

**AN ANALYSIS OF SOCIAL PROTECTION
EXPENDITURES IN TURKEY IN A
COMPARATIVE PERSPECTIVE**

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SUMMARY

Since the second half of the 1990s, Turkey's relations with the European Union (EU) have led to important transformations in institutions and policies. The developments that have been taking place in the field of social policy are especially significant. Nevertheless, social policy environment still remains marked by diverse problems of outlook and mentality as well as serious limitations in bureaucratic capacity and technical expertise, which tend to slow down desirable developments toward social inclusion. Since social policy research remains a largely underdeveloped area in Turkey, the intellectual input from which the policy process could benefit to overcome these problems and limitations also remains scarce. It is on the basis of this observation that Social Policy Watch (SPW) was established as a research and policy monitoring unit based at Bogazici University Social Policy Forum (SPF).

SPW is designed as a permanent component of the SPF. Its objective is to follow the developments in Turkish social policy environment and evaluate them in an international context, with specific reference to European institutions and policy processes. This is an objective that calls, first and foremost, for a comparative assessment of Turkish government's commitment to combat poverty and social exclusion. The principal indicator of this commitment is, of course, the magnitude of public funds allocated to the purpose. This is why the first task that the SPW set for itself was the compilation and analysis of data on social spending in Turkey. This task, which appears to be a straightforward and easy one, turned out to be a highly difficult one. The difficulty in question is in fact reflected in the latest OECD (2007) statistics on the share of public social expenditure in Gross Domestic Product (GDP) where the data for all OECD members, except Turkey, extends to 2003 while the

statistics for Turkey end in 1999. Similarly, the data that EUROSTAT provides in the same area does not include Turkey. Finally, Turkey's Joint Inclusion Memorandum that the Ministry of Labor and Social Security (MoLSS) has been preparing since 2004 for the European Commission in the context of Turkey's accession to the EU does not, so far, include internationally comparable social expenditure figures.

Given the lack of international comparative data on which we could base our analysis, we had to engage in a truly daunting task of compiling available statistics to have an idea of the magnitude and structure of public social expenditures in Turkey. This Report presents both the difficulties and the results of this work. It also discusses different methods of measuring social expenditures, European System of Integrated Social Protection Statistics (ESSPROS), Social Expenditures (SOCX) approach used by the OECD and the methodology adopted by the International Labor Office (ILO) and their relevance to our objective of assessing the Turkish government's commitment to social inclusion. The data sets that we compiled to form the basis of our comparative analysis have certain shortcomings, especially with regard to the disaggregation of different components of social expenditure. Nevertheless, in spite of these shortcomings that reflect the problems of existing official data sources and/or access to them, we believe that the two set of figures that we present for the period 2001-2004 in conformity with SOCX and ESSPROS provide a good basis for international comparisons. We have also extended our analysis to public education expenditures, which are covered by the ILO methodology but not the other two. We hope that our work will be useful for similar research conducted in academia and within the government bureaucracy.

In the second section of the report, we analyze the Turkish data we compiled in a comparative perspective. According to our estimations presented in Table 5, Turkey's public social spending was 11.6 percent of the GDP in 2003. The corresponding SOCX-based figure for the OECD Total is 20.7 (Table 6). When we look at the ESSPROS comparable public social expenditure data for 2002-2004 (Table 8), we see that the 2004 figure for Turkey remains at 12.5 percent of the GDP while the same figure is 27.6 for EU-15, 26 for Greece, 24.9 for Portugal and 20 for Spain. We see how Turkey lags behind the European social area especially when we take into account public social expenditure other than old age and health. The figure for Turkey for this category "other" is 1.3 percent of the GDP while it is 7.2 for EU-15, 6.6 for Greece, 6.8 for Portugal and 5.6 for Spain (Table 9). This means that Turkey can go a long way to increase the funds allocated to combat poverty and social exclusion through income support policies or unemployment insurance and housing benefits.

A parallel observation could be made with regard to the insignificance of means-tested benefits in Turkey. In Turkey, the share of such benefits, which are especially important in the context of poverty alleviation, in GDP is only 0.5 percent, while it is 2.8 percent for EU-15, 2 percent for Greece, 2.5 percent each for Portugal and Spain (Table 11). Given the fact that the incidence of poverty is much higher in Turkey than in Europe (Table 12), there is clearly a need to pay more policy attention to means-tested benefits.

The gap between Turkey and Europe is also very striking as far as public spending on education is concerned, especially in per capita terms. Table 15 shows that for 2003, Turkey's public spending on education divided by the number of young people in 0-

19 age group is 292 euro. The comparable figures are 2,699 euro for Greece, 3,374 for Portugal and 3,937 for Spain. Even the figures for Bulgaria and Romania are higher than the one for Turkey: 451 and 337 euro, respectively. It is safe to predict that after their recent accession to the EU, in Bulgaria and Romania there will be a very significant increase in public spending on education. What Turkey is facing in this regard is not only a problem concerning the nature of the attempts made to prevent intergenerational transfer of poverty, but also a problem that is likely to hamper human capital formation and, hence, economic development.

The question that emerges at this point is whether the political will to bring about the desired changes in social policy is present and whether there is a strong social pressure in this direction. In the third section of the report, we draw attention to two problems that emerge in this regard. First, the vocal interest associations that can effectively articulate and defend the demands for larger public social spending seem to be more interested in protecting the existing social security system, which is based on the contributions of formal sector employees and which excludes a large portion of the population, than calling for an approach based on social citizenship rights, which would have brought to the fore the necessary increase in public resources allocated to that purpose. Second, government authorities consider public social spending as an unproductive burden on the budget. Consequently, rather than seeking ways of re-ordering fiscal priorities in a way to increase public social expenditures, they try to transfer social policy responsibilities to the voluntary sector by appealing to the sentiments of philanthropy and benevolence.

INTRODUCTION

Since the second half of the 1990s, Turkey's relations with the European Union (EU) have led to important transformations in institutions and policies. The developments that have been taking place in the field of social policy are especially significant. Nevertheless, social policy environment still remains marked by diverse problems of outlook and mentality as well as serious limitations in bureaucratic capacity and technical expertise, which tend to slow down desirable developments toward social inclusion. Since social policy research remains a largely underdeveloped area in Turkey, the intellectual input from which the policy process could benefit to overcome these problems and limitations also remains scarce. It is on the basis of this observation that Social Policy Watch (SPW) was established as a research and policy monitoring unit based at Bogazici University Social Policy Forum (SPF).

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statistics for Turkey end in 1999. Similarly, the data that EUROSTAT provides in the same area does not include Turkey. Finally, Turkey's Joint Inclusion Memorandum that the Ministry of Labor and Social Security (MoLSS) has been preparing since 2004 for the European Commission in the context of Turkey's accession to the EU does not, so far, include internationally comparable social expenditure figures.

Given the lack of international comparative data on which we could base our analysis, we had to engage in a truly daunting task of compiling available statistics to have an idea of the magnitude and structure of public social expenditures in Turkey. This Report presents both the difficulties and the results of this work. It also discusses different methods of measuring social expenditures, European System of Integrated Social Protection Statistics (ESSPROS), Social Expenditures (SOCX) approach used by the OECD and the methodology adopted by the International Labor Office (ILO) and their relevance to our objective of assessing the Turkish government's commitment to social inclusion. The data sets that we compiled to form the basis of our comparative analysis have certain shortcomings, especially with regard to the disaggregation of different components of social expenditure. Nevertheless, in spite of these shortcomings that reflect the problems of existing official data sources and/or access to them, we believe that the two set of figures that we present for the period 2001-2004 in conformity with SOCX and ESSPROS provide a good basis for international comparisons. We have also extended our analysis to public education expenditures, which are covered by the ILO methodology but not the other two. We hope that our work will be useful for similar research conducted in academia and within the government bureaucracy.

Since we are interested in a comparative assessment of the Turkish case, our report begins with a discussion of the recent international trends in social policy presented in the first section. One of the key arguments made through this discussion is the following: Contrary to the widely shared view in political economy theories of globalization, globalization has not led to a “race to the bottom” in social spending and there has not been a general down-sizing of the state. One observes, nevertheless, the emergence of a new regime of “welfare governance” that has modified the nature of state-society relations in the realm of social policy characteristic of the Keynesian welfare state in advanced countries and the developmentalist state in late industrializing countries. The increasing importance of the role assigned to local governments and the voluntary sector in the provision and funding of social care and assistance constitutes an important aspect of this new regime of welfare governance.

The second section of the report presents the three methodologies (SOCX, ESSPROS and ILO) used in the assessment of public social expenditures and analyses the Turkish data we compiled in a comparative perspective. In this section, we show that very low level of public social expenditures in Turkey is indicative of a serious distance with the European social area. Whether this distance could be closed through a commitment to increase the public funds used for social inclusion largely depends on the nature of the social policy environment in the country.

