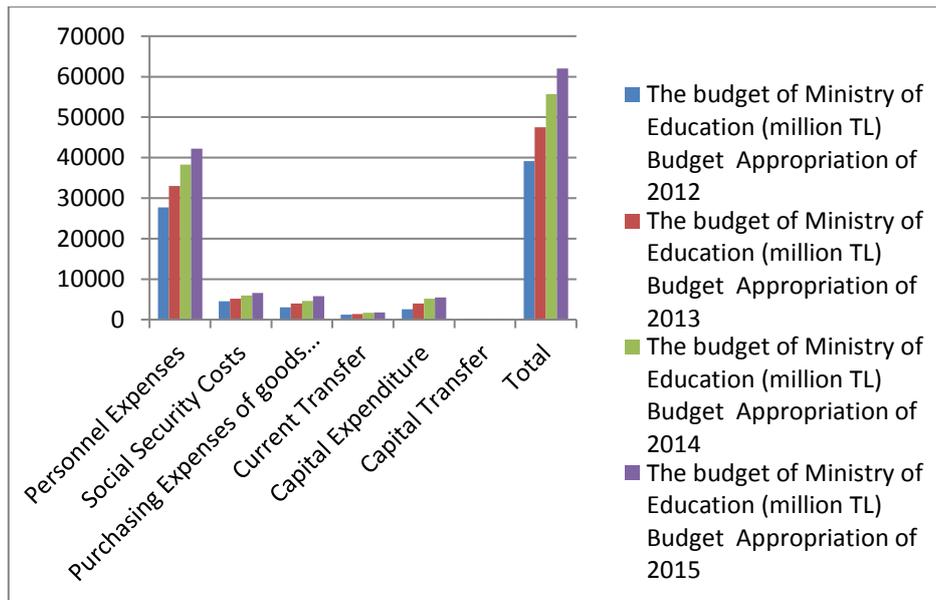


Figure1: The budget of Ministry of Education According to Economical Classification

As it can be seen from Figure 1, personnel expenses and social security costs are the most important item of budget. Fixed costs indicate education expenses high but, the amount of expenditure per student must be analysed in order to understand the level of investment done for education.

\$2412 per student for preschool education, \$2218 for primary education, \$2735 for secondary education, \$8193 for tertiary education, total average expenditure is \$3240 from primary school to tertiary school. The average of OECD is \$9487. The countries which allocate most shares to the education are welfare states as Sweden with \$12426, Switzerland with \$16090, Norway with \$14288 per student. Turkey remained at the lowest level with per capita expenditure on education among OECD countries (Mexico \$3286, Hungary \$5410, Slovakia \$5667) (OECD, 2014:215).

One of the most important determinants of education quality is PISA which is the abbreviation of the Programme for International Student Assessment. PISA, which is a test developed by OECD in 1997, is a triennial international survey which intends to evaluate education systems by testing the skills and knowledge of 15-year-old students, and examine the prosperity of these students worldwide. The purpose of the PISA is to test and compare the success of school students, as well as improving the standardization and development of teaching methods (OECD, 2015).

PISA makes analysis over mathematics, physics, and reading comprehension. The latest data for triennial 15- year-old student belongs to the year of 2012. While the reading performance of students is 475 point in Turkey, the average of OECD is 496 point according to the result of tests done over 510 thousands students. The performance of girls is 46 points better statistically in Turkey. This difference is 38 points in OECD. While the average point for mathematics is 448 points in Turkey, the average of OECD is 494 points. Boys display better score for mathematics, and the difference between them is 8 points in Turkey. The situation in science is 463 point in Turkey, and 501 points in OECD average (OECD, 2014).

Table 3: 2012 Turkey –OECD PISA Results Comparisons

	OECD Average		Turkey	
	Girls	Boys	Girls	Boys
Sciences	500,4	501,9	468,62	458,32
Mathematics	488,6	499,4	443,95	451,93
Reading Comprehension	515,4	477,8	498,64	452,84

Source: OECD 2014

It can easily be seen from Table 3 that Turkey is under the average of OECD. Per student expense, the share allocated to education expense, and PISA display that Turkey could not realize necessary expenses for education. However, it is not a quite pessimistic table. Education expenditure rose to %4.2 in 2011 from %2.5.

