

**Czech University of Life Sciences Prague
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Master's Thesis

**Public Expenditure on Azerbaijan education
and directions
for strengthening transparency and efficiency**

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS ASSIGNMENT

Laman Rza

Economics and Management
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Thesis title

Public expenditure on Azerbaijan education: Directions for strengthening transparency and efficiency

Objectives of thesis

The diploma thesis's main objective is to study the main parameters of the education economy and the analysis of Azerbaijan's path in this direction, the financial mechanisms applied, and the problems facing the new education strategy. For this purpose, the research is being conducted in the following areas:

- a) Study of educational expenses;
- b) Classification of educational expenses;
- c) Comparison of higher education expenditures per capita in GDP with Europe.

Methodology

This diploma thesis consists of three parts.

The first part is theoretical, and it will be based on literature and articles. It will aim to find out the effect of public expenditures on education.

The second part is practical, and it is the most crucial part of the thesis. This part of the thesis will use statistical methods to evaluate the impact of public expenditures on education in Azerbaijan.

The third part is the final, and it will conclude the results of the previous parts.

The proposed extent of the thesis

60 – 80 pages

Keywords

Azerbaijan, higher education, public expenditure, Europe, comparison

Recommended information sources

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Declaration

I declare that I have worked on my diploma thesis titled “Public Expenditure on Azerbaijan education and directions for strengthening transparency and efficiency” by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person

In Prague on date: 31.03.2022

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Public Expenditure on Azerbaijan education and directions for strengthening transparency and efficiency

Summary

This research aims to examine the education expenditures in Azerbaijan and compare the education expenditures in Azerbaijan with Turkey. In the research analysis, data from the Azerbaijan Statistical Committee (AZSTAT) and World Bank were used.

In the research analysis, cross-country comparisons regarding education expenditures were made. The change over the years was examined and interpreted. The model of this research, which is in the type of quantitative research, is the scanning model. In the analysis of the data, document analysis was used.

In recent years, it has been observed that the total education expenditures that allow the evaluation of educational services in Azerbaijan, the ratio of expenditures made to educational institutions within the gross domestic product (GDP), the resources allocated to the Ministry of National Education, Higher Education Institution and universities show a regular increase in GDP.

However, when compared to Turkey in terms of education expenditures; Turkey lagged behind Azerbaijan in expenditure per student and concluded that the expenditures made on educational institutions are at medium levels in terms of the ratio of GDP.

Keywords

Education expenditure, Public spending on education, Azerbaijan, GDP, Budget

Veřejné výdaje na vzdělávání v Ázerbájdžánu a pokyny pro posílení transparentnosti a účinnosti

Souhrn

Tento výzkum si klade za cíl prozkoumat výdaje na vzdělání v Ázerbájdžánu a porovnat výdaje na vzdělání v Ázerbájdžánu s Tureckem. Při výzkumné analýze byla použita data Ázerbájdžánského statistického výboru (AZSTAT) a Světové banky.

Ve výzkumné analýze byla provedena mezistátní srovnání výdajů na vzdělávání. Změna v průběhu let byla zkoumána a interpretována. Modelem tohoto výzkumu, který je typu kvantitativního výzkumu, je skenovací model. Při analýze dat byla použita analýza dokumentů.

V posledních letech bylo pozorováno, že celkové výdaje na vzdělávání, které umožňují hodnocení vzdělávacích služeb v Ázerbájdžánu, poměr výdajů vynaložených na vzdělávací instituce v rámci hrubého domácího produktu (HDP), prostředků přidělených ministerstvu národního školství, Vysoké školy a univerzity vykazují pravidelný nárůst HDP.

Nicméně ve srovnání s Tureckem z hlediska výdajů na vzdělávání; Turecko zaostávalo za Ázerbájdžánem ve výdajích na studenta a dospělo k závěru, že výdaje na vzdělávací instituce jsou v poměru k HDP na středních úrovních.

Klíčová slova

Výdaje na vzdělávání, Veřejné výdaje na vzdělávání, Ázerbájdžán, HDP, rozpočet

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List of Abbreviations

AZN- Azerbaijani Manat (currency)

AZSTAT- The State Statistical Committee of the Republic of Azerbaijan

CEIC - Global Economic Data, Indicators, Charts & Forecasts

CIS - Commonwealth of Independent States

EU- European Union

EUROSTAT - European Statistical Office

GDP- Gross Domestic Product

GNI - Gross National Income

GNP - Gross national product

MEA - Ministry of Education of Azerbaijan

MEB - Ministry of National Education (Turkey)

MERA- Ministry of Economy of the Republic of Azerbaijan

ODA - Official Development Assistant

OECD - Organization for Economic Co-operation and Development

SOFAZ - State Oil Fund of the Republic of Azerbaijan

TUIK - Turkish Statistical Institute

UN-United Nations

UNDP- United Nations Development Program

UNESCO - United Nations Educational, Scientific and Cultural Organization

USD - United States dollar (currency)

USSR - Union of Soviet Socialist Republics

1. Introduction

Education is one of the priorities of the social policy of every country, including Azerbaijan. The establishment of a modern education system in Azerbaijan is one of the important issues facing the government. The modern education system in itself requires a broader approach to this area.

Factors such as educational infrastructure, educational program, the state in education, the exchange of education with foreign countries are important elements that will ensure the development and improvement of this area. Given that investing in education is a very important and promising area, in many cases family budgets do not allow for future programming and long-term investment. For this reason, the main burden in the sector falls on the state. At present, every country in the world spends on education in its budget. The amount of these expenditures and the state's education policy in general are in fact an integral part of social policy.

However, as in all other areas, the level of care for education and the level of funding for education are different from the mechanisms used in this area. Since the first days of independence, steps have been taken in the country to change the former Soviet education system and to form a system enriched with new and better modern financial mechanisms. However, factors such as the constant updating of this area and lagging behind in best practices require the state to constantly reform the education sector. That is why a new education strategy was adopted in late 2018. We hope that the new strategy will be remembered for its important features in overcoming the shortcomings in this area and the formation of an education model that meets world standards.

The economic aspect of education emerged for the first time by thinkers such as Smith, Maltus and Ricardo, with the emphasis on the relationship between qualified manpower and production.

However, the full study of the economic effects of education, the emphasis on the importance of human capital, and the development of the education economy were made in the early 1960s by the studies of Schultz, Becker, Denison and Blaug.

In the studies conducted in these years, the effects of education on personal income increase, labor productivity, economic development and growth process were examined, and it was emphasized that education was one of the most important factors that increased the quality of human capital.

These developments in the education economy have further increased the interest of underdeveloped and developing countries, which are in the effort of economic development, in education.

However, while the rapid population growth in these countries increased the demand for education, on the other hand, the limited resources and the inability to increase them at the same rate prevented the effective provision of services.

With these developments, education service, which has important economic effects on countries, has been accepted as a public service. For these reasons, the fact that the public expenditures made in the field of education have reached significant levels in both total public expenditures and GNP and the problems encountered in financing have made the subject the focus of public finance.

2. Objectives

In modern times, we are witnessing the struggle of science, education and brains, rather than wars, military interventions and demonstrations of power. That is, even the rules of life struggle are one of the main factors that require the development of education today. From this perspective, the creation of a modern education system in Azerbaijan is one of the important issues facing the government. Given that investing in education is a very important and promising area, in many cases family budgets do not allow for future programming and long-term investment. For this reason, the main burden in the sector falls on the state. At present, every country in the world spends on education in its budget. The amount of these expenditures and the state's education policy in general are in fact an integral part of social policy. However, as in all other areas, the level of care and funding for education and the mechanisms used in this area are different.

Since the first days of independence, steps have been taken in our country to change the former Soviet education system and to form a system enriched with new and better modern financial mechanisms. However, factors such as the constant updating of this area and lagging behind best practices require the state to constantly reform the education sector. That is why a new education strategy was adopted in late 2019. We hope that the new strategy will be remembered for its important features in overcoming the shortcomings in this area and the formation of a model of education that meets world standards.

The aim of the study is to analyze educational expenditures in the social and economic transformation societies, whose economic and social effects are increasing, and which directly affect the individual's personal development and the formation of human resources.

The main aim is concretized through the partial objectives. The first partial objective is to compare the Azerbaijan system with the Turkish one. The second partial objective is the evaluate the impact of costs on GDP.

- Compare with Turkish education
- Impact of costs on GDP

3. Methodology

This thesis is based on theoretical and empirical methods. The theoretical is conducted to determine the public expenditure on Azerbaijan education and focuses on the education system compare with Turkish education. The data collection has been conducted in libraries, on the Internet, and by seeking in scientific archives. We used both main and secondary data sources.

The practical part is to focus on analyze financial situation of Azerbaijan Education (2011-2021). The secondary information used were literature review to allow us realizes the common concept on education budget strategies and what kind of studies has been conducted on our topic.

In this context, it is observed that the increase and decrease in the expenditures for the provision of the service, its development and its share in the GNP, the level of education expenditures per capita, are closely related to the economic development levels, political and economic conditions of the countries.

In the study; The definition of education service as a public service has been made, its economic and social effects have been revealed and the analysis of Public Education expenditures in Azerbaijan between 2011 and 2021 has been made.

This analysis basically used two ratios; The first is the share of education expenditures in GDP and the second is the comparison of these shares with Turkey.

4. Literature Review

Fundamental Concepts and Subjects in Education

Although the terms 'education' and 'teaching' are related and sometimes used interchangeably, they are essentially different concepts. For this reason, first of all, it is necessary to reveal what the concepts of "education" and "teaching" mean and the differences between these concepts.

Education Concept

It is very difficult to give a single definition of education. Because education is a dynamic phenomenon that continues throughout the life of the individual and changes according to the social, political and economic conditions in which the individual is present. In its most general definition, training; in the behavior of the individual through their own experiences, deliberately

It is the process of bringing about a change in behavior in the direction that one approves, accepts (desired) (Ertürk, 1977: 12; Çiftci, 1995: 31). According to another definition, education is to equip the person with the knowledge, skills and abilities that will bring him to the modern level and adapt him to the society (Aziz, 1982: 33). Although this definition is a broad definition, it includes many processes. Accordingly, in order for a person to adapt to society, education will also change according to the changing social, political and economic processes. Education has a dynamic (dynamic) structure, not a static (static) structure.

has. Education is constantly reviewed, differentiated and adapted to the conditions required by the age in line with the changing technology, expectations and hopes in the society, education policies and objectives. Education; It is of great importance in terms of the development of both the individual and the society, as well as the development of the country.

Durkheim defines education as “the action of older generations on generations who are not yet ready for social life” (Durkheim and Fauconnet, 1950: 49). In the words of İnal

(1991), “education is the effect applied by the adult generation to the young generation who is not yet ready for life.” According to another definition, education is a dynamic force that affects the daily life of the individual by helping his/her physical, mental, emotional and social development (Akyüz, 1981).

The concept of 'education' has been used in Azerbaijan since the 1940s to correspond to words such as 'education', 'education', 'education' and 'tâlim' (Başaran, 1984: 14). In other words, the concept of education includes these four concepts. Discipline: looking after, feeding, raising, science, teaching good manners, training, training, giving a light punishment in a way that will conducive to learning good manners; education and training: teaching and informing; training, on the other hand, refers to the concept of education in our language in the sense of putting what is learned into practice (Doğan, 1996:1066, 723, 1055, 1041). In the literature, the education that occurs spontaneously in life is called "informal", and the one that is done with a purpose is called "formal" education.