The characteristics of Turkey’s current social policy environment are explored in the third section through a discussion of the recent attempts at social security reform, the debates that surround these attempts and the strategies that the government adopts to alleviate the burden of social spending on the budget. In this section, we draw

attention to the parallels between social policy developments in Turkey and the contemporary international trends that characterize the new regime of welfare governance discussed in the first section. We then raise a series of questions concerning the compatibility of these trends with a stronger commitment to social inclusion in the future.

I. CONTEMPORARY INTERNATIONAL TRENDS IN SOCIAL POLICY

In recent international political economy literature, the generally accepted views concerning the future of the welfare state have been rather bleak. Many writers thought that under considerable pressure from economic, social and political developments, social spending cuts and welfare state retrenchment was inevitable. The arguments to that effect pointed to: 1) The incompatibility of flexible employment practices, which resulted from competitive pressures generated by globalization, with job security, income protection and employment related social security provision; 2) Increasing costs associated with mature welfare states, especially in the context of population aging; 3) Political shifts to the right which marked the electoral victories of market fundamentalists such as Reagan, Thatcher and Kohl in the 1980's.

While these factors have undoubtedly made the sustainability of welfare state practices difficult, the welfare state retrenchment thesis failed to receive support from empirical evidence (Pierson 1996). While a decline could be observed between the mid 1980's and the second half of the 1990's in the share of **total government spending** as a whole in GDP in some developed OECD countries, the share in GDP of **public social expenditures** did not decline (Castles 2001). This is confirmed by

more up to date OECD data on social expenditures. As our Table 1 shows, in OECD countries, for which data covering the 1980-2003 period is available, the share of public social expenditures in GDP was 15.9 in 1980, 17.6 in 1985, 17.9 in 1990, 19.7 in 2001 and 20.7 in 2003. Even in the United States, where market fundamentalism was stronger than in any other OECD country, the share of public social expenditures in GDP had increased from 13.3 in 1980 to 16.2 in 2003.

What is more striking, and perhaps more relevant for the analysis of the Turkish case, is the case of three South European countries, Greece, Portugal and Spain, where public social expenditures as a percentage of GDP was considerably lower than the OECD total in 1980. It was 11.5 for Greece, 10.8 for Portugal and 15.5 for Spain. In 2003, these figures had reached, respectively, 21.3, 23.5 and 20.3. EU accession, in other words, had made a clear positive difference in the social policy environments of these countries, while the mature welfare states could also maintain their levels of social spending- in Sweden, for example, the share of public social spending in GDP was 28.6 in 1980 and 31.3 in 2003 (see Table 1).

Pensions constitute the largest item in public social spending at the OECD level (as well as at the level of individual countries except for Korea, Mexico and the United States). This might lead to the hypothesis that the aging population of mature welfare states is the main reason why the welfare state retrenchment did not, or could not, occur. While the share of pensions in GDP surely increased between 1980 and 2003 (from 5.0 to 6.9 percent for OECD Total), this was not accompanied by a decline in any of the other items of public social expenditures except for “survivors” where the

trend is likely to be more related to declining needs rather than expenditure cuts (see Tables 2a&b and 3a&b).

Empirical evidence thus falsifies the arguments or expectations concerning welfare state retrenchment. In this regard, it is also worth exploring the social policy trends in developing countries. Two channels through which globalization affected life and livelihood in these countries appear to be especially important. First, in many countries of the South, commercialization of agriculture accelerated urbanization in a context where employment opportunities in the city remained very limited. This has led to a situation where novel forms of urban poverty of unprecedented dimensions appeared as the lot of the slum dwellers in most cities of the South (Davis 2006). Second, enhanced international competition made it impossible to sustain enterprise level social protection for those employed in the modern private or public sector. The second factor was especially important for the more advanced developmentalist states in East Asia and Latin America. Especially in a context where authoritarian dictatorships were giving way to electoral democracies, new forms of poverty and social insecurity related to these two factors have called for a hitherto absent consciousness of the need for social policy action.

While many developing countries had already introduced formal social security systems for the formally employed, these excluded a large segment of the population in agriculture or in the urban informal sector. What recently came on the agenda were especially social support mechanisms targeting these hitherto excluded people. In some cases these mechanisms included social security benefits, as in the case of South Korea where labor unions pushed for the introduction of universal health coverage

and won (Kwon 2005). Another important social policy development concerns the introduction of the *Programa para Adultos Mayores*, which covers 98 percent of the people aged 70 and over in Mexico city, paying all of them a flat rate benefit (OECD 2006).

Social policy change in developing country context was especially marked in the realm of means-tested social assistance measures. In many of these countries, World Bank-initiated conditional cash transfer programs were introduced. These transfers mainly target poor families with small children and the conditionality is often related to the immunization of children and/or school attendance, but it might also involve the participation of adults in training programs or their engagement in community work as in Argentina.ⁱ Another important trend in social policy in developing countries concerns the introduction of social pension in many Asian countries, i.e. India (1995), Nepal (1995), Thailand (1993), Vietnam (1995), Indonesia (1998), Bangladesh (1998).ⁱⁱ Hitherto left to family care, prevention of destitution in old age now seems to be considered a responsibility of the state. In fact, vulnerable groups under threat of poverty and social exclusion in general now seem to be more of a concern to developing country states than it was the case before. In this regard, a study specifically on Latin American experience documents the mostly new and currently evolving policies directed at social inclusion in the region, in a perspective that draws on the European approach to combating social exclusion and emphasizes the significance of the new policy orientation in making poverty visible through compilation of official statistics on the nature and dimensions of the problem (Buvinic, Mazza and Deutsch 2004).

This brief overview suggests that the state's commitment to social policy has not grown weaker in advanced welfare states and has actually become more important in developing countries. This does not mean, however, that the welfare state has remained intact and been transferred to areas where it has been absent before. On the contrary, there have been important changes culminating in a new type of "governance of welfare" with certain shared characteristics appear to be particularly significant for the analysis of social policy trends in Turkey. One of these characteristics pertains to the devolution of central state responsibilities in welfare provision to the local government. The second is the increasing role attributed to diverse partnerships between public authorities and the private sector that significantly involve the voluntary sector. In fact, the NGOs now appear as a crucial actor in social policy scene as providers of public services and social care (World Bank 1997 and 2000, Jessop 1999, Bode 2006, Tendler 2004).

One of the problems addressed by those who approach these developments has to do with the ambiguities of representation and accountability that emerge in a setting where the private sector and non-governmental organizations (NGOs) that now assume the roles hitherto assumed by governments in the context of social citizenship rights. Certain questions are also raised in relation to how the continuity in welfare provision would be assured in a context where voluntary activities become important in the area. In general, there are doubts concerning the extent to which supply of services could be responsive to needs and demands of those at the receiving end, the way standards would be set and continuity in service delivery assured in the absence of a strong central government commitment to social policy (Chandhoke 2002, Bode 2006, Tendler 2004). Another question that emerges in this regard concerns the likely

incompatibility between the advocacy role that the NGOs are supposed to play and the public responsibilities they assume in the context of government-voluntary sector partnerships. It is interesting that this question was raised in an article in the *Economist*, a journal that is often very favorable to any policy change toward smaller state. ⁱⁱⁱ

These questions are raised in the European context as well as in relation to the trends in developing countries. It is possible to suggest, however, that their implications are more important in the latter where the legacy of rights-based approaches to social policy is rather weak. Where the state's commitment to inclusive policies that address the problems of not only the formally employed but of the population at large is only recently emerging, devolution of central government responsibilities to local governments and public responsibility sharing with the voluntary sector might carry the danger of blocking developments toward the strengthening of social rights.

It is with this word of caution in mind that we will discuss the current social policy environment in Turkey in the third section. But before proceeding to that discussion, we will present a technical/quantitative discussion of public social expenditures in Turkey.

II. PUBLIC SOCIAL EXPENDITURES IN TURKEY IN A COMPARATIVE PERSPECTIVE

2.1 Methodological note

There are basically three methodologies that could be used to assess the magnitude and structure of public social spending in Turkey in a comparative perspective: SOCX presented by the OECD, ESSPROS used by the EUROSTAT (European Statistical Database) and the ILO statistics on the subject. These methodologies all involve a certain approach to the definition of what constitutes social risks, how the social protection is provided and to which sector of the population social protection is provided and whether protection is targeted or universal. The differences between them pertain to differences of conceptualizing these issues.

In this regard, the differences between the SOCX and ESSPROS methodologies are rather marginal. Both methodologies include data on old age, health, unemployment, benefits for sickness and disability as well as survivors' benefits, housing and family allowances, although there are some differences in presentation and coverage (see Table 4). One difference between the two methodologies, which is perhaps more important than others, concerns the public expenditure on Active Labor Market Programs (ALMP), that is included in SOCX but not in ESSPROS. This type of expenditure was historically a small part of public social spending, but has recently acquired more significance in the context of the current changes in social policy outlook. The fact that the OECD and the EUROSTAT have recently decided to prepare a common database on this item (EUROSTAT 2006) is an indication of these recent developments and constitutes a step toward further convergence between the two methodologies. Another difference between SOCX and ESSPROS has to do with

the fact that the former does not include administrative expenses while the latter does. This is why Table 5 that presents an overview of Turkey's total public social protection expenditures in a disaggregated fashion arrives at two different figures for the share of these expenditures in GDP: one including administrative expenditures, hence compatible with ESSPROS and the other excluding them, where possible, in a way compatible with SOCX. It is the latter figure that we use for comparisons with the OECD members for the year 2003 in Tables 6 and 7.

