

UNIVERSITIES FINANCING POLICY ISSUES

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University autonomy represented an additional argument against government interference in university education. From academic perspective, the diversification of funding sources and the introduction of changes in the funding mechanism represented positive factors in the evolution of higher education. It is obvious that most of the problems associated with underfunding of higher education are relevant because it affects the quality of education and overall performance of universities. Since the training costs per capita in the higher education system were the lowest compared with the same indicator in relation to vocational schools and colleges in the period of 2005 – 2009, it is clear that underfunding is real and requires necessary measures to be taken to remedy the situation

Key words: *universities financing, universities policy, European Higher Education*

JEL Classification: *A220; I250*

I. INTRODUCTION

The issue of funding higher education is an older topic present on the public agenda prior to the accession of the Republic of Moldova to the Bologna Process. Both policy makers on the one hand and universities on the other hand realized that higher education was underfunded and the situation could not be endlessly tolerated. However, during the consolidation of the higher education system an intermediate and temporary solution was acceptable to both sides. Under the conditions of underfunding, a saving solution for universities has become fee-based education, which allowed them to partially moderate their demands in relation to budgetary financing. This option was convenient for universities under the conditions of expansion of higher education due to increased demand for university education from secondary and high school graduates. In the same context, the government failure to meet the universities needs for financing was a reasonable argument for it not to strongly interfere in the regulation of key aspects regarding universities operations, particularly the collection and management of part of the financial resources (income gained from tuition fees). Moreover, university autonomy represented an additional argument against government interference in university education. It should also be noted that the government has always disposed of a decisive instrument of intervention, regulating the allocation of financial resources, and from 2005 onwards including those accumulated by universities from tuition fees, which limited the ability of institutions to allocate those resources according to the specific needs of each university individually.

Peaceful coexistence between the university system and authorities, however, was gradually undermined by a number of factors that affected the existing balance and have brought to the fore the issue of adequate funding of higher education.

The alignment of Moldova to the Bologna process in 2005 assumed implicitly redefining the relations between universities and the government. In fact, however, the issue of funding was addressed earlier during the run-up for accession and at that time the authorities provided support in promoting the reform at the highest level. Moreover, the improvement of the mechanism for funding higher education was recognized as one of the basic directions of activity of all interested parties. From academic perspective, the diversification of funding sources and the introduction of changes in the funding mechanism represented positive factors in the evolution of higher education. On the other hand, the attention was drawn to some negative trends such as the decrease in real funding and the lack of funds to cover current expenses, repairs, maintenance, etc. Simultaneously there was mentioned the lack of some adequate mechanisms for collecting and managing new funds effectively.

II. SOCIAL FUNCTIONS OF HIGHER EDUCATION

Executing social functions of higher education is only possible in the case of substantial increase in budgetary allocations, full coverage of all expenditures and stimulation of higher education institutions (HEIs) to look to new sources of income, which requires a series of actions such as:

- development of a legal and institutional framework for HEIs financing;
- funding sources diversification;
- substitution of financing on the basis of expenditure items with global financing ;
- differential funding of HEIs based on performance and quality;
- providing universities with financial autonomy based on efficiency and public responsibility criteria.

Some opinions expressed by academia representatives drew attention to a holistic approach to education funding, including research. Also, for the purpose of diversifying funding sources there has been proposed the adjustment of normative framework to entitle universities to found joint ventures and companies, to take bank loans and to deposit financial resources into commercial banks, the granting of tax concessions to economic entities that sponsor education and research and the possibility of a more flexible use of financial resources. Other opinions argued for granting an autonomous status to universities regardless of the legal form of organization, which would imply a full institutional liability in terms of funding, infrastructure, etc., meanwhile allowing an appropriate distribution of funding according to necessities without public authorities interference.

The demands of the university system confirmed the existence of a rather centralized and rigid funding system, which did not allow universities a more flexible allocation of resources depending on specific needs. The decrease in budgetary allocations for higher education sector and in spending for infrastructure development was aggravated by the increasing number of students without a corresponding increase in funding.

Some analyses have registered the lack of specific mechanisms and practices of accumulating and managing the resources within HEIs, that as a result remained dependent on public financial resources and those accumulated from tuition fees. Moreover, doing entrepreneurial business to diversify and amplify the income of HEIs is impossible because of incomplete regulatory framework in this area.

It is obvious that most of the problems associated with underfunding of higher education are relevant because it affects the quality of education and overall performance of universities. Since the training costs per capita in the higher education system were the lowest compared with the same indicator in relation to vocational schools and colleges in the period of 2005 – 2009, it is clear that underfunding is real and requires necessary measures to be taken to remedy the situation.

The remedy to the situation was very specifically understood and interpreted by the authorities that strongly interfered in the education market by regulating the entrance process and limiting the admission to universities beginning with 2006. This decision has significantly affected the financial standing of these universities recording substantial losses. Some evaluations showed that the financial losses incurred by universities due to this decision amounted to nearly 400 mln MDL during 2006-2009.

Government interference in the admission process (has been in practice up to date) has had visible effects on the system of financing universities as well. Anticipating data analysis that allowed such findings, we will just point out that in the last six years we see a growing presence of the government in funding higher education. Thus the share of budgetary resources in the total of expenditures for higher education has increased substantially against the backdrop of a decrease in financial resources gained from tuition fees.