Construction of new classrooms, distributing computers to schools, the creation of special classes of IT and technology, giving free books to primary and secondary school children, improving the amount of grants given to students are some policies applied after 2000s. Turkey, which has young population, gets into disadvantage situation in these expenses items. The share allocated to education remains limited. But, it can turn the situation into an advantage, and make young people more productive by training them well, and increasing their human capital (Erdoğan and Yenigün, 2008:51-53).

3. Improving the Fiscal Space for Education Services in Turkey

Education, which is a public service, is financed with varied forms according to social, political, and economic situation of countries. The fundamental finance supplier of education is state. The shape of finance displays variance country to country. First is to finance with public resources. The finance of tertiary education with public resources is either realized directly with public budget or indirectly with scholarship and loan system. Second method is to finance with fees, and emerges in various forms as the compulsory contribution of families, scholarships of charities (foundation and associations) and employers, lending of banks for fees, credit and grants of state, graduation taxes, social security type borrowing. The finance of tertiary education with private sources can be possible with private tertiary school incentives, or with the development of public tertiary school's income generation possibilities. Latter is the finance method of corporation of university-industry. Finance is done by

private sector at this method. This corporation is so important both the finance of tertiary education and creating technological infrastructure of private sector (Söyler, 2008:66-69).

3.1. The Committed Changes to Increase the Access to Education-Teaching

Various services are conducted by Ministry of Education in ensuring equal opportunity. Differential families in socio economic balance are also supported in relation to education. These supports are clearly taken part in the budget of Ministry of Education (Milli Eğitim Bakanlığı, 2015).

✓ Targeted in the Tenth Development Plan is to reach %70 schooling rate for 4-5 years and some studies are performing as utilization of existing physical space at a maximum level, increasing awareness for pre-school education, and diversifying of service models in order to assist compulsory education of each child, and before starting to it training at least one year pre-school education. For this purpose, various corporation studies are carried out with non-governmental organisations, especially with UNICEF. UNICEF satisfied the schooling of 12.000 children by transferring 300TL each year at 2013/2014 period with the campaign of "25TL scholarship for each month". Campaign continues at 2014-2015 period, and the schooling of 6.649 children is satisfied up to now (Milli Eğitim Bakanlığı, 2015).

✓ Students' hostel services; the cost of nutrition and sheltering per student rise up to 7.95TL in 2014 from 1.42 TL in 2002 for boarder students.

✓ Transportation services; the transportation of primary and secondary school students, and the free transportation of private education students and trainees are conducted in accordance with the provision of the regulation of the Ministry of Education's access to education via transportation.

✓ Distribution of free textbooks; one of the applications carried out to ensure equality of opportunity in education is free textbook distribution. 81.834.281 amount textbooks were distributed in 2003, and 157.523.013TL payment was realized for them. Secondary school students included into this system in 2006, and 142.307.609 amount textbooks were distributed in 2006 and 267.583.942TL payment were made for them.

✓ Schooling at the every stage of education and the average duration of education increased with education reform that raises the compulsory education from 8 year to 12 year.

In addition, the amount of contribution margin has been removed for daytime education and distance education at the cost of higher education institutions according to the law number of 3584 in 2012. Besides, tuition fee is determined by higher education institutions from new record or current students within matriculation quota abroad. But, these tuition fees cannot be more than current service costs (Official Gazette 3584 numbered decision). However, this legislation is not valid for evening education students, so they are obliged to pay their current fees amount. Therefore, this legislation is far away from equality of opportunity. If these fees are lifted from evening education students, it can be talked about parity.

3.2. Creating Fiscal Space in Education Services

There are many ways to create fiscal space in educational services. Some of them public-private partnership, privatization, scholarships for students, supporting the vocational and technical school in the organized industrial zone and supporting of disabled students. Education and training back-end application is actualised to provide qualified and competitive education for private school students in order to reduce classroom sizes at public schools and increase share of private sector at education, so quality and competition oriented education is aimed to increase at public schools. It will be discussed in detail.

3.2.1. The Share of Private Sector in Education and Public Private Partnerships (PPP)

Public's purchase of services from private sector, allocation of property to preparatory schools, which they desire to transform into private school, and credit incentives are typical PPP applications. Similarly, education campuses, which are will be constructed over public land by private sector, and provide whole services except related with education and training, will be PPP applications. There are ongoing PPP applications in the field of education in Turkey. State makes payment to disable students who take education at special education and guidance centres. The payments made to these schools are classified as public education spending (ERG, 2014:34).

