

ROMANIAN HIGHER EDUCATION FINANCING IN A EUROPEAN CONTEXT

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In the category of many difficulties facing today Romanian higher education, an important financial issue is taken by financial issue, providing the necessary funds necessary to the activity development, that being, as a rule, at the origin of many other imbalances manifested in the organization and functioning of the educational system.

Although funding of research results is a viable alternative to sustain the system of higher education, there is found out that in most countries in the European Union, the state continues to be the principal financier of education. We must have in view as investments in human capital are investments with positive and long-term, both at individual level and at macroeconomic one.

Therefore, we consider that the largest share in the financial resources allocated to higher education must be at the part of the additional funding over.

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JEL classification: A23, I22

1. Evolution of financing public higher education in Romania

Until 1990, the main financing source of the Romanian public higher education was represented by the budget allocation destined for such purpose. Due to the changes occurred at the level of the higher education system, during the period of time between 1990 -1996, certain changes were brought also within its financing principles, which are similar to the changes at the level of the OECD countries, as follows:

- a system of budget funds allocation, corroborated with the increase of the universities' financial autonomy;
- the diversification of the financing sources by distributing the costs for education also to its beneficiaries and to the economic agents introducing for this purpose the schooling fees;
- a clearer distinction between the funds for education and those for research.

Even in such conditions, the budget allocations continue to represent the most important financing source for the Romanian public higher education.

An important stage in the reform process was represented by the replacement of the budget financing with the university global financing based on an institutional contract with the Ministry of Education and Research. This change represented a method to obtain better performances in education and in research by a better financial resources management. Thus, the level of financing a public university was mainly determined by performance and by efficiency criteria.

Starting with 1999, the forms for financing higher education were modified again, passing to a methodology of distributing the budget allocations based on a formula (*quantitative component*) in compliance with the fundamental principle „resources follow students”. Since 2002, the methodology is completed as well by a qualitative component, permanently updated during the period between 2003-2007.

The evolution of the basic financing during the period 1998-2007 is shown in the table no. 1.

Table no.1

	1999	2000	2001	2001	2003	2004	2005	2006	2007
Basic financing (mil.Euro)	106	133	145	149	164	205	263	327	439
GDP (mil. Euro)	33388	40346	44904	44402	52613	60842	79551	97118	99993
%FB in GDP	0,32%	0,34%	0,32%	0,31%	0,31%	0,34%	0,33%	0,34%	0,38%
Euro exchange rate (annual average)	1,630	1,996	2,603	3,126	3,756	4,053	3,623	3,540	3,35

acc. to CNFIS, June 2008

Except the budget resources, the universities can mobilize supplementary income sources, according to the legal stipulations. The funds coming from the state budget represent approximately 50-70% of the total budget. The rest are funds coming from taxes, research contracts, services and other types of activities.

The comparative analysis with the main countries in the EU shows that in Romania a very low level of expenses for education is recorded, as a percentage of the Gross Domestic Product, even though the allocations increased significantly during 2006. This situation is presented in table no.2

Table no.2

2000	2001	2002	2003	2004	2005	2006	2007	2008*
3,4	3,6	3,6	3,5	3,5	3,9	4,9	5,0	5,1

** Statistics Report no.3 – 2008 (* estimated)*

Another important component of the higher education financing system in Romania is represented by the complementary financing, meant to cover the complementary expenses for the direct expenses, determined by the didactic process, which are important both for sustaining the development in optimal conditions and for the development of education (such as: allocations for laboratories equipment, capital repairs, investments and research), as well as for performing other university objectives or services (research, micro-production, administrative services for students etc). In this field as well, the income sources for the complementary activities are made up of public incomes (amounts allotted from the state budget) and own incomes (donations, sponsorships and taxes got, according to the law, from individual and legal entities, be Romanian or foreign ones, and from other sources), which can have a greater importance depending on the involvement of universities in activities generating income.

Regarding the topic related to equipment and investments, the proposals of the National Authority for Scientific Research (ANCS) take into account the distinction between investments such as constructions, consolidations and the independent equipment, but also the necessity of financing with priority the construction of educational and social premises. Regarding the distribution per universities of the funds approved for capital repairs for buildings and constructions, the real technical condition of the buildings and constructions for which are required funds for capital repairs is kept in mind.

The university scientific research represents another field for the higher education financing, and the distribution per universities of such funds is performed on competitive bases, by means of

evaluation, monitoring and financing procedures issued by CNFIS through which the budget allocations were increased for the research grants which fit in the strategic directions on a European level and in the priority domains on a national level for research, development and innovation programs.

