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**HIGHER EDUCATION FUNDING:
EUROPEAN PRACTICE**
**ФИНАНСИРОВАНИЕ ВЫСШЕГО
ОБРАЗОВАНИЯ: ЕВРОПЕЙСКАЯ
ПРАКТИКА**
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The features of the system of financing higher education are investigated and analyzed. The role of the state in funding universities that based on the experience of European countries is determined. The dynamic of universities public funding during a certain period of time is assessed and the key role of higher education in the support of economic stability of the country is established in general.

Исследованы и проанализированы особенности системы финансирования высшего образования. Определена роль государства в финансировании университетов на базе опыта европейских стран. Оценено динамику государственного финансирования университетов в течение определенного периода времени и определено ключевую роль высшего образования в поддержке экономической стабильности страны в целом.

Keywords: higher education, funding, public funding

Ключевые слова: высшее образование, финансирование, государственное финансирование

INTRODUCTION

Higher education funding is the main lever of the state's influence on the processes of transformation in universities and the main tool for achieving positive results in the educational sphere. The main institutional investor for public universities is the state. In the international practice, various models of university funding are used. The models differ in the degree to which the state covers the cost of studying at the university, the mechanism for selecting potential students, the degree of the university's autonomy in determining the price of instruction, and other factors.

Researches and analysis of different funding systems implementation have been done by prominent scholars and economist: Bennetot Pruvot E., Bruce Johnstone D., Claeys-Kulik A.-L., Estermann T., Kupriyanova V., Nokkala T. Praneviciene B., Puraite A.

THE AIM OF THE RESEARCH is to analyze the features of higher education financing systems and determine the role of the state in funding universities that based on the experience of European countries and assess the dynamic of public funding of universities during a certain period of time.

RESEARCH METHODS

The authors used the general scientific methods of research to realize the goal, including methods of observation, structural-logical analysis, synthesis, comparison and generalization.

RESULTS

The need to examine the specific of state financing of universities is becoming more important for a number of reasons. The growth in the social demand for higher education, the globalization and internationalization of the higher education system, the recognition of the need to improve the quality of studies coincide with the financing aspects of activities of higher education institutions. The financing system of the higher education institutions is one of the most important elements which determine the whole system of higher education – both institutional, and qualitative, and accessibility, and other dimensions (by B. Praneviciene, A. Puraite (2010)). According to D. Bruce Johnstone (2015) an international perspective on the financing of higher education reveals great similarities among countries in spite of equally great differences in the underlying economies, cultures, and political systems.

The higher education systems under Public Funding Observatory Report (2017) follow various long-term funding trajectories over the period 2008-2016. Based on

the analysis of the annual funding changes throughout the study period, several groups of systems that follow similar patterns can be identified. Systems such as Austria, Germany or Sweden show sustainable investment patterns, characterized by both significant and sustained funding growth. Other systems feature more limited, slower investment – Denmark, France and the Netherlands are among these. Comparatively few systems have embarked on a recovery pattern, whereby signs of investment can be detected after a period of important cuts, as is for instance the case in Iceland or Portugal. The systems with continued cuts to higher education present characteristics of aggravating patterns (Italy, Latvia and Spain are some examples).

It should be noted that the higher education system of any European country assumes the implementation of a certain model of financing. The most commonly used model in practice is the “Market model” (Figure 1).

B. Praneviciene, A. Puraite (2010) mentioned that the “Market model” stands out not only by its possibility of alternative financial resources, but also by its obligation to cooperate the work of all the participants of the system of higher education – providers of academic services; users of services; state which represents the public

interest; and managing organs of institutions of higher education, who are responsible for an effective, qualitative functioning of tertiary institutions.

Also B. Praneviciene, A. Puraite (2010) described that the “Market model” stresses the balance between state and private financing, the latter being a priority. It is considered that one of the main advantages of this model is the competition between institutions of higher education for resources from the private sector, which would encourage universities to lower tuition fees, seek better quality, react to demand of the market with flexibility and timely. Yet the advantages are also the disadvantages of this model. It is believed that the long-term conceptual goals may be undermined by seeking maximum financial benefit, when short-term, financially attractive priorities would begin to dominate. An exceptionally strict financial control does not only pose a positive phenomenon, it may demand too much time from the academic personnel, and such control in certain aspects would gradually start to resemble the rules strictly governed by norms of bureaucratic model. The weakness of the “Market model” is also such that it usually calls for very fast academic and scientific results which may be incompatible with the academic freedom.

