Higher education governance and management:
A comparative review and policy options for Russian Federation

Policy Note

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Introduction

This Technical Note has been drafted by a World Bank team in response to a request from the Policy Development Center. Initially the authors intended to do a comparative review of the constitutional position of higher educational institutions. However in the course of work it became clear that a broader context is required, and that it is necessary to discuss the whole range of issues pertaining to the overall tertiary sector governance and the governance of individual higher education institutions. These issues include: governance on the federal level, development of a national strategy for higher education, funding of the HE sector and organization of the budgetary process on the institutional level, institutional governance/management and constitutional position of HE institutions compared to other government institutions.

Certainly, a comprehensive analysis of the higher education sector and its development prospects would require a systemic treatment of other issues too, including for example networking of HE institutions, alternative sources of funds, structure and content of curricula. These issues deserve a closer consideration and a more detailed discussion in further policy notes.

However the problem of governance/management has not accidentally been one of the first to be selected for analysis. Governance, management and organizational issues are critical for the structural overhaul of higher education. On the other hand it should be admitted that over a relatively short period of time Russia has gone a long way toward reforming higher education. Governance, management and funding systems have been dramatically overhauled. A key role in this process has belonged to the Ministry of Education and a number of leading universities, who have upgraded their institutional governance and management systems to the world level in many aspects. During the transitional period the governance/management structure of Russian HE institutions was adequate to the tasks of survival and preservation of the academic and teaching capacity. However, it is apparent that for the new situation of sustainable social and economic growth there will be a need to further modernize governance and management, and this effort should cover the whole higher education sector, not just a few institutions.

Working at the note, the authors of the note had to handle one major difficulty. Indeed it proved impossible to find an adequate way of translation into Russian for some English terms. And this is not so much a terminological as a substantive problem. It is not just words that are lacking (or have not been fully adopted), but certain

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1 Since this policy note had been submitted to the Policy Development Center in February 2004, it fails to reflect the large-scale developments in education governance and management, that happened on the federal level in March 2004.

2 The team includes: Isak Froumin (Moscow) (coordinator), Mary Canning (Warsaw), John Felden (London), Andrey Markov (Moscow), Jamil Salmi (Washington).

3 The authors would like to acknowledge the contribution of V.M. Filipiov, I.V. Arzhanova, V.M. Zhurakovksy, Ya.I. Kuzminov, B.L. Rudnik, Ye.N. Soboleva, Ye. Ye, Chepurnyk and L.I. Yakobson they made in the course of useful discussions.
fragments of reality, these terms seek to describe. This circumstance on top of the historical memory of Russian education obscures a fresh view of the two underlying terms, fundamental for this text. These terms are “gosudarstvenny” and “upravleniye”. In the English language and in the reality of most advanced countries the concepts behind these terms seem to have a dual nature, which in fact evidences the maturity of respective social and economic referents and reveals crucial social and cultural differences, engraved both in the professional community and in the public conscience.

In case of “gosudarstvenny” there is a differentiation between “state” (or “government”) and “public”. This bifurcation of the meaning conveys a difference between two sets of institutions: those which are part of the government machinery, fixed in the stiff hierarchy of executive power, and those which have been established by the State (and largely financed by it), but who have a considerable range of discretion under public control. With prisons and the army being apparent examples of state (government) institutions, an example of a “public” institution in Russia may be found in non-profit entities, established by government agencies (such as for example, the Policy Development Center or the National Fund for Human Resources). The latter organizations show more flexibility, a more collective approach in governance and client-oriented policies. In fact this policy note will be largely exploring the issue of how state (government) agencies may be transformed into public organizations, as it has been happening around the globe. This is why this policy note specifically focuses on institutions, established by the government. It does not discuss the role of non-governmental HE institutions in the higher education sector.

The other important conceptual clarification should be made about «governance» and «management». Terminologically this difference is sometimes captured by two different Russian words: upravleniye (governance) and rukovodstvo (management). It is more important, however, to address the distinction in meanings. Here again we have a bifurcation, because upravleniye of any institution is implemented in two fundamental functions. The first is a regulatory (prescriptive and strategic) function, setting a framework to give a clear definition of the institution’s relations with the owner (founder) and of modes and ways to achieve the statutory goals. The other function is related to the organization of operations (operational management). Currently most social and economic institutions in countries with a civil society and a market economy are governed with these two functions segregated. In Russia, with decades of executive and legislative powers actually merged into one, it is difficult to imagine a government agency, based not on the usual undivided authority, but on the governance function split into two, complete with public control over administrators. Also there is a prevailing international trend to transform HE establishments from rigid hierarchical closed parts of the overall state machinery into open and dynamic institutions, operating on the basis of a binary governance/management function. This transformation makes the other focal point of this policy note.

Consequently, this policy note seeks to look into the benefits that the government might get if new models of government regulation and management in higher education are embraced, having in mind a dramatic enhancement of professional training in the country.
In a nutshell the algorithm for this task, as envisaged in this Policy Note, is as follows:
- the modern social and economic structure require enhanced autonomy for higher educational institutions;
- the higher education system, comprising autonomous institution, shall require more flexible governance on the national level and an enhanced policy function of the Ministry of Education;
- an autonomous higher educational institution shall be set in a framework of accountability, openness and segregation of the regulatory and operational management functions.

And still another terminological comment to make. Throughout the text “higher educational institutions”, “HE institutions”, “institutions” (contextually) and “universities” are used synonymously.

This policy note has been structured to meet a double task: to review the international trends and best practices in higher education governance and suggest strategies to modernize it in the Russian Federation. This is why the first section discusses the experience of various countries in reforming the tertiary education sector. In most cases these are OECD countries (also called advanced countries). It should be noted that these countries have been used as models for reforms in Eastern and Central European countries. Apart from reviewing the experience, the section also tries to summarize it and identify some prevailing trends. This experience is highly instructive and deserves close consideration while planning implementation of the new models of governance/management for the post-Soviet education.

The second section of the policy note looks at some practical action plans to modernize Russian higher education with regard to the international experience reviewed in the first section. There are a number of general recommendations provided here. More specific and detailed recommendations may be given only on the basis of an accurate analysis of the current state of higher education governance.

The closing section of the policy note – the appendices – provides data, underlying a comparative analysis of the international experience, and also comments on the draft law on specialized government non-profits, made on the basis of the mentioned international experience.

1. Modernization of higher education governance and management - main international trends

As the demand for higher education grows, and as governments understand their role in promoting economic development, it becomes increasingly important to ensure that higher education systems are managed in an effective way. Higher education systems are also getting more complex due to the growth in the number and diversity of public and private institutions, so that the task of managing and monitoring the sector is becoming more specialised and demanding. As a result the old model of total
administration and control from a central Ministry of Education (MOE) is being replaced throughout the world.

The pressures in the system have been caused not so much by the sustained growth in numbers of institutions and the inexorable increase in participation rates, as by the evident fact, that in the context of enhanced requirements to the performance of general government institutions, a central agency is not the best arbiter of how individual universities should operate. The constraints of centrally managing a system that needs to be flexible and responsive have become clear. To address these pressures a variety of alternatives are emerging in most countries with well-developed higher education systems, together with the new approaches to financing and institutional governance that usually accompany delegation from the centre.

1.1. Constitutional changes in the governance and management system

1.1.1. Main models

We are seeing three types of constitutional change in current higher education reforms, related to delegation of powers from the central government agency (the Ministry). Powers may be delegated to the regional level of government, to a specialised agency (intermediary agency or buffer body) or directly to universities.

In some major Western and transition countries the MOE has recently devolved control over universities to regional governments, but retains a co-ordinating policy function. This echoes the position in some countries such as Australia, Germany and Canada, although in the latter two cases the federal governments have limited powers. China has also moved responsibility for more of its State funded universities to the regional level, retaining control only over a limited number of prestige institutions. In the USA all the public universities are largely financed and controlled by governments of respective states. However this distribution of powers has a potential risk that central government loses control over national policy. It is, for example, hard for the federal government in either Canada or Germany to set new national strategies. If financial responsibility is split between the centre and the states, as in Australia, the centre can still retain considerable control. However, arguably, enhanced role of the regions (constituent members of the Federation) in higher education governance is a common trend in federated states. In most cases the regions will assume part of funding liabilities and will get a right to have a say in forming Boards and in strategy development for universities.

Delegation of powers to one or more specialized agencies has long been the preference in countries such as the UK, India and Pakistan, and is now being adopted elsewhere. A range of powers can be delegated to the new intermediary organisations,

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4 A buffer body is an institution, owned by the State but not formally part of a Ministry. It has its own governance and management bodies, regulated by the Ministry, but outside it direct control. It may be delegated some of the Ministry’s functions. The concept is elaborated further in the Note.
as is shown in Appendix I. The traditional model is for the MOE to pass all matters relating to funding and operational management to the buffer body, while retaining central control over functions such as national strategy and the overall size and shape of the HE system. There are quite a few variations on this model. For example, the new South African buffer body, the Council on Higher Education, does not have the key role in allocating funds, but it administers earmarked programs.

The advantages of having a buffer body are that it removes all the detailed operational issues from the MOE (thus protecting it from charges of political lobbying). This specialized agency can develop an institutional understanding and memory and in this way contribute to capacity building in the sector.

The intermediate body is usually a semi-independent agency, guided by regulations, developed and approved by the MOE. It would normally have its own Board, chaired by an independent person, who is neither an academic nor a political appointee. Other members of the Board may include businessmen, rectors and sector specialists. This Board, although bound to follow the national strategy for higher education as set by the MOE, is free to adapt and interpret the policy to fit the changing circumstances. In a number of countries such important managerial functions as awarding qualifications upon received education, are passed on to non-governmental associations of professionals (for example, examinations leading toward certification in certain professions). A number of important functions, related to accreditation of training programs and national examinations, may be ceded to associations of universities.

In some countries there may be more than one buffer body handling the different functions described in Appendix I. In England for example, as well as the Higher Education Funding Council there are separate agencies for monitoring and assessing the quality of courses (Quality Assurance Agency), for collecting statistics (Higher Education Statistics Agency) and an independent body has just been set up for undertaking policy studies (Higher Education Policy Institute). In addition, the national academic ICT network is run by another semi-independent body.

The buffer body also generates certain risks, given a closer treatment in Appendix I. It is clearly essential, where several organisations have a part in managing the national higher education system, that regular co-ordination between them takes place. The glue which holds them together is the national strategy for higher education, but beyond this there must be frequent conversations and dialogue through a formal framework of committees or meetings. In some countries the MOE issues and publishes an annual set of policy guidelines for its buffer bodies to follow.

Another risk, alternatively, originates from the fact, that ministries are reluctant to share their functions and in practice an intermediate agency turns into a mere department of the MOE, under its operational management. In this case the establishment of such a buffer body not only fails to improve the efficiency of the system, but rather corrodes it because of further bureaucratic complications. To avoid this risk, many national legislations choose to set clear limits on the role of the Ministry, i.e. formulation of strategic goals for the buffer body, definition of its operational procedures and regular (once a year at most) control of the buffer body’s outcomes.
The **third model** is for the MOE to continue to manage the institutions directly, but to **delegate considerable powers to them** so that the central role becomes a more strategic one. This is usually only adopted in the smaller national systems.

There are many variations as to where the principal functions relating to the management of a higher education system can reside. Appendix II lists the options by showing how each of the key functions might be undertaken by the key players. It shows for example that there are a number of alternatives for locating the function of accrediting and licensing new institutions, which can be performed by the MOE, the buffer body, another specialised agency or even the Association or Council of Rectors.

### 1.1.2. Position of universities in the context of changed powers of the central agency

One of the fundamental elements in most current reforms is the strengthening of the legal position of universities as autonomous corporate entities, with the power “to sue and to be sued” in return for their accepting specific obligations as to accountability and reporting. Universities can be given this status in several ways: by designation as autonomous bodies under national legislation or by registering as a non profit making corporation or charity. In the UK the London School of Economics, for example, is a company limited by guarantee, a special form of company that is relevant to higher education. When legislation is written to designate universities as autonomous bodies, it is important that it limits itself to defining the basic structure and enabling powers and is not worded in a way that restricts later development or requires legislation to make minor changes. This point is explored further below and illustrated in Appendix III. The fact that universities can be sued removes this threat from the MOE and reminds the university Board that it is wholly liable and must act in a way that takes this risk into account. It brings the discipline of risk management into their regular operations.