The third methodology, the one adopted by the ILO, is based on the idea that the list of social expenditures can be enlarged in the case of developing countries to include, for instance, spending on education as well as food aid, food stamps and food subsidies. Including or not including spending on education in total public expenditures is indeed an important question, which should be considered in the light of the social differences between developed and developing countries. For the former, which form the bulk of the OECD and EU membership, it is indeed justifiable to exclude public spending on education since such spending is based on concerns beyond the protection of the individual in given risk situations. For many developing countries, on the other hand, lack of access to services of education constitutes a problem that is likely to lead to intergenerational transfer of poverty and social exclusion. In fact, in these countries the school might be considered as a "social welfare area" where child poverty, in its different aspects, can be diagnosed and combated.

We believe that this observation concerning the crucial role of public education in social policy is valid in the case of Turkey. Hence, it would be useful to include

public spending on education in the compilation of data on public social expenditures. Consequently, in the compilation of data on Turkey, we have proceeded in two steps. At a first stage, we have excluded all public education expenditures, including diverse forms of support provided to students in need provided by the Fund for the Encouragement Social Cooperation and Solidarity (General Directorate for Social Assistance and Solidarity after December 2004, SYDGM hereafter) with a view to maintain harmony with SOCX and ESSPROS. At a second stage, we have included the data on education to come up with a figure that is meaningful for the national social context. At this second stage, the comparative perspective is maintained by comparing public spending on education with education expenditures in different OECD and, in particular, EU members. This procedure has the additional advantage of enabling us to extend our comparative analysis to Bulgaria and Rumania as new EU member states for which ESSPROS data is not yet available as in the case of Turkey.

2.2. Quantitative assessment of public social expenditures in Turkey: Data Problems

At the present, there is no aggregate official data that could be used to estimate the public social expenditures in Turkey in conformity with the three methodologies discussed in the preceding sub-section. It is important to note that this is more than a technical problem. It is rather a political one, which reflects the lack of transparency and accountability in the use of public funds that defines the societal context of state-society relations. It is also a problem which concerns the fragmented structure of welfare administration. The fragmentation in question pertains to the formal social security system, currently undergoing a reform process still full of uncertainties,

where three organizations covering civil servants (ES), workers (SSK) and the self-employed (Bag-Kur) co-exist in different relations with the public authority. It also concerns different organizations (General Directorate of Social Services and Child Protection (SHCEK), SYDGM, General Directorate of Foundations (VGM) as well as municipal governments) that provide means-tested care services and income support to vulnerable groups. Ministry of Health and, more recently, Ministry of Labor and Social Security also play a role in the realm of social protection.

This situation, which defines a welfare administration that lacks unity and coherence, as well as a concern with transparency, makes it technically very difficult to assess the amount of public funds allocated to social risk protection. This problem is further accentuated by the transfers made from the consolidated budget to social security institutions since the early 1990s to cover the deficits of the latter. What called for these transfers was in part a serious political mismanagement of the accumulated funds of the theoretically autonomous SSK, which has led to a situation where the deficits of the social security system emerged *before* they were generated by structural/demographic factors inherent in the system. Reflecting yet another political problem that defines the societal context of social security provision in Turkey, these transfers introduce a serious danger of double counting in the estimation of public funds allocated to this purpose. (See the Technical Appendix for further discussion on this). Double counting is indeed a serious danger since it is highly difficult to depict the flow of services and financial resources by as well as among different public institutions.

Recently, there have been several positive attempts both in official data compilation activities and budgetary procedures. For example, the enactment of the law on Public Account Administration and Control in the late 2003 and changes in the law regulating the activities of the Supreme Court of Accounts both constitute steps in the direction of establishing transparency and accountability of public management in line with the EU practices. The restructuring of State Statistics Institution under the name of Turkish Statistical Institution (TURKSTAT) during the late 2005 coincided with attempts to redesign data collection and presentation in line with ESSPROS methodology. The adoption of the UN Classification of the Functions of the Government in the presentation of the general consolidated budget enables us, since 2004, to trace the distributions of public expenditures on a functional basis. More closely related to the subject matter of this report, in the context of the preparation of Turkey's Joint Inclusion Memorandum for the European Commission, the Ministry of Labor and Social Security is currently preparing an official estimation of public social expenditures by partially using the ESSPROS methodology.

It is important to note that these developments are situated in the context of an overall political change indicative of at least a will to transform the nature of state - society relations. Nevertheless, since established ways of doing things, significantly shaped by outlook and mentality, are difficult to change immediately, many of the above-mentioned problems resist legislative change and good intentioned bureaucratic effort. The media coverage of a Presidential State Inspection Report about the discretionary use of the funds of SYDGM, for example, constitutes an example of the ongoing lack of transparency and accountability in public management. The report mentions the transfer of SYDGM funds to cover the expenses of some municipal governments.^{iv} In

the meanwhile, municipal funds allocated to welfare provision remain totally unknown as openly stated in a government document.^y

We have also encountered reflections of the transparency and accountability problem during our research. For us, reaching detailed income statements and balance sheets was extremely important to clearly analyze the flow of financial resources among different government institutions. Moreover, detailed breakdown of expenditures could make it possible to delineate the boundaries between the expenditures made for social protection and for other purposes. Yet, in most cases it has proven to be extremely difficult, if not impossible, to get detailed financial statements, i.e. income statements, balance sheets and yearly business reports from relevant institutions. We put forward our request for such documents to bureaucrats both in formal and informal ways. In many cases, we either could not get any reply or were told that there are no such detailed financial statements.

During our research, we have also contacted the EU Coordination Office of the Ministry of Labor and Social Security that is currently trying to come up with a quantitative estimation of public social expenditures by partially using ESSPROS methodology. We are not, unfortunately, convinced of the reliability of the technical procedures used to escape the problems of double counting, mainly those stemming from the budgetary transfers to cover the deficit of social security institutions. Our calculations are limited to the annual expenditures of these institutions (see the Technical Appendix).

Given the constraints under which our estimation is made, it involves certain problems, which the reader should keep in mind. There might be an underestimation of social spending basically for two reasons. First, the funds allocated to ALMPs, which are significantly financed by World Bank and EU grants and are impossible to present on an annual basis, are not included in the estimation. This is not a problem as far as the ESSPROS methodology that does not include them is concerned, but it is for the SOCX methodology where they are taken into account. While there is no significant ALMP in implementation in Turkey in 2001, we are also unable to include the ALMP expenditures that exist for 2002-2004 since we cannot disaggregate them on an annual basis (see the technical appendix for further clarification on this).

Second, social expenditures of municipal governments, of which, as already indicated, it is impossible to have an accurate idea, are not included in the estimation except for the year 2004 for which the functionally disaggregated budget provides transfers to local governments. Hence, the underestimation in question, present both for SOCX and ESSPROS based comparisons until 2004, is avoided for 2004.

There is also a problem of overestimation stemming from the fact that the figures for social spending by SHCEK, General Directorate of Foundations and SYDGM include administrative expenses that cannot be disaggregated. This does not constitute a problem for ESSPROS, which includes administrative expenses in overall social expenditure estimations. However, it presents a problem even for ESSPROS in the context of the comparison between means-tested and non means-tested expenditures (see Table 11), where EUROSTAT takes into account only benefits *without* administrative costs. Another unavoidable problem of overestimation occurs because

of the support provided to education by the General Director of Foundations, which we are unable to distinguish from the expenditures on other benefits.

The problems of under and overestimation are not of a nature to significantly affect the overall figures for Turkey that we use for international comparisons. Problems with the way official statistics are presented and the lack of continuity in this regard might, however, call for some caution in the analysis of historical trends in social expenditures over the years. That is why we are reluctant to pass a judgment on historical trends in public social expenditures in Turkey.

2.3 Commitment to social inclusion in Turkey

As previously mentioned, 2003 is the last year when OECD data based on SOCX is available. OECD data for Turkey is not available for that year. According to our estimation presented in Table 5, SOCX compatible figure for the share of public social expenditures in GDP is 11.6 percent for Turkey. Table 6 compares this figure with those for OECD Total and a group of selected countries. There are several important observations one can make on the basis of this table. First, Turkey's overall public social expenditures are clearly above those of Korea and Mexico. While these two countries are richer than Turkey on per capita income terms, their formal social security systems are less developed than Turkey's. This can be seen more clearly in Table 7, which gives comparative data on the share in GDP of old age and health benefits. The figures for Turkey, 5.5 percent for old age and 4.8 percent for health, compare with 1.2 and 2.9 percent for Korea and 1.0 and 2.8 percent for Mexico, respectively.