If teaching is {education (education, training)}; It is organized and organized, usually in an educational institution (school, classroom, course, etc.) by teachers (teachers) in the form of transferring information to students by using tools. 'Teaching' forms a part of education and if the things taught cause a change in the behavior of the individual, it turns into education (Çiftci, 2008: 206). In other words, 'teaching' means that education is given in schools by planned, programmed and professional people. When an individual goes to school, what, when, where, in what way, for how long, by which means and by whom he will be taught has been planned in advance, and it has been written down with the objectives. In other words, education is the part of an individual's life-long education carried out at school in a planned and programmed manner.

Romizowski (1986:48) explains the difference between education and training as follows: Teaching is like following a fenced path in order to reach predetermined goals; education is to roam freely in the fields to the left and right of the road, for example, with a map. As Romizowski stated, teaching is a planned and programmed process aimed at achieving certain goals.

According to Smith and Ragan (2005: 54), teaching can be considered as teaching. However, there are situations in the education process where the teacher does not focus on learning in line with a specific learning goal. In this case, teachers can realize their learning objectives in a random way by offering numerous learning activities. For example, the materials presented to learners in preschool education overcome many problems and realize many learning outcomes that were not previously specified by the teacher. Therefore, teaching falls under education as a more general category, and in some cases it can also be considered as teaching, but it is not correct to focus on what the concept of teaching characterizes the concept of teaching. Teaching is a subset of education.

According to Smith and Ragan (2005), upbringing is a subset of education. According to (Aydın 2011), training is an educational activity that aims to acquire knowledge, skills and attitudes related to a particular profession as soon as possible and to transfer them to practice. Smith and Ragan believe that upbringing should be carried out in a planned environment, in line with specific goals. According to Aydın, upbringing may not always take place in an organized environment and in a planned manner. For example, a barber's apprentice sweeps the floor while his master learns by watching how the customer shaves his beard, which can be regarded as an unstructured cultivation activity. In this case, upbringing should not be considered as a subset of teaching.

According to (Aydın 2011) learning, unlike other concepts (education, training, training, teaching), is a concept related to the internal processes of the individual and it is a change that is affected by all other processes by going beyond the concept of education. In our opinion, based on the definitions above, the difference between education and training can be expressed as follows: While education is a life-long process that creates and changes the behavior patterns of individuals and also includes education; Teaching takes place in the form of transferring information on a certain subject to individuals in a systematic structure. For example, teachers teach their children to brush their teeth at home, to eat a healthy and balanced diet, etc. Teaching things is education. However, the

fact that teachers explain these subjects to their students in school within a certain plan and program is teaching. That is, in order for the transferred information to be teaching, it must be in a planned, programmed and systematic structure.

Education and Education Right and Duty

The right to education, as a basic human right, means that everyone can benefit from free basic education regardless of race, gender, ethnicity, social origin, religion, political opinion, age or disability (Ataman, 2008). :11th). Today, the right to education is perceived as broad, including not only access to education, but also the elimination of discrimination at all levels of the education system, the determination of minimum (minimum) standards for education, and the improvement of education quality. The right to education depends on the development of both the individual and the society, and the right of everyone to receive education in line with their interests and abilities (Karaman Kepenekçi and Taşkın, 2017: 77)

The right to education, which is also guaranteed in international conventions and constitutions, is one of the most important fundamental rights (classical rights) of the individual (Çiftci, 1995: 34 et al.; Çiftci, 2017: 259 et al.). In the Constitution (art. 42), this right is regulated as a social and economic right and duty, that is, the right to positive status. As stated in UNICEF's 1999 Report, illiteracy and lack of education cause serious problems. One of the leading causes of maternal and child mortality is the mother's low level of education or illiteracy. After a 10-point increase in the schooling rate of girls, the infant mortality rate decreases by 4.1 per thousand (UNICEF, 1999). Therefore, there is a close relationship between the right to life, which is the most fundamental right of individuals, and the right to education. In addition to the right to life, individuals need education for their physical, mental, emotional, social and moral development. Education is one of the most important ways to develop human innate abilities. Education enables people to work productively, take care of their health, protect themselves and their families, and lead a culturally rich life (Akyüz, 2001). Lack of education, that is, illiteracy, harms democracy and social progress and thus international peace and security.

Expanding the right to education through international conventions is important in this respect.

Education and Education Right and Duty in International Conventions

The issue of education, which is an extremely important phenomenon in social life, has been included in the constitutions of many countries and the right to education is guaranteed in international documents as well as in constitutions (For detailed information on this subject, see Akyüz, 2001: 72; Çiftci, 1995: 47 et al.; Çiftci , 2017: 259 ff. Karaman Kepenekçi and Taşkın, 2017) The right and freedom of education are regulated in national and international documents as both a classical right and a social and economic understanding of right and freedom.

Article 4 of the 1789 **French Declaration of Human and Citizen Rights** (Declaration of Human and Civic Rights) stated that education should be presented in a way that everyone in the society could benefit from, that is, it should take the form of a public service, thus emphasizing the right and duty of education and learning. Although the declaration was of a national nature, it had an impact on the world's societies.

Article 26 of the **United Nations Universal Declaration of Human Rights**, which was issued on 10 December 1948 and to which Azerbaijan is a party, states: “**Every person has the right to education.** Education is free, at least in the primary and basic education stages, the first education is compulsory. Everyone should be able to benefit from technical and vocational education. Higher education should be open to all, on the basis of merit, in full equality. Education should be aimed at the full development of the human personality and to strengthen respect for human rights and fundamental freedoms. Education should promote understanding, tolerance and friendship among all nations, races and religious communities and should advance the United Nations' work in maintaining peace. It is primarily the right of parents to choose the type of education to be given to children.” The right and duty of education were emphasized. Azerbaijan has accepted this Convention.

Article 2 of the Additional Protocol of the European Convention on Human Rights {(European Convention on the Protection of Human Rights and Fundamental Freedoms)} issued by the Council of Europe (EC) in 1952 and ratified by Azerbaijan on May 18, 1954, It has been mentioned that no one can be deprived of the right to education, and that the right of the parents to ensure that this education and training is carried out according to their own religious and philosophical beliefs should be respected in the fulfillment of the duties that the state will undertake in the field of education and training.

Right and Duty to Education and Training in Azerbaijan Legislation

In Azerbaijan, constitutional and legal arrangements have been made in order to realize the right to education and training. The right and duty to education and training are included in the 1995 Constitution, the National Education Basic Law No. 1739 and the Higher Education Law No. 2547. The principle of 'equality of opportunity and opportunity' pursuant to Articles 27 and 42 of the Constitution and Article 8 of the Basic Law of National Education; It is possible to say that it is related to the principle of 'generality and equality' in accordance with Article 4 of the Basic Law of National Education and the principle of 'continuity' in accordance with Article 9.

Today's main problem is in education; This has led to problems such as opportunity and opportunity imbalance, inefficient use of resources, inequality in demand and service, inability of service to meet functionality and prevalence requirements, and low quality. (Erguney, 2015a).

As a requirement of the principle of education, the state is obliged to provide equal opportunities and opportunities to everyone in terms of the right to education. Considering the provisions of Articles 27 and 42 of the Constitution mentioned above, it is understood that the state is obliged to offer 'equal opportunities in education' to everyone. The state also needs to help citizens who have no financial means. In this context, Article 42 of the Constitution stipulates that the state will provide the necessary aids through scholarships and other means for successful students who lack financial

means to continue their education. The provision that primary education will be free in public schools is aimed at providing equal opportunities in education (Çiftci, 2017: 261).

Types of Education and Training

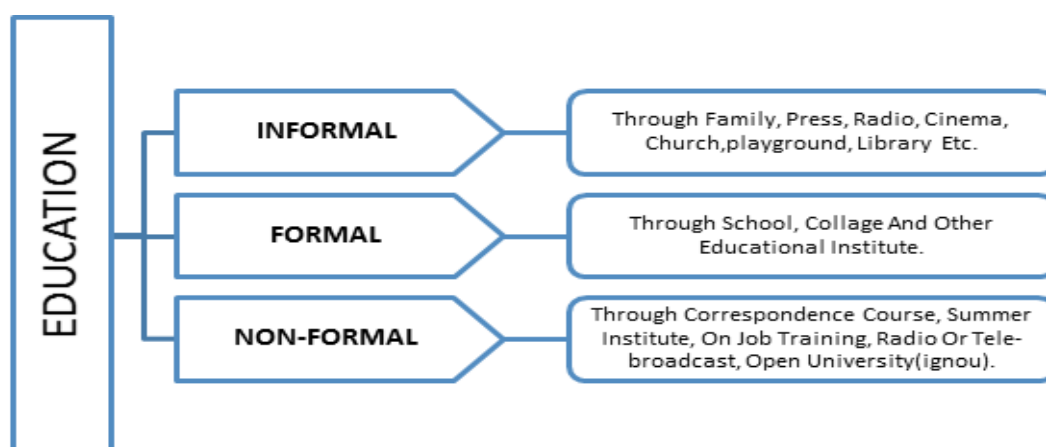
Although there are different approaches to the classification of education in terms of the field it includes, education is generally divided into two groups as 'formal education' and 'non-formal education'. According to the National Education Basic Law No. 1739 dated 14 June 1973 in Azerbaijan; The Azerbaijan national education system consists of two main parts, formal education and non-formal education (art.18/1).

Formal education includes pre-school education, primary education, secondary education and higher education institutions (art.18/2).

Non-formal education covers all of the educational activities organized alongside or outside of formal education (art. 18/3).

The definitions of education types that are divided into two main parts in the Azerbaijan National Education system as 'formal education' and 'non-formal education' and the benefits, drawbacks and limitations of these types of education are discussed in more detail below.

Figure 1:Types of Education



Source: Data based on Council of Europe, 2021

Importance of education

Education has an important role in the development of individuals, companies and society. Thanks to education, people become an important individual for human capital by improving their knowledge and skills. Education is supervised by the state. The reason for this is that education also has an impact on the economy. Education positively affects productivity and efficiency along with economic growth. In order for the state to continue education, it should spend on education on a country basis and each individual should have the right to benefit from education at a certain level. This is especially true for developing countries. (Sara Connolly, Alistair Munro)

Education creates positive externalities. Externality is known as market failure. An educated person has a positive effect not only on himself but also on society. The social value of education is lower than its social benefit.

Education Policies

In today's economy, a growth taken into account in manpower also shows itself in the economy. Education is one of the main reasons for the growth in manpower. The economic and social structures that make up the education policies make practices for the improvement of the society's living standards.

While economic education causes an increase in economic growth and competitiveness, social education achieves positive results in the fight against poverty and income distribution. (Rıfat Ortaç)

Education is in a more important position for individuals, companies and countries compared to other investments, according to the positive results it has achieved thanks to its economic and social policies. If a country has a high income, it does not mean that that country is a developed country. If a country with a high per capita income is incapable of solving social problems, it is known that the communication between economic growth and human development is not established correctly.

The Effect of Education Expenditures on Economic Growth

As a result of the studies conducted by many scientists to investigate the effect of public education expenditures on economic growth, they concluded that education expenditures positively affect growth. Economists such as A. Marshall, A. Smith, and J. S. Mill viewed education as a national investment in the 18th and 19th centuries. Extensive studies on education have become more widespread since the 1960s. The hope of the state from investments in education is to increase the productivity, knowledge and skills of individuals and to show a positive course in economic growth.

A trained worker working in the company will achieve good results on behalf of the company, together with his teammates, on account of his own knowledge and skills.

The development and growth of companies is a positive situation within the state. Education expenditures are known as one of the most important elements in the formation of human capital. Public education expenditures are known as one of the most important expenditures. When we examine the government expenditures of developed countries, defense expenditures come first and then education expenditures. Education expenditures will be effective in the long run and will cause the main structure of trained manpower to form the main structure of other fields. At the same time, education expenditures affect economic growth and economic development. In developed countries, the share of education expenditures in social expenditures is 70%-75%.