Many transition economies have faced the problem of defining the constitutional status of universities in a market environment and given the general trend of retreat from total government control. Some of them (Armenia, Lithuania) have changed the legal status of universities for specialized non-profit institutions, owned by the State.

When universities are given their new freedoms by the MOE, it is essential that they are also provided with a policy and strategic framework within which to operate. The traditional regulatory framework, prescribing detailed standards, teaching and training procedures, salary rates and other particulars of the university life, is no longer adequate for a system featuring bigger autonomy of institutions. The international trend is to replace this regulatory framework with a policy framework, defining the goals, performance indicators and qualitative measures of a “sound” organization of a university. When preparing their own strategies they will want to know the parameters for the development of higher education and the policy priorities that government wishes them to work towards. In recent year several countries have invested considerable efforts in reviewing their national policies for higher education. New
Zealand for example created a Tertiary Education Advisory Commission which developed the thinking on national strategies for higher education. This was then followed by the creation of the Tertiary Education Commission, which now allocates funding to institutions in accordance with the strategy each institution has devised to meet the national policy framework. In 2003 a report on higher education policies was published by a special commission of the UK government. It made a starting point for discussing individuals policy plans of universities.

Experience shows that implementation of a national strategy is an independent and difficult task, which cannot be resolved by simple administrative methods, because universities are not directly accountable to the government. Ministries have to look for new ways and make use of other than administrative resources to implement these strategies. These would include an open and transparent quality assurance arrangement, financial incentives to implement the strategy and a public awareness campaign.

1.1.3 Conclusion

There is a clear international trend for countries to delegate most of the functions performed by their MOE for the higher education system to other bodies, while retaining the key role of defining the national strategy for higher education. This delegation can be to various intermediate entities, but the most favoured model is for one or more buffer bodies to manage the system on behalf of the MOE. In parallel with the creation of a new tier of management above them public institutions are given greater powers to manage their own affairs and the legal status that allows them to operate as independent autonomous bodies (but still within the public sector).

The abandonment of central control has been driven by two conclusions: that it is impossible to manage large higher educations systems optimally from the centre; and that allowing individual institutions to find their own (inevitably diverse) ways of achieving national goals is a more productive route.

1.2 Funding and financial management

There are two main areas of change in the financing and financial management of tertiary institutions: those relating to the way in which funds are allocated and financial management on the institutional level.

1.2.1 The allocation of funds

Appendix IV presents a checklist of the alternative mechanisms currently in use for allocating various types of funds to universities. Funding for teaching is usually now allocated on a per capita basis with variations in the sums relating to the subject, the mode of delivery and the level. Thus, the formula figure for a part time undergraduate student in humanities would be very different to that for a full time postgraduate in
chemistry. The different sums are then aggregated to create a lump sum which is allocated to the institution as a block grant. The Czech Republic has adopted this model since 1992, although it also retains at least 10% which is awarded competitively to institutions in response to their bids for projects that meet national priorities. In England a similar proportion is set aside for these “top sliced” specialist programs; however there is pressure to reduce this because institutions resent the burden of competitive bidding and increasingly the specialist program funds are allocated formulaically with the core allocation.

Despite the English experience, which is caused by a particularly large number of invitations to bid competitively for relatively small funds, the use of the competitive grant principle allows the funding body to reward those institutions that are responsive to policy priorities. Such programs can be designed to link to the extent to which institutions are effective in implementing their long term strategies in particular policy areas.

In the majority of countries the per capita allocations are based on the student enrolments of the previous year and the formulae used are transparent to all. However some European countries have pioneered allocations that are based on outputs and results, and not on inputs to the system. In the Netherlands 50% of the teaching allocation is based on the number of degrees awarded and in Norway 25% of the funds are related to factors such as the student credits completed and the number of graduates.

Other features of the funding methods developed recently in OECD countries are:

* The use of a formulaic approach to allocating funds for capital developments (England).
* The separation of funding for teaching from that for research and the development of peer review systems for funding research (New Zealand).
* A mixed formulaic and qualitative approach to allocating research funds (Norway)
* The allocation of resources for three years, so that institutions can plan with some certainty (Australia)
* A distribution of funds that match the contributions that universities obtain from third parties, to reward success in external income generation (Switzerland).

**Conclusion:** The common trend is one of moving away from lump sum allocations that are unconnected to student numbers. Once this principle is accepted, the issue is whether the formulaic basis is related to numbers of students entering institutions or numbers of graduates leaving them. However, there are as yet no examples of allocations based wholly on outcomes or results.

The rejection of the previous funding systems by many countries was influenced by the view that financing should be related to some tangible and transparent indicators and institutions should be rewarded in direct relation to the numbers (and types) of students they educate. Previous methods had been inflexible and gave no incentive to institutions to achieve national targets for student numbers.
1.2.2 Financial management in HE institutions and external control

There is a considerable gulf between the financial management required in a system of centralised control and one where considerable autonomy has been granted. The Table below illustrates the extreme positions as regards financial controls, ranging from autonomy at one end of the spectrum to central control at the other.

Table 1.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Centralised control</th>
<th>Full autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual budgets</td>
<td>Agreed in detail by the funding body</td>
<td>Agreed by the Board (but reported to MOE or the buffer body)</td>
</tr>
<tr>
<td>Expenditure</td>
<td>“Line item control” so that institutions cannot switch</td>
<td>Freedom to allocate and spend as required within the overall total grant or</td>
</tr>
<tr>
<td></td>
<td>expenditure between the agreed budget headings</td>
<td>budget awarded by the MOE.</td>
</tr>
<tr>
<td>Under spending at the end of an accounting period</td>
<td>Surrender of underspent sums to MOE/Ministry of Finance</td>
<td>Freedom to carry forward underspending (and to absorb any overspendings from</td>
</tr>
<tr>
<td></td>
<td></td>
<td>future funds within limits)</td>
</tr>
<tr>
<td>External earnings from non government sources</td>
<td>Surrender to the Ministry of Finance or MOE of all external</td>
<td>Freedom to retain and spend freely all sums earned from non government</td>
</tr>
<tr>
<td></td>
<td>earnings</td>
<td>sources</td>
</tr>
<tr>
<td>Tuition fees for domestic “local”, domestic “out of state” and international students</td>
<td>Fees cannot be charged or, if they are, have to be set at a fixed rate and then</td>
<td>Fee level can be set freely and the money retained without affecting the</td>
</tr>
<tr>
<td></td>
<td>surrendered to the Ministry of Finance</td>
<td>budget allocation from the government</td>
</tr>
</tbody>
</table>

In most OECD countries institutions tend to move toward fuller financial autonomy. Those institutions should supply their funding body with reliable and prompt reports on how the money has been spent, as well as other statistical returns related to performance and outputs. This represents a move away from the principle of the MOE (or any authorized agency) reviewing and approving planned expenditure in advance and relies on the financial probity of the institution to follow its budget plans and record its expenditure accurately. Mature systems such as those in Australia or the UK are able to rely on financial reports once a year, but with the provision for more frequent reporting, if an institution is thought to be facing financial problems. One model is for the funding body to require three year financial forecasts of operations and cash liquidity at the same time as annual reports on performance. These cash predictions are sometimes aggregated and used by the funding body to portray the overall financial health of the sector. In England the funding body has regional

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5 In England the funding body expects that institutions will make an operational surplus of 3% after charging depreciation and there is an absolute requirement that the institution is solvent at all times. The former target is frequently missed and this may trigger an investigation.
officers who visit institutions at intervals to review the way their performance is going against their forecasts.

As well as requiring information and financial accounts the State has other means of holding institutions accountable:

* Through requiring independent external audit of their accounts and an annual report on internal audit activities.
* Through retaining the right of the State Audit service to investigate any activity in the institution.
* Through whatever legislative mechanisms and processes have been established for reviewing the quality of teaching.
* Through requiring the submission of strategic plans or other strategies (eg: academic, ICT, human resource, property) to the funding body.

The ultimate sanction that the MOE holds over any tertiary institution is to withdraw or to instruct the buffer body to withdraw public funds and to remove the power to award degrees.

The change to a system where the central Ministry of Finance loses control over the allocations made by individual universities has caused tensions in some transition countries. Traditionally, fears have centred on the salaries, because the State incurs respective liabilities, but has no control over these expenditures. In a fully devolved system this issue is resolved by making institutions wholly responsible for balancing their budgets and making staff reductions if necessary.

Another area where the State is also nervous about ceding control concerns property assets. This topic is discussed below in the context of the powers given to Boards.

The issue of maintaining (and if possible enhancing) quality in higher education has been exercising most governments. They are fully aware that, as funding levels have fallen and student staff ratios have climbed, the quality of provision is likely to have suffered. There are various approaches to tackling this: to try to police the delivery of teaching by an inspection system operated by peers, to set up advisory and support mechanisms to help in improving quality, or to build a framework of accountability to consumers and offer funding incentives to those willing to pioneer new methods and pass the ideas on to others. Finally, if there is an effective legal system in place, the ultimate sanction would be that the consumers will sue their institution over poor quality provision for which fees have been paid. These issues are not considered further here, as they require a detailed discussion.

Conclusion: The general trend in almost all OECD countries is towards requiring enhanced accountability in return for the award of greater financial autonomy. This has implications for the way in which institutions are governed and for the skills of those involved in governance.

Previous systems had relied on extensive and demanding central processes of approving and vetting expenditure in institutions before they were authorised to
spend. Inevitably this was cumbersome, unresponsive and inefficient in that it reduced
flexibility and gave no incentives to institutions to manage resources well. Neither did
it take into account an increasing share of “off-budget” financing in the higher
education sector, i.e. financing coming from non-government sources.

1.3 Institutional governance

1.3.1 «Division of powers» as a fundamental principle of
institutional governance and management for autonomous
institutions

Once institutions have been given appropriate legal status as independent entities, the
requirements for their governance have to be changed. The general practice is to set
up a collective governance body (the Board), responsible for the overall governance
of the university, and an administrative body, chaired by the Rector. The key issues
here are as follows:

* The powers of the Board.
* Its size, composition and how members are appointed.
* How the Chair of the Board and the Rector are appointed.
* The powers of the Academic Council or Senate.
* The powers and authority of the Rector.

The Board is the supreme body of the institution and is usually held accountable in
legislation for its overall performance and conduct. The powers awarded to it by the
legislation (or by the MOE in regulations) provide the key measure of the scale of
autonomy.

Practice varies very widely as to what powers are delegated to the Board and there is a
wide range in the OECD countries, for example, from the traditionally “state
supervised” institutions which have considerable autonomy to the “state controlled”
institutions which have few independent powers. A survey of OECD countries in
2003 reported the picture shown in Appendix V. It will be seen that in all 12 countries
institutions were free to spend their own budgets and employ or dismiss staff and that
most had the freedom to decide to offer new academic courses. However, only some
had full powers to borrow money, set academic salaries or decide on the level of
tuition fees.

A similar study of seven European countries in a benchmarking study in 2002 run by
ESMU, the European Centre for Strategic Management in Universities found that
institutions in two countries required MOE approval for all matters relating to

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6 These terms refer to the classification used by Neave, G and van Vught, F (1994) in Government and
Higher Education. Pergamon Press.
academic staff appointment, promotion or dismissal\textsuperscript{7}. In five of the seven countries there were still MOE controls (its agreement is required) over property acquisition and disposal and in four MOE approval was needed before commercial borrowing facilities could be arranged.

Looking at transitional countries, it should be said that during the last decade of the 20\textsuperscript{th} century most Central and East European countries and Mongolia achieved modernization of governance and management in HE institutions on the basis of extended autonomy and the “division of powers”. Legislation provided considerable authority to the Boards.

