

Funding Higher Education in Turkey

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Two Types of Universities under a Single System

- State Universities.
- Private Universities established by philanthropic foundations.
- Council of Higher Education:
 - National authority for higher education.
 - Independent of the Ministry of National Education (MoNE).
 - Reports to the President of the Republic.
 - Uniformity is the name of the game
- Yet, increasing diversity in practice:
 - Private vs state
 - Increasing diversification within each category.

Funding State Universities: Budget

- **Line item budget each year decided upon negotiations between the university- CHE – and the Ministry of Finance (MoF)/the State Planning Organization SPO).**
- **Legislated into law in the parliament.**
- **Most important actors are:**
 - MoF
 - SPO
- **Very rigid system of input controls.**
- **Salaries of academic and administrative staff determined centrally: neither the univ. nor the CHE has any influence on salary decisions.**
- **No financial autonomy whatsoever.**

Funding State Universities: Income Generation

- Revolving fund system.
- Yet, subject to rigid controls by the MoF.
- Very little flexibility for universities to spend the money they generate as they wish.
- Designed for universities with medical schools – rigid rules on sharing income generated does not make sense for non-medical disciplines and professions.
- Being reformed.

Funding State Universities: Income Generation – Foundations

- Universities establish “philanthropic” organizations to:
 - Fund raising through donations
 - Offer services to the society.
- A “grey zone” operation taking advantage of loopholes in the legislation concerning higher education and the law on foundations.
 - Increasingly frowned upon by the state

Funding State Universities: Tuition?

- Higher education in state universities is practically free.
- Students only make a “contribution” towards health and recreational expenses incurred.
 - Depends on the program but the maximum is about 500 US\$ per annum
- Only about 5 percent of all the annual funds available to the universities.
- Politically defended in the name of social justice and public interest – yet????

Funding Foundation (Private) Universities

- **Established by non-profit philanthropic foundations.**
- **Overseen by the CHE.**
- **Full Financial Autonomy vis-a-vis the state.**
 - **Institutional autonomy vis-a-vis funders: in the learning stage.**
- **Charge tuition close to market rates.**
 - **Decreases their competitiveness since state universities are practically free.**
 - **To increase competitiveness they devise incentive packages for students composed of scholarships and fellowships.**

Funding Foundation (Private) Universities

- **No financial restrictions on income generation activities.**
- **Subsidies from the parent foundation in many cases.**
- **State contribution as well.**
 - **According to legislation this may reach fifty percent of their budget.**
 - **Yet, in practice it comes nowhere close.**
 - **At Sabancı University less than 1 percent of the budget.**

Some Thoughts on What Next

Diversified Sources of Funding for
Financial and Institutional
Autonomy.

A "Core" Allocation Should Be Provided for Undergraduate Education

- In the standard state universities. This may be calculated directly based on the number of students and by taking the costs of different disciplines into consideration using a simple and transparent formula.
- This core allocation should be supported with
 - a performance based budget,
 - a competitive budget for major new initiatives and developments,
 - another competitive budget to encourage innovation and experimentation
 - Core research funds.

Performance Based Budget

- **Should be sufficiently large to be meaningful as a positive incentive, but should not paralyze the institution if it is not secured.**
 - **The major new initiatives and initiatives to encourage innovation and experimentation should entirely follow transparent evaluation principles in accordance with criteria published in advance.**
- **Research support should be provided in three categories.**
 - **Non-competitive bedrock or core funds.**
 - **performance based funds should be available to enable institutions develop graduate programs.**
 - **competitive funds supporting classical research projects. These categories should be separately evaluated and the development of institutions should be monitored.**

Performance Based Budget

- **A lump sum budget**
- **Business account.**
- **Ability to transfer funds from one year to the other.**
 - **Experiences of METU and BU in the past.**
 - **TÜBİTAK as a public organization, still receives its budget in the form of a lump-sum composed of capital investments and recurrent items, and can transfer the unused allocation to the next year. This proves that such flexibility works well in our country.**
- **Performance, quality assesment to secure accountability.**

Donations and Income Generation Initiatives

- Legislation must be overhauled to provide incentives for universities to offer their services (applied research and lifelong education) to the society as service.
- Legislation to facilitate philanthropic donations to state universities.
- An important measure on both counts would be the involvement of stakeholders in university management.