However, Table 6 and 7 also show that the overall comparison with OECD countries indicate an extremely low level of public social spending in Turkey. The figure for Turkey being only around half of the OECD average hardly leaves any room for optimism. A similar gap exists between the figure for Turkey and those for South European countries, which were quite low spenders on social protection before their accession to the EU (See Table 1).

As Table 7 indicates, in 2003 Korea and Mexico appear as the only countries where the share of public health expenditures in GDP is lower than in Turkey, although social policy changes in Korea are likely to lead to an increase in this figure in the near future. As far as spending on old age pensions are concerned, only countries where such expenditures are the same with or lower than in Turkey (5.5) are Korea (1.2), Mexico (1.0), and the United States (5.5). The latter figure indicates the significance of private insurance and occupational pension schemes in the U.S.

What is also significant is the comparative shares in GDP of public spending on the category “other” given in Table 7. This category mostly involves family support mechanisms and targeted assistance to vulnerable groups under the threat of poverty and social exclusion. The fact that it is by far the lowest in Turkey (1.3), including the cases of Korea (1.6) and Mexico (3.1), is indicative of the absence of a serious commitment to combating poverty in its diverse manifestations. This will be discussed further in the following in the context of our ESSPROS based comparisons with European countries.

Turkey's commitment to social inclusion comes under an even more unfavorable light when we proceed to ESSPROS-based comparisons with European countries. In this regard, the data for the period 2002-2004 presented in Table 8 is indeed striking in showing how far behind Turkey lags behind European countries, including the South European ones whose welfare regimes were comparable to the Turkish one before their accession to the EU. For 2004, the share of public social spending in GDP is 12.5 percent in Turkey. This figure is 27.6 for EU-15, 26 for Greece, 24.9 for Portugal and 20 for Spain.

Table 9 shows how Turkey lags behind Europe when the categories "old age", and especially "health" and the category "other" are considered separately. In Turkey, the share in GDP of public spending on old age is 6.0 percent in 2004. The comparable figure is 10.9 for EU- 15, 11.9 for Greece, 9.3 for Portugal and 7.9 in Spain. Public health expenditures in Turkey, equal to 4.9 percent of the GDP in 2004, compare with 7.5 percent in EU-15, 6.7 percent in Greece, 7.1 percent in Portugal and 6.0 percent in Spain.

As far as the category "other" is concerned, public spending in Turkey is very low in comparative terms, 1.3 percent compared with 7.2 percent for EU-15, 6.6 percent for Greece, 6.8 percent for Portugal and 5.6 for Spain in 2004. As explained in the notes to Table 9, this category includes benefits for disability, survivors, unemployment, housing and social assistance. As such, it is not limited to but significantly includes means-tested social assistance and is an important aspect of combating poverty. EUROSTAT provides data that disaggregates non-means tested and means-tested expenditures for European countries. In Table 11, we compare this EUROSTAT data

with our estimations on Turkey. This comparison clearly shows how insignificant the means-tested social expenditures are in Turkey. The share of such expenditures in GDP is 0.5 in Turkey while the comparable figure is 2.8 for EU- 15, 2 for Greece, 2.5 each for Portugal and Spain.

In social policy literature, means-tested benefits are seen part of a “residualist” approach and often regarded as being incompatible with social citizenship rights that should be realized through benefits that are in line with “universalist” approaches. It is indeed true that universal old age and health benefits and non-means tested basic income schemes are more in line with equal citizenship rights than means-tested schemes. However, in socioeconomic contexts where poverty is a serious problem and resources are scarce, means-tested benefits could be the only way to prevent social exclusion due to the inability of certain segments of the population to have access to basic minimum means of social integration. This is undoubtedly the case of Turkey where the incidence of poverty is higher than in any European country, including the new EU member states Bulgaria and Rumania (see Table 12). Under these circumstances, the current neglect of means-tested social assistance schemes in Turkey clearly presents a very important problem, which raises serious doubts about the government’s commitment to combating poverty.

2.4 Public spending on education as a component of inclusive social policy

As previously discussed, SOCX and ESSPROS methodologies do not include public spending on education in comparative assessment of public social expenditures, which tends to neglect the crucial significance of education in preventing poverty from becoming a problem that is transferred from one generation to the other. That is

why we wish to extend our analysis to this particular area and investigate the Turkish government's commitment to education in a comparative perspective.

To include public expenditures on education in total public social expenditures in Turkey, we have added, to the ESSPROS comparable figures that include administrative expenses, statistics given by EUROSTAT for public spending on education. These statistics include financial aid to pupils and students, which we had deducted from the expenditures by the SYDGM. Table 13 presents the new comparative picture for 2001-2003 by presenting the share of both public education expenditures and total public social expenditures in GDP for Turkey and European countries. As we have indicated before in relation to the contents of Table 5, the figure for Turkey is slightly overestimated since the social spending by the General Directorate of Foundations, which are taken into account in our SOCX and ESSPROS compatible estimations that should exclude education, include support provided to students. Given the nature of the data set for the expenditures of the General Directorate of Foundations, we are unable to delineate spending on education from the rest.

Table 13 shows that the relative position of Turkey does not change much because the share of public education expenditures is also lower than in European countries, as shown by Table 14. There are, however, very serious problems in this area, which only become clear when we conduct the same comparative analysis by taking into account total expenditures per capita, by the relevant age group. This is important given the very large young population of Turkey that could only be meaningfully integrated in society through access to proper education services. In the light of this

observation we divided total public expenditure in education at primary, secondary and tertiary levels by the number of 0-19 age group. 0-19 age group is larger than the age group at the level of secondary education, but it does not include the totality of young people at university attendance age. The results, given in Table 15, indicate how short of European levels the Turkish government's commitment to education remains. Beyond the problems it implies in the realm of inclusive social policy, data provided Table 15 should also be considered in its implications for human capital formation and, hence, economic development. It seems impossible to ensure that the entire youth population receives a good education without a redefinition of fiscal priorities that would allow an increase in public expenditures on education.

III. SOCIAL POLICY ENVIRONMENT IN TURKEY: ITS IMPLICATIONS FOR FUTURE TRENDS IN PUBLIC SOCIAL SPENDING

The quantitative data we presented in a comparative perspective clearly indicates a pressing need to increase social spending in all areas, with particular attention given to education and targeted assistance to combat the social exclusion of vulnerable groups. Historically, social policy has remained quite low in the list of priorities of Turkish governments. While the formal social security system that provides joint old age and health benefits to civil servants and formally employed workers was introduced quite early and was extended to cover some of the self-employed population in the 1970s, its coverage has remained quite limited in a country where half of the working population is estimated to be in the informal sector. The Green Card scheme that was introduced in the 1990s to provide means-tested access to health services to poor people constitutes a very significant social policy

development, but the number of people who have no health insurance including Green Card is officially estimated to be about 20 percent of total population.^{vi} Poverty was hardly considered to be a serious social problem that deserves government action until the economic crisis of 2001.

The question that emerges at this point is whether the political will to bring about the desired changes in social policy is present and whether there is a strong social pressure in this direction. In this regard, it might be useful to refer to one of the early studies falsifying the arguments concerning welfare state retrenchment in advanced countries. In this study, Chris Pierson (1996) both showed that the predicted retrenchment had not taken place and provided an explanation to the continuing strength of public social spending in developed welfare states. He based his explanation on the role of interest groups, and ultimately voters, who had reason to oppose the withdrawal of benefits that they considered as rights. Where the welfare state was strong, it enjoyed the strong support of the people it served. As to those concerned with increasing costs and tax increases that went along with them, their opposition was diffused and not as strong as those who stood to gain from preventing change, especially where the social policy was successful in reaching wide segments of the population. The growth of the welfare state, in other words, had transformed the politics of social policy.

What does this argument imply in the context of a fairly underdeveloped welfare state such as the Turkish one? To answer this question, it would be useful, first, to consider the two recent attempts at structural reform, of the social security system (Social Security and General Health Insurance Law^{vii}) and of the public administration (Law

concerning the Sharing of Responsibilities between Central and Local Governments, and The General Public Administration Law), as well as the debates around them. Of these, the reform of the social security system came on the agenda mainly under the IMF pressure to keep public spending under control by reducing the deficits of the social security institutions. Hence, increasing the required period of contributions to the pension fund and hence the age of retirement constituted an important aspect of the reform attempt as far as old age benefits were concerned. The reform attempt was also informed by a desire to increase the role of the private sector in health service provision. From an administrative point of view, the reform sought to put an end to the fragmented character of welfare administration by bringing different organizations together within a Social Security Institution under the jurisdiction of the MoLSS.

The draft proposal also reflected a concern with the problems of those excluded from the formal social security system. Hence, a system of compulsory contribution to general health insurance was introduced along with a scheme of means-tested access to health services for the poor. The proposed general health insurance system provided non-means tested access to the population below the age of 18 regardless of their parents' contributions to an insurance scheme. In a setting where child poverty is very high, the significance of this clause in the context of inclusionary social policy could not be overestimated. Perhaps more significant in this regard was another change that the draft proposal incorporated. This change pertained to the third section of the draft bill on "non-contributory payments", hence to social assistance in general. It involved investing the Social Security Institution, and hence the MoLSS, with the responsibility of conducting a rights-based policy of social inclusion. It would not be an exaggeration to state that this was the first time in Turkish history when social

assistance was being considered as a responsibility of the political authority at the same level as the provision of social security to the formally employed.

