5th World Conference on Educational Sciences - WCES 2013

Strategic Priorities For Education Funding
Vasile Bleotu\textsuperscript{a}, Tilea Doina Maria\textsuperscript{b*}

Associate Profesor, PhD\textsuperscript{a}, Lecturer\textsuperscript{b}, "Dimitrie Cantemir" Christian University The Faculty of Finance Accounting Banks\textsuperscript{a}, The Faculty of International Business and Economics\textsuperscript{b}

Abstract

The importance of education - as an act of conscience on which not only the future welfare of that nation depends largely, but at the same time, power, influence and even its existence as a distinct entity in regional and global configuration are widely recognized in all business environments. At a European level it has had long-term development and ensured sustainable funding in the higher education sector lately.

1. Introduction

The strategic objectives set by the European Committee in 2002, within 'The Barcelona European Committee', as well as the adopted decisions at a European level within the „Bologna process”, caused the reform process of the educational system to speed up. This system aims at observing the finance devices within the European Union states.

The financial advice is mainly addressed to the academic management, but not to students as well. For example, the distinction between the basic financing and the additional one regards the way in which universities use the funds, and not the source of the revenues. Thus, universities get money for the salary payment and for the utilities (through the basic financing), and the money for the students’ scholarship, subsidies for students living in abodes, and so on. (through additional financing).

Among them there are:

- The increase of public financing for the higher education;
- The granting of a larger autonomy to the institutions, for the financial resources management;
- The establishment of a direct relation between the result and the appropriation by public financing;
- The encouragement of the financial sources diversification, as well as the creation of some partnerships.

2. The necessity of raising public financing in education

In 2003, the amount of the public expenses for the higher education represented about 1.14% of the GDP in the European Union 27 member states. The public expenses for the tertiary education represented more than 2% of...
GDP in Denmark, Finland, Sweden and Norway during the same year. For many governments, the raising of the public financing for the higher education represents the subject of a national strategic policy or that of a reform.

Among the countries that have an actual plan for a main increase of the public financing, Belgium (The Flemish Community) forecasts a 9% increase in the 2006-2010 period. In 2008, The Austrian Federal Government spent 11% more for the higher education than in 2007 and in 2009 a new increase was recorded. The public financial amount for the higher education is increasing also in the UK, England, for example recorded an increase of almost 5% in 2008 in comparison with the previously year. In Ireland, the public financing grew 6% from 2007 until 2008. In Iceland the public expenses for the higher education will get from 2% of GDP in 2010 to the 1.59% in 2005. The Latvian Government intends to increase the number of budget seats for the specializations that are required on the Labor Market.

In Portugal, the whole budget for the Science Minister, Technology and Higher Education has grown, according to the government priority of strengthening the technological and science development.

In France, regarding education, the GDP is established to 1.2%, to this participating the public sector, essentially the state, as well as the local authorities, and to a lower degree the companies. The state’s part in the education financing is important, representing 60-69% of the financial amount, the authorities rising to about 10%, the difference is formed from other incomes, the financing for the research in the higher education institutions has grown. In Denmark and Cyprus, the public financial for research and development should reach to 1% of GDP in 2010.

3. A higher institutional autonomy regarding financial resources administration

In most countries, there is a clear settlement tendency to a higher autonomy for the higher education institutions regarding the institutional policies, and especially the institutional budget management. In some countries, such as the UK, the higher education institutions have traditionally enjoyed a higher autonomy, including financial aspects. For more than 20 years, The Netherlands universities have enjoyed a significant autonomy and in 1997 the Iceland’s higher education institutions got an absolute autonomy for the financial resources management. In most of the remaining countries, the higher education institutions have recently started to function with more autonomy and to establish its own policies for financial resources management, bearing in mind the specific operational necessities and of the strategic development plans. This process is necessarily accompanied by many control devices, such as the annual report.

In Belgium (The Flemish Comunity), the higher education public institutions used to be checked and rigorously controlled by the government once. Nowadays they have a higher institutional autonomy, including the financial issues that led to a considerable increase of their charges regarding the institutional policies and a higher involvement of the faculty and students in the institutional government.

In Greece a new law recently adopted by the government will depress the Ministry’s control of the National Education and Religious Issues over the financial resources management. Each university will adopt a 4-year academic development plan, closely related to the public financing.

In France a new law (since August 2007) offers autonomy to the universities, concerning the budgets and management: universities may receive new charges and a new authority in the financial issues (financial autonomy) and they have the possibility to set up university foundations or to create partnerships with companies.

In Hungary, the Higher Education Contract since 2005, has introduced new funds allocation and management devices, that bring much more freedom to the high education institutions for its own resources management.

In Portugal, starting with the academic year 2007/2008, according to the new system of high education, the law allows the higher education public institutions to have a foundation status, giving them more autonomy, especially on the act of financing. Early in the year 2007, a group named by the Finnish Ministry of Education proposed that universities get a foundation legal status for their financial autonomy increase.

In Norway, although the higher education institutions was strongly coordinated by the state in the past, The Quality Reform (2000-2001) increased in a sizeable way the higher education institutions’ autonomy for their activities management and accomplishment. Meanwhile, the institutions performance is closely monitored by the central authorities.

