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Higher Education Governance in Europe

Policies, structures, funding and academic staff

European Commission

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Eurydice

The information network on education in Europe

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Eurydice
European Unit
Avenue Louise 240
B-1050 Brussels
Tel. +32 2 600 53 53
Fax +32 2 600 53 63
E-mail: info@eurydice.org
Internet: http://www.eurydice.org

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PREFACE

The role of higher education in the society of knowledge is recognised both at European and Member State levels. This level of education is called upon to make a significant contribution to achieving the Lisbon objectives in terms of growth, prosperity and social cohesion. The European Union 'Education and Training 2010' work programme clearly emphasises the importance of modernising higher education institutions and of the reforms encouraged by the Bologna process, with a view to establishing a European Higher Education Area.

To meet these expectations, higher education has to respond to some major challenges: it must achieve a level of quality that stands the test of international comparison, improve governance and accountability, increase its funding and diversify its sources of funding. These major aims presuppose changes in higher education that have to be among the top priorities on the policy agenda and in the national strategies of European countries.

The present study highlights the process of modernisation at work in higher education in Europe and analyses in particular the structures of governance, the methods used to fund higher education institutions and their responsibilities vis-à-vis academic staff. It also draws attention to the wide variety of models of governance, for example as regards private fund-raising, or decision-making bodies inside institutions. It further emphasises that important national debates are under way concerning the strategic policies of higher education, which involve a wide range of stakeholders.

The study thus enhances our knowledge of the processes of governance in higher education and is original in terms of its geographical coverage, through surveying 30 European countries in the Eurydice Network. I wish to warmly thank the National Units and the European Unit for their contributions, which I hope will provide assistance to all those involved in higher education as they consider possible measures enabling them to play a full part in achieving the Lisbon objectives.

Ján Figel'

Commissioner responsible for Education, Training, Culture and Youth

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EXECUTIVE SUMMARY

Strategic policies (Chapter 1)

The need for longer-term planning and development of strategies for higher education is widely recognised across Europe. The majority of countries involved in this study are implementing or are in the process of introducing specific policy documents that outline national strategic priorities for **ensuring the financial sustainability** of the higher education sector. Although concrete policy solutions vary from country to country, some common medium term objectives are apparent. These include:

- increasing public funding for higher education;
- granting more autonomy to institutions for managing financial resources;
- establishing direct links between results and the amount of public funding allocated;
- encouraging the diversification of funding sources as well as the creation of partnerships with research institutes, businesses, and regional authorities.

There seem to be fewer comprehensive strategic policies for academic staff than for funding. Personnel is more often the subject of specific reforms. Trends such as linking funds to results also affect academic staff. **Priorities with respect to academic staff** include:

- a focus on more balanced gender and age distribution;
- more autonomy for managing academic staff; and
- the introduction of performance criteria.

Structures of higher education governance (Chapter 2)

European higher education institutions (HEIs) are legally autonomous. This autonomy is framed within national accountability systems, which are primarily intended to promote trust between HEIs and society. Official legislation defines institutional governance structures and realms of responsibility for public and government-dependent private HEIs in every country.

The **executive head** of the institution is generally the main figure responsible for the HEI's strategic planning, development, organisation, management and monitoring. In about one third of the countries, the executive head is selected by stakeholders within the HEI, but final appointment is made by an external authority such as the Ministry or head of state.

The **institutional decision-making body** is the governance body responsible for long-term institutional planning and strategic development. The **academic body** serves as the decision-making body in about half of the countries involved in this study. There is a trend toward involving external stakeholders from industry, commerce, and civil society in institutional governance bodies, mainly as members of **advisory or supervisory bodies**. HEIs in most countries have introduced a supervisory body composed mainly or solely of external stakeholders. In terms of institutional autonomy, this body's general purpose is to safeguard the interests of the institution and, in terms of accountability, to ensure that the institution complies with national laws and regulations.

Governance structures of independent private HEIs are regulated in the same way as public and government-dependent private HEIs in more than half of the countries involved in this study.

Public funding models (Chapter 3)

The following main characteristics of the public funding of HEIs in Europe have been identified in this study:

- funding formulas are used almost everywhere in the allocation of public funds;
- performance indicators based on students' results are used in funding formulas in the majority of countries;
- public funding is awarded in accordance with a performance contract in twelve countries;
- public funds for research are allocated according to various mechanisms.

Funding formulas that are used to allocate funds to institutions are usually based on the volume of activities, which is often measured as the number of students enrolled at the institution. Different approaches exist for the use of performance indicators in funding formulas: in certain countries, an extremely small proportion of public funding is allocated according to performance indicators, whereas in the United Kingdom, the block grant for teaching, operations and research is directly dependent on the performance of institutions. In addition to considering the volume of activities and students' results, certain countries also use other mechanisms for allocating public funds, which ensure a certain amount of stability in terms of resources from one year to the next.

Performance contracts define objectives in line with national priorities. These contracts can concern the majority of the public funds allocated to institutions or only a small portion that are intended for specific projects. In the cases where the previous contract has an influence on the amount of funds awarded in the next contract, quantitative indicators regarding the number of graduates or the general quality of management at the institution are considered. Reforms are currently under way in some countries to establish a more direct link between the achievement of qualitative objectives defined in past contracts and amounts allocated for future contracts.

Funds are allocated on a competitive basis for specific **research projects** or programmes in every country. This allocation mechanism already represents or is likely to become the main source of public funding for research in several countries. Almost all countries also provide **basic research grants** that are not related to particular research projects. The calculation of the amount of a basic grant for research may depend on an institution's costs or research performance. Most countries consider both aspects, which creates an element of competition between institutions.

Public funding – autonomy and accountability (Chapter 3)

Almost everywhere, HEIs receive public funding in the form of **block grants**. Block grants cover many types of expenditures, which are determined by the institution. However, in some countries where block grants are awarded, in particular in Central and Eastern Europe, a forward budget must be endorsed by the public authorities. The majority of countries involved in this study have the possibility to transfer public funding from one year to the next. There are various **accountability measures** for the use of public funding, such as financial audits, performance indicators, annual reports, production of information for databases, publication of internal evaluation results and other methods of disseminating information.

Private funds-authorised sources and incentives (Chapter 4)

The most important authorised **sources of private funding** are:

- donations and legacies from private entities, as well as
- partnerships resulting in research contracts between HEIs and private contractors, and
- fees from service provision.

Loans, revenues from property, sponsorship of posts, investments and the creation of companies are also authorised and common in many countries, although in some of them, these types of income sources are either not allowed or they are subject to **restrictions**. This is primarily the case for loans, investments, and the creation of companies, which in several countries need prior agreement from the responsible authority, i.e. the institutional level management, the funding body or the responsible ministry or other government authority.

The vast majority of European countries have implemented at least one type of **incentive** to encourage HEIs to obtain private funding. Tax allowances for donors and private partners are the most common incentives, whereas tax allowances for institutions are the least common. Financial or other support for partnerships with private companies and regulatory frameworks authorising institutions to own intellectual property rights for research results each exist in approximately a dozen countries.

With very few exceptions, accountability measures for private funds do not differ from those for public funds. Financial reports and audit procedures, which must be submitted regularly to authorities, also take the collection and use of private funds into account.

Academic staff (Chapter 5)

In most countries, the **recruitment process** as a whole is based mainly on a joint effort between the institutions and the authorities at central level. Only five countries enjoy particularly noteworthy institutional autonomy in terms of recruitment.

Certain steps in the recruitment process, however, are defined largely either at central or institutional level.

Categories of staff and their respective eligibility criteria are defined by official regulations in the vast majority of countries.

In most countries however, most of the recruitment process is the responsibility of one of the existing institutional level bodies (senate or board of governors).

Approximately half of the countries organise **competitive examinations**. Procedures for organising these competitions are often subject to criteria defined at central level.

Institutions are the formal **employers of academic staff** in the vast majority of countries.

In the majority of countries, teaching staff at public or government-dependent private higher education institutions are **employees working under contracts** governed by general labour legislation (with their contracts being permanent or not). In fourteen countries, they have the status of **civil servants**. Nevertheless, there is often a mixed statutory framework with staff hired as civil servants or on a contractual basis. There is a trend towards a relaxing of requirements related to contracts and/or professional statuses in certain countries.

The process of **defining salary scales** is based mainly on legislation and other official documents at central level in most countries.

In approximately a dozen countries, the **annual gross salary** is fixed mainly by the central authorities. This process is based on joint decision-making power between the state and institutions in another dozen. In eight countries, institutions have a high level of autonomy in terms of determining annual salaries. Criteria for **granting bonuses and promotions** appear to be defined generally at central level.

In the majority of countries, only the main **tasks** expected of academic staff are described by legislation or any other binding official regulation. Concrete tasks linked to a specific post are normally laid out in the employment contract and are formulated at institutional level.

Criteria for the **evaluation of academic staff** are established at institutional level in most countries. There might, however, be general indications from central level as to the factors which must be included in the evaluation of academic staff.

GENERAL INTRODUCTION

Context

In recent decades, higher education systems in Europe have been undergoing a major transformation ([1]) influenced by national and international developments such as the rapid expansion of student enrolment, a relative decrease in public funding along with a shortage of private funding, the increasing importance of research and innovation in the global and knowledge-based economy, and wider competition between higher education institutions. More recently, the impact of the Bologna Process on curricular reform, quality assurance, and mobility has become one of the key propellers of change.

The need to address these profound changes and to improve the quality of European higher education has led to reviews of the institutional governance structures. Although public authorities retain a central role in regulating and co-ordinating higher education across (most of) Europe, there has been a gradual shift in recent years away from detailed state control and toward external guidance by different stakeholders. Within the institutions, governance structures have shifted away from the traditional mode of academic self-government and toward new models of managerial self-governance.

At the European Union level, the Communication of 10 May 2006 urged Member States to press on with the modernisation of Europe's universities with the aim of increasing universities' contribution to the Lisbon Agenda for more growth and for more and better jobs ([2]). Member States are urged to liberate the EU's substantial reservoir of knowledge, talent and energy with immediate, in-depth and co-ordinated change: from the way higher education systems are regulated and managed to the ways universities are governed.

In support of these goals and the agenda for co-operation in education, the Directorate General for Education and Culture of the European Commission invited the Eurydice Network to collect data for a study on the regulatory frameworks in higher education governance. This study complements country-specific and comparative publications on higher education published by Eurydice in 2007: *Key Data on Higher Education in Europe*, which concentrates on the social dimension of higher education (contributions paid by students towards tuition costs, student support, loans, etc.); *Focus on the Structure of Higher Education in Europe*, which examines national trends and follow-up measures in the Bologna Process; and Volume 5 of the *European Glossary on Education*, concerned with terms used to denote formal decision-making, advisory, operational and regulatory bodies in higher education.

The present study focuses in particular on policies, official regulations, rights and responsibilities in the governance of higher education institutions. In the general Europe-wide trend towards less prescriptive regulatory frameworks, a variety of national models have been developed within the respective contexts of academic self-governance and external accountability, the influence of new demands on higher education, and the persistence of national traditions ([3]). **The aim of this study is to provide an in-depth understanding of national normative frameworks and to position national situations vis-à-vis trends across Europe.**

([1]) See for instance Eurydice (2000) Two decades of reform in higher education in Europe: 1980 onwards.

([2]) European Commission (2006) Communication from the Commission to the Council and the European Parliament. Delivering on the modernization agenda for universities: education, research and innovation.

([3]) For a typology of governance models in higher education see for instance: CHEPS (1994) Comparative Policy Studies in Higher Education and Merrien, Fr-X. (eds) (1999) Towards a New Model of Governance for Universities? A Comparative View.

Concepts and definitions

In this study, a distinction is drawn between higher education **governance** and **management**. As far as higher education is concerned, governance focuses on the rules and mechanisms by which various stakeholders influence decisions, how they are held accountable, and to whom. In the context of higher education, **governance** refers to 'the formal and informal exercise of authority under laws, policies and rules that articulate the rights and responsibilities of various actors, including the rules by which they interact' ([4]). In other words, governance encompasses 'the framework in which an institution pursues its goals, objectives and policies in a coherent and co-ordinated manner' to answer the questions: 'Who is in charge, and what are the sources of legitimacy for executive decision-making by different actors?' **Management**, on the other hand, refers to the implementation of a set of objectives pursued by a higher education institution on the basis of established rules. It answers the question 'how are the rules applied' and is concerned with the efficiency, effectiveness and quality of services provided for internal and external stakeholders ([5]).

Despite the distinction between governance (with its emphasis on the process of setting policies and long-term goals as well as the strategies for reaching these goals) and management (which is action-oriented), the various links between the two will not be overlooked. Thus, although the study is concerned mainly with regulations issued by public authorities in relation to higher education governance, it also contains and analyses information about mechanisms for policy formulation, decision-making at central and institutional level, incentives and accountability procedures.

Public or private actors or stakeholders may be categorised as external or internal to institutions:

> **External stakeholders**: persons who have a vested interest in the function, practices, and outcomes of higher education institutions (may include members of central, regional or local government, employers in the labour market or other representatives from industry, members of labour unions, national student associations, representatives of civic society, graduates, parents of students, etc.).
>
> **Internal stakeholders**: institutional governance bodies (e.g. advisory board, council, academic senate, etc.) and persons employed by or enrolled at a higher education institution.

Bodies can work at the institutional level, or at regional or national levels. Bodies at the institutional level are typically governing boards, academic senates, and councils, etc. These can be composed of internal or external actors (or stakeholders), or include representatives of both groups. Typical bodies at regional or national levels include ministerial committees or departments, councils for higher education, science and technological councils, and independent umbrella organisations for higher education, etc. These bodies may consist solely of external actors or include representatives of the respective higher education institutions.

A glossary of codes, abbreviations, and of frequently used terms can be found at the end of the report.

([4]) Hirsch, Werner Z. Weber, Luc E. (eds) (2001) Governance in Higher Education. The University in a State of Flux.

([5]) Council of Europe; Fried, J. (2006) Higher education governance in Europe; autonomy, ownership and accountability – A review of the literature In: *Higher education governance between democratic culture, academic aspirations and market forces*.

Scope of the study

The present comparative study takes the reference year 2006/07 and covers all Eurydice Network countries except Turkey. The study concerns issues relating to higher education governance and reviews the stakeholders and bodies that are involved in devising policies and decision-making, as well as the various ways in which they interact. The policies, regulations, incentives, and accountability measures are discussed within the contexts of governance **structures**, **funding**, and **academic staff**. These issues were selected because they represent crucial elements in higher education reform agendas and are directly linked to the key imperative of efficient use of resources ([6]).

Quality assurance procedures are also an important aspect of the concept of governance; however, they are not analysed in detail here since they have been covered extensively in the Eurydice publication *Focus on the Structure of Higher Education in Europe 2006/07* ([7]).

This study covers governance issues in officially recognised public and private higher education institutions that offer programmes at ISCED levels 5 and 6 and are provided for under the legislation of the country concerned. Foreign universities established in the country are not considered, nor are regulations for taking part in European programmes taken into account. State institutions for national security, military or police training are also not covered.

The study primarily examines public and government-dependent private higher education. Data on independent private higher education institutions is very limited; however, when the information is available, it is included in separate sections at the end of each chapter. When regulations or practices refer to a specific type of institution (e.g. universities, institutes of technology, universities of applied sciences, institutions for continuing education, etc.), reference is made to the relevant type. When all institutions are concerned, the study refers to 'higher education institutions' or 'HEIs'.

In official documents, top-level education authorities express their requirements in different ways. In some countries, their recommendations are so strong that they are in effect prescriptive. In others, institutions retain a significant degree of autonomy. For this reason, the term 'official regulations' has to be understood in a broad sense to include recommendations as well as laws, decrees or other guidelines drawn up for advisory purposes.

The governance concept also extends to informal practices having to do with the authority exercised by higher education institutions. Since it is not possible to address this aspect through a study of the regulations and policy documents available via the 'normative' framework of the Eurydice Network data, this study devotes only limited space to current representative institutional practices.

([6]) European Commission (2003) Investing efficiently in education and training: an imperative for Europe. Communication from the Commission.

([7]) Eurydice (2007) Focus on the Structure of Higher Education in Europe – 2006/07. National Trends in the Bologna Process.

Structure

Chapter 1 gives an overview of the national strategic policies for higher education and the main priorities in Europe in terms of funding and academic staff. The annex to chapter 1 contains a list of national strategic policy documents.

Chapter 2 examines the structures and scope of external regulation and guidance as well as institutional managerial and academic self-governance at HEIs in Europe. The external and institutional governance bodies are characterised according to their responsibilities, decision-making powers, and lines of accountability. The annex to chapter 2 provides an explanation of the main responsibilities of the primary internal governance bodies.

Chapter 3 focuses on public funding mechanisms used in Europe, analysing the extent to which they are performance-based and how they promote competition between higher education institutions and encourage higher education institutions to develop national priorities. This chapter also outlines accountability procedures linked to public funds and some aspects of higher education institutions' autonomy in managing public funds. The annex to chapter 3 includes a list of the criteria used for the most important public grants awarded to HEIs.

Chapter 4 describes possible sources and restrictions regarding private funding, including partnerships with the business world. The chapter also explores external incentives to collect private funds and certain aspects of HEIs' autonomy concerning tuition fees.

Chapter 5 discusses the actors involved in issues relating to contracts, recruitment, salaries, career progression, work time, and evaluation of academic staff.

Methodology

Information for this study was provided by the respective Eurydice National Units in response to a 'guide to content' questionnaire developed by the Eurydice European Unit. The comparative analysis was drafted by the European Unit and confirmed by the National Units and their respective experts. All those who have contributed in any way to this collective undertaking are listed at the end of the report.

The report refers to various studies and scientific publications; however, information on particular countries is based on the questionnaires completed by the national units. Specific examples of national information are presented in an altered text style in order to set them apart from the main text. These cases provide concrete examples of general statements made in the comparative study. They may also illustrate exceptions to what is seen as a general trend in a number of countries, or provide specific details supplementing a common development. Detailed national information is also included in the annexes for chapters 1 to 3.

CHAPTER 1: NATIONAL STRATEGIC POLICIES FOR HIGHER EDUCATION

The need for longer-term planning and strategy formulation for higher education is widely recognised across Europe. In several countries, governments have an extensive policy document explaining their strategic policy concerning higher education (see Annex 1).

In other countries, the current national strategies for higher education are associated with the broader policy goals of promoting science and technology development, as in the case of the Technological Plan-Portugal Innovates and the French Research Pact, introduced in 2005 and 2006 respectively, and the Science and Technology Policy 2006-2009 in Iceland. Often, reform policies that were originally envisaged in strategic documents are later integrated in legislative acts, as for example in Germany, Greece, France, Portugal, Sweden, and are thus gradually implemented in the higher education sector.

Some countries have not yet developed an overarching statement setting out longer-term objectives and measures to implement in the area of higher education.

In **Bulgaria**, a draft strategic policy on the development of higher education was submitted for public discussion in March 2007 and is now subject to further improvement.

In **Germany**, the reform of federalism in 2006 shifted much of the responsibility for higher education policy to the *Länder*. New joint tasks between the Federation and the *Länder* are still to be defined in detail.

In **Spain**, the central government is currently working on a general policy on higher education funding, although the 17 Autonomous Communities retain direct financial responsibility for public universities. The Ministry of Education and Science also recently proposed big changes related to teaching staff policies; however, there is not yet a final strategic policy.

In **Malta**, the policy for higher education funding is outlined in the annual budget speech of the Minister for Finance. The National Commission for Higher Education, set up in 2006, is responsible for recommendations on the government's strategic policies for higher education.

The higher education system in **Poland** is adapting to requirements set by the 2005 Act on Higher Education, which was drafted with the active participation of the academic community. The country is also in the process of introducing a new strategic policy on higher education funding. The changes in this area are due to the gradual implementation of the 2005 Act under conditions of persistent budget constraints.

This chapter focuses on the following questions:

- What are the major strategic priorities with regard to the funding of higher education?
- What are the major strategic priorities as regards academic staff?

Figure 1.1: National strategic priorities in higher education (funding and staff), 2006/07

		BE fr	BE de	BE nl	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT	LU
FUNDING	Increase in public funding	●	❍	●	❍	●	●		●	■	●		●	■	●	●	●	:
	More autonomy in the management of financial resources	❍	❍	●	●	●	●		❍	■	●		■	■	❍	●	■	:
	Direct links between results and funding	❍	❍	●	●	●	●		❍	■	●		●	❍	❍	●	■	:
	Diversification of funding	❍	❍	●	■	●	●		●	■	●		●	■	❍	●	●	■
	Creation of partnerships	❍	❍	●	●	●	●	⊗	●	■	❍	⊗	●	■	❍	●	●	■
STAFF	Gender balance	❍	❍	■	❍	❍	❍		❍	■	■		❍	❍	❍	■	●	:
	Age balance	❍	❍	■	❍	●	❍		❍	■	■		❍	■	❍	●	❍	:
	More autonomy in the management of academic staff	❍	❍	❍	❍	■	●		●	■	●		●	■	■	❍	❍	:
	Introduction of performance criteria	❍	❍	■	❍	■	●		●	■	●		❍	■	■	❍	❍	:

		HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK-ENG/ WLS/NIR	UK-SCT	IS	LI	NO
FUNDING	Increase in public funding	●	■	●	■	●	●	●	●	■	●	■	●	●	●	■	■
	More autonomy in the management of financial resources	●	❍	⊗	■	●	●	●	●	■	●	■	●	●	❍	■	●
	Direct links between results and funding	❍	❍	●	■	●	●	●	■	■	●	●	●	●	●	■	●
	Diversification of funding	●	❍	●	■	●	●	●	■	●	●	●	●	●	■	❍	●
	Creation of partnerships	●	■	⊗	❍	■	●	●	●	❍	●	●	●	●	●	■	●
STAFF	Gender balance	❍	❍	●	■	❍	❍	❍	●	❍	■	●	❍	❍	❍	■	●
	Age balance	●	❍	⊗	■	❍	❍	❍	❍	❍	■	❍	❍	❍	❍	❍	●
	More autonomy in the management of academic staff	●	❍	⊗	■	■	●	●	❍	❍	●	❍	❍	❍	■	❍	●
	Introduction of performance criteria	●	❍	●	■	●	❍	●	❍	■	●	❍	❍	❍	❍	■	■

● Current national strategic priority
■ Individual policies and reforms that are not part of an overall strategy
❍ No explicit strategic priority
⊗ Strategic priority decentralised at the regional level
: Data not available

Source: Eurydice.

Additional notes

Czech Republic: The information shown relates only to institutions providing ISCED level 5A and 6 qualifications. Institutions providing 5B qualifications are regulated by an act governing school education.
France: The national strategic priorities for higher education were the object of a law passed in August 2007, referred to as the 'university autonomy law'. It provides universities with a new system of governance and new autonomy in terms of their budgets and human resource management.
Ireland: Introduction of performance criteria for staff refers to institutes of technology.
Cyprus: The increase in public funding is linked to the major government objective to increase the number of places in HEIs and thus reduce the high proportion of Cypriots studying abroad.
Luxembourg: Information not verified at national level.
Latvia: The general priorities are to motivate academic staff to perform more research activities and to increase the number of PhD graduates among academic staff.
Lithuania: The programme 'Brain Return and Brain Attraction from Abroad' is under development. Additionally, in 2007, teachers' and researchers' salaries were increased and will be increased again in the future.
Portugal: There are plans to pass new laws regarding greater autonomy and increased accountability in terms of funding and staff at public higher education institutions.

Slovenia: Concerning staff, there are also other priorities, such as attracting researchers from research institutions, industry and abroad to participate in universities' activities, and making employment of staff more flexible, i.e. new regulations will include more restrictive use of permanent employment.
United Kingdom (ENG): There are four core strategic aims concerned with widening participation and fair access, learning and teaching, research, and the contribution of higher education to the economy and society.

1.1. Strategic priorities on funding

Increase in public funding

In 2003, total public expenditure on higher education represented an estimated 1.14 % of the GDP ([1]) in the 27 EU Member States. Public expenditure on tertiary education was more than 2 % of GDP in Denmark, Finland, Sweden and Norway in the same year.

For many governments, an increase in public funding for higher education is currently the subject of a national strategic policy or reform.

Among the countries with an explicit plan for an overall increase in public funding, Belgium (Flemish Community) foresees a 9 % increase in public funding over the 2006-2009 period. In 2007, the Austrian federal government spent 11 % more on higher education than in 2006 and a further increase is planned for 2008. The amount of public funding for higher education is also rising in the United Kingdom, with England, for instance, receiving an almost 5 % increase in 2007 in comparison with the previous year. In Ireland, public funding was 6 % greater in 2007 than in 2006. In Iceland, public expenditure on higher education should reach 2 % of GDP by 2010, as compared to 1.59 % in 2005. The Latvian government intends to increase the number of state-subsidised places for disciplines that are in high demand on the labour market.

In Portugal, the entire budget for the Ministry of Science, Technology and Higher Education has been increased, in line with the government's priority to reinforce scientific and technological development. Likewise, in France, funding has been increased for research in higher education institutions. In Denmark and Cyprus, public funding for research and development should reach 1 % of GDP by 2010.

([1]) For EU average total expenditure on tertiary education and percentage of public funding in 2003 compared to GDP, see Figures C3 and C4 in Eurydice (2007) Key Data on Higher Education – 2007 Edition.

More institutional autonomy in managing financial resources

In the majority of countries, there is a clear tendency towards deregulation and more autonomy for higher education institutions (HEIs) regarding institutional policies and, in particular, the management of institutional budgets. In some countries, such as the United Kingdom, HEIs traditionally operate with a very high degree of autonomy, including in financial matters. For more than 20 years, universities in the Netherlands have benefited from significant autonomy and HEIs in Iceland were granted full autonomy in the management of their financial resources in 1997. In the majority of the remaining countries, HEIs have only recently begun to function more autonomously and establish their own policies for managing financial resources based on specific operational needs and strategic development plans. This process is necessarily accompanied by various accountability mechanisms such as annual reporting (see Chapter 2), internal and external audit, etc. (see Chapter 3).

In **Belgium (Flemish Community)**, public HEIs were formerly strictly regulated and controlled by the government. Nowadays, HEIs have greater institutional autonomy, including in financial matters, which has resulted in a considerable increase in HEIs' responsibility for institutional policies and closer involvement by staff and students in institutional governance.

In **Greece**, a new law recently adopted by the Parliament will reduce the control of the Ministry of National Education and Religious Affairs over institutional management of financial resources. Each university will adopt a four-year academic development plan to which public funding will be directly linked.

In **France**, a new law (August 2007) provides universities with autonomy in terms of their budgets and management: they may be granted new responsibilities and authority in budget matters (financial autonomy) and have the possibility to create university foundations or partnerships with companies.

The 2005 Act on Higher Education in **Hungary** introduces new funding management and allocation mechanisms, which give much greater freedom to HEIs for managing their own resources.

From 2007/08 in **Portugal**, in accordance with the new higher education institution system, the law allows public HEIs to have the status of a foundation, granting them greater autonomy, notably in terms of funding.

In the beginning of 2007, a working group appointed by the **Finnish** Ministry of Education submitted proposals for granting each university the legal status of a foundation and for increasing their financial autonomy.

Although the state coordination of HEIs has traditionally been strong in **Norway**, the Quality Reform (2000-2001) gave HEIs significantly more autonomy for managing and organising their activities. At the same time, the performance of HEIs is closely monitored by the central authorities.

Establishing direct links between results and funding

Central authorities are increasingly interested in optimising the balance between the financial resources they invest in higher education and the overall outcomes of the sector. They are establishing funding mechanisms aimed at linking results or output to the allocation of future public funding. This is usually done through a process of budget negotiations and the conclusion of contracts between HEIs and the relevant Ministry or Funding Council, or by using formula budgeting systems that include performance indicators (see Chapter 3).

In many countries, such policies are already firmly established (Estonia since 2002, United Kingdom since 1986). In others, related reforms have been implemented recently (Austria as of 2007) or are in the process of being implemented (Flemish Community of Belgium from 2008). The Spanish parliament is currently

discussing amendments to the funding system that would point in the same direction, whereas Romania has included such policy measures in its long-term strategy for the development of higher education.

Central authorities necessarily pay increasing attention to the use of more precise and complex instruments for monitoring and reporting outcomes of higher education.

In **France**, the introduction of the new law on public finances (LOLF) in 2006 reinforced the links between higher education funding and results based on objectives and indicators.

In **Finland**, result-oriented management was introduced in the late 1980s when university budgets began to include performance-based funds. The funding system reform, however, only started in the mid-1990s. Under this system, institutional objectives and the resources needed to achieve them are determined in negotiations between the Ministry of Education and each HEI.

In the **United Kingdom**, funding to support the research infrastructure is distributed selectively, informed by assessment of research quality through the periodic Research Assessment Exercise (RAE). The system was designed to maintain and develop the strength and international competitiveness of the research base in UK institutions, and to promote high quality in institutions conducting the best research and receiving the largest proportion of grant. The RAE is essentially a peer review process. The next RAE will take place in 2008.

Since 1990, **Norwegian** HEIs have used result-oriented planning, which emphasises management according to objectives and the measurement of results. The government's priority is to further refine funding arrangements for HEIs and is geared towards rewarding achievements and results while safeguarding important but vulnerable academic areas and activities.

Promoting the diversification of funding

Most countries pursue a policy of supporting the diversification of funding sources. Central authorities encourage HEIs to seek new financial resources such as investments by private companies, contract research and other commercial activities, donations, loans, etc. (see Chapter 4).

In the majority of countries, public HEIs are allowed to charge tuition fees and in some cases have a certain amount of autonomy to determine the actual amounts. This policy is part of measures aimed at promoting the collection of additional funds and at placing a greater share of the financial burden on university 'users'. The new focus on student contributions is often accompanied by measures intended to address the issue of equal access to higher education, specifically by easing the financial burden imposed by student fees and widening the participation of under-represented groups ([2]).

The **Latvian** government recommended that HEIs should establish grant foundations based on donations and their earned revenue.

In **Hungary**, it is planned that, beginning in the academic year 2008/09, tuition fees paid by state-funded students will be used partly for student grants and scholarships, and partly as institutional development funds. High academic achievers and socially disadvantaged students will be exempt from paying tuition fees.

In **Portugal**, the government established a system of guarantees for student loans.

In **Slovenia**, tuition fees are charged for certain Master's programmes, but by 2009 the government will abolish all tuition fees for ISCED level 5 programmes.

([2]) For more information on student financial contributions and public financial support, see Eurydice (2007) Key Data on Higher Education in Europe – 2007 Edition.

In **Slovakia**, at least 40 % of the institutional revenues from tuition fees must be used for scholarships.

In the **United Kingdom (England and Northern Ireland)**, institutions have been able to vary the tuition fees charged up to a maximum of £3 000 per year, since 2006/07. This change, which affects only full-time undergraduate home students, as institutions have always been able to determine fees for postgraduate, part-time and overseas students, was accompanied by measures aimed at safeguarding and promoting fair access to higher education, in particular for low income and other under-represented groups.

Opening connections with society and creating partnerships

Governments are encouraging the development of closer relations between HEIs and society as a whole. Policy measures in this area aim to promote scientific achievements and the resulting opportunities among a wider audience. Meanwhile, it is also a priority to link teaching and research with national economic and social imperatives (including specific regional needs). To this end, central authorities are simplifying the regulatory framework for the use of research results and providing financial support to HEIs to establish various forms of partnership (for information on public incentives for encouraging partnerships and intellectual property rights, see Chapter 4).

According to the Higher Education Acts in Belgium (French and Flemish Communities), the Netherlands, Finland, Sweden, and Norway, cooperation with society is one of the three main tasks of higher education, together with education and research. The Danish University Act states that one of the purposes of the university as a central knowledge-based body and cultural repository is to collaborate with society. In Iceland, the official policy is that universities must actively engage in disseminating the results of scholarly work and technological development to society.

Many governments are specifically promoting and co-financing the creation of multilateral partnerships or consortia among HEIs, research institutes, regional authorities and/or private companies. Moreover, central authorities in several countries (Estonia, France, Italy, Portugal, Finland and Sweden) continue to provide or have provided financial and other incentives to increase regional cooperation between HEIs, companies and local municipalities.

1.2. Strategic priorities on academic staff

Gender balance

In European countries, women are generally under-represented amongst academic staff. Women are particularly under-represented in the highest age group, which usually includes a relatively high proportion of staff in the most senior academic posts ([3]).

Given their relatively recent accession to academia, women are strikingly more present in younger age cohorts and less advanced career positions in most countries. Several countries are trying to counter this unbalanced situation by promoting female participation in teaching and research through various measures.

In **Belgium (Flemish Community)**, the Special Research Fund of universities encourages behavioural change within the institutions by providing financial incentives based on the number of new female appointments to tenure positions.

([3]) For more information on the distribution of academic staff by age and gender, see Figure C13 in Eurydice (2007) Key Data on Higher Education in Europe – 2007 Edition.

In **Austria**, the 2002 Universities Act stipulates that all university bodies must make efforts to achieve a balanced representation of men and women at work in all areas of university activities. Specifically, each university is required to adopt and implement a 'female advancement plan' to help achieve a gender balance in higher education staff (academic and non-academic).

In **Sweden**, the issue of gender equality is a strategic priority. Each tertiary education institution needs to have a strategic plan for recruiting more female academics. Most institutions have equal opportunity plans and produce annual progress reports to the government.

In **Norway**, gender equality among academics is considered a central policy objective. All HEIs are required to develop action plans on gender balance and actions taken to promote the recruitment of female academic staff. The 'Women in Research' committee was first appointed by the Ministry for the period 2004-2007 and re-appointed for a three-year period in 2007. The mandate of the committee is to support the work on gender balance in the higher education and research sector and recommend initiatives and actions which should be taken in this respect. The mandate also includes contributing to the awareness of the general under-representation of women in academia. A report was delivered to the Ministry in February 2007 and the suggestions are currently being explored.

Age balance

Statistical evidence shows that there are more academic staff members in higher age groups than in younger age groups ([4]). A very high percentage of staff in the oldest age group may lead to a shortage of qualified personnel in certain subject areas due to massive retirement in a relatively short time period. Moreover, older academic staff are expensive: they have advanced in their careers and salaries and therefore cost more to employ.

In **Belgium (Flemish Community)**, institutional autonomy with regard to staff policies is limited. Because senior academic staff have tenure, job opportunities for younger academics are scarce. As the academic staff members get older, many will retire in the next few years; however, this is a slow process. As a result, HEIs are sometimes permitted to offer early retirement options for senior academic staff (age 60 instead of 65). Meanwhile, the increase in external research funding leads to more frequent appointments of junior staff. Senior staff must be paid from the operating grant and therefore cannot exceed the number of junior staff. To give some leeway to the universities, the government has made provisions so that junior staff members who have a PhD are allowed to teach. Further increases of public funding will lead to an increase in the number of tenure positions.

In the **Czech Republic**, the development of qualifications and age structure of academic staff are boosted by the opportunity for HEIs to set their own salary regulations, which the Ministry will continue to monitor. The Ministry will promote the creation and implementation of continuing training and education as well as academic and administrative staff development schemes by means of development programmes, particularly for younger staff.

In **Italy**, an area of debate concerns the recruitment of new generations of teaching staff, given the advanced age of many academics and the expected peak in retirements within the next few years (about 40 % of tenured teaching staff).

Aging of staff is also a challenge in **Finnish** higher education. As part of the general pension system reform, the retirement age in HEIs has been made more flexible and financial incentives have been created with the purpose of making later retirement more attractive.

([4]) For more information on the distribution of academic staff by age and gender, see Figure C13 in Eurydice (2007) Key Data on Higher Education in Europe – 2007 Edition.

More institutional autonomy for managing academic staff

As is the case with financial matters, over the last ten years HEIs have acquired more autonomy for managing their academic staff. Selection, recruitment, employment contracts, and career advancement are managed to a greater degree at the institutional level in an increasing number of countries.

In some countries, these de-regulation measures may be directly related to changing employment patterns and a more flexible approach to academic employment. Generally, there are fewer civil servant posts and more contractual arrangements (for information on recruitment and employment contracts, see Chapter 5). As in the case of increased autonomy in the management of funds, these processes generally entail more and enhanced accountability procedures.

In the **Czech Republic**, individual HEIs have great power in personnel matters. They can determine without any regulations the number of academic staff in all ranks. The size of the direct teaching load for academic staff is not determined by legislation, so there can be considerable differences between faculties or even departments. By not explicitly defining the limits of employment contracts, the Act on HEIs allows each HEI to decide whether its teachers will be employed for an indefinite time or have a fixed-term contract.

Part of the **Danish** Government's Strategy in the Global Economy is that universities should have greater freedom to attract highly talented researchers by applying pay in a flexible manner. Furthermore universities should have more freedom when it comes to founding professorships (chairs) and more flexible procedures in the appointment of administrative personnel.

In **France**, a new law (August 2007) provides universities with autonomy in terms of human resource management.

In **Hungary**, the 2005 act on higher education broadened HEIs' rights and autonomy in terms of governance. As a consequence, although the rules and strategic policy on academic staff are laid down in several legal acts, the institutions may have additional rules of their own. In addition, the institutional autonomy incorporates the right for the HEI to set up its own organisational structure, decide on matters concerning employment, freely select staff and designate their duties based on institutional requirements and expectations concerning performance and quality of work.

In **Romania**, current national trends concerning higher education governance are related to increasing the autonomy of HEIs to establish their own policies on academic staff (recruitment, evaluation, promotion).

Introduction of performance criteria

A more result-driven environment in the context of higher education also affects academic staff and leads to the introduction of performance criteria, which is a growing trend in Europe. Such measures provide the opportunity to reward outstanding research/teaching performance with special compensations or incentives, or via a performance related salary system. These criteria may also have particular importance for staff recruitment.

In several countries, such performance criteria have been in use for quite some time.

In **Iceland**, HEIs have been operating a formal system of performance based compensation and incentives for several decades. The rules are intended to evaluate researchers' contribution and influence at the international and domestic levels. Therefore, the institutions take into consideration the researcher's published articles in internationally recognized journals and peer-reviewed Icelandic periodicals, as well as the number of books the person has published and the number of citations of his/her work.

The situation is similar in the Netherlands and Sweden.

In other countries, the introduction of performance criteria for academic staff is a completely new concept which entails considerable debate.

The strategy of the **Danish** government is to place greater focus on the quality of teaching and the pedagogical qualifications of the teachers. Quality teaching should be rewarded with additional payment in the same way as quality research.