In 2006, the President sent the Social Security and General Health Insurance Law back to the Parliament. After the Parliament again voted for it in its original form, the law was rejected by the Constitutional Court.^{viii} However, even before these developments, the reform process had left the social assistance component behind. This seems to reflect the resistance of both the State Planning Organization (SPO) and the Minister of State in charge of the SYDGM to any institutional arrangements that would imply a transfer of authority to the MoLSS in the area of social assistance. This is a resistance that reflects both mentality and interest. It is related to a mentality that sees charity as the principal means of poverty alleviation, which is reflected in the institutional make-up and the functioning of the SYDGM. It reflects, at the same time, the interests involved in maintaining the discretionary control currently exercised on the use of the non-negligible funds commanded by the SYDGM.

Apart from the role of such bureaucratic fragmentation in blocking the advent of a rights-based policy approach to social assistance, the debates around the reform process were not of a nature to indicate that social assistance was high among the priorities of those participating in the debate. What seemed to be of major concern to the main opposition party, labor unions and professional associations was the protection of existing structure of social rights. For example, there was a reluctance to discuss the proposed increase in the period of contributions to the pension fund before retirement by distinguishing between the cases of regular full time employees with job security from others who are under threat of unemployment for extended periods and

who, in many cases, have no chance of finding employment as manual workers when they are in their 40s. In fact, the Constitutional Court decision that put a halt to the reform process involved the protection of the acquired rights of civil servants, which the Court insisted should be considered separately from those of workers. Given the fact that it is the latter which stood to be harmed most by the altered conditions of access to old age benefits, this decision clearly involved a bitter paradox.

In a parallel vein, the opposition to the proposed General Health Insurance system largely turned around questions pertaining to health service provision rather than financial issues. The legitimate fear of privatization and commercialization of health service delivery dominated the debate in a way to marginalize equally valid concerns about the way the system would be financed. Hence the problems associated with the proposed premium based system, which indeed are likely to be quite significant in a context of high labor market informality and a very high rate of poverty, were not central to the debate. How these premiums were to be collected and how means-testing procedures would be adequately implemented in a way to avoid the exclusion of the underprivileged from the health system did not constitute a major concern for the vocal opposition.

It is important to note that it is precisely such financial concerns that could have led to a call for an increase in public health expenditures, just as the call for a rights-based approach to social assistance would have brought to the fore the necessary increase in public resources allocated to that purpose. Given the currently very low level of public social expenditures, the demands for such increases in public outlays could

have been highly legitimate. This opportunity was missed in a setting where the protection of the existing system acquired priority over genuine social policy reform.

The existing social policy environment is one where public social spending is considered to be an unproductive burden on the budget. Social policy outlook that characterizes this environment receives ample support from the developments in advanced countries, which define the new system of welfare governance that has replaced the Keynesian welfare state practices. In fact, it is possible to see in the text of the Law concerning the Sharing of Responsibilities between Central and Local Governments and The General Public Administration Law^{ix} close parallels with certain characteristics of this new system of welfare governance. As we have discussed in the first section of this report, these characteristics significantly pertain to the increasing emphasis placed on the role of the local government and on different forms of partnership between the public authority and the voluntary sector in welfare provision. The government did not insist to proceed with the enactment of the public administration reform, which incorporated provisions clearly in line with social policy developments in advanced countries, after it was vetoed by the President for political rather than social policy related reasons. It introduced, however, other pieces of new legislation to similar effect in the realm of social policy.

Draft proposal for the Restructuring of Social Services and Redefinition of the Bureaucratic Structure and Responsibilities of the Social Services and Child Protection Administration (SHCEK), draft proposals for the amendments of the Law concerning Provincial Administration, the Law of Municipalities, and the Law concerning Greater Municipalities. While the Law of Municipalities was vetoed by

the President, the Laws concerning Provincial Administration^x and Greater Municipalities^{xi} could be enacted and certain changes were introduced in the legislation regulating the activities of SHCEK concerning the disabled. The legislative changes that were introduced are of a nature to accord large responsibilities to the local government in social care and assistance, which could be fulfilled in partnership with the voluntary sector both in service provision and funding (see especially the clauses 75 and 77 of the new legislation concerning Greater Municipalities). This development is in close conformity with the traditional tendency to situate social assistance in the realm of private benevolence.

In a study conducted by the Turkish Third Sector Foundation (2006: 85), the researcher complains that to the question “who is responsible for combating poverty?” a large portion of the interviewees (38 percent) responded “the state”. However, it is possible to interpret this response differently by highlighting the fact that 62 percent of the interviewees did **not** think that it is the responsibility of the state to combat poverty. This second interpretation does not leave much hope for the improvement the extremely low level of public social expenditures, especially means-tested expenditures, which our report documents.

In fact, rather than seeking ways of re-ordering fiscal priorities in a way to increase public social expenditures, the government tries to transfer its social policy responsibilities to the voluntary sector through the above-mentioned legislative attempts and by appealing to private benevolence through different projects designed to that end. Fund raising today appears to be an important component of the government’s social policy efforts. For example, the Project Rainbow (*Gökkuşuğu*

Projesi), led by the General Directorate for the Disabled and the Ministry of Education, appeals to philanthropic sentiments to meet the financial requirements of providing rehabilitation and labor market integration services to the disabled. The media coverage of the project indicates that it is highly successful in attracting important donations from benevolent individuals. It seems to be highly successful, as the Minister of Education put it, in “bringing the social state and the social society together”.^{xii}

“Bringing the social state and the social society together” also appears to be the objective of another project initiated by the Ministry of Education under the leadership of the Prime Minister. This project is given the name “One Hundred Percent Support to Education” (*Eğitime % 100 Destek*)^{xiii} to indicate the extent of public participation as well as the tax rebates on donations that were raised to 100 percent of the sum donated.

All this does not mean that social expenditures have fallen under the current AKP government. While it is not possible to use the existing data for a healthy assessment of the historical trends in public social expenditures, it is likely that the latter have been at least marginally increasing and will continue to increase in the future. Yet, the huge gap that separates the level of Turkey’s public social expenditure from comparable figures for EU member states could not be closed without a more serious commitment to social inclusion. It is precisely the emergence of such a commitment that is blocked by the recent developments in social policy outlook, which, as we have argued, are in full conformity with European ones. Pierson’s analysis suggests that in Europe these developments did not lead to welfare state retrenchment because there

are strong interest groups that defend the welfare state. Given the underdeveloped nature of Turkey's welfare state, those who stand to gain from the expansion of public expenditures directed at inclusionary social policy do not have strong voice. As to the more vocal interest groups, they are more interested in the maintenance of a contributory system that excludes large segments of the population.

Under these circumstances, the devolution of central state responsibilities to local governments and the increasing role of public sector – NGO partnerships, which are criticized for the transformations they bring to the citizenship relation even in Europe, play a different role in Turkey. In Turkey, they might condition the current changes in country's welfare regime and make it impossible the advent of rights based approaches to social policy. This would lead to further alienation of Turkey's social policy environment from the European one. It might, moreover, lead to a situation where Turkey stays behind the social policy developments that are of a nature to result in a much larger allocation of public funds to inclusionary policy in late industrializing countries such as Korea and Mexico. It would not be unrealistic to predict, in other words, a development whereby Turkey will soon begin to lag behind these countries as far as the share of public social expenditure in GDP is concerned.

TECHNICAL APPENDIX

For a healthy analysis of Table 5 given below, there are some technical aspects which we think need further clarification to complete the argument given above about the problems related to the measurement of social protection expenditures in Turkey. Of these technicalities, the first concerns the budget transfers made to the social security institutions to cover their deficits. We present the budget transfers made to the social security institutions in Table 5. As seen, these transfers are around one third of social protection expenditures. This suggests that taking these transfers into account could raise the share of social protection expenditures in GDP by a considerable amount. Inclusion of these transfers in calculations has been a revival debate between government officials and ourselves as mentioned in our report above. Having the sole purpose of covering social security deficits, these transfers are unlikely to be considered a social protection expenditure item mainly. This mainly stems from a basic accounting logic. Budget transfers appear on the income statements of the social security institutions as a revenue item. This suggests that counting it as an expenditure item is likely to result in a double counting. The only problem here is the fact that there is a time lag between the time the transfer made and the time it appears on the income statement of the institutions. This is the argument raised by the government officials we contacted. Nevertheless, this argument is likely to be falsified on the grounds that the social security institutions are making pension and health payments every year regardless of their deficits.