In order to render more effective the use of the complementary financing, CNFIS intends that the complementary financing for the scientific research be performed also for sustaining the universities, to increase the visibility of the research activity and of its results (financing for establishing famous publishing houses/publications; the elaboration of annals, scientific publications, conferences organized in the country, publications subscriptions, access to on-line databases and scientific articles etc.). Also, a complementary financing fund was initiated in order to support students, aiming at the financial support for student mobility (Erasmus complementary), financing programs for master's degree, doctor's degree and post-doctoral degree.

The education financing systems are in a continuous improvement. In this sense, we consider that an effective solution for the financing problems related to education in Romania is the financing of study programs and not of equivalent students. The State will compare the costs of a study program running at various universities (which propose such programs) and it will then establish an average cost/program/student. The State will cover then from the public budget only this average cost, and the public universities shall then be forced to ask for study fees at the level of their own costs for a smaller number of students, in order to cover partially the costs of a greater number. The universities which will have real costs under the average cost shall have an advantage, receiving the amounts according to the average costs and not to the number of students or to their own costs.

Another improving directions of financing the education and the professional training, which must have the attention of the Ministry of Education and Research and that of the universities are: diversification of the public financing funds for sustaining the differentiation of the system and the focusing of the resources according to quality; multi-annual financing, per cycles of study; encouragement of universities to get funds for research from private companies; introduction of a correct system of evaluation of the universities responsibilities in managing public funds, so that the autonomy increase associates strictly with the increase of public responsibility.

2. Scientific Research – an Important Financing Resource for Education

Although certain measures for education financing development were applied, at present the Romanian university environment is characterized by an excessive homogenization of resource distribution. We refer here to the fact that the present financing system is not based on a hierarchy of universities according to the quality of the education they provide and of the scientific research results. Related to the level of graduate knowledge, we can note that a medical university, for example, with a graduation percentage at the residency examination of 70%, receives the same amount per student equivalent as another medical university with a percentage of 30% of residency graduates. A law faculty, which provides 30-50% of the students admitted at the National Institute of Judiciary, receives the same financing per student equivalent as any other law faculty having no graduate admitted in such institute.

Regarding the scientific research, taking into account the more and more important role that higher education institutions have in performing the national programs which are and will be initiated in this field, we consider that one of the university financing criteria should be the results obtained in the research activity. We take into account especially that the improvement of the didactic process is strictly connected to the proper scientific research. As a result, we should stimulate first the universities which have, at the same time, an education and a research profile. Such an orientation would radically change for both the financing sources and level, as well as the budget financing system for higher education.

The doctoral schools, which along with the doctor's degree leaders and the research groups from universities might take over projects from the national programs for scientific research, should have a decisive role in this orientation. We also mention that in this aspect positive results are already noticed after the implementation of the present organization system for the university scientific research, materialized in national grants offered by CNCSIS and by the government and in international grants financed by the EU funds. The deficiency of this system consists in the fact that, because of the reduced available contracts, it does not allow the complete valorisation of the entire research potential in education. The same situation can be found in the business environment offer, where the small and medium enterprises, which represent more than 98% from the entire number of enterprises, do not have available funds for research-development.

In the most high performance education systems, the differentiation and the concentration appeared as a result of a natural evolution. In the USA, for example, from the 4000 higher education institutions, only 3% are considered *research-intensive*, only 550 (13%) grant doctor's degrees and 50 of them offer more than 50% of the doctor's degrees. In Canada, only 109 universities grant doctor's degrees, and five of them cover more than 50% of the accredited doctor's degree programs.

On the other hand, where the differentiation and the concentration did not appear as a result of natural evolution, substantial efforts are made in order to quickly implement them. Germany launched the „excellence initiative” in order to identify the elite universities, *research-intensive* universities for which a supplementary financing of 2 billions euro will be allotted. France has similar initiatives of concentration and differentiation for the system, and at the European level important steps were made such as the establishment of the European Institute for Science and Technology.

In average, in Europe, approximately 82.8% of the resources allotted to the higher education institutions come from the public sector and only 5.1% from the non-profit organizations and from enterprises. In Hungary, Netherlands, Sweden, Great Britain, Croatia and USA, more than 10% of the higher education institutions funds come from the non-profit organizations and enterprises. These finance, in general, the research-development activity. The amounts paid by students and their families for covering the expenses related to education itself or to other adjacent are very different from country to country. These expenses represent less than 5% in Denmark, Greece, Malta, Finland, Sweden, Island and Norway, while in Spain, Cyprus, Latvia, Poland, Bulgaria, Japan and USA they exceed 20% of the total.