The global picture is still very diverse as is shown by two major studies of the scale of government control in 1997 and 1998. The first of these by CHEMS explored the degree of legislative and procedural control in 70 universities in the British Commonwealth. The second by an Australian team working for their MOE covered similar issues in 20 countries, which included Russia.\textsuperscript{8} This study reported an interesting convergence in OECD countries. “Among Anglo-American systems institutions have traditionally enjoyed considerable institutional autonomy, but in the last decade or so have been required by their governments to be more accountable. On the other hand in European countries, where institutions traditionally operated within a framework of detailed legislation, there have been reforms under which central authority has been devolved”. Both these trends have continued since 1998 and a new category has emerged alongside the two named by Neave and van Vught – the “state stressed” institution,\textsuperscript{9} where the Board and the senior management, though nominally fully autonomous, feel continually pestered and monitored by a flood of central requirements to produce special reports and statistics. This is not so much dangerous in countries with a long tradition of autonomy. However, a “compliance culture” of continually responding to central prompts and guidelines threatens to stifle or limit institutional initiative.

The over-reporting phenomenon could be seen as a central response to the loss of prior information and control over universities’ plans and budgets, but it also has echoes in the private sector where complaints about the burdens of reporting to the State are becoming common\textsuperscript{10}.

The Australian study ranked the 20 countries they surveyed in terms of the legal authority to intervene. The countries where the State had least authority were Canada, UK, Ireland and the United States, while those where the State had most authority were Sri Lanka, Malaysia, France and Indonesia. Russia appeared at the mid point of

\textsuperscript{7} ESMU (2002). Unpublished Workshop Handbook from the 2002 Benchmarking Programme on University Management.
\textsuperscript{9} CHEMS (1997). Op cit, p.10
\textsuperscript{10} On issues such as equal opportunity and health and safety, for example.
this ranking.\textsuperscript{11} It should be noted here that this research does not take into account implications of the treasury execution of university budgets, introduced in Russia.

\textit{Conclusion:} Although international experience shows a varied picture, the trend in all recent reform legislation is towards granting HE institutions (as represented by their Boards) considerable powers in using the autonomy provided to them. Financial freedoms are the first to be granted, followed by powers over staffing and the right to decide on new academic programmes. These changes make institutions more capable of responding to local developments (including labor market fluctuations).

\subsection*{1.3.2 Property assets and endowments of universities}

A key feature of systems with greater institutional autonomy is the extent to which central restrictions over property are removed. If full financial autonomy is granted to a Board and the ownership of the University’s assets is transferred to its control by the State, this opens the way for the Board to use the assets as they think fit to generate income. In other countries this flexibility has allowed institutions to develop science parks on vacant land and to invest in income generating facilities such as hotels and conference centres. Property transfers are often an area where the state is reluctant to hand over total control, fearing misuse or misappropriation. Some of the controls usually exercised on such activities by the State are:

* To ask institutions to prepare property strategies showing how they intend to use (or develop) their property portfolio.
* To retain the right to approve any sale or transfer of property assets (above a certain financial ceiling).
* To require institutions to confirm that any financial proceeds from the sale or transfer are spent on higher education (which principle may also be enshrined in the legislation establishing the university).
* To require institutions to submit a post implementation review of any major capital projects

The same principle applies when an institution decided to use its equipment assets to generate income from, say, commercial testing. The Board is expected to make sure that the surpluses from such practices are used for educational purposes and that the activity does not prevent or hinder normal academic operations. The income and expenditure relating to this must be audited and declared in the university’s published accounts and the funding body is not expected to make any deductions from its allocations. In other words institutions have an incentive to use their assets to generate income for higher educational purposes.

Once an institution is given full autonomy, it can explore various avenues (other than the State) for the funding of property construction or acquisition. In the advanced OECD countries universities use a variety of funding sources, as well as funding from the State, including:

• borrowing on a long term basis from commercial banks, which requires that assets are charged as security.
• private endowments from alumni and other benefactors.
• retained surpluses from the annual accounts, as well as the funds arising from depreciation on university assets charged in the accounts.
• grants from charities or foundations.
• joint ventures with the private sector, in which for example the ground floor might be used for commercial lettings to shops and the upper floors for university office accommodation.

If the MOE hands all property assets into the care of a university Board, it will understandably wish to retain some of the controls referred to above. However, over time the ownership stake that the State once held in a university’s property portfolio becomes less important and increasingly hard to define. A shrinking part of the estate will have been bought with public funds. All property now belongs to the university and the State’s main interest is simply to see that it is put to good use.

Once a university becomes a legal entity it can receive the title to assets other than property such as financial investments and shares. Common practice is to set up university endowments, made up of financial investments and shares. Most institutions hope to acquire endowments of this kind from wealthy individuals or corporations. The usual treatment of endowments is to invest them in equities or other securities and to use only the income. However it is also common for individuals to ask for their gift to be spent on the construction of buildings. Sometimes benefactors would ask to use their funds for scholarships to poorer students or the payment of specific chairs for professors.

In the United States there is a culture of regular giving by alumni and it has been estimated that the total of college endowments amounts to $222 billion, half of which is held by an elite three dozen institutions. Fund raising to build up these endowments can absorb a large part of a University President’s time, but this is seen as a small price to pay for the independence and flexibility gained through having independent assets. Fund raisers find that it is easier to attract donors if there is a specific purpose or project in mind for the funds and many donors are drawn by the idea of having a building or a Scholarship Fund named after them in perpetuity.

Some governments are keen to encourage universities to boost these endowments, since in the long term they may reduce the call on the State. However, governments are also keen not to be seen to reduce their funding just because a university has been successful in raising its own endowments. The government of the Hong Kong SAR of China has set aside US$128 million which it will use to match the private gifts that universities manage to win from private sources. In England a similar scheme for matching donations has also been announced as a way of encouraging fund raising activity which is far below American levels.

12 Reported on the web site of the Council for the Advancement and Support of Education at www.case.org/newsroom. CASE is a professional body dedicated to supporting those charged with raising funds.
Conclusion: The State usually wishes to retain some powers over property assets after they have been passed over to newly independent universities. However, as “private” assets start to be used to add to the building portfolio of the institution, this control becomes less relevant. Governments may also want to encourage universities to build up their own financial reserves from endowments and gifts from wealthy individuals or corporations.

1.3.3 Composition, size and membership of the Board

Appendix VI describes some characteristics of university Boards in some OECD countries. The size and composition of university Boards is increasingly a concern of government and there has been a general trend in favour of their seeking a managerial model with a smaller number of members and a majority of external non-academic (lay) people. The trend to reduced size is strongest in Australia and New Zealand where governments have suggested a maximum of 12 or even 8 members of the Board. In England the newest universities must have between 12 and 24 members, but at least half must be external people. In Denmark and Norway the Board must also have a majority of external members.

The method of selecting Board members varies greatly as Appendix VI shows. In European countries, other than the UK and Ireland, external Board members are often appointed by Ministers, but names are usually put forward by the universities themselves. In Sweden and the Netherlands government appoints the Chair and the members for three year terms. France has a system of wholly elected representatives from various constituencies in each of its three university councils; the State has no say. In Australia some universities have one or two members appointed by their State parliament and the government recently sought to extend this to all external members, but the proposal has just been dropped in the face of strong opposition from the Vice Chancellors (Rectors). For Ireland and the UK the position is that the Board is completely free to select both its Chair and its members without even having to inform the MOE.

Since the position of Board member is usually unpaid (only a Board member’s direct outlays, related to his/her official duties are covered) and the duties (and legal obligations) are becoming more onerous, some countries are advertising in order to obtain candidates of the right quality and professional skills. In Australia new Higher Education legislation has even decreed that each Board should have a professional development programme for its members. In countries where the Board can choose its members the aim is to have people from the obvious stakeholders such as the regional government or municipality, local employers and industries as well as the core professionals such as lawyers, accountants and ICT specialists.

This is part of a useful set of “National Governance Protocols for higher education institutions”, see http://backingaustraliasfuture.gov.au/policy_paper/attach_a.htm
Conclusion: Where governments have intervened recently concerning Board members, it has usually been to set limits on the overall size of the membership and to specify the proportion of external members. Practice in appointing Board members varies greatly and there is no consistent trend.

1.3.4 The Rector

When governments delegate powers to a university Board and its Rector, as CEO, they have an obvious interest in ensuring that the Chair of the Board and the Rector are appropriate and competent persons. There are various models for how these appointments are made, summarised in a CHEMS Paper in 1996, based on experience in the British Commonwealth:\(^\text{14}\):

* Appointment by the State (see Russian translation – translator), with no consultation with the Board.
* Appointment by the State, after consultation with the Board.
* Appointment by the MOE from a list of names submitted by the Board.
* Selected by the Board but then approved by the MOE.
* Selected by the Board on which representatives of government sit.
* Selected by the Board with no input at all from government.

Another model not found in the Commonwealth but in countries like Japan, Korea and Turkey is for the Rector to be elected by the academic staff of the institution or the Senate, but the nomination requires the final approval of the government. In many LAC countries Rectors are elected without any central approval being required, but three European countries (Austria, Denmark and Norway) have recently moved from the system where academic staff elected the Rector to one where the Board now makes the appointment, in recognition of the managerial skills now required in the postholder. This is in line with the general international trend.

Legislation on universities usually defines the Rector as the principal administrative officer. In all the cases (including the case when the Rector is appointed by the Ministry), the Rector is accountable to the Board and is responsible for the effective operation of the university. In some countries this has required a strengthening of the Rector’s executive powers where the tradition had been one of a Rector elected by peers for a short term in a non-managerial environment.

Legislation does not prescribe methods to ensure this accountability, however normally the best practice is used to develop technical guidelines, suggesting the development of performance indicators for the top university administrator.

Enhanced powers granted to universities have also necessitated an enhancement of executive powers of the Rector, though traditionally the Rector was selected for a short period of time without regard to his/her managerial skills. Currently a longer contract with the Rector is argued, as well as some special managerial training he

needs to get. Specific importance is also given to the role of senior management officers or Vice Rectors. The Anglo-Saxon model allows the Board and the Vice Chancellor/President to decide what senior colleagues are needed as Vice-Rectors and consequently there is a vast range of organisational models with up to five subordinate post holders on a variety of tenures – part time, full time, permanent, short term contract etc. In the Netherlands however the Executive Board has only three members and in Austria there can be up to four Vice-Rectors. It is unusual for the legislation to specify how many Vice Rectors institutions must have, as circumstances will vary.

The Senate or Academic Council is being increasingly restricted to academic affairs only. The Board is becoming pre-eminent with Senate subservient to it; the usual reality, however, is that a Board would have difficulty in challenging an academic proposal that had the strong backing from Senate, except on overall strategic or financial grounds.

**Conclusion:** While the powers of the Rector are generally being strengthened (and managerial competences emphasised) there is no consistent trend in the way the post is selected (appointed). The Board is responsible for holding the Rector to account for performance.

The thrust of recent international structural reforms is that the Board and the Rector are gaining extra powers and are being urged by governments to adapt managerial models from business to running their operations.

### 1.4. Basic constitutional and governance models in higher education

The developments described above can be summarised by presenting a simple typology of institutions that brings together the constitutional position with that on governance and financial freedoms. This typology in Table 2 represents just four of the many possible points on a spectrum from State Control at one end to Maximum Autonomy at the other. However, even these two extremes are not simple black and white pictures. Within the State Control model there has to be some freedom as the MOE cannot control everything and within the Maximum Autonomy model there is an implicit acknowledgement that the MOE is entitled to hold the institution accountable in many respects and must retain overall strategic control over the sector.

<table>
<thead>
<tr>
<th>Model</th>
<th>Constitutional position</th>
<th>Governance</th>
<th>Autonomy and financial freedoms</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. State Control</td>
<td>Can be: government agency, state-owned corporation</td>
<td>Board Chair and Rector appointed by, and accountable to, the MOE</td>
<td>Limited freedom with most key decisions on staffing and curricula decided by MOE</td>
</tr>
<tr>
<td>Semi-Autonomous</td>
<td>Can be: government agency, state-owned corporation or statutory body</td>
<td>Board Chair and Rector are nominated by the institution, but approved by MOE</td>
<td>Some freedoms over curricula and staffing, but financial controls still retained centrally.</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------</td>
</tr>
<tr>
<td>Semi-independent</td>
<td>A statutory body, a charity or a non-profit corporation subject to MOE control</td>
<td>Board Chair and Rector are appointed by Board members with no MOE involvement.</td>
<td>MOE retains control over several key areas and limits financial freedoms to some extent.</td>
</tr>
<tr>
<td>Independent</td>
<td>A statutory body, charity or non-profit corporation with no government participation.</td>
<td>Independent Board is free to appoint its Chair, members and the Rector.</td>
<td>Maximum autonomy as regards the key decision making areas and financial matters. Some minor limits on the use of assets</td>
</tr>
</tbody>
</table>

Beyond model D one can identify the option of a privately owned and operated institution receiving government funds in order to educate students at the expense of the State. Where funding follows the student, this is a common option and such a mixed economy operates in several countries. The advantage is that it frees the State from the role of supervising the delivery of higher education in the private institutions and limits the cost to the same per capita sum as would be distributed to a State institution. A variant of this model is where State funding goes as scholarship funding solely to support poorer students in private institutions.