Since education is not a completely public good, not only government expenditures but also private sector expenditures are made on education. Although education provides individuals with knowledge and skills, they can produce new knowledge and skills by developing these skills. As one of the important elements of developed countries. Education provides social benefits.

Education is associated with many theories. The most important of these is the relationship between human capital and economic growth. According to studies, investments in education have a positive effect on economic growth and economic development.

The effect of education on economic growth has been studied more extensively since the 1960s. Education is a theory that requires time and cost. The relationship between education and economic growth became more widespread with the creation of the IMF. The collection of data and the inclusion of economic analyzes at the IMF somewhat facilitated the conclusion of the research. Physical capital research is insufficient in the analysis and calculation of economic growth and development determinants, and one of the factors determining the role of physical capital in the production process is knowledge and skills. It is claimed that knowledge and skills can be acquired through education. Accordingly, Adam Smith said that education is seen as an investment in human and it is a concept of human capital.

Developing countries form the economy, income distribution and social welfare from different perspectives. Income inequality is also affected due to the reasons arising from economic growth.

Individuals need information to contribute to the economy, and education is necessary to use the information they receive. Educated people are more efficient in production and consumption. The increase in the number of educated people in the state population will cause the state's economy to develop positively. For this reason, an educated person not only gains knowledge for himself, but also benefits the society. Educated people have positive effects on economic growth in the long run. At the same time, educated manpower creates the opportunity to provide more services with less labor and money. This leads to the development of technology thanks to trained manpower.

Education is effective in the mobilization of capital as well as the increase in the workforce. If we consider the economic importance of education, the increase in economic growth of countries with a significant increase in education level is stronger than countries with poor education level.

Countries rich in natural resources sometimes prefer to invest in their natural resources instead of human capital investments. Human capital is the capacity of the population to

achieve economic development. A larger stock of human capital facilitates technological innovation. Education is the main contributor to human capital accumulation, so human capital accumulation is measured by dividing college students by the total population. The outward effect of natural resources on human capital implies a negative relationship between natural resource dependence and human capital accumulation. In most cases, the natural resource sector is a sector with low demand for human capital, so the development of the natural resource sector leads to a real decrease in the use of human capital in the entire economy. The deepening of dependence on natural resources leads to a decrease in investment demand for human capital.

Formal Education

When we look at the literature, it is seen that various definitions of the concept of 'formal education' are made. A dictionary containing 100 terms used in Europe in the field of education and training policies, prepared in 2008 by Cedefop (European Center for the Development of Vocational Training), which is one of the main reference sources in the field of education in Europe formal education is defined as 'learning that takes place in an organized and structured environment (in an educational institution or on the job) and is clearly and precisely defined (in terms of objectives, time and possibilities)'. Formal education is voluntary education from the student's point of view; it usually leads to results such as ensuring validity and giving a document (diploma) (Cedefop, 2008: 85).

Formal education in the 'Classification of Learning Activities CLA' book, which is also included in the European education literature and prepared by Eurostat: and education provided in a system consisting of schools, colleges, universities and other formal education institutions, which is a continuous 'ladder' (Eurostat, 2006: 13).

Formal education in UNESCO's (United Nations Educational, Scientific and Cultural Organization) 'Dictionary of Adult Education Terms'; It is defined as a type of education that is formally planned and organized sequentially, in which the duties of the teacher and the student are clearly defined, the teacher tries to manage the student for educational

purposes and takes responsibility, and the students are obliged to register (Titmus, 1985: 8). According to another definition, formal education; It is the education that is given to individuals in a certain age group regularly under the roof of the school with the education programs prepared according to the aims of national education (Taymaz, 1978: 6).

Benefits, Drawbacks and Limitations of Formal Education

In addition to the many benefits of formal education, there are also some drawbacks and limitations. It is possible to rank them as follows:

Benefits of Formal Education

- One-to-one (face-to-face) communication and interaction is possible between student teacher and student-student.
- Thanks to face-to-face education, academic counseling services can be benefited instantly (as a student can ask a question to the teacher and get an instant answer).
- Required assistance and guidance services for learning difficulties or learning disabilities can be provided simultaneously.
- It provides socialization of students by providing gains that may arise from the classroom and school environment, peer interactions or the interaction of the individual with others.
- Students can gain self-confidence by making oral presentations as well as written expressions while expressing their ideas.

Drawbacks and Limitations of Formal Education

- The provision of educational services is expensive (such as school building, educational tools and equipment, fees for teachers).

- Education services cannot be provided to large masses at the same time
- It appeals to a certain age group. (The age to start primary education is determined as 5-7. A person who is 25 years old cannot start high school, but can enroll in open education high school, which is a regular education institution)
- It is carried out under the roof of the school, for the students of that school.
- In order to continue to the next educational institution, it is required to graduate from the previous educational institution (in order to continue secondary education, it is required to graduate from primary education).
- The education quality of every formal education institution is not the same.
- Teachers and students should be in the same environment in terms of time and space in the education process. This is a disadvantage for students whose residential area is far from the school building.
- Having an attendance requirement prevents students from working in another job or taking free time for themselves.
- Students learn under the influence of the teacher, depending on the teacher. Sağlam, M., Özüdoğru, F. ve Çıray, F. (2011)

The concept of non-formal education is often used together with the concept of 'adult education'. Adult, defined as a person who has reached physical and mental maturity (Kurt, 2000) 4) and their education; In other words, different concepts are used in the literature regarding non-formal education. Aitchison lists the concepts used in non-formal education as follows: Open education, independent education, skills education, knowledge education, leisure education, prison education, reflexive education, industrial education, flexible education, lifelong education, public education, reminder education, in-service education, pre-service education, second chance education, human rights education, worker education, women's education, development education, career education, rural education, part-time education, leadership education, vocational education, after-school education, out-of-school education, professional education, union education, continuous education, social education, make-up education, distance education, citizenship education, education by experience, repetition education, manager education (Aitchison, 2004).

Fordham (Bell, 1993:1035) suggested four characteristics of non-formal education in the 1970s. These:

- Suitable for the needs of disadvantaged groups,
- Responds to the information needs of individuals on certain subjects,
- Focuses on clearly defined goals,
- Provides flexibility in educational organization and methods.

According to Jeffs and Smith (1999), the most significant difference between non-formal education and formal education is that formal education takes place within the framework of a systematic curriculum, while educational activities in non-formal education are more flexible.

In the report published by the European Organization for Economic Cooperation and Development {Organization for Economic Cooperation and Development (OECD)}; The objectives of non-formal education are divided into two groups as national and local (Celep, 2003: 66-69): National objectives; It is based on the aim of gaining new knowledge and skills to individuals depending on the economic, cultural, scientific, technological and political changes in a society. The national objectives are listed in the form of 'sub-objectives' as follows:

- To provide individuals with professional knowledge and skills,
- To provide individuals with behavioral changes that enable socialization and productivity,
- To help ensure equality of opportunity in education,
- To increase the literacy rate in the society,
- To provide the necessary environment for individuals to solve the problems they face due to social change.

local purposes; It is based on a purpose that will enable local communities to solve their local problems and make it easier for them to live in their regions.

In the decisions taken in UNESCO's report known as 'Learning to Be' or 'Faure' report published in 1972, it is emphasized that public education activities should be based on realizing the following objectives (Faure, 1972):

1. Developing moral values, international understanding, cooperation and eliminating all forms of tyranny in international relations,
2. Education provides economic, social and cultural equality at national and international level,
3. Bringing education into a situation that will provide more opportunities for the protection and development of the environment and cultural development,
4. In order to enable individuals to contribute to the development of the society they live in, it should be aimed to gain the necessary attitudes and skills by making their participation effective and meaningful.

Objectives of non-formal education: In Article 40 of the National Education Basic Law No. 1739; In accordance with the general objectives and basic principles of national education, citizens who have never entered the formal education system or who are at any level or have left this level, beside or outside the formal education;

1. To teach reading and writing, to prepare continuous education opportunities for them to complete their missing education,
2. To prepare educational opportunities that will enable them to adapt to the scientific, technological, economic, social and cultural developments of our age,
3. To provide education that protects, develops, promotes and adopts our national cultural values,
4. To gain understanding and habits of collective life, solidarity, cooperation, working together and organization,
5. To adopt the forms and methods of nutrition and healthy living necessary to increase economic power,
6. Gaining the habits of using and using leisure time well,

7. To prepare opportunities that will enable them to acquire professions in line with the development of our economy and employment policy by applying short-term and gradual education,
8. It is expressed as to provide the necessary knowledge and skills for those working in various professions to develop in service and in their professions.

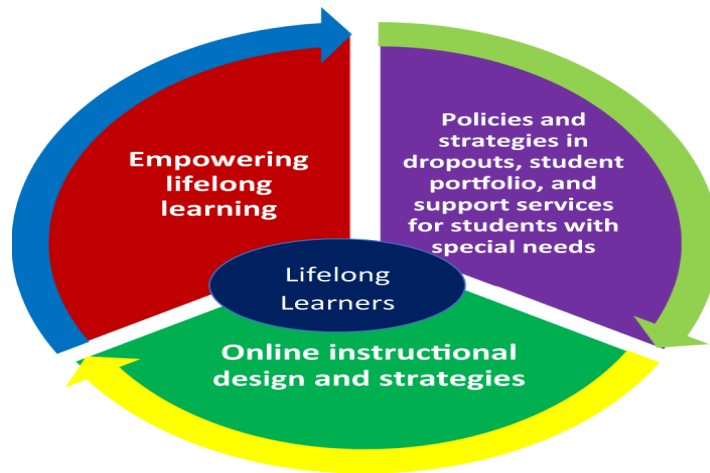
Lifelong learning

Lifelong learning, which was the policy of UNESCO in the 1970s, became popular as the concept of 'continuing education' among all educators and education politicians, especially OECD, in the 1970s and 1980s (Güleç et al., 2012).) And continuing education. Although they are mostly used interchangeably, according to the definitions in the literature, it can be said that lifelong learning also includes continuous education. It can be perceived as an umbrella concept', which includes many concepts such as lifelong learning, continuous education, adult education, non-formal education, and educational activities (Şişman, 2013). Life long-term learning has been one of the topics of the education agenda since the 1990s (Duman, 2000).

Today, with the establishment of modern states, education and training activities have become the main duty of the state. Starting from the 19th century, certain age groups were compulsorily included in the education process in schools. However, since the middle of the last century, opinions have begun to be expressed about the inadequacy of education, which is seen as transferring what is known to new generations. Because with the rapid development of science and technology, innovations that cause great changes in the average life of a person have emerged.

Considering all these, the information that individuals learn at school age will not be valid and useful in some cases for the rest of their lives, but will not be sufficient (Akbaş & Özdemir, 2002). Alfred North Whitehead became aware of this situation in 1931 and used the phrase "The argument that people use what they learned in their youth throughout their lives has become invalid" (Knowles, 1996 as cited in Akbaş and Özdemir, 2002).

Figure 2:Lifelong learning



Source: Data based on UNESCO, 2021

One of the issues that the EU puts emphasis on in education is lifelong learning. The EU has developed policies, decisions, strategies and projects on lifelong learning. The first text on lifelong learning is the Green Paper, which was prepared in 1993. In this text, it is foreseen that the continuous vocational education system should be systematically structured in order to enable the unemployed to find a job in the labor market again. In this text, a wide space is devoted to equipping the existing workforce with vocational technical education and skills suitable for the current technology and labor market. Another report is the White Paper, which is the decision of the commission. It was prepared in 1995. Towards a learning society: Learning and Teaching. The aims of the union and what needs to be done about lifelong learning have been determined. Another lifelong learning activity is the declaration of 1996 as the European year of lifelong learning. The aims, principles and strategies of lifelong learning have been determined by the decision of the commission. In 2000, Eurydice (Education Information Network in the European Community) reported what has been done for lifelong learning in EU member states. Again in 2000, a lifelong learning statement was published (Akbaş & Özdemir, 2002).