Foundation Universities

- Should establish an endowment fund of such a nature that the interest revenues of the endowment fund should cover at least 20 percent of the annual budget.
- Foundation universities which cannot establish an endowment fund should be supported by the founding foundation through an annual fund not less than 20 percent of the university's annual budget.
- Diversification of funds will contribute to institutional autonomy.

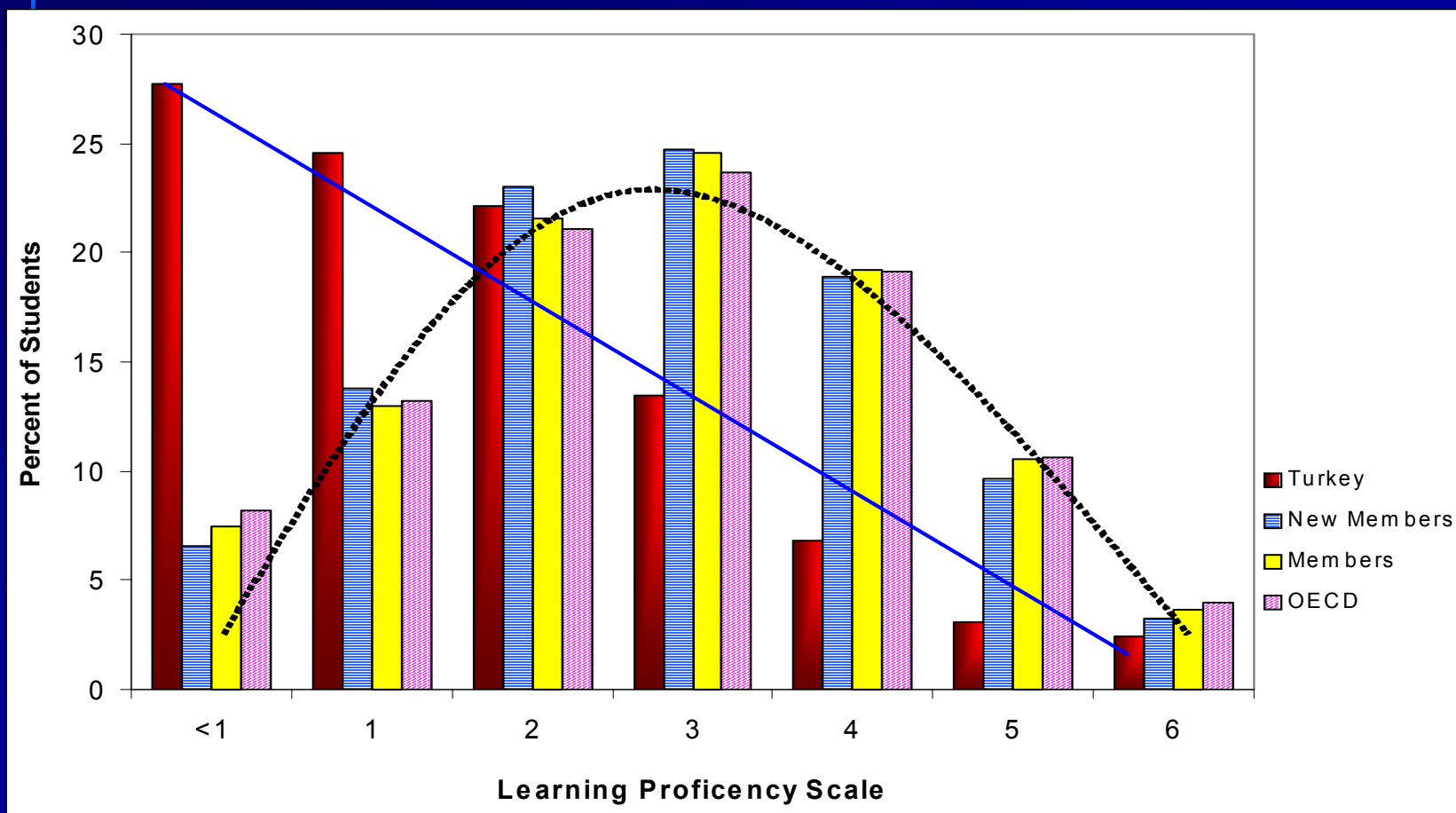
Sharing The Cost of Higher Education: Tuition

- Why is free higher education is unjust.
- The Turkish context.
 - Imbalances in income distribution
 - Those who are able should pay tuition.
 - Yet, a scholarship, fellowship and loan system is absolutely necessary for the needy.