There are three main distinguishing factors in the four models in Table 2:

* The university’s constitutional status and relationship with government.
* The independence of those persons responsible for operating and managing the institution.
* The degree of academic and financial autonomy granted by government

The principle of academic freedom is a key driver for many of the reforms discussed in this section. It is a cornerstone of the reformed systems, as it lies at the root of enabling institutions to manage their affairs as fully as the State will allow. However there have to be checks and balances at two levels; the State that wishes to monitor and assess institutional performance and in the institution where the Board holds its managers (particularly the Rector) accountable for achieving institutional goals.

**Conclusion:** As has been shown in this section, international trends in these three indicators are towards governments granting greater legal independence to institutions and moving to a state supervising model from a state control model. This is placing a greater burden on those now running the institutions and, although there is a mixed international picture on how these people are appointed, they are increasingly required to be leaders as well as academic managers.
2. Policy options for modernizing higher education governance in Russian Federation.

This section takes the current Russian situation as its starting point and, using the international experience described above and having in mind the priorities of socio-economic development, seeks to identify the alternative options for policy makers to consider as regards the development of higher education governance in Russia. To get ahead in understanding the issues of governance modernization – to build a new governance model – the following eight key questions should be answered:

- Who should plan the national strategy for higher education and how should this be done?
- What should be the legal status of HE institutions as compared to other state-owned entities
- What should be the constitutional (T) structure for managing and operating the sector at the federal level?
- What governance models should be adopted for universities?
- How should funds be allocated to institutions?
- How should expenditures be controlled?
- How much autonomy should universities be given and in what areas?
- How should government maintain control and hold universities accountable when powers are delegated?

Apart from answering these questions, the closing section of this chapter discusses some fundamental steps to be taken to implement this tertiary education governance model.

2.1. A national higher education strategy

As it was stated in clause 1.1.2 above, bigger autonomy given to universities and decentralization of administrative managerial functions shall be followed by an enhanced “ideological” role of government authorities, who would design a strategy for individual universities to pursue. The need for such a federal strategy becomes even more evident, if some of the governance functions be decentralized from the Ministry of Education to a few specialized government or non-government entities or to the regional level. This strategy should reflect not only the main mission and goals of the system, but also the underlying funding arrangements.

Russia has not yet completed a medium-term or long-term comprehensive systemic strategic program for the development of higher education. The only program that may claim this status – the Education Modernization Program – tends to set forth some general provisions and definitions pertaining to the updating and overhaul of
higher education, not always substantiated by clear and verifiable targets (for example, there is an objective formulated as “to radically improve the training facilities of professional educational establishments”\(^\text{15}\)), and also a few specific innovative ideas (for example, a cross-national entrance examination, leading research universities and government nominal financial commitments).

For these ideas to become a basis for a national HE strategy, at least another three steps need to be taken. First, these ideas should be set in a consistent framework of modernization goals. These goals and objectives should give a systemic description of the desired new quality of the higher education sector, its new role in the economy and social sphere, i.e. give a vision of the future for the HE system. Second, this framework of goals may help to bring out those aspects of the system that have resisted modernization and thus require further innovative ideas to address them. Third, clear indicators should be set to measure the achievement of new goals and objectives, as well as time frames.

There have been many examples in recent years of governments of advanced countries undertaking major reviews of their higher education strategy. In Appendix VII we provide a listing of some of the major higher education reform initiatives in recent years. Achieving these usually involves the appointment of a high level commission (chaired by a respected senior academic). Even though the MOE is the body commissioning the strategy and may provide financial and secretarial support, it is common for it to distance itself from the detailed work, delegating the main authority to the above commission. These commissions organize extensive programs of research and consultation with a very wide range of stakeholders, including employers, scholars and academics. The work of these commissions shall be open to the public and shall result in a document, containing clear system overhaul targets for a medium-term or long-term period. This policy document must reflect social and economic priorities and labor market needs so that extensive co-ordination will be required with other arms of government. In fact, apart from systemic comprehensive strategic papers the government may initiate “focused” strategic documents to address specific problems in the system of higher education. A prototype of such a document may be to some extent found in the section on availability of higher education of the Education Modernization Program.

Once the commission reports policy proposals to the government, a further period of consultation will follow before the Minister announces the government’s decision and future policies. At this stage it is essential that these decisions are effectively summarized and communicated to the sector and all the stakeholders, including the public at large. This will normally involve not just a public education campaign, but rather consultations as regards possible actions of individual institutions in the new environment. The importance of this strategic document lies not so much in outlining a national work plan, as in setting an overall framework within which regional and local authorities and universities have to plan their own strategies.

\(^{15}\) Concept for modernizing Russian system of education for the period till 2010. Clause 2.3.
It would be natural to implement in Russia the above layout for the development of HE strategy. Given the current specifics of the social and economic situation, and also Russia’s subscription to the Bologna process, this blueprint may include the following key sections: a contribution universities may make to the economy’s diversification and to economic growth, development of university - local community interaction, overhaul of universities’ financing, streamlining of the HE institutions’ network, integration of academic research and education (including the establishment of leading research universities), transformation of governance of the overall system and of individual institutions, introduction of a two-tier system of degrees. Key emphasis should be given to highly specific formulation of tasks, clear progress-measuring indicators and time frames (for example, number of students, enrolled in the two-tier system or number of universities, who have established governance boards). It is also important to provide for appropriate arrangements to project these national goals on each region and each individual HE institution.

This systemic strategy may be complemented by policy documents to address a number of sore problems of contemporary Russian education. These may include: strategies to ensure equal nondiscriminatory access to higher education, computerization of higher education, enhancement of innovative efforts of universities. Existing federal earmarked programs may provide a starting point for the development of such documents, which have to set forth clear targets and approaches to implement respective objectives in individual universities.

2.2. Constitution of the higher education system and modernization of governance

Given this objective, there are two questions:

- Should the MOE still directly regulate and manage all aspects of the higher education sector? If not, what other options are there?

- What should the legal status of the universities be and what should the degree of their autonomy be?

Section 1.4 above illustrated a spectrum of models of the possible constitutional framework for higher education, ranging from centralized administrative control to institutional autonomy. The assumption is now made that Russia wishes to move further towards the end of the spectrum in which institutions have greater autonomy and the MOE is less involved in direct administrative control of the system. This assumption is based on a number of objective and subjective (political) preconditions to secure this movement, including the sheer scope of the higher education system in Russia (over 600 HE institutions); their geographic distribution and coverage of professions; the need to provide a more flexible training of professionals; the general thrust of the administrative reform, initiated by the Russian president; and also Russia’s subscription to the Bologna process (including transformation of governance). It is noteworthy, that according to clause 1.4, this movement is in line with the international trend.
It should be noted at this point, that the MOE in Russia is drastically different in its functions from its Anglo-Saxon counterparts. The Russian Ministry combines strategy development functions (political direction of the system) and operational management functions. The issue, whether it is necessary or reasonable in the current situation, shall be discussed below.

2.2.1 System control and administration

Strictly speaking, if universities were given greater autonomy, it does not necessarily mean that the MOE would shed its direct responsibility for a number of its functions. There would be however needed a significant change in the MOE culture, as the emphasis moved away from ensuring conformity to central directions towards trend monitoring, identification of weaknesses and addressing them, encouraging initiative and diversity by institutions as a way of achieving the MOE’s overall national objectives. This attitudinal and culture change might be difficult to achieve without major structural transformations.

If the MOE decided to devolve a number of its management functions to specialized agencies or to non-governmental (public) organizations (such as professional associations, for example), the new culture could be achieved more easily in this environment of reorganization. This would also help to entrench the ministry in its strategic governance role, free of everyday routine management. However, these buffer bodies would need to be very clear about their precise functions and the dividing line with those functions that the MOE retains. Appendix I describes the functions of buffer bodies adopted in ten countries where legislation has been used to create a buffer body and it is clear that there is a wide variation in the functions given to buffer bodies. There is also a variation in the extent to which the MOE has decided to implement the delegation allowed by legislation. Unfortunately, it is not unusual for the MOE to design legislation for delegating its powers and then to hesitate to put it into effect.

In Russia an example of such a specialized agency is seen in the Supreme Certification Commission, which awards academic degrees and ranks. Although it has been established by the Government, the Commission, however, enjoys considerable autonomy in its decision-making. Other examples of the MOE delegating its powers include teaching and methodological associations of universities. However, their low status and entrenched traditions of ministerial control over purely academic issues, instead of making it easier for the MOE, rather generates more work for it because the associations act on MOE’s orders, which have to be approved by respective MOE departments16.

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16 It should be noted that if an intermediary body is similar to the teaching and methodological associations in their current closed, non-transparent and consumer-excluding organizational form, such buffer bodies, instead of boosting development, may rather arrest the system’s development and tie it up.
It would be advisable to consider further delegation of MOE functions to individual intermediate agencies as part of the administrative reform effort. Apparently, if the MOE decides to devolve some of its managerial functions, these functions cannot go to one single agency. For example, often there would be one agency, responsible for quality assurance and another authorized to allocate budget funds to HE institutions.

There is a common international trend to establish an intermediary agency, responsible for allocation of government funds to higher education establishments (In the Netherlands this is an independent agency under the Ministry of Education). This would mean that the MOE passes all matters relating to allocation of government budget funds to the intermediary agency, requests it to allocate resources and to monitor the actual expenditures. This agency is governed by a board, accountable to the government, who is also charged with control (audit) of the expenditures, made by HE institutions. It is difficult to imagine the MOE delegating its function of resource allocation to a free-standing agency with a measure of independence. On the other hand, the current situation, when the MOE has to handle financing of three thousand plus budget recipients, doesn’t look very sound, because it prevents quite a few MOE officials and staff from focusing on important policy issues.

A radical scenario for the apportionment of functions between the MOE and new buffer bodies would be:

<table>
<thead>
<tr>
<th>MOE</th>
<th>Government and non-government specialized agencies and professional associations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic planning for the sector.</td>
<td>Agreeing institutional missions and strategic plans.</td>
</tr>
<tr>
<td>Establishment and closure of HE institutions.</td>
<td>Resource allocation to institutions.</td>
</tr>
<tr>
<td>Analysis of the current situation and trends</td>
<td>Monitoring financial and academic performance against approved academic, financial and other standards.</td>
</tr>
<tr>
<td>National policy development</td>
<td>Licensing, appraisal (аттестация) and accreditation of HE institutions.</td>
</tr>
<tr>
<td>Approval of university Statutes/Articles of Incorporation</td>
<td>Awarding academic degrees</td>
</tr>
<tr>
<td>Approval of rectors</td>
<td>Agreeing HE standards in subjects (if this function is required at all)</td>
</tr>
<tr>
<td>Elaboration of basic legal and regulatory documents</td>
<td>Approval of qualifying requirements</td>
</tr>
<tr>
<td>Setting the total enrolment number targets for each HE establishment (and the totals in some subjects in exceptional cases)</td>
<td>Implementation of Federal earmarked programs</td>
</tr>
<tr>
<td>Development of Federal earmarked programs</td>
<td></td>
</tr>
</tbody>
</table>

If a less radical model was preferred, the MOE could limit the functions of specialized agencies to quality assurance issues and graduate qualifying requirements. However even in this case such devolution of functions will be meaningful only if this agency enjoys a high degree of autonomy and is transparent in its operations. The
MOE role in this case may be limited to the approval of rules and procedures for this agency and to compliance monitoring.

It should be emphasized that Russia, with its still weak liaison between vocational/professional training and the labor market, might benefit a lot if the function of approval for qualifying standards and curricula were ceded to professional associations. It would contribute considerably to a better training of specialists, more in line with the actual requirements of social and economic development.