The document known as the 'Learning to Be' or 'Faure' report published in 1972 is a document that pioneered the concept of lifelong learning (Akkuş, 2008). In this report, the concept of lifelong learning is explained as follows (Faure, 1972:192):

- Spread of educational activities beyond the boundaries of school age,
- Increasing interest in education as a tool to increase the quality of life,
- Developing educational areas related to the needs of daily life,
- Involvement of employees, families and members of the community in educational decisions,
- Emphasis on open-mindedness in planning, management and goal setting.

The current state of the vocational education and training sector

The system of vocational education and training in Azerbaijan has a rich history as an integral part of the national education system. Vocational schools for carpentry and locksmiths were established in Nakhchivan in 1879, silk schools in Sheki in 1883, art schools in Ganja in 1884, and in Baku in 1887, and by 1914 the number of art schools had increased to 10 reached. During the Soviet era, the network of vocational schools in Azerbaijan was expanded and the material and technical base was strengthened. In the 1980s, the country had 185 vocational schools with more than 100,000 students in 300 professions, and the deployment of skilled workers in various professions was a clear indicator of the development of this field. Events in the country's socio-economic life in the late 1980s and early 1990s had a negative impact on the development of this sector, the material and technical base of vocational education institutions began to deteriorate, and the vocational education system was in danger of collapsing.

Despite the measures taken, there are certain problems in the system of vocational education and training, which is one of the priority areas of the education system. Thus, while 40-60% of secondary school graduates in developed countries are admitted to vocational education institutions, the fact that this figure is less than 11% in Azerbaijan shows that the population has little interest in this field of education. The existing system of vocational education and training in our country is characterized by the following characteristic problems:

- Lack of updated and flexible regulatory framework for primary vocational education;
- obsolescence of material and technical and educational base;
- non-compliance of

educational programs, textbooks and teaching aids used in the vocational education system with modern requirements;

- Lack of a progressive mechanism for evaluating and monitoring the activities of vocational education institutions;
- Incomplete compliance of the existing management in the vocational education system with the principles of market economy and insufficient efficiency of the mechanism of its financing from the state budget;
- Non-participation of employers in the financing of vocational education institutions and the lack of an appropriate legislative framework for this;
- Unsatisfactory level of training and salaries of staff working in the vocational education system;
- Weak links between institutions based on different forms of ownership and vocational training;
- Poor vocational guidance in general education institutions;
- Non-compliance of graduates with the requirements of the labor market;
- Existence of the first vocational education institutions carrying out parallel training in the same professions;
- The vast majority of educational institutions are used for other purposes.

Education-Training System

Education is a social institution and all social institutions realize themselves through certain social units. The social unit formed by education, which is a social institution, is called the 'education system' (Hesapçioğlu, 1998: 23). Each country creates an education system that is suitable for its own political, economic, social and cultural structure. Like all systems of the society, the education system is also affected by both national and international developments (Çelik, 2002:194).

Education has social, economic and political tasks. The education system will socialize individuals, raise them as conscious citizens, and raise them to the level of the best producer and consumer. In this case, the aims of the education system will be environment-oriented and will change according to the environment. The change in the education system is generally in the structural dimension and the behavioral dimension is

neglected. It should not be forgotten that change has a behavioral dimension as well as a structural one (Karşlı, 2008: 360-361). Societies form and operate their education systems in line with the values accepted in their societies. While the education systems of some societies have a central feature, some societies have a local, that is, based on decentralization feature. For example, while the education systems of Germany and the United States of America are based on decentralization; The education system in Azerbaijan has a centralized feature. The head of the centralized education system in Azerbaijan is the Ministry of National Education. All regulations regarding our education system are made by this ministry and carried out throughout the country (Akgün & Şimşek, 2011).

5. Practical part

Economic classification of education costs

Financing of education is one of the social policy priorities in most countries today. The rapid development of the world economy and the improvement of democratic governance in the last century have required governments to pay more attention to the social sphere. As a result, serious issues such as the formation and financing of the education system have become an important task for governments. In general, education expenditures include construction and maintenance of infrastructure in this area, the payment of salaries and innovation financing. According to the methodological recommendations of the UNESCO Institute for Statistics, education expenditures are divided into three main groups according to the sources of funding:

1. Sources of public funding;
2. Private (non-state) sources of financing;
3. Sources of international funding;

In Azerbaijan, the main burden in this area falls on the state. Thus, primary and secondary education is the compulsory in country. Despite the fact that the private sector operates at these levels of education, only 2.74 thousand or 0.2% of 1287.3 thousand students in the country fall into the share of private educational institutions. At the same time, out of 52 higher education institutions operating in the country, 37 fall to the state and 15 to the private sector. 125.7 thousand students study in state-owned higher education institutions, and 19.9 thousand students study in private educational institutions. In other words, 84% of the total number of students in higher education in the country falls to the state and 16% to the private sector.

Sources of public funding are divided into 3 categories: central, regional (executive), local (municipal).

Funds that combine the education expenditures of other ministries, departments and executive bodies, including the expenditures of the Ministry of Education, are included in the education expenditures of the central government. In many cases, the money spent by these institutions may not be in the name of education. For example, the expenditures allocated by the executive authorities for the repair of any educational institution are recorded under the heading of infrastructure expenditures. Education expenditures of regional and local governments are mostly infrastructural and are directed to repair and construction works.

The education expenditures of the branches of government are grouped into the following three types of expenditures

- Direct costs to educational institutions;
- Other expenses;
- Transfers.

Salaries paid to teachers by the Ministry of Education, payments of municipalities to construction companies in connection with the construction of schools, by the Ministry of Education

Expenditures such as payments for textbooks for distribution, grants allocated by the state to higher education institutions to retain staff or purchase goods and services, public funds allocated to public schools with financial independence, and state subsidies to private schools are included in the group of direct payments. However, maintaining administrative staff in educational institutions is not included in direct costs.

Expenditures incurred by public authorities at the central, regional and local levels on the management of the education sector, the implementation of inspection and control services and the preparation of educational schedules are included in other expenditure groups.

Transfers in the financing of education are mainly two-way.

1) Transfers between individual government agencies, especially from a higher level of government to a lower level. Such transfers are not included in the total amount of public expenditures. Because these transfers are made in the public sector, they do not change the total amount of education expenditures.

2) Transfers for education to individual households or legal entities. This includes transfers to students and their families, as well as to legal entities. This type of transfer can be in the form of a state allowance, pension, grant or bond.

Private funding sources, in turn, are divided into two categories - families and legal entities. Payments made by families to educational institutions and other educational expenses from the family budget belong to the first category of private financing.

Expenditures on the purchase of personal belongings used in the educational process, family expenses related to the provision of housing for the student are included in the list of other expenses incurred by families in the field of education.

The third source of education finance is international sources of funding, including financial assistance provided by international organizations for the development of the education sector.

These include the World Bank, United Nations educational institutions, other interacting intergovernmental organizations, government development agencies, and international non-governmental organizations operating in the country.

The aim is to protect the right of every citizen to education enshrined in the country's constitution, and to create equal educational opportunities for citizens of the country, regardless of religious, racial or social status. In general, the expenditures allocated from the state budget for the "Education" section cover the funds spent on services provided to pupils and students on an individual and collective basis.

These costs also include public funds used to define public policy in this area, develop various development programs, collective services, educational activities and research. Expenditures on the maintenance of kindergartens, secondary schools, lyceums,

institutes, universities, vocational schools, and the creation of infrastructure for the education of pupils and students are also reflected in the "Education" section of the budget.

According to the classification of the Ministry of Finance of the Republic of Azerbaijan, the funds allocated from the state budget for education are reflected in the following articles in the above-mentioned areas.

1. Preschool institutions - this section covers the costs of organizing and maintaining preschool institutions in the country.
2. Kindergartens, primary, basic and secondary schools, gymnasiums, lyceums - this section covers all types of primary and general secondary schools, including kindergartens, primary, basic and secondary schools, gymnasiums, lyceums and colleges. The cost of maintaining extended day groups and boarding schools, as well as the cost of decades of music and art schools and sanatorium-vocational schools.
3. Evening and correspondence secondary schools.
4. Boarding schools - this section covers the maintenance costs of all types of boarding schools, except for special-regime and sports-oriented boarding schools.
5. Special regime boarding schools - this section includes the cost of maintaining boarding schools for deaf, blind, polio, visually impaired children, as well as children with mental and physical disabilities.
6. Private schools - this section covers the costs of maintaining special schools for children with special educational needs.
7. Technical - this section includes the maintenance costs of vocational schools, vocational schools and lyceums.

8. Secondary special education institutions - this section includes expenses for technical schools, pedagogical, music, choreography, painting, medicine, Olympic reserve and other schools.
9. Higher education institutions - this section includes the costs of higher education, including postgraduate and doctoral studies at universities, as well as the costs associated with the scientific work of departments.
10. Course activities and training institutes - this section covers the costs of training, retraining and advanced training courses in all specialties, as well as the maintenance of professional development institutes.
11. Other educational institutions on personnel training - this section includes schools and technical-vocational schools and lyceums of ministries and head departments (not belonging to the system of the Ministry of Education), training-course complexes, maintenance costs of the centers.
12. General compulsory education fund - this section includes expenses paid from the general education fund in primary, basic and secondary schools.

As can be seen, each level of education is funded by the state. In accordance with the education legislation, every citizen of Azerbaijan has the right to receive a full education once in a lifetime.

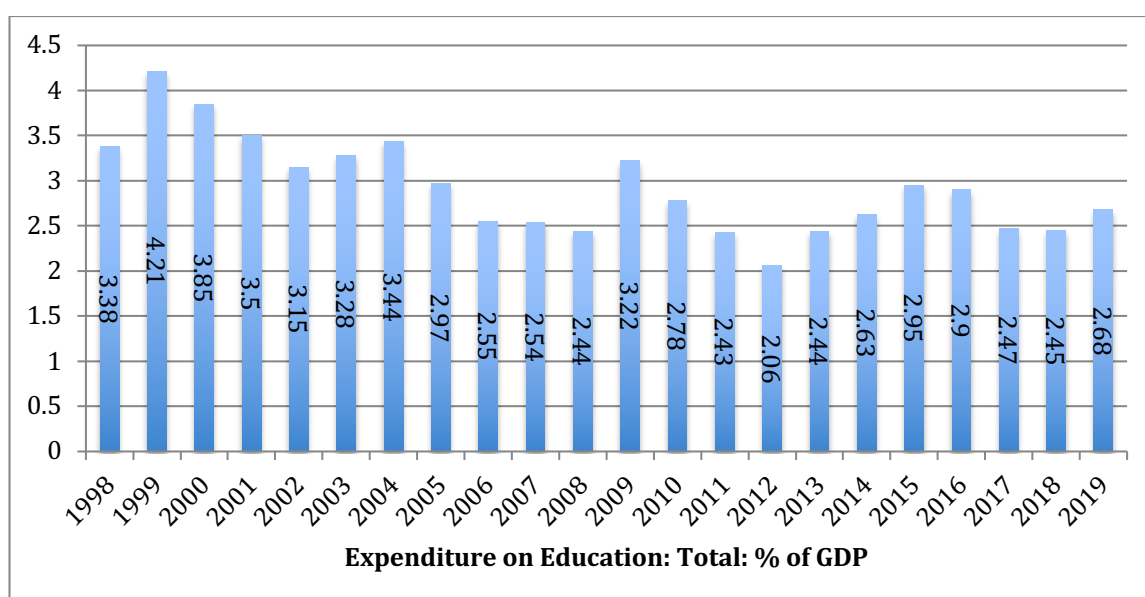
Dynamics of changes in education costs

Over the past years, the expansion of financial opportunities in the country has created conditions for increasing the amount of funds allocated to the social sphere, including education. However, in 2015, the share of expenditures on education in GDP was 2.95%. It should be noted that the analogous figure in European countries varies between 5-8%.