3.2.2. Scholarships

While the monthly domestic scholarship fee was 13.06TL per student in 2003 it increased to 146.30TL per student in 2014 for primary and secondary education students. Thus, %1020 increase has been achieved from the year of 2003. While the 101.382 students benefit from these scholarships in 2003, 270.000 students benefit from it on October 2014 (Milli Eğitim Bakanlığı, 2015).

Moreover, non-refundable grants which are mediated through YURT-KUR have the characteristics of public spending (Ekinci, 2009:126).

3.2.3. Vocational and Technical Schools in Organized Industrial Zones

Incentives for technical school and private comprehensive school students are determined by Ministry of Educations, and these incentives cannot be more than 1.5 times of public school incentives per student (Milli Eğitim Bakanlığı, 2015).

Business high schools, which are built in industrial zones, take per student incentives from state. It is targeted that increasing quality in vocational and technical training, providing quality labour force to industrial organisations, and increasing employment with this application. Industry and trade associations are stimulated in order to increase the number of students in vocational and technical training schools.

3.2.4. Support of Disabled Students

Vision, hearing, language and speech, sound disorder, orthopaedic, mental, autism, social and emotional disorders are included in the scope of disable student. Since the date of 1 June 2006, the expenditure on education of these students is met by private educational evaluation boards without looking whether they have social security or not.

The proportion of support education for disabled individual from budget is determined as 115TL for individual education, and 409TL for group education at private schools and rehabilitation centres.

It is intended to provide support to the campaign carried out by international and national organizations, in addition to the desired fiscal space to be created in the field of education. One of them is "Can Suyu" campaign which is carried out with UNICEF, which aims to fix waste buildings and transform them into pre-school education centre. So far, 85 centres have been established with this campaign. Another campaign is realised with the association of "Çocuklar Gülsün Diye", and construction of 23 kindergartens completed and delivered to Ministry of Education within the scope of protocol. 42.586 classrooms were established by philanthropists prompted activating budgetary sources in addition to general budget with campaigns, and charitable individual, agency and institute since 2003. Totally 234.473 classrooms were established and submitted to education and training services including philanthropists' classrooms.

Conclusion

The socio-economic growth and structural changes of societies is only possible with physical and human capital. The most important component of human capital is education. Human capital will increase with the increment in educational level. Besides, education is an important impact on increasing standard of living, decreasing social inequalities, and many more things. States must increase the share allocated to education because of positive externalities spread to the society as well. However, they must increase these expenditures by creating a new fiscal space without disturbing fiscal balances. Fiscal space is to find new financial sources for increasing education expenditure without delay existing public services. Creating a new fiscal space for education services are; borrowing, finding new tax sources or collecting current taxes more effectively, increasing aid and grants, and canalizing expenditure into more efficient areas. What's more, fiscal space can be created with public private partnership and privatisation.

Education has not reached the desired level despite the increased spending on it each year. Turkey has been approaching the average of OECD at the share of education expenditure in GDP. On the other hand, OECD countries make three times more education expenditure for per capita student. Although expenditures are increasing, implications are not adequate from the aspect of quality. These implications and results of PISA are high in Norway, Sweden, and Finland, which are called as welfare state. Although Turkey has a young population, desired results could not be attained because of not transmitting enough sources in terms of quality.

Incentives, arranged for private education institutions, and investment incentives in the field of education are used in creating fiscal space by state. Investment allowances are applied for developing provinces at 5th level regions. Construction of school and additional unit, costs of construction and covering cost of maintenance and repair, and regeneration of school equipment are considered inside capital costs. State can assign land or terrain to the investors, not within the context of investment incentive. In addition, state assists both the development of regions and reduces the cost investments by submitting amenities as exemptions of value added, tax reductions, insurance premium, and employer support.

As a result, important reforms are realized both oriented to ensure equality of opportunity and human capital, which is the fundamental component of economic development as like Fatih project in the field of education, 12 years compulsory education, distribution of free textbooks, removing fees from daytime education. However, although efficiency could not be taken from these expenditures immediately, the share allocated to education must be increased more in coming years, and it must be supported with public private partnership, and incentive premiums.

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