Still unresolved remains delegation of some federal MOE functions to the regions. For example, the experience of Samara and Voronezh oblasts shows that regional authorities are willing to build up their financial support to higher education, if the system becomes more responsive to regional development needs. There is an acute necessity to review and summarize the available experience of regional government participation in the governance and management of regional HE systems. But in any case, having in mind the experience of other major federal states, the current alienation of regional governments from higher education governance and management in the regions, does not appear very accountable or sound.

**2.2.2. Legal status of universities**

At present universities in Russia are operating within the same legal framework, as any other government institutions (with some rare exceptions, such as for example, rector election arrangements). A critical characteristic of this legal framework is their quite limited autonomy (especially in finances) and high degree of standardization (unification) of performance requirements. However there is quite a strong case for more autonomy and less unification for universities as compared to most other government institutions. The arguments for are as follows:

- rapidly changing labor market and overall environment demand that universities should develop flexible and straight interaction with the economic, social and cultural environment;
- The system is too colossal and includes too many diverse components to be effectively managed on the basis of rigid unification and petty administering;
- Critically important in professional training are traditions and academic freedoms, as reflected in the diversity and singularity of universities and irrelevance of standard requirements;
- the key resource of universities – professors – are individuals of unique skills and knowledge, which defy characterization in terms of standard procedures and salary rates;
- HE institutions are increasingly evolving into businesses, drawing on considerable off-budget, other than government, funds (a number of Russian HE institutions show 70% of off-budget revenues in the total revenues).

The above arguments are increasingly taken into account in the course of tertiary education reforms across the world (see above clause 1.1.2). Enhanced autonomy of universities as their specific feature may be enshrined in legislation in the following three ways:
• By giving them a special status under law, with a detailed prescription of their degree of autonomy.
• By allowing them to register as charitable organizations under trustees.
• By establishing them as non-profit entities.

The first named is the one that is most common in international practice and is recommended for Russia. Recent discussions have favored the idea of a separate law on specialized state and municipal non-profit organizations as a possible vehicle. Such a law may lay some important groundwork for differentiating universities from other government institutions. However, the latest draft (which had to bring together universities, hospitals, theaters, etc) has some provisions, which are not entirely compliant with international tendencies in university governance (for more detail see Appendix VI). This serves to further substantiate the idea that in the near future Russia should not seek a universal umbrella law on specialized government institutions, but should rather more realistically seek to get a special law on universities or make appropriate amendments to the current university legislation.

This legislation should at least capture the following characteristics of universities: that they use government assets and have been established by the State, and that they enjoy a high degree of autonomy in the academic, managerial and financial sphere. Of course, this legislation should effectively resolve the conflict in financial management, which was generated by the introduction of treasury execution of university budgets. As stipulated in 1.1.2, in compliance with international trends in university legislation, universities may be legally sued, but such claims shall not be rerouted to the founder of a respective university, i.e. the State. In such cases legal liability shall be fully with the rector and the university board, who shall have to take this risk in consideration.

Legislation should be limited to the principal constitutional and structural points and not cover too many detailed points; since, if these are included there is a risk that there might have to be changes and amendments in the legislation later. The guidelines in Appendix III illustrate which topics might be covered in legislation and which can best be left to the universities’ Statutes and regulations. These university Statutes will be subject to the approval of the MOE and/or the Ministry of Justice or of an authorized specialized agency.

### 2.3. Governance models for universities

An independent legal entity must have an appropriate governance structure to ensure its functioning and development in compliance with its Statute mission and objectives, its accountability to the founders, its openness, efficiency and high performance of internal administration processes. Modern governance models for autonomous entities suggest quite a clear-cut segregation of governance functions into executive (administrative) and regulatory (prescriptive and controlling) with their assignment to appropriate governance and management bodies of this institution. Moreover, since this institution is government property (not only the property of the MOE), it should be open to public control. It should be noted here that by public
control we mean availability of information and transparency of financial and academic decision-making rather than control procedures (inspections). This public control (openness) may and should replace administrative control (inspections) rather than complement it. Consequently universities should build their relations with the MOE and the public on the basis of certain procedures, which serve to institutionalize transparency and accountability.

The above provisions give rise to an increasingly wide-spread practice when strategic guidance of a HE institution is assumed by its Board, made up of representatives of a range of stakeholders, whereas operational management is vested with the rector, appointed by the Board, and his/her administrative team. Academic issues are the domain of the Academic Council of the university. Thus a complete university governance structure should comprise three bodies, with clearly distributed tasks and powers.

A prevailing practice in Russia at present is rather unusual for advanced countries. Under this arrangement the rector concentrates in his hands all the power on the university level, while the academic council is mostly for ornamental purposes. Moreover, Russian universities are largely closed to external (other than administrative) control and external assistance. Some progressive rectors have encouraged the establishment of boards of trustees and opened university policies and budgets to them. However the current legislation does not provide any controlling or policy-making function to such boards. Moreover, in a number of cases they only serve to legitimize the rector's office absolute power. Should the Russian HE institutions get a governance system, featuring the Board, the Rector and the Academic Council, it would open up the system, make universities more accountable and efficient and raise additional resources from regional and local governments, businesses and alumni.

Elaborating the proposed scenarios of such governance structure, the following seven issues need to be addressed:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Factors to consider</th>
</tr>
</thead>
<tbody>
<tr>
<td>Powers of the Board</td>
<td>These are influenced by the scale of the autonomy granted, but the Board may be accountable for the activities and performance of the institution only if it defines its strategic plan and internal regulatory framework, approves the budget and has an important say in rector appointment.</td>
</tr>
<tr>
<td>Size and composition of the Board</td>
<td>Some limits to size can be included in legislation (a maximum of 24 is common), but the exact size and composition is usually left to the University, as set forth in its Statute. It would be expedient however for the legislation to specify that there should be a majority of external members (regional authorities, business community and broad professional community)</td>
</tr>
<tr>
<td>Appointment (selection) of members</td>
<td>These procedures may be prescribed in the Statute of the university, following the standard MOE regulation. Normally “internal” members of the Board should be elected, while</td>
</tr>
</tbody>
</table>
“external” members should be appointed by their respective organizations.

Appointment of the Chair of the Board
It may be left to the MOE, however, it is more preferable, if the MOE leaves the powers of selection and nomination with the Board, but retains the right to reject its candidate.

Appointment of the Rector
This may also be left to the MOE, however, it is more preferable, if the MOE leaves the powers of appointment with the Board, but retains the right to reject its candidate.

Powers of the Academic Council or Senate
Legislation may state the role of an Academic Council as the principal academic body. Its detailed functions should be prescribed in the Statute of the University.

Powers of the Rector
Legislation shall confirm the Rector as the principal academic and administrative officer responsible for the operation of the university and accountable to its Board. The administrative structure (senior managers) should be set forth in the Statute or can be left to a simple Board decision.

2.4. Financial aspects of governance modernization

2.4.1. Allocation of government funds to universities
The way government funds are allocated to universities is basically unrelated to governance transformation on the institutional level. However it is related in some important way to the overall tertiary education governance structure. International experience shows that there are two main trends: the first is to use a funding formula based on student numbers and, the second is to adopt performance based funding, in which money is allocated according to results and outputs rather than to simple numbers entering higher education. For example, a university may get its financing on the basis of the number of degrees awarded. Where formulae are used, the principles on which they are based are transparent, since they include weightings for different subjects and for modes of teaching such as part timers. Apparently there is an international trend to finance extra-curriculum (including research) activities of universities exclusively on a competitive basis. The tenders in question would be more frequently organized not by the MOE, but by specialized bidding committees.

The vehicle of “graded vouchers” (GIFO), proposed to finance educational expenditures of the Russian higher school, is a rather unusual version of formulaic approach, because different students bring in different amounts to the university. This approach needs a careful projection of possible financial implications for various institutions. The most immediate priority would be to enhance considerably the transparency of the formulae, used to allocate funds for the teaching process. It is evident that the implementation of the per capita principle should imply a lump-sum approach or a one-item allocation, without any preliminary break-down by classification codes, done by the MOE or the Treasury.

Another short-term task may be to delegate powers for allocation of funds for extra-curriculum expenditures (research, investment projects) to a specialized agency.
(foundation) or at least to enhance competitiveness and transparency in the process of funds allocation by the MOE.

2.4.2. Financial management on the institutional level and accountability issues

Currently Russian universities have very little autonomy and flexibility in using their budget and off-budget funds. The system evolving with the advent of the treasury is in fact institutionalizing the authorization or warranting role of the control bodies, thus motivating universities to hide their off-budget funds. At the same time the non-transparent way, executive divisions of universities spend their funds, makes it difficult to perform any meaningful substantive analysis and practically impossible to control them outside the administrative hierarchy. Yearly cycles of financing and spending are not conducive either for efficient use of funds in the framework of long-term programs.

The international experience does provide some ideas as to how Russia can move away from this inefficient system of financial management. In brief the best practice financial management system may look as follows:
- funds, allocated by the Ministry and “own earnings” (funds, received for the provision of commercial services, under contracts and grants), shall be consolidated into a single budget of the university to be used in a uniform manner;
- the budget of the university shall be drafted by the Rector and approved by the Board, to be published in the university press and posted on the internet site of the university;
- control of the university budget implementation shall be performed on an annual basis, by an external auditor, engaged by the Board;
- a medium-term budget plan (for 3-4 years) shall be developed by the university and agreed between the Board and the Ministry as a guideline for policy planning;
- universities may retain the funds, unspent during the current financial year and carry them over to the next period;
- university may use the funds they receive for long-term investment, including for establishing endowments.

Should Russia embrace this framework, it should also enhance financial accountability of universities, improve openness and transparency for controlling bodies, for university employees and for all the stakeholders. This would involve financial reports and audits on various levels, both internal and external. Importantly, this would be ex post control, rather than control of plans and current operations. Transparency and openness shall be ensured by open access to the budget and annual financial reports of the university.

Before the above delegation of financial management happens, the ministry (or a buffer body for financial management) should make sure that the university has sound technologies of financial management, that proper reporting and transparency mechanisms are in place and the management personnel have received the necessary training.
There is one key principle, underlying delegation of financial functions, which sums up as follows: government authorities should trust autonomous institutions and let them manage their own activities, because they are responsible for their performance and they will be the ones who suffer if their Boards err in their judgement. This means that the financial authority should be prepared that from time to time errors and mistakes are inevitable. If an error happens, special arrangements would be needed to investigate the problem and to resolve it.

2.5. Extra powers of universities

Appendix V describes the extent of autonomy that is given to universities in ten OECD countries at present. Summarizing these data, it may be mentioned that there are still areas where the State usually retains control over decisions and also that there are areas where delegation is desirable, but not always simple.

The core areas where it would be desirable to retain MOE control (or control by a specialized agency) over universities are as follows:

* Approval of statutes/articles of incorporation of universities.
* Establishment of new HE institutions.
* Setting a cap on the total student numbers overall funded by the State and the totals in selected high cost areas (eg medical and veterinary students).

However, some areas would require caution in control delegation, and Russia might wish to introduce modified autonomy for the moment, rather than delegating these functions in question to all the universities at once. This modified autonomy may be reflected in individual university statutes. These areas are:

- The right to set academic salary levels. Countries such as the USA, Australia, Canada and South Africa have developed traditions in which individual institutions negotiate salaries with their academic and other staff and variations result. European countries such as France and the UK on the other hand have standard national academic pay scales. Until institutions have acquired effective human resource departments with industrial relations skills, it could be unwise to introduce local pay bargaining. A compromise approach is to have set national scales but allow institutions to pay market supplements for those disciplines (such as law, computing, accountancy) where it is very hard to attract good staff on the academic scales, because of strong competition on behalf of businesses.
- Deciding the number of students to enroll in the system, financed by the government. If the State is funding the bulk of the costs of higher education, it is reasonable for it to want to control this cost by placing a cap on the total student numbers that it pays for. On the other hand, rigid enrollment planning for each of the multitude of subjects and specializations (targets) does not seem always justified. Universities should be granted more flexibility on this issue. This would also be in line with the transition to the two-tier system as part of the Bologna process. And of course the State should lift any restrictions to the right of institutions to enroll full fee paying students.
• The power change the structure and content of the academic program in individual subjects – training standards - is shown in Appendix V to be one that is widely delegated to institutions, given certain conditions. The argument is that the market is a more effective and flexible mechanism than central planning for deciding what programs are needed and an institution is better placed to assess the influence its local market. However, these powers require a certain academic potential and management culture. This is why it is suggested that during the transition period this power is exercised by professional associations, involving also professional groups of teachers and professors, since purely professional groups are frequently guided not by the market situation but by their corporate traditions.

