

PRIVATE FUNDS FINANCING OF EUROPEAN HIGHER EDUCATION

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ABSTRACT: *Higher education plays an important part in the European society, creating knowledge applicable to society and economy, and generating the process of economic and social evolution. Higher education institutions in Europe try to modernize both at the level of the courses they offer and at the level of their acting manner; European states as well as the private agents involved try to find out new, improved means of coordinating and financing. Starting from this idea, we would like to carry out an analysis of the manner of financing European higher education out of private funds with a view to identify new financing sources.*

KEY WORDS: *financing; European education; private funds; school taxes; autonomy; private entities*

JEL CLASSIFICATION: *B21, B22, B41, I21, I22, I23, O11*

The recent reforms in many countries have tried to increase the autonomy of higher education institutions regarding the management of finances, and, especially, the gathering and use of private funds. As a rule, public higher education institutions are mainly financed out of public sources and to a small extent out of private funds. Nevertheless, a lot of countries have tried to vary their financing sources meant for the higher education systems.

There are about 4 000 higher education institutions with over 19 million students and about 1.5 million employees in Europe. Certain such universities are quoted among the best in the world, although, on the whole, educational potential is not entirely used. Curricula are not always up-dated; the number of young people who attend the courses of a higher education institution is not always large enough, etc. Most of the time, European institutions lack the needed management instruments and financing according to their ambitious objectives. The governments and higher

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education institutions try to provide adequate conditions for the university academic environment and for the activities carried out within it.

At the level of the 27 countries members of the European Union, expenditures according to families (of which school taxes and other taxes represent the largest part) have increased from 7% to 13% between 1999 and 2004. The most significant increase of this financing field have been noticed in France (from 2.5% to 9.7%), Italy (from 2% to 18%), and Leetonia (from 35% to 48%). In Bulgaria, Leetonia, Lithuania, and Poland, families' expenditures represented between a quarter and a half of the total funds allocated to higher education during the whole period considered.

The total amount of private funds originating in other sources has slightly increased between 1999 and 2004 in France, Italy, and Slovakia. In 2004, in Bulgaria, Ireland, Greece, Cyprus, Leetonia, Malta, and Austria they represented less than 3% of the total funds allocated to higher education, while in the Netherlands, Sweden, and United Kingdom they represented 10% or more, and in Hungary more than 15%. Irrespective of the present level of public financing in various countries, all political messages of the authorities in the field of education encourage new manners of financing higher education.

In about two thirds of the countries, higher education institutions are allowed to receive school taxes from the students registered for a first specialization. In Estonia, Leetonia, Lithuania, Hungary, and Romania this happens only in case of the students who are sponsored by the State (Măcriș, 2010, pp. 142-161).