3. The Experience of Developed Countries in Financing Education

The analysis of the present situation and of the trends shows that the European Union suffers from an insufficient investment in the development of human resources. In average, the European Union member states spend a little more than 5% of the GDP for education and training (financed from public funds), but with substantial differences from one country to another. According to the information provided by the Ministry of Education and Research, in the Report concerning the state of the national education system for 2006, the average recorded by the European Union member states in 2002 was of 5.2%. As indicated in table no. 3, at present, the percentage of the GDP allotted for education is very high as compared to the European Union average, precisely in the countries with a higher quality of life level.

Public expenses for education (% of GDP)

Table no. 3

	2003	2004	2005	2006	2007
Denmark	8,33	8,43	8,28	8,3	8,4
Norway	7,54	7,47	7,02	7,9	7,8
Great Britain	5,34	5,25	5,45	6,0	6,2
Germany	4,7	4,59	4,53	5,2	5,2
France	5,88	5,79	5,65	5,6	6,3

From this perspective, the convergence of the Romanian education with those of the main countries belonging to the European Union can only be assured on a long term, requiring investments for the development of the two great categories of infrastructures, of physical and human type. The granting of a percentage of 6% from the GDP for education might make available such resources.

The consolidation of a development pattern on these two directions, under the terms of insuring the coherence and complementarities with the already existent strategic-programmatic instruments (The National Plan for Development 2007-2013, the National Program for Reforms 2007-2010, The National Strategic Reference Frame 2007-2013, The Durable Development Strategy 2025, the Governing Programme 2004-2008, the Convergence Program 2007-2010, the National Strategic Report on the Social Welfare and Social Inclusion 2006-2008) reflect the strategic hierarchy of Romania's development objectives, the priority being imposed by the limited character of the available resources.

In the countries where the individuals contribute significantly to the financing of their own education, the governments offer them a considerable support by providing the financial subvention granted for students. These countries have at their disposal various financing schemes for the higher education, either through directly financing the education, or through indirect financing, by supporting students living costs or schooling expenses, or by combining both systems.

The public authorities from the Czech Republic, Greece, Spain, France, Poland, Portugal and Switzerland grant more than 90% of the total public expenses for higher education directly to the education institutions.

The transition from the education system to the labour market is an important factor in evaluating the human resources quality. The long term unemployment, the professional declassification are factors that lead to the depreciation of knowledge, abilities and capacities acquired during the schooling period, namely to the depreciation of the human capital. Romania has, at present, an unemployment rate quite low (5.3%) comparatively to the other European Union member states (9.2%), but also an increased part of the population involved in agriculture (27.41% as compared to 5% in the EU) and industry – namely the fields of activity where the level of qualification required is also reduced. The lack of educational and professional training or its reduced level will render quite difficult for the future the integration of high performance technologies necessary, for increasing productivity.

Conclusions

In our study, we have tried to underline the idea that investment in education, and especially in higher education, is a profitable investment which guarantees positive long-term effects, both upon the individual as well as upon the social-economic progress of the entire society.

The financing of public universities in Romania has started to improve since 2006. However, in order to reach the "Lisbon goals" by Romania (established by the European Committee, having the deadline 2010), which dovetail with the deadline for the foundation of the European Framework for Higher Education, we should have our government financing us with at least 2% of the GDP by 2010 in point of higher education only.

But, at present, the financial level in Romania is even much lower. Between 1999-2005, it represented 0,45%-0,46% of GDP for public outlay (besides research and repayable loans), 0,69%-0,78% for total outlay in point of higher education. Thus, as experts state, investment in education would be one of a best efficiency. It is true that once the level of education has increased, the income would also raise much above the average. The advantages are more obvious as regards the developed countries. Let's take into consideration the USA, for instance – the difference in average income between university graduates and high school graduates was between 40-50% at the beginning of the '60's and has continuously grown since then.

The economic analysis can underline the reason why in the course of the history there were countries which experienced an extended and continuous growth of the income per individual. Thus, countries such as the USA and Japan have experienced a continuous growth in individual income for over 100 years or even longer than that period. The explanation relies in the expansion of the scientific and technical knowledge, which helps production and labor productivity grow.

The systematic application of scientific knowledge in the production of goods has enormously increased the value of education, especially of the technical one. It is obvious that there is a positive relationship between investment in education and technological progress, the latest having a great influence upon all the fields of the social-economic life.

As a conclusion, one can finally say that education, information and knowledge actually stand for power.

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