4. The establishment of an objective function regarding results and education financing
The central authorities are increasingly interested in optimizing the balance between the financial resources that they invest in the higher education, the main results and yields got in this sector. They establish financial devices that have as goal the results correlation with the public funds future allocation. This is usually achieved through a budget transaction process and through a contract made between the high education institutions and Ministry or the financial council, or through budgets settlement systems using certain formulas, including the performance indicators.

In many countries, such policies have already been firmly established (in Estonia since 2002, in the UK since 1986). In other countries similar reforms have recently been enforced (in Austria since 2007) or they are developing (in the Flemish Comunity from Belgium since 2008). The Spanish Government is debating on the financial system improvements, that are enrolled in the same direction, while Romania included political actions in a long-term strategy for the higher education development.

The central authorities pay more and more attention to using more complex and proper tools for monitorizing and reporting the higher education.

5. The higher education institutions’ direct public financing

Although most national European policies are encouraging the higher education institutions to be increasingly reliant on the financial private sources, the direct public financing continues to represent an important part of the higher education budget. In 2003, within the 27 member states of the UE, 79.9% of the higher education institutions finances came from public sources. In five countries there has been recorded a percentage up to 70% in Poland (69%), Cyprus (65.8%), Lithuania (61.8%), Bulgaria (55.2%) and Latvia (44.9%). The methods used by the public authorities for the higher education institutions’ finances should be closely analysed, because they may influence the institutional strategies.

As a trend, a certain changing point has become visible in Europe, regarding the higher education financial devices. For example, the financial devices used to involve transactions between the higher education institutions and the state on the amount, accounting these amounts on the basis of real costs paid by institutions and grants shared on budget categories. Yet, for about 15 years, many countries have introduced global subsidies and calculation formulas of the money granted, as well as measures for public financial quantum depending on the institutions’ performances. This tendency was usually correlated with new monitorizing procedures and the responsibilities taken.

The public funds are allocated on the basis of some budget categories that must only be respected in Bulgaria, the Czech Republic, Greece, Cyprus and Latvia. In Greece, since 2007/2008, the higher education institutions have received more autonomy in this way, similar plans existing for Latvia as well (since 2009).

At present in Greece there are five categories: the staff, operational expenses, expenses for the students’ cafeteria, the temporary staff and public investments. Since 2007/2008 the institutions have been allowed to make some transfers between the operational expenses budgets and the invesment ones.

In Bulgaria, there are five categories: studies expenses, research, scholarships, textbooks issuance costs, research results expenses, the capital investment costs.

In Latvia, higher education institutions must ask for the National Treasury permission to make transfers between the settled amount for salaries, the immobile good expenses and expenses.

In all other countries the global subsidy is shared between the expenses categories, mainly based on the institution’s internal management. In Belgium, Ireland (the technological institutions), France, Lithuania, Hungary, Poland and Slovenia, the institutions receive global subsidies that they have to spend according to the budget categories presented to the paymaster or supervising authorities.

In France, the higher education institutions must present, for approval, the budget project to the supervisor authority, before this can function. In some cases, the budget must be approved or refused by the authorities (for example, if the public funds allocation or the budgetary balance are not respected).

In Hungary, the institutions must annually send a budget project, to the manager, before any expense is made. The manager may modify it if he thinks the project doesn’t allow the institution to reach its basic goals.

The higher education institutions in Poland must present the financial activities projects to the Finance Ministry, unless there is an institutionalized authority that could approve them. In most of the cases the global subsidies are for covering the expenses of education activities and current operational activities. Rarely, the employee’s salaries can be excluded. In half of the countries, the global subsidies can finance some research expenses.
In Belgium (The German Comunity), the staff salaries are directly paid from the community budget.
In France, the employees’ salaries are paid directly by the state. However, the higher education institutions can directly pay salaries for certain categories of employees from their own funds.
In Denmark, the global subsidies are only related to the teaching expenses. The indirect financing is thus excluded (for example, the public transfer towards the private sector through subsidies and public lendings, tax exemption, etc)

6. The public funds allocated to educational research

The higher education institutions from Europe receive public money for research and development (R&D-eng, C&D-rom) through many financial methods that treat the performances in different ways. This thing involves the funds for the expenses of basic or applied research research from the university education institutions, including all the research institutions and the experimental units that function under their direct control or that are managed by or associated to them

7. Conclusions

The resources destined for the education within the UE reflects the tendency of a quicker diversification of the financial sources through the distribution of financial charges between the public and private sector.

The higher education has remained, in relative terms, progressively underfunded in many member states of the UE. The OECD studies reflect the fact that the European universities are seriously underfunded, while the Worldwide Bank Report illustrates the inappropriate level of the higher education financing, unable to ensure the abiding economic development, as well as the professions expansion based on knowledge. The financing structure and the policies practiced in the educational field vary from state to state and sometimes within the same state, from a certain region to another. In Ireland, Holland, Finland, the UK, Estonia, Latvia, Lithuania, Hungary, Malta, Slovakia, the regional authorities have no role at all, unlike Germany, Spain and Belgium, where the regional authorities have an important role in the financing of the educational system. With a view to reorganizing and improving the ways of financing education, the member states have started to take a series of actions, directly related to the objectives and priorities established through the respective policies.

8. References

Scarlat Caesar, Daniel Popescu - Romania's EU accession Impact on public institutions, the European Institute, Iasi, 2002;
Commission Européenne, Structures des systemes d'enseignement et de formation initiale dans l'Union Européenne, Bruxelles, 1995;