For example, the share of education expenditures in GDP in Germany was 5.1% in 2017, and in Norway in 2017 it was 7.3%. However, the share of the state in education expenditures in these countries is about twice less than in our country.

That year, Azerbaijan ranked 148th in the world. Another interesting point is that the dynamics of growth in education spending in recent years has not been adequate to the dynamics of overall economic development. This trend is more clearly illustrated in the graph 1 below.

Graph 1: The share of state budget education expenditures in GDP (Azerbaijan)

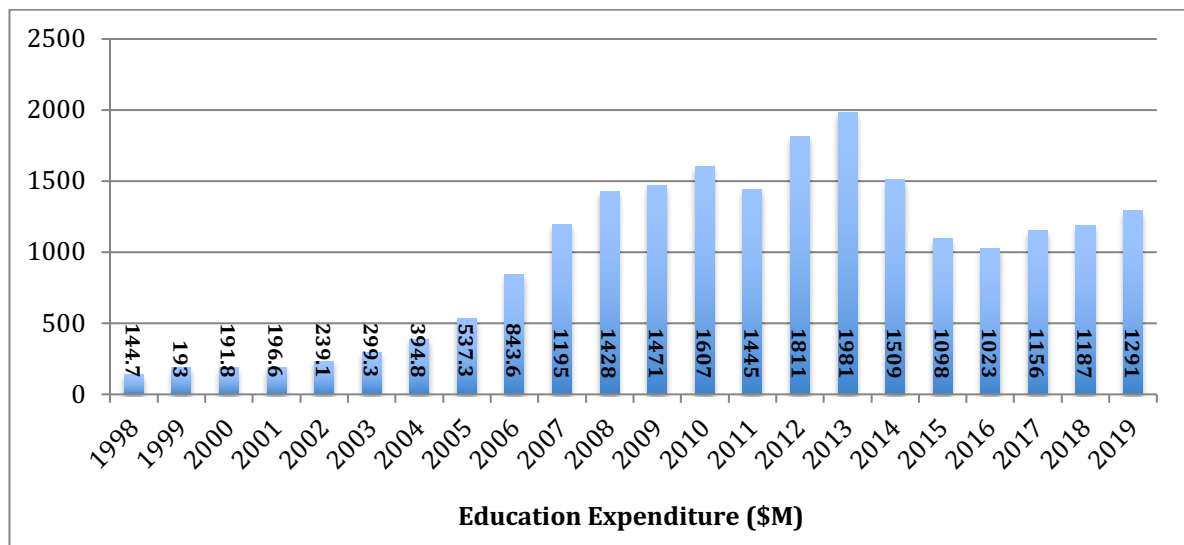


Source: Own calculation based on data from World Bank, 2021

As can be seen, the share of education expenditures in GDP was 3.38 % in 1998, while this figure is projected at 2.68% for 2019. This figure fell to in 2012 it was even 2,06 % this is the lowest.

However, budget funds allocated to the education sector have increased in nominal terms over the past years. The projected budget expenditures for 2019 in this direction increased by about 4.4 times compared to 2006. At present, the share of education expenditures in budget expenditures is 8.0%, and social expenditures are 31%.

Graph 2: Education expenditure of the state budget in the last 20 years (\$M), (1998-2019)

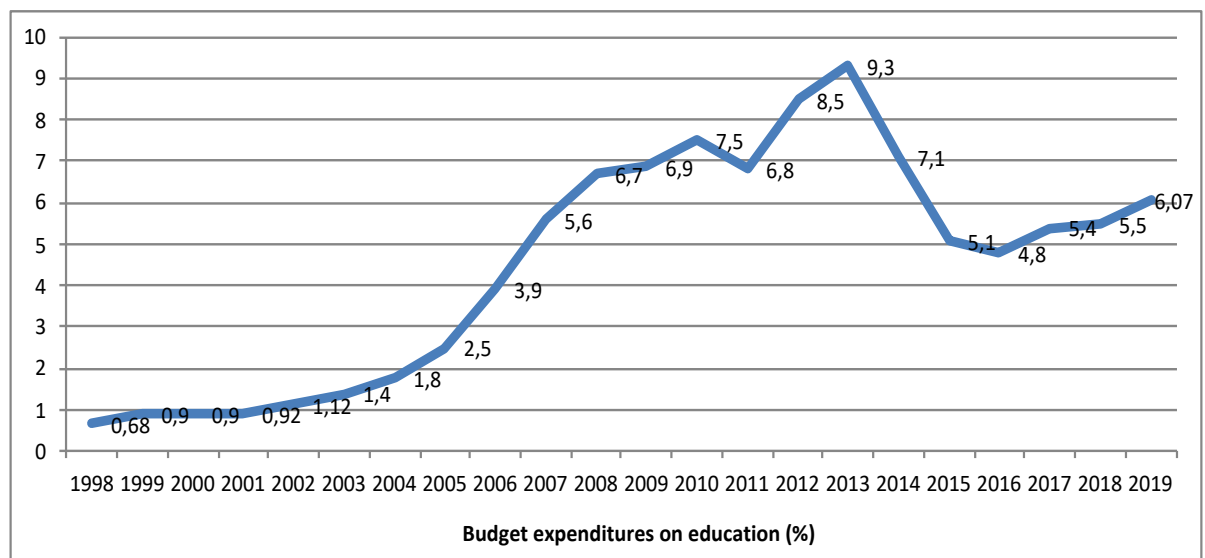


Source: Own calculation based on data from Country Economy, 2021

Over the past decade, the average growth rate of education spending has been about 19.7%.

Especially the budget expenditures on education were in 2012 and 2013 (graph 2)

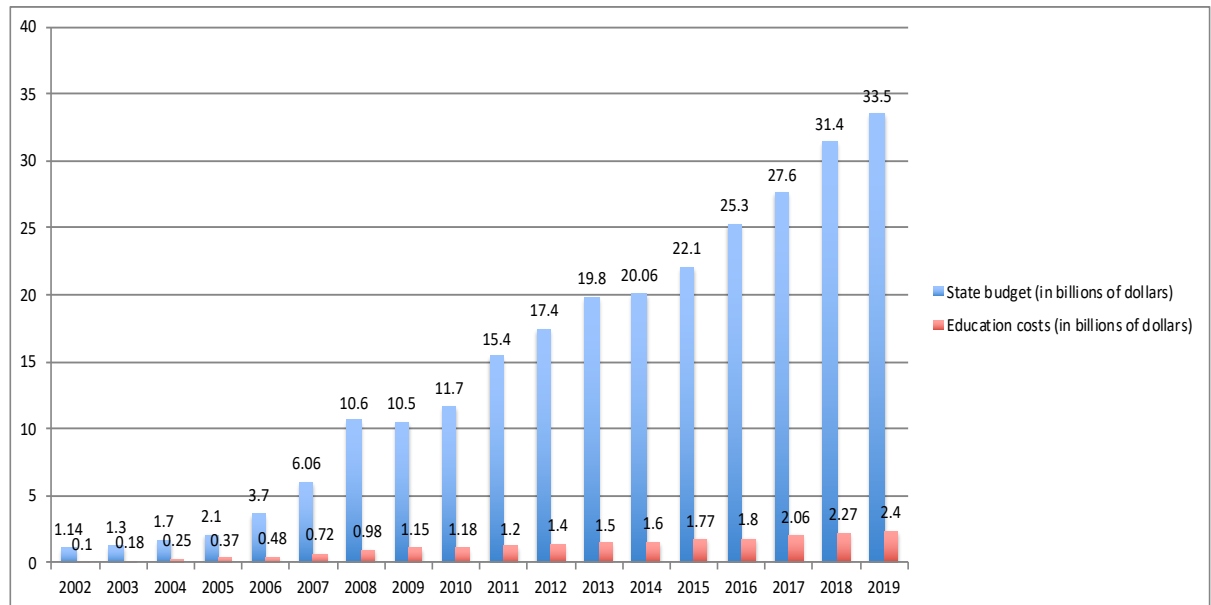
Graph 3: Budget expenditures on education in % (1998-2019)



Source: Own calculation based on data from Country Economy, 2021

After the global financial crisis of 2008, the budget expenditures in this area has slowed down. However, despite all this, the upward trend in education spending has continued over the years. Thus, in 2013, the education expenditure section of the budget increased by 9% compared to the reporting year and reached \$ 970 million.

Graph 4: Compare the state budget and the budget's education expenditures (2002-2019)



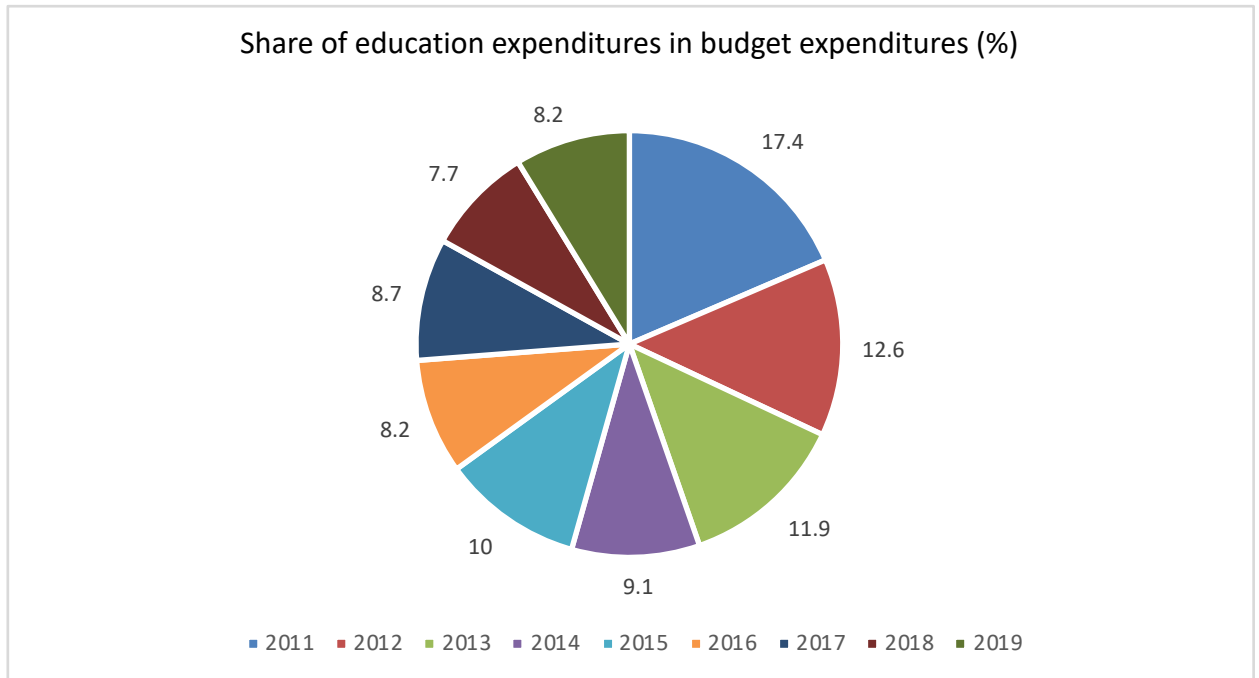
Source: Own calculation based on data from *The Ministry of Finance of the Azerbaijan Republic, 2019*

In the first years of independence, the country's difficult economic situation gained significant dividends in 2003 with the acquisition of access to world markets by Azerbaijani oil.