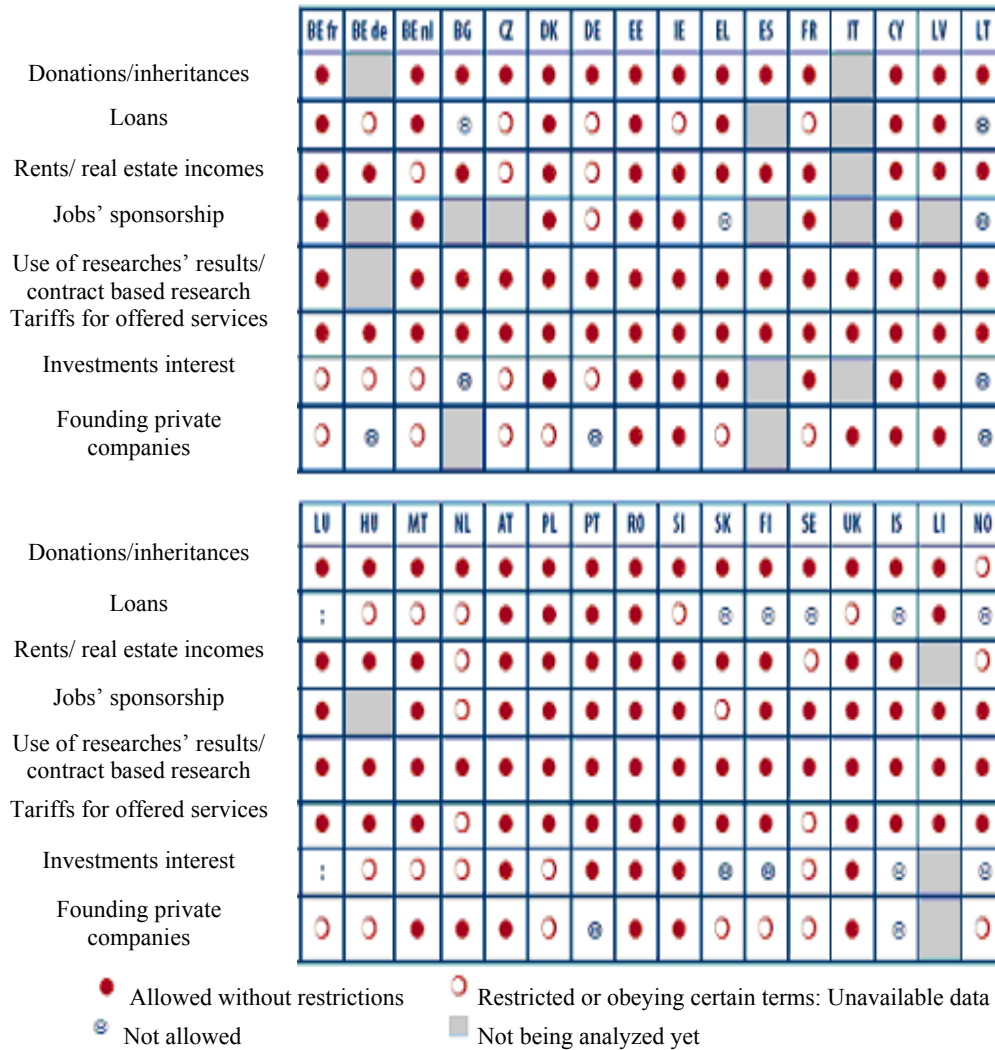
Within the French community in Belgium, in Bulgaria, Spain, France, The Netherlands, Austria, Slovakia, and United Kingdom (Scotland) the amount of school taxes is settled by the central authorities in the field of education. In other countries, where there are school taxes for a first specialization, higher education institutions can settle their amount within the margins defined by the same authorities.

In about ten countries, either there is no opportunity to receive school taxes or such a thing regards only certain part-time courses for the students who attend a second specialization, for the courses which are not included into the curriculum or in case a student has over passed the normal length of studies (eacea.ec.europa.eu/education.../o91RO.pdf)

Half of the countries that are allowed to perceive school taxes in case of full-time students for a first specialization may widely employ the school taxes paid by the students. This autonomy can be extremely significant in case families' expenditures which include supplemental elements beside the school taxes for a first specialization represent an important part of the resources of higher education institutions. This is the case of Bulgaria, Italy, and United Kingdom (England, Wales, and Northern Ireland).

The percent of the amounts coming from families represents about 20% in case of Italy and United Kingdom, and 40% in case of Bulgaria. In case of the other countries where institutions have autonomy regarding the use of school taxes, this source of income represented about 10% of the total amount or less, in 2004. In eight countries, according to national settlements, higher education institutions should allocate the school taxes perceived for full-time courses in case of a first specialization to those expenditures related with the fundamental educational goals or to the financial support given to the students.

In Lithuania, school taxes should be allocated to a financial program especially created by the institution which targets to implement the goals and aims settled by the statutes of higher education institutions. In Austria, the students choose the manner school taxes are allocated out of various opportunities proposed by the university senate.



Source: Eurydice

Figure 1. Sources of private funds available for public institutions and restrictions regarding funds' use

In two countries where families' expenditures ranged between 25% and 50% of the total funds received by higher education institutions in 2004, the resources had to be used according to the fundamental goals of the higher education institutions.

Hungary has adopted a similar approach beginning with 2008/2009 when the school taxes paid by the students have gradually increased.

There are various sources of privately financing (others than school taxes) higher education institutions. Nevertheless, institutions do not use all these sources either due to the fact that they are not allowed to do this or because not all sources are available at present.

While a few countries (Denmark, Ireland, Cyprus, Leetonia, Austria, Romania, United Kingdom) authorize all or almost all sources of private incomes and do not explicitly interdict a certain source, most of the countries impose restrictions regarding at least two sources. In a few countries, certain sources have not yet been explored or used and there are no official settlements regarding them. The higher education institutions in almost all countries can receive donations or inheritances from persons or private entities.

Beside such facts, the use of researches' results as well as of research contracts as mutual research projects between higher education institutions and private contractors undoubtedly represents the most usual source of private financing. Services such as: continual education for adults and mainly for companies, consultancy services and events organizing also represent a quite important source of