• The right to borrow funds secured against assets. Even where delegation has been in place for many years, the MOE or its agency is accustomed to check the extent of institutional borrowing to ensure that assets acquired with public money are protected. In some cases this is done by a check on the audited accounts after the event and by setting a ceiling on total borrowings, while in others each major transaction requires major approval.

Autonomy in the above areas may be delegated to individual universities by MOE orders on the basis of reviewing of universities’ requests performed by open appropriately qualified commissions.

2.6. Accountability of universities to the State

Rectors universally acknowledge the right of the State to hold them accountable in return for granting of managerial powers. The question therefore arises: how and to what degree should governments control institutions, once they have delegated powers to them? Financial control via special control bodies and information availability arrangements has already been discussed in clause 2.4, but a more important control is the strategic control that measures performance against an agreed strategy.

Section 2.2 referred to the need for a national higher education strategy. When this is published, it can provide the vital framework for the universities to use in developing their own strategy. In other words each institution would be encouraged to develop its own strategic plans for achieving the national priority objectives in its regional and institutional context. Institutions would add their own strategic priorities so that the resulting development strategy is ultimately shaped.

Russia may draw on the experience, found in a number of countries, where the Ministry of Education or a specialized agency with some assistance form expert groups, base all their monitoring and evaluation of an institution’s performance on its three year strategic plan. From this annual targets would be developed and each year budgets would be prepared showing how the financing available would be used to work towards the strategy. This three year strategic plan would be used by the Board to prepare reports to government funding agencies.
The funding body would then assess the institution not just on its financial rectitude but more significantly on its success in achieving the strategic targets it had set itself. In due course this might encourage the Ministry of Education to move towards a system in which common performance measures were adopted to show the extent to which national strategies were being achieved. Thus, for example, where it was a national strategy to increase the number of students from rural areas, institutions would be expected to develop their own ways of making this happen and to report in a consistent format on how they had done it.

2.7. Conclusions - implementation issues

It should be emphasized once again at this point, that arguably the fossilized governance system of higher education both on the federal level and on the institutional level, closed to the external environment and frequently to university insiders too is a real break on the modernization process. And indeed this issue cannot be resolved by a mere change of university status from a government establishment to non-commercial institution. Changes along these lines should be arranged in a consistent framework, whose components have been described earlier.

It is not enough just to update the legal and regulatory framework to ensure that these changes really happen and foster a new governance and management culture, and ultimately a new culture of professional training. Unfortunately, Russia has a huge heritage of reforms, delivering new concepts and updated regulations, but leaving the entrenched practices virtually untouched. This may be avoided this time only if we plan and institutionalize the “implementation” of new ideas.

Proceeding from the international experience of reform in higher education governance and management the following mandatory steps may be envisioned to effectuate the proposed changes.

- The changes, suggested in section 2, should be developed in detail and described with regard to the Russian specifics.
- An action plan should be designed and approved, to ensure a gradual but confident progress of the modernization project (in the context of overall development of the higher education system)
- A program of presentations and discussions will be required, not to debate the reforms but to focus on how they will be implemented
- To reflect required changes in work practices, a new system of performance indicators should be used to assess the performance of universities
- On the government and parliamentary level a Supervisory Committee should be set up to supervise the reform effort. This committee should include respected persons
  Funds should be set aside for the staff development, training and the institutional IT systems to meet the new requirements.
Managing a university in a fully devolved environment is a very complex and challenging task involving special skills. In many cases the key skill required is that of managing change and overcoming resistance to that change. These skills will need to developed and extended in a system that has not encouraged them before. This is why it will be critically necessary to get professional management staff for universities.

Appendix VIII illustrates some lessons drawn from international experience in achieving institutional reforms. It emphasizes the wide range of solutions, since institutions have individual corporate cultures and traditions and each will require a different mix of approaches in establishing and embedding change.
### Functions of Buffer Bodies

In the table below we show the functions of ten buffer bodies based on the legislation that created them. The bodies are not necessarily yet performing all these functions for one reason or another.

<table>
<thead>
<tr>
<th>Country</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
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</thead>
<tbody>
<tr>
<td>Strategic Planning</td>
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<tr>
<td>Policy analysis/ problem resolution</td>
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<tr>
<td>HEI mission definition</td>
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<tr>
<td>Academic program review</td>
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<tr>
<td>Budget development/ funding advice/allocation</td>
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<tr>
<td>Program administration</td>
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<tr>
<td>Monitoring/ Accountability</td>
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<tr>
<td>Quality assurance/ standards review</td>
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<tr>
<td>Deciding the total number of student admissions</td>
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</tbody>
</table>

**Key**
- A= Australia
- B= Canada (Manitoba)
- C= Hong Kong
- D= India
- E= Kenya
- F= Nigeria
- G= South Africa
- H= Sri Lanka
- I= England
- J= Zimbabwe


**Note:** Since this chart was drawn, the Australian buffer body has been closed down and its functions are now performed by DEST, the relevant Ministry. A separate quality agency has also been created.

In addition to the functions listed above (which are all derived from the legislation) there are many examples of other buffer bodies being established for other functions.
that were once performed by the MOE. The following are some examples from OECD countries:

* Running a national standardised student admissions system and administering a common access test.
* Managing the national ICT optic fibre networks for higher education use.
* Collecting and publishing university statistics
* Promoting good practice in teaching.
* Marketing university services overseas and recruiting international students.

One of the buffer body functions that is most commonly separated from funding is that of managing the quality assurance or accreditation functions. The skills sets required are very different from those in a funding and monitoring body, particularly when the quality function covers quality enhancement. However in some jurisdictions (such as Scotland) the quality ratings produced by one body may have an influence on the levels of funding allocated by another body.

The text referred to the risks in having a buffer body. The main risk from the government perspective is that the body will fail to follow government policy in making its decisions and in managing the sector. The key to overcoming this is for the Chair and CEO of the buffer body to have regular close liaison with the MOE on policy matters and to ensure that the buffer body requires universities to build in national policy guidelines into their own strategic plans.

The main risk from the buffer body perspective is that the MOE will still intervene in the funding and management of institutions in response to direct lobbying by rectors and others in the sector. Should this happen, the buffer body will become sidelined and institutions will no longer consider themselves bound by its decisions. This situation can also arise if the MOE loses confidence in the ability of the buffer body to perform its functions. This risk can also be avoided by regular contact at senior levels between the MOE and the buffer body in order to ensure that both are consistent and by the MOE exercising self-discipline, so that it only acts though the buffer body in any dealings with individual institutions. If the MOE believes that there are problems in any one institution, it must ask the buffer body to investigate and then put things right.
Appendix II

Possible Locations of the key Management Functions

<table>
<thead>
<tr>
<th>Key Functions</th>
<th>Ministry</th>
<th>Buffer Body</th>
<th>Specialized Agency</th>
<th>Council of Rectors/ Presidents/ VCs</th>
<th>Associations and lobby bodies (eg Unions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting Vision and Goals</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agreeing Size and Shape of System</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licensing New Institutions</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Researching Policies and Objectives</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Setting Policies and Objectives</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Agreeing Strategic Plans</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocating Resources</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Allocating Resources for Special Programs</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitoring</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Collecting Statistics</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Assessing Quality of teaching</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Financial Auditing</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Elaborated by John Fielden and Jamil Salmi, March 2001

Note: A mark in **bold** indicates that it is essential for that function to be performed by the Ministry.
Appendix III

Typical relationship between national legislation and University statutes and regulations

The key distinctions are that:

1. National legislation must be reserved for the long term strategic framework, as provisions once made could take a long time to change in future legislation.
2. University Statutes are the University’s own internal legislation and will need to be as permanent as possible, since changing them would usually require MOE (or buffer body) approval. One of the first acts of a new Board is to develop the University’s Statutes.
3. University regulations are matters that can be changed by the University’s Board or Academic Council each year.

The asterisks in this chart show at what level the topic concerned is covered. Thus, while the existence of a Board is specified in legislation, its exact composition may need to take regional or special factors into account and will be covered in the University’s Statutes.

<table>
<thead>
<tr>
<th>Topic</th>
<th>National legislation</th>
<th>University’s charter and statutes</th>
<th>University’s regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constitutional status of the University as a legal entity (able to be sued)</td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>It shall have a Board (plus possible guidance on its composition)</td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific composition of the Board (eg: academic, external, students) and powers to appoint new members.</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Broad powers and responsibilities of that Board and a statement on its autonomy as regards academic freedom.</td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Detailed powers of the Board</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Accountability of the Board to buffer body/MOE and how it is to be exercised</td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>University to be subject to external quality assurance arrangements</td>
<td>*</td>
<td></td>
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</tr>
<tr>
<td>Powers of the Board to appoint its Chair and the Rector (subject to buffer body/MOE approval?)</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Powers of the Board to remove the Rector</td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Board to have powers to create sub committees</td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board’s powers to set disciplinary and conduct rules for staff and students</td>
<td></td>
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<td>*</td>
</tr>
<tr>
<td>Rector’s role and accountability to the Board</td>
<td>*</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Main Board sub committees and their roles</td>
<td>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Details of all committees, their TOR and their composition</td>
<td>*</td>
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<td></td>
</tr>
<tr>
<td>Rules for the conduct of business of the Board and its committees</td>
<td>*</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Role and powers of Academic Council/Senate</td>
<td>*</td>
<td></td>
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</tr>
<tr>
<td>Powers to approve creation of new academic programs and courses</td>
<td>*</td>
<td></td>
<td></td>
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<tr>
<td>Detailed regulations for each course</td>
<td>*</td>
<td></td>
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<tr>
<td>Definition of Board powers to appoint and dismiss staff</td>
<td>*</td>
<td>*</td>
<td></td>
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<tr>
<td>Powers to admit students (subject to MOE limits) at various levels</td>
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<tr>
<td>Detailed regulations on admissions procedures</td>
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<tr>
<td>Regulations on examinations</td>
<td>*</td>
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</tr>
<tr>
<td>Powers to award degrees and awards and the circumstances under which these powers can be removed.</td>
<td>*</td>
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<tr>
<td>Powers to own, acquire and dispose of property</td>
<td>*</td>
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<tr>
<td>Broad guidelines on financial accountability and submission of financial reports</td>
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<tr>
<td>Detailed financial regulations</td>
<td>*</td>
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<tr>
<td>Requirements as to audit of various kinds</td>
<td>*</td>
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<tr>
<td>Government’s powers to intervene in the event of financial difficulties or suspected fraud</td>
<td>*</td>
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<tr>
<td>MOE/buffer body requirement to approve any merger with another university body</td>
<td>*</td>
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<tr>
<td>MOE/buffer body powers to require reports and statistical information at any time</td>
<td>*</td>
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<tr>
<td>Powers to set tuition fees maxima or standards for domestic and international students</td>
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<tr>
<td>Setting the level of annual tuition and other fees</td>
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<tr>
<td>Right of staff and students to organise themselves in representative bodies</td>
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<tr>
<td>Control over, and responsibility of, a Students Union</td>
<td>*</td>
<td>*</td>
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</tr>
</tbody>
</table>

Note:
The 1998 Council of Europe report on the Legislative Reform Programme has an Appendix I which follows a similar approach to the table above by defining what should be regulated at what level.
# Appendix IV