The remarkable rise in oil prices on world markets since 2005 has led to an influx of funds into our country. Although most of these funds were used to rehabilitate infrastructure, education, like other areas of the social sphere, received its share.

In Graph 4, education expenditures are presented together with the total expenditures of the state budget.

Chart 1: The share of education expenditures in the total expenditures of the state budget (%)



Source: Own calculation based on data from *The Ministry of Finance of the Azerbaijan Republic, 2019*

Although the state budget expenditures have increased rapidly in recent years, the growth rate of expenditures on education has lagged far behind budget's growth rate. As a result, the share of education expenditures in the budget decreased from 17.4% in 2011 to 7.7% in 2018.

Of course, the reduction of the share of education in budget expenditures ultimately reduced the social burden of the budget. However, the draft budget for 2019 takes this nuance into account, and expenditures in this direction have increased by 8% compared to the reporting year.

As a result, in 2019, the share of education expenditures in total budget expenditures increased by 0.5% compared to 2018 and increased to 8.2%. The growth was especially felt in two directions.

First, 95 million dollar will be allocated for education in order to meet the requirements of the President's decree on increasing the salaries of educators and improving pensions in 2019.

Part of the state budget expenditures on education is transferred directly to the Ministry of Education. Expenditure on education is distributed within various government programs and through the Ministry of Education. Of course, the increase in education spending has led to an increase in funding for the Ministry of Education. The dynamics of the funds allocated to the Ministry of Education over the years and the spending directions are reflected in the table 1 below.

Table 1: Funds allocated to the Ministry of Education and the dynamics of the use of these funds for individual expenditures over the years.

Years	2016		2017		2018		2019		2020	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%	Numbers	%
Funds allocated to the Ministry of Education	328	100%	419	100%	402	100%	426	100%	396	100%
Salaries and other payments	239	64.9%	306	73.1%	258	64.3%	271	63.5%	208	52.7 %
Payments of pensions and benefits	26.1	7.8%		4.3%	29.5	7.3%	20.5	4.8%	21.7	5.5%
Utility costs	11.6	3.1%	17.8	11.3%	17.8	4.5%	13.9	3.3%	12.7	3.2%
Other expenses	7.2	2.1%	47.5	8.3%	45.9	11.4%	21.4	5.0%	103.8	2.6%
Expansion of material and technical base	43	12.8%	47.3	2 %	25.5	6.3%	56	13.1%	10.3	26.2%

Source: *Annual reports of the Ministry of Education of the Republic of Azerbaijan, 2020*

The funds allocated to the Ministry of Education are spent on salaries, maintenance costs, travel expenses, transportation fees, utilities and communication services, inventory and equipment, fixed assets, pensions, benefits and other expenses. More than 60% of expenditures through the Ministry are spent on salaries and allowances, pensions and benefits.

The work carried out to restore the country's social infrastructure has led to the renewal and restoration of educational infrastructure. A significant part of the funds allocated to this area was allocated for infrastructure costs.

About 2,500 schools have been built and put into operation in cities and villages of the country. Work has been done to build and renovate preschools.

Table 2: Investment expenditures on education from the state budget in 2012-2021

Years	Amount (in million dollars)	Dynamics of change compared to last year
2012	5.7	-48.2 %
2013	8.6	46.6 %
2014	52.7	17 %
2015	114.6	37 %
2016	226	45 %
2017	64.3	-71 %
2018	82.5	26.2 %
2019	209.1	41 %
2020	607.2	97 %
2021	521.8	-15.1 %

Source: *Annual reports of the Ministry of Education of the Republic of Azerbaijan, 2021*

In 2012, public investment in education was 5.7 million dollars (table 2). In 2013, it was projected to be 521.8 million dollars or about 90 times more than ten years ago. However, the impacts of the global financial crisis and the strain on public spending have led to a sharp decline in spending in this area.

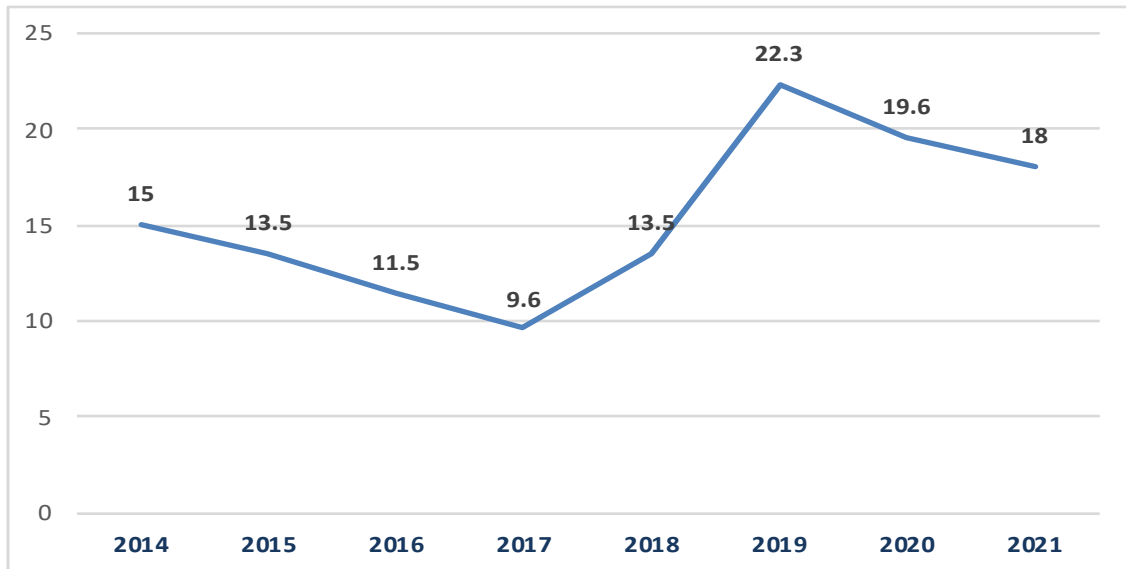
Thus, in 2016, state investment in education amounted to 226 million dollar, and in 2017 this figure decreased by 71% to 64.3 million dollar. In the following years, the growth rate was restored.

In 2020, the funds allocated in this direction reached a record high of 607 million dollar since independence. In general, about 1.9 billion dollar has been spent from the state budget in this direction over the past 10 years. The conclusion is that although the government has indeed increased investment in education in recent years, efficiency,

transparency and effectiveness have not been ensured in the process of spending these funds.

However, it should be noted that over the past years, the construction and commissioning of both secondary schools and preschools have improved the situation to some extent compared to previous years.

Graph 5: Ratio of higher education expenditures to GDP per capita



Source: Own calculation based on data from World Bank, 2021

Per capita expenditure on higher education in European countries is about 23% of the country's GDP per capita. Azerbaijan lags far behind in this area. In 2019, per capita higher education expenditures ratio to GDP was close to European standards, at 22.3%. However, in the following years, this indicator decreased again. On the other hand, if we take into account that the GDP per capita in European countries is 4-5 times higher than in our country, it can be said that there is a serious need for funding for higher education and state care in this area.

Management of Azerbaijan education system

In the Soviet era, the education administration in Azerbaijan was provided by the central administration. Most training decisions were sent from the center and implemented by local units. Requirement of center's decision for educators and education workers to do any work related to this field. Therefore, this made local education branches and educational institutions passive.

Although this form of government continues to a certain extent today, local governments also take their place in this process.

All educational institutions in the country are obliged to continue their activities in line with these legal bases. Within the regulation framework, each school prepares its own regulation and reports it to the Ministry of Education by obtaining the approval of the regional education directorate (Ergün, n.y: 6).

A system of state and civil self-government institutions is being created to manage education. These institutions work in line with the education laws, relying on the powers given and continue their activities in a way that is not prohibited by law. As stated above, education management is regulated by education laws, laws and regulations and by laws of educational institutions and is based on international experience.

The government of the Republic of Azerbaijan, the Ministry of Education and regional education directorates, undertakes the most important roles in the management of education in the Republic of Azerbaijan. In addition, local government institutions, certain scientific-pedagogical collectives, certain professional and art chambers (unions), political and civil organizations and the public take certain duties in the management of educational institutions. The management of private education institutions is regulated in accordance with the regulations prepared on the basis of the Education Law (Education Law, 1993:22).

Ministry of Education of the Republic of Azerbaijan

In the Soviet era, educational state institutions were responsible for all levels of education. However, processes such as the preparation of post-independence education plans and programs, textbooks, methodical recommendations and proposals, their printing, the quality of education, teacher training, accreditation to educational institutions and issuance of graduation permits (license) are given to the Ministry of Education (MEA National report). , 1999:5).

6. The role of the Ministry of Education in the management of education can be summarized as follows (Ministry of Education of the Republic of Azerbaijan, 2005);
6. To reveal the most important problems in the education system, to determine the importance of the solutions and to obtain the necessary information to make the necessary analysis and interpretation.
6. To carry out the process in a stable manner, to prepare draft laws to improve the conditions and situation, to ensure the implementation of education laws.
6. Making statistical and evaluation predictions and keeping the findings under control

Reforms in the education sector

- *Application of two-level higher education*

The first two-level higher education (bachelor's and master's) was introduced in the country in 1993, and in the same year, bachelor's degree students were admitted to universities. In 2005, for the first time, the State Student Admission Commission carried out the admission of students for a master's degree by a test method. Prior to that, universities admitted students at this level.

- *Education reforms implemented in cooperation with the World Bank*

Implementation of joint projects with the World Bank to implement reforms in the education sector began in 1998. The Ministry of Education is implementing education reforms with a loan from the World Bank and funds allocated by the Azerbaijani government.

The first phase of cooperation with the World Bank was adopted in 1998-2003, the second phase in 2004-2007, the Education Sector Development Project, and the third phase, the Second Education Sector Development Project, covering 2009-2014. Within the framework of these projects, reforms have been carried out in the areas of application of the curriculum system, per capita funding, efficiency and transparency of education expenditures.

- *Higher education reforms and the Bologna process*

The essence of the Bologna Process is the creation of a single higher education space in Europe, and the Bologna Process was founded in 1999. Azerbaijan joined this process in 2005 and aims to introduce higher education in the country that meets common European standards. To this end, an Action Plan covering the years 2006-2010 was approved in accordance with the provisions of the Bologna Declaration. Based on the transition to the Bologna process, there was a need to improve the legal framework for the implementation of an education system that meets European and world standards, and in 2009 a new law "On Education" was adopted.

- *State Program on Education of Azerbaijani Youth Abroad for 2019-2023*

Every year, thousands of young people go to various universities to continue their education abroad.

This process takes place in different ways: either through personal funds, or through foreign scholarship programs, or through a government program. In 2019-2023, through the state program of education of Azerbaijani youth abroad, young people continue their

education at various universities. The main goal of this program is to train young people educated in different countries around the world. Thus, it is the adaptation of world experience to local conditions.

Study abroad within the State Program

The State Program for the Study of Youth Outside Azerbaijan in 2019-2023 was approved by the Presidential decision of April 16, 2019. The main purpose of the State Program is to train Azerbaijani youth in various universities around the world and to prepare talented cadres for the future.