Secondly, another technical problem we have is related to the expenditures made by ISKUR. The data related to ISKUR only considers only the unemployment insurance payments. As stated in our report above, SOCX methodology also takes active labor

market policies into account in its calculations. The unavailability of annual data in Turkey for ALMPs makes it impossible to include them in our calculations. This obviously causes an underestimation problem when the outcomes are compared with other OECD countries on the basis of SOCX methodology^{xiv}. Turkish governments, mostly with the credits and grants released by the EU and the World Bank, has been implementing the following active labour market policies during the period from 2001 until now:

- 2002 – 2005 Privatization Social Support Project (PSSP), 70 per cent of which was funded by the WB credit and the remaining 30 per cent by the government. The total cost of this project is 355.3 US Dollars.

- 2005 – 6 EU Grant Plan, 42 million Euro of which has been funded by the EU. The government has added an amount of 8 million Euros as well. This plan is going to be started again in 2008.

We tried to estimate the project costs on an annual basis in order to get an approximate idea about the ALMP expenditures as percentage of GDP in Turkey. Nevertheless, we could not end up with having comparable numbers as the expenditures directed at ALMPs cannot be disaggregated from the administrative and other costs of the projects due to the nature of the data at hand.

Thirdly, we think that it is important to clarify the item titled “Government Health Expenditures” in Table 5. To calculate government health expenditure for the period 2001-2003, we have used the World Health Organization statistics which are based on

OECD Health data (2005) and the figures obtained from the Ministry of Health, 2002-2004^{xv}. The figures presented in Table 5 are obtained by deducting health expenditures made through social security institutions and through revolving funds from the general government expenditures on health. The former was deducted to avoid a double counting as we already count health expenditures made by the social security institutions separately for each institution. The reason for not including the latter, on the other hand, is more than a double counting problem and in that sense a bit more complicated.

Revolving funds are institutions which work like private institutions under Ministry of Health and universities. The financial and administrative organization of these institutions have been regulated by the Article 58 of the Law on Higher Education. Accordingly, the revenues of the revolving funds consist of i) revenues accrued by the sales of the goods and services provided by these institutions, and ii) aid and voluntary contributions made to these institutions. Considering their revenue sources, the health expenditures made through revolving funds can be regarded as private expenditures although the institution providing the service is a public one. The rationale here lies in the differentiation of the source of provider from the revenue source. As such, inclusion of the health expenditures made through revolving funds would be overestimating public health expenditures.

The last, but not least, problem is the difficulties faced in the process of data collection. In our data compilation, we mostly used the statistical information published in the websites of the institutions which are included in our calculations^{xvi}. Finding comprehensive and detailed data for the social security institutions was not as

difficult as it is for SHCEK, SYDGM and VGM, which are the main institutions responsible for combating poverty and social exclusion. For SHCEK and VGM, we used aggregate data provided in the website of the Ministry of Finance under the section of consolidated budget. For SYDGM, on the other hand, we used the very basic numbers provided in the website of the institution and an explanatory booklet published by SYDGM in 2006 (SYDGM 2006). It is here important to note that the data analyzed for SYDGM is more comprehensive than the ones for SHCEK and VGM. As this is the case, it was still impossible for us to separate administrative and other expenditures such as interest payments of these three institutions from their overall expenditures. This caused an overestimation problem for comparing social protection expenditures in 2003 with OECD countries (Table 6 and 7) according to SOCX which does not take administrative costs into account.

ESSPROS, on the other hand, divides social protection expenditures into three parts (EUROSTAT 2003): i) Social protections benefits, ii) Administrative costs, and iii) Transfers to other schemes which “are unrequited payments made to other social protection schemes”^{xvii}, iv) Other expenditure “consists of miscellaneous expenditure by social protection schemes such as interest payable to the scheme to banks and other creditors in respect of loans taken up and payment of taxes on income and wealth”. Not being able to isolate administrative costs of the institutions mainly responsible for the provision of social assistance and services is not a problem for comparing social protection expenditures of different countries according to ESSPROS methodology. However, when the share of means-tested and non-means tested benefits in overall social benefits are considered, inclusion of administration and other costs also causes a problem of overestimation.

Another problem closely related with not being able breaking down the available data shows itself in the preparation of Table 7 and 9. Especially in the context of “other expenditure categories” (Tablo 7) and “Other” (Table 9) expenditures, where disaggregated data is not available we made some estimations. It was possible to disaggregate “survivors”, “incapacity related benefits” and family related benefits in the case of SSK and ESS. However, for we did some estimations for Bag-Kur for which the data regarding social insurance payments are not segregated. To estimate the relevant SOCX compatible figures for Bag-Kur, we used the ratios of different social insurance categories other than “old age” and “health insurance” in the overall insurance payments in the case of SSK. For the ESSPROS compatible figures, in addition to “old age” and “health insurance” payments, “sickness” payments are deducted from social insurance payments and the relevant figures are calculated according to this. This is due to the fact that “sickness” related payments are included by ESSPROS in the category of “sickness/health”. For a detailed account of the institutional breakdown of other expenditures in Turkey, see Table 10a&b.

TABLES

Table 1. Total Public Social Expenditure
In percentage of GDP

	1980	1985	1990	2001	2002	2003
Greece	11.5	17.9	18.6	22.3	21.3	21.3
Portugal	10.8	11.0	13.7	20.9	22.2	23.5
Spain	15.5	17.8	20.0	20.2	20.2	20.3
Sweden	28.6	29.7	30.5	29.3	30.4	31.3
United States	13.3	12.9	13.4	15.2	16.0	16.2
Turkey*	4.4	4.2	7.6	n/a	n/a	n/a
Czech Republic	n/a	n/a	16.0	20.4	21.0	21.1
Slovak Republic	n/a	n/a	n/a	17.8	17.9	17.3
Korea	n/a	n/a	3.0	5.4	5.4	5.7
Mexico	n/a	1.9	3.6	5.9	6.3	6.8
OECD Total	15.9	17.6	17.9	19.7	20.3	20.7

Source: OECD (2007), Social Expenditure Database (SOCX), 1980-2003,
<http://stats.oecd.org/wbos>

* The figures presented in Table 5 below are our estimations for public social expenditures as percentage of GDP in Turkey.

Table 2a. Old Age
In percentage of GDP

	1980	1985	1990	2001	2002	2003
Greece	5.1	8.0	10.5	12.0	11.6	11.5
Portugal	3.4	3.6	4.4	7.7	8.3	8.8
Spain	4.6	5.8	7.2	8.0	7.9	7.9
Sweden	7.8	8.2	8.6	9.4	9.5	10.1
United States	5.3	5.4	5.2	5.2	5.4	5.5
Turkey*	1.3	1.4	2.2	n/a	n/a	n/a
Czech Republic	n/a	n/a	5.2	7.8	7.9	7.8
Slovak Republic	n/a	n/a	n/a	6.6	6.6	6.4
Korea	n/a	n/a	0.6	1.1	1.1	1.2
Mexico	n/a	0.2	0.4	0.7	0.8	1.0
OECD Total	5.0	5.5	5.9	6.7	6.8	6.9

Source: OECD (2007), Social Expenditure Database (SOCX), 1980-2003,
<http://stats.oecd.org/wbos>

* The figures presented in Table 5 below are our estimations for public social expenditures as percentage of GDP in Turkey.

Table 2b. Health
In percentage of GDP

	1980	1985	1990	2001	2002	2003
Greece	3.7	5.1	4.0	5.5	5.0	5.0
Portugal	3.6	3.3	4.1	6.6	6.6	6.7
Spain	4.2	4.3	5.1	5.2	5.2	5.2
Sweden	8.3	7.8	7.5	6.7	7.0	7.1
United States	3.7	4.1	4.8	6.2	6.6	6.7
Turkey*	0.9	1.1	2.2	n/a	n/a	n/a
Czech Republic	n/a	n/a	4.6	6.3	6.5	6.8
Slovak Republic	n/a	n/a	n/a	5.0	5.1	5.2
Korea	n/a	n/a	1.7	2.9	2.8	2.9
Mexico	n/a	1.0	2.0	2.7	2.7	2.8
OECD Total	4.7	4.8	4.9	5.6	5.8	5.9

Source: OECD (2007), Social Expenditure Database (SOCX), 1980-2003,
<http://stats.oecd.org/wbos>

* The figures presented in Table 5 below are our estimations for public social expenditures as percentage of GDP in Turkey.