Performance Management Development Systems are now embedded in all institutes of technology in **Ireland** following an agreement between management, staff and trade unions. They are also the subject of national agreements such as 'Towards 2016' on pay and work conditions.

In **Italy**, from 1996 to 2006 successive governments sought to reform the legal status of academic staff. The current government intends to resume the reform and the new legislation is expected to centre on the establishment of a National Evaluation Agency, as well as on other issues. The Agency would also evaluate the performance of teaching staff with regard to career advancement in order to set up a system of financial incentives linked to performance.

In **Austria**, the performance agreements refer to strategic policy on academic staff. In particular, they include information on which human resource development measures and incentives are required to attain the university's objectives and what contributions are to be made by other members of the university.

In **Romania**, performance criteria have been introduced for the assessment of academic staff. Universities have to raise expectations of academic staff in terms of promotion and improving the organisation of competition for high-level teaching posts through new forms of competitions and greater transparency.

In **Finland**, the performance-based salary system implemented in 2006 is subject to extensive debate. It seems to hinge on the issue of a contradiction between traditional academic values and more entrepreneurial values.

CHAPTER 2: STRUCTURES OF HIGHER EDUCATION GOVERNANCE

This chapter focuses on the rules and mechanisms that frame their activities and planning in higher education institutions (HEIs). The governance structure of an institution tells us how stakeholders (including the executive head of the institution, staff, students, parents, governments, laypersons, etc.) communicate with each other: who is accountable to whom, how they are held accountable and for what. In the context of the rapid changes in society and its relationship with higher education, countries throughout Europe have responded in a variety of ways to the widespread need to re-think and re-design the governance structures of HEIs. As autonomous entities, the institutions are assuming many of the governance responsibilities previously held by the government; however, HEIs are still regulated by the government or governmental bodies. What is more: the institutions are now also held accountable for their behaviour in new ways: they must show that they are responding appropriately to the needs of society; they must demonstrate that the public funds they receive are being used responsibly; and they must maintain standards of excellence in teaching and research, the primary missions of educational organisations. Increased autonomy and the accompanying accountability have brought about many changes which mark a shift away from traditional modes of academic self-government in a closed community of scholars. There are new models of governance that redistribute responsibility, accountability, and decision-making power among the respective external and internal stakeholders. There are several principal mechanisms ([1]) of co-ordination or control relevant to these new structures of governance in the higher education sector, including:

- **External regulation**: refers to the authority of the State or region to lay down the rules of operation for HEIs.
- **External guidance**: refers to the steering power and co-ordination by external stakeholders as members of university boards (e.g. boards of governors or trustees), to which the relevant government authorities (e.g. ministry) have delegated certain responsibilities.
- **Managerial self-governance**: refers to senior leadership and management staff (rector/president, deans) who set goals and take decisions on the direction, behaviour, and activities of the institution.
- **Academic self-governance**: refers to governance through consensus within and among the academic communities of an HEI.

This chapter examines the structures and scope of external regulation and guidance, academic and managerial self-governance at HEIs in Europe. The governmental and institutional governance bodies are characterised according to their responsibilities, decision-making powers and lines of accountability. Specifically, this chapter attempts to answer the following questions with regard to the structures of higher education governance in Europe:

- Who are the main actors / what are the main bodies involved in the governance of higher education at the national/regional level? What are their main responsibilities?
- Who are the actors / what are the bodies involved in governance at the institutional level? What are their main responsibilities?

([1]) These concepts were formulated by researchers in various different studies on higher education. A summary of the mechanisms is provided in Fried, J. (2006) Higher Education governance in Europe; autonomy, ownership and accountability – A review of the literature.

- What forms of accountability and information sharing are practiced between HEIs, governmental bodies, external stakeholders, internal stakeholders, and the public?

2.1. External governance

National and international bodies

In all European countries, the overall responsibility for higher education lies with the relevant ministry, that is, a department of government led by a minister. In the German-speaking Community of Belgium, Ireland, and the United Kingdom, government departments use the title 'department' rather than 'ministry'. For the purposes of this study, the highest national/central authority responsible for higher education is referred to as 'the Ministry' ([2]).

Responsibility for different types of HEIs is distributed between three different ministries in Denmark. In Ireland and the United Kingdom, 'arm's length' bodies responsible for distributing and monitoring public funds have been established between the HEIs and the Government in order to ensure that there is no direct political control of individual institutions.

Generally, the Ministry oversees HEIs as regards compliance with the law, ministerial codes and legal statutes. The Ministry is responsible for formulating higher education policies that frame national or institutional strategic plans and development. The Ministry is also responsible for formulating national strategic priorities or a formal strategic or development plan for higher education in several countries (see Chapter 1). Furthermore, the Ministry appoints external (and sometimes internal) stakeholders as members of institution-level governance bodies in some countries (see section 2.2).

National quality assurance bodies are also an important part of the external governance of HEIs. These bodies are often responsible for setting quality standards and conducting evaluations, elaborating and implementing policies and standards for improving the quality of education at the institutions ([3]).

The Ministry is usually supported by a national-level advisory or consultative body, called the Higher Education Council, Advisory Council, Research Council, or similar. These bodies usually provide advice to the Ministry on issues related to higher education, science and arts policy. In some cases, they may also monitor and analyse European or international trends as a context for their recommendations. Such national-level bodies sometimes include the executive heads of the HEIs as well as representatives of other federal/regional ministries, trade unions, political parties, local/regional governments, HEIs and students.

Each country also has a national-level body that consists of the executive heads of all public or government-dependent private universities. This body is usually called a Rectors' Conference or Council. In the Netherlands and Norway, it is called the Association of Universities or Higher Education Institutions, respectively. In the United Kingdom, the equivalent bodies are Universities UK and GuildHE. In France, Lithuania, the Netherlands and Austria, there is an equivalent body for the heads of professional/vocational HEIs. These bodies present proposals to the Ministry regarding the development of the higher education

([2]) For details concerning ministries and other external governance bodies in higher education, see Eurydice (2007) Decision-making, Advisory, Operational and Regulatory Bodies in Higher Education, 2007. European Glossary on Education, volume 5.

([3]) For information on quality assurance bodies, see Eurydice (2007) Focus on the Structure of Higher Education in Europe – 2006/07. National Trends in the Bologna Process.

sector and make proposals or give opinions regarding draft laws and other regulatory enactments in the field.

The Ministry also calls for advice and expertise from bodies such as student unions and other student organisations; councils of administration, artistic education, and economics; and associations of research workers, doctoral students and trade unions.

In addition to the European-level organisations (e.g. European Commission and the EUA), there are also several international rectors' conferences that have an impact on governance in higher education within a certain area or region. Such international bodies promote co-operation and collaboration between higher education policy-makers and institutional actors in different countries and sometimes different continents. Furthermore, they contribute to the establishment of common governance practices and policies in higher education throughout Europe and beyond. Examples of international/regional bodies that influence higher education governance at the institutional level include:

Agence universitaire de la Francophonie (includes public and private universities in Albania, Bulgaria, France, Georgia, Romania, Russia, Spain and Turkey as well as Africa, North and South America and Asia) – http://www.auf.org

Association of the Carpathian Region Universities (Slovakia, Poland, Hungary, Ukraine, Romania and Serbia) – http://acru.tuke.sk/

Danube Rectors' Conference (Austria, Germany, Hungary, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine) – http://drc.uni-mb.si

Network of Universities from the Capitals of Europe (Albania, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Macedonia, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland and United Kingdom) – http://www.ulb.ac.be/unica/

Rectors' Conference of the Alps Adriatic Universities (Austria, Croatia, Germany, Hungary, Italy and Slovenia) – http://www.alpeadria.org/

External regulations on the structure of institutional governance

HEIs throughout Europe have become autonomous entities according to national legislation (there is a longer tradition of institutional autonomy in the Netherlands, the United Kingdom and Iceland than in other countries); however, the institutional governance structure of HEIs is organised according to national or regional regulations (in Belgium, Germany, and Spain, higher education legislation has been delegated to the level of the Community or *Länder*). In most countries, the regulations delineate the institutional-level governance bodies and their respective duties and responsibilities. Official regulations are usually supplemented by specific rules in the respective institutions' constitution or statutes, which usually provide for the procedures of election for institutional governance bodies.

In Austria, the national laws regarding higher education also regulate the election procedures for institutional-level governance bodies. In Portugal, institutional governance bodies are regulated by new legislation as of 2007/08 and are defined first by national law and second by the respective institutional statutes.

In **Greece**, after thorough consultation with the academic community, a new framework has been developed ('law-framework' of 2007) describing the operation of HEIs. This law provides extensive

autonomy for the administrative and financial governance of universities, as well as more specific issues that deal with the overall functions of, for example, the procedures associated with universities' obligation to maintain a level of transparency and publicity of their activities, the duration of studies, the creation of a new framework of financial support for students, etc.

In the **United Kingdom**, HEIs are private, government-dependent organisations with diverse backgrounds and traditions, reflected in varying constitutional arrangements. They can, however, be divided into two broad groups. In institutions which acquired university status as a result of legislation passed in 1992, the powers of university governing bodies are laid down in, and limited by, legislation, together with the instrument and articles of government, as made by each institution and approved by the Privy Council. In contrast, in pre-1992 universities, the structures of governance are laid down in the university's own instruments of incorporation (the Act or charter and the statutes) and hence there are wide variations. The 2003 Lambert Review of Business-University Collaboration found that some of the differences, particularly with regard to management structures, were beginning to be eroded: 'The older universities were, historically, run as communities of scholars. Their management and governance arrangements were participatory: senates and councils were large and conservative. In the last ten years, there has been a gradual movement towards a more executive style of management, already common among post-1992 institutions… Many universities are developing strong executive structures to replace 'management by committee''.

The further reform of higher education governance structures is under discussion in several countries.

In 2006, the Government of **Lithuania** adopted a Higher Education System Development Plan for 2006-2010, which provides for substantial changes in the external and institutional governance of higher education. Implementation of the Plan requires amendments of the Law on Higher Education and the Law on Research and Higher Education that are widely debated on the academic and political levels.

Structural reform is one of the most extensively discussed issues within the higher education system in **Finland**. It is closely linked to the national Productivity Programme, which ran from November 2003 to December 2007 and covered the entire public sector. The aim of the programme was to improve productivity and efficiency of public service provision and it directly affected personnel policies and organisational structures of universities. For example, some administrative services were transferred to Service Centres established by collaborating institutions, and alternative production models were debated from the regional perspective.

External regulations on institutional strategic planning

As autonomous entities, HEIs are primarily responsible for their development, activities and institutional goals. In the increasingly competitive higher education market, the institutions must ensure that they are responding to the demands and needs of society as best they can. Furthermore, the competition to attract students is also increasing. The strategic plan is a key instrument for developing and directing the activities and priorities of an institution.

A strategic plan generally states the vision and direction of the institution. It presents the cycle of objectives, implementation, and review processes that will occur at specific phases of development. A strategic plan is intended to be all-inclusive throughout the institution, and in many cases includes incentive measures to help motivate academic and non-academic staff to take part. Many plans include a focus on acquiring additional financial resources (to supplement or supplant funds from the State) and a process for distributing third-party or private funds. Quality assurance and a system of information sharing are also important elements of the strategic plan.

HEIs in only a few countries are not officially required to develop a strategic plan (see Figure 2.1).

The decree defining higher education in the **French Community of Belgium** provides the higher education objectives and the mission of the institutions.

In the **German-speaking Community of Belgium**, the mission and strategic priorities of the *Autonome Hochschule* were not established by the institution, but by official decree in 2005.

HEIs in the **Flemish Community of Belgium** are free to draft long-term strategic or development plans and they are free to take the governmental priorities into account or not, as they decide.

Legislation does not require institutes of technology in **Ireland** to have strategic plans; however, all institutes have a strategic plan in place.

There are no official regulations that oblige universities in **Cyprus** to establish a strategic plan or a development plan governing long-term aims and priorities. Recently, however, within the deliberations for the universities' budgets and as a general governmental policy, a three-year budgetary plan is requested from the University.

In **Poland**, HEIs are not legally required to develop long-term development strategies. Some institutions go ahead with such programmes of their own accord, while others operate based on short-term plans spanning several rather than ten or more years.

In two cases where a strategic plan is not obligatory, it is de facto required because the distribution of public funds depends largely on the existence of such a plan.

The Education Code states that performance contracts for HEIs in **France** are optional; however, in practice all institutions enter into four-year contracts with the State. The contracts cover all fields of activity and are necessary in order to receive public funds.

Official regulations do not oblige the University of **Malta** to establish a strategic plan; however, state funding is dependent to a significant degree on the presentation of a strategic plan.

An institutional strategic plan is obligatory in all other countries and it is used in various ways as an instrument in the relationship between the HEIs and the State. In Austria and Finland, HEIs enter into performance agreements with the Ministry every three years and must provide strategies that specify the objectives of the university operations. In Estonia, a comprehensive development plan is one of the mandatory requirements for the establishment of a university. In Latvia and Iceland, a strategic plan is required in order to achieve state accreditation. In Portugal, as of 2007/08 a strategic plan is required in order to establish any new institution and for the normal operation of any existing institution.

Until recently, universities in **Greece** were not required to develop strategic plans. Based on the new law of 2007, universities are now obliged to elaborate detailed four-year plans not only for the planning of teaching and scientific staff positions but also for the overall economic development of the institutions. Annual progress reports are also required.

In **Luxembourg**, the strategic plan is used by the Ministry to determine the amount of public funds allocated to the institution.

All state institutions in **Norway** have been using result-oriented planning since 1990, when it became required by law, or before.

In most countries where HEIs are required to develop a strategic plan, the institutional plans must align with national priorities or official strategic policies for higher education. In these cases, national or regional

strategic policies are typically based on information drawn from the institutions as well as national or regional priorities and objectives. In turn, the institutions must frame their strategies and development plans within the national or regional context while taking into consideration their particular institutional needs, resources, and limitations. In all countries where a strategic plan is obligatory, official regulations also stipulate how the implementation of the plan is monitored, except in Denmark, Estonia, Spain, Latvia, the Netherlands and Sweden. For additional information on national strategic plans, see Chapter 1.

External regulations on information sharing and transparency

Although they are autonomous, HEIs are providers of public services and the beneficiaries of public funds. As such, the public, and especially the funding providers, have a vested interest in knowing what goes on within the institutions. Methods of information sharing vary, but HEIs in every country are required to give regular accounts of their activities.

An annual report is required in most countries, usually prepared and presented to the Ministry by the executive head of the institution. Although many annual reports include information on the institutional budget, they are used primarily as an accountability tool for educational and other activities (for information on financial accountability, see Chapter 3). Annual reports typically include information on educational and other activities, students and student services, staff, and international relations. In a number of countries, the annual reports may include an assessment of results achieved by the institution, an update on progress with regard to the institutional strategic plan, a summary of resources, and information on finances.

In addition to the accounting report, HEIs in the **Netherlands** submit information on education (new programs, etc.), research, students, personnel, graduation rates, quality assurance systems, international policy, housing, academic hospitals (when relevant) and finances.

Universities in **Austria** submit an annual performance report to the Ministry, as along with a report on intellectual capital, social goals, objectives and strategies, as well as outputs and impacts of processes set out in the performance agreement.

Annual reports in **Portugal** include information on development plans and their implementation, an analysis of administration and finances, inventory of available resources and their utilisation, indication of objectives already attained, description of changes in academic and non-academic staff, data on admission, enrolment and students' scholastic success.

The annual report in **Romania** is a key document for the financing of HEIs and includes information on the attainment of objectives, enrolment data, teaching and administration posts, institutional budget, facilities, research projects, publications, international relations, counselling and guidance, experimental units, etc.

In the **United Kingdom**, documents and dialogue are exchanged between the funding bodies and the HEIs during a specific period each year. The exchange includes audit-related information as well as information on planning and performance.

In **Norway**, the annual reports include information on results, achievements and future plans and are used as a basis for annual consultative meetings between representatives of the Ministry and the HEI. The meetings are important for monitoring the system and for setting targets and objectives for the coming years.

HEIs in many countries must make regular updates for national databases with information on activities, academic programmes, staff, enrolled students, cost per student, degrees awarded, etc. National databases are used by ministries for planning, monitoring and budgetary purposes.

All higher education institutions in **Estonia** are required to submit information regarding students to an electronic database (Estonian Education Information System). All national statistics and funding from the Ministry of Education and Research are based on that information.

In the **United Kingdom**, the Higher Education Statistics Agency (HESA) is the official agency for the collection, analysis and dissemination of quantitative information about higher education. HESA is funded by and serves all publicly funded HEIs in the UK and delivers the information required by the Government and its agencies to inform policy decisions. HESA also provides public accountability. The data collected covers students, student destinations, staff and finance and is used to provide a set of performance indicators which include: widening participation indicators, non-continuation rates, completion rates, research output and employment of graduates.

In several countries, HEIs conduct self-evaluations and publish the results. Other methods of information sharing include: meetings between members of the institution and the Ministry, funding body, or representatives of the labour market; Internet publishing; documentation made available at university libraries; quarterly financial reports; reports on study programmes; and external evaluation reports.

In the **German-speaking community of Belgium**, the HEI consults regularly with employers of former students for feedback on institutional development.

In **Denmark**, the Ministry of Science, Technology and Development issued a set of guidelines for public access to private financing of research at public research institutions, including universities. According to the guidelines, public research institutions must provide an annual overview of private financing of research conducted at the institution. The annual overviews must be made publicly available.

In **Estonia**, professional HEIs are required to organise regular conferences, seminars and workshops.

In **Greece**, the results of internal and external assessments guaranteed by the National Quality Assurance Agency must be made available in a way most convenient so as to safeguard the maximum transparency possible. The Ministry is also permitted to request data on students and graduates.

HEIs in **Latvia** develop separate annual reports on cooperation among HEIs, state authorities and local government and society. These documents are filed in the institution's library.

In **Austria**, the Ministry may require universities to provide ongoing, automated access to data as necessary for the Ministry's planning, control, statistics and calculation of financial indicators.

In **Slovenia**, data regarding the quality of education is collected through external evaluation by a special independent unit of the Ministry, the Higher Education Office of the Republic of Slovenia, and submitted to the Council for Higher Education of the Republic of Slovenia.

According to the law on free access to information in **Slovakia**, universities must provide information upon request to any individual or institution. Each faculty also prepares an annual Study Programme with basic information on study programmes, courses, conditions for admission and examination, organisational structure and timetables of all academic activities.

Figure 2.1: Mechanisms of institutional planning and information sharing, public and government-dependent private higher education, 2006/07

Country	Strategic plan	Annual report	National database	Self-evaluation	Meetings / Internet / Other	Country	Strategic plan	Annual report	National database	Self-evaluation	Meetings / Internet / Other
BE fr	❍	●	●	❍	❍	LT	●	●	❍	❍	❍
BE de	❍	●	❍	●	●	LU	●	❍	❍	❍	●
BE nl	❍	●	●	●	❍	HU	●	●	●	●	❍
BG	●	●	●	●	●	MT	❍	●	❍	❍	❍
CZ (a)	●	●	●	●	❍	NL	●	●	●	●	❍
CZ (b)	●	●	●	●	❍	AT	●	●	❍	❍	●
DK	●	●	❍	❍	●	PL	❍	●	●	●	❍
DE	●	❍	❍	❍	●	PT	●	●	●	●	●
EE	●	●	●	●	●	RO	●	●	●	❍	❍
IE (a)	●	●	●	●	❍	SI	●	●	❍	●	●
IE (b)	●	●	❍	●	●	SK	●	❍	●	❍	●
EL	●	●	●	●	●	FI	●	●	●	●	❍
ES	●	●	❍	❍	❍	SE	●	●	●	❍	❍
FR	❍	❍	●	❍	●	UK	●	●	●	❍	❍
IT	●	❍	●	●	●	IS	●	●	●	❍	❍
CY	❍	●	❍	❍	❍	LI	●	●	❍	❍	❍
LV	●	●	❍	❍	●	NO	●	●	●	❍	●

● Officially required ❍ Not required or no regulation

Source: Eurydice.

Additional notes

Belgium (BE de): The Figure refers to the *Autonome Hochschule*.
Czech Republic: **(a)**: The Figure refers to ISCED level 5A institutions. **(b)**: The Figure refers to ISCED level 5B tertiary professional schools.
Germany, Estonia, and **Austria**: The Figure refers to universities.
Ireland: **(a)**: The Figure refers to universities. **(b)**: The Figure refers to institutes of technology.
Luxembourg: Information not verified at national level.
Malta: The Figure refers to the University of Malta.
Poland: The national database contains limited information relating primarily to science.

2.2. Institutional governance

Institutional governance bodies

HEIs in almost every country have been under reform following the widespread goals and objectives to develop new models for institutional governance. As autonomous entities, HEIs currently hold primary responsibility for the governance and management of their finances, activities, and personnel. Educational organisations were traditionally managed by academics, researchers, or experts according to collegiate-style management structures. Now that the institutions in most countries have assumed many of the governance responsibilities formerly held by the ministries, the institutional management structures have changed significantly.

Figure 2.2 shows the main governance bodies of HEIs in each country and indicates whether they are composed of external or internal stakeholders, or have a mixed composition.

All HEIs in Europe have an executive body, often called the Rectorate and headed by a Rector, President or Vice-Chancellor as the **executive head** of the institution.

Almost all institutions have a collegiate **academic body**, usually called a senate, academic council or academic board. The academic body is primarily responsible for matters relating to the educational and research services provided by the institution.

The **decision-making body** is responsible for long-term and strategic planning and for determining the institutional orientation. In nearly half of the countries, the academic body assumes these tasks and so serves as the decision-making body. In the majority of countries, however, the academic body does not have authority over these important institutional matters.

There is a general trend across Europe toward the introduction of an **advisory** or **supervisory body**, which oversees or monitors operational, educational, and financial activities and is composed solely or largely of external stakeholders. In about one third of the countries, the supervisory body is also the decision-making body.

Figure 2.2: Institutional governance bodies in public and government-dependent private higher education, 2006/07

	Executive head	Academic body	Decision-making body	Advisory/Supervisory body
BE fr	Rector	Academic Board	Educational Management Council	Administrative Council
BE de	Director	Academic Council	Management Board	
BE nl	Rector (Executive Board)	Academic/ Scientific Council	Governing Board	⊗
BG	Rector	Academic Council	General Assembly	Controlling Board
CZ (a)	Rector	Academic Senate		Board of Trustees
CZ (b)	School Head			⊗
DK	Rector	Academy Council		Board of Directors
DE (a)	Rector	University Board	Senate	Governing Board
DE (b)	Director	Conference	Dual Senate	Governing Board
EE (a)	Rector	Council		Board of Governors
EE (b)	Rector	Council		Advisory Body
IE (a)	President/*Provost*	Academic Council	Governing Authority	
IE (b)	President/Director	Academic Council	Governing Body	
EL	Rector	Senate		⊗
ES	Rector	University Senate	Governing Council	Social Council
FR	President	Academic/Scientific Council/Council of Studies and University Life	Administrative Council/ Board	⊗
IT	Rector	Academic Senate		Board of Governors
CY	Rector	Senate	Council	

☐ Solely internal stakeholders ▒ Internal and external stakeholders ■ Solely external stakeholders ⊗ Body does not exist (*) Body is not mandatory for all HEIs

Source: Eurydice.

Additional notes

Belgium (BE fr, BE nl): Government-dependent private universities define their own institutional structure, which differs from university to university. The governance structure is commonly based on representation of all staff categories, students and external stakeholders.
Belgium (BE de): The Figure refers to governing bodies for the *Autonome Hochschule*.
Czech Republic: **(a)**: The Figure refers to ISCED level 5A institutions. **(b)**: The Figure refers to ISCED level 5B public tertiary professional schools. For tertiary professional schools that are school legal entities, there is also a Board that fulfils the functions of decision-making and advisory bodies.
Germany: **(a)**: The Figure refers to universities. In some *Länder*, the University Senate and Council are replaced by a single composite central body that combines the functions of both decision-making and academic bodies. **(b)**: The Figure refers to professional academies *(Berufsakademien)*. The Dual Senate consists of representatives of the academy and representatives of the companies that take on trainees.
Estonia: **(a)**: The Figure refers to universities. **(b)**: The Figure refers to institutions of professional higher education.
Ireland: **(a)**: The Figure refers to universities. **(b)**: The Figure refers to institutes of technology.

Figure 2.2 (continued): Institutional governance bodies in public and government-dependent private higher education, 2006/07

	Executive head	Academic body	Decision-making body	Advisory/Supervisory body
LV	Rector	Senate/Academic Assembly		Convention of Advisors (*)
LT	Rector	Senate/Academic Council		University/College Council
LU	Rector	University Council	Governing Council	
HU	Rector	Senate		Financial Board
MT	Chancellor; Rector	Senate	Council	⊗
NL	Rector magnificus	Executive Board		Supervisory Board/ Main Representative Advisory Board
AT (a)	Rector	Senate	University Council	
AT (b)	*Erhalter*	Collegium		Board of Trustees (*)
PL	Rector	Senate		Council (*)
PT (a)	Rector	University Senate		University Assembly
PT (b)	President	General Council		Administrative Council
RO	Rector	Senate		⊗
SI	Rector	Senate		Managerial Board / Council of Trustees (*)
SK	Rector	Academic Senate		Board of Trustees
FI(a)	Rector	Senate		⊗
FI(b)	Rector/Maintaining Organisation	Polytechnic Board/Maintaining Organisation		⊗
SE	Vice-Chancellor	Senate	Governing Board	
UK	Vice-Chancellor	Academic Board/Senate	Governing Body/Council	Court (*)
IS	Rector	Senate		⊗
LI	Rector	Assembly/Senate	Council	
NO	Rector	Senate (*)	Board	

☐ Solely internal stakeholders ▒ Internal and external stakeholders ■ Solely external stakeholders ⊗ Body does not exist (*) Body is not mandatory for all HEIs

Source: Eurydice.

Additional notes (continued)

Luxembourg: Information not verified at national level.
Malta: The Figure refers to governing bodies for the University of Malta.
Austria: **(a)**: The Figure refers to universities. **(b)**: The Figure refers to Universities of Applied Science *(Fachhochschulen)*. The Rector is the Chair of the Collegium but not the executive head of the institution. The Rector and the Collegium are both involved in the decision-making process. The *Erhalter*, the body that sustains and steers the institution, is usually an association, a foundation, or a limited corporation. Not all *Fachhochschulen* have a supervisory body.
Portugal: **(a)**: The Figure refers to universities. **(b)**: The Figure refers to polytechnics.
Finland: **(a)**: The Figure refers to universities. **(b)**: The Figure refers to polytechnics.
United Kingdom (ENG/WLS/NIR): The court has limited powers and exists in some institutions only.
United Kingdom (SCT): The court is the governing body of the pre-1992 universities.

Each type of governance body is described in greater detail below (for additional information on the responsibilities of governance bodies by country, see the Annexe for Chapter 2). External stakeholders participate in at least one governance body at HEIs in every country, except Greece and Romania. Not all HEIs in Germany, Latvia and Poland have a governance body that includes external stakeholders.

As part of the higher education reforms, the **German** *Länder* have partly restructured the organisation and administration of HEIs. The main aim is to strengthen the capacity to act and the achievement potential of the individual institutions by shifting some of the decision-making competences from the *Land* Ministry and other external bodies to the institutional governing body or the head of the department. In order to support the institutional governance with external expertise, the Higher Education Acts in almost all *Länder* have established a Governing Board *(Hochschulrat)* that includes external stakeholders with experience in economics or science. The Governing Board selects the members of the *Hochschuleitung* (University Board), controls the Executive Board and passes the institutional constitution.

An advisory body composed of internal and external stakeholders is optional in **Latvia**. The Minister may also decide that an HEI is required to form an advisory body on a case-by-case basis. At present, almost all HEIs in the country have an advisory body.

HEIs in **Poland** have the option of forming an advisory body composed solely of external stakeholders.

Executive head

The higher education governance structure in Europe includes the position of Rector, President, or Vice-Chancellor as the executive head of the institution. Historically there has been a bimodal distribution of power in most European HEIs. In many countries, the Rector formerly had a relatively weak position while the external governance bodies and the institutional professoriate had the most decision-making powers. With increased institutional autonomy, the position of the executive head has changed dramatically throughout most of Europe: the head of the institution now assumes more diverse duties in terms of governance and decision-making than before.

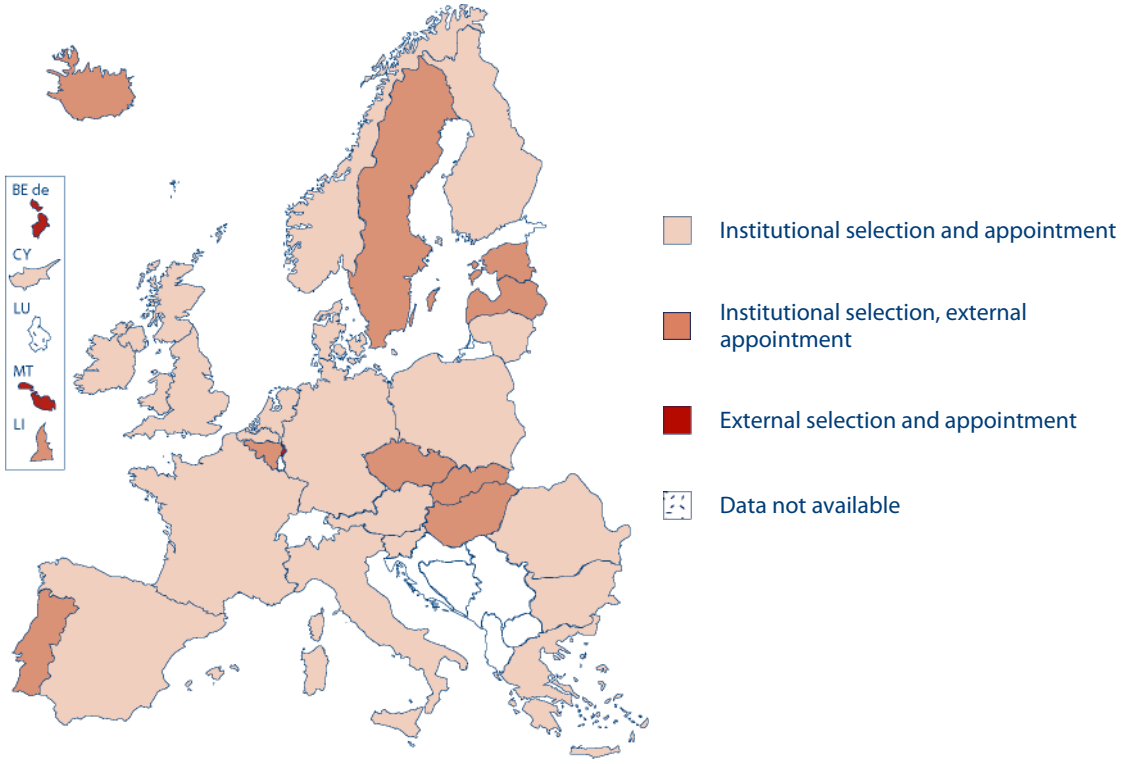
The executive head represents the HEI in legal transactions and funding agreements. He/she is generally the main figure responsible for the strategic planning of the institution's activities, including programming and development, organisation, management and monitoring. The head of the institution performs these duties in close cooperation with the respective governance bodies.

For the day-to-day management of the institution, the executive head is supported by an executive body, often called the Rectorate. This body is normally composed of deputies or vice-rectors but may also include the head of administration, registrar and chief financial officer.

Most of the countries considered in this study have a system by which the executive head is selected and confirmed by the institution's academic body. In Slovenia, the Rector is elected by all academic staff and students of the institution; in Greece, the Rector is elected by all academic staff and students as well as other internal stakeholders (administrative staff representatives, teaching assistants, scientific personnel, etc.). In Denmark and the United Kingdom, the institutional body which appoints the executive head (the Governing Board in Denmark and the Governing Body or Council in the United Kingdom) has a majority of external stakeholders. In Austria and the Netherlands, the executive head is appointed by an institutional body composed solely of external stakeholders.

In several countries, the executive head is selected or recommended by an institutional-level body but must be approved or appointed by the Ministry (by the President of the Republic in the Czech Republic and Slovakia) or the founder of the institution (government-dependent private institutions).

Figure 2.3: Selection method of the executive head in public and government-dependent private higher education, 2006/07



Source: Eurydice.

Additional notes

Belgium (BE de): The first Director of the *Autonome Hochschule* was proposed by the Government and selected by the Management Board in 2005. Future directors will be selected by the Management Board via public competition.
Belgium (BE nl): Only the Rector of the University of Ghent is selected by an institutional body and appointed by the Minister.
Czech Republic: The Figure shows information for ISCED level 5A institutions. The head of ISCED level 5B institutions is selected by external appointment.
Italy: The election of the Rector by internal stakeholders is formally ratified by the Minister; however, the Minister cannot veto an election that has been concluded by the institution.
Malta: The Chancellor is appointed by the President, based on the recommendation of the Prime Minister who consults with the Leader of the Opposition. The Pro-Chancellor of the institution is appointed by the Chancellor upon approval from the Minister. The Rector is elected by the University Council.

The person who is elected or appointed as the executive head is usually a professor at the same HEI (in Romania, candidates for Rector must be selected from among the members of the University Senate), but in several countries candidates for this position can come from outside the institution as long as they hold the necessary qualifications. The post of executive head is open to public competition in the German-speaking Community of Belgium, Germany, Estonia, Latvia, Lithuania, Austria, Portugal (as of 2007/08), Finland, the United Kingdom, Iceland and Norway.

In terms of the balance of power within institutions, the Chair of any governance body is a major figure. In those countries where the executive head is de facto the Chair of one of the governance bodies, he/she has particularly extensive authority over the institution. In the German-speaking Community of Belgium, Bulgaria, Cyprus and the United Kingdom, the executive head is the Chair of the academic body. In Spain, the executive head is Chair of both the academic and the decision-making bodies. In Denmark, Estonia, Greece, Hungary, Austria (Senate), Romania and Finland, the head of the institution is de facto the Chair of the academic/decision-making body. In Italy, the Rector is Chair of the academic/decision-making body as well as the Board of Governors, which acts as a supervisory body. In Norway, the Rector is Chair of the supervisory/decision-making body.

The Chancellor of the University of **Malta** is the highest officer while the pro-chancellor is the ex-officio president of the decision-making body. The Rector is the principal academic and administrative officer of the University; the Rector is ex-officio the vice-president of the decision-making body and president of the academic body.

In HEIs where the Chair of one of the governance bodies is *not* the executive head of the institution, authority is distributed between the figures. In Bulgaria and the United Kingdom, it is the decision-making body itself that elects or appoints its Chair. In the Czech Republic (ISCED level 5A), the university's internal regulations determine the selection method of the Chair of the Board of Trustees (supervisory body) and of the Senate (academic/decision-making body). In the German-speaking and the Flemish Communities of Belgium and in Austria (University Council), the members of the supervisory/decision-making body elect the Chair themselves; at polytechnic institutions in Portugal, the Chair of the General Council is elected from among the external stakeholder members. In Ireland (institutes of technology), the Ministry appoints the Chair of the supervisory/decision-making body. In Cyprus, the President of the Republic appoints the chair of the supervisory body, following approval by the Council of Ministers. In the Netherlands, the Ministry appoints the Chair of the supervisory body.

In **Sweden**, the Rector and the Chair of the Governing Board are appointed by the Government. As part of the reforms undertaken to strengthen the autonomy of the universities, the Education Act has been changed, abolishing the earlier regulation stating that the Chair should be external. The universities now have the option to appoint the Rector as Chair of the Governing Board.

In **Norway**, institutional governance is traditionally divided between academic and administrative authorities. Today, the Board of an HEI can choose to follow this tradition, in which the Rector is elected by members of the HEI and as the academic authority is automatically the Chair of the Board as one of the four academic representatives. If, on the other hand, the Rector is appointed by the Board, he/she serves in a managerial/administrative capacity and is the Secretary to the Board. In this case, the Ministry appoints one of the external members of the Board as Chair.

Academic body

The academic body is composed mainly of academic staff members employed at the institution. The body usually includes student representatives and in some countries non-academic staff can also be members. In France, ten to thirty percent of the members of the academic body must be external stakeholders. In Malta, the academic body of the university includes two external stakeholders who are appointed by the Government. Norway is the only country in which an academic body is not a mandatory part of the institutional governance structure; some HEIs have an academic body and some do not.

In most countries, the academic body was traditionally the collegial decision-making body of the university under the direction of the State. Currently, the academic body continues to be primarily responsible for matters relating to education and research. In more than half the countries in this study, the academic body has a relatively limited decision-making role and does not hold direct responsibility for institutional policies, orientation, or strategic development.

In those countries where the academic body is separate from the decision-making body, the academic body brings discipline-related expertise and advice to bear on matters of university-wide concern. Generally, the executive head or the decision-making body must seek approval from the academic body for issues relating to academic programmes, examinations, and senior-level staff or academic appointments. The academic body also oversees quality assurance procedures and internal regulations within the basic units.

In three countries, the academic body has more extensive authority than in other countries. In Bulgaria and Germany, the academic body determines the number of study places for the institution. In these countries and in Cyprus, the academic body is also responsible for the institutional budget, including the internal allocation of funds.

Decision-making body

A decision-making body is responsible for the strategic planning, general educational and research policy, and overall development of the institution. It usually has the authority to confirm or modify the institutional statutes or charter and its approval is required for most decisions taken by the executive head.

In the Czech Republic (ISCED level 5A), Denmark, Estonia, Italy, Lithuania, Latvia, Hungary, Portugal, Slovenia and Slovakia, the academic body is also the decision-making body. In Greece, Latvia, Poland, Romania, Finland and Iceland, where there are (usually) no supervisory bodies, further additional responsibilities have been delegated to the academic/decision-making body with the introduction of institutional autonomy. In these countries, the Senate is responsible for assessing the institution's and the Rector's performance, adopting the financial plan, and approving the institutional financial report. The Senate in Finland and Iceland includes a limited number of external stakeholders who provide outside perspectives and experience as elements of external guidance.

> In **Austria**, the Senate must approve the development and organisation plans; however, most decision-making responsibilities fall under the competence of the University Council (see below, Advisory/Supervisory body).