## Mechanisms for the Allocation of Public Resources

<table>
<thead>
<tr>
<th>Allocation Mechanism</th>
<th>Teaching</th>
<th>Research</th>
<th>Living Expenses</th>
<th>Service and Cultural Activities</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Funding (to Institutions)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Negotiated Budget</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Formula Funding</td>
<td></td>
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<tr>
<td>Input-based</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Performance-based</td>
<td>X</td>
<td>X</td>
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</tr>
<tr>
<td>Competitive Funding</td>
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<td>X</td>
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<td>X</td>
</tr>
<tr>
<td>Benchmarking Funding</td>
<td>X</td>
<td></td>
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<tr>
<td>Performance Funding</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
<td>X</td>
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<tr>
<td>Matching Fund</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
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<tr>
<td>Charge Back</td>
<td>X</td>
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</tr>
<tr>
<td><strong>Indirect Funding</strong></td>
<td></td>
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<td></td>
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<tr>
<td>- through Students</td>
<td></td>
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<tr>
<td>Vouchers</td>
<td>X</td>
<td></td>
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</tr>
<tr>
<td>Scholarships</td>
<td>X</td>
<td></td>
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<tr>
<td>Tax Credits</td>
<td>X</td>
<td>X</td>
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<td></td>
<td>X</td>
</tr>
<tr>
<td>Matching Grants</td>
<td>X</td>
<td>X</td>
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<tr>
<td>Student Loans</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- through Employers</td>
<td></td>
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<tr>
<td>Payroll Tax</td>
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<tr>
<td>Tax Credits</td>
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<td></td>
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</tr>
</tbody>
</table>

Source: Elaborated by Jamil Salmi
## Appendix V

### Extent of University Autonomy in 12 OECD countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Own buildings and equipment</th>
<th>Borrow funds</th>
<th>Spend budgets to achieve objectives</th>
<th>Set academic structure and courses</th>
<th>Employ and dismiss staff</th>
<th>Set salaries</th>
<th>Decide size of student enrolment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>Y</td>
<td></td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Poland</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Australia</td>
<td>Y</td>
<td></td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Ireland</td>
<td>Y</td>
<td></td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Denmark</td>
<td>Y</td>
<td></td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Sweden</td>
<td>Y</td>
<td></td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Norway</td>
<td>Y</td>
<td></td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
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<tr>
<td>Finland</td>
<td>Y</td>
<td></td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
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<tr>
<td>Austria</td>
<td>Y</td>
<td></td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Romania</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y(^{17})(^{18})</td>
</tr>
</tbody>
</table>

Y = Yes, meaning that the university has the power.

\(^{17}\) Within the range negotiated by MoERY with trade unions.

\(^{18}\) Negotiates with the National Council for Higher Education Financing and MoERY the number of students subsidied by the state and the number of students who pay fees.
Note: These responses come from a survey undertaken in 2003 by members of the OECD’s Institutional Management in Higher Education Programme.

Appendix VI

Characteristics of Governing Boards in selected OECD countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Role of the Board</th>
<th>Membership and Size of the Board</th>
<th>Role of Academic Council/Senate</th>
<th>Role of Chair of Board</th>
<th>Who can be elected or appointed as a Chair of the Board</th>
<th>Role of Rector/VC/President</th>
<th>Who can be appointed as a Rector/VC/President</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Overall responsibility to the funding body for governance of the university</td>
<td>Up to 24, with majority of non-academics.</td>
<td>Supreme academic body but is accountable to the Board</td>
<td>Manages the Board’s business, appraises the performance of the Rector</td>
<td>Any non academic – from business, civil service etc</td>
<td>Responsible to Board for all academic and administrative management</td>
<td>Any non academic – from business, civil service etc</td>
</tr>
<tr>
<td>Canada</td>
<td>Ultimate responsibility for the management of the institution, and recruiting or dismissing the VC, but provinces have some powers and allocate funding</td>
<td>Average size is 27. 25% appointed by province, 25% elected, 25% appointed by Board and 25% ex officio. Half are lay members</td>
<td>Senate is responsible for the academic direction (but is accountable to the Board)</td>
<td>Chairs the Board, supports, advises and evaluates the President</td>
<td>Usually from business, the professions or civil service.</td>
<td>Responsible to the Board for day to day academic and administrative management</td>
<td>Any senior academic (or other suitably qualified person)</td>
</tr>
<tr>
<td>France</td>
<td>Governing Board, agrees four year plan and contract with the State determines the policy but still subject to many controls from MOE (eg over</td>
<td>Members are elected from a number of backgrounds including external people.</td>
<td>Scientific Council recommends academic policy changes in teaching and research to the Board.</td>
<td>Rector/VC chairs the Governing Board, the Scientific Council and the Social Council</td>
<td>Not applicable</td>
<td>Directs the university, presides over the Councils, controls finances and is responsible for orderly running</td>
<td>A senior academic who is elected by members of the three university Councils</td>
</tr>
<tr>
<td>Country</td>
<td>Institution</td>
<td>Members</td>
<td>Powers</td>
<td>Role</td>
<td>Selection Process</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Germany</td>
<td>Senate</td>
<td>No central academic body, - so faculty or departmental councils decide on all teaching and research matters</td>
<td>Either Rector or President (term of tenure differs) are nominally responsible for managing the institution but have limited powers.</td>
<td>Is elected from a senior professor cadre by an assembly of all staff.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>Senate</td>
<td>Members are elected for three years</td>
<td>Is the chief academic and administrative officer</td>
<td>A senior member of the academic staff elected by Senate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>Board of Directors</td>
<td>Internal and external members</td>
<td>Councils shall deliberate on academic courses, research, staff appointments and students and advise the President</td>
<td>Not specified</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>President is expected to be a strong leader with ultimate responsibility for the institution, with help from an Administrative Council containing external experts.</td>
<td>Well qualified candidates from inside or outside the university can be appointed by a selection committee containing non-university experts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>Supervisory Board</td>
<td>Five external members of SB appointed by the Minister on the advice of the University Council</td>
<td>University Council (of c 15) is elected and advisory body able to comment on strategic plan and proposed new regulations</td>
<td>No specified functions other than chairing the Sup. Board</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Usually eminent persons from business or politics</td>
<td>Is the senior academic member of the Executive Board which has full (but collegial) responsibility for running the university</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>Executive Board</td>
<td>4-5 external</td>
<td>Advisory bodies</td>
<td>A senior academic (professor) who is appointed by the Supervisory Board</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country</td>
<td>Role</td>
<td>Responsibilities</td>
<td>Composition</td>
<td>Selection</td>
<td>Appointment</td>
<td>Chair</td>
<td>Other</td>
</tr>
<tr>
<td>----------</td>
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</tr>
<tr>
<td>Sweden</td>
<td>Board of Governors has overall responsibility for all aspects of the institution</td>
<td>Members and Chair appointed by Minister (but suggested by University)</td>
<td>Faculty Boards determine policy in teaching and research in each faculty</td>
<td>Chairs the Board, and is appointed by Government. Must not be affiliated with the institution</td>
<td>Vice Chancellor (or Rector) is the principal officer responsible to the Board</td>
<td>A senior academic appointed by Government on recommendation of the Board</td>
<td></td>
</tr>
<tr>
<td>UK (3)</td>
<td>Overall responsibility for managing the institution and appointing the VC</td>
<td>Proposed limit of 25 members (current average c.30)</td>
<td>Responsible for academic policy and quality, but is ultimately accountable to the Board. Has 25-150 members</td>
<td>Chairs the Board and reviews the performance of the VC.</td>
<td>Any non academic from business, civil service or Government</td>
<td>Is the Principal academic and administrative officer and is accountable to the Board.</td>
<td>Any senior academic, but suitable diplomatic, military or business people have also been appointed.</td>
</tr>
<tr>
<td>USA (4)</td>
<td>Board of Trustees/Regents has overall responsibility for managing the institution, but powers vary by State. Usually selects the President.</td>
<td>In State universities Board members (c 10-25) are appointed by the State Governor</td>
<td>University Faculty Senates advise the President and the Board on the key academic matters. Members are elected and vary greatly in number</td>
<td>Chairs the Board and reviews the performance of the President</td>
<td>Chair of the Board is appointed by the Governor</td>
<td>President has overall responsibility to the Board for the academic and administrative management</td>
<td>Usually a senior academic, but can be from commerce or Government.</td>
</tr>
</tbody>
</table>

Notes:
(1). Senior diplomats, civil servants or military persons have sometimes been appointed Rector or VC.
(2) This is based on a National University Corporation Law that takes effect in April 2004.
(3). In the UK there are two governance systems for universities for those established before 1992 and those established after 1992.

(4. This is based on state-funded universities, but details vary greatly between States. In general there is a move to delegating more powers to university Boards.
### Appendix VII