Turkey's School System Educates a Handful of Students Well, but Fails the Majority of Students

Student Performance on OECD's 6-Point Learning Proficiency Scale
(Program of International Student Assessment --2004)

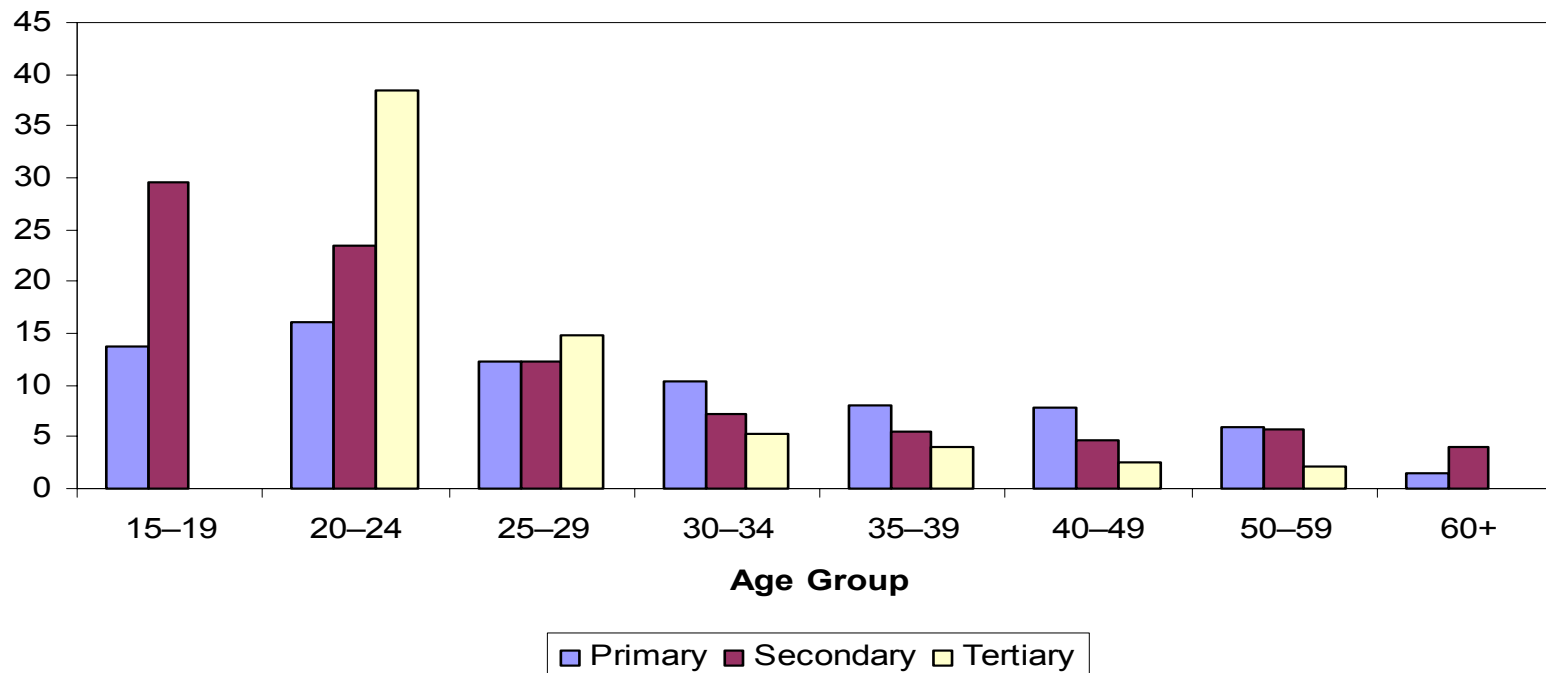
World Bank Education Sector Study, 2006



Education and Labor Force

World Bank Education Sector Study, 2006

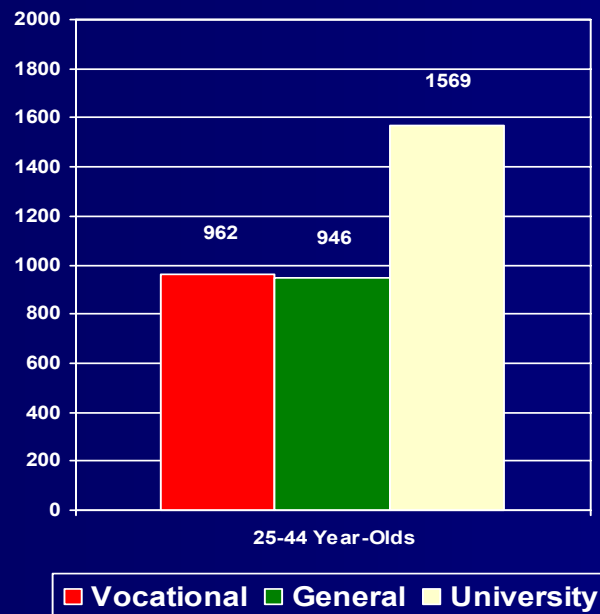
Unemployment Rates for the Young and Educated, 2003