In several countries, the body designated to the tasks of the decision-making body is distinct from the academic body or the supervisory body. In France and Malta, where there is no supervisory body, the decision-making body includes external stakeholders and oversees and administers the activities of the institution and the Rector. In the Flemish Community of Belgium, external members are appointed by the decision-making body itself. In the French Community of Belgium and Malta, the Government appoints several external stakeholders as members of this body; however, the majority of the members must come from within the institution.

Advisory/Supervisory body

Estonia, Spain and Hungary have instituted **advisory bodies** that support the governance structure of their HEIs. These bodies serve as mechanisms of external guidance and bring external perspectives to bear on

issues relating to institutional governance; however, their approval is not required for any decisions and they do not officially monitor the institution. The main purpose of this type of advisory body is to support the communication and co-operation between the HEI and the Ministry, to improve connections between the institution and society, and to introduce external perspectives on the direction and strategy of the institution. In Latvia, Poland and Slovenia, HEIs have the option of introducing an advisory body, but this is not an obligatory part of institutional governance.

> In **Hungary**, the Financial Board delivers opinions on various matters and oversees the responsible use of funds, and cost effectiveness. The Financial Board was established as part of the national trend for improved efficiency and accountability in higher education. The 2005 Act on Higher Education originally gave decision-making power to the Financial Board for certain financial matters; however, as a result of the assertion by the HEIs that this power infringed on institutional autonomy, the Constitutional Court changed the role and function of the Board into an advisory body of the Senate for financial issues.

Supervisory bodies have similar responsibilities across Europe; however, each country defines the scope of these bodies according to national (or institutional) traditions and structures. The general purpose of a supervisory body, in terms of institutional autonomy, is to safeguard the interests of the institution and, in terms of accountability, to ensure that the institution complies with national laws and regulations. This body is usually responsible for approving the necessary information to be submitted to the Ministry (annual reports, performance reports, financial reports, etc.) and for overseeing the financial audit of the institution. The supervisory body is usually the legal entity that appoints and dismisses the executive head of the institution.

In the German-speaking Community of Belgium, Ireland, Cyprus, Luxembourg, Sweden, Liechtenstein and Norway, the supervisory body also acts as the decision-making body and is responsible for institutional strategic and development planning.

> In the **Czech Republic**, the Board of Trustees (ISCED level 5A) provides consultation on long-term plans, budget, annual reports and other matters presented by the Rector or the Minister and the Board's approval is required for issues such as the establishment of a new legal entity, disposal of university property and use of other assets. There is currently a debate in the Czech Republic concerning the role of the Board of Trustees and whether it should take part in the strategic planning for education, research and development.
>
> The University Council in **Austria** shares some decision-making responsibilities regarding the development and organisational plans with the Senate.

All supervisory bodies include external stakeholders. HEIs in the German-speaking Community of Belgium, Bulgaria, the Czech Republic (ISCED level 5A), Germany (professional academies), Luxembourg, the Netherlands, Austria, Slovakia and Liechtenstein have instituted a supervisory body composed solely of external stakeholders. In these countries, the supervisory body serves as a mechanism of external guidance for institutional matters; however, there are also elements of external regulation because the body has rather extensive authority over specific issues.

There are several instances of supervisory bodies in which the majority of the stakeholders are external but internal stakeholders also participate, namely in the French Community of Belgium, Germany (universities in some *Länder*), Denmark, Ireland (institutes of technology), Italy and Sweden. The internal stakeholder members have a certain amount of direct influence on the supervisory body; therefore, these types of governance bodies incorporate some elements of managerial self-governance, although they serve primarily as external guidance mechanisms.

In Cyprus, Lithuania, Portugal, Slovenia and Norway, the supervisory body is composed of equal proportions of internal and external stakeholders, or of a majority of internal stakeholders. These boards represent something of a mix between the mechanisms of external guidance and managerial self-governance.

Composition of governance bodies and terms of office

The Ministry or government is usually responsible for appointing external stakeholder members for all supervisory and advisory bodies. In the German-speaking community of Belgium, some external stakeholders are appointed by a non-governmental organisation, and in Cyprus, Lithuania, Austria, Slovakia and the United Kingdom, the HEI itself selects some of the external stakeholders.

The Rector and/or a member of senior-level management usually take part in supervisory bodies that include internal stakeholders. Conversely, membership with the supervisory body is incompatible with the responsibilities of the Rector and senior-level management in the Czech Republic (ISCED level 5A). Representatives of the academic staff and students are also members of nearly every supervisory body that includes internal stakeholders. Supervisory bodies in Denmark, Cyprus, Portugal, Slovenia and Norway also include representatives of non-academic staff.

The term of office for members of all governance bodies varies between two and five years, depending on the country and institution. Most countries have set the term of office at four or five years, usually with the possibility of a second term.

> The Rector and institutional governance bodies change at the same time in **Bulgaria**, where the Rector is elected by the General Assembly and his/her term of office ends automatically when the term of office of that General Assembly expires.

Middle management

The governance structure of basic units (faculties, departments, institutes, etc.) typically mirrors the structure of the institution's central level. Deans and middle management bodies are significant across all aspects of institutional activity. Under the new governance structures, there has been a shift in the power held by deans. Traditionally, the dean was elected as a representative of the academic staff of the respective basic unit and often had great influence, but little power. Deans now have an executive function similar to the executive head and are usually appointed rather than elected. Deans exercise budgetary and other managerial functions and must increasingly balance the traditional role of protecting the interests of the academic staff with a strengthened managerial role.

> In **Italy**, faculties have traditionally played a key role in the governance of universities. In fact, the faculty is the real hub of power in Italian universities. Curricular innovation, establishment of new teaching activities, recruitment of staff, career advancement, operational management of funding – all fall within the competence of the faculty and its collegiate decision-making body. Furthermore, the internal resource-allocation process is based on (often informal) negotiations between the academic units and the institutional governing bodies. The negotiations reflect the balance of power between different faculties and academic disciplines, although some particularly innovative universities have developed considerably more objective and transparent criteria and mathematical models for the internal allocation of resources. In practice, many central-level decisions are actually the formalisation of decisions made within the faculties. Faculties also have a privileged relationship with the National University Council.

Universities in **Slovenia** are promoting co-operation between constituent parts and academic staff, usually by creating a joint post-graduate school, a university chair, a university campus, a university library, institutes, centres or departments. HEIs are also dividing the management function from the professional development/career path function.

There is a tendency in **Norway** toward integrating administrative and academic responsibilities at the basic unit level with appointed academic leaders heading departments. Departmental boards are being replaced with consultative bodies, staff meetings, etc. There is generally greater variation in institutional governance arrangements, where elected academic leaders in some departments are combined with appointed ones in others, with similar variations at the faculty level.

In the **United Kingdom**, many universities are developing strong executive structures to replace 'management by committee'. With well-defined lines of responsibility, clearly delegated authority and cohesive management teams of academics and administrators, this approach allows for dynamic management in an environment where decisions cannot wait for the next committee meeting. In many universities, the number of reporting lines in the administration has also been cut back in the move toward simpler management structures. Devolution to academic units has also been a constant theme; devolving power to schools, faculties or departments can be a powerful agent for change in institutions that are seeking to create a more entrepreneurial culture.

2.3. Independent private higher education

In Portugal and Norway, where the private higher education sector is accorded a relatively high level of recognition, there is a national-level body that convenes the executive heads of private HEIs, similar to the public universities' Rectors Conferences.

The institutional governance bodies at independent private HEIs in eleven countries are regulated in the same way as public HEIs, namely: Bulgaria, the Czech Republic, Italy, Latvia, the Netherlands, Portugal (as of 2007/08), Romania, Slovenia, Slovakia, Sweden and the United Kingdom (England).

Institutional governance in independent private higher education sectors are often regulated differently than in the public higher education sector. In the Flemish Community of Belgium, Germany, Spain, France, Lithuania, Hungary, Malta and Austria, private HEIs can determine their own institutional governance structure. In several countries, there are certain specific differences in the institutional governance structure of independent private HEIs.

In the **Flemish Community of Belgium**, all institutions have a management structure based on representation of all staff, students and external stakeholders.

The Private Schools Act of **Estonia** defines the management bodies of independent private HEIs, but it does not identify the areas in which they have decision-making powers. The management bodies are listed in the Act as the Rector and the Council without reference to a governing body that includes any external stakeholders; however, some independent private institutions have established an advisory body that includes external stakeholders.

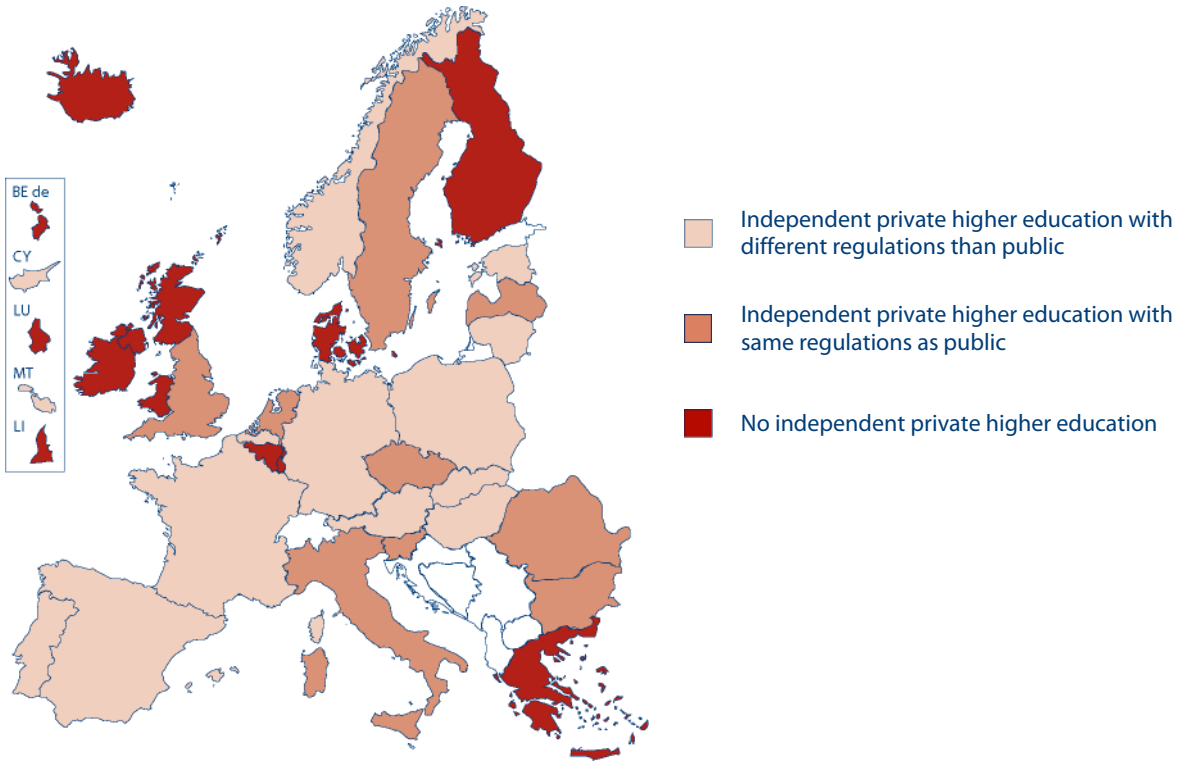
There is a national legal framework in place in **Cyprus**, including official regulations that define the institutional governance bodies for private HEIs. The first three private universities opened in September 2007.

There are no regulations for private higher education in **Malta** beyond the requirement for each HEI to obtain an operating license. The National Commission for Higher Education recommended reforming regulations for the private higher education sector in 2007.

In **Poland**, private HEIs are not required by law to have senates, but if they do not, they must set up some other supreme collective body and appoint a rector.

In **Norway**, private HEIs are legally required to have a Board with at least five members while public universities must have eleven members; however, most regulations are the same for both sectors.

Figure 2.4: External regulations on institutional governance, independent private higher education, 2006/07



Source: Eurydice.

Additional notes

Luxembourg: Information not verified at national level.
Portugal: As of 2007/08 and the introduction of the new law, the structure and process of establishing HEIs are now identical for independent private and public HEIs.
United Kingdom (ENG): All HEIs are classed as private institutions. Institutional governance does not differ according to whether an institution is government-dependent or not, but financial regulation does differ as independent HEIs receive no public funds and are therefore not subject to financial regulation by the funding body.

2.4. Challenges in institutional governance

In order for an HEI to function successfully, all of the institutional-level governance bodies must co-operate with each other, share information via open lines of communication and have transparent, trust-worthy processes of operation. The institutional governance can be problematic if one or the other governance body is too dominant over the others. Instead, there must be a 'balance of power' between the various authorities (Bargh *et al* 1996; Shattock 2003).

Members of the higher education community (e.g. Bargh *et al* 1996; Davies 1985; Fried 2006; Scott 2003) support the incorporation of external stakeholders in institutional governance bodies. External stakeholders bring outside perspectives, expertise and additional transparency to HEIs and also serve to link higher education activities with society. However, the existence of supervisory bodies composed solely or mainly of external stakeholders can be quite controversial in terms of institutional autonomy. For educational organisations, this type of external guidance can clash with the traditional collegiate management style, particularly when the institution and its professoriate have only limited or indirect influence on this high-level governance body. Indeed, it can be very difficult for institutional management to introduce decisions taken by such a top-level body without sufficient support and input by authority figures within the institution (whose authority is often rooted in the field of expertise rather than by hierarchical status). Like at all expert organisations, members of HEIs are resistant to directives that come 'top-down' (Pellert 2007).

In several countries, the supervisory body is composed of equal proportions of internal and external stakeholders, or of a majority of internal stakeholders. These boards represent something of a mix between the mechanisms of external guidance and managerial self-governance. In these cases, there is significantly less controversy over the issue of institutional autonomy due to the high level of involvement from within the institution. The presence of external stakeholders can help to limit the internal biases and politicking that can influence strategic planning and financial decisions at the institutional level. Additionally, the aspect of self-governance can also provide the institution with a sense of ownership over the governance processes: instead of being held accountable to a (primarily) external body, the institution holds chief responsibility for the direction, planning, and monitoring of its activities.

Higher education officials, leaders, experts and researchers have expressed concern about the lack of professional management experience on the part of academic experts in senior-level positions in light of the 'New Public Management' movement that has accompanied institutional autonomy (Davies 1985; Pellert 2007; Zechlin 2007). There are many arguments in support of self-governance by academic experts as the most qualified stakeholders to make decisions on the orientation of the institution and safeguard the traditional values of higher education against potentially detrimental effects of globalisation and massification. However, academic expertise and a vested interest in the mission and standards of higher education do not necessarily imply competence for handling the diverse demands facing higher education leaders today. There are various different responses throughout Europe to the need for increased professional management competencies in higher education.

In **Poland**, there are currently several venues for management staff to receive training in professional management. The Polish Rectors Foundation offers opportunities for management staff of public and non-public HEIs to improve qualifications, such as the Summer Schools of Strategic Management for incumbent and newly-elected rectors and chancellors.

In **Finland**, there is pressure at the institutional level for more professional leadership and the role of the university Senate focuses increasingly on strategic issues. As universities have increased their services to

society and diversified their funding base, they have had to increase and professionalize their staff who support external activities and administer external funding. In general, the balance between individual leadership and collegial councils is changing, and the power of individual leaders is increasing. Currently, a two-person working committee dealing with the issue of financial autonomy of universities is also discussing the issue of making institutional leadership more professional and of the election or appointment models for governance bodies and academic leaders (Rector, deans).

HEIs in **Norway** began recruiting specialised administrative staff to prepare management decisions in the 1990s. The institutions in this country have had time to assess and appreciate the resulting improvements in professional administration.

Higher education management has been a field of study at HEIs in Europe since 1999, although most study programmes began in 2002 or later. Master's level programmes are currently offered at certain universities in Germany, Spain, the Netherlands, Austria, the United Kingdom and Norway.

CHAPTER 3: DIRECT PUBLIC FUNDING OF HIGHER EDUCATION INSTITUTIONS

Although the majority of European national policies are now encouraging higher education institutions (HEIs) to rely increasingly on private sources of funding (see Chapter 4), direct public funding continues to represent a substantial share of the higher education budget. In 2003 ([1]), within the 27 Member States of the European Union, 79.9 % of the funding for HEIs came from public sources. In five countries, this proportion was below 70 %: Poland (69 %), Cyprus (65.8 %), Lithuania (61.8 %), Bulgaria (55.2 %) and Latvia (44.9 %). The methods public authorities use to fund HEIs should be analysed closely, as they are likely to significantly influence the institutional strategies.

Very broadly speaking, some degree of change in the traditional higher education funding mechanisms has become apparent in Europe. For example, funding mechanisms have traditionally involved negotiations between HEIs and the State on the amount to be awarded, the calculation of this amount on the basis of real costs incurred by institutions and the award of grants compartmentalised by budget heading. In contrast, for around 15 years, many countries have developed block grants and formulas to calculate the sums awarded as well as measures to tie the level of public funding to institutional performance. This trend has often gone hand in hand with new monitoring and accountability procedures.

In its May 2006 Communication on the modernisation of universities ([2]), *Delivering on the Modernisation Agenda for Universities: education, research and innovation*, the European Commission emphasised the importance of basing higher education funding more on results than on actual expenditure as well as granting institutions real autonomy and making them fully accountable to society for their performance.

This chapter attempts to answer the following questions at the European country level:

- Is the public funding of HEIs based on their performance? What are the other criteria considered?
- Does allocated public funding serve as an incentive for HEIs to meet strategic objectives determined at national level, for example via a performance contract?
- Does research funded by the public authorities serve to support infrastructures and ongoing activities, or is it limited to grants for specific projects?
- How are HEIs held accountable for the public funding they have received?
- Can HEIs transfer unspent public funding from one year to the next?
- Do independent private HEIs have access to public funding?

Decisions taken by governments with respect to these questions enable different aims to be pursued, including the enhancement of quality and rationalisation of the use of resources. The same decisions are also likely to generate extensive discussion regarding their intended or unintended repercussions for the strategic policies of HEIs (see section 3.4).

([1]) See Eurydice (2007) Key Data on Higher Education in Europe – 2007 Edition, Chapter C, Figure C12.

([2]) European Commission (2006) Communication from the Commission to the Council and the European Parliament. Delivering on the Modernisation Agenda for Universities: education, research and innovation.

Before dealing with the various mechanisms for direct public funding ([3]) of HEIs in Europe, it must be pointed out that HEIs generally receive block grants, which are intended to cover several categories of expenditure.

Detailed national information on criteria for the allocation of public funding to HEIs is provided in the annexe.

Types of grant

Public funding is allocated under expenditure headings that have to be strictly complied with only in Bulgaria, Czech Republic (ISCED level 5B), Greece, Cyprus and Latvia. In Greece, more autonomy in this respect is granted to HEIs from 2007/08, and there are similar plans in Latvia (from 2009).

> In **Greece**, there are currently five headings: staff, operational expenses, student catering, temporary staff and public investments. As of 2007/08, HEIs are allowed to make certain transfers inside the operational expenses and public investment budgets. In **Bulgaria** there are five headings: study costs; research; scholarships; costs for publishing textbooks, research results, etc.; and costs for capital investment. In **Latvia**, HEIs are currently required to request permission from the *state treasury* to make transfers between amounts established for salaries, expenditure on immovables and other common costs.

In all other countries, the block grant is divided between the categories of expenditure depending more on the internal governance of the institution concerned. In Belgium, Ireland (institutes of technology), France, Lithuania, Hungary, Poland and Slovenia, institutions receive block grants but they must spend them in compliance with the budget headings submitted to the funding or supervisory body.

> In **France**, HEIs must submit the budget proposal to the supervisory authority before implementing it. In certain cases, the budget may be submitted for approval or refused by the authorities (for example, in the case of non-compliance with the budget balance or allocation of public funding). In **Hungary**, institutions have to send an annual draft budget proposal to the maintainers prior to any spending. The maintainer may initiate the introduction of amendments if it considers that the proposal does not enable the institution to achieve its basic goals. HEIs in **Poland** have to submit their proposed financial activities to the Ministry of Finance but there is no institutionalised authority for their approval.

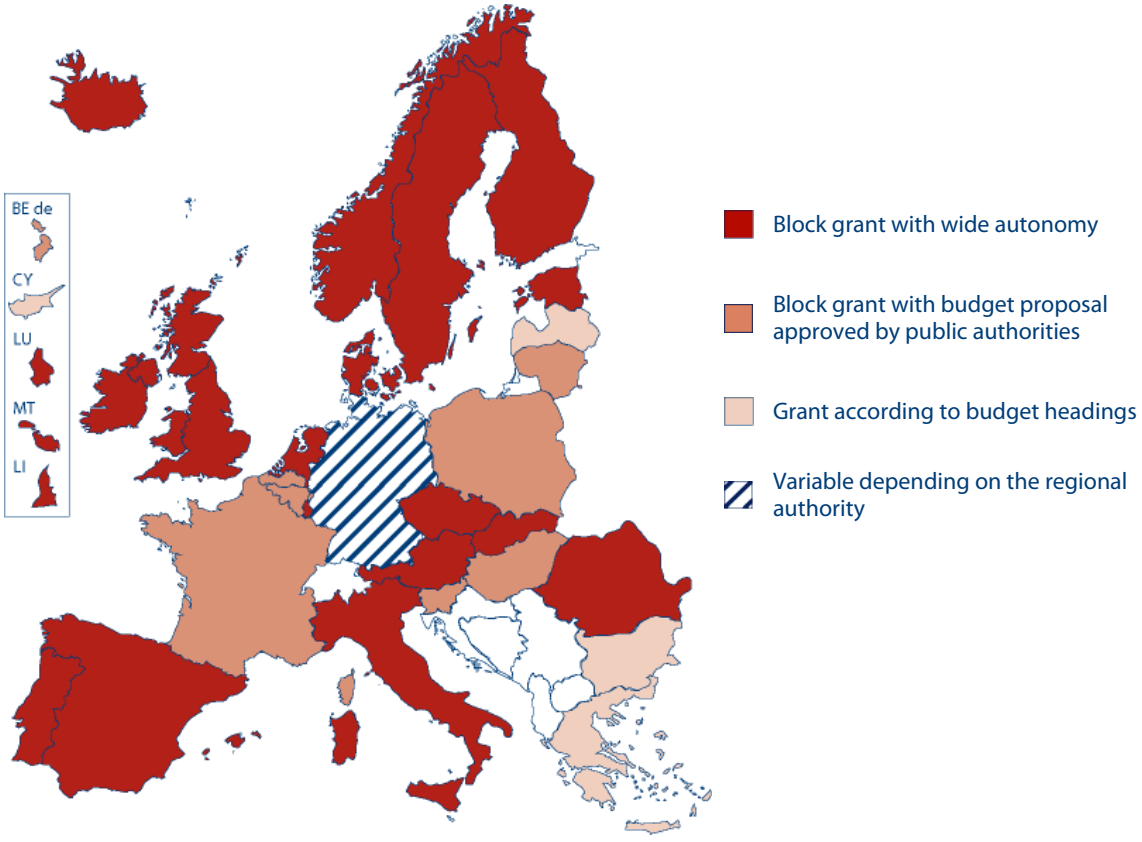
In most cases, block grants are intended to cover teaching and ongoing operational expenditure. In rare cases, staff salaries may be omitted. In half of the countries, block grants may fund certain kinds of research expenditure (see section 3.1.4).

> In **Belgium (German-speaking Community)**, staff salaries are paid directly from the Community budget. In **France**, staff salaries are paid by the state. However, HEIs are able to pay salaries directly to certain categories of contract employees with their own funds. In **Denmark**, block grants relate solely to expenditure on teaching.

Block grants do not constitute the only source of public funding. In all countries, HEIs also receive public funding for specific purposes, such as investment schemes linked to national programmes, social objectives, funding specifically for research, etc.

([3]) Indirect funding is thus excluded (i.e. public transfers to the private sector in the form of public grants, public loans, and tax relief, etc.).

**Figure 3.1: Type of main public grant,
public and government-dependent private higher education, 2006/07**



Source: Eurydice.

Additional notes

Czech Republic: the information relates to universities. Institutions at ISCED level 5B receive their grants according to budget headings.
Germany: Each *Land* defines the financial autonomy of HEIs.
Ireland: The information relates to universities. Budget proposals for institutes of technology must be approved by the university funding body (Higher Education Authority), from 2007/08 (before 20007/08: by the Department of Education and Science).
Luxembourg: Information not verified at national level.
Finland: Concerns universities. The polytechnics are subject to the budget regulations and principles applied by their maintaining organisations.

3.1. Funding mechanisms

Figure 3.2 shows the main public funding mechanisms in Europe. In certain countries the most widely used mechanism (the funding formula) might incorporate some of the other main mechanisms; however, this situation is not shown in this Figure. For the purposes of this document, a mechanism is marked as 'applied' only if it is used outside a funding formula.

Figure 3.2: Main mechanisms for direct public funding, public and government-dependent private higher education, 2006/07

	BE fr	BE de	BE nl	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT	LU
Budget negotiation with the funding body based on a budget estimate submitted by the institution		●		●					●	●				●			●
Budget established by the funding body based on past costs						●				●			●				
Funding formula	●	●	●	●	●	●	⊗	●	●	●	⊗	●	●		●	●	
Performance contracts based on strategic objectives			●		●	●				●		●					●
Contracts based on a predetermined number of graduates by field of study								●							●		
Funding for specific research projects, awarded in the framework of competitive bidding procedures	●	●	●	●	●	●		●	●	●		●	●		●		:

	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK-ENG/ WLS/NIR	UK-SCT	IS	LI	NO
Budget negotiation with the funding body based on a budget estimate submitted by the institution		●				●		●								
Budget established by the funding body based on past costs					●									●		●
Funding formula	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●
Performance contracts based on strategic objectives				●		●	●		●	●				●		
Contracts based on a predetermined number of graduates by field of study																
Funding for specific research projects, awarded in the framework of competitive bidding procedures	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

● Mechanism applied ⊗ Variable depending on the regional authority : Data not available

Source: Eurydice.

Additional notes

Belgium (BE de): As of 2009/10, a new system for awarding operational resources will be introduced based on a budget proposal from the existing higher education institution, including all revenue and expenditure from the previous year.
Belgium (BE nl): The means allocated in the past are considered in the funding formula to a certain extent.
Czech Republic: Performance contracts and related negotiations concern only public HEIs at ISCED level 5A. For public institutions at ISCED level 5B, funding formulas are established at regional level. For public and government-dependent private institutions at ISCED level 5B, it is possible to receive funding from the Ministry of Education to develop national objectives.
Denmark: In 2006/07, performance contracts concerned universities only. In 2008, the 22 non-university HEIs, which merged into 8 institutions, will also be governed by performance contracts.
Germany: Each *Land* defines the allocation method of direct public funding to HEIs.
Ireland: The funding formula concerns universities, whereas the institutes of technology operate on the basis of budget negotiations. Funds are also granted to universities on a competitive basis for activities related to strategic national priorities (see section 3.1.2).
Greece: The introduction of performance contracts for universities was recently adopted by parliament but has not yet taken effect.
Spain: Each Autonomous Community determines its own method of awarding direct public funding to HEIs.

Luxembourg: Information not verified at national level.
Austria: Performance contracts do not concern Universities of Applied Science *(Fachhochschulen)*.
Slovenia: Negotiations apply only to the investment part of the budget. Expenditure met by HEIs in the previous year is considered to a large extent in the funding formula.
United Kingdom (ENG): Although most of the teaching grant is allocated by formula, with performance- related input, it is also subject to a funding agreement (or contract) specifying the volume of teaching activity to be delivered. The volume of teaching activity is defined in broad terms, except for quota-controlled subjects such as medicine and teaching, and in the case of funding for additional student places. The funding agreement specifies a target number of students in these cases.
Iceland: Funding formula and performance contracts do not apply to the two HEIs under the auspices of the Ministry of Agriculture.
Liechtenstein: The information about research funding relates solely to the *Hochschule Liechtenstein*.

Explanatory note

Funding formulas (see section 3.1.1) are used to calculate the size of public grants for teaching and/or ongoing operational activity and, in certain cases, research. Criteria for allocation of funds include input criteria and/or performance indicators (for detailed information by country see Annexe).

Performance contracts (see section 3.1.2) established between institutions and public authorities are based on strategic objectives assigned to the institution. Different performance-related measures exist to evaluate progress.

Contracts between HEIs and public authorities based on the number of graduates (see section 3.1.3) involve the number of graduates in specific subjects or groups of subjects to be reached after a set period.

The mechanisms of budget negotiations based on institutional estimates, budgets based on past costs, performance contracts and funding for specific research projects are shown in the Figure only if they are applied outside a funding formula.

Almost all European countries use funding formulas to calculate the size of public grants to HEIs for teaching and/or ongoing operational activity and, in certain cases, research. This is not the case in Germany (in certain *Länder*), Ireland (institutes of technology), Cyprus, Luxembourg and Malta.

In **Ireland,** until 2007, the annual budgets for institutes of technology were determined based on negotiations with the Department of Education and Science. Upon commencement of the Institutes of Technology Act 2006 in February 2007, the Higher Education Authority took over responsibility for the direct funding of these institutes and intends to introduce a funding model which is similar to the one currently being phased in for the university sector. In **Cyprus**, the various public grants allocated to HEIs are determined through negotiation based on a budget estimate submitted by each institution. The estimate covers its requirements arising from the level of student enrolment, developments in the existing infrastructure, the setting up of new faculties and the introduction of new programmes. The University of **Luxembourg**, created in 2003, is currently implementing the first multi-annual contract. The University submitted a budget proposal to the minister in charge of higher education, who had it approved by the government. In **Malta**, the amounts of public grants are determined based on a budget estimate submitted by the institution, which describes its financial needs for the upcoming year based on the number of staff and enrolled students.

The use of funding formulas to calculate the amount of public funding allocated to HEIs is very widespread in Europe. However, the importance of these formulas with respect to the other mechanisms for the allocation of public funding varies according to country.

In Belgium (French Community), Lithuania ([4]), Hungary, Romania and Liechtenstein, funding formulas are the only method used to calculate the size of the main public grants to HEIs. In Ireland, the funding formula determines almost the entire annual recurrent grant allocated to universities. In the United Kingdom (England), the size of the block grant for HEIs is largely calculated using a funding formula. In Bulgaria, the funding formula is used to calculate study costs, which represent 80 % of public funding.

([4]) In Lithuania, HEIs receive public funding only for accredited study programmes.

Several countries have introduced funding formulas along with methods for calculating public funding which do not depend on the parameters used in the funding formula. This may involve preserving the same amount from one year to the next (Flemish Community of Belgium and the Netherlands), considering past costs (Denmark, Italy, Poland, Slovenia and Norway), or responding to the special financial difficulties of certain institutions (France). These allocation mechanisms may be used to pursue objectives such as the stability of resources and the freedom of research (Denmark and Norway).

In addition to the funding formula, several countries allocate public funding in the framework of performance contracts (see section 3.1.2) which involve a negotiation procedure and are based on more qualitative and general objectives than those included in the formulas. These contracts sometimes counterbalance the impact of the funding formula on the total amount allocated in a significant way, such as in Austria.

3.1.1. Funding formulas

Funding formulas are regarded as a means of increasing the transparency of public funding by distributing available funds objectively among institutions, and avoiding excessive political pressures.

Almost everywhere, funding formulas rely on input criteria, which refer to the volume of institutional activity ([5]). Institutional activities may be estimated according to the volume of resources (number of staff members, staff salaries, number of students registered, buildings, etc.) available to HEIs for educational provision. In many cases, the funding formulas also include performance criteria, which are related to the outputs achieved by an institution over a previous period. Funding formulas may then offer an incentive for HEIs to better rationalise their resources, because they establish a link between the amount of public funding allocated and the institution's capacity to use the resources in the most 'advantageous' way possible during a given period.

Input criteria

In the funding formulas, the input-related criteria used for teaching and operations grants vary from one country to the next. The most commonly used criterion is the number of students registered during the previous or current year, weighted according to field of study. In some countries, the number of students at each institution eligible for public funding is established beforehand with or by the national authorities. This corresponds to the number of state-funded study places available at an institution (Bulgaria, Lithuania, Hungary, Romania and Liechtenstein), or to the number of study places to fill or students to enrol in accordance with the number of graduates as stipulated in the contract between the institution and the public authorities (Estonia, Latvia and Finland).

Characteristics other than those related to the number of students, which may sometimes guarantee certain stability in the allocation model, are considered much less often. These involve, for example, variables related to rental costs of universities (Finland), the surface area of buildings (France), whether they are located in the capital (United Kingdom – England), the number of staff members (Greece, France, Poland – public institutions – and Portugal), criteria related to educational provision (France and Slovakia), etc. (see annexe for detailed information).

([5]) Chevaillier, Thierry; Eicher; J-Cl. (2002) Higher Education Funding: A Decade of Changes.

Figure 3.3: Input-related criteria of funding formula used for teaching and operations, public and government-dependent private higher education, 2006/07

	BE fr	BE de	BE nl	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT	LU
Number of students registered the previous or current year	●	●	●		●				●	●		●	●				
Number of state-funded study places available at the institution or which must be offered by the institution				●			⊗	●			⊗				●	●	
Other indicators of the volume of institutional activity										●		●					

	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK-ENG/ WLS/ NIR	UK-SCT	IS	LI	NO
Number of students registered the previous or current year			●	●	●	●		●	●	●	●	●	●			●
Number of state-funded study places available at the institution or which must be offered by the institution	●						●									●
Other indicators of the volume of institutional activity					●	●			●	●		●				

● Criterion considered ⊗ Variable depending on the regional authority

Source: Eurydice.

Additional notes

Belgium (BE de): Until 2009/10, the number of students enrolled considered in the annual grant corresponds to the 2004/05 academic year. For the nursing programme, a fixed amount corresponding to operational costs is allocated.
Belgium (BE nl): The amount of the block grant allocated to HEIs is currently based on the number of students registered in 2000 (universities) and in 2003 (university colleges). Until 2008, as a transitional measure, fluctuations in these numbers will not be considered.
Czech Republic: Concerns institutions at ISCED level 5A. Only students who do not exceed the standard length of time by more than one year are counted.
Denmark and **Iceland**: No criteria related to input in the funding formula.
Germany: Each *Land* defines the method of allocation of direct public funding to HEIs.
Ireland (institutes of technology), **Cyprus, Luxembourg** and **Malta**: No funding formula.
Spain: Each Autonomous Community defines the allocation method of direct public funding to HEIs.
Luxembourg: Information not verified at national level.
Netherlands: For universities, the number of students considered in the funding formula corresponds to enrolments in the first year.
Austria: The number of students registered concerns only Universities of Applied Science *(Fachhochschulen)*. For the universities, the criteria used in the funding formula are all related to institutional performance (see Figure 3.4).
Poland, **Slovenia** and **Sweden**: The number of students is calculated as full-time students or their equivalents.
Finland: Polytechnics: number of students registered. Universities: number of students which the institution should enrol in compliance with its performance contract.
United Kingdom (ENG/NIR): Only students completing their year of study are counted. **(WLS)**: Only a very small proportion of student related funding depends on the number of students registered. Most student related funding depends on the number of study credits completed.

Explanatory note

For detailed national information on the categories of criteria presented in Figure 3.3, see the annexe.
All criteria which refer to the number of students registered or the number of study places exempt from tuition fees at the institution are weighted according to the study field of the student considered.

In the funding formulas, the number of students considered is associated with a unit cost defined per student. These costs are weighted everywhere according to the study field in which the student is enrolled and the level of study concerned, and also to whether (s)he is enrolled on a full- or part-time basis as well as other factors.

For example, in the **Flemish Community of Belgium**, study programmes are weighted with a factor of 1, 2 or 3, or a factor of 1, 1.2, 1.4 or 1.6 (in colleges). Overall, social science and humanities programmes receive the lowest ranking, and engineering and medicine programmes receive the highest ranking. In **Norway**, the cost calculated per student is weighted by the cost of scientific equipment and the complexity in teaching the study programme.

Depending on the country concerned, the unit costs established per student are positioned in various ways with respect to the actual expenditure for each HEI. They may be based on the actual expenditure of institutions at the end of a given period (Greece), or correspond to an average cost at national level, based on statistics, as in most countries. They may also correspond to a normative cost per student, which is established by considering various factors such as, for example, optimal student/staff ratios and other standardised efficiency measures used to calculate what the costs per student ought to be, rather than what they are on an actual or average basis ([6]). This is the situation in the French Community of Belgium, Bulgaria, Romania and Liechtenstein. When unit costs are based on national averages or on normative costs, they may serve as an incentive to rationalise the use of resources.

Performance indicators

Approximately half of the countries use performance indicators which focus on student success rates, in determining the amount of funding for teaching and operations (see Figure 3.4). The most common performance indicators for teaching activities focus on student success rates that are measured through the number of graduates. Indicators in the Czech Republic, Italy and Austria (universities) attach special importance to compliance with the standard period of time needed to complete courses. Some countries use other indicators related to student success rates (in addition to the number of graduates for some countries).

In **Denmark**, **Austria** and **Liechtenstein**, the number of students who pass their exams is considered. The number of credits earned by students is considered in **Sweden** (full-time students) and **Norway**. In the **United Kingdom** (**England** and **Northern Ireland**), the number of students registered is not considered in the funding formula; only those students who complete their year of study. The number is weighted according to field and type of study. For institutional performance, **Italy** and the **Netherlands** (universities of professional education) consider the failure rate at the end of the first year and the number of students who abandon their studies, respectively.

In the Flemish Community of Belgium, Ireland (universities), and the United Kingdom (Scotland), performance criteria currently focus only on research (see section 3.1.4); however, this is likely to change in the Flemish Community of Belgium and Ireland.

In the **Flemish Community of Belgium**, in 2008, these performance criteria will be used for the block grant for teaching and research. In **Ireland**, there are plans to establish a second performance criterion related to the standardisation of national and international 'best practices', and to attach greater importance to defining objectives and evaluating results.

([6]) See Salmi, J. and Hauptman A.M. (2006) Resource allocation mechanisms in tertiary education: a typology and an assessment.