III. TUITION FEE

The subject of tuition fees remains a sensitive one for universities. According to the opinions expressed by some rectors, tuition fees have been the lifeline for universities allowing them to develop their technical and material facilities. On the other hand, the amount of present tuition fees does not reflect the real costs incurred by HEIs in the training process. Given that there are discussions on the government regulation of tuition fees a viable solution would be the regulation of the lower level of fees without placing a ceiling for the upper level, which would allow universities to provide qualitative education. Depending on the specialty there can be applied a differentiated system of tuition fees with placing a ceiling for the lower level but upper limits to be set by the university senate. The ideas expressed by some university rectors confirm the fact that financial autonomy is rather a wish than a reality. Moreover, the expression of these views during the campaign for admission for the academic year 2011 - 2012 demonstrated urgency and importance of financial issues. The struggle for increasing the rate of tuition and hostel fees between the Ministry of Education and universities was revived at the end of the first semester of academic year 2011- 2012. The officials from the Ministry of Education stated that the issue of tuition fees increase is not on the institutional agenda, pointing out that the rate of tuition fees is fixed by the

senate/board of educational institutions based on related expenses. As expressed, these statements suggest that universities are to decide on the rate of tuition fees. However, they contradict the opinions expressed by the rectors who reiterated that tuition and hostel fees should be raised because they do not correspond to real costs incurred. These differences demonstrate once again that universities are not those who have the final say on the rate of tuition fees and the problem still remains suspended and postponed.

From the perspective of HEIs, the pressure on the government to increase budgetary allocations is somewhat justified. Thus, the government should compensate the universities losses from the deprivation of an important source of income and to increase budgetary allocations since it interfered in the admissions process by limiting the number of students enrolled.

An additional factor that has "forced" HEIs to seek a more substantial financial support from the government and strengthen this relationship over a long period of time refers to the pressure of the demographic factor. The decrease in the number of high school graduates due to negative demographic trends and the impossibility to enroll into universities the secondary school graduates will substantially reduce the ability of universities to supplement the financial resources from tuition fees. Also, competition with other educational levels should not be ignored in the long term, despite the fact that Moldovan universities have currently surpassed vocational schools and colleges in attracting potential beneficiaries of education. Another element that has the potential to undermine the financial position of universities is foreign competition. Starting out from the assumption that at the moment this competition does not constitute an obvious danger, alignment and integration of the higher education system of the Republic of Moldova with the European Higher Education Area will scarcely test the competitiveness of local universities. Even if we exclude foreign competition from the equation, the potential beneficiaries of university education are facilitated by the Romanian government. Thus only for the academic year 2011 - 2012 there were offered 1920 places for university education and 330 places on Master courses.

Under the circumstances, the university system of Moldova is subject to major challenges and the availability of financial resources is a decisive factor in their ability to provide qualitative education to cope with competition in the education market.

The financially precarious position of higher education is well known by the authorities and the perception of policy makers in relation to the problems facing higher education almost completely overlaps with that expressed by the representatives of the university system.

The authorities recognize that the low level of autonomy of higher education institutions, especially in the management of financial resources, as well as the hyper-centralization of the mechanisms for higher education institutions financial management are the fundamental challenges facing higher education of Moldova.

Moreover, the assessment due to which during the process of allocating funds to universities the role of the relevance and performance criteria was diminished is a guide to the possibility of a discretionary allocation of public funds within the higher education system. In the absence of clear and transparent criteria on the allocation of public funds the talks on equal conditions and opportunities based on an equitable distribution of financial resources are irrelevant. Despite the increase in financial allocations to HEIs in recent years, insufficient funding associated with inefficient financial management are important constraints on higher education performance improvement. In this context it should be noted that the draft Education Code includes a number of important provisions regarding the improvement of the higher education financial situation, eliminating a number of gaps in the normative framework and responding positively to many requests from the university system.

IV. CONCLUSION

The awareness of these problems seems to have an impact on the relations between the government and the university system by increased funding in recent years. So far it is not clear which were the decisive factors that have spurred this growth and how relevant are the consistent financial allocations in order to be able to speak about a constant tendency in supporting higher education. This question is based on the assumption that the higher education subsystem is only one of the educational subsystems and is in fierce competition for resources with other subsystems, being obliged to substantiate and justify the requests for financing.

The shortage of financial resources recognized by all parties involved obviously affects the quality of education and overall institutional performance, which requires the increase in funding higher education and the review of the funding mechanism. However, we should mention that these problems hide other issues, particularly those of the funding mechanism. But this subject has been virtually always omitted from the public debate. As recognized in official policy documents (the fact mentioned above), there is no a transparent mechanism and a methodology under which to carry out the distribution of resources. So far it is not clear

according to which indicators there have been funded various universities. It is also not clear what is the way of allocating public funds for different specialties. It stands to reason that the training of specialists at some specializations requires more investment than at other specializations. In the event that there are the same specialties in different HEIs a reasonable question would be whether the funds are allotted according to the same formula for both institutions or not. These questions are relevant in the context of competition for resources within the higher education system and raise issues such as equitable distribution of public funds, equal access to resources/equal opportunity and the efficiency of their use.

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