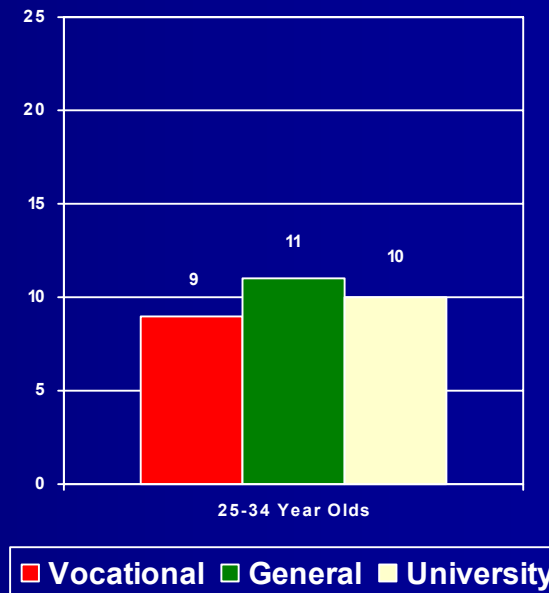
Earnings and Types of Education

World Bank Education Sector Study, 2006

Hourly Earnings by type of Diploma in TL (2002)

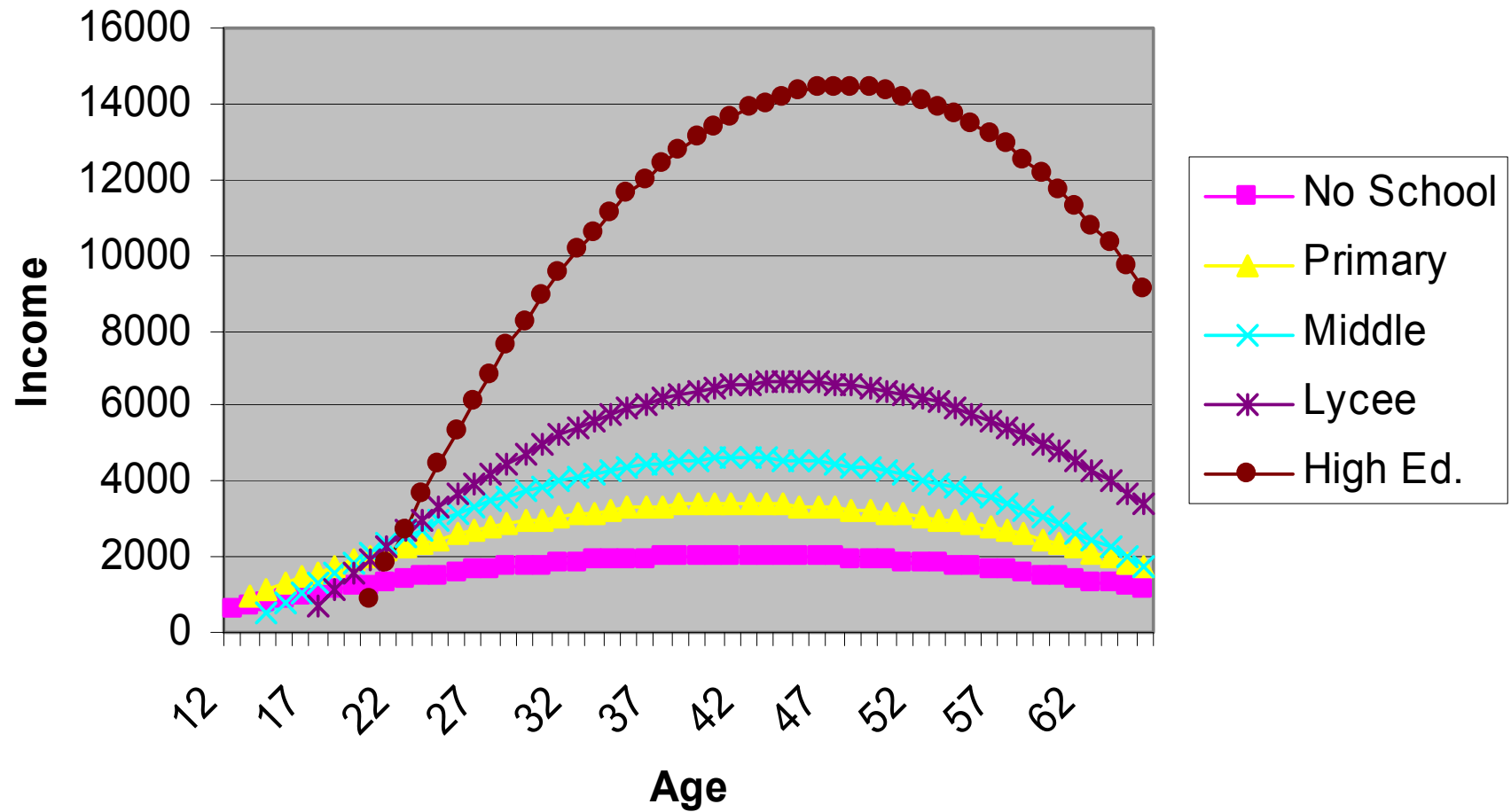


Unemployment Rate by type of Diploma (2003)