Table 3a. Other expenditure categories
for OECD Total
In percentage of GDP

	1980	1985	OECD Total			
	1980	1985	1990	2001	2002	2003
Survivors	1.0	1.1	0.8	0.7	0.8	0.8
Incapacity related benefits*	2.3	2.3	2.3	2.4	2.4	2.5
Family	1.6	1.6	1.7	2.0	2.1	2.1
Active labour market policies	0.2	0.5	0.6	0.6	0.6	0.6
Unemployment	0.7	1.2	1.1	1.0	1.0	1.1
Housing	0.2	0.3	0.3	0.3	0.3	0.3
Other**	0.3	0.4	0.4	0.5	0.5	0.5

Source: OECD (2007), Social Expenditure Database (SOCX), 1980-2003,
<http://stats.oecd.org/wbos>

* Care services, disability benefits, benefits accruing from occupational injury and accident legislation, employee sickness payments

** Non-categorical cash benefits and benefits in kind to low-income households, other social services

Table 3b. Other expenditure categories (total) for selected OECD countries
In percentage of GDP

	1980	1985	1990	2001	2002	2003
Greece	2.7	4.8	4.2	4.8	4.7	4.7
Portugal	3.8	4.1	5.2	6.7	7.3	8.0
Spain	6.7	7.7	7.6	7.0	7.1	7.2
Sweden	12.5	13.6	14.4	13.2	13.9	14.0
United States	4.3	3.5	3.4	3.7	4.0	4.0
Turkey*	2.1	1.7	3.2	n/a	n/a	n/a
Czech Republic	n/a	n/a	6.2	6.4	6.6	6.6
Slovak Republic	n/a	n/a	n/a	6.3	6.3	5.7
Korea	n/a	n/a	0.7	1.5	1.5	1.6
Mexico	n/a	0.8	1.2	2.5	2.8	3.1
OECD Total	6.3	7.3	7.1	7.4	7.7	7.9

Source: OECD (2007), Social Expenditure Database (SOCX), 1980-2003,
<http://stats.oecd.org/wbos>

* The data for Turkey over the period 1980-1990 is taken from OECD (2007) social protection database. The social protection expenditure data presented in Table 5 is our own estimation.

Table 4. Comparison of the data bases of SOCX and ESSPROS

OECD categories	ESSPROS functions	Issues
Old age + Incapacity related benefits (services for the elderly)	Old age	
Incapacity related benefits (disability cash benefits + occupational injury and disease + services for the disabled)	Disability	Occupational injury and disease is not clearly defines in ESSPROS
Health + Incapacity related benefits (sickness)	Sickness / Healthcare	OECD gives healthcare and sickness statistics separately
Survivors	Survivors	
Family	Family/Children	
Unemployment	Unemployment	Not the same coverage / definitions
Housing	Housing	
Other contingencies	Social exclusion	Some differences in the coverage
Active labour market programmes		Not included in ESSPROS
Social expenditures do not include administration costs.	Social expenditures include administration costs.*	

Source: OECD (2007), Social Expenditure Database (SOCX), 1980-2003, <http://stats.oecd.org/wbos>

* For a detailed account, please see the Technical Appendix.

Table 5. Social Protection Expenditures in Turkey

YTL (000)	2001	2002	2003	2004
Social Insurance Institution	7,776,555.05	12,639,034.81	17,575,688.54	24,314,312.53
Total health expend.*	2,499,055.50	4,515,974.28	6,276,810.58	8,753,475.93
Pension payments**	4,864,115.65	7,709,676.64	10,631,531.02	14,816,160.00
Other expenditures***	413,383.89	413,383.89	667,346.95	744,676.53
Bag-Kur	3,059,214.00	5,032,102.00	8,061,173.00	9,953,182.00
Total health expend.*	1,406,814.50	2,471,296.20	3,659,492.60	4,317,115.20
Other expenditures	50,710.00	76,795.00	114,327.00	253,030.00
Pension payments**	1,601,689.50	2,484,010.80	4,287,353.40	5,383,036.80
Retirement Chest	5,015,936.69	7,941,364.68	11,084,026.08	13,033,950.95
Total health expenditures	1,089,395.19	1,840,221.23	2,505,626.44	2,755,094.29
Pension payments	3,689,963.93	5,740,351.97	7,772,504.52	9,425,447.46
Other expenditures	20,817.24	49,168.78	68,803.27	64,584.42
2022	215,760	311,623	737,091.84	788,824.79
Old age	163,065	234,766	551,986	585,861.16
Disability	39,205	56,993	136,999	149,758
Inability	13,490	19,864	48,106	53,206
Employment Agency****	n/a	56,273.08	155,099.24	239,337.57
Unemployment insurance payments	n/a	54,389.42	149,925.11	234,186.84
Unemployment insurance payments other expenditures	n/a	1,883.65	5,174.13	5,150.73
Government health expenditures*****	2,711,798.21	3,191,133.77	4,777,060.56	4,962,556
General Directorate of Social Services and Child Protection	102,187	182,009	240,280	266,667
General Directorate of Social Assistance and Solidarity*****	293,517	685,302	431,569	886,906
General Directorate of Foundations*****	32,769	61,575	59,973	92,475
Social protection expenditures	18,991,976.95	29,788,794.33	42,384,869.42	53,749,387.05
Social protection expenditures (excluding administration expenditures)	18,507,065.81	29,247,563.01	41,529,218.07	52,681,945.38
GDP	178,412,438.50	277,574,057.48	359,762,925.94	430,511,476.97

Table 5 (cont'd)				
YTL (000)	2001	2002	2003	2004
Social protection expenditures / GDP (ESSPROS comparable)	10.64%	10.73%	11.78%	12.49%
Social protection exp. (excluding administration expenditures) / GDP (SOCX comparable)	10.37%	10.54%	11.54%	12.24%
Budget transfers to social security institutions	5,523,000	9,684,000	15,884,000	18,830,000
% GDP	3.10%	3.49%	4.42%	4.37%

Source: TURKSTAT, Social Insurance Institution, Bağ-Kur, Retirement Chest, Ministry of Finance, World Health Organization (WHO), TEPAV (2005)

* Total health expenditures for SSK and Bag-Kur are calculated by adding sickness insurance payments to the overall health expenditures of the institutions.

** Pension payments of SSK and Bag-Kur are calculating by deducting sickness insurance payments from the overall pension payments.

*** Other expenditures, SSK for the year 2001 is taken the same as the one for 2002 due to the unavailability of the data

**** Unemployment insurance payments were started in March 2002. Active labour market policies are not included in the calculations as it is impossible to use them on an annual basis. For a detailed account of active labour market policies in implementation, see the Technical Appendix.

***** For the years 2001, 2002 and 2003 health expenditures are calculated by using WHO statistics. Revolving fund expenditures are not taken into account in government expenditures. The detailed explanation is given in the Technical Appendix. The values for 2004 are taken from functional consolidated budget figures.

***** To enable the comparability with the ESSPROS and SOCX methodologies, education expenditures are not taken into account. The data for the year 2002 is taken from the Joint Poverty report published by the World Bank and SIS (2005). Otherwise, the data is taken from the General Directorate of Social Assistance and Solidarity.

***** The expenditures made by General Directorate of Foundations include education expenditures as well as it is impossible to break down the existing data.

Table 6. Social protection expenditures in Turkey compared to selected OECD countries, 2003

In percentage of GDP

	2003
OECD Total	20.7
Greece	21.3
Portugal	23.5
Spain	20.3
Turkey*	11.6**
Czech Republic	21.1
Slovak Republic	17.3
Sweden	31.3
United States	16.2
Korea	5.7
Mexico	6.8

Source: OECD (2007), Social Expenditure Database (SOCX), 1980-2003, <http://stats.oecd.org/wbos>

* Values are taken from Table 5

** The amount refers to social protection expenditures excluding administrative costs as percentage of GDP

Table 7. Old age, health and other social expenditures in Turkey compared to selected OECD countries, 2001-2003

In percentage of GDP

	Old age			Health			Other expenditure categories		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
OECD Total	6.7	6.8	6.9	5.6	5.8	5.9	7.4	7.7	7.9
Greece	12.0	11.6	11.5	5.5	5.0	5.0	4.8	4.7	4.7
Portugal	7.7	8.3	8.8	6.6	6.6	6.7	6.7	7.3	8.0
Spain	8.0	7.9	7.9	5.2	5.2	5.2	7.0	7.1	7.2
Turkey*	5.0	5.0	5.5	4.3	4.3	4.8	1.1**	1.2**	1.3**
Czech Republic	7.8	7.9	7.8	6.3	6.5	6.8	6.4	6.6	6.6
Slovak Republic	6.6	6.6	6.4	5.0	5.1	5.2	6.3	6.3	5.7
Sweden	9.4	9.5	10.1	6.7	7.0	7.1	13.2	13.9	14.0
United States	5.2	5.4	5.5	6.2	6.6	6.7	3.7	4.0	4.0
Korea	1.1	1.1	1.2	2.9	2.8	2.9	1.5	1.5	1.6
Mexico	0.7	0.8	1.0	2.7	2.7	2.8	2.5	2.8	3.1

Source: OECD (2007), Social Expenditure Database (SOCX), 1980-2003, <http://stats.oecd.org/wbos>

** Values for Turkey are the SOCX comparable figures (rounded) presented in Table 5.

*** "Other expenditure categories" for Turkey include expenditures other than "old age" payments of the social security institutions as well as unemployment insurance payments and expenditure made by SYDGM, SHCEK and VGM. The available data for SSK and the Retirement Chest enables disaggregating old age payments from other payments. As this is not possible for Bag-Kur, we estimated the numbers for Bag-Kur by using the ratios we calculated for SSK. The expenditures made by SYDGM, SHCEK and VGM include administrative costs. Moreover, due to the currently available date it was impossible to disaggregate ALMP expenditures from administrative and other costs on an annual basis.