In the process of implementing reforms in the education sector, various government programs and projects are carried out. Starting from 2005, the following state programs have been implemented through the Ministry of Education. State programs carried out in this direction include the following:

<i>State program for the education of Azerbaijani youth in foreign countries in 2007-2015</i>
<ul style="list-style-type: none"> • Delivery of children to families from state children's institutions in the Republic of Azerbaijan (Deinstitutionalization) and alternative care state program (2006-2015 years)
<ul style="list-style-type: none"> • Development program of pedagogical and benefit plans in the network of general education schools of the Republic of Azerbaijan for 2005-2009
<ul style="list-style-type: none"> • Program of information and communication technologies and assurance of general education schools in the Republic of Azerbaijan (2005-2007 years)
<ul style="list-style-type: none"> • State program for informing the education system in the Republic of Azerbaijan in 2008-2012
<ul style="list-style-type: none"> • Program of updating preschool education in the Republic of Azerbaijan (2007-2010)
<ul style="list-style-type: none"> • State program of technical professional development in the Republic of Azerbaijan (2007-2012 years)
<ul style="list-style-type: none"> • State program for reform in the higher education system of the Republic of Azerbaijan in 2009-2013

It is planned to allocate \$134 million from government spending to science spending in 2019. That's a lot of \$5 million, or 4.2%, in comparison to the current year. According to Sputnik Azerbaijan, Deputy Finance Minister voiced this at the parliament's next year's budget meeting.

Scientific Development Fund under the President of the Republic of Azerbaijan is planned to be awarded 4 million dollars: “It was planned to allocate 2 billion 275 million dollars for education in 2022”. This is \$231 million or 11.3% more than the current year. He said that according to the words of the Minister of Finance, starting from the 2019-2023 academic year, it is planned to increase the share of students enrolled in the state order of higher education in the country by about 20% and to allocate 11 million dollars to other educational activities.

It is foreseen that the state budget will allocate 2 billion 274 dollars to the education sector expenditures in 2022.

Table 3: Number of citizens of the country studying abroad by country

Years	2018	2019	2020	2021
Number of students (total)	811	789	798	719
Turkey	513	503	487	445
Russia	234	234	270	242
China	25	19	23	20
Egypt	21	14	6	3
Korea	8	8	2	1
Czech Republic	3	2	2	1
Slovakia	2	2	1	1
Romania	1	3	2	3
USA	1	4	5	3

Total	811	789	798	719
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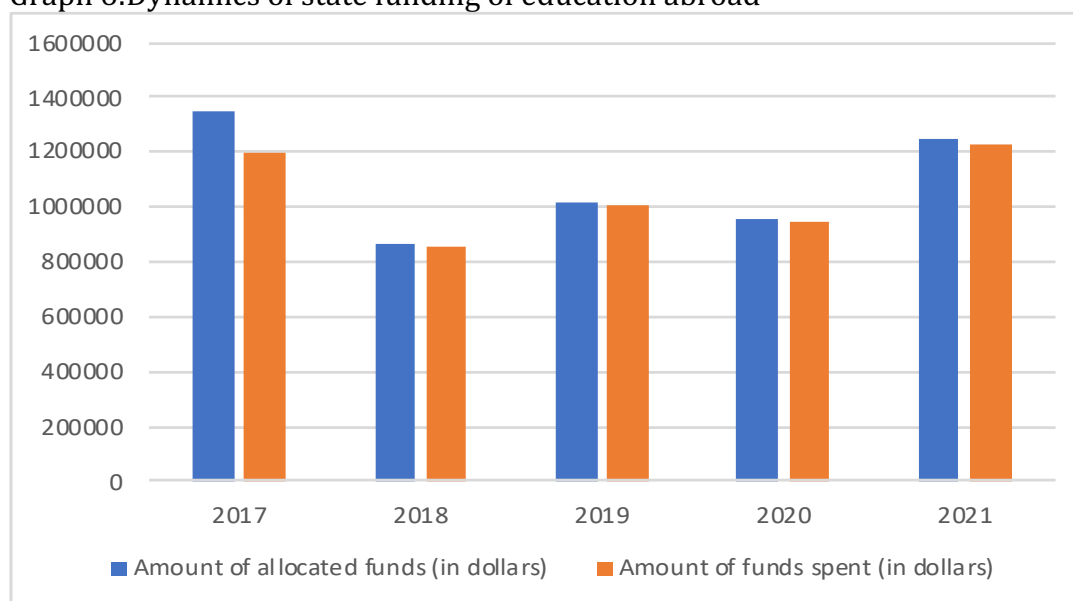
Source: Own calculation based on data from OECD, 2021

The State Program on Education of Azerbaijani Youth Abroad for 2019-2021 states that Azerbaijani youth will be educated in the United States, Europe and other countries. Obviously, young people study more in universities in Turkey, Russia, and China (table 3).

The sources of funding for the state program are mainly from the SOFAZ (*is a sovereign wealth fund of Azerbaijan, which accumulates and preserves the nation's oil and gas revenues for future generations*), allocations from the state budget, loans from international organizations, grants and other funds.

The following graph 6 provides a comparative classification of expenditures allocated and implemented for education abroad on the basis of bilateral agreements on cooperation in the field of education through the state line:

Graph 6: Dynamics of state funding of education abroad



Source: Own calculation based on data from Ministry of Education, 2021

It seems that the most funds were allocated under the State Program in 2017, but the least number of students had the opportunity to study abroad in that year (188 people, 114 of them were sent abroad to study under the 2017, State Program).

Education reforms implemented in partnership with the World Bank

In order to implement reforms in the education sector, joint projects with the World Bank Baku have been implemented since 1998. The Ministry of Education at the expense of funds received from the World Bank and funds allocated by the Government of Azerbaijan carries out education reform. The first stage of cooperation with the World Bank was implemented in 1998-2003, the second stage was accepted in the Education Sector Development Project in 2004-2007, and the third stage was the implementation of the Second Education Sector Development Project covering the period of 2019-2023.

Within the framework of these projects, reforms were made in the fields of curriculum system implementation, student finance, efficiency and transparency of education expenditures.

Development of Education Expenditures in Turkey

The share of the resources allocated from the national income for education is an important indicator in determining the level of development of a country. In this context, it is important to look at the ratio of education expenditures to national income and public budget, to determine where Turkey is in this regard. Because, besides the positive externalities emitted by the education service offered, the high figures on this subject make significant contributions to social and economic development. The table below shows recent education expenditures in Turkey by financial source.

Table 4:Recent Education Expenditures in Turkey by Financial Source (Million USD)

Years	Government Expenditures	Private Expenditures	International Resources	State-to-Household Transfers	Total
2016	5930	2155	264	381	7730
2017	6938	2801	298	465	9304
2018	7922	3154	470	519	10604

2019	9067	3748	450	586	12274
2020	10161	4014	355	686	13524
2021	12550	4795	498	927	16073

Source: Own calculation based on data from Turkish Statistical Institute, 2021

According to Table 4, the amount of expenditure on education in Turkey has more than doubled in nominal terms in the last seven years. Among these items, private sector expenditures and transfers from the state to households for education increased more than the others. In the table below, the total public education budget in Turkey on the basis of institutions is given by years.

Table 5: Total Education Budget in Turkey (Million USD)

Years	Ministry of Education	Council of Higher Education and Universities	Student Selection and Placement Center	Credit and Accommodation Institution	Total Education Budget
2015	391693791	127436030	232559000	44498780	565954191
2016	474963786	15227705	291996000	53285580	683446931
2017	557048176	169390100	359980000	58625840	788663916
2018	620002480	184932520	364239000	70526750	879104140
2019	763543060	235906960	445303000	93778310	1097681360
2020	850485840	256204500	408536000	113364310	1224140010
2021	925286520	277613630	537550000	138992620	1347268270

Source: Own calculation based on data from Ministry of National Education, Budget Presentation, 2021

According to Table 5, it is seen that the biggest shareholder of the resources allocated by the state for education in Turkey is the Ministry of National Education. The budget allocated by the state for education, like all other public services, is affected by the economic conjuncture and the political stability.

In this context, within the scope of the stability packages announced during the periods of economic crises and political instability, the expenditures on education are also affected by the reductions in public expenditures in general.

While the ratio of the general budget to the national product decreased with the economic contraction experienced during the crisis years in question, the share in the general budget and allocated to education may decrease similarly.

Table 6: Ratio of Education Budget to GDP and Central Government Budget (Billion USD)

					Education Budget
Years	GDP (USD)	Central Government Budget (USD)	Budget Allocated for Education (USD)	Ratio to GDP (%)	Ratio to Central Government Budget (%)
2017	174816781660	434995765000	7886639161	4,51	18,13
2018	233864700000	47294300000	8791041400	3,76	18,59
2019	260852600000	57050700000	10976813600	4,21	19,24
2020	303545000000	64512400000	12241400100	4,03	18,98
2021	344578200000	76275300000	13472682700	3,91	17,66

Source: Own calculation based on data from Ministry of National Education, Budget Presentation, 2021

According to Table 6, although the ratio of public resources allocated for education to national product has mostly increased over the years, it has not changed much in recent years and even decreased to below 4% in 2021 with a slight decrease.

The share of the budget allocated for education also seems to have increased significantly over the years. Again, the aforementioned share did not change much after 2017, and even experienced a decrease in 2021 and realized as 17.66%.

A striking point here is that the ratio of public resources allocated for education to both the central government budget and the national product during the years of economic crisis has not decreased significantly.

Table 7:Financing Education in Azerbaijan and Turkey (2021)

	Azerbaijan		Turkey	
	Public	Private	Public	Private
Primary and Secondary Education	90	9	81	19
University	75	25	66	31

Source: *Own calculation based on data from CEIC data, 2021*

According to Table 7, while the Azerbaijan’s average of public financing of primary and secondary education is 90%, it is 81% in Turkey. In university education, public funding is 75% and 66%, respectively. These rates reveal that the share of private schooling in the education system in Turkey is higher than the Azerbaijan average.

Azerbaijan has a population structure dominated by young people. In addition, although the Azerbaijan economy is not fully stable, it is a country that has achieved economic growth over the years. In addition to these dynamics, more and more resources are allocated to education from the public budget in Azerbaijan every year.

If these positive data can be used well, it can be said that the level of economic and social development can increase over time. However, it would be more rational to analyze Azerbaijan's position in this regard by making international comparisons.

6. Recommendation and Discussion

Education expenditures have a significant amount in the state budget, and public expenditures increase in this direction every year. However, as much of the expenditure is spent on infrastructure upgrades, there are still problems in other areas of the sector, especially in the area of wages, and the quality of education does not meet modern standards.

Most education expenses in Azerbaijan are covered by the state. The UNESCO Education Monitoring Report for 2018 states that $\frac{3}{4}$ part of education expenditures are funded by the state. Unlike low- and middle-income countries, including Azerbaijan, the rest falls on households.

According to the report, public spending on education in Azerbaijan is 2.9 percent of GDP. As for other countries in the South Caucasus, in Georgia it is 3.8 percent. The share of education in the total public expenditures of Azerbaijan is 8.2%. Household expenditures on education are as follows: 1 percent of GDP in Azerbaijan and 0.1 percent in Georgia. Public spending on secondary education per student worldwide is \$ 2,716 per year, and \$ 4,322 for higher education.

In Azerbaijan spends \$ 4,370 per capita (26 percent of GDP per capita), \$ 3,765 (22 percent) for secondary education and \$ 3,972 (23%) for higher education. However, if we look at the main financial document of Azerbaijan, it is clear that the funds allocated for education are generally not high in terms of interest. In other words, if \$ 6-7 billion is allocated for investment projects, one third of it will be allocated for education. On the other hand, the efficient use of allocated funds is one of the serious problems.

Thus, the funds allocated from the budget to individual educational institutions are often corrupt, and as a result, the money allocated by the state does not give the intended result.