**Tertiary Education Reform Initiatives in Selected Countries**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>ACTIVITY/EVENT</th>
<th>TYPE OF REFLECTION</th>
<th>MAIN ELEMENTS PROPOSED</th>
<th>ACTUAL REFORMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Green/Orange Paper (1991)</td>
<td>Expert report</td>
<td>• Transfer of decision-making to universities and change in institutional governance</td>
<td>• Establishment of Fachhochschulen (late 1990s)</td>
</tr>
<tr>
<td></td>
<td>Qualifikation 2000</td>
<td>Expert report</td>
<td>• Called for establishment of alternatives to tertiary education.</td>
<td></td>
</tr>
</tbody>
</table>
  • Increase participation in tertiary education.  
  • Student-centered orientation.  
  • Gradual movement toward voucher type funding mechanism.  
  • Entry and recognition of private tertiary education establishments.  
  • Capital charging. | |
|         | Statement by Min. David Kemp (1998)  
  *Our Universities, Our Future* (2000)  
  [http://www.avcc.edu.au](http://www.avcc.edu.au) | Public statement  
  Report of the Vice Chancellor’s committee | • Wages to be set at institutional level  
  • Advanced the idea of “exit examination”  
  • Additional funding | |
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>ACTIVITY/EVENT</th>
<th>TYPE OF REFLECTION</th>
<th>MAIN ELEMENTS PROPOSED</th>
<th>ACTUAL REFORMS</th>
</tr>
</thead>
</table>
• Limit set on full fee paying domestic students  
• Introduction of Governance protocols | |
<p>| Denmark | University Act of 1993 | Legislation | • Pluriannual agreements for budget and management | |
| France | <em>Université 2000</em> (1993) | Regional consultations | • Strategic and financial planning for expansion | |
| | <em>Etats-Generaux</em> (1995) | Public consultations | • Five Years of University Studies | |
| | Attali Report | Expert report | • Proposed a new simplified structure of qualifications, known as “3-5-8” | |
| | Sorbonne Agreement (1998) | International agreement of Ministers of U.K., France, Germany and Italy | • Agreement to find ways to “harmonize their first tertiary qualifications (3 year first qualification).” | |
| | Legislation | Legislation | • Encourage greater involvement of higher education through new targeted funding and a system of qualifications. | |
| | Université 3ème Millénium | Expert report | • | |</p>
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>ACTIVITY/EVENT</th>
<th>TYPE OF REFLECTION</th>
<th>MAIN ELEMENTS PROPOSED</th>
<th>ACTUAL REFORMS</th>
</tr>
</thead>
</table>
| Germany  | New framework law          | Legislation        | • New ways of public finance, including using performance indicators.  
• New possibilities for increased responsibilities for heads of higher education institutions.  
• New structures and new qualifications.  
• New criteria for recruitment and promotion of staff. |                                                                                                                                                                                                                           |
|          | Science Council Report      |                    | Expert report and Presidential statement                                                                                                               | • Contributed to enactment of law                                                                                                                                                                           |
| Hungary  | 1996 Reform process begins | Spontaneous, bottom up process led by the Council of Rectors ('any legislation?') | • Reintegration of the universities as multi-functional institutions.  
• System for transfer-of credits, within and between institutions to be compatible w/ European Union.  
• Diversification of institutional financing.  
• Reform of the student fee system.  
• Technology training. | Creation of a quasi-public, intermediary institution for channeling student loans through the banking system.                                                                                                           |
<p>| Ireland  | The University Act 1998     | Legislation        | • Introduced greater institutional autonomy.                                                                                                               |                                                                                                                                                                                                                           |
|          | 1999 Legislation            | Legislation        | • Established national qualifications framework to guarantee quality and promote access, transfer and progression within education and training.                                                                                         |                                                                                                                                                                                                                           |</p>
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>ACTIVITY/EVENT</th>
<th>TYPE OF REFLECTION</th>
<th>MAIN ELEMENTS PROPOSED</th>
<th>ACTUAL REFORMS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Adult Education in an Era of Lifelong Learning</td>
<td>Expert Report</td>
<td>• Draws attention to changes needed in universities and technology institutes to cater to the needs for adults due to economic reasons and fairness.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1999)</td>
<td></td>
<td></td>
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<tr>
<td>Italy</td>
<td>Bassanini Law (1997)</td>
<td>Legislation</td>
<td>• Allows for decentralization in public administration.</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>National Commission on Education Reform (led by Leo Esaki) - 2000</td>
<td>Expert Report</td>
<td>• Need to introduce national graduation test to maintain quality of output</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Allow younger students to enter university (elimite 18 year old requirement)</td>
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</tr>
<tr>
<td>COUNTRY</td>
<td>ACTIVITY/EVENT</td>
<td>TYPE OF REFLECTION</td>
<td>MAIN ELEMENTS PROPOSED</td>
<td>ACTUAL REFORMS</td>
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</tbody>
</table>
|        | A Vision for Universities in the 21st Century and Reform Measures | Official Report | • Adopts the terms “Intelligence restructuring” as a concept to guide change in programs and overall provision. Calls for:  
  • Evolution of more distinctive institution profiles and more diverse study options and pathways  
  • Restructuring of undergraduate education.  
  • New quality assurance mechanisms along with greater autonomy for institutions. | |
<p>| Mexico | announcement by new President Fox (Dec. 2000) | national scholarship and student loan scheme to increase opportunity of access at tertiary education level | |</p>
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>ACTIVITY/EVENT</th>
<th>TYPE OF REFLECTION</th>
<th>MAIN ELEMENTS PROPOSED</th>
<th>ACTUAL REFORMS</th>
</tr>
</thead>
</table>
| New Zealand  | *Tertiary Education in New Zealand: Policy Directions for the 21st Century* (1998) | Green Paper (Senior Official Reviews) and White paper (official publication) | Calls for:  
  - Recasting the NZQA as a validation service within Quality Assurance Authority responsible for all levels and types of education and training.  
  - Opening up of eligibility for public funding to private training establishments providing approved study programs.  
  - Open commitment to providing funding for all tertiary students. |                |
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>ACTIVITY/EVENT</th>
<th>TYPE OF REFLECTION</th>
<th>MAIN ELEMENTS PROPOSED</th>
<th>ACTUAL REFORMS</th>
</tr>
</thead>
</table>
|                      | *Excellence, Relevance and Access* *(2002)*                                    | Government Publication     | Describes new tertiary system following the policy work by the Tertiary Education Advisory Commission. Paper covers:  
  • National strategy for HE  
  • Role of new buffer body  
  • Support for students  
  • New Funding Framework for Teaching and Learning  
  • New Performance-Based Research Fund |                 |
|                      |                                                                                   |                             |                                                                                                                                                                                                                         |                 |
| Norway               | Commission on Higher Education *(1998)*                                         | Expert Commission          | • Emphasis on reforms needed for adapting higher education to emerging needs.  
  • Internationalization and relations between higher education and other actions.                                                                                           |                 |
|                      |                                                                                   |                             |                                                                                                                                                                                                                         |                 |
| Pakistan             | Task Force on Improvement of Higher Education in Pakistan *(2002)*               | Expert Commission Report   | • Analysis of many previous reports with emphasis on implementing their recommendations  
  • Covers governance, quality, research, funding and curriculum.                                                                                                          |                 |
|                      |                                                                                   | published by Ministry of   |                                                                                                                                                                                                                         |                 |
|                      |                                                                                   | Education                  |                                                                                                                                                                                                                         |                 |
|                      |                                                                                   |                             |                                                                                                                                                                                                                         |                 |
| Poland               | Concept Paper by Minister of Educ. Handke *(1998)*                              | Concept paper              | • Charting a largely education-focused view for future development of the education system as a whole.  
  • Ideas on the structure of tertiary education programs and qualifications  
  • Organization and aims of curricula.                                                                                                                                     |                 |
<p>| | | | | |
|                      |                                                                                   |                             |                                                                                                                                                                                                                         |                 |</p>
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>ACTIVITY/EVENT</th>
<th>TYPE OF REFLECTION</th>
<th>MAIN ELEMENTS PROPOSED</th>
<th>ACTUAL REFORMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>Report under the leadership of Prof. Bricall (1999?)</td>
<td>Private Expert Report</td>
<td>through all levels of education and evaluation.</td>
<td></td>
</tr>
</tbody>
</table>
| South Africa | National Commission on Higher Education (1995/96)    | Committee Work with international consultations | Double focus:  
- Traditional themes in HE: form and functions of the system; gov’t and autonomy; standards of excellence; financing; coordination between institutions; “open learning.”  
- Priority themes for a country in reconstruction: democracy and elimination of inequalities; mobility between different parts of the system. | Process to broad and lacked focus. Restrictions to establishment of private and foreign universities |
<p>|           | Higher Education Amendment Law (Dec. 2000)          |                                           |                                                     |                                                     |</p>
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>ACTIVITY/EVENT</th>
<th>TYPE OF REFLECTION</th>
<th>MAIN ELEMENTS PROPOSED</th>
<th>ACTUAL REFORMS</th>
</tr>
</thead>
</table>
| National Plan for Higher Education (2001) | Ministry of Education                              | Calls for major re-structuring of the HE system and also:  
- Sets the size and shape of the system  
- Targets the participation rate and the balance of enrolments between subjects  
- Asks HEIs to set equity targets  
- Outlines new funding formulae for Teaching  
- Create a National Working Group with brief to reduce number of institutions |                                                        |
| Sweden           | Change in Government (1991)                          | Political change   | Reforms that:  
- Loosened direct central control of institutions while boosting autonomy and accountability.  
- Ensure coherence and accountability in a more open system. |                                                        |
- Re-thinking of the first two years of tertiary education.  
- Closer links to work.  
- Strengthened quality assurance effort.  
- Tuition fees. | Introduction of fees and student loans |
<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>ACTIVITY/EVENT</th>
<th>TYPE OF REFLECTION</th>
<th>MAIN ELEMENTS PROPOSED</th>
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</thead>
<tbody>
<tr>
<td></td>
<td><em>White Paper The Future of Higher Education (2003) – England.</em></td>
<td>Government Report</td>
<td>• outlines a vision for the sector • confirms 50% participation target. • new funds to support better teaching • suggests higher tuition fees (level to be set by each HEI)</td>
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<td><em>Kellogg Commission</em></td>
<td>Expert Commission</td>
<td>• Looking into how the mission of state and land grant universities and colleges is being challenged and recast.</td>
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<td><em>National Center for Public Policy in Higher Education</em></td>
<td>Private Institute</td>
<td>• Looking into broad developments, their implications for higher education and for state-level policies/policy approaches.</td>
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<td><em>US Congress Commissions</em></td>
<td>Federal Government Commissions</td>
<td>• Provides advice on higher education cost and financing.</td>
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<td><em>State Commissions</em></td>
<td>State Government Commissions</td>
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Source: Alan Wagner, Jamil Salmi with some additions by John Fielden
1/22/2004
Appendix VIII

Federal Law on Specialized State and Municipal Nonprofit Organisations

Comments and comparison with the models described in the Technical Note

This note includes some comments on the draft Federal Law and identifies some areas where it departs from the models suggested in the Technical Note. The vocabulary used in the Law is compatible with that in the Note and the term “SSMNO” is taken to mean a university and the articles of incorporation are its Statutes; the Trusteeship Council is assumed to be the same as the Board.

Buffer body. As currently worded, the Law does not appear to allow for the existence of a buffer body that might act for the “founder” or the “owner”. However, it may be that the term “organs of state authority” in Article 2 covered this possibility, but in a crucial Article 10 (see below) only the word “owner” is used.

Property. The Law devotes considerable space to provisions concerning property. Article 6.3 sets a limit above which any deals on property must be discussed by the Board, rather than the Rector and the executive. However, the last clause of article 10.1 appears to give the owner or founder the power to make all decisions on the disposal of real estate. If the MOE is the owner, this gives it a significant administrative task. It is usual to have some de minimis point below which central approval is not necessary. Item 7 in Article 13 also allows the “founder/owner” the right of deciding on a major deal that is put before the trusteeship council.

MOE’s powers. Article 10 defines the powers of the MOE and can be compared with Table 3 and the discussion in section 2.6. The power of the “owner” to establish the organs of management of the SSMNO is probably superfluous, if these are set out in the articles of incorporation which the owner approves. Inevitably, the law is very general and so some of the specific powers suggested in Table 3 are not identified. These would probably fall under the umbrella powers in the fifth bullet point – “control over the conformity of the activity”. Article 19.2 is a reasonable clause relating to the submission of three year plans on “financial and economic activity”, but makes no mention of any reporting requirements on other matters such as academic outcomes and results. Similarly article 20 is rather limited in the reports it suggests, but article 20.4 is an unusual requirement concerning open access to categories of information.

Trusteeship council. Article 12 confirms that the articles of incorporation are where details of the university’s governance arrangements would be set out, but Article 13.2 sets a time limit of five years on the life of the council/Board, which is unusual and inappropriate for a university. There seems to be no provision for extending this. It also allows for representatives of the State to be on the council, but has the flexibility
to accept what the articles of incorporation say about membership. Presumably, the right of the State to appoint members will vary by type of SSMNO and in the case of universities will be negotiated when articles of incorporation are agreed.

The powers of the trusteeship council in article 13.3 are relatively limited, but it is assumed that they will also vary according to the delegated authorities and autonomy that the “owner” gives each type of body. However, a potential worry is the clause at the end of article 13.3 that declares that the council “shall not have the right to take recommendations on questions not placed by the present Federal Law within its competence”.

Appointment of Chair of the council and the Rector. Article 13.6 allows the Chair to be elected by members. Article 14.2 specifies that the Rector is appointed by a state authority and makes no mention of the trusteeship council having any right in this. It is also silent on the Rector’s accountability which must be to the council/Board and not to the MOE.

Paid activities and entrepreneurialism. Article 15.4 seems to suggest that universities can charge full tuition fees for private students as “paid forms of their main activity”. The provisions in article 16 concerning entrepreneurial activities are similar to those in other jurisdictions, which also often add that any entrepreneurial activity must be charged at full cost so that the core activities of the university are not subsidising it.
Appendix IX

International experience in achieving institutional reforms

Most institutional reform occurs because of external drivers, whether it is funding shortage, policy changes or response to a direct instruction. Academic institutions are essentially conservative organisations and prefer not to change unless they have to. They are also slow to move. There are however rare examples of individual Rectors exercising leadership and motivating their community to embark on dramatic new strategies which bring transformation of structures and processes in their wake.

As it would be unrealistic to expect the emergence of such leaders in every Russian institution, those wishing to promote reforms in institutional management must consider all the means of assisting and enabling institutions to improve themselves and their management capacity. Among the techniques and tools that have been used are the following:

* Programs of workshops and seminars for institutional leaders and managers to meet and discuss ways of making change.
* Commissioned national training and development programs aimed at all the key professional skills such as accountants, property managers, human resource and ICT specialists.
* Provision of central funding to which institutions can bid for help with collaborative software development, use of external consultants, benchmarking exercises and exploration of good management practices.
* External audits of management capacity and skills.
* Publication of good management practice guidelines on matters such as financial strategy, strategic planning, risk management and human resource strategies.¹⁹

Within the institution itself there are various prerequisites for successful reform most of which relate to the quality and competences of the senior people. Commitment to, and enthusiasm for, the reforms by the Rector is the main driver, but there also needs to be:

* Competent and trained middle managers in all the technical and administrative functions.
* A cadre of academic managers willing to work with the Rector in leading change and convincing their colleagues of its importance.
* A committee structure that involves stakeholders at the essential moments in decision making process.
* Sound operational processes for all the main university functions (admissions, assessment, examinations etc) that are robust.

¹⁹ For examples of these see the publications of the English Higher Education Funding Council and their Good Management Practice program at www.hefce.ac.uk
* Information and reporting systems that are timely and accurate.
* A planned program of change that is seen to provide incentives and rewards as well as expecting time commitment and effort.

The main rationale for giving more autonomy to institutions is that, being close to their students and staff, they are better able to manage their operations than an external bureaucracy. This assumes a degree of responsiveness and initiative from people in the institution and, if this does not happen, the reforms would have failed to achieve anything. However, even where there is responsiveness and willingness to change, the basic management processes of a university may also have to change and that can be a long term project, particularly where software development is involved.