Table 8. Social protection expenditures based on ESSPROS methodology in Turkey and selected EU countries
In percentage of GDP

	2002	2003	2004
EU-15	27.4	27.7	27.6
Greece	26.2	26.0	26.0
Portugal	23.7	24.2	24.9
Spain	19.8	19.9	20.0
Turkey*	10.8	11.8	12.5

Source: EUROSTAT (2006), <http://ec.europa.eu/eurostat>. The data presented at this website is updated in 2006

* Values for Turkey are the ESSPROS comparable figures (rounded) presented in Table 5.

Table 9. Old age, health and other social benefits based on ESSPROS methodology in Turkey and selected EU countries
In perc. of GDP

	2002			2003			2004		
	Old age	Sickness/Health *	Other**	Old age	Sickness/Health *	Other**	Old age	Sickness/Health *	Other**
EU-15	10.8	7.3	8.2	10.9	7.3	8.5	10.9	7.5	7.2
Greece	12.0	6.7	6.8	12.0	6.7	6.5	11.9	6.7	6.6
Portugal	8.4	6.7	6.6	8.8	6.5	7.2	9.3	7.1	6.8
Spain	8.0	5.8	5.4	8.0	5.8	5.6	7.9	6.0	5.6
Turkey***	5.0	4.4	1.1	5.5	4.9	1.2	6.0	4.9	1.3

Source: EUROSTAT (2006), <http://ec.europa.eu/eurostat>. The data presented at this website is updated in 2006

* Health expenditures according to ESSPROS methodology cover both sickness and healthcare expenditures (See Table 4). This category includes in the case of Turkey health expenditures calculated according to SOCX methodology in addition to the incapacity related health benefits made by SSK and Bag-Kur. As there is no segregated data for the latter, we estimated the figures for Bag-Kur taking the ratios we calculated for SSK as the base.

** Other includes disability, survivors, family/children, unemployment, housing, social exclusion expenditures.

*** Values for Turkey are the ESSPROS comparable figures (rounded) presented in Table 5. Other expenditures in Turkey also include administration costs in the case of SYDGM, SHCEK and VGM.

**Tablo 10a. Other expenditure categories (segregated) in Turkey* based on SOCX methodology
In percentage of GDP**

	2001	2002	2003	2004
Total	1.09	1.21	1.26	1.44
Social Security Institutions*	0.82	0.83	0.96	1.05
SSK	0.24	0.24	0.33	0.42
Bağ-Kur	0.08	0.08	0.1	0.11
Retirement Chest	0.5	0.51	0.53	0.52
Unemployment insurance	n/a	0.02	0.04	0.05
Social assistance and services	0.27	0.36	0.25	0.34

Source: Values are taken from Table 5.

* Other expenditures made by social security institutions include "survivors" and "incapacity related benefits" as well as insurance payments related to family and children especially in the cases of SSK and Bag-Kur.

**Tablo 10b. Other expenditure categories (segregated) in Turkey* based on ESSPROS methodology
In percentage of GDP**

	2002	2003	2004
Total	1,14	1,18	1,34
Social Security Institutions*	0,76	0,88	0,95
SSK	0,17	0,25	0,33
Bağ-Kur	0,08	0,1	0,1
Retirement Chest	0,51	0,53	0,52
Unemployment insurance	0,02	0,04	0,05
Social assistance and services	0,36	0,25	0,34

Source: Values are taken from Table 5.

* Other expenditures made by social security institutions include "survivors" and "incapacity related benefits except those related to sickness" as well as insurance payments related to family and children especially in the cases of SSK and Bag-Kur.

Table 11. Means- and non-means tested expenditures based on ESSPROS methodology in Turkey and selected EU countries
In percentage of GDP

	2002		2003		2004	
	Non-means tested	Means tested	Non-means tested	Means tested	Non-means tested	Means tested
EU-15	23.5	2.7	23.9	2.7	23.8	2.8
Greece	23.4	2.1	23.1	2.1	23.2	2.0
Portugal	19.7	2.0	20.5	2.0	20.7	2.5
Spain	16.8	2.5	16.9	2.5	17.0	2.5
Turkey***	10.3	0.5	11.4	0.4	12.0	0.5

Source: EUROSTAT (2006), <http://ec.europa.eu/eurostat>. The data presented at this website is updated in 2006

* Values for Turkey are based on the ESSPROS comparable figures (rounded) presented in Table 5.

** Means-tested expenditures include those made by SYDGM, SHCEK, VGM in addition to the expenditures made in accordance with the Law No. 2022. As expenditures made by the former three institutions also include administrative costs, the overall figure also does.

Table 12. At risk of poverty rate in Turkey and selected EU countries

	2002	2003	2004
EU-15	n/a	15.0	17.0
Greece	n/a	21.0	20.0
Portugal	20.0	19.0	21.0
Spain	19.0	19.0	20.0
Turkey	25.0	26.0	n/a
Bulgaria	14.0	14.0	15.0
Romania	18.0	17.0	18.0

Source: EUROSTAT (2006), <http://ec.europa.eu/eurostat>. The data presented at this website is updated in 2006

Table 13. Social expenditures in Turkey, education included
In percentage GDP

	2001	2002	2003
Social protection expenditures	10.64	10.73	11.78
Total public expenditure on education***	3.65	3.56	3.74
Total	14.29	14.29	15.52

Source: Table 5, EUROSTAT (2006), <http://ec.europa.eu/eurostat>. The data presented at this website is updated in 2006.

* Taken from EUROSTAT (2006). These values include education expenditures made by SYDGM.

** As the recent data available on EUROSTAT is for 2003

**Table 14. Total public education expenditures
In percentage GDP**

	2001	2002	2003
Greece	3.85	3.90	3.94
Portugal	5.61	5.54	5.61
Spain	4.24	4.25	4.29
Turkey	3.65	3.56	3.74
Bulgaria	3.78	4.04	4.24
Romania	3.28	3.52	3.44

Source: EUROSTAT (2006), <http://ec.europa.eu/eurostat>. The data presented at this website is updated in 2006

**Table 15. Total public education expenditures per capita, by the age group 0-19
(Euro)**

	2001	2002	2003
Greece	2,147	2,402	2,699
Portugal	3,118	3,245	3,374
Spain	3,375	3,641	3,937
Turkey	n/a	n/a	292
Bulgaria	330	392	451
Romania	265	312	337

Source: EUROSTAT (2006), <http://ec.europa.eu/eurostat>. The data presented at this website is updated in 2006

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ⁱ General Directorate of Social Solidarity of Turkey and World Bank, *Country Program Profiles*, document prepared for the Third International Conference on Conditional Cash Transfers, Istanbul, June 26-30, 2006.

ⁱⁱ HAI – APRDC, “An Overview of Social Pensions in Asia”, Working draft for discussion at the HAI-UNESCAP- JF Asia Regional Seminar on Ensuring Social Protection/Social Pensions in old age in the context of rapid aging in Asia, 29-31 January 2007, UNCC, Bangkok , Thailand.

ⁱⁱⁱ “The Fight over a Big Idea”, *Economist*, (July 22nd-28th, 2006), 44.

^{iv} Radikal, 24 June 2006.

^v Çalışma ve Sosyal Güvenlik Bakanlığı (MoLSS), *Hükümetin Sosyal Politikaya Yaklaşımı ve Yoksulluğu Azaltmaya Yönelik Uygulamalar (The government's approach to social policy and the measures taken to alleviate poverty)*, Ankara, August 2004, p. 45.

^{vi} *National Health Accounts 2002*. One must keep in mind that the data is not very reliable given the movement of some people between formal and informal sector jobs as well as other problems such as the unknown number of people who have multiple health insurance coverage in different systems. However, it is significant to highlight the problems with official statistics on social security coverage in Turkey. According to these statistics, in 2002 about 85 percent of the population was under formal social security coverage either through the payment of contributions to the system or through a formally employed close relative. Yet, in the same year there were about 12 million Green Card holders and many others with no health insurance as we have mentioned, which clearly makes the official figure for formal social security coverage highly suspect.

^{vii} http://www.calisma.gov.tr/birimler/sgk_web/html/sosyalsigvegensagsigkanunu.doc

^{viii} For a very useful discussion of these developments, see Aziz Çelik’s three articles on the “Constitutional Court decision and the future of social protection” (in Turkish), *Birgün*, 15, 16, 17 January 2007.

^{ix} www.tbmm.gov.tr/kanunlar/k5227.html

^x www.tbmm.gov.tr/kanunlar/k5302.html

^{xi} www.tbmm.gov.tr/kanunlar/k5216.html

^{xii} *Milliyet*, 6 March 2006.

^{xiii} www.egitimedestek.meb.gov.tr See, also, *Zaman*, 19 April 2005.

^{xiv} This is not a problem when comparison is made according to the ESSPROS methodology as ALMPs are not counted as social benefit schemes by ESSPROS. See Table 4 below.

^{xv} The figures directly taken from functional consolidated budget for 2004.

^{xvii} This is not included in our calculations as there are no such transfers between social protection schemes in Turkey.