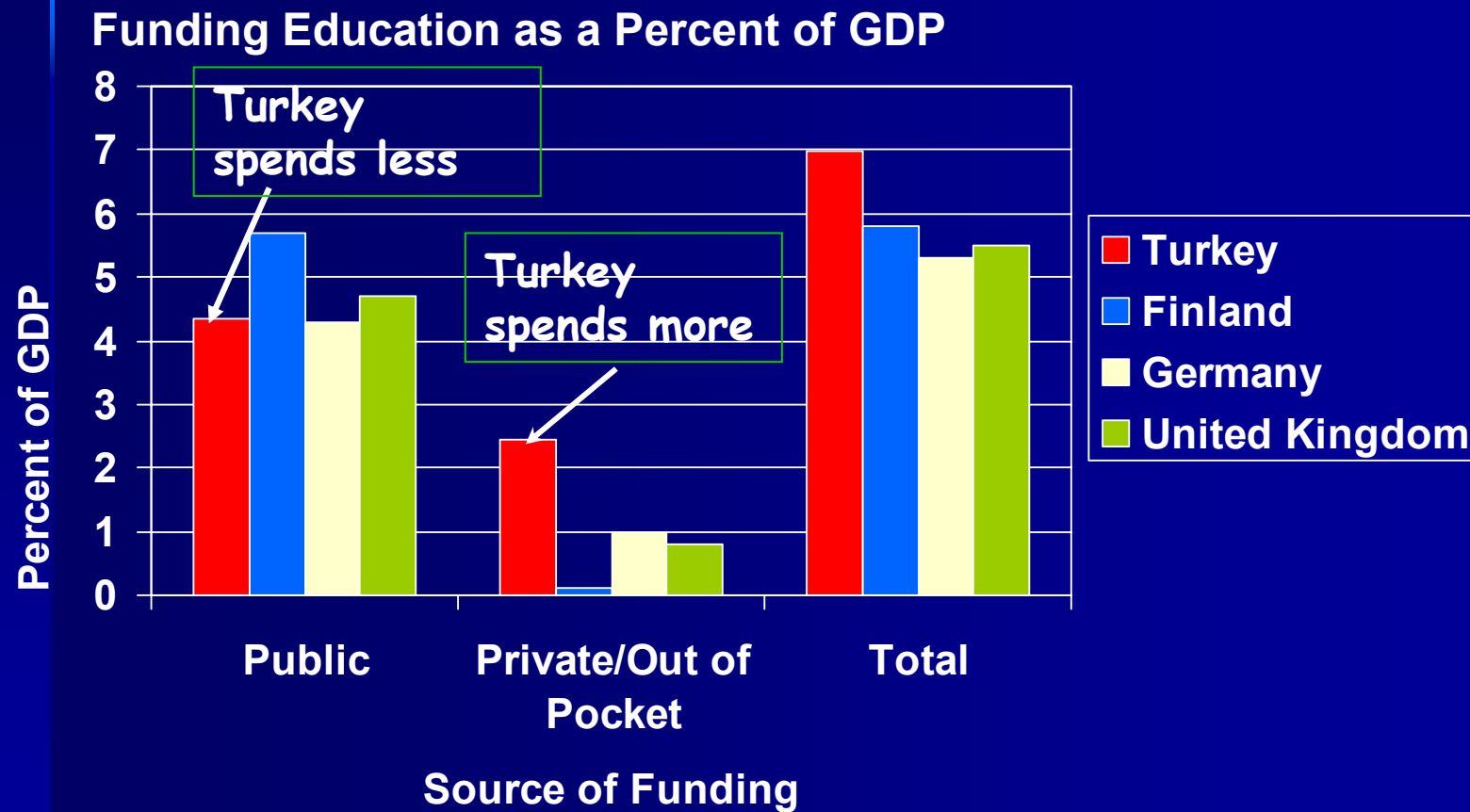
Age Income Profile

Mehmet Kaytaz, The Benefit-Cost Analysis of Early Childhood Education, Report prepared for Mother-Children Education Foundation (AÇEV), Istanbul, 2005.



Sources of Funding in Education

World Bank Education Sector Study, 2006

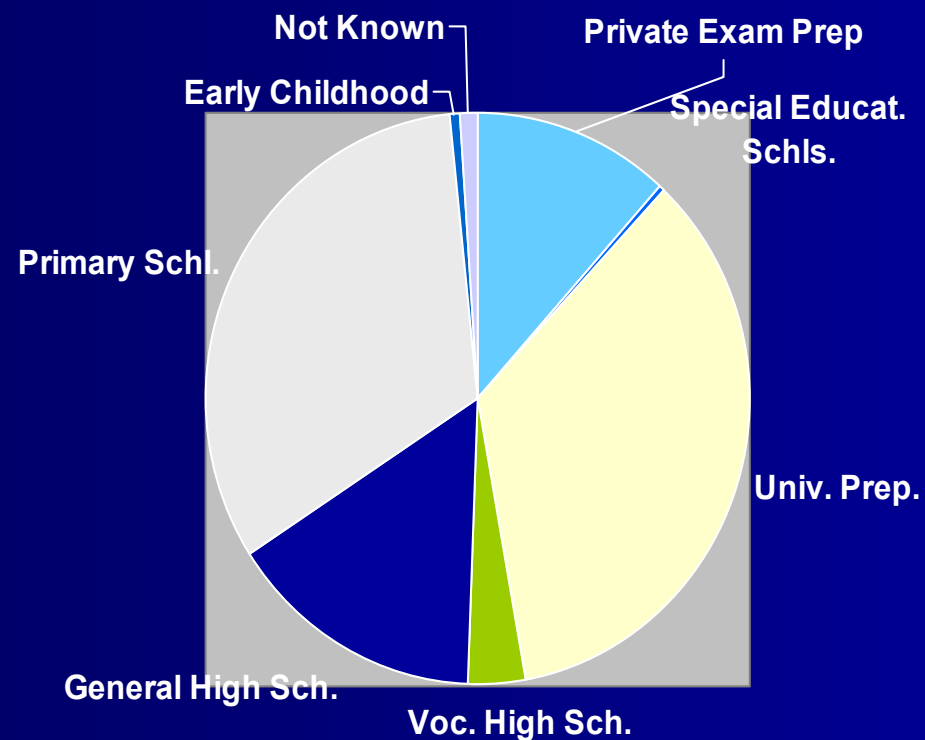


Private Out of Pocket Spending in Turkey in 2002 (TL 6,925 trillion)

Estimated by Chawla, M. ("National Education Accounts in Turkey." Paper commissioned for the Turkey ESS. World Bank, Washington, DC. 2005.) Chawla's estimates are based State Statistical Institute Survey of Educational Expenditures, 2003.

Source:

World Bank Turkey Education Sector Study, December 31, 2005.



Higher Education Selection System

- First, the exams exert far too much influence on the lives of those who take them (TED 2005).
- Second, families that can afford to, and even many of those who cannot, spend exorbitant amounts on preparation courses for their children.
 - The average cost of such a preparation program for the OSS exam is US\$4,711 (TED 2005).
 - it has generated the exam preparation industry, which absorbs vast amounts of out-of-pocket educational expenditures.
 - Total private expenditure on examination preparation in 2002 were estimated at approximately US\$650 million (11.7 percent of total out-of-pocket expenditures), or about one-fifth of what Turkey spends annually on all 81 public universities (Chawla 2004)).