Figure 3.4: Performance-related criteria of funding formulas used for teaching and operations, public and government-dependent private higher education, 2006/07

	BE fr	BE de	BE nl	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT	LU
Indicators related to students' results					●	●		●					●		●		
Lowering of staff costs													●				
Level of qualification of teaching staff							⊗				⊗						
Results of the evaluation of institutions										●						●	
Quality of infrastructures, management and services provided to the university community																	

	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK-ENG/ WLS/NIR	UK-SCT	IS	LI	NO
Indicators related to students' results	●		●	●		●		●	●	●	●	●			●	●
Lowering of staff costs																
Level of qualification of teaching staff					●	●	●									
Results of the evaluation of institutions						●										
Quality of infrastructures, management and services provided to the university community							●									

● Criterion considered ⊗ Variable depending on the regional authority

Source: Eurydice.

Additional notes

Belgium (BE nl), **Ireland** (universities), **Poland** (public institutions) and **United Kingdom (SCT)**: Performance criteria focus only on research (see section 3.1.4).
Czech Republic: Concerns institutions at ISCED level 5A.
Germany: Each *Land* defines the allocation method of direct public funding to HEIs.
Ireland (institutes of technology), **Cyprus**, **Luxembourg** and **Malta**: No funding formula.
Greece: With the new university law adopted in 2007, various performance indicators are used for public funding.
Spain: Each Autonomous Community defines the method of allocation of direct public funding to HEIs.
France: Contracts established between the state and institutions define objectives to be reached and performance indicators, which enable the evaluation of results.
Luxembourg: Information not verified at national level.
Austria: Concerns only universities.
Portugal: As of 2007/08, the quality of facilities and teaching and scientific equipment at HEIs influences the amount of public funding they receive.
Iceland: The institutional performance is estimated according to the number of students who take their exams.

Explanatory note

For detailed national information on the categories of criteria presented in Figure 3.4, see the annexe. For performance criteria related to research, see section 3.1.4.

In Lithuania, there are no performance indicators related to teaching in the formula used to calculate the annual state budgetary allocation awarded to HEIs. But results concerned with the quality of study programmes or research productivity (see section 3.1.4) that have been taken from the evaluation of institutions or study programmes for accreditation purposes count when determining the amounts awarded. When calculating public grant amounts for HEIs in Portugal, the findings of evaluations by the National Council for the Evaluation of Higher Education ([7]) are taken into consideration, along with performance indicators.

In Poland and Romania, current performance criteria do not focus on student success rates, but on the quality of staff and/or management. However, in the framework of the strategy for higher education 2002-2010 in Romania, there are plans to consider the overall ranking of each university according to its performance in the national system of university classification when determining the allocation of public funding.

In the German-speaking Community of Belgium, Bulgaria, Greece and Spain, ongoing political debates, strategies and reforms focus on the introduction of performance indicators to set the size of block grants for institutions.

> In the **German-speaking Community of Belgium**, a new funding system for operational costs at the only HEI is being prepared and will be applied from 2009/10. Initiatives taken by the *Autonome Hochschule* since 2005 in the fields of training and research can be taken into account for the annual lump sum. In **Greece**, with the new university law adopted recently by parliament quality indicators related to institutional performance will be taken into account in distributing public funding. Although the Autonomous Communities in **Spain** are currently responsible for the somewhat varied mechanisms used to fund HEIs, all such mechanisms are based on costs as a rule. The national parliament is currently engaged in a debate concerned with amending the system of funding to universities so that it is also based on results.

The relative significance of outcome or 'results' indicators in determining grant amounts varies from one country to the next. In Estonia, the entire public block grant is defined by performance, as provided for in the institutions' contracts in terms of the number of graduates (see section 3.1.3). In the United Kingdom (England), performance is a main factor in the funding formula. In Sweden, 45 % of the block grant is determined by full-time study results per year. In the Netherlands, performance defines 50 % of the 'educational' component of the block grant received.

In Finland (since 2007) and Norway, approximately one third of the funding is defined by performance. In Norway, the research component of the block grant became more performance-based in 2006. In Lithuania, Hungary and Romania, the performance of institutions is considered for 12 % to 20 % of the block grant for teaching and operations as well as research. In Ireland (universities) and Italy, this proportion is 5 % or lower.

In Denmark and Austria (universities), only performance-related indicators are used in the funding formula; however, in Austria, these formulas only partly determine the amount of the block grant.

([7]) This body was replaced in autumn 2007 by an agency for the evaluation and accreditation of higher education.

Social and academic criteria

Certain governments have introduced criteria into the funding formula for calculating public grants to HEIs, which support their efforts to pursue various nationally determined social or academic objectives, or provide incentives for them to do so.

In **Italy**, the funding formula takes account of economic and social conditions in the area in which universities are located, so as to give more substantial resources to HEIs enrolling students from disadvantaged social backgrounds, and of the fact that a particular institution may have been recently established. In **Austria**, the funding formula includes data on the proportion of female professors, as well as on the number of women who graduate from doctoral programmes. In the **United Kingdom (England)**, the additional costs incurred by institutions enrolling students from disadvantaged or non-traditional backgrounds, or who have disabilities, are taken into account in the funding formula. In **Ireland**, a similar approach is taken in the funding formula with respect to students from disadvantaged backgrounds. As of 2008 in the **Flemish Community of Belgium**, the funding mechanism promotes the attainment of ethnic and socio-economic groups under-represented in higher education.

3.1.2. Performance contracts

In twelve countries, all or part of the direct public funding for HEIs is awarded in accordance with a 'performance' contract concluded between the State and the institution concerned. In addition to the allocation of a budget, these contracts are based on the principle of defining strategic objectives for a particular HEI. They may also represent an instrument for measuring whether institutions actually do achieve their objectives. For the public authorities, therefore, performance contracts represent a powerful mechanism that enables them to guide the institutional strategic policies.

Countries differ with regard to the importance of the performance contract in the allocation of public funding. Contracts that influence the main part of the public funding are concluded following a negotiation. This is the case in France ([8]) (since 1989), Luxembourg (since 2003), Austria (since 2007), Romania (since 1998, revised in 2006), Finland (since the mid 1990s) and Iceland (since 1997). In Greece, this type of contract was adopted very recently. In Denmark, performance contracts, which were introduced recently and are not legally binding, are a precondition for receiving public funding but do not govern the publicly-allocated amounts.

In **France**, given the fact that the salaries of teacher researchers are paid essentially by the state, public funding distributed through contractual agreements only covers 10 % to 15 % of university budgets and the situation varies from one university to the next. The block grant for operational activity is allocated according to a funding formula. The aim of this policy is to reinforce the share of contractual credits attributed based on a qualitative evaluation of results, compared to credits attributed on a purely quantitative basis. In **Austria**, the budget allocated under the performance contract corresponds to 80 % of the block grant for universities, with the remaining 20 % based on a funding formula. In **Romania**, the annual contract relates to all public grants. In **Finland** and **Iceland**, aside from public funding for specific research projects, the agreement on performance covers the remaining public grants. Also in Finland, 6.5 % of the amount ratified by the agreement is awarded for projects relevant to national political strategic priorities.

([8]) In France, contracts concern most of the direct public funding allocated to HEIs, apart from the salaries of teacher researchers.

When performance contracts are a main mechanism for the allocation of public funding to HEIs, they contain strategic objectives that the HEIs set themselves as well as national strategic aims (see Chapter 1) which involve a large part of the institutional activities. In Romania and Iceland, these aims are established separately for each individual institution. Contracts are established for a period of 3 years in Austria and Finland, 3 to 4 years in Denmark, 4 years in France, 5 years in Iceland and 1 year in Romania.

In **Denmark**, the performance contracts draw up the universities' strategic objectives, means and target areas focusing on the four core activities, namely: education, research, dissemination of knowledge, and knowledge exchange. In **France**, contracts set objectives for universities and involve the quality of provision and research, governance, the fight against inequality, etc. They must articulate the requirements of the national public service in terms of higher education, with policies and strategic options for development of the individual institutions. In **Luxembourg**, the contract concluded between the university and the state focuses on the general policy of the institution and its strategic choices, objectives and activities in the fields of teaching, research, student mobility, documentation and administration. In **Austria**, the contract has to contain the universities' strategic objectives, study programmes and services, planned developments and incentives in terms of human resources management, as well as plans for developments in research, contributions to social progress (including measures to increase the proportion of women in senior positions, courses for working students, expanding areas of culture and research with a social impact, knowledge and technology transfer), planned international activities and schemes, and inter-university cooperation. In **Romania**, the strategic plan on which the contract is based has to include the strategic objectives of each institution, its study programmes, and the strategies to be adopted for teaching, research, human resources management, partnerships, funding, managerial strategy and quality assurance strategy.

In four countries, performance contracts concern only a small part of the allocated public funding and are intended to finance specific projects or more specific objectives. In the Czech Republic, Portugal and Slovakia, these contracts are obtained in the framework of a competitive bidding procedure. In the Flemish Community of Belgium, funding for these contracts will be allocated according to the numbers of students between 2008 and 2010. Meanwhile performance indicators will be defined. From 2010, funding will be allocated based on the performance achieved by the institution.

In the **Flemish Community of Belgium**, 4 % of the direct funding is allocated through performance contracts (2000-2007) which are concerned with teaching and learning innovation and curriculum reform. From 2008 on, 2 % of the direct funding is allocated for performance contracts concerned with widening access and in academic achievement by students from under-represented groups. In the **Czech Republic**, 7.4 % of public funding received by HEIs for education at ISCED level 5A is allocated through an annual (but renewable) development contract. In order to receive this funding, the long-term institutional plans must be in line with the priorities defined in the 2006-2010 higher education plan established by the Ministry of Education (internationalisation, increasing the quality and excellence of academic activities and cultivation of the academic environment), and the proposed project must be related to the national annual priorities as regards teaching activities. The Ministry of Education also allocates funds to regions, intended specifically to enable institutions at ISCED level 5B to implement national conceptual intentions in the area of education. In **Portugal**, HEIs which seek improvement and development may apply for multi-annual funding based on a programme contract/development contract. These contracts confirm short- and medium-term strategic objectives, which may concern quality improvement, curriculum development, the strengthening and running of infrastructures, modernisation of management, etc. In **Slovakia**, the proportion of development contracts in public funding for teaching is similar to that in the Czech Republic. The award of a contract (annual or multi-annual) to a public HEI to carry out a development project in connection with teaching activities depends on whether the long-term strategic plans of (public) institutions are in line with those of the Ministry of Education.

There is a similar funding mechanism in Ireland, but it is not formalised by a performance contract. This Strategic Innovation Fund allocates funds to universities for projects which are in line with the national strategic priorities, on a competitive basis. This fund is entirely separate from the annual recurrent grant for universities.

Performance contracts may be used as an incentive, for example where public funding is decreased if objectives are not achieved. Currently, the relationship between an institution's achievements with respect to the defined objectives and the level of funding allocated is being (re)defined in several of the countries where a large part of the allocated funding is obtained through the performance contract. When the achievement of objectives is considered, essentially quantitative indicators are used, whereas the achievement of more qualitative objectives is not (yet) a determining factor for the amount of funding allocated.

In **Denmark**, the achievements of universities compared to their performance contract currently have no bearing on the amount of public funding that they receive. Government strategies plan to link basic public funding for universities to an overall evaluation of results and the extent to which quality objectives have been met. The quantitative indicators contained in their contracts on universities' results in terms of student mobility, number of graduates, patents and utilisation of research results, the amount of published research, external means and foreign researchers, could be used for this purpose. In **France**, the organic law concerning the 2006 financial laws defines a performance system for public management based on renewable performance contracts with HEIs, whereby the most efficient management receives higher amounts of funding. In **Luxembourg**, the effects of the first multi-annual contract presently in effect remain to be analysed, and an evaluation of the university's activities must be conducted. Regardless of the results, the state has promised to provide an increasing amount of funding for the university's activities until 2009. In **Austria,** during the first round of contracts (which began in 2007), universities have to submit reports on their achievements with respect to the performance contract. The results will be taken into account in the next contract. In **Romania**, results obtained with respect to the annual contract are considered only by means of a funding formula that includes performance indicators. In **Finland**, the number of qualifications actually awarded by universities compared to the stated aims of the triennial performance agreement is taken into account when calculating the amount of funding in the subsequent agreement. In **Iceland**, assessments concerning the contracts, for which the aims and the strategy of the HEIs themselves play a vital role, are still under examination.

3.1.3. Contracts based on a predetermined number of graduates by field

In Estonia and Latvia, contracts between HEIs and the public authorities concern public funding that 'purchases' educational services provided by the institution. These services should ensure that a certain number of students graduate by the end of a given period in particular subjects or groups of subjects at specific levels of study, and offer the corresponding study places exempt from tuition fees. In Estonia, there is currently a debate on whether to include strategic directions and missions in the contract. At Estonian HEIs for professional training, the grant is not established by a contract but specified in a directive issued by the Minister of Education and Research.

In both countries, the public funding obtained through contractual agreements represents an important share of the public financial support for HEIs (70-80 % in Estonia), although other public grants exist and are intended especially for research and investment.

In Estonia, institutions must apply for public funding for the provision of an educational service.

In **Estonia**, in order to decide on the distribution of available resources between institutions, the Ministry of Education and Research receives advice from a special committee made up of representatives of

different ministries, universities, employers, unions and students. Various professional associations may also submit proposals. The main criteria are the priority of academic disciplines (in particular with respect to the labour market) as established by the committee, as well as quality and efficiency demonstrated by institutions.

In both countries, the conclusion of previous contracts influences the amount of future contracts.

In **Estonia**, contracts establishing the number of graduates to be produced by an institution started in 2002. Currently, if the number of study places fixed in a contract is not fulfilled, the ministry has the right to remove the corresponding funding amount in the next contract. From 2009/10, the ministry will also take into account several performance criteria, including the exact number of graduates at Master's level (those who were admitted in 2002 will normally have finished their studies by this time) when calculating the amount of the state-commissioned study places. In **Latvia**, the level of compliance with previous contracts as regards the number of study places and graduates has a bearing on the amounts awarded.

3.1.4. Public funding for research

HEIs in Europe receive public money for research and development (R&D) through various methods of funding which treat performance in different ways. This involves funding for expenditures related to fundamental or applied research at HEIs, including all research institutes and experimental units operating under their direct control, or administered by or associated with them. Research grants for graduate students are not considered here as they do not constitute direct public funding to institutions.

At the public level, there are two main ways of funding research in higher education:

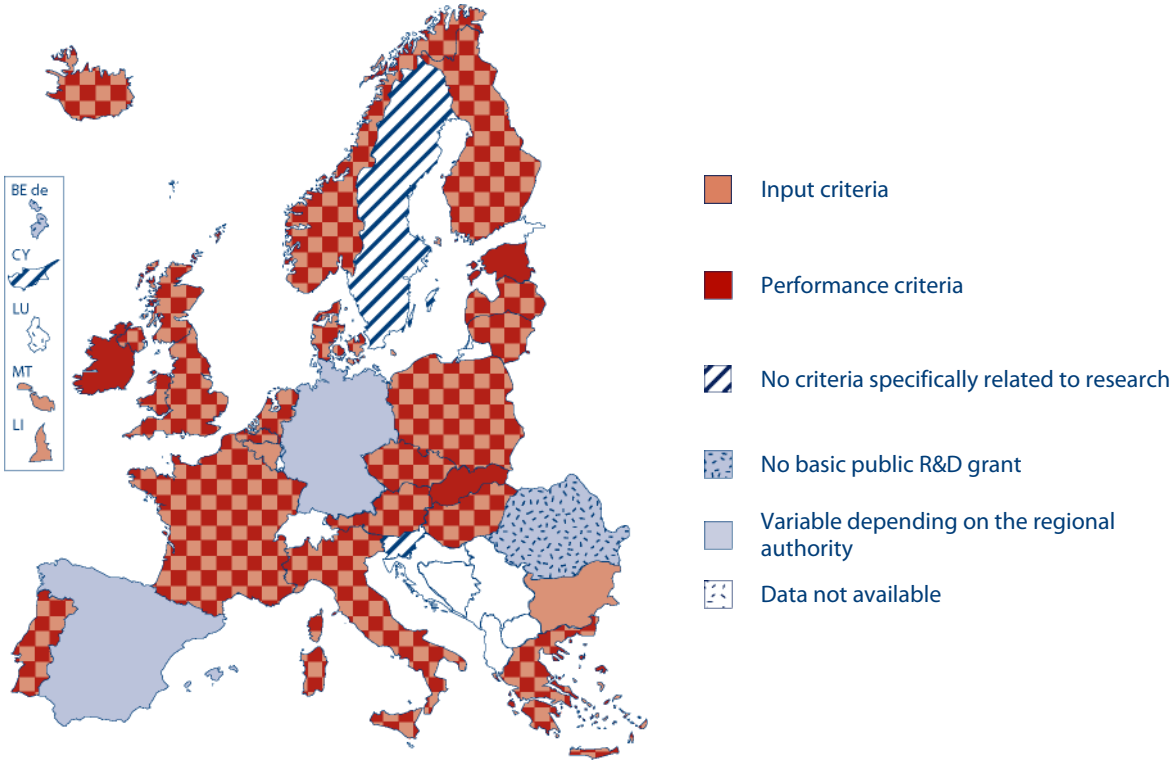
- Basic funding for research, which means the award of research grants that the institution may use as it wishes. These may be:
    - awarded specifically for research;
    - added to a block grant for other types of expenditure, namely teaching and/or operational activity.
- The award of funding via a competitive bidding procedure for specific schemes or research programmes.

In almost all countries, public funds for research are provided under a dual support system composed of basic funding for research, whose use is determined by the institution, and the award of public funding on a competitive basis for given research projects. In Romania, however, the only research funding mechanism in higher education involves a competitive bidding procedure for specific research projects.

The funding source for specific research projects is usually a national body specialising in research and development (such as the national scientific fund, a national academy or a research council), whereas basic funding for research is distributed by the same body that awards financial support for teaching and operational activity. In several countries, such as Bulgaria, Finland and the United Kingdom (Scotland), most public funding for research is intended for specific projects.

Basic funding for research allows institutions to set their own priorities and to finance their infrastructures and ongoing activities. However, the existence of this funding allocation mechanism does not indicate how much money is involved nor does it imply that public funding for research is sufficient. In approximately half of the countries, HEIs receive basic funding specifically for research (see annexe). Elsewhere, research funding is included in a block grant for other types of expenditure. The Flemish Community of Belgium and Italy use both of these methods of resource allocation.

Figure 3.5: Criteria for the award of basic public R&D grants, public and government-dependent private higher education, 2006/07



Source: Eurydice.

Additional notes

Belgium (BE de): By way of dispensation, the government may in certain cases provide for a specific complementary research grant from a limited budget.
Czech Republic: The information relates to institutions at ISCED level 5A.
Germany: Each *Land* defines the method of allocation of direct public funding to HEIs.
Spain: Each Autonomous Community determines its own method of awarding direct public funding to HEIs.
France: The four-year contract between the state and public HEIs – universities in particular – includes a research section. It integrates criteria that consider teams benefiting from grants and *Bonus Qualité Recherche* (BQR), which is a form of annual financial support available to a university to carry out its research policy. This bonus is taken from the operational credits and equipment credits provided by the ministry.
Portugal: Funds for international cooperation, promotion of scientific and technological culture, etc, are also included in the basic grant.
Liechtenstein: The information relates solely to the *Hochschule Liechtenstein*.

In order to define the amount of basic funding for research, countries refer to input (through criteria related to the cost of research activities carried out by the institution) or to the research-related institutional performance, or to both (see annexe for detailed national information). Due regard for performance indicators may also be a way of stimulating institutions to compete to achieve higher quality research.

When countries refer to research-related input, most of the time, the criteria focus on the number of doctoral students and/or the number of staff members who work in the field of research. They may also focus on the scale of research activities undertaken (Malta) or on past costs in this field (Bulgaria, Denmark and Iceland).

The French Community of Belgium, Bulgaria, Germany and Malta use an approach based essentially on input in the award of basic funding for research. The situation is likely to evolve in the near future in Bulgaria.

In **Bulgaria**, the new strategy for higher education includes plans to elaborate a performance-based funding formula which will be applied to public funding, particularly for research allocated to HEIs.

The other countries consider – in varying proportions – both the research costs borne by institutions and their performance in this field, to determine the amount of their basic research grants.

In Sweden and in Liechtenstein, the award of basic public funding for research is basically based on political considerations. In Cyprus, the basic funding for research is based on the needs presented by institutions during the negotiation phase.

In the Flemish Community of Belgium, Estonia, Ireland (universities), Hungary, Poland and Slovakia, the amount of the basic funding for research is based mainly on institutional performance in terms of the quality of research activities.

Among the countries that weight the amount of this grant according to institutional performance, the most commonly used indicators are:

- number of academic publications, number of quoted references in academic journals, extent of teaching activities of academic staff;
- number of master's degrees/doctorates awarded over a previous period, number of doctoral theses defended;
- amount of public funding obtained for given research projects on a competitive basis;
- amount of research funding from private sources;
- number and type of research projects undertaken;
- use of research results (licences, copyright, services provided, etc.);
- awards and distinctions received, quality certificates received;
- number of scientific titles conferred by the institution;
- participation in international scientific research projects;
- development of research staff.

All countries that take institutional performance into account consider the number of master's degrees/doctorates awarded and/or the publication of research results in academic literature. The amount of basic funding for research is linked to an institution's ability to obtain public funding for given research projects in the Czech Republic (ISCED level 5A), Denmark, Lithuania and Norway. The amount of private funding received for research is considered in Denmark, Estonia, Ireland (universities) and Lithuania. Estonia, Italy and Poland consider the volume of research (number and type of research projects undertaken) as a performance indicator. The commercial use of research results has a bearing on the amount of public funding awarded in Estonia and Poland. The last four indicators in the list concern only Lithuania and Poland.

For basic funding for research, institutional performance can also be assessed by evaluating the quality of the strategic plans with respect to objectives established at national level. Hence, in the Czech Republic, the grant allocated to universities to implement their long-term plans for research (5 to 7 years) depends on the quality of the plan, which is evaluated by a committee of national and foreign experts.

In France and Iceland, the expected performance in terms of research is established in contracts with the state and is determined for each institution.

In **Iceland**, these indicators may focus, for example, on the number of scientific publications.

In Portugal and the United Kingdom, the basic grant for research is calculated on the basis of periodic research evaluation exercises conducted in the HEIs. In Slovakia as well, basic funding for research is based on an evaluation of universities but which also concerns areas other than research.

In **Portugal**, a panel of independent international experts evaluates all research centres every three years with reference to international standards, including publications in international journals, patent application activity, compliance with recommendations and the appropriate use of previously acquired funding. The outcome of this evaluation and the resultant classification of institutions are also taken into account when awarding funds for given projects on a competitive basis.

In **Slovakia**, the ARRA *(Academic Ranking and Rating Agency)* conducts regular evaluations and classifications of HEIs, their faculties and study programmes, according to the quality of their activities (in the areas of education, research and technology). These results, as well as the scientific and technological capacities of institutions, their capacities in terms of research, and their scientific, technological or artistic achievements, are considered when awarding basic grants for research, development and artistic activities.

In the **United Kingdom**, the Research Assessment Exercise (RAE) focuses on the quality of published products (publications, artistic products and performance) and on the quality of research with respect to national and international standards. RAE submissions from each subject area are ranked by a subject specialist peer review panel. The rankings are used to determine the amount of quality-weighted research funding which each HEI receives from the national funding council. For example, in England currently, ratings of 1, 2 and 3 attract no funding and a rating of 5* attracts roughly four times as much funding as a rating of 4 for the same volume of research activity. Previous RAEs were conducted in 1986, 1989, 1992, 1996 and 2001. The RAE has generated some controversy in the light of its high cost and the fact that it may tend to inhibit certain initiatives on the part of the academic community, simply to meet with the expectations of the evaluators. After the next RAE in 2008, it will be succeeded by a new more metrics-based framework.

For public funding awarded on a competitive basis to applicant institutions for specific research projects, there are also peer evaluation procedures that use performance criteria.

In the great majority of countries, research grant allocation mechanisms stimulate competition between institutions, steering the content of research towards national priorities. This occurs, first, through very widespread public funding for projects devised or approved at national level, for which institutions compete by application; and secondly as a result of the performance indicators that many countries use to calculate their basic research grant funding levels.

3.2. Monitoring institutions for the use of funding

As was explained above, HEIs in Europe are reasonably free to use their public funding as they wish, especially where they are awarded block grants covering different categories of expenditure. There are, however, various ways to control the use of public funding: via accountability measures and regulations to which institutions are subject as regards carrying over unspent funds from one year to the next.

3.2.1. Accountability measures

The accountability measures of institutions with respect to the use of public funding enable the public authorities and/or other stakeholders to guide HEIs' financial and strategic policies and may act as a regulating mechanism as regards institutional autonomy. Quality assurance, which is an important aspect of the governance and accountability of HEIs, is only treated here if it has a direct impact on the amount of public funding ([9]).

Figure 3.6: Accountability measures in relation to use of public funding, public and government-dependent private higher education, 2006/07

	BE fr	BE de	BE nl	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT	LU
Compulsory external financial audits	●	●	●	●	●	●		●	●	●		●	●	●	●	●	●
Compulsory internal financial audits					●			●	●	●					●	●	
Public funding related to performance indicators			●		●	●	⊗	●	●	●	⊗	●	●		●	●	
Public funding related to the fulfilment of institutional strategic plans/objectives				●	●				●				●				

	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK-ENG/ WLS/NIR	UK-SCT	IS	LI	NO
Compulsory external financial audits	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Compulsory internal financial audits	●	●	●		●		●			●	●	●				
Public funding related to performance indicators	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●
Public funding related to the fulfilment of institutional strategic plans/objectives								●		●		●				

● Accountability measure used ⊗ Variable depending on the regional authority

Source: Eurydice.

Additional notes

Czech Republic: The information relates to institutions at ISCED level 5A.
Germany: Each *Land* defines the method of allocation of direct public funding to HEIs.
Ireland: Performance indicators concern universities only.
Greece: With the new university law of 2007, public funding is related to the fulfilment of achievements arising from the institutional strategic plans.
Spain: Each Autonomous Community defines the method of allocation of direct public funding to HEIs.
Luxembourg: Information not verified at national level.
Sweden: Internal financial audits are compulsory for all universities and two university colleges.

([9]) For a detailed analysis of quality assurance, see Eurydice (2007) Focus on the Structure of Higher Education in Europe – 2006/07. National trends in the Bologna process.

Financial audits

Virtually all countries have established national systems – or systems at the top-level of authority for education – for financial audit of the use of public funding in higher education. These procedures provide transparency in institutional financial practices. Italy is the only country in which there is no national or regional body to which universities are accountable for the use of public funding, except for grants awarded for specific research projects (PRIN and FIRB).

In thirteen countries, HEIs themselves also have to arrange financial audits. There is a similar requirement in Sweden, but not for all HEIs. In the Netherlands, Romania and the United Kingdom (Scotland), the structure of the annual audit report is based on a methodology common to all HEIs.

Performance indicators in the public funding mechanism

Almost all countries ensure that HEIs are accountable for their use of public funding by also tying at least part of the amount to their performance. This involves considering performance indicators in the funding formulas used to calculate the public block grants and/or research result indicators for specific research grants (see sections 3.1.1 and 3.1.4). In Lithuania and Portugal, performance estimated by using the results of external evaluations of institutions or study programmes may also influence the amount of public funding institutions receive. Every country that ties public funding to results has a different way of assessing the importance of the indicators to determine the amounts (see section 3.1.1).

Fulfilment of strategic plans/objectives in the public funding mechanism

Institutional strategic plans, which are compulsory in the vast majority of countries (see Chapter 2), also constitute a tool that can measure the institutional accomplishments. In some countries, this may have an impact on the amount of public funding institutions receive.

In Denmark, France, Luxembourg, Austria (universities), Romania and Finland (universities), strategic plans or objectives are included in the performance contract for public funding. In these six countries, there is currently no system which takes into account the fulfilment of qualitative strategic objectives to determine the amount of public funding, although some of them could do this in future (see section 3.1.2). In Finland, achievements related to quantitative objectives included in the strategic plan are taken into account for public funding.

In the Czech Republic, Italy and Slovenia, achievements arising from the strategic plan may have a bearing on the amount of public funding awarded to institutions. In Ireland, this could also be the case in the near future.

In the **Czech Republic**, achievements of public HEIs at ISCED level 5A related to priorities defined in the 2006-2010 national higher education plan are taken into consideration for the award of development contracts with the Ministry of Education (see section 3.1.4). In **Ireland**, according to the New Recurrent Grant Allocation model which is being phased in for the university sector, the Higher Education Authority is currently considering the allocation of a percentage of the annual recurrent grant to universities according to outcomes relating to their triennial strategic plans. In **Italy**, public block grants to institutions may be reduced following evaluation of the triennial development plan by the National Committee for Evaluation of the University System if the evaluation reveals that actual outcomes fall too short of the stated aims of the plan, or if too little of the public funding allocated has been used for it. In **Slovenia**, public funding may be decreased if the Ministry of Higher Education becomes aware that public funds

have not been spent suitably, i.e. in accordance with the financial rules and the aims of the institution's strategic plan.

In Bulgaria and the United Kingdom, there are also regulations regarding the consideration of the fulfilment of strategic objectives in determining the amounts of public funding.

In **Bulgaria**, official regulations ensure that the amounts of public funding allocated to institutions are related to the results of regular evaluations of institutions conducted in the framework of the accreditation procedure. In particular, the implementation of strategic objectives that institutions have set for themselves (in the area of educational processes, academic staff, the creation of partnerships and cooperation with other institutions) in the short, medium and long term is the subject of regular assessments by an evaluation and accreditation agency committee. However, in practice, the results of these evaluations are not considered in the award of public funding. In the **United Kingdom (England, Wales** and **Northern Ireland)**, the terms and conditions for payment of a grant by the funding bodies to individual institutions are set out in the financial memorandum and in the institution's individual funding agreement, which specifies targets relating to numbers of students who complete their year of study (associated credit values in Wales). The agreement is constructed in broad terms and institutions can vary their student numbers within certain parameters. The funding bodies monitor compliance with these requirements and, in some circumstances, if institutions fail to meet their targets, grants can be held back.

In addition to the accountability measures described here, which are directly linked to the use of public funding, accountability also involves the transparency of institutional activities, particularly reporting to the funding body and publishing the results of internal evaluations and information on research, teaching and finances (see Chapter 2). This accountability measure involves a wider panel of stakeholders in addition to the public authorities.

3.2.2. Freedom to carry forward unspent public funding

The ability to carry forward unspent funds from one year to the next is an important aspect of the financial autonomy enjoyed by certain HEIs. This flexibility facilitates the institution to define strategies in the medium or long term and enables the financing of multi-annual projects, and even allows investments to be made in order to generate income. Different countries have adopted different policies regarding this aspect. The data presented here do not include public funding received for given research projects, which are generally subject to specific regulations in terms of carrying forward funds from one year to the next.

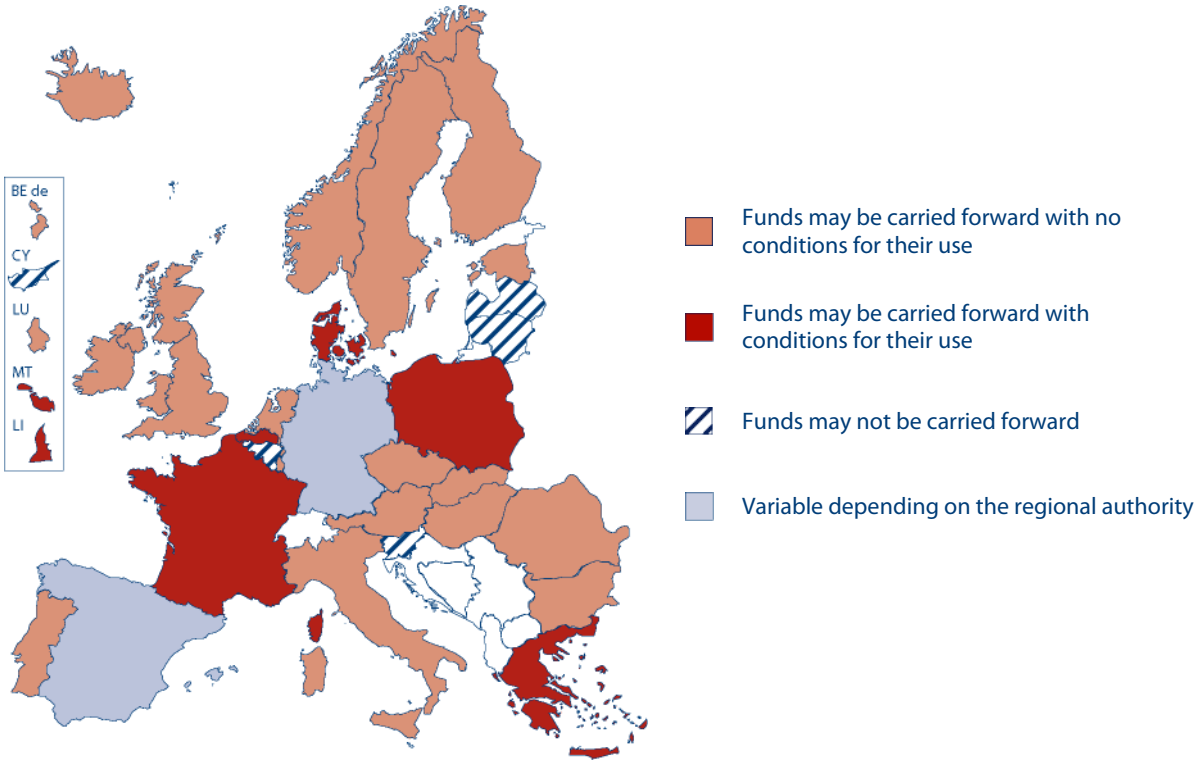
Eighteen countries or regions allow HEIs to keep unspent public funding and to assign it to the budget heading deemed most appropriate. The unspent funds kept do not have a bearing on future public funding.

Seven countries or regions authorise HEIs to carry funds forward from one year to the next, but place restrictions on their use.

In the **Flemish Community of Belgium**, the funds carried forward cannot be used to cover recurrent long-term commitments (such as the costs of tenure positions). In **Denmark**, **Greece**, **France** and **Poland**, unspent public funding may be used the following year for the budget heading it was allocated to originally. In **Italy**, unspent funds may be used for all financial transactions related to the operational activities of the institution. In **Malta**, institutions must obtain the authorisation of the minister of education in order to be able to put unspent public funding in a reserve fund. The use of this reserve fund is also subject to the authorisation of the minister of education.

In the remaining countries, unspent funds are either returned to the public authorities (Czech Republic for institutions at ISCED level 5B, Latvia, Lithuania and Slovenia), or kept and deducted from the next amount of public funding received (Ireland for the institutes of technology and Estonia).

Figure 3.7: Freedom to carry forward unspent public funds from one year to the next, public and government-dependent private higher education, 2006/07



Source: Eurydice.

Additional notes

Czech Republic: The possibilities to carry funds forward apply only to institutions at ISCED level 5A and are limited by legislation.
Germany: Each *Land* defines the method of allocation of direct public funding to HEIs.
Estonia: The information applies only to government-dependent private universities. Professional state HEIs can carry forward 3 % of their funds allocated by the state.
Ireland: The possibilities to carry funds forward apply only to universities.
Spain: Each Autonomous Community defines the method of allocation of direct public funding to HEIs.
Luxembourg: Information not verified at national level.
Finland: Polytechnics are subject to the regulations of their competent authorities as regards the possibilities to carry forward funds.
Sweden: Not more than 10 % of the block grant received can be carried forward from one year to the next. If this threshold is exceeded, the budget of the institution may be decreased for the following year.

3.3. Public funding of independent private higher education

By definition, independent private HEIs receive less than 50 % of their funding from public sources. The mechanisms and importance of public funding for HEIs vary from one country to the next. This section aims to provide an idea of the extent to which public funding possibilities for independent private HEIs are similar to or different from public HEIs in countries where the private higher education sector has relatively comparable student numbers. For the purpose of clarity, the term 'private institutions' will be used here to signify independent private HEIs. The data presented only cover the countries with a private higher education sector for which information was available: the Czech Republic, Estonia, Latvia, Hungary, Austria, Poland, Portugal, Slovenia and Slovakia.

In Estonia and Latvia, there is a significant proportion of students enrolled in private institutions. According to data from 2003 ([10]), this proportion reached approximately 20 % for institutions at ISCED level 5A, and 30 % for institutions at ISCED level 5B. In these two countries, funding mechanisms for public and private institutions are the same: public funding is allocated in the framework of a contract based on a given number of graduates in specific fields, within a given period (see section 3.1.3). In Estonia, however, public funding in the framework of contracts is allocated mainly to public institutions. In this country, private institutions may also receive specific grants from the state budget or from local authorities. In Latvia, public funding may also be allocated to conduct a scientific study.

In Poland and Portugal, the private higher education sector is also highly developed: in 2003 ([11]), one quarter of students at ISCED level 5A were enrolled in private institutions, while at ISCED level 5B, one fifth and nearly half of students in the respective countries were enrolled in private HEIs. In these two countries, private institutions cannot receive a block grant similar to that of public institutions, but they do have access to certain targeted funding possibilities.

> In **Poland**, private institutions which meet the regulatory requirements of the minister responsible for higher education are also eligible to receive grants that cover a portion of the fees paid by full-time students, as well as other grants which may cover the cost of activities other than teaching. In **Portugal**, public funding may be allocated to private HEIs via contracts based on social service, high-quality projects, teacher training, investment incentives, research and performance-related scholarships.

In the Czech Republic, Hungary, Austria, Slovenia and Slovakia, the private higher education sector is not very representative ([12]). There are different public funding possibilities for private HEIs in each of these countries.

In the Czech Republic, Hungary and Slovakia, in certain circumstances, private institutions may receive block grants similar to those received by public institutions.

> In the **Czech Republic**, private institutions at ISCED level 5A which operate as non-profit organisations, may receive grants from the Ministry of Education for their accredited study programmes; lifelong learning programmes; and artistic and creative activities; as well as for teaching, research and development activities in connection with these programmes. The award procedures and criteria used for public institutions apply. However, private HEIs have only rarely been awarded funding. In **Hungary**, private institutions are eligible to receive a grant covering the same budget headings as public institutions (student scholarships, training and research), excluding operational activities. This grant is allocated to

([10]) See Eurydice (2007) Key Data on Higher Education in Europe – 2007 Edition, Figure A3.

([11]) Op cit.

([12]) Op cit.

private and public institutions, corresponding to the number of state-funded study places at the HEI. In **Slovakia**, the Ministry of Education may award a block grant to a private institution that applies for one for the implementation of accredited study programmes, research and development activities, artistic activities and overall development.

In the Czech Republic and Slovakia, private institutions may apply to obtain public funding for research projects and other types of projects on a competitive basis. In Slovakia, the Ministry of Education must also provide private institutions with funding for the well-being of students.

In Austria and Slovenia, national authorities allocate funds to private institutions in exchange for the provision of specific educational services. In Slovenia, private institutions may apply to obtain public funding for research projects.

In **Austria**, the law forbids the federal government from financing private universities; however, it may purchase educational services from private HEIs, such as general interest courses which supplement provision at public universities. In **Slovenia**, private institutions may receive state funds for certain government-approved programmes. In this case, global funding is allocated for academic activities including research and related activities, investments and development. Funding mechanisms, criteria and accountability procedures are the same as those for public institutions.

3.4. Models of public funding: issues and challenges

The public funding mechanisms for higher education in Europe **represent levers through which central governments pursue their strategic objectives** within the sector and the main current trends give rise to a number of debates. Figure 3.8 shows an overview of these trends.

A brief overview of various recent studies and international sources on the challenges related to public funding of higher education reveals that present models of funding give rise to a number of issues in terms of their advantages and disadvantages. In some cases, these studies also discuss certain corrective measures that respond to undesirable outcomes.

The use of a **funding formula** (see section 3.1) to allocate funds to HEIs is very widespread and often aligns with the objective of transparency in the distribution of funds among institutions. However, various aspects of these formulas are subject to discussion.

A funding formula based on the number of students enrolled in an institution may act as an incentive to rationalise the use of resources. This is particularly the case if the unit costs per student are based on average costs at national level or on normative costs established by considering different parameters, which are used to calculate what the cost of studies should be in an ideal situation and not what they are in reality, according to Salmi and Hauptman ([13]). In contrast, if the unit cost per student reflects the real costs incurred by the institution, the need to rationalise the use of resources is not as strong.

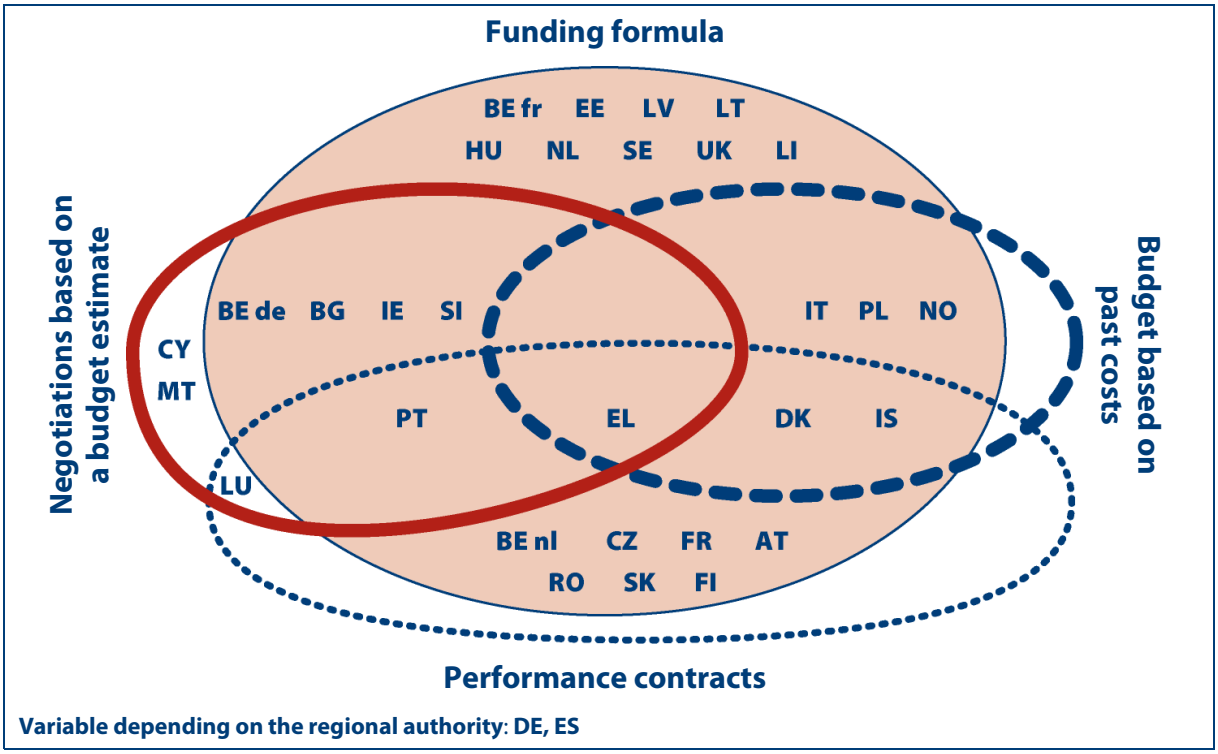
A funding formula based on the number of students enrolled makes institutions vulnerable to fluctuations in student enrolment, which inevitably has a direct impact on their revenue. Some basic institutional costs (such as infrastructure) cannot be reduced from one year to the next ([14]). In order to deal with this situation, institutions may adapt the types of programme offered to match students' preferences in order to attract

([13]) Salmi, J. and Hauptman A.M. (2006) Resource allocation mechanisms in tertiary education: a typology and an assessment, p. 74.

([14]) OECD/IMHE-HEFCE project on financial management and governance of higher education institutions report. On the edge: securing a sustainable future for higher education, 2004, p. 40.

more students ([15]). Although this strategy may guarantee that the courses correspond to the short-term needs of society in terms of education, it may also lead to a limited diversity of courses and the disappearance of certain important but less popular academic disciplines. In light of this, funding formulas could include incentives to preserve vulnerable academic disciplines.

Figure 3.8: Overview of the public funding mechanisms, public and government-dependent private higher education, 2006/07



Source: Eurydice.

Additional notes

Estonia and **Latvia**: Public funding is awarded to HEIs in the framework of contracts based on a predetermined number of graduates.
Luxembourg: Information not verified at national level.

Explanatory note

Information is based on Figure 3.2.

Another issue raised by funding formulas is the leeway public authorities have to adjust the budget when there is a significant increase in participation levels. If no adjustment is made when student numbers increase dramatically, the amount allocated per student drops, with negative financial consequences for institutions.

Very often, unit costs per student are weighted differently in the funding formulas according to field of study. This system is subject to debate in several countries due to a lack of consistency and balance between disciplines in some formulas ([16]).

([15]) OECD (2007) Strehl, F.; Reisinger, S.; Kalatschan, M. Funding Systems and their Effects on Higher Education Systems.
([16]) Ibid.

According to a CEGES report submitted to the European Commission ([17]), the use of **performance indicators in the funding formula**, in particular the number of students who pass their examinations or the number of graduates, is an incentive to decrease dropout rates and limit the duration of studies. However, it could also lead to a decrease in the academic requirements as institutions attempt to boost their performance. From this point of view, quality assurance systems such as external evaluation play an essential role. According to Salmi and Hauptman ([18]), it is also important for the allocation of public funds to be based only to a small extent on institutional performance and for this to be considered along with student numbers. The proportion of an institution's budget represented by performance indicators is indeed an important issue.

Performance indicators may be an incentive to improve the efficiency of 'educational production' (in terms of the number of graduates, student attrition and retention rates and others), yet they might not be the most suitable funding mechanism when it comes to promoting quality. Bearing this in mind, **performance contracts** based on set objectives enable a more precise analysis of the institutional achievements in different areas. **The allocation of funds on a competitive basis** following a quality assessment of projects and institutions also acts as an incentive to improve quality.

The mechanisms that govern the allocation of **public funding for research** give rise to many questions. Grants allocated for specific projects on a competitive basis with qualitative and quantitative selection criteria very likely have a positive influence on quality. On the other hand, if the allocation of public funds for research is based on competition alone, it may become increasingly directed towards current political priorities, to the detriment of fundamental research. According to Truffin ([19]), when research funding consists mainly of contracts for research programmes with a limited time scale centred on subjects defined by the political authorities, other activities such as fundamental research and education may suffer.

According to several studies, the allocation of a basic research grant (not for specific projects) represents a means for institutions to carry out their fundamental research activities while allowing them to make long-term research plans. However, a basic grant must be based on performance-related parameters (and not mainly on past costs) in order to act as an incentive to improve quality.

([17]) CEGES (2007) Rates of return and funding models in Europe. Final report to the Directorate-General for Education and Culture of the European Commission.

([18]) Salmi, J. and Hauptman A.M. (2006) op.cit., p. 75.

([19]) Truffin C. (2006), L'université déchiffrée: le financement des universités en Communauté française de Belgique, p. 19.

CHAPTER 4: PRIVATE FUNDS RAISED BY HIGHER EDUCATION INSTITUTIONS

As seen in Chapter 1 on national strategies, recent reforms in many countries have tended to increase the autonomy of higher education institutions (HEIs) with respect to financial management and, in particular, to the collection and use of private funds. In many countries, public HEIs are still predominately financed by public sources with low percentages of private funding. However, many countries have tried to diversify the sources of funding for higher education systems over the last ten years.

As can be seen from Figure 4.1, at the level of the EU-27 expenditure by households (of which tuition fees and other fees constituted the biggest part) increased from 7 to 13 % between 1999 and 2004. The most significant increases in the proportion represented by this source of funding were observed in France (from 2.5 to 9.7 %), Italy (from 2 to 18 %) and Latvia (from 35 to 48 %). In Bulgaria, Latvia, Lithuania and Poland, expenditure by households represented a quarter to one half of total higher education institution funding during the entire period under consideration. Private funding from other sources (see explanatory note, Figure 4.1) increased slightly between 1999 and 2004 in France, Italy and Slovakia. In 2004, it amounted to less than 3 % of total funding for higher education in Bulgaria, Ireland, Greece, Cyprus, Latvia, Malta and Austria, whereas it represented around 10 % or more in the Netherlands, Sweden and the United Kingdom and more than 15 % in Hungary.

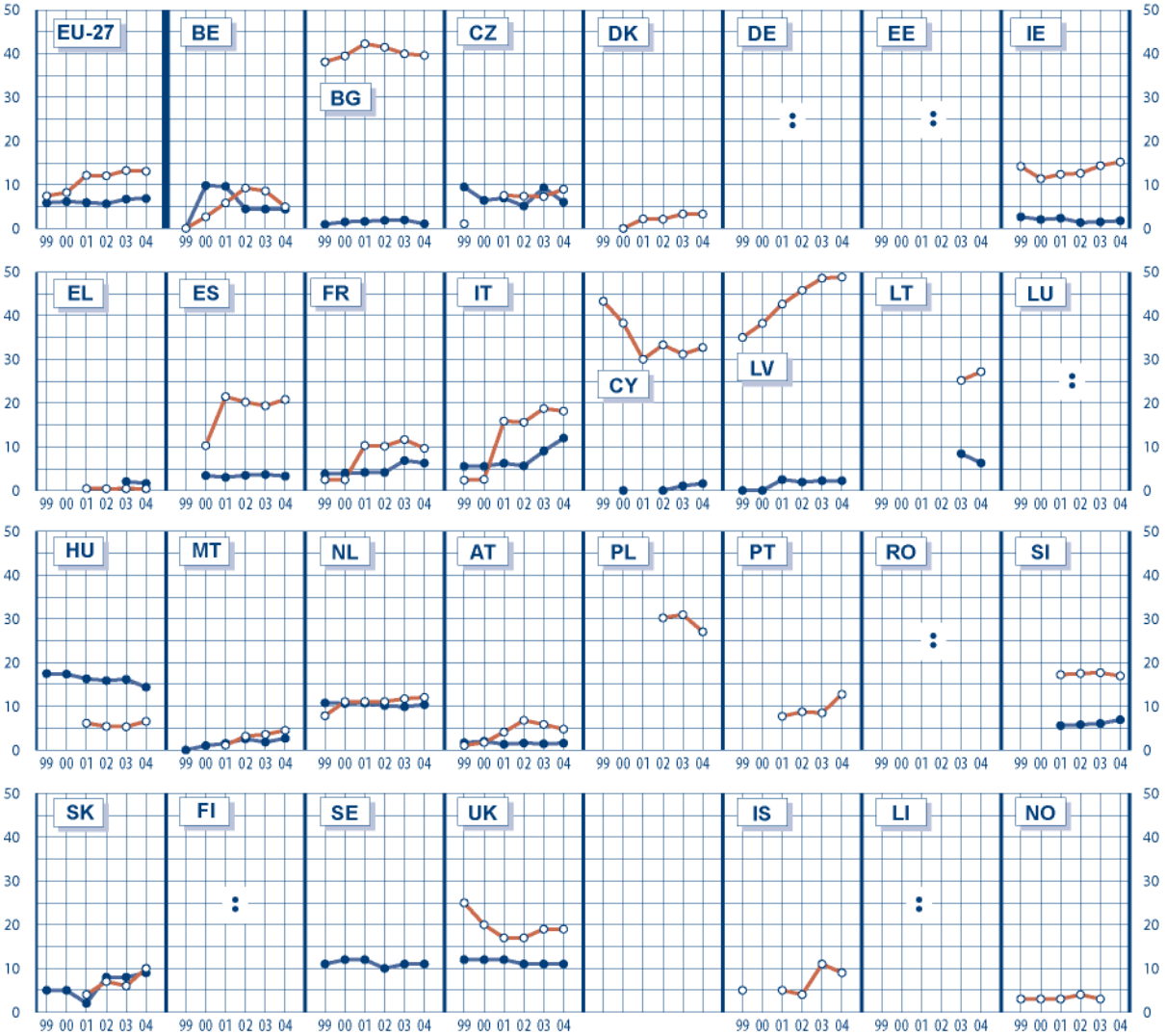
Irrespective of the actual level of private funding in the different countries, the political messages from education authorities everywhere encourage new ways of financing higher education.

This chapter deals with the following questions:

- How wide is the autonomy of HEIs regarding tuition fees paid by students ([1])?
- What are the possibilities for HEIs in terms of obtaining private funding and forming partnerships with the private sector? What restrictions and control measures exist in these areas?
- What regulations exist on the use of private funding? Can it be used for the commercial activities of HEIs or must it be used in relation to teaching and research goals? To what extent must HEIs report on the use of private funding?
- What are the incentives implemented by countries to support HEIs in their search for private funding?

([1]) For more information on the contributions of students and their families, see Eurydice (2007) Key Data on Higher Education – 2007 Edition, Chapter C.

Figure 4.1: Relative proportions of private spending by households and 'other private entities' on tertiary education institutions, as a % of total expenditure received by tertiary institutions, 1999-2004



Source: Eurostat, UOE.

Additional notes

Belgium: Expenditure exclude independent private HEIs and the German-speaking Community.
Denmark: Expenditure of post-secondary non-tertiary level of education is partially included in upper secondary and tertiary level of education.
Ireland, Spain, Portugal, United Kingdom and **Iceland**: Expenditure for ancillary services is not available.
Greece: Expenditure at local level of government is not available.
Netherlands and **Iceland**: Expenditure at ISCED level 5B is not available.
Portugal: Expenditure at post-secondary non-tertiary level of education, imputed retirement expenditure and local and regional level expenditure are not available.
Slovakia: Expenditure of ISCED 5B is included under upper secondary level of education.

Explanatory note

This indicator shows the relative proportions of expenditure tertiary educational institutions (i.e. all ISCED level 5 and 6 programmes) receive from households and other private sources of funds. It follows the final funds concept, which covers the share of educational expenditure spent directly by a source of funds. Other private spending on tertiary educational institutions includes expenditures from firms, religious institutions and other non-profit organisations (but not educational institutions). Household spending includes expenditures from students and their families.

EU-27 totals are calculated based on the data of the available countries and estimations for the missing countries.

4.1. Autonomy of institutions in the use of tuition fees

In approximately two thirds of countries (see Figure 4.2), HEIs may collect tuition fees from students enrolled for a first qualification. In Estonia, Latvia, Lithuania, Hungary and Romania, this only concerns students who are not subsidised by the state. In the French Community of Belgium, Bulgaria, Spain, France, the Netherlands, Austria, Slovakia and the United Kingdom (Scotland), the amounts of tuition fees are determined by the central education authorities. In the other countries where tuition fees exist for a first qualification, HEIs may determine the amount within the limits defined by the same authorities.

In approximately ten countries, either there is no possibility at all to ask students to pay tuition fees, or the possibility is limited to certain part-time courses, students enrolled in a second qualification, courses not included in the study programme, situations in which a student has exceeded the normal length of studies, etc. ([2]).

Half of the countries which may collect tuition fees for full-time studies leading to a first qualification have wide room for manoeuvre in the allocation of tuition fees paid by students in their budget. This autonomy might be especially significant when the expenditure by households, which includes other elements in addition to tuition fees for a first qualification, represents a significant share of the resources of HEIs (see Figure 4.1). This is the case in Bulgaria, Italy and the United Kingdom (England, Wales and Northern Ireland). The proportion of expenditure in higher education from households is about 20 % for Italy and the United Kingdom and 40 % for Bulgaria. For the other countries where there is autonomy in the use of tuition fees paid by students, this source of revenue represented around 10 % of the total or less in 2004.

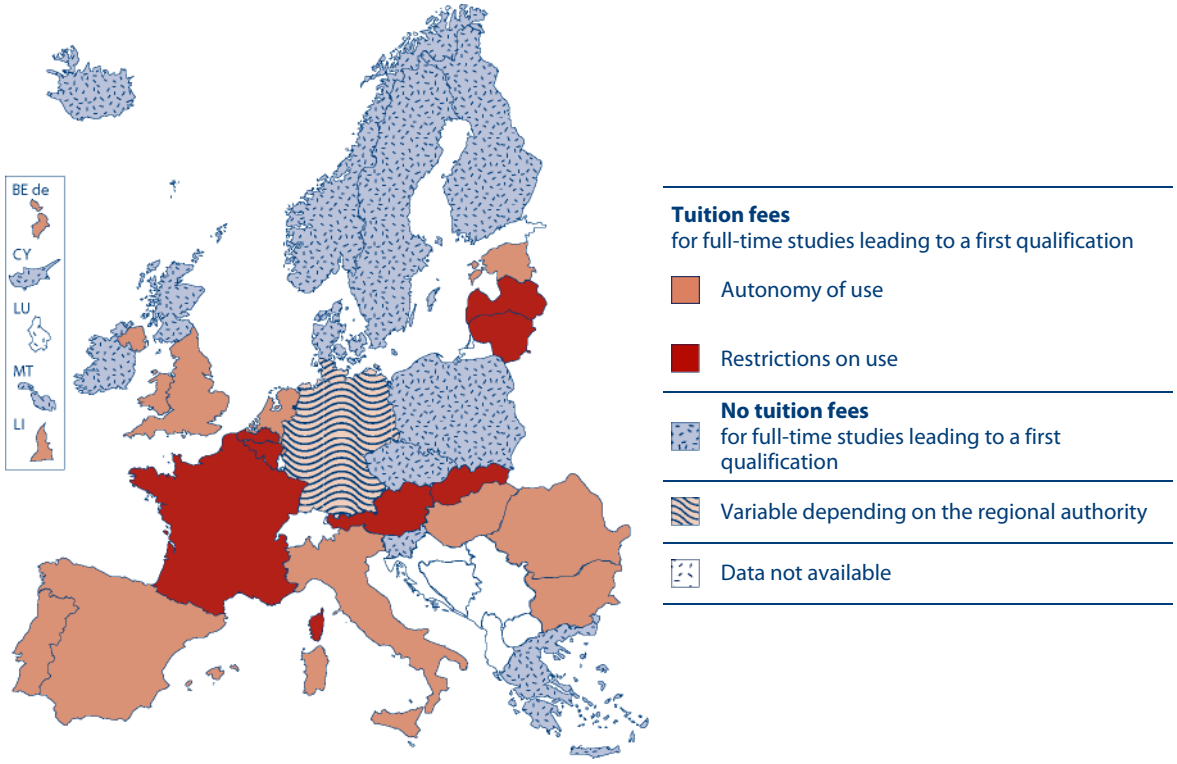
In eight countries, according to national regulations, HEIs must allocate tuition fees collected for full-time studies leading to a first qualification to expenditure related to the educational or other basic goals of HEIs, or to financial support provided to students.

> In **Lithuania**, tuition fees must be allocated to a special financial programme developed by the institution which aims to implement the objectives and goals laid down in the statutes of HEIs. In **Austria**, students choose how tuition fees are allocated from various options proposed by the university senate.

In two countries where expenditure by households represented between 25 and 50 % of the total funds available to HEIs in 2004 (Lithuania and Latvia, see Figure 4.1), resources had to be spent in the framework of the basic goals of HEIs. Hungary is about to adopt a similar approach from 2008/09, when tuition fees paid by students should increase markedly (see Chapter 1).

([2]) See Eurydice (2007) Key Data on Higher Education in Europe – 2007 Edition, indicators C9 and C11.

Figure 4.2: Autonomy in the use of tuition fees paid by full-time students for a first qualification, public and government-dependent private higher education, 2006/07



Source: Eurydice.

Additional notes

Czech Republic: The information applies only to public institutions at ISCED level 5A.
Germany: In some *Länder*, HEIs charge tuition fees for full-time studies leading to a first qualification and are subject to restrictions on their use. In the remaining *Länder*, HEIs do not charge such fees.
Estonia, **Latvia**, **Lithuania**, **Hungary** and **Romania**: Tuition fees for full-time studies leading to a first qualification apply only to students who are not subsidised by the state.

Explanatory note

The situations in which tuition fees must be paid only for full-time studies leading to a first qualification in certain government-dependent private institutions, for certain part-time courses, for studies leading to a second qualification, for courses not included in the study programme, or when a student has exceeded the normal length of studies, are included in the figure under 'no tuition fees for full-time studies leading to a first qualification'.

4.2. Other private sources authorised

There are potentially a wide variety of sources of private funding (other than tuition fees) for HEIs. However, HEIs do not make use of these possibilities in all countries, either because they are prohibited from doing so, or because not all possibilities are available yet.

Figure 4.3: Sources of private funds available to public HEIs and restrictions on their use, 2006/07

	BE fr	BE de	BE nl	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT
Donations/legacies	●		●	●	●	●	●	●	●	●	●	●		●	●	●
Loans	●	❍	●	⊗	❍	●	❍	●	❍	●		❍		●	●	⊗
Rent/revenues from property	●	●	❍	●	❍	●	❍	●	●	●	●	●		●	●	●
Sponsorship of posts	●		●			●	❍	●	●	⊗		●		●		⊗
Use of research results/ contracted research	●		●	●	●	●	●	●	●	●	●	●	●	●	●	●
Fees from service provision	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Interest on investments	❍	❍	❍	⊗	❍	●	❍	●	●	●		●		●	●	⊗
Creation of commercial companies	❍	⊗	❍		❍	❍	⊗	●	●	❍		❍	●	●	●	⊗

	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	IS	LI	NO
Donations/legacies	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	❍
Loans	:	❍	❍	❍	●	●	●	●	❍	⊗	⊗	⊗	❍	⊗	●	⊗
Rent/revenues from property	●	●	●	❍	●	●	●	●	●	●	●	❍	●	●		❍
Sponsorship of posts	●		●	❍	●	●	●	●	●	❍	●	●	●	●	●	●
Use of research results/ contracted research	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Fees from service provision	●	●	●	❍	●	●	●	●	●	●	●	❍	●	●	●	●
Interest on investments	:	❍	❍	❍	●	❍	●	●	●	⊗	⊗	❍	●	⊗		⊗
Creation of commercial companies	❍	❍	●	●	●	❍	⊗	●	●	❍	❍	❍	●	⊗		❍

● Authorised without restrictions ❍ Restricted or subject to conditions : Data not available
⊗ Not allowed Not yet explored

Source: Eurydice.

Additional notes

Czech Republic: The information shown relates only to institutions providing ISCED level 5A qualifications.
Estonia: Institutions of professional higher education are more limited in seeking private funds than universities. They only have the right to charge for services related to their main activities (in-service training, professional consultations, etc.).
Spain: For some sources, each Autonomous Community determines if it is authorised or not.
Luxembourg: Information not verified at national level.
Hungary: According to a newly introduced decision from September 2007, HEIs are no longer allowed to take out loans.
Finland: Polytechnics are not permitted to create commercial companies.

Explanatory note

Sponsorship of posts refers to the financing of a teaching or research post at a HEI by a private sponsor. **Fees from service provision** may be generated from providing continuing education for companies, consultancy, medical or any other kind of services. **Interest on investments** comprises all kinds of financial investments resulting in a profit. **Not yet explored** means that a specific form of private fund is not yet available and there are no official regulations referring to it.

Whereas few countries (Denmark, Ireland, Cyprus, Latvia, Austria, Romania, Slovenia, United Kingdom) authorise all or almost all sources of private income mentioned here (Figure 4.3) and do not explicitly forbid any source, most countries have restrictions on at least two sources (for more information on restrictions and conditions, see section 4.4.).

In several countries, certain sources have not yet been explored and used and there are no official regulations referring to them.

HEIs in virtually all countries may accept **donations** and **legacies** from private entities or individuals.

Apart from this, the **use of research results** as well as **research contracts** in the form of joint research projects between HEIs and private contractors are unquestionably the most common sources of private funding.

Service provision, such as continuing education for adults, and more particularly for companies, consultancy services and the organisation of events, is also a very important source of private funding. This may also include medical services, for example highly specialised diagnostic and rehabilitation services in Poland. Fees generated from services in healthcare cover about two-thirds of the expenditure on university hospitals in Germany.

Revenue generated by the letting of premises or other facilities as well as other **property-related revenues** are additional sources of income in many countries. HEIs are allowed to set up **commercial companies** in all countries, with the exception of Belgium (German-speaking Community), Germany, Lithuania, Portugal and Iceland. In Finland, since 2006, universities have been allowed to establish companies; however, this has not been done yet.

HEIs are allowed to take **loans** in the majority of countries. In the United Kingdom, nearly all HEIs have the right to borrow money, although as they are governed by their own constitutions rather than by government regulations, this may differ in a few cases. HEIs make use of many types of borrowing, from straightforward bank credit to more sophisticated methods, including different types of public-private partnership.

Another source of income reported by many countries is that of **interest on financial investments**.

HEIs in Bulgaria, Slovakia, Finland, Iceland and Norway are explicitly forbidden to take loans or to make financial investments. This is also the case in Sweden as far as loans are concerned.

The **sponsorship of posts** (where it has been explored so far) is authorised everywhere except in Greece and in Lithuania. It is frequent in the United Kingdom. In Belgium (French and Flemish Communities), some professorial chairs are sponsored by the business community, although this is not common practice. The situation is similar in the Netherlands, Austria and Finland. It is authorised in Norway, but very rare. In Slovenia, the recruitment of researchers in companies and the co-financing of young researchers is encouraged. However, the sponsorship of posts does not seem to be very widespread in the other countries.

Private sources of funding which most often require prior agreement from the responsible authority are loans, investments and the creation of companies (see section 4.4. on restrictions and conditions).

4.3. Partnerships with the business world

For most HEIs that actively seek private funds, partnerships with the business world are an important basis for enhanced funding possibilities. They prove to be extremely valuable for research transfer and the commercialisation of results from academic research.

Joint research projects or commissioned research seem to be among the **most common forms of cooperation** and are, as already mentioned above, the most important sources of private funds in general. Awards to promote eminent achievements in research also exist in some countries (Belgium (French Community), Czech Republic (ISCED 5A) and Poland). Innovation parks and technology centres in partnership with private companies have been established in quite a lot of countries (Belgium (French and Flemish Communities), Bulgaria, Czech Republic (ISCED 5A), France, Italy, Lithuania, Hungary, Poland, Portugal, Romania, Finland, Sweden and Norway), often in cooperation with local or regional authorities.

In Italy, partnerships between the employers' association and the universities also include sponsored Master's degrees geared to objectives set by the employers' association, as well as awards for degree projects that fall within the association's scope of interest. In Belgium (Flemish Community), doctoral research projects, in particular in engineering, can be carried out in cooperation with a company.

In Bulgaria, some HEIs within their structure have established research sectors (or centres), where research projects are drawn up and later submitted to the National Science Fund. These centres do not receive any financial support from the public authorities apart from a small amount to cover the operational costs. If research projects are successfully conducted, the revenues and ownership of the rights that stem from the profitability of the results are in benefit of these research centres.

4.4. Restrictions and conditions when seeking and using other private funds and partnerships

In many countries, regulations have changed over the last ten years in order to facilitate the collection and use of private funds, and there are no limitations in this respect.

In several countries however, some general conditions have to be fulfilled concerning private funds and partnerships, namely planned business activities have to correlate with the main missions and educational goals of the institution (Estonia, France, Luxembourg, the Netherlands, Poland, Latvia) or respect their status as public HEIs (Germany). In Denmark, France, Finland and Norway, this type of general condition is specified in particular for the creation of companies.

In **France**, the purpose of companies created by HEIs is the production, promotion and marketing of goods and services within the framework of higher education public service missions. The situation is similar in **Luxembourg**.

In the **Netherlands**, the core part of a higher education programme cannot be provided by an external partner and is the sole responsibility of the HEI.

In **Finland**, companies may be established by universities if there is a clear need for them in the production of educational, research and artistic services with great social impact. The situation is similar in **Norway**.

In many cases, HEIs also have to comply with more specific requirements when seeking private funds, and there may also be restrictions as to the types of fund which may be collected.

Taking up loans is subject to restrictions in Belgium (German-speaking Community), the Czech Republic, Germany, Ireland, France, Hungary, Malta, the Netherlands, Slovenia and the United Kingdom. In these countries, HEIs normally have to respect certain procedures in accordance with an established framework and often need prior agreement of the Ministry before borrowing money.

In **Malta**, borrowing an amount exceeding thirty thousand liri (i.e. approximately 69 730 euros), requires the written approval of the Minister for Education.

In the **Netherlands**, transactions can only be conducted with financial institutions that have an A-rating.

HEIs in the **United Kingdom** must comply with all the requirements agreed with the funding body when borrowing money. However, even when these conditions are met, it remains the case that neither the government nor the funding body will stand behind the HEI's liabilities.

There are also restrictions on investments in Belgium (German-speaking and Flemish Communities), the Czech Republic, Hungary, Malta, the Netherlands, Poland and Sweden.

In **Belgium (French and Flemish Communities)**, HEIs are not allowed to make direct financial investments. They may, however, establish a finance company in cooperation with a private banking company in order to make financial investments in spin-off companies.

In the **Czech Republic**, public HEIs are not entitled to put immovable assets, subsidies or grants acquired from the state into commercial corporations or cooperatives.

In **Hungary** and **Poland**, HEIs may invest their temporary surpluses only in government securities or state bonds. HEIs cannot invest in the stock market.

In **Sweden**, HEIs are not allowed to make profits from private funding. Therefore, only investments related to the main activities of HEIs are allowed.

Other specific restrictions also apply to revenues from property, sponsorship of posts and fees from service provision.

In **Belgium (Flemish Community)**, rent from property should be used for maintenance of the buildings and for capital investments in buildings. In **Norway**, the HEI may let property, but it must not happen at the expense of the institution's ordinary activity.

In **Slovakia**, the sponsorship of posts is based on an agreement that specifies the conditions between both legal entities (company and higher education institution).

In **Sweden**, as far as service provisions in the form of continuing education are concerned, the collection of fees from individual students is not allowed. Companies or organisations may, however, pay for commissioned courses. In the **Netherlands**, the cooperation between universities and academic hospitals has to be based on a prior agreement detailing responsibilities in terms of funding and staff.

In the case of the creation of companies, certain conditions must be fulfilled in several countries.

In **Belgium (French and Flemish Communities)**, the participation of a higher education institution in a spin-off company must be based on an agreement with the institution's management that guarantees remuneration for its financial or other contribution. Similar protective measures are defined by law with regard to the participation of HEIs in incubation and innovation centres and in research parks.

In the **Czech Republic**, prior agreement of the HEI's Board of Trustees is required before establishing separate legal units. Public HEIs are not entitled to provide a guarantee for financial debts of other entities

or to exercise a right of pledge on real estate. They are not entitled to become partners of public commercial corporations or to become general partners in a limited partnership.

In **Denmark**, a university can found only one joint stock company but may be joint owner of similar companies founded by other public research institutions. Its contribution of capital is not allowed to exceed 5 million DKK or 3 % of its turnover for research and development activities.

In **Greece**, only limited companies are permitted, the sole purpose of which consists in further increasing the income and the assets of HEIs.

In **Hungary**, official regulations that HEIs are obliged to follow specify that start-up firms may not establish further companies and have limited liability, and that the HEI has to be the majority owner.

In **Poland**, public-sector institutions (including HEIs) are not allowed to take over or to purchase shares in companies.

In **Sweden**, the setting up of private companies requires prior agreement of the government.

In **Slovakia**, the creation of a company is based on an agreement by both legal entities (company and higher education institution), which specifies the conditions.

4.5. Public incentives to seek private funding

In order to implement their strategies and policies regarding the diversification of higher education funding, including in particular private sources of funding other than households, almost all European countries have developed an incentive of some sort for HEIs and/or private partners (see Figure 4.4).

Figure 4.4: Public incentives to seek private funding, public and government-dependent private higher education, 2006/07

	BE fr	BE de	BE nl	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT	LU
Informs allocation of public funds or external evaluation			●			●		●	●							●	
Tax relief for institutions			●		●										●		
Tax relief for donors/sponsors/private partners	●		●		●	●				●	●	●	●		●	●	●
Financial or other support for partnerships with the private sector			●	●								●	●			●	
Regulatory framework authorising institutions to own intellectual property rights			●		●	●	●	●				●		●	●		

	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK-ENG/ WLS/NIR	UK-SCT	IS	LI	NO
Informs allocation of public funds or external evaluation					●	●				●						
Tax relief for institutions	●		●		●							●	●			
Tax relief for donors/sponsors/private partners	●		●			●	●		●	●		●	●			●
Financial or other support for partnerships with the private sector						●	●			●	●	●	●			●
Regulatory framework authorising institutions to own intellectual property rights										●	●	●	●			●

● Existing incentives

Source: Eurydice.

Additional notes

Czech Republic: The information relates only to institutions at ISCED level 5A.
Greece: With a new law passed in March 2008, universities are allowed to own the intellectual property rights to the results of research conducted by their staff.
Italy: Tax relief for donors is not common practice.
Luxembourg: Information not verified at national level.

Explanatory note

Private spending on HEIs considered here does not include tuition and other fees.

Private funding informs allocation of public funds or evaluation

An institution's capacity to obtain private funding is considered in determining the amount of public funding in a very limited number of countries. In Denmark, Estonia, Ireland (universities), Lithuania and Poland, this concerns research grants (see Chapter 3). Moreover, in Denmark, the performance contracts of universities define specific objectives as regards the use of research results as well as cooperation with third parties, including the business sector. But the degree to which these objectives have been achieved does not constitute a formal evaluation criterion and they do not influence the allocation of public funds. In the Flemish Community of Belgium, the amount of private funding collected through contract research is a criterion for the allocation of public funding for knowledge transfer.

In Portugal and Finland, whether HEIs receive private funding may influence the amount of the grant allocated for teaching and operational expenditure.

> In **Portugal**, the importance of ties with the community, in particular through the provision of services and partnerships, is one of the evaluation criteria for higher education. These results have a bearing on determining the amount of the basic operational budget of HEIs. In **Finland**, performance contracts established with universities include objectives in relation to the volume of private fundraising, which is taken into account in determining the next budget.

The evaluation of HEIs in Bulgaria, Estonia, Latvia and Slovenia covers their capacity to obtain private funding.

Tax relief for institutions

Tax relief for HEIs relating to donations or other types of private funding exists in seven countries.

> In the **Flemish Community of Belgium**, tax relief for HEIs relates to the cost of research staff. In the **Czech Republic** (ISCED level 5A) and **Poland**, possibilities for tax relief depend on the use of funds, which must be directed towards teaching and research (Czech Republic) or invested in specific funds such as social or development funds. In **Latvia**, HEIs are exempt from certain taxes due to the fact that they have the same legal status as non-profit organisations. In **Hungary**, in certain cases, HEIs have the possibility to carry out commercial activities without having to pay taxes. In the **Netherlands**, the private funding of HEIs is exempt from tax in specific cases. Since January 2006, donations received by HEIs are exempt from tax.
>
> In the **United Kingdom**, all HEIs have charitable status which confers tax benefits. In England, a government report published in 2004 suggested that HEIs could raise their levels of excellence and gain greater independence from the state by boosting their income through voluntary giving. The government subsequently created a funding programme to help the higher education sector to build capacity for fund raising, to run from 2005 to 2008.

Tax relief for donors/sponsors/private partners

In the French Community of Belgium, the Czech Republic (ISCED level 5A), Spain, France, Latvia, Luxembourg, Hungary, Romania, Slovakia, Finland and United Kingdom, donations made to HEIs may be the object of tax relief for donors. In Latvia, Lithuania and Romania, this applies to sponsoring.

In the Flemish Community of Belgium, Denmark, Greece, Spain, France, Italy, Latvia, Portugal and Norway, companies which conduct research in partnership with HEIs benefit from tax relief.

In **Denmark**, private companies may obtain a 50 % tax relief for expenditure related to research and development projects co-financed by public research institutes, including universities. In **Italy**, according to a bill which entered into force in January 2007, companies and entrepreneurs may benefit from tax relief for research activities conducted in partnership with universities, of up to 15 % of the amount invested. In **Portugal**, companies may deduct a significant percentage of their research and development expenditure from their taxes, including expenditure in the framework of partnerships with universities. In **Norway**, the government gives tax credits to small and medium-sized firms which carry out research and development projects in collaboration with HEIs and public research institutes.

Financial or other support for partnerships with the private sector

Approximately half of the countries have implemented – often recently – or will implement various incentives related to partnerships between HEIs and the private sector. In France, public research grants are more focused on projects carried out in partnership with the private sector, in particular via the activity of the National Research Agency, created in 2005. The priorities of the Finnish government also point in this direction. In Lithuania, the activity plans of the Ministry of Education and Science foresee the development of several programmes which would enable the financing of research programmes carried out in partnership with companies.

In the Flemish Community of Belgium and Finland (since 2006), the government may allocate grants to HEIs to implement interfaces in view of establishing partnerships with the private sector. In Finland, however, structures of this type do not yet exist. In France and Portugal, the regulatory framework surrounding the implementation of these interfaces was relaxed in 2007. In Italy, the government simplified the regulatory structure which governs the creation of spin-off companies by universities and it also provides financial support to universities to establish this type of structure.

Finland, Sweden and Norway offer a wide range of support and potential sources of funding for partnerships with the private sector. In Bulgaria, various pilot programmes to support partnerships between universities and small and medium-sized firms are part of the higher education action plan which is under way until 2010.

In **Sweden**, different state authorities, research councils and foundations provide incentives in the form of grants to promote cooperation between HEIs, companies and local authorities. In **Finland**, the establishment of national and regional innovation systems in the form of policies, organisational structures and funding programmes is creating a wider infrastructure for partnerships. In **Norway**, a wide variety of measures have been launched to promote R&D cooperation between industry and higher education. For example, these measures are aimed at influencing the ways in which academic staff work and disseminate research results so that companies will be able to make use of them more easily, or at encouraging researchers to focus more attention on the possibility of commercialising their research results. They may also focus on the improvement of the competences of companies in the area of research and development.

In Romania, a national agency which supports partnerships and knowledge transfer between HEIs, society and the private sector has been implemented. In the United Kingdom, since 1998, HEIs have been supported through a number of government funding schemes in developing their capacity to commercialise knowledge generated through research activities. Examples of such funding schemes include the Higher Education Innovation Fund (England) and the Knowledge Transfer Grant (Scotland).

Finally, Greece supports partnerships with the private sector by developing information structures for potential partners.

Regulatory framework for intellectual property rights

National policies regarding intellectual property rights represent an important aspect which may favour private funding of HEIs. A legislative framework, which authorises HEIs to own the intellectual property rights to the results of research conducted by their staff and allows them to generate resources from the possible commercialisation of results, exists in thirteen countries (see Figure 4.4). Generally speaking, these measures have existed since the end of the 1990s or are more recent. In Denmark and Finland, national regulations specify certain conditions with respect to the sharing of commercial profits with the researcher concerned.

In **Estonia**, employment contracts may determine who owns the intellectual property rights to the results of research conducted by an employee. Most HEIs have developed internal regulations on intellectual property rights and have included them in the employment contracts with their research staff. In **Finland**, the intellectual property rights policy has been regulated since 2007 by a law on invention. This law obliges researchers working for a university or a Polytechnic to inform the institution of their inventions. The internal regulations of the institution then determine who owns the intellectual property rights. In **Sweden**, researchers own the rights to research results but may transfer them to the institution. In **Norway**, a 2003 law withdrew the privileges of academic staff with respect to research results and allowed HEIs to commercialise these results. However, researchers reserve the right to publish the results instead of patenting them. In **Romania**, in the case of research funded by public sources, HEIs and the ministry of education and research own the results, if the research contract does not contain a clause against this.

When research is financed by private partners, the ownership of research results is governed by a contract between the parties, which is negotiated on a case-by-case basis. Two countries have taken measures aimed at supporting HEIs to that effect.

In the **Flemish Community of Belgium**, partnerships between HEIs and business are governed by decree so as to protect the interests of HEIs. An agreement must be made on the dissemination of results and intellectual property rights, guaranteeing fairness in the sharing of profits. In the **United Kingdom (England)**, the Lambert Review of Business-University Collaboration, published in 2003 by the then Department for Education and Skills and the then Department for Trade and Industry, drew attention to the difficulties inherent to the issue of the ownership of results of research co-financed by universities and private partners. An intellectual property working group, composed of representatives from universities and the business world, was set up in May 2004 to produce a set of model collaborative research agreements to facilitate negotiations between potential collaborators.

4.6. Accountability

In almost all countries, accountability measures for private funds do not differ from those in place for public funds (see Chapter 3). Financial reports, which have to be submitted to authorities regularly, or established audit procedures, also take into account the collection and use of private funds.

There are, however, some exceptions linked to the organisation of accountability measures for HEIs.

In Iceland, in contrast to public funds, HEIs are not required to submit reports on private funds to any authority, due to their wide autonomy.

In four countries, there are specificities concerning accountability with respect to private funds, leading to tighter control measures.

In **Denmark**, donations and subsidies from third parties must be itemised separately in the annual account. A separate account of the income/expenditure of companies owned or jointly owned by the university must also be provided. The Ministry of Science, Technology and Innovation has issued a set of guidelines for public access to private financing of research at public research institutions, including universities. According to the guidelines, public research institutions must provide an annual overview of private financing of research conducted at the institution. These annual overviews must be made available to the public.

In **Italy**, there are presently no external bodies to which universities are accountable for the use made of private funds. The situation is different, however, with regard to the creation of company incubators, spin-offs and partnerships between universities and industries. A decree entrusts the monitoring and evaluation of research activities and results obtained to the ministry and the CIVR (Committee for Research Evaluation). The latter must provide the ministry with reports on the results achieved in these areas, at least on a quarterly basis. Academic units are accountable to university authorities in cases where the partnership has been set up with financial resources made available by the university as a co-financing partner.

In **Lithuania**, according to the Law on Higher Education, HEIs are also accountable to other institutions from which funding has been obtained.

In **Norway**, the ministry receives annual reports on an institution's participation in partnerships and on the relevance of such participation as regards the other activities of the institution. The ministry may order the institution to withdraw from such partnerships if necessary, out of regard for the main responsibilities of the institution.

4.7. Challenges in raising private funds

Sources in the private sector undeniably contribute to linking higher education more closely to society. In this perspective, according to Escotet ([3]), partnerships with the private sector should include, among others: the participation of all sectors of the economy in basic and applied research programmes of HEIs; courses taught in public HEIs by experts from the industry sector; programme funding in exchange for patents and copyrights; the sharing of scientific and technological infrastructures and acceleration of transfer processes; and financial return from companies according to the number of graduates they employ.

This last point implies that higher education should be paid for by those who benefit from it. What underlies this is the idea that companies should contribute to the education of their workforce by funding higher education, also through fiscal measures. This interesting model evidently requires very close cooperation between responsible authorities, the governing bodies of HEIs and companies.

However, while a policy of encouraging partnerships between HEIs and the business world is indispensable in the knowledge economy, consideration should be also given to the fact that HEIs and private companies are organisations with different cultures and objectives.

Therefore, while promoting closer cooperation, decision-makers must not let the principles of a completely free market infiltrate public higher education, and should consider measures to protect academic freedom, by avoiding the predominance of funding considerations in the choice of research topics, for instance.

As discussed in this chapter, in some countries, authorities explicitly forbid certain forms of private funding for public HEIs, and various restrictions and conditions apply when searching for and using private funds.

Whether these restrictions and conditions are a safeguard for the provision of a quality public service or, on the contrary, a hindering element in developing private funding sources, is a question open to debate.

([3]) Escotet, Miguel Ángel (2006) University Governance, Accountability and Financing.

CHAPTER 5: ACADEMIC STAFF IN HIGHER EDUCATION INSTITUTIONS

Higher education institutions (HEIs) in many countries have been granted wider autonomy with respect to the management of their academic staff over the past ten years (see Chapter 1).

By academic staff, we refer to both qualified staff directly involved in the educational process (such as teaching staff and researchers with lecturing duties) and staff who have a certain form of responsibility in the management and/or coordination of all employees at the institution. The situation of administrative staff (secretariat, accounting, financial administration, etc.) and of research-only staff is therefore not considered.

This chapter focuses mainly on teaching staff, as various aspects related to management functions (in particular the appointment/election of rectors) are presented in Chapter 2.

Overall as regards the management staff, the main categories commonly seen in most countries are those of (di)rector/president, deputy rector, dean and head of department, and as regards the teaching staff those of professor, lecturer and assistant ([1]).

This chapter focuses strictly on public and government-dependent private HEIs.

This chapter attempts to answer the following questions:

- Which stakeholders/bodies are responsible for the recruitment of academic staff and what is their decision-making power in terms of defining the number of staff, qualifications and criteria for selection and appointment to the different departments/faculties?
- How much flexibility do institutions have when recruitment procedures are specified in official regulations?
- Who employs academic staff and which authority negotiates employment contracts?
- What is the degree of autonomy enjoyed by institutions with respect to the remuneration and promotion possibilities of their staff?
- What is the degree of autonomy enjoyed by institutions with respect to defining the workloads and tasks?
- Who is responsible for defining evaluation criteria?

([1]) For detailed information on the recruitment criteria (qualifications, etc.) and attributions of different categories of staff, see Eurydice (2001) Teaching staff. European glossary on education, Volume 3 and Eurydice (2002) Management, monitoring and support staff. European glossary on education, Volume 4.

5.1. Stakeholders/bodies responsible for the recruitment of academic staff

In most countries, the recruitment process as a whole is based mainly on a joint effort between the HEIs and the authorities at central level.

In **Denmark**, universities are free to determine the number of available positions for academic staff, but they must, however, respect a maximum limit for the number of professors, which is established by the Ministry of Finance. The Ministry of Science, Technology and Innovation then distributes the chairs among the universities. Overall, the recruitment procedures are established by ministerial order, with universities being responsible for the recruitment procedure as such.

In **Estonia** and **Latvia**, institutions are directly responsible for the appointment of staff (choice of the number and distribution of categories of staff among the different departments), whereas the official regulations state the general and specific recruitment criteria (profile, degree(s) required, previous professional experience, etc.) for each category of teaching staff.

In **Spain**, universities decide on the number of available positions (teaching and other), whereas the selection criteria and conditions for access to permanent positions are based on the official regulations in force at national level. Furthermore, public universities have wider scope for decision-making as regards the recruitment of administrative and non-teaching staff.

In **Malta**, according to the law on higher education, the university and the *Malta College of Arts, Science and Technology* (MCAST) are responsible for determining the number of posts required. MCAST has set its own recruitment criteria for different categories of staff.

A closer observation of the different steps in this process (Figure 5.1) nevertheless highlights the fact that certain of these steps either largely depend on the central level or the institutional one.

Thus, the categories of staff and their respective eligibility criteria (qualifications, previous professional experience, etc.) are defined by official regulations in the majority of countries. In a dozen countries or regions, these elements are defined jointly at central and institutional level.

In contrast, definitions and decisions related to the number of available positions, the way in which staff are appointed to the different departments and faculties, and to a lesser extent, their nomination, are the responsibility of institutions in the vast majority of countries. Two or more of these elements are defined jointly at central and institutional level only in the German-speaking Community of Belgium, Denmark, France and Cyprus.

Only five countries (Czech Republic, Greece, the Netherlands, Slovenia and the United Kingdom) enjoy particularly noteworthy institutional autonomy in terms of recruitment.

In the **Czech Republic**, the law on HEIs at ISCED level 5A specifies that institutions are autonomous in terms of setting the recruitment criteria, defining the categories of staff and the distribution of staff. With the exception of state institutions where the rector's authority is limited, his or her role is generally very important in the recruitment process. The deans of individual faculties also play a substantial role in the recruitment process.

In the **Netherlands**, the entire recruitment procedure for academic staff is the responsibility of institutions inasmuch as there are no official regulations regarding this point.

In **Slovenia**, the rector is required to adopt a body of rules for the entire university. The recruitment procedure (including the definition of criteria required per category) is then the responsibility of the dean.

In the **United Kingdom**, HEIs have primary responsibility for the recruitment, retention and development of their own staff. Each HEI is responsible for deciding on the number of academic staff and for determining the qualifications and criteria involved in each case.

Figure 5.1: Distribution of responsibilities among stakeholders in charge of the recruitment process, public and government-dependent private higher education, 2006/07

	BE fr	BE de	BE nl	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT
Definition of categories of staff and the respective recruitment/eligibility criterion	●	●	● ■	● ■	● ■	●	●	●	●	■	●	●	●	● ■	●	●
Number of academic staff/ available positions	■	● ■	■	■	■	● ■	■	■	●	■	■	● ■	■	● ■	■	■
Distribution of academic staff in departments and faculties	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Nomination/ appointment of staff	● ■	■	■	■	■	■	● ■	■	■	■	■	● ■	■	■	■	■

	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	IS	LI	NO
Definition of categories of staff and the respective recruitment/eligibility criterion	●	● ■	● ■	■	●	● ■	●	● ■	■	●	●	●	■	● ■	●	●
Number of academic staff/ available positions	■	■	■	■	■	■	● ■	■	■	■	■	■	■	■	■	■
Distribution of academic staff in departments and faculties	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Nomination/ appointment of staff	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■

● Central level ■ Institutional level

Source: Eurydice.

Additional notes

France: An Act on universities' freedoms and responsibilities was adopted in August 2007. Among others, it foresees an increased autonomy of the decision-making power of institutions with respect to staff management. The recruitment of teacher researchers is done by selection committees nominated by the board of governors at the HEI, with the president having a right of veto on all recruitment. Contractual staff may be hired for fixed or unspecified terms. Furthermore, the new law authorises university presidents to recruit contractual staff – including teaching and research staff – for fixed or unspecified terms, according to a percentage of the wage bill established in the multi-annual contract.
Luxembourg: Information not verified at national level.
Hungary: University and college professors constitute an exception since they are appointed by the president of the republic or the prime minister.

As underlined in Chapter 2, the roles and responsibilities of heads of institutions (rectors, presidents, etc.) have evolved considerably in recent decades in the majority of countries, to the point that they have become one of the chief players in the internal governance of institutions.

As such, concerning the recruitment of teaching staff, the head of the institution may be responsible for the launching of the recruitment process (such as for example, in the Czech Republic (ISCED 5B) and in Denmark), and is involved in the different steps to varying degrees according to the country, including the negotiation of employment contracts (Czech Republic, Latvia, Poland, Slovenia and Liechtenstein) and the appointment and distribution of staff (Denmark, France, Malta and Liechtenstein).

In most countries, however, most of the steps in the recruitment process are entrusted to one of the existing collegiate bodies (senate, board of governors) or are set on an ad hoc basis as an appointment board, special committee, etc., which the head of the institution participates in. For further details on the bodies responsible for internal governance, see Chapter 2.

In **Denmark**, with respect to the recruitment of professors and associate professors, the rector appoints an evaluation committee which includes a president and two to four additional members (the majority of members must be external to the university, with the participation of foreign members being encouraged). For the other categories of staff, the rector sets up an ad hoc committee or appoints experts to evaluate the candidates.

In **Germany**, the rector is responsible for the recruitment procedures in consultation with the senate and the dean of the faculty concerned as part of an appointment board. This applies to all recruitment of teaching staff.

In **Cyprus**, the senate appoints a special committee which must write summaries of the interviews held with the various candidates and transmit them to the faculty board. Then, an electoral body, which includes members of the faculty board, the academic staff and the management of the institutions, forwards its decision to the Senate. Upon approval, the Council takes the final decision.

In **Luxembourg**, based on a proposal by the dean of the faculty concerned, the rector's office sets up an appointment board which generally includes five members, at least two of whom are external members. The committee must examine applications and propose classifications of candidates.

In **Malta**, the recruitment of teaching staff is carried out by the university council on the recommendation of a selection committee (made up of the rector, three members of the teaching staff and an external board member).

In **Poland**, the decision to employ tenured professors is the responsibility of the rector often in response to faculty deans, following the approval of the faculty board or the senate.

In **Iceland**, the decision-making process related to the number of available positions is the full responsibility of the rector and the senate.

In certain countries, the make-up or the very nature of the collegiate body varies according to the type of category selected. The professors are therefore not selected by the same body as the other categories of teaching staff in Estonia, Latvia, Luxembourg and Liechtenstein.

In **Estonia**, professors are elected by the university council. All other academic staff members are elected by the collective decision-making body, which is usually the highest decision-making body of an academic structure (faculty institute or similar).

In **Latvia**, the selection of professors is carried out by the board of professors; the faculty assembly or the university board has the task of recruiting the other types of staff.

In **Luxembourg**, assistant professors are appointed by the rector's office, whereas professors are appointed by the board of governors.

In **Liechtenstein** (University of Human Sciences and International Academy of Philosophy), professors are recruited jointly by the rector and the senate. The selection process for associate professors is based on a collaboration between the rector and the faculty.

In other countries, the recruitment process for the same categories of staff may differ greatly according to the type of institution. This is the case in Estonia in particular (between academic and professional HEIs).

5.2. Main types of recruitment methods

Among the main types of recruitment methods identified in Figure 5.2, the recruitment of academic staff is based first and foremost on public advertisements in all countries (official journal at central level, national or international press, websites, etc.). Although institutions are often responsible for posting them, they must nevertheless do so in compliance with certain criteria defined at central level.

In **Belgium**, appointment to a post in public higher education must take place via a public advertisement. In the German-speaking Community, however, the appointment to a post of head of department takes place via an internal job posting.

In **Germany**, public advertisements related to the recruitment of academic staff at intermediate level may include restrictions (defined at federal level) limiting access to candidates aged 35 and over.

In **Sweden**, for academic posts with a duration longer than six months, HEIs are obliged to hire staff via public advertisements.

In the Flemish Community of Belgium, Denmark, Hungary, Poland (for tenured staff) and Sweden in particular, public advertisements form the basis for the recruitment of academic staff (financed by the public sector). The legislation in force specifies the responsibility of institutions in terms of defining the content and/or posting advertisements.

In **Greece**, after being approved and signed by the Ministry of Education, advertisements are first published in the government gazette. Institutions are then required to post them in national daily newspapers.

In addition to recruitment procedures via public advertisements, which institutions are responsible for posting in the majority of countries, HEIs may enjoy a certain degree of flexibility especially in distinct recruitment procedures, according to the institutions or categories of staff to be recruited.

In the **Flemish Community of Belgium**, public advertisements concern the first appointment to a new post in public higher education. The appointment of more experienced academic staff is subject to the opinion of the management of the institution.

In **Finland**, the procedures vary not only according to the categories of staff, but also according to the type of institution. The recruitment of university professors is therefore subject to more extensive regulations.

Public advertisements are generally posted at national level. In Denmark (for professorial and associate professorial chairs), Cyprus, Malta, Austria and sometimes in Finland, they are also posted at international level.

Figure 5.2: Main types of recruitment methods, public and government-dependent private higher education, 2006/07

	BE fr	BE de	BE nl	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT
Public advertisements	● ■	● ■	■	■	● ■	● ■	● ■	● ■	■	● ■	● ■	● ■	● ■	● ■	● ■	● ■
Competitive examination	⊗	⊗	⊗	■	● ■	⊗	⊗	● ■	⊗	⊗	●	●	● ■	⊗	● ■	● ■

	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	IS	LI	NO
Public advertisements	● ■	● ■	● ■	■	● ■	● ■	● ■	● ■	■	● ■	■	■	■	● ■	■	■
Competitive examination	⊗	● ■	⊗	⊗	⊗	⊗	■	● ■	⊗	● ■	⊗	⊗	⊗	■	■	⊗

● Central level ■ Institutional level ⊗ Procedure not used

Source: Eurydice.

Additional notes

Belgium (BE de): Although responsibilities in terms of the implementation of recruitment procedures are theoretically shared between the central and institutional levels, the *Autonome Hochschule* has in reality very little flexibility in these matters.
Czech Republic: The information shown only refers to HEIs at ISCED level 5A.
Latvia: The information provided concerning competitive examinations refers solely to professors or associate professors.
Luxembourg: The situation provided for 'public advertisements' in the figure relates solely to professors and associate professors. (Information not verified at national level).
Liechtenstein: The situation provided for 'public advertisements' in the figure refers solely to the *Hochschule Liechtenstein*.

Explanatory note

'Competitive examination' refers to a series of tests related to specific profiles/functions, taken by applicants competing for predefined posts.

Less than half of the countries which recruit academic staff via public advertisements organise competitive examinations.

The procedures for organising these competitive examinations are generally subject to criteria defined at central level, whereas institutions are responsible for organising the examination and for appointing candidates to vacant positions.

In the **Czech Republic**, the law specifies that recruitments (at least in the case of first appointments) for academic staff positions at public and state institutions (ISCED level 5A) must take place via a competitive examination. It is announced in a public advertisement (at national level) at least 30 days prior to the deadline for sending in applications. The criteria for and organisation of a competitive examination are the responsibility of the institution.

In **Estonia**, the law on universities states that recruitment for all teaching staff positions must take place via a competitive examination. The conditions and the procedure for the competitive examination are established by the university council. Academic staff (including the rector) of professional HEIs are also recruited via competitive examination, but the procedure is stricter for these institutions. In this case, the procedure is clearly established by a ministerial regulation which states that the rector is required to post public advertisements at national level, in line with the information specified in the regulation.

In **Romania**, the competitive examination for recruitment is organised by a group of teachers *(Catedra)* covering one or more related subjects or a curriculum area. The recruitment procedures and selection criteria are established at national level, by the law on the status of teaching staff. The ad hoc committees for examining the candidates for the posts of junior assistant, assistant and lecturer are approved by the faculty board and the senate. The management staff are elected by the teaching staff at the institution and are confirmed by the senate (with the exception of rector, who is appointed by ministerial order).

The organisation of competitive examinations may be based on a mixed decision-making process, such as in Italy, inasmuch as each stakeholder (state/institution) intervenes at almost every step of the procedure.

In **Italy**, the procedures for competitive examinations are defined by law. The institution proposes a competitive examination, which must be approved by the board of governors and ratified by the rector. The formal request for a competitive examination is then submitted to the ministry, which posts an advertisement in the official journal for 60 days. The institution designates a selection committee made up of internal and external members, in which there is central-level involvement. The staff recruited then benefit from a status which is valid throughout the country.

In Spain and France, institutions must follow procedures established at central level and monitor compliance with these procedures.

In **Spain**, in order to access academic civil servant positions, one must have a national authorisation, which is obtained by successfully passing a competitive examination (organised by the university coordination board). Those who have received this authorisation may then apply for civil servant positions.

In **France**, in order to sit a competitive examination for senior lecturers and professors, one's name must appear on at least one list of qualifications (established by the national university board) for these posts. This is valid for 4 years.

In Portugal, recruitment via competitive examination applies to certain specific categories of staff, namely professors (tenured professors or associate professors) and candidate assistants at university institutions, and coordinating professors, associate professors and assistants at polytechnic institutions. This recruitment method is, however, not always used for university professors, who may also be recruited for a similar position directly from another HEI (i.e. without a competitive examination).

5.3. Employers and employment contracts

Although the flexibility of the decision-making power of institutions with respect to recruitment procedures varies from one country to the next and is generally dependent on official regulations, institutions are undeniably autonomous in their role of employer and negotiator of contracts.

The information presented in Figure 5.3 shows that institutions are considered as the formal employer of academic staff in the vast majority of countries with the exception of Greece, France and Iceland. This situation applies generally to all staff (in all categories), with the exception of Estonia, where the ministry responsible for higher education employs the rector of state professional HEIs.

In certain countries, a specific stakeholder within the institution is considered as the employer. This is the case for the rectors of HEIs in Bulgaria. At Danish public universities, this function is held by heads of faculty or department.

As mentioned in Chapter 1, some deregulation measures are also seen in the increasing flexibility of contractual arrangements and in the reduction in the number of civil servant positions.

Therefore, there is a trend towards a relaxing of requirements related to contracts and/or professional statuses in certain countries.

In the **German-speaking Community of Belgium**, the decree of 2005 provided for a modification of the professional status in particular, with an aim to allow the possibility to hire *Gastdozenten* (guest lecturers) and especially to be able to recruit the *Direktor* and the heads of department *(Fachbereichleiter)* for a renewable mandate of 5 years.

In **France**, the Act related to freedoms and responsibilities of the universities, adopted in August 2007, allow more autonomy of the decision-making power of institutions with respect to staff management.

In **Austria**, an amendment in 2001 of the *Service Code for Universities* abolished employment contracts governed by public law for all new teaching staff at the university. The new contracts are governed by the general legislation which applies to contractual staff. According to the law of 2002 on universities, agreements related to employment contracts for previous academic staff will also be converted into contracts governed by private law.

Likewise, in several countries, contracts are directly negotiated with the institution. This is the case in particular in Denmark, Estonia (universities), Malta, the Netherlands, Romania, Slovenia, Liechtenstein and Norway.

In Estonia (universities), Latvia, Malta, Slovenia and Norway, contracts are negotiated specifically with the rector or the highest ranking stakeholder.

In **Estonia**, contracts at universities are negotiated with the rector. The conclusion of a contract may be refused if the conditions or procedures for the competitive examination have been violated. The law also mentions that an employment contract for an undetermined period may be signed with professors who have taught for at least 11 years at the same university. As regards the rector, the chosen candidate negotiates his or her contract with the eldest member of the university council. In the case of professional higher institutions, the contract is negotiated at ministry level.

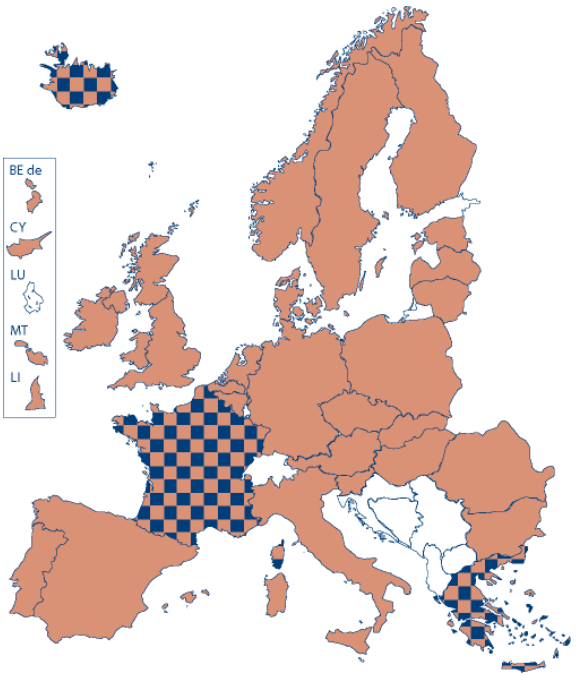
In **Malta**, academic staff negotiate their employment contracts on the basis of a collective agreement with the institution, which is represented by the president of the board and the rector (university) or the principal and the president of the board of governors (MCAST) as legal representatives.

In the Czech Republic (ISCED level 5A) and Sweden (with the exception of vice-chancellors, for whom contracts are concluded with the government), contracts are negotiated with the institution as well as being supported by unions.

In the majority of countries, teaching staff at public or government-dependent private HEIs are employees working under contracts governed by general labour legislation (with their contracts being permanent or not). For fourteen countries or regions, the flexibility of institutions is clearly more limited inasmuch as the majority of their teaching staff have the status of civil servants (distinct regulatory framework of the legislation governing contractual relations in the public or private sector) or career civil servants (such as in Portugal and Norway). In half of the latter countries, there is nevertheless a mixed statutory framework (staff hired as civil servants or on a contractual basis). This is the case in the French and Flemish Communities of Belgium, Germany, Spain, France, Italy and Slovenia.

Figure 5.3: Employer and types of status of teaching staff, public and government-dependent private higher education, 2006/07

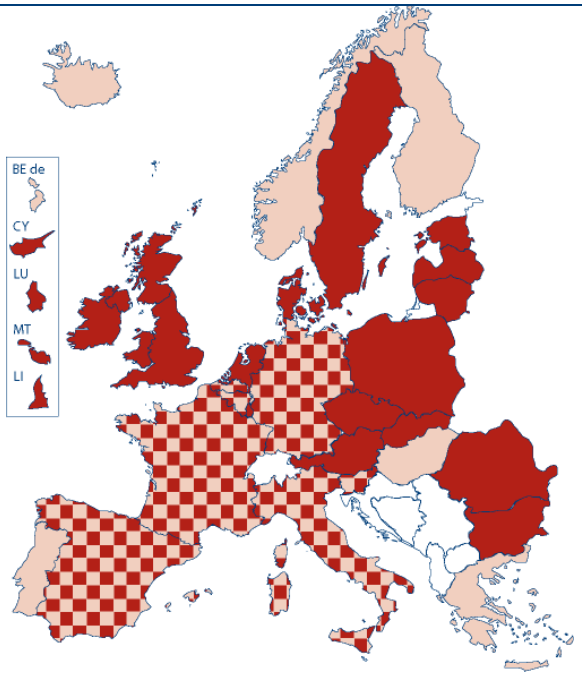
Employer



Central level
Institution
Data not available

Source: Eurydice.

Types of status



Civil servants
Employees on a contractual basis

Source: Eurydice.

Additional notes

Belgium (BE de): The 2005 decree related to the creation of the *Autonome Hochschule* was at the origin of the merging of competent authorities for the three distinct HEIs, which were considered as the employers. From then on, only the *Autonome Hochschule*, as an autonomous legal body governed by public law, is considered as the employer.
Germany: Professors are appointed for life, whereas other teaching staff are not.
Spain: Although teachers are employed by the institution, all candidates must previously been accredited by an official body at national level to be able to apply for a post of university teacher.
Ireland: Academic staff are employees with the status of public sector employees.
Italy: Employment contracts are governed by public law. Academic staff are civil servants benefiting from the same status and contracts throughout the country.
Latvia: The rector concludes an employment contract with a person elected to an academic position (professor, associate professor, docent, lecturer or assistant) for a duration of 6 years.
Luxembourg: Information not verified at national level.
Iceland: Academic staff at government-dependent private HEIs are employed by HEIs, whereas those at state HEIs are employed by governmental authorities.

Explanatory note

The reference to civil servant refers to any persons employed by the public authorities (at central or regional level), in accordance with legislation distinct from that governing contractual relations in the public or private sector. Career civil servants are teachers who are appointed for life by the appropriate central or regional authorities where these are the top-level authority for education.

5.4. Salaries and promotions

Wage conditions (including elements such as salary scales ([2]), annual gross salary and bonuses) represent another area in which HEIs may intervene. Central level nevertheless preserves important prerogatives on most of these aspects in a large number of countries.

Figure 5.4 shows that the process of defining salary scales (which allow teaching staff to progress towards a maximum salary during their professional career, starting at a minimum basic salary) is based mainly on legislation and other official documents at central level in the vast majority of countries.

In some countries (such as Ireland, Malta, Portugal, Slovenia and Finland), these scales are negotiated by the state and institutions or unions.

In the United Kingdom, pay bargaining operates through a specific body, namely the JNCHES (Joint Negotiating Committee for Higher Education Staff).

Only the Czech Republic (ISCED 5A), Estonia, Austria and Liechtenstein entrust their institutions with the responsibility for defining these scales.

In Sweden, salaries are not based on this type of scale but are set individually for each employee based on performance.

An analysis of stakeholders/bodies responsible for fixing basic annual gross salaries reveals a more balanced situation.

In approximately half of countries, the annual gross salary is fixed mainly by the central authorities (legislation and official documents). In the majority of these countries, this observation correlates with the (civil servant) status of academic staff.

In the other half of countries, this process is based on joint decision-making power (state/institutions).

In **Latvia**, the salaries are established by the institution and must not go below the rates determined by the central authorities.

In **Luxembourg**, the university establishes a wage structure which must be approved by the minister of higher education.

In **Malta**, the university council or the board of governors at the MCAST fixes the annual gross salaries with the minister of education. Their decisions result in a collective agreement signed with the union representing the academic staff.

In **Slovenia**, the institutions may determine salaries in accordance with the law regarding public-sector institutions and with two types of collective agreement.

In Spain, Lithuania and Finland, this situation is observed only for certain types of institution or staff.

In **Spain**, salaries are established jointly by the state and the institutions for non-civil servant staff.

In **Lithuania**, this situation applies only to guest researchers.

([2]) There are two types of salary scale. Most often they are linear, i.e. they include a fixed number of successive levels, but may also be matrix based. In this case they are based on salary charts which take account of several factors such as, for example, the length of service and qualifications. Members of the teaching staff may progress according to one or several factors (such as grades relating to each specific job), thus increasing the possible salary levels.

Figure 5.4: Stakeholders/bodies responsible for salary conditions and promotions, public and government-dependent private higher education, 2006/07

	BE fr	BE de	BE nl	BG	CZ (a)	CZ (b)	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT
Establishing salary scale	●	●	●	● ■	■	●	●	●	■	● ■	●	●	●	●	● ■	● ■	●
Determining the individual basic annual gross salary	●	●	● ■	■	● ■	●	● ■	●	■	● ■	●	●	●	●	● ■	● ■	●
Determining bonuses and additional increments	⊗	⊗	● ■	■	■	●	● ■	●	■	⊗	●	●	■	●	● ■	■	●
Definition of promotion criteria	●	●	■	■	■	●	■	●	■	● ■	●	●	●	●	● ■	●	● ■

	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	IS	LI	NO
Establishing salary scale	●	● ■	● ■	●	■	●	●	●	● ■	●	● ■	⊗	● ■	●	■	●
Determining the individual basic annual gross salary	● ■	● ■	● ■	●	●	■	●	●	● ■	●	■	■	■	● ■	■	● ■
Determining bonuses and additional increments	:	● ■	● ■	■	■	■	●	● ■	● ■	●	■	⊗	■	● ■	■	⊗
Definition of promotion criteria	●	● ■	■	■	■	■	●	●	● ■	■	■	●	■	● ■	■	●

● Central level ■ Institutional level ⊗ Element not applicable : Data not available

Source: Eurydice.

Additional notes

Bulgaria: The salary scale for academic staff is determined at institutional level, whereas staff remuneration is regulated at the central level.
Czech Republic: **(a)**: Institutions at ISCED level 5A. The pay scale is the responsibility of public institutions and is determined in the institution's internal regulations. If the pay is not set by a collective agreement, it has to amount to at least the minimum level of guaranteed pay (set by the government). The bonuses offered to teaching staff are the full responsibility of the institutions (e.g. bonuses based on research-related performance). **(b)**: Institutions at ISCED level 5B. The bonuses at ISCED level 5B are related to individual performances of teaching staff (e.g. supervising study groups, managerial positions, specialised activities, continuing good performance, etc.).
Denmark: Salaries based on a pay scale are decided at central level through a collective agreement between the Danish confederation of professional associations and the Ministry of Finance.
Germany: Bonuses related to performance will be paid progressively in future.
Estonia: Institutional level promotion criteria have to be in line with the general requirements for certain academic positions (regarding educational qualifications and previous work experience).
Spain: Basic salaries and supplements are established annually at central level. In addition, autonomous governments may adopt different salary arrangements. The information presented in the Figure concerns civil servant teaching staff.
Italy: The only type of salary allowance is based on overtime hours spent teaching.
Latvia, Hungary and **Poland**: The concept of basic annual gross salary does not exist. It has been replaced by monthly salary.
Luxembourg: Information not verified at national level.

In **Finland**, the polytechnic sector offers a multitude of salary schemes based on the legal status of each institution and the contracts resulting from collective agreements.

In some countries, the central authorities and labour organisations representing the academic staff negotiate salaries.

In **Denmark**, salaries result from a collective agreement between the Danish confederation, professional associations *(Akademikernes Centralorganisation)* and the Ministry of Finance.

In **Norway**, the salaries of academic staff in higher education are fixed by negotiations between the state and labour organisations.

Only institutions in the Netherlands, Sweden and the United Kingdom have a high level of autonomy in terms of determining annual salaries.

In **Sweden**, salaries are established on an individual basis following local negotiations at each institution, and are based on a general agreement between the Swedish Agency for Government Employers *(Arbetsgivarverket)* acting on behalf of state employers and national trade unions. All salaries except those of the vice-chancellors (determined and established by the government) are defined by the institutions.

In the **United Kingdom**, HEIs set their own salaries, although the majority choose to work with other institutions to agree common salary scales for all but the senior staff. Pay scales are negotiated nationally through the mechanism of the JNCHES, between the Universities and Colleges Employers Associations (UCEA) and the unions representing staff in higher education.

Bonuses (generally based on length of service and/or performance of academic staff) are offered with salaries in most countries, with the exception of the French and German-speaking Communities of Belgium, Ireland, Sweden and Norway.

The available information on stakeholders/bodies responsible for defining the criteria for granting bonuses reveals similarities with the situation regarding the fixing of salaries. Most countries which define salaries on the basis of negotiation between the state and the institutions or unions do the same to determine the conditions related to bonuses. Those which base their salary definitions on legislation and official regulations do likewise for bonuses.

The situation regarding the definition of promotion criteria is clearly mixed, as it takes place at central level in half of the countries and at institutional level in the other half.

5.5. Duties and working time

In virtually all countries, only the main tasks expected of academic staff are described in legislation or any other binding official regulation. This means that, in general, descriptions of the different categories/levels of staff and their tasks exist, but may be adapted to the specific needs of the institution.

Concrete tasks linked to a specific post are normally laid out in the employment contract and are formulated at institutional level.

In **Belgium**, the legislation prescribes the duties of the staff in HEIs in general terms, involving research, teaching and service provision.

In **Hungary**, higher academic positions entail more requirements, and tasks are also more specified at central level. The HEI may add its own requirements and detail tasks of the position according to its statute.

In **Austria**, according to the 2002 Universities Act, professors are responsible for research and teaching, the advancement and appreciation of the arts, and teaching in their field.

In **Sweden**, the institution seeks to ensure that teaching staff in all categories teach in undergraduate programmes. Research assistants and associate senior lecturers should, however, undertake research primarily.

Working time varies greatly depending on the type of post, and is usually based on a collective agreement and/or on general national regulations on working time. In some countries, individual annual workloads are determined by the institution, in accordance with the maximum limits defined by central authorities. This is the case in Germany, Italy, Poland, Romania, Slovenia and Slovakia.

The weighting between teaching, research and administrative tasks is generally established by the institutions themselves. National patterns may, however, be observed in several countries.

In the **Czech Republic** (ISCED level 5A), the average estimated ratio of scientific to educational activity and to other activity (e.g. administrative) is about 40/50/10, but differs substantially among the study fields and institutions.

In **Luxembourg**, the tasks of research professors are generally distributed as follows: research (50 %), teaching (40 %), other (10 %).

In **Hungary**, lecturers spend at least ten hours a week teaching, out of their total working hours per week. They also conduct research and perform other tasks related to the higher education institution's operations, assigned to them by the employer. The employer may raise the amount of time allotted to teaching by 70 %, or reduce it by 25 %. Researchers allot at least 90 % of their total working hours to scientific activity, in addition to contributing to the educational activities of the higher education institution.

At universities in **Norway**, academic staff in permanent employment have traditionally had an individual right to use 50 % of their working time for research. This is, however, not a legal right. In employment contracts, the institution may specify the time for research. This is now done by some university colleges as well. Academic staff at university colleges have traditionally had far less time for research than for teaching.

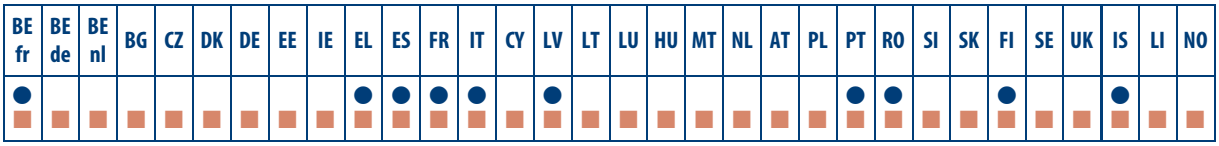
5.6. Evaluation and accountability

Recognised as an important part of the Bologna process, quality assurance in higher education has been the subject of national reforms and initiatives over the last ten years in many European countries.

Individual evaluation of academic staff is, in most countries, an integral part of internal quality assurance procedures. Internal procedures are often made compulsory by education authorities, and are generally determined by the institutions themselves. HEIs are often assisted in drawing up these procedures by independent national quality assurance agencies and international associations. These bodies also ensure that international standards for quality assurance are respected ([3]).

([3]) For information on quality assurance bodies, see Eurydice (2007) Focus on the Structure of Higher Education in Europe – 2006/07. National Trends in the Bologna Process.

Figure 5.5: Responsibility for defining criteria for the evaluation of academic staff, public and government-dependent private higher education, 2006/07



Source: Eurydice.

Additional notes

Belgium (BE fr): The evaluation criteria are established at institutional level for HEIs which are not overseen by the French Community, and at central level for those which are overseen by the French Community.
Luxembourg: Evaluation procedures are currently being implemented. (Information not verified at national level).

Criteria for the evaluation of academic staff are established at institutional level in most countries. There might, however, be general indications from central level as to the factors which must be included in the evaluation.

In **Estonia**, for example, the accreditation requirements established by the government state that, in order to evaluate the activities of teaching staff, HEIs need to establish effective criteria and methods which take all fields of activity into account (teaching, instructing the students, research and special tasks at the institution).

In **Romania**, despite the fact that general evaluation criteria are defined at central level, the weight of each criterion is set annually by the Senate, for each teaching post and length of service, according to the policy for institutional development. University Senates may include other evaluation criteria, aimed at fostering institutional development.

In Latvia and Lithuania evaluation also occurs in the form of competition for recruitment.

In **Latvia**, the evaluation of academic staff occurs before hiring. Academic posts are elected posts for a period of six years, so a person is re-evaluated if he/she applies for the next period. The document on the 'Procedure for Evaluation of the Scientific and Pedagogical Qualifications of a Candidate for a Post of Professor or Associate Professor', adopted by the Cabinet of Ministers, covers the criteria for evaluation. As regards other academic posts (docents, lecturers and assistants), their evaluation criteria are determined at institutional level as in most European countries.

In **Lithuania**, teacher and research fellow vacancies are filled for a term not longer than five years. Afterwards, a new competition is announced to fill the position. The current jobholder can also participate. A candidate's conformity to the requirements to fill a vacancy in a higher education institution is assessed during a competition or performance evaluation. Performance evaluation is carried out during the term of office. According to a government resolution adopted in 2005 on revised minimum qualification requirements for positions of scientists, other researchers and teachers in public higher education and research institutions, institutions had to produce new descriptions of requirements for positions, the procedure for performance evaluation, and the organisation of a competition, on 1 January 2006.

Evaluation is crucial in determining performance-related salary schemes and increases in Romania and Finland.

In **Romania**, according to the provisions of the legislative framework, the quality of teaching and research activities as determined by the evaluation of teaching staff, is one of the criteria used to establish salaries in

higher education. The methodological standards for this annual evaluation are established by the Ministry of Education and Research and are approved by the government. The weight of each criterion for each teaching position and seniority is established annually by the university senate, which may introduce other criteria and performance indicators that support institutional development and improve the competitiveness of the higher education institution.

In **Finland**, the performance-based salary system is based on the evaluation of two components, i.e. demand level (job requirements) and individual performance. Demand level is calculated using the criteria negotiated nationally. Performance of academic staff is evaluated separately for teaching, research and services at first. The final average performance figure is then based on the relative time spent on the three activities.

The specific evaluation of individual research activities takes place in Italy and Iceland.

In **Italy**, the law requires staff members to provide an annual report of their research activities. Penalty guidelines are provided in the event of poor performance. For example, if a researcher has obtained funds from the university and produces no results, s/he is virtually barred from applying for further funding.

Students in all countries are involved in the evaluation process of academic staff mostly via questionnaires. In Italy, this is currently the only method for evaluating the quality of teaching staff.

In France, these evaluations are in an experimental phase at some universities – often with the agreement of teaching staff – which allow students to participate via a questionnaire. This practice is currently not widespread.

The frequency of evaluations is generally between four and six years. There are, however, some exceptions. Evaluation occurs annually in Romania, Finland and Liechtenstein. In the German-speaking Community of Belgium, it takes place every two years, and in the Flemish Community of Belgium, newly appointed staff are evaluated after three years.

5.7. Challenges for the management of academic staff

Teachers are key for success in learning institutions; this is no different in higher education. Furthermore, universities also need highly qualified researchers. It is therefore crucial for institutions to attract and retain quality academic staff. Chapter 1 on strategic policies points to the problem of an ageing academic workforce in some countries and the difficulties to attract younger personnel to the higher education sector. However, there might also be a problem in terms of reward: nowadays – at least for certain disciplines – potential teachers and researchers have more possibilities to work outside the (public) higher education system for better salaries. The prospect of a more structured career with development and promotion possibilities might also be an incentive. In some countries they are clearly more drawn to other sectors due to very low wages in public higher education ([4]).

([4]) This is reportedly the case in Poland and Romania. See for example Chmielecka, E. (2006) Multiple employment as an additional source of revenue: under what conditions can it be of advantage to both academics and universities?, and Agachi, P. S. (2006) Multiple employment issues at the 'Babes-Bolyai' University in Cluj-Napoca, Romania: a case study.

As the organisation and funding of higher education systems in Europe have changed, so have the conditions for teaching and research, the traditional tasks of academic staff. It has been noted repeatedly that the tasks of academic staff are becoming increasingly diversified ([5]) and may also comprise functions such as leadership, management and consultancy. Some academic staff are increasingly involved in time- and work-intensive quality assurance and accountability procedures.

With the increased autonomy given to HEIs in the management of their financial and human resources, there is a clear need for formal management and leadership programmes for those with direct responsibility for staff ([6]). It is evident that in order to meet the demands of recruiting high-performing individuals, very specific skills are required, which raises the question as to whether staff managers in higher education should have a scientific background or be professional staff managers (see also Chapter 2).

A strategy and long-term plan for the management of human resources in higher education is vital.

Dunkin ([7]) suggests an outline for a basic strategy which comprises the following measures:

- determining how many people are needed;
- identifying shortfalls and skills needed;
- attracting and retaining people;
- managing performances;
- developing a system of rewards;
- creating professional development possibilities for the staff.

Regardless of whether the development of strategies for managing higher education staff is the task of central or institutional authorities or is a combined effort, there needs to be a reflection on the best use of resources.

([5]) Gordon, G.; Whitchurch, C. (2007) Managing human resources in higher education: the implications of a diversifying workforce.

([6]) Gordon, G.; Whitchurch, C.: op. cit. p. 149.

([7]) Dunkin, R. (2005) The HR Challenge: some more thoughts. Response to keynote address at the conference on 'Trends in the Management of Human Resources'.

CONCLUSIONS

A recommendation made in 2006 by the Council of Europe Working Party on governance in higher education underlined 'that it is necessary to elaborate on what the autonomy of higher education institutions in the modern society includes, in terms of content (legal, financial, etc.) as well as in terms of bodies and actors' (Kohler and Huber 2006). The present study by Eurydice on regulatory frameworks in higher education governance provides responses to the Council of Europe's recommendation. In addition, this study explores the national political priorities in the area of higher education. The following conclusions summarise the situation in terms of institutional governance, funding and staff, with respect to the main governance models identified in the literature ([1]).

At state level, the models of regulatory state and supervisory state were the main threads of the analysis. According to the first model, the funding of institutions comes mainly from public sources. This model is based on the assumption that the regulations governing the operational activity of institutions are defined in detail by public authorities and that compliance with them is ensured via mechanisms such as inspection or bureaucratic formalities.

The regulatory state model is generally contrasted with that of the supervisory state (or of external steering). In this model, institutions are given wide autonomy in different areas. Control is based on the definition of national objectives which must be implemented by the institutions, the transparency of institutional policies as well as various accountability measures for institutions or their staff. External steering is also seen in the growing influence of external stakeholders in the governing bodies of institutions in particular. The supervisory state model often involves the stimulation of competition between institutions.

At institutional level in particular, three major types of governance were also used as a reference. These included the academic self-governance model; the management self-governance, whereby the management of an institution holds a strong position in defining objectives and decision-making; and finally, the entrepreneurial university model, which involves diversified funding sources and the development of partnerships with the private sector.

Based on the analyses conducted in this study, it is clear that the wide range of situations in Europe contain different aspects of each of these models. However, some highly contrasted national situations which adhere more generally to a particular model were also brought out.

([1]) For a summary of the main models of governance in higher education, see Kohler and Huber 2006.

1. Structures of higher education governance

Institutional autonomy vs. accountability: balancing centralised leadership, external stakeholder participation and academic self-governance

The balance between autonomy and accountability in higher education is sometimes rather hard to achieve. HEIs throughout Europe are legally fully autonomous entities; at the same time, external regulations frame HEIs' autonomy in considerable detail with regard to mission, activities and structure. These regulations allow governments and the public to hold HEIs accountable for the services they provide and for the funds they receive.

The internal governance structure of HEIs in Europe is defined by legislation in every country participating in this study (with the exception of universities in the United Kingdom established before 1992, which are structured according to their respective charters and statutes). The regulations delineate the institutional-level governance bodies and their respective rights, duties and responsibilities. Official regulations are supplemented by specific rules in the respective institutions' constitution or statutes, which usually provide for the procedures of election or appointment to institutional governance bodies. In Greece and Austria, the election procedures for institutional-level governance bodies are regulated by national law.

Trend towards increased external stakeholder involvement

There is no predominant model for higher education governance in Europe: diversity remains the hallmark of European higher education. At the same time, it is clear that in most countries external stakeholders have taken on important roles in the internal workings of HEIs (see Figure 2.2). Indeed, there are only two countries (Greece and Romania) that do not include external stakeholders in institutional governance bodies. The roles, profiles and selection methods as well as the degree of influence of external stakeholders vary from country to country; however, there are some general patterns and trends: people with experience in industry or commerce are invited to participate in an institutional governance body with the goal of helping to link the institution with the economy and to improve internal efficiency (OECD, 2003). Similarly, representatives of civil society take part in internal governance to promote regional and cultural interests and the institution's contribution to local economic and social development (Eurydice, 2000).

In most countries, HEIs have an advisory or supervisory body that includes or is composed solely of external stakeholders. This body usually has dual autonomy and accountability functions: in terms of autonomy, the supervisory body serves to protect the interests of the institution from direct intervention by political forces, including the ministry. In terms of accountability, it provides moral and political legitimacy, makes information about performance available to the public, implies the assessment of performance, and – at the most basic level – helps ensure that the HEI complies with official regulations.

Less commonly, external stakeholders are included as members of an HEI's decision-making body, which is primarily responsible for long-term strategic planning. In the German-speaking Community of Belgium, Luxembourg and Liechtenstein, where the higher education sectors are relatively small, the decision-making body is composed solely of external stakeholders. In Austria, the responsibilities of the decision-making body at universities are shared between the senate and the university council; the latter is composed solely of external stakeholders and takes on most of the decision-making tasks. Although external stakeholders can link institutional plans and strategies with economic and social interests, decision-making bodies that are composed solely of external stakeholders can be contentious in terms of institutional autonomy. If decision-

making for institutional strategic planning is done solely by people who are employed or appointed by the government and who do not work for the HEI, can the institution be considered autonomous?

The Council of Europe Working Party on higher education governance in 2005 concluded that 'governance should be understood as a process of setting long-term goals and establishing strategies for reaching these goals' (Vukasovic, 2005). As Figure 2.2 indicates, the responsibility for goal setting and strategic planning is undertaken by governance bodies composed solely of internal stakeholders in about two-thirds of the countries in Europe. Meanwhile, strategic plans must align with national policies on higher education in nearly every country. The national policies and established priorities serve as overarching guidelines for the institutional governance process; HEIs are held accountable for adhering to this framework.

The issues of academic self-governance and management competence

In more than half of the countries participating in this study, the responsibilities of the academic body are specific to academic matters. The academic body also provides support or advice for the decision-making and supervisory bodies (in those countries where these are separate entities). HEIs in France, Malta, Portugal (polytechnics), Finland and Iceland allow external stakeholders to participate in the academic body; in all other countries, only internal stakeholders can be members of this body.

There are many arguments by members of the academic community in support of self-governance by internal stakeholders as the most qualified people to make decisions on the direction of the institution. What is often portrayed as HEIs' resistance to change is not inevitably negative: adjustments that affect the quality, values and mores of higher education should not be undertaken lightly. Furthermore, academic self-governance provides the people in the institution with a sense of ownership over the governance processes. Instead of being held accountable to a (primarily) external body, the internal members hold first responsibility for the direction, planning and monitoring of institutional activities. Although external representation on institutional governance bodies tends to reduce the relative power of academic interests, outside interests do not necessarily predominate.

Meanwhile, the demands placed on higher education institutions by modern society require efficient and effective management of the organisation. Higher education experts have expressed concern about the lack of professional management experience on the part of academic experts in senior-level positions in light of the 'New Public Management' movement that has accompanied institutional autonomy (Pellert, 2007; Zechlin, 2008). Higher education institutions and associations throughout Europe are addressing this problem via faculty and staff development programmes, training opportunities and workshops or seminars on higher education management.

Importance of centralised internal leadership

A major factor in the autonomy/accountability balance is evident in the widespread efforts to reinforce the authority of the executive head. Strengthening the role of the executive head can help institutions improve their overall coherence and performance in a competitive environment by clarifying the lines of responsibility and improving the strategic capacity of the institution (OECD, 2003).

With the reform of institutional governance structures, the role of the executive head has also changed. The head of a higher education institution has to balance various responsibilities of the organisation and is held primarily accountable for all activities. Academic competences continue to be the main qualifications for the post of executive head, largely because of the unique purposes and services of HEIs. Meanwhile, leadership

skills and managerial expertise are now considered additional assets in a executive head, since academic competence alone does not guarantee that the person is also a good leader, diplomat or strategist.

2. The funding of higher education institutions is constantly evolving

The growing financial autonomy of institutions

Autonomy in terms of financial management is a key aspect of current trends in higher education governance. The challenge is to allow institutions to develop strategic policies aimed at meeting their own objectives as well as national priorities in the area of higher education. Only five countries (Bulgaria, the Czech Republic (institutions at ISCED level 5B), Greece until 2007/08, Cyprus and Latvia until 2009) allocate public funding to institutions according to budget headings which must be strictly adhered to. Elsewhere, block grants exist, but in some countries in central and eastern Europe as well as in Belgium and France, institutions must adhere to their own budget headings which have been approved by the public authorities (see Figure 3.1).

In the remaining countries, the financial autonomy of institutions vis-à-vis the block grants they receive is very well established. In Estonia, Italy, the Netherlands, Portugal, the United Kingdom (England, Wales and Northern Ireland) and Liechtenstein, institutions also enjoy a high level of autonomy in terms of the use of the tuition fees they collect.

The possibility to transfer unspent public funding from one year to the next and autonomy as regards the use of this budgetary surplus (see Figure 3.6) exist in the majority of the countries, and not only in those where institutions enjoy a high level of autonomy with respect to their block grant.

Governance by objectives in the allocation of public funding

Public funding allocated according to a mechanism whereby institutions commit themselves to meeting certain objectives defined at national level is common in Europe; the model of supervisory state therefore applies in various ways. Public funding allocated for specific research projects in connection with national objectives exists in all countries as a type of governance by objectives.

In seven countries (Denmark, France, Luxembourg, Austria, Romania, Finland and Iceland), a significant amount – if not all – of public funding granted to institutions is associated with a performance contract. These contracts are concluded following a negotiation between the heads of institutions and the public authorities, who set the objectives for the main lines of activity and development of institutions, usually over several years. Performance contracts represent a potentially powerful financial instrument for the public authorities, allowing them to guide the plans and strategic policies of institutions. Currently, however, whether or not the qualitative objectives included in these contracts are met has little influence on the amount of funding allocated in the following contract. This situation could change in some of the countries concerned.

Another means of linking national objectives with public funding consists in allocating grants to institutions for a specific project focusing on priorities identified at national level, which usually involve the quality of academic activities or the development of institutions. This practice, which concerns a small portion of public funding, exists in the Flemish Community of Belgium, the Czech Republic, Ireland, Portugal and Slovakia.

Finally, the Flemish Community of Belgium (in 2008), Ireland, Italy and the United Kingdom (England) have integrated mechanisms into their funding formulas, which are aimed at promoting access to higher education for students from disadvantaged backgrounds.

Stimulating competition between institutions

The stimulation of competition between HEIs via public funding mechanisms, which is another characteristic of the supervisory state model, is widespread in Europe. Funding formulas based on the number of students registered and/or their success rate, associated with limited public resources, are seen virtually everywhere. Belgium (French Community), Ireland (universities), Lithuania, Hungary, Poland, Romania, Slovakia, Sweden, the United Kingdom and Liechtenstein determine to a large extent or fully the amount of public funding according to such funding formula. In other countries, there are measures aimed at maintaining a certain stability in the resources allocated, which take the individual needs of institutions into account, such as the allocation of a fixed amount or the consideration of past costs. Only countries with a small higher education sector (Cyprus, Luxembourg and Malta) as well as non-university institutions in Ireland (currently), do not make use of funding formulas.

Some countries (the Czech Republic, Ireland, Portugal and Slovakia) award public funds for projects related to teaching or operational activity in the framework of a competition between institutions.

In the area of research, most countries consider institutional performance to calculate their basic research grant funding levels. Public funding obtained in the framework of a competitive bidding procedure exists everywhere. In Romania, this is the only means of obtaining public funding for research.

Various forms of accountability vis-à-vis public funding

HEIs are fully accountable to society and to public authorities in particular, for the public funding they receive, and the accountability measures in effect take on different forms. External financial audits are seen everywhere in Europe. Reporting to the funding body and publishing information in public databases are also very widespread (see Figure 2.1).

As regards the allocation of public funding, accountability measures are also in effect in the majority of European countries via the consideration of performance indicators which focus on students' results and on the research activities of institutions.

However, the situation is far from being identical everywhere, inasmuch as the importance of results in determining the amount of public funding varies greatly from one country to the next. In Estonia and Latvia, the achievement of results is the purpose of public funding, which is governed by a contract based on a predetermined number of graduates in each area of study. The United Kingdom (England) is indisputably one of the countries where the amount of funding allocated to institutions depends most on their performance, in terms of students' completing their year of study and the quality of research. In Denmark, funding for teaching depends only on students' results. As regards basic funding for research, the Flemish Community of Belgium, Estonia, Ireland (universities), Hungary, Poland and Slovakia consider mainly the performance of institutions.

Other elements point towards the fact that the will to make such a close association between funding and results does not exist everywhere. If we consider the majority of public funding allocated, performance is taken into account for a maximum of 5 % in Ireland (universities) and Italy. Some countries determine the level of funding according to performance in terms of teaching (Slovenia and Sweden) or research (Flemish

Community of Belgium, Ireland, Poland, Romania and the United Kingdom (Scotland)), but not both. However, the Flemish Community of Belgium and Romania will soon take students' results into account as well in determining the amount of funding allocated to institutions.

Reforms are under way in most countries where the funding of institutions depends very little or not at all on performance in terms of students' results or research (French and German-speaking Communities of Belgium, Bulgaria, Greece, Spain, Cyprus and Malta).

Incentives and restrictions in terms of partnerships and private funding

The diversification in the funding of HEIs, which is a key aspect in the development of the entrepreneurial university model, depends greatly on the strategies of HEIs, as well as on the governance models defined at central level. The incentives implemented by the public authorities and the level of autonomy and restrictions which apply to HEIs are likely to have an influence on the amount of private funding obtained.

In this area, Estonia, Cyprus, Latvia, Austria and Romania may be mentioned as countries where institutions have a very high level of autonomy in creating companies, making financial investments and borrowing money. The situation in Ireland, Slovenia and the United Kingdom is similar but the authorities have nevertheless defined precise procedures for loans. However, Bulgaria, Slovakia and the Nordic countries (apart from Denmark) are relatively strict as regards these three ways of generating private funding.

The vast majority of European countries have implemented incentives to support HEIs in their search for private funding and in their partnerships with the private sector. Five countries do not provide incentives of this sort (see Figure 4.4). All the other countries provide at least one type of public incentive, with tax allowances for donors and private partners being the most common. Partnerships with private companies (in particular as regards research), which represent a significant source of private funding, are the object of various types of direct financial and other types of support (see Chapter 4) in approximately a dozen countries.

As regards the levels of autonomy and incentives which exist for the development of partnerships with the private sector in the area of research, we should mention the Flemish Community of Belgium, France, Finland and the United Kingdom. These are the only countries to provide a regulatory framework which authorises institutions to own the intellectual property rights of the results of research conducted by their staff, in addition to allowing institutions to create companies – sometimes under certain conditions – and supporting partnerships with the private sector in the area of research, in particular via direct funding.

However, at European level, a strong correlation rarely exists between a permissive policy in terms of the diversification of funding via the private sector, and the development of a range of incentives in this area.

3. Academic staff in higher education institutions

Certain aspects of recruitment procedures often defined at central level

Various levels of responsibility are involved in the recruitment of teaching staff. The process leading to the nomination/appointment of staff comprises several distinct stages (including the definition of categories of staff and their eligibility criteria, the number of posts required and decisions regarding the appointment of staff). It is interesting to note that some of these stages reflect a predominant number of decisions taken at central level, whereas others point towards a high level of autonomy for institutions in terms of decision-making.

The regulatory state model may therefore be seen in the vast majority of countries with respect to the definition of categories of staff and their respective eligibility criteria. On the other hand, the definition of other stages of recruitment appears to be within the remit of institutions. In five countries only (Czech Republic, Greece, the Netherlands, Slovenia and the United Kingdom), the situation is marked by a high and even full level of institutional autonomy throughout the whole process. To this extent, we might conclude that the recruitment process as a whole (all stages included) comes under the supervisory state model in the majority of countries.

Institutions are the employers of teaching staff in the majority of countries

A shift from the regulatory state model to that of the supervisory state may be seen in the information regarding the stakeholders considered to be the employers of teaching staff. Inasmuch as the institution is clearly considered to be the actual employer of staff in the vast majority of countries for which information is available (often via national legislations and other official documents), it is evident that the supervisory state model dominates in this respect.

The parallel observation of the types of status/employment contract shows finer distinctions. In over half of the countries, teachers are employed on a contractual basis (generally governed by public law). In fourteen countries or regions, they have the status of civil servants. A tendency towards a relaxing of professional statuses is seen among the latter group of countries, in that other types of contractual arrangements are possible in half of them.

Differences in terms of salaries and promotions

The situation concerning decision-making processes as regards salaries and promotions varies greatly, thus making it difficult to isolate clear tendencies towards one of the main models. It may nevertheless be observed that the aspects related to the process of defining salary scales tend to fall within the scope of the regulatory state model in approximately half of the countries. The situation is closer to that of the supervisory state model in eight other countries. Only the Czech Republic (institutions at ISCED level 5A), Estonia, Austria, and Liechtenstein are characterised by a high level of institutional autonomy in this respect.

* * *

Finally, despite the fact that the information gathered within the scope of this study is based almost exclusively on official regulations, we shall attempt to provide some general pictures of the current governance of HEIs in Europe.

In terms of autonomy, national policies seem to have a strong focus on financial management. A similar yet less clear trend is seen with respect to the room for manoeuvre enjoyed by institutions in terms of staff. The countries where institutions have very wide financial autonomy are not necessarily the ones where staff-related issues are the responsibility of institutions. The structures of internal governance are regulated to the same degree in almost all countries.

Governance by means of objectives and performance is developing across Europe. Almost everywhere, institutions must establish strategic plans which reflect national priorities. Performance is taken into account to varying degrees in a very large majority of countries when determining the amount of funding. Finally, this type of governance by means of objectives and performance is possible due to an evolution in the roles of executive heads of institutions, who are now responsible for implementing strategies to meet these objectives and for the results obtained. However, in this respect, it should be mentioned that the forms of control are currently based on quantitative aspects for the most part, and less often on results in terms of more qualitative and societal objectives.

The development of relations between HEIs and the outside world, and private companies in particular, is characterised by the presence of external stakeholders in some governing bodies of institutions. Once again, this external presence exists to varying degrees according to each country. In addition to forming ties with representatives of the business world, institutions are also under great pressure with respect to the basis of their funding, whose private-sector share is expected to increase. This objective is the focus of strategic policies and/or reforms in a large number of countries, including the development of incentives to obtain private funding. However, regulations in this area also place boundaries on relations with the private sector.

GLOSSARY

Country codes

EU-27	European Union
BE	Belgium
BE fr	Belgium – French Community
BE de	Belgium – German-speaking Community
BE nl	Belgium – Flemish Community
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
EL	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta

NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom
UK-ENG	England
UK-WLS	Wales
UK-NIR	Northern Ireland
UK-SCT	Scotland
EFTA/EEA countries	The three countries of the European Free Trade Association which are members of the European Economic Area
IS	Iceland
LI	Liechtenstein
NO	Norway

Statistical code

:	Data not available
GDP	Gross Domestic Product

Definitions

Academic body: usually called a senate, academic council or academic board, this body is primarily responsible for matters relating to the educational and research services provided by the institution. It is composed mainly of academic staff members employed at the institution. Student representatives and non-academic staff can also be members in some countries.

Advisory body: supports the institutional governance structure and brings external perspectives to bear on issues relating to the HEI; however, approval from this body is not required for any decisions and it does not officially monitor the institution. This body always includes external stakeholders and is often composed solely of external stakeholders.

Basic funding for research: grant for the research activities of an HEI, which is not intended for specific projects. This grant may be allocated according to the cost of research activities at the HEI, its performance, or political considerations. Basic funding may be integrated into the grant for teaching and operations or intended specifically for research.

Block grant: financial grants meant to cover several categories of expenditure such as teaching, ongoing operational costs and/or research.

Decision-making body: the institutional governance body responsible for long-term and strategic planning and for determining the institutional orientation. In some countries, the academic body or the supervisory body is the decision-making body. In other countries, the decision-making body is a distinct entity from the other two bodies.

Executive head: rector, president, vice-chancellor, chancellor or director of a higher education institution. This person represents the HEI in legal transactions and funding agreements. He/she is generally the main figure responsible for the strategic planning of the institution's activities, including programming and development, organisation, management and monitoring. The executive head is held primarily accountable for the activities of the institution.

External stakeholders: persons who have a vested interest in the function, practices and outcomes of higher education institutions (may include members of central, regional or local government, employers in the labour market or other representatives from industry, members of labour unions, national student associations, representatives of civic society, graduates, parents of students, etc.).

Funding for a specific research project: funding allocated to an HEI to carry out a specific research project, following a competitive bidding procedure.

Funding formula: used with standard criteria to calculate the size of public grants to higher education institutions for teaching and/or ongoing operational activity and, in certain cases, research. Criteria include input criteria and/or performance indicators.

Higher education institutions: officially recognised public and private higher education institutions that offer programmes at ISCED levels 5 and 6 and are provided for under the legislation of the country concerned. Foreign universities established in the country and state institutions for national security, military or police training are not covered in this study.

Independent private higher education institutions: institutions which are managed directly or indirectly by a non-government organisation (church, trade union, business undertaking or other body) and which receive under 50 % of their funding from the public authorities.

Input criteria: a variety of factors which relate to the volume of institutional activity and may be based for instance on student enrolment in the preceding or current year, number of staff and subsidised study places. Used for funding formula.

Internal stakeholders: persons employed by or enrolled at a higher education institution.

International Standard Classification of Education (ISCED 1997)

The International Standard Classification of Education (ISCED) is an instrument suitable for compiling statistics on education internationally. For more information on ISCED 97, readers should consult the official website: http://unescostat.unesco.org/en/pub/pub0.htm.

ISCED 97 levels covered by the publication:

- **ISCED 5**: Tertiary education (first stage)
  Entry to these programmes normally requires the successful completion of ISCED levels 3 or 4. ISCED level 5 includes tertiary programmes with an academic orientation which are largely theoretically based (ISCED 5A), and tertiary programmes with an occupational orientation which are typically shorter than the academic programmes and designed for entry to the employment market (ISCED 5B). Only ISCED 5A programmes give access to doctoral programmes at ISCED level 6.

- **ISCED 6**: Tertiary education (second stage).

  This level relates solely to tertiary studies leading to an advanced research qualification (Ph.D. or doctorate).

Performance contract: established between institutions and public authorities, and based on the definition of strategic objectives assigned to the institution. Different performance-related measures exist to evaluate progress.

Performance criteria: are related to the outputs achieved by an institution over a previous period. They establish a link between the amount of public funding allocated and the ability to make optimal use of the resources received over a given period, which is measured, for example, through the number of successful students each year or the number of degree recipients. Performance criteria are often included in funding formulas and are generally regarded as an incentive to rationalise resources.

Private government-dependent higher education institutions: institutions which are directly or indirectly administered by a non-governmental organisation (church, trade union, a private business concern or other body) and which receive over 50 % of their funding from the public authorities.

Public higher education institutions: institutions which are directly or indirectly administered by a public education authority.

Quality assurance: an all-embracing term referring to an ongoing, continuous process of evaluating (assessing, monitoring, guaranteeing, maintaining and improving) the quality of a higher education system, institution or programme.

Recommendation: non-statutory guidelines which are of an advisory nature, issued by the top-level education authorities.

Regulation: a law, decree or any other officially binding document, issued by the top-level education authorities.

Strategic plan: document that sets out the mission and strategic aims of a higher education institution and links these aims to detailed objectives and activities for a period of variable length.

Supervisory body: oversees or monitors operational, educational, and financial activities. It is usually responsible for approving the information submitted to the Ministry (annual reports, performance reports, financial reports, etc.) and for overseeing the financial audit of the institution. This body is usually the legal entity that hires and dismisses the executive head of the institution. All supervisory bodies include external stakeholders and many are composed solely of external stakeholders.

Tuition fees: annual contributions paid by students to cover all or part of the tuition costs in higher education.

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ANNEXES

Documents of national strategic policies for higher education, 2006/07 (Chapter 1)

BE nl	Policy Document on Education and Training (2004-2009)
CZ	Long-term Plan for Education and Research, Scientific, Development, Artistic and Other Creative Activity of Higher Education Institutions (2006-2010) (ISCED 5A). Long-term Plan on Education and Development of the Education System in the Czech Republic.
DK	The Government's Strategy in the Global Economy
EE	Higher Education Strategy for 2006-2015
CY	Strategic Planning for Education *(Strategikos Shediasmos gia tin Ekpaidefsi)* (2007)
LV	Basic Statements in Education Development 2006-2010 and the Declaration of the Cabinet of Ministers.
LT	Development Plan for the Higher Education System (2006-2010)
HU	Hungarian Universitas Programme (2004)
NL	Higher Education and Research Plan 2004 and the new mid-term agenda until 2020
RO	Strategy of Higher Education for the Period 2002-2010
SI	Master Plan for Higher Education (2002)
FI	Finnish Act on the Development of the Higher Education System (2005) and the Development Plan for Education and Research
UK	White Paper on 'The Future of Higher Education' (2003)
NO	Quality Reform in Higher Education (2002)

BE fr, BE de, BG, IE, EL, FR, IT, MT, AT, PL, PT, SK, SE, IS and **LI**: No documents of National Strategic Policies.

Institutional governance bodies,
public and government-dependent private higher education institutions, 2006/07 (Chapter 2)

Country	Executive Head	Academic Body	Decision-making Body	Advisory/Supervisory Body
BE fr	Rector	Academic Board	Educational Management Council	Administrative Council
BEde	Director	Academic Council – mainly responsible for submitting recommendations and advice to the Administrative Council.	Management Board – designates director, members of the Council and transfer of power to the director or Academic Council, establishes the HEI's curriculum and internal organisation.	
BE nl	Rector (Executive Board): responsible for the administrative and financial affairs of the university as well as its properties and real estates; prepares the budget and the annual report, implements the decisions of the Governing Board, represents the university.	Academic Council – advises the Executive Board and the Governing Board in all matters regarding teaching/education. Scientific Council – advises the Executive Board and the Governing Board in all matters regarding research.	Governing Board – general regulatory body of the university, determines the internal regulations and procedures regarding teaching and research activities and students, determines the structure and the organisation of the university, approves the budget and the annual report, appoints the professors and the senior staff members, determines the general policy of the university.	⊗
BG	Rector: represents the HEI, powers apply to all matters related to students; prepares annual report on activities and financial matters, presents outcomes of internal assessment and quality assurance system.	Academic Council – responsible for all matters relating to study and research activities, regulates educational and research policy, establishes and monitors evaluation and quality assurance systems, determines the fields and form of study programmes and degrees, proposes the number of students to be admitted, approves employment conditions and assessment of academic staff, approves annual financial budget and ensures the responsible spending of funds. Determines the internal regulations of the basic units and approves international cooperation and relations.	General Assembly – approves or rejects internal rules regulating the governance of the HEI, discusses and approves the Rector's annual report. Establishes the Supervisory Committee, a separate body that supervises the various activities of the institution and is responsible for the internal audit.	Controlling Board – specialized body authorized to exert internal control/supervision over the overall activity of the HEI. Members of this body cannot be members of the Academic Council, Vice Rectors, Assistant Rectors, Deans or Directors of main units and affiliates of the HEI concerned. The Board must ensure institutional compliance with official regulations and must report its findings to the Academic Council. The Board also gives opinions on the estimates and draft budget of the HEI to the Academic Council and the General Assembly every year. It reports its activities and findings to the General Assembly at least once per year.

Country	Executive Head	Academic Body	Decision-making Body	Advisory/Supervisory Body
CZ (a)	Rector: main governing actor, requires approval from Senate for most matters.	Academic Senate – decides on organisational structure; approves Rector's decisions on internal regulations, budget, annual report on activities and economic management, long-term plans, etc.; recommends candidates for Rector to President of the Republic.		Board of Trustees – approves the Rector's annual report and provides consultation on long-term plans and other matters presented by the Rector or the Minister. Certain other issues also require approval by the Board, such as the establishment of basic units of the university, disposal of university property, and the use of other assets.
CZ (b)	School Head – The statutory body of a school legal entity; he/she decides on matters concerning the school if not stated otherwise.			⊗
DK	Rector: undertakes daily management, has overall authority in employment of executive management staff, recommends the budget and approves accounts, sets rules for disciplinary actions.	Academy Council – makes statements on internal distribution of funds, central strategic research questions and educational issues, makes recommendations on academic committees, awards PhD and doctoral degrees.		Board of Directors – highest authority of the university; regulatory, sets guidelines for the organisation, defines long-term activities and development, administers funds, enters into contract with Ministry, approves budget, employs Rector and executive management staff.
DE (a)	In addition to the rector or president, HEIs have a chancellor who is the senior administrative officer and responsible for the budget.	University Board – election of governing board, adopts resolutions on institutional statutes.	Senate – ratifies election of the Rector by the institution's academic staff and takes decisions on the institutional budget, number of students to be admitted to study, founding of basic units, key research issues and issues relating to young academics, examination regulations and departmental proposals for professorial appointments.	Governing Board
DE (b)	Director	Conference	Dual Senate	Governing Board

Country	Executive Head	Academic Body	Decision-making Body	Advisory/Supervisory Body
EE (a)	Rector: responsible for general state and development of the HEI, lawful and expedient use of financial resources, highest administrative and disciplinary authority.	Council – approves the statutes of the university and its structural units, adopts development plans, approves the budget, establishes the rules of competitions for the employment of ordinary teaching staff and research staff, elects professors *ordinaria*, awards the title of professor *emeritus*, makes decisions on issues relating to the assets of the university, etc. Also decides and resolves other issues which fall within its competence according to the law and the statutes of the university.		Board of Governors – serves as a buffer between the Ministry and the higher education institutions. The Board may make proposals to the Minister of Education and Research as well as to the University Council on issues concerning the development of the university. Must present its assessment of the university to the public at least once per year. An authorised representative of the Board participates in and has the right to speak at sessions of the University Council.
EE (b)	Rector: approves the internal procedure rules and the statutes of structural units of the institution, approves the budget of the institution and ensures its implementation, controls the budgetary funds of the institution. Rector is accountable to the council and to the Minister who directs the Ministry under whose area of government the institution belongs.	Council – adopts a development plan for the institution, elects the ordinary teaching staff, makes decisions on issues relating to state assets of which the institution is granted use, etc.		Advisory Body – the Universities Act and Institutions of Professional Higher Education Act describe generally the role of the advisory body and identify in detail the areas in which the council and Rector have decision-making powers, but provide some flexibility by stating that the council and Rector shall also decide and resolve other issues which fall within the competence of the council or a Rector according to the law and the statutes of the university.
IE (a)	President/*Provost*	Academic Council	Governing Authority	
IE (b)	President/Director: chief officer, day to day manager	Academic Council – assists the Governing Board in planning, coordination, development and overseeing of educational work; and to protect, maintain and develop academic standards.	Governing Body – manages and controls the HEI's affairs.	
EL	Rector	Senate – sets general education and research policy, allocates teaching/-scientific posts after approval by Ministry.		⊗

Country	Executive Head	Academic Body	Decision-making Body	Advisory/Supervisory Body
ES	Rector: responsible for leading, governing, and managing the university, implementation of policies approved by collegial bodies, putting agreements into action. Chairs senate and council.	University Senate – represents the university community: debates university policies, manages job posts, spurs policy-making in other governing bodies, may also create specific commissions.	Governing Council – establishes strategic plans, directives, regulations, procedures, organisation of teaching and research, resources and budgeting. Assists the Rector.	Social Council – an external body that represents the wider interests of society in the university. The Council collaborates with the university to define criteria and priorities for institutional strategic planning. The Council also makes recommendations relating to programming and management, finances and budgeting, and heritage management, as well as other issues relating to the university community. There are three external stakeholders on the Council and three internal members who are elected by and also serve on the Governing Board.
FR	President: responsible for the overall governance of the university.	Academic/Scientific Council/Council of Studies and University Life – provide advice to the Administrative Council according to their respective competences on the main orientations of the university.	Administrative Council/Board – approves institutional statutes and internal structures; general deliberation body of the university.	⊗
IT	Rector: represents the university, responsible for strategic planning, in cooperation with Academic Board and Board of Governors (presides over both).	Academic Senate – provides counsel to the Rector and the Board of Governors and has responsibility over the university's development plan, decisions concerning amendments to the statutes, academic regulations, financial management including the distribution of funds to different institutional units and individuals, human resource management, setting the level of student fees, and changes to research structures.		Board of Governors – manages and monitors economic and financial resources, defines administrative, financial and accounting regulations, approves budget and balance sheet, establishes level of students' financial contribution. (This body assumes different tasks from one HEI to the next.)

Country	Executive Head	Academic Body	Decision-making Body	Advisory/Supervisory Body
CY	Rector	Senate – responsible, among other things, for the academic work of the University, both in teaching and research. The Senate approves the decisions of the Rector regarding the academic programmes, the level of the entrance and semester examinations, the marking or grading system, the promotions and the award of diplomas and degrees, it determines the requirements of the University in building facilities and equipment, the apportionment of the budget and the relations of the University with other universities and educational institutions, it recommends to the Council the establishment or abolition of faculties or departments and the number of students to be admitted to the University.	Council – responsible for the management and control of the administrative and financial affairs of the University as well as its property and in particular, the annual budget, the level of salaries and other benefits of the staff of the University, and the distributing of financing for the building infrastructure of the University. In addition, it has the power and competence to ascertain the elections or promotions of the academic staff and to ratify the appointments and promotions of that staff, as well as the power and competence to ratify the appointments and promotions of the administrative staff of the University.	
LV	Rector: highest official, implements general administration, ensures legal and economic use of public funds and property, promotes staff development, ensures academic freedom.	Senate/Academic Assembly – approve procedures and provisions, regulate all areas of activity, examine and approve study programs. The Academic Assembly requires broader participation and representation of staff than the Senate; it can make amendments to HEI constitution, approve by-laws, elect members of all governance bodies.		Convention of Advisors (*) – consults the Senate and Rector in strategic matters for the development of the institution. Has the right to recommend examination of issues in the Senate and Academic Assembly. Founded upon the initiative of the Senate or upon the request of the Minister of Education and Science. Members are elected by the Senate; the Minister has the right to appoint the Chair if the Convention was formed upon his/her request.

Country	Executive Head	Academic Body	Decision-making Body	Advisory/Supervisory Body
LT	Rector: responsible for the compliance with the law, university statute and other legal acts, employs and dismisses employees, responsible for incentives and disciplinary actions, responsible for financial activity, institutional management, use of property, quality and level of HE, research, and cultural/artistic activities, prepares annual report.	Senate/Academic Council – adopts and submits for approval to the *Seimas* the university statute and amendments, appoints representatives to the council, elects and recalls the rector, approves Rectorate/staff appointments, regulates performance evaluation and exams, monitors quality of studies and researcher training, approves study and research programs and structural changes, submits proposals to the government.		University/College Council – prepares conclusions on long-term development plan, makes proposals on study and research programs and structural changes, oversees provision of financial assistance, announces elections of the senate and rector, prepares conclusions on rector's annual report, assesses how the HEI fulfils objectives, evaluates use of property, proposes audits, announces assessment results.
LU	Rector	University Council – consultative body of university reps, assists/-advises Rector for documents to be approved by the Governing Council.	Governing Council – elaborates the institution's global strategy and monitors the institution's activities, approves documents prepared by the Rectorate upon the recommendations of the University Council.	
HU	Rector: governs and represents the institution; exercises employer's rights; ensures the lawful operation of the HEI; creates healthy and save working, training, and research environments; makes decisions on matters not delegated to an institutional body; ensures the proper use of assets; pursues activities stated in the founding charter and stipulated by law; fulfils reporting obligations; establishes proper management practices; follows rules of accounting; complies with other requirements stated in the HE Act.	Senate – adopts institutional development plan, strategy for research, development, and innovation; defines training and research tasks and monitors execution.		Financial Board – delivers opinions, contributes to preparation of strategic decisions, cooperates in monitoring of strategic plans, helps substantiate the execution of tasks, use of funds and assets, monitors professional efficiency and cost-effectiveness in the HEI management body, assists the Senate in decision preparation and provides opinions on the Senate's financial and development activities.

Country	Executive Head	Academic Body	Decision-making Body	Advisory/Supervisory Body
MT	Chancellor: highest officer, responsible that it conforms with the law. Pro-chancellor: performs functions of chancellor when required. Rector: principal academic and administrative officer, responsible for day to day administration, president of Senate and Faculty Boards, legal representative of the University; has authority over staff, and considerable decision-making authority.	Senate – responsible for general academic direction: regulates studies, research, documentation and exams; decides who receives academic degrees, diplomas, etc.; establishes conditions for admission, recognises foreign degrees/diplomas/certificates; advises Council on academic matters, advises the Government on matters in field of learning, science and technology.	Council – administers and controls all property, establishes and abolishes academic and other staff posts, institutes, departments, faculties, other entities; makes statutes, pays wages for all staff, appoints heads of departments upon recommendations of departments, appoints and pays examiners.	⊗
NL	Rector magnificus	Executive Board – responsible for governing HEI in legal matters, adopts strategic plan, internal quality assurance.		Supervisory Board – supervises governing of HEI, ensures that the Executive Board (EB) acts in compliance with laws and regulations, accountable to the minister, chooses and appoints members and chair of EB. Main Representative Advisory Board (MRAB) – mainly advisory body consisting of university representatives (staff/students), some decisions/-regulations by the EB need approval of MRAB, such as strategic plan and quality assurance system.
AT (a)	Rector: supervises all faculties; drafts development and organisation plans and performance agreement.	Senate – enacts the university statutes and approves the development and organisational plans prepared by the Rector, elects members of the University Council, issues the curricula for degree programmes, determines academic titles awarded by the university, hears appeals related to studies, submits a short list of three candidates for position of Rector to the University Council, and exercises various rights of co-determination in matters of the Rectorate, University Council, and academic staff appointments.	University Council – approves the development plan, organisational structure and drafting of the performance agreements, arranges external evaluations and is involved with decisions on studies and curricula. Supervises the legality, efficiency and financial management of the institution, prepares the performance report and the budget accounts. Responsible for selecting or dismissing the rector and vice-rectors.	

Country	Executive Head	Academic Body	Decision-making Body	Advisory/Supervisory Body
AT (b)	*Erhalter*: the organizational basis is usually an association, a foundation or, in most of the 18 cases, a limited corporation (Ges.m.b.H.). (The Rector is not the chief executive because of the duality between the institutions' public and private status.)	Collegium – decision-making body, self-governing executive board. The Rector is the Chair of the Collegium.		Board of Trustees (*) – *Fachhochschulen* may have a Board comparable with the University Council, depending on the type of organization (association, foundation, etc.). Limited corporations have such a Board; however, this is required by the law concerning corporate governance of the private sector and not by the law regulating *Fachochschulen.*
PL	Rector: head and representative of HEI, manages HEI's assets and operations, supervises teaching and research activities, admin and financial matters, ensures observance of laws and safety, liable for any violation of public finance.	Senate – adopts HEI statutes, study regulations, admission rules; adopts activity-and-finance plan, approves HEI's financial report, defines rules governing property acquisition and sales, partnerships and foundations; defines lines of operation, formulates guidelines for councils of units; assess HEI's performance, approves rector's reports and assesses rector's performance; expresses opinions of HEI's academic community, presents opinions on matters referred by the rector, unit council or senate members.		Council (*) – the manner of operation and range of powers are detailed in the statutes, which may also define joint powers of the Council and Senate. May include representatives of state bodies, territorial and professional self-government bodies; scientific, professional and artistic institutions and associations; employers' organisations, economic self-government organisations, businesses and financial institutions. In the case of non-public, government-dependent vocational institutions of higher education, members may also include representatives of academic higher education institutions with which the vocational institution is cooperating.
PT (a)	Rector: represents and directs the university, presides over collegial bodies, proposes the general orientation of university life, responsible for academic, administrative and financial activities.	University Senate – approves general orientation of the university, development plans and budget projections; approves annual activity and financial reports, approves creation/closure of units/institutes; awards degrees and academic prizes, holds disciplinary power and sets the level of entrance fees. A permanent section of the Senate is responsible for disciplinary matters within the university.		University Assembly – discusses and approves the university statutes and modifications, appoints and sets the salary for the rector.
PT (b)	President	General Council		Administrative Council

Country	Executive Head	Academic Body	Decision-making Body	Advisory/Supervisory Body
RO	Rector	Senate – adopts institutional strategic plan, revises HEI's regulations and charter, organises education programs and courses with regard for accreditation criteria, request the number of study places to be subsidised by the State, responsible for administrative organisation, validation of elected managerial structures, validate important decisions taken by faculty councils and endorse cooperation agreements proposed by faculties.		⊗
SI	Rector: responsible for HEI's functioning, coordinates educational, scientific and artistic activities, submits a report of his activities, adopts (with senate) criteria for quality assurance, represents HEI in employment contracts, recruits academic staff upon proposals by deans.	Senate – accepts study programs, contributes to forming national HE policy, determines plans and progress of HEI, decides on criteria for HEI self-evaluation, habilitation criteria, study assessment, enacts general legal acts regarding HEI functions.		Managerial Board – enacts criteria and decides how to manage the HEI's property and resources, evaluated financial consequences of activities, determines tuition fees and other contributions. Council of Trustees (*) – working body of the Managerial Board to promote co-operation between the institution and society and to provide informal assistance in institutional management.
SK	Rector: manages and represents HEI, accountable to Senate and Minister for HEI activities.	Academic Senate – responsible for giving an opinion on and approving all decisions regarding the introduction of new study programs, changes in top management; elects the rector; approves rector's proposals regarding subordinate institutions, internal regulations, appointing vice-rectors and members of scientific board, budget and use of finances, statute of the Board of Trustees, rector's proposed candidates for the Board of Trustees, long-term strategy and annual report, requirements for admission to study; elects representative for the Higher Education Council.		Board of Trustees – responsible for approving the annual report and strategic plan.
FI (a)	Rector: chair of the senate; responsible for overall leadership of HEI.	Senate – responsible for development of HEI, approves finance and activity plans, decides on principals of budget allocation, approves internal ordinances, determines organisational structure.		⊗

Country	Executive Head	Academic Body	Decision-making Body	Advisory/Supervisory Body
FI (b)	Rector: chair of the board, internal administration of the institution. Maintaining Organisation: economic and strategic planning.	Polytechnic Board – has the overall responsibility for the development of the institution. It proposes to the maintaining organisation the development plan, annual budget and changes of the educational function; decides about the principles of the internal allocation model; and e.g. appoints the internal ordinances of the institution. The autonomy regarding maintaining the organisation is largely determined by the decisions taken by the maintaining organisation concerning financing and key objectives. Maintaining Organisation – decides on the strategic development and adopts the action and economic plan and budget. N.B. The administration of polytechnic, only loosely regulated in legislation, is largely left to the discretion of the maintaining organisation of the polytechnic.		⊗
SE	Vice-Chancellor	Senate – consultative body for issues relating to education and research.	Governing Board – responsible for all matters within the HEI; decides on matters of overall orientation of activities and organisation, annual reports, budget information, audit programs and reports, internal allocation of resources, termination of employment, disciplinary liability, admissions system, staff appointments system.	
UK	Vice-Chancellor	Post-1992 institutions: Academic Board – advises CEO and governing body on development of institutional academic activities and resources needed. Responsible for criteria for student admissions, content of curriculum, academic standards, validation of courses, policies for assessment and examination, appointment and removal of internal and external examiners, procedures for awards of qualifications and honorary titles, procedures for expulsion of students. Pre-1992 institutions: Senate – responsible for regulating, directing and overseeing academic work and award of degrees.	Post-1992 institutions: Governing Body – determines educational character and mission, oversees activities, monitors effective and efficient use of resources, safeguards HEI's assets, approves annual income/expenditure estimates, employs chief executive and other senior post-holders, sets framework for pay and employment conditions of other staff, appoints external auditors Pre-1992 institutions: Council – responsible for HEI's finances and investments, managing estate and buildings, makes contracts on behalf of HEI, in many cases also oversees learning, teaching and research activities.	Court (*) – exists in some institutions only: Originally charged with overall responsibility for the affairs of the institution, its role has been narrowed. It no longer contributes to the decision-making process but provides a wider forum where members can raise any matters about the institution.

Country	Executive Head	Academic Body	Decision-making Body	Advisory/Supervisory Body
IS	Rector	Senate – promotes the interests and objectives of the university and its institutes		⊗
LI	Rector: directs and represents the HEI, executes decisions, introduces and coordinates elements of the strategic plan.	Assembly/Senate – responsible for the academic and research activities of the institution and implements the decisions taken by the Council, advises Rector and Council.	Council – supervisory and monitoring body. A representative of the government participates as a member, along with representatives of the science, economic and public administration sectors.	
NO	Rector: if appointed by the Board: responsible for daily management of academic and administrative activities. If elected, the rector is also chair of the Board, institutional governance is divided between academic and administrative authority.	Senate (*)	Board – ensures standards of academic activity, legality of activities, and efficiency: sets strategy, conducts budgetary planning, has overall responsibility for academic and administrative affairs.	

⊗ Body does not exist

(*) Body not mandatory for all HEI's

Criteria used for public grants awarded to public and government-dependent private higher education institutions, 2006/07 (Chapter 3)

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
BE fr	Number of regularly enrolled students and weighting of cost per student according to the field of study. Fluctuations in this number are at least partially considered in the formula.		Fixed amount + a certain percentage of the increase in grants for operations of the three biggest universities and university academies.	
BE nl	2006/07: number of enrolled students in 2000 and weighting of cost per student according to the field of study. From 2008: - fixed amount established according to the size and profile of the institution (between 6 and 15 % of the total, inversely proportional to the size of the institution); - number of students enrolled and weighting of cost per student according to the field of study.	2006/07: number of doctorates awarded. From 2008: number of credits acquired by students and number of degrees awarded.		**(Universities)** Number of master's-level qualifications and doctorates awarded, number of academic publications and quoted references in academic journals. Involvement of universities in promoting the participation of women in research and staff mobility.
BE de	For one study programme (teacher education): the number of students enrolled in 2004/05; for the other programme (nurse training): fixed number which should correspond to operational costs.			
BG	Number of subsidised student and doctoral student places; weighting of normative cost per student according to the field of study. **Research component**: no formula. Amount usually determined based on pasts costs in previous years, the institution's capacity to conduct research, the nature of the institution and its potential for development in this field.	Results of the evaluation and accreditation of HEIs.		

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
CZ	**HEIs at ISCED level 5A** Number of students enrolled in the previous calendar year weighted by the cost of study in each accredited programme. The study programmes are divided into seven categories by their costs. Annual increase in the number of enrolled students at every institution is determined through a negotiation between HEIs and the Ministry of Education, Youth and Sports.	**HEIs at ISCED level 5A** Students who exceed the standard length of study by more than one year are not eligible to be counted. Number of graduates weighted by the cost of study programmes and degree level.	**HEIs at ISCED level 5A** **Grants for research connected directly to educational activities** Number of professors *(profesor)* and associate professors *(docent)*, and number of students in Master's and Doctoral study programmes. **Grant for the institution's research plans** Quality of the university's long-term research plan (5 to 7 years), which is evaluated by a committee of national and foreign experts.	**HEIs at ISCED level 5A** **Grant for research connected directly to educational activities** Number of graduates. Research support received from various projects in open competition for public money. **Grant for the institution's research plans** Quality of the university's long-term research plan (5 to 7 years), which is evaluated by a committee of national and foreign experts.
	ISCED level 5B tertiary professional schools Funding formula determined at regional level.			
DK		Number of full-time equivalent students passing examinations and weighting of cost per student according to the field of study.	**HEIs at ISCED level 5A** **Basic research grants** Historical aspects. **Marginal research grants** 50 % awarded in proportion to university subsidies for their teaching activities.	**HEIs at ISCED level 5A** **Marginal research grants** 40 % awarded in accordance with the ability of HEIs to find other (public or private) sources of research funding and 10 % awarded in proportion to the number of doctoral graduates.
DE	Variable according to *Land*.	Variable according to *Land*.		

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
EE	Fulfilment of study places and results of competition (to be admitted to the university).	Number of graduates by academic level according to broad groups of studies or, if necessary, fields of study or curricula, which is fixed in the contract between an HEI and the Ministry of Education and Research.		Publications, licences, volume of research projects and number of doctoral theses defended.
IE	**Universities** For 95 % of the block grant: number of students enrolled and weighting of cost per student according to four major categories of study. Certain characteristics are taken into consideration: underprivileged background, disability and mature second-chance students.	**Universities** For 5 % of the block grant: number of PhD and Master's research graduates (for 75 %), research funding from private sources (for 25 %).		
	Institutes of technology Budget negotiation with the funding body based on a budget estimate submitted by the institution.			
EL	Number of students weighted by their study programme, number of teachers, number of departments, number of teachers with research responsibilities. + Budget negotiation with the funding body based on a budget estimate submitted by the institution and consideration of past costs.	Under the new university law, various quality indicators will be used.		Various indicators.
ES	Variable according to Autonomous Community.	Variable according to Autonomous Community.	Variable according to Autonomous Community.	Variable according to Autonomous Community.

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
FR	**Operational grant** Number of students enrolled in a national degree programme or in a competition (apart from CAPES, which is included in IUFMs), number of teaching staff, surface area of institution, types of programme offered. A teaching load expressed in hours/student is calculated and varies according to the types of programme offered. However, this very technical system integrates correction coefficients and compensation mechanisms.	**Operational grant** The contracts between the state and the institutions set objectives to be achieved and matching indicators, which allow for the evaluation of results.	Research objectives are defined in the four-year contract with the state and input indicators are associated with them.	Research objectives are defined in the four-year contract with the state and performance indicators are associated with them.
IT	For 75 % of overall budget: past costs.		Number of people actively employed in research, number of doctoral research courses.	Productivity of research (number of research projects undertaken and academic publications).
	Grant that redistributes resources among institutions in accordance with the fields of study they provide Standard cost per student in the various fields of study and number of students enrolled.			
	Supplementary resources Economic and social conditions in the area in which institutions are located; date the institution was established.	**Supplementary resources** Decrease in the dropout rate at the end of the first year; increase in the number of graduates, weighted to take account of the number of years needed to obtain the qualification concerned; active involvement of the institution in academic or scientific research; decrease in staffing costs.		
CY	Budget negotiation with the funding body based on a budget estimate submitted by the institution.		Negotiation based on the needs of universities.	

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
LV	Number of state-subsidised study places awarded to an institution, and weighting of basic costs per student according to the particular thematic fields of study.	Compliance with preceding contracts, as far as the number of study places offered and the number of graduates are concerned.	Number of study places at the institution, number of staff members who have a degree in a scientific branch.	Number of Bachelor's, Master's and doctoral degrees awarded in the previous year.
LT	Number of state-funded study places available at an institution and estimated costs by field of study, study 'cycle' and modes of study, number of PhD students.	For 15 % of the block grant: Various indicators used in the framework of the evaluation of the research productivity of HEIs: the number of articles in international publications, the number of scientific titles conferred, participation in international scientific research projects and programmes, contracts for research, commissions from industrial entities, etc.		
LU	(:)	(:)	(:)	(:)
HU	Number of subsidised student places and weighting of cost per student according to the field of study programme and whether it involves full- or part-time study. Number of academic staff members who are employed as researchers or lecturers and the number of doctoral candidates in state-funded training.	For 12.5 % of the block grant: various performance indicators such as degrees awarded, course types, or research activity indicators.		
MT	Negotiation based on a budget estimate and consideration of the number of students enrolled, number of academic and administrative staff, number of taught programmes and research activity.	Number of graduates.		

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
NL	**Universities** Number of first-year students enrolled (13 %); fixed budget (37 %), number of doctoral candidates.	**Universities** Number of graduates (50 %).		
	Universities of professional education Number of students enrolled (20 %).	**Universities of professional education** Number of graduates and number of students who abandon their studies (80 %).		
AT	**Universities** A formal negotiation procedure resulting in a performance contract determines 80 % of the grant.	**Universities** Number of students at Bachelor's and Master's levels studying within the regular length of study, number of final degrees awarded (weighted by the type of field of study), number of Bachelor's- and Master's-level qualifications awarded within the regular length of study, number of doctorates awarded (weighted by the field of study concerned), the amount of income obtained from research and development projects, and developments in the arts. Proportion of female professors, number of women who graduate from doctoral programmes, and the number of students admitted to Master's-level or doctoral programmes with non-Austrian undergraduate degrees.		

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
AT	**Universities of Applied Science *(Fachhochschulen)*** Standard cost for each student enrolled, which varies depending on the year and programme of study.			
PL	Number of full-time students, number of full-time doctoral students, number of academic staff members, considered in conjunction with the cost indexes for the different fields of study concerned. Consideration of past costs.	Level of qualification of teaching staff.	Number of teachers with research responsibilities.	Development of academic staff, right to confer scientific titles, quality certificates received, number of publications and research projects undertaken, lecturers activities of academic staff, awards and distinctions received for excellence in research, use of research results (licences, services provided, copyright, etc.).
PT	Number of students for all courses approved for public funding; staff average costs (indirect measures of qualification); teacher/student ratios; teacher/non academic staff ratios; funding depends on reference costs calculated using the same criteria for every institution, using a predefined relationship between other current expenses and personnel costs (15/85). + Budget negotiation with the funding body based on a budget estimate submitted by the institution.	Level of academic staff qualifications (fraction of the academic staff holding PhDs); graduation efficiency rates (1st cycle); post-graduation efficiency rates (Master's and PhDs awarded); merit-based classification (established by the CNAVES); evaluation results (awarded by the CNAVES).	Number of researchers.	Results of an evaluation conducted every three years by a panel of independent international experts and resultant classification of institutions. Evaluation based on international standards, including publications in international journals, patent application activity, compliance with recommendations and the appropriate use of previously acquired funding.

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
PT		These evaluations are concerned with institutional performance, for example in terms of teaching processes, the level of qualification of teachers, the research carried out, teaching and academic facilities, the labour market integration of graduates, and managerial and organisational effectiveness.		
RO	For 80 % of the block grant: Number of subsidised students, by study level and types of programme, weighted with equivalence coefficients, which express the financial effort (associated with an area of specialisation and a type of education).	For 20 % of the block grant: quality of teaching staff, level of research capability, quality of infrastructure, library and information resource centres, management and social services.		
SI	For 75 %: real expenditure in the previous year+ 25 % calculated on the basis of full-time student enrolment and cost per student weighted by study programme.	Students by study programme who have obtained a qualification in the preceding calendar year and weighted by the student/-graduate ratio for the particular study programme.		
SK	**Public HEIs** Number of students, funds needed for implementing the study programmes, HEI classification (university or non-university) and other criteria related to provision of teaching.	**Public HEIs** Number of graduates.		**Public HEIs** Scientific and technological capacities of institutions, their capacities in terms of research, their scientific, technological or artistic achievements, results of their activities in these areas, their position in the classification of universities devoted to research resulting from this evaluation.

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
FI	**Universities** Number of Master's-level qualifications and doctorates that universities are supposed to award over the period specified in the performance agreement, multiplied by the unit cost which reflects differences between study fields as well as policy priorities.	**Universities** For 32.5 % of the block grant: Number of Master's-level qualifications and doctorates that are actually awarded during the period specified in the performance agreement; number of academic publications and other indicators measuring quality, efficiency and social impact.		
	Polytechnics Number of students in different study fields.	**Polytechnics** For 30 % of the block grant: Average number of awarded basic and postgraduate degrees in the previous two years.		
SE	**First- and second-cycle study programmes** Number of full-time students, multiplied by the unit revenue for each field of study.	**First- and second-cycle study programmes** For 45 % of the block grant: Number of full-time students who pass their examinations, multiplied by the unit revenue for each field of study.	Political decision (no standardised criteria).	

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
UK-ENG/ NIR	**Teaching grant** Number of students who complete their year of study, weighted by subject-related factors, student-related factors (there are higher costs associated with part-time courses and courses involving partnerships between institutions and employers) and institution-related factors (there are higher costs associated with operating in London, specialist institutions, small institutions and historic buildings). Additional weighting recognises the additional costs of recruiting and supporting students from disadvantaged and non-traditional backgrounds as well as disabled students, and reflects the institutions' success in recruiting and retaining these students.			
UK-WLS	**Teaching grant** Number of credit values completed by students, weighted by subject-related factors. A very small proportion of grant is allocated on other factors. These include premiums which recognise the additional costs of recruiting and supporting students from disadvantaged and non-traditional backgrounds and disabled students and reflect success in recruiting these students, a premium for Welsh medium provision and a small payment based on the number of active registered students.			
UK-ENG/WLS/ NIR	**Research grant** This is assessed separately for each subject area, based on the quality and volume of research. Quality is measured by the Research Assessment Exercise (RAE) (described in section 3.1.4). Volume is measured by the number of research-active staff submitted to the RAE. The subject totals are distributed to institutions in proportion to the volume of research multiplied by the quality of research in the subject for each institution. Quality ratings of 1, 2 and 3 attract no funding. The weightings for quality ratings of 4, 5 and 5* vary between England, Wales and Northern Ireland; in England, for example, a rating of 5* attracts roughly four times as much funding as a rating of 4 for the same volume of research activity.			
UK-SCT	**Teaching grant** Student enrolment; various costs considered in conjunction with different fields of study, the number of students recruited from areas of social deprivation.			

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
UK-SCT	**Research grant** This is assessed separately for each subject area, based on the quality and volume of research. Quality is measured by the Research Assessment Exercise (RAE) (described in section 3.1.4). Volume is measured by the number of research-active staff submitted to the RAE. The subject totals are distributed to institutions in proportion to the volume of research multiplied by the quality of research in the subject for each institution. Quality ratings of 1, 2 and 3 attract no funding, while quality ratings of 4, 5 and 5* do.			
IS		**Teaching grant** (= 60 % of the budget allocated to the institution) Estimated cost per full-time equivalent student (i.e. students who write exams), which takes account of all general costs related to teaching, such as teacher and assistant staff salaries, general operational costs, and internal building costs, and weighting of cost per student according to the field of study.	Past costs related to research.	The grant depends on performance indicators which vary according to the performance contract determined for each institution individually, and may focus on the number of academic publications, for instance.
LI	Number of state-funded study places available at the institution. **Research grant** Political considerations.	Number of lectures registered by students, number of exams passed, number of theses defended at the *Hochschule Liechtenstein*.		

	Grant for teaching and operational activities (**and research**: BE nl, BG, DE, IE, EL, IT, LT, HU, MT, NL, AT, SI, FI, UK, LI, NO)		Basic grant specifically for research	
	Input criteria	**Performance criteria**	**Input criteria**	**Performance criteria**
NO	**Educational component of the block grant** Cost per student, weighted by the study programme in which students are enrolled, based on the cost of scientific equipment and facilities and the complexity of educational provision, international student enrolment. + Past costs.	**Educational component of the block grant** Number of credits obtained by students (represents 40 % of the grant component) and number of international student enrolments.		
	For 50 % of the Research grant component: quality and strategic considerations, including funding of positions for doctoral students.	**For 50 % of the Research grant component**: number of doctoral graduates; academic publications; funding received from the EU; funding from the Norwegian Research Council.		

Source: Eurydice.

Additional notes

Germany: Each *Land* defines the method of allocation of direct public funding to higher education institutions.
Spain: Each Autonomous Community determines its own method of awarding direct public funding to HEIs.
France: The state pays higher education teaching staff directly, except for certain categories of contract staff.
Portugal: From 2007/08, CNAVES was replaced by the Agency for the evaluation and accreditation of higher education. The funding of institutions is influenced by evaluation results according to a merit-based classification.
United Kingdom: Columns are merged where input criteria take effect only if performance criteria are met.
Liechtenstein: The information relates solely to the *Hochschule Liechtenstein*.

Explanatory note

Input criteria refer to the volume of activity of higher education institutions. Examples of input criteria include the number of staff members, staff salaries, number of students, etc. Performance criteria are related to the outputs achieved by an institution over a given period.

EURYDICE NETWORK

A. EURYDICE EUROPEAN UNIT

Avenue Louise 240
B-1050 Brussels
(http://www.eurydice.org)

Managing editor

Arlette Delhaxhe

Authors

Isabelle De Coster (coordination), Bernadette Forsthuber,

Stéphanie Oberheidt, Teodora Parveva,

Anna Glass (external expert)

Academic adviser for data collection tool

Jochen Fried (Director of Education Initiatives, Salzburg Global Seminar)

Production coordinator

Gisèle De Lel

Layout and graphics

Patrice Brel

B. EURYDICE NATIONAL UNITS

BELGIQUE / BELGIË

Unité francophone d'Eurydice
Ministère de la Communauté française
Direction des Relations internationales
Boulevard Léopold II, 44 – Bureau 6A/002
1080 Bruxelles
Contribution of the unit: Joint responsibility; Chantal Kaufmann, Bernard Miller (Directorate-General of Non-Compulsory Education and Scientific Research)

Eurydice Vlaanderen / Internationale Projecten
Ministerie Onderwijs en Vorming
Hendrik Consciencegebouw 7C10
Koning Albert II – laan 15
1210 Brussel
Contribution of the unit: Noël Vercruysse, Els Barbé, Erwin Malfroy (Higher Education Division), Kurt De Wit (Researcher, Service for Education Policy, Catholic University of Leuven)

Unité Eurydice
Agentur für Europäische Bildungsprogramme VoG
Gospertstrasse 1
4700 Eupen
Contribution of the unit: Leonhard Schifflers

BULGARIA

Eurydice Unit
European Integration and International Organisations Division
European Integration and International Cooperation Department
Ministry of Education and Science
2A, Kniaz Dondukov Blvd.
1000 Sofia
Contribution of the unit: Joint responsibility

ČESKÁ REPUBLIKA

Eurydice Unit
Institute for Information on Education
Senovážné nám. 26
P.O. Box č.1
110 06 Praha 1
Contribution of the unit: Helena Pavlíková; Věra Šťastná (Ministry of Education, Youth and Sports)

DANMARK

Eurydice Unit
CIRIUS
Fiolstræde 44
1171 København K
Contribution of the unit: Joint responsibility

DEUTSCHLAND

Eurydice-Informationsstelle des Bundes
EU-Büro des Bundesministeriums für Bildung und Forschung (BMBF)
Heinrich-Konen Str. 1
53227 Bonn

Eurydice-Informationsstelle der Länder im Sekretariat der Kultusministerkonferenz
Lennéstrasse 6
53113 Bonn
Contribution of the unit: Brigitte Lohmar

EESTI

Eurydice Unit
SA Archimedes
Koidula 13A
10125 Tallinn
Contribution of the unit: Heli Aru (Adviser, Ministry of Education and Research)

ÉIRE / IRELAND

Eurydice Unit
Department of Education and Science
International Section
Marlborough Street
Dublin 1
Contribution of the unit: Joint responsibility

ELLÁDA

Eurydice Unit
Ministry of National Education and Religious Affairs
Directorate of European Union
Section C 'Eurydice'
37 Andrea Papandreou Str. (Office 2168)
15180 Maroussi (Attiki)
Contribution of the unit: Directorate for European Union

ESPAÑA

Unidad Española de Eurydice
CIDE – Centro de Investigación y Documentación Educativa (MEC)
c/General Oraa 55
28006 Madrid
Contribution of the unit: Flora Gil Traver;
experts: María Soledad González Iglesias, Javier M. Valle López

FRANCE

Unité française d'Eurydice
Ministère de l'Éducation nationale / Ministère de l'Enseignement supérieur et de la Recherche
Direction de l'évaluation, de la prospective et de la performance
Mission aux relations européennes et internationales
61-65, rue Dutot
75732 Paris Cedex 15
Contribution of the unit: Thierry Damour; expert: Françoise Stoeffler-Kern (Louis Pasteur University in Strasbourg, consultant to the Directorate for Evaluation, Forward Planning and Performance of the Ministry of Higher Education and Research)

ÍSLAND

Eurydice Unit
Ministry of Education, Science and Culture
Office of Evaluation and Analysis
Sölvhólsgötu 4
150 Reykjavik
Contribution of the unit: Einar Hreinsson

ITALIA

Unità italiana di Eurydice
Agenzia Nazionale per lo Sviluppo dell'Autonomia Scolastica (ex INDIRE)
Ministero della Pubblica Istruzione
Ministero dell'Università e della Ricerca
Palazzo Gerini
Via Buonarroti 10
50122 Firenze
Contribution of the unit: Simona Baggiani;
expert: Dr. Massimiliano Vaira (*Università degli Studi di Pavia, Centro Interdipartimentale di Studi e Ricerche sui Sistemi di Istruzione Superiore* – CIRSIS)

KYPROS

Eurydice Unit
Ministry of Education and Culture
Kimonos and Thoukydidou
1434 Nicosia
Contribution of the unit: Christiana Haperi;
experts: Efstathios Michael, Despina Martidou, Erato Ioannou (Department of Higher and Tertiary Education)

LATVIJA

Eurydice Unit
Academic Programmes Agency
Blaumaņa iela 22
1011 Riga
Contribution of the unit: Zane Birzniece, Viktors Kravčenko; expert: Marina Mekša (Head of Finance Planning and Crediting Unit, Department of Higher Education of the Ministry of Education and Science)

LIECHTENSTEIN

Informationsstelle Eurydice
Schulamt
Austrasse 79
9490 Vaduz
Contribution of the unit: Marion Steffens-Fisler with the support of Helmut Konrad and Christoph Jenny

LIETUVA

Eurydice Unit
Ministry of Education and Science
A. Volano g. 2/7
01516 Vilnius
Contribution of the unit: Jolanta Spurgienė (Unit co-ordination); expert: Jūratė Devižienė (Head of the Division of International Research Programmes, Department of Science and Technology, Ministry of Education and Science)

LUXEMBOURG

Unité d'Eurydice
Ministère de l'Éducation nationale et de la Formation professionnelle (MENFP)
29, Rue Aldringen
2926 Luxembourg
Contribution of the unit: Joint responsibility

MAGYARORSZÁG

Eurydice Unit
Ministry of Education and Culture
Szalay u. 10-14
1055 Budapest
Contribution of the unit: Dóra Demeter; experts: Erika Cser, Judit Győri, Tamás Móré

MALTA

Eurydice Unit
Planning and Development Department
Education Division
Ministry of Education, Youth and Employment
Floriana CMR 02
Contribution of the unit: Raymond Camilleri (Coordination); expert: Jacques Sciberras (CEO of the National Commission for Higher Education)

NEDERLAND

Eurydice Nederland
Ministerie van Onderwijs, Cultuur en Wetenschap
Directie Internationaal Beleid
IPC 2300 / Kamer 10.130
Postbus 16375
2500 BJ Den Haag
Contribution of the unit: Raymond van der Ree; Wim van Niekerk and Trinh Ngo (Department for Higher Education, Ministry of Education, Culture and Science)

NORGE

Eurydice Unit
Ministry of Education and Research
Department of Policy Analysis, Lifelong Learning and International Affairs
Akersgaten 44
0032 Oslo
Contribution of the unit: Joint responsibility

ÖSTERREICH

Bundesministerium für Unterricht, Kunst und Kultur,
Ref. I/6b (EURYDICE, BIFODOK, EERA)
Österreichische Informationsstelle
des EU-Bildungsinformationsnetzes EURYDICE
Minoritenplatz 5
A – 1014 Wien
Contribution of the unit: Anna Glass, Florian Pecenka (experts)

POLSKA

Eurydice Unit
Foundation for the Development of the Education System
Mokotowska 43
00-551 Warsaw
Contribution of the unit: Magdalena Górowska-Fells; expert: Professor Jerzy Woźnicki

PORTUGAL

Unidade Portuguesa da Rede Eurydice (UPRE)
Ministério da Educação
Gabinete de Estatística e Planeamento da Educação (GEPE)
Av. 24 de Julho, 134 – 4.º
1399-54 Lisboa
Contribution of the unit: Isabel Almeida, Margarida Leandro, Marieta Fonseca; expert: Vera Palma (Ministry of Science, Technology and Higher Education)

ROMÂNIA

Eurydice Unit
National Agency for Community Programmes in the Field of Education and Vocational Training
Calea Serban Voda, no. 133, 3rd floor
Sector 4
040205 Bucharest
Contribution of the unit: Alexandru Modrescu, Tinca Modrescu, Julie Rozé

SLOVENIJA

Eurydice Unit
Ministry of Education and Sport
Office for Development of Education (ODE)
Kotnikova 38
1000 Ljubljana
Contribution of the unit: Božena Kenig, (Ministry of Higher Education, Science and Technology); expert: Alen Balde (University of Primorska)

SLOVENSKÁ REPUBLIKA

Eurydice Unit
Slovak Academic Association for International Cooperation
Staré grunty 52
842 44 Bratislava
Contribution of the unit: Joint responsibility with the external experts Daniela Drobna and Vladislav Rosa

SUOMI / FINLAND

Eurydice Finland
Finnish National Board of Education
P.O. Box 380
00531 Helsinki
Contribution of the unit: Joint responsibility

SVERIGE

Eurydice Unit
Ministry of Education and Research
Utbildningsdepartementet
103 33 Stockholm
Contribution of the unit: Joint responsibility

TÜRKIYE

Eurydice Unit
MEB, Strateji Geliştirme Başkanliği (SGB)
Eurydice Birimi Merkez Bina Giriş
Kat B-Blok NO 1 Kizilay
06100 Ankara

UNITED KINGDOM

Eurydice Unit for England, Wales and Northern Ireland
National Foundation for Educational Research (NFER)
The Mere, Upton Park
Slough SL1 2DQ
Contribution of the unit: Sigrid Boyd, Karen Whitby; expert: Mario Ferelli (Higher Education Funding Council for England – HEFCE)

Eurydice Unit Scotland
International Team
Schools Directorate
2B South
Victoria Quay
Edinburgh
EH6 6QQ
Contribution of the unit: Elaine Provan (Lifelong Learning Directorate, Scottish Government)

Production

Printing: Imprimerie Bietlot, Gilly, Belgium

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