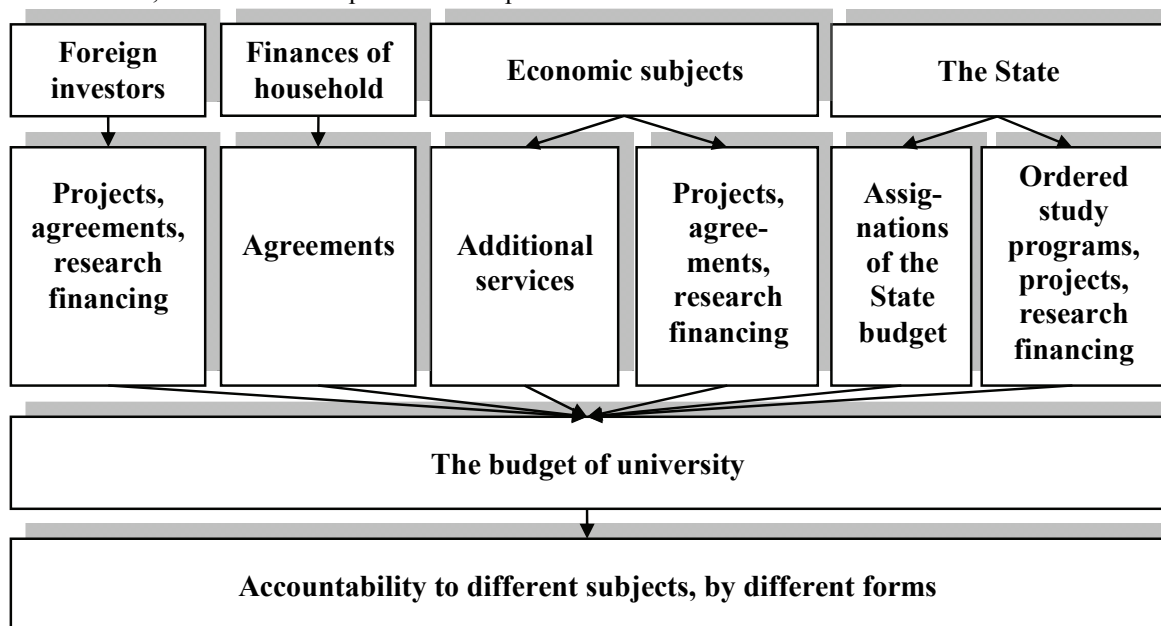


Fig. 1. Example of Market model of university financing [by B.Praneviciene, A. Puraite (2010)]

Although the majority of European national policies are now encouraging universities to rely increasingly on private sources of funding, direct public funding continues to represent a substantial share of the universities.

Modalities of public funding to universities vary greatly throughout Europe; in most systems however, universities receive basic recurrent public funding to cover their core activities through a block grant. Block grants are understood as financial grants that cover several categories of expenditure, such as teaching, operational costs and/or research activities. In such a framework, universities are free to internally divide and distribute their funding according to their needs, although some restrictions may still apply. Public funding arrangements remain set in a broader framework, including funds awarded on a competitive basis, specific largescale

funding streams, and direct targeted/earmarked funding mechanisms for pre-defined purposes. Block grants nevertheless are, in most cases, the main method of distributing public funding to universities in Europe (Estermann T., Terhi Nokkala (2009)).

Block-grants are defined in the “Exploratory study” by T. Estermann, T. Nokkala (2009) as financial grants which cover several categories of expenditure such as teaching, ongoing operational costs and/or research activities. In this framework, universities are mainly responsible for dividing and distributing such funding internally, according to their needs, though some types of restrictions may apply.

There are different forms of allocating public funding, such as funding formulas, performance agreements or targeted funding, which are often used in combination. In

general, there seems to be a trend towards public funding being at least partly determined on the basis of funding formulas, which include input-related parameters, but also increasingly performance-based criteria – such as the number of degrees or credits awarded, for instance.

According to the report of the European Commission (2008) almost all European countries use funding formulas to calculate the size of public grants to universities for teaching and/or ongoing operational activity and, in certain cases, research. This is not the case in Germany, Ireland, Cyprus, Luxembourg and Malta. The use of funding formulas to calculate the amount of public funding allocated to universities is very widespread in Europe. 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. 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, Hungary, Romania and Liechtenstein, funding formulas are the only method used to calculate the size of the main public grants to universities. 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 universities is largely calculated using a funding formula. In Bulgaria, the funding formula is used to calculate study costs, which represent 80 % of public funding.

To assess the dynamic of public funding of universities over time it is important to take account of the country's investment capacity according to European University Association report (2017). When considered against gross domestic product (GDP) growth, it is possible to identify some general patterns for various European higher education systems over the period 2008-2016 years.

Figure 2 showed the graphical interpretation of public funding of universities and GDP growth in 2008-2016 years.

	<i>Category</i>	<i>Description</i>	<i>Higher education systems</i>	
<i>Groups</i>	I	Funding $\uparrow >$ GDP \uparrow	Investment above economic growth	Austria, Germany, Denmark, Luxembourg, Norway, Poland, Portugal, Turkey
	II	Funding $\uparrow >$ GDP \uparrow	Investment below economic growth	France, Netherlands, Sweden
	III	Funding $\downarrow >$ GDP \uparrow	Disinvestment despite economic growth	Czech Republic, Finland, Hungary, Ireland, Iceland, Italy, Lithuania, Latvia, Serbia, Slovenia, Slovakia, United Kingdom
	IV	Funding $\downarrow <$ GDP \downarrow	Disinvestment slower than economic decline	Croatia
	V	Funding $\downarrow >$ GDP \downarrow	Disinvestment greater than economic decline	Cyprus, Spain, Greece

*Fig. 2. Public funding to universities and GDP growth in 2008-2016 years
[by European University Association (2017)]*

The first group in the table refers to the most committed systems, which increase their investment in public universities at a larger scale than economic growth. There appears to be unused margin for maneuver in France, the Netherlands and Sweden, where investment remains lower than GDP growth over the period (second group). Crucially, the third group of countries reduces funding for universities, despite the overall positive GDP growth. Although the picture is highly complex at the national level, this is a warning signal for countries that may miss an indispensable step in strengthening their knowledge economy. The fourth and fifth groups are characterized by funding cuts and economic decline.

There are various methods of public funding of universities and their application depends on goals of the state, related to higher education, priorities of the system

of higher education of the state management scope, and other aspects. That is why the higher education institutions can be seen as engines for development. Their societal role can be absolutely essential if and when they have the capacity to provide bases for managing the emerging challenges of the knowledge economy.

CONCLUSIONS

The features of the system of financing higher education are investigated and analyzed. The role of state influence on the European universities funding is determined. The dynamic of universities public funding in 2008-2016 years is assessed and the key role of higher education in the formation of economic stability of the country is established in general.

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