Education in the country depends on the budget. In general, issues such as the formation and maintenance of the infrastructure of higher education, the payment of salaries, funding for the implementation of innovations are carried out at the expense of the state budget, which is unacceptable in the world. However, the financing of higher education institutions and secondary schools from the state budget is somewhat understandable.

Over the past 10 years, about 3,500 school buildings have been built and put into operation in cities and villages of the country. Work has also been done to build and renovate preschools. During the construction of new educational institutions, more compliance with modern educational standards was taken into account. Unfortunately, there is no transparent financial report on the cost of construction of each school. There is a serious need to increase the transparency of investments in the education sector. It is impossible to see the financial mobility of universities.

Public investment in education is often used inefficiently. The study found that in the same year, in the same economic environment, the US embassy spent an average of \$ 638 per student, compared to three times the cost of schools built by the Ministry of Education, or \$ 1,870. The conclusion is that although the government has increased investment in education in recent years, it has not ensured transparency and efficiency in spending these funds.

However, it should be noted that over the past years, the situation with the construction and commissioning of both general education and preschool education has improved to some extent compared to previous years.

In Turkey, the budget document submitted to the parliament shows the projected amount of funding for all universities. 18% of budget expenditures will be allocated to education, and education is in first place. In Azerbaijan, this figure is around 10 percent and is in third place. At the same time, 25 percent of all education expenses in Turkey will go to universities next year. Azerbaijan have less than 9 percent.

In Turkey, 5 percent of next year's budget expenditures go to higher education, while in Azerbaijan this figure is around 1.5 percent.

The following directions can be noted for improving the quality of education in Azerbaijan:

1. Increasing the amount of funds allocated to education;
2. Improving quality management, introduction of new management and control mechanisms in accordance with international practice;
3. Establishment of special rooms or sections in higher education institutions for the management and quality assurance of education, especially for recently written books, scientific publications, magazines and newspapers, and the appointment of mentors who can always assist in this direction;
4. Ensuring that representatives of various companies, institutions, as well as medical institutions are invited to schools in order to develop human resources in current specialties, to create motivation based on their experience to increase students' interest in areas relevant to their knowledge and skills.
5. In order to further increase the competitiveness of the education system of our country with the education system of developed countries, the state education policy should be supported by society, the establishment of a mechanism for allocating the necessary resources and their effective use to improve quality, comprehensive modernization of this area. This is very important, because the strategic path, which includes the basic principles of state education policy, the problems associated with the development trends of society and the main directions of socio-economic policy, goes through the modernization and improvement of education.

6. Education should be free at compulsory education levels.
7. Although education is free, sending their children to school is still perceived as a luxury for families with very low incomes. Various incentives such as scholarships should be put into practice for the children of families with very low-income levels by conducting research that reveals the socio-economic characteristics of their students.
8. Families with financial inadequacy should be provided with money, books, stationery, transportation, etc. aids by the state.
9. The Ministry of National Education should provide more financial support to schools. The Ministry of National Education should meet the needs of all schools, primarily village-town primary schools, taking into account the number of students and the socio-economic level of the schools, and should allocate the allowances according to these criteria. Thus, collecting money from families under different names can be prevented.
10. Teachers and school administrators experience some problems in the process of participation of families in the expenditures of schools. For this reason, especially school administrators should receive in-service training on "budget management". With the joint work of the University and the Provincial Directorate of National Education, training should be given to school administrators in the field of "school finance, education economics and education planning".

7. Conclusion

The current situation with education financing is identified as the main focus of this study. First of all, the importance of science and education in the development of the country was emphasized, and the importance of education policy in the formation of human capital was touched upon. Then, the education economy, its financial sources, education expenditures, the structure of education expenditures of the state budget was considered separately. The education system is divided into several areas according to the sources of funding, and they are classified as public, private, international and mixed funding.

For financial problems in education, especially since 1997, allowing school accounts to open their own accounts can be used more actively. For this, with the work of school councils, many local institutions, organizations and businessmen may be asked to provide financial resources to this account. In this way, there will be a relief in the financing of education, and the society's ownership of education will increase.

In addition to these, increasing the number of private education institutions and making the necessary incentives for this will make a great contribution to the financing of education and will also facilitate the solution of many other problems.

Particular attention was paid to public spending in this area, due to the fact that the education sector in the world, including Azerbaijan, is mostly funded by the state. Thus, in our country, citizens have the opportunity to receive free education at all levels of education.

In general, the study shows the dynamics of public finance in the education sector over the years, the share of budget expenditures in GDP, the share of total budget expenditures, the increase in education expenditures over the years, the direction of expenditures, the change in wage growth over the years, education. Expenditures on financing of higher education institutions, the ratio of higher education expenditures to GDP per capita, investment expenditures, etc. Economic parameters such as

The study found that despite the increase in budget expenditures over the past 10 years, this growth rate did not match the overall economic growth rate, and as a result, the share of education expenditures in GDP decreased from 4.2% in 1999 to 2.5% in 2011. .

At present, this figure is 2.8%. On the other hand, the share of budget education expenditures in total budget expenditures decreased from 17.4% in 2005 to 7.7% in 2013.

However, despite these reductions, budget expenditures for education in 2013 increased almost fourfold compared to 2005. The study also found that a significant portion of education expenditures in recent years has been spent on infrastructure upgrades. Thus, despite the fact that spending on education has increased fourfold over the past nine years, investment in education has increased more than 60 times. In return, the salaries of educators have increased only four times. By the way, the fact that the average monthly salary of educators is lower than in other sectors has already become a trend.

This is the main reason for the low quality of education in the country. The study reviewed a number of pilot projects in the education sector and briefly explained the importance of these projects.

The newly adopted Education Strategy was also analyzed in order to visualize the future reforms in the education sector. At the same time, the problems posed by the strategy and the outlines of educational reforms to be implemented in the coming years in order to address these problems have been identified.

Funds allocated for education; \$ 940.1 million, or 54.9 percent of total education expenditures,

\$ 497.9 million or 29.0 percent of other institutions and activities in the field of education (financing of higher education by the state order, expenditures on bachelor's and master's degrees and financing of a number of state programs and activities, etc.), \$ 157.4 million, or 9.2 percent of pre-school education expenditures, \$ 37.2 million, or 2.2 percent of higher education spending, \$ 43.6 million or 2.5 percent of secondary special education

expenditures, \$ 33.7 million or 2.0 percent of primary vocational education,\$ 3.6 million, or 0.2 percent, will be used to fund additional education.

Appropriate funds are projected in the draft state budget for 2021 for the necessary expenses related to the activities of newly built and commissioned schools and preschools in some cities and regions of the country.

Funds allocated for education in the state budget for 2021 \$ 255.9 million to finance a number of government programs and events; as well as \$ 207.4 million for the implementation of staff training in the country's higher education institutions on the basis of the state order and the principle of per capita financing and expenditures on education reform; \$ 18.8 million for informatization of the education system, \$ 8.5 million for the provision of free textbooks to students in secondary schools; \$ 7.5 million for the reconstruction of educational institutions and funds for secondary schools.

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9. List of Supplements

Data received from Official Representatives

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Working place	İstanbul Sabahattin Zaim Üniversitesi

Appendix 1

Sample questionnaire



Public expenditure tracking survey for Education. School or University' questionnaire

A. GENERAL INFORMATION						
A.1.	Name of interviewer:		A.10.	Total number of students:		
A.2.	Date of data collection		A.11.	Number of Girls in school		
A.3.	Contact Person:		A.12.	Number of Boys in school		
A.4.	Name of School		A.13.	Number of Shifts in school		
A.5.	Name of Principal		A.14.	Date of start of current school year	(DD/MM/YYYY)	
A.6.	Number of Teachers		A.15.	Date of end of the last school year	(DD/MM/YYYY)	
A.7.	Number of other staff		A.16.	When was the school opened for classes?	4	
A.8.	Number of teachers present on day of survey (verified)		A.17.	When was the building built?		
A.9.	Number of other staff present on day of survey (verified)		A.18.	Who funded the building of the school?		
	88 for don't know	no answer 99	A.19.	Classes	From: TO: give level of classes (ie: 1st grade)	
B. Salaries and Wages						
B.1.	For which month was the most recent salary payment?		Month Code (1-12)		Name the month	
B.2.	How is the salary paid?		Code	Specification		
B.3.	Have there been delays of more than one month during the past year in payment of salary?				Yes=1 No=0 If NO, go to Section C	
B.4.	What do you think is the reason for this delay? <i>Multiple answers possible</i>					
B.5.	What should be done to improve payment of salaries? <i>Multiple answers possible</i>					
C. Operations and Maintenance						
C.1.	Have any Operations and Maintenance needs been faced in the last year?				Yes=1 No=0 If NO, go to C.3. If Yes: Complete Table C.2.	
C.2(a)	How many official O&M requests have you made over the past year?					
C.2 (b)	If no official request, why? <i>(First fill out the columns 1 and 2 for the stated official requests before completing the table, then ask interviewee about other requests)</i>					
Type (code)	1 Type of requirement (specify in words)	2 Amount required	3 Official request (yes=1 No=0) If NO go to column 6	4 Outcome of official request	5 Other ways tried for meeting need (ask interviewee)	6 Final Outcome ask interviewee
A						
B						
C						
D						
E						

Appendix 2

c.3.	Do you think that the school building is of good quality?			
	1: Yes	2: No	3: No building (tents)	4: Other reason (specify)
C.4.	What are the main problems with the building?			
C.5.	If there are any complaints that you have how do you express these?			
C.6.	What action is usually taken?			
DISTRICT LEVEL				
C.7.	Have you received any visits from District level official in the last 3 months?			Yes=1 No=0 If NO, go to C.11.
C.8.	How many visits has the school had from district level officials in the past 3 months?			
C.9.	Which official visited the school last? (position + source)			
C.10.	What was the purpose of the last visit?			
PROVINCE LEVEL				
C.11.	Have you received any visits from Province level official in the last 3 months?			Yes=1 No=0 If NO, go to D.1.
C.12.	How many visits has the school received from provincial level officials in the past three months?		Total number	
C.13.	Which provincial level official visited the school last?			
C.14.	What was the purpose of the last visit?			
D. Textbooks				
D.1.	Did you send an official request for textbooks for the current school year?			Yes=1 No=0 If NO, Go to D.4.
D.2.	When did you send the request for the current school year?		(DD/MM/YYYY).	
D.3.	How many books did you request?			Give total number
D.4.	Have you received ALL the textbooks for the current school year?			Yes=1 (end of school question)
D.5.	Have you received some of the textbooks for the current school year?			Yes=1 No=0
D.6.	How many textbooks have you received till today for the current school year?			Give total number
D.7.	How many books are you still lacking (you requested and have not received)?		Code	
	1. None	2. Less than 25%	3. Between 25% and 50%	4. Between 50% and 75%
D.8.	What do you think is the reason for this delay?			
D.9.	In classes for which there are no books what do you do?			
D.10.	What textbooks are you currently using?			

Appendix 3

Teachers' questionnaire

	Name:				
	Age:				
	Gender:			(Male=1 Female=2)	
	Rank:				
1	How long have you been teaching in this school?				
					Number of years
					If under a year write 1
2	What classes do you teach?				
	Put the classes in order given by interviewee				
3	How many permanent teachers work at your school?				
					Total number given my interviewee
4	On which date did you receive your last salary (in hand or in account)				
					(DD/MM/YY)
	If interviewee does not remember exact date, try to get an estimation (2-3 days)				
5	Over the past year, how have you been receiving your salary?				
6	Have you been receiving your salary regularly, every month?				
					Yes=1 No=0
7	What is the longest delay that you have had in payment of salary?				
					Give number of duration in months
8	What was the reason given for this delay?				
9	What do <u>you</u> think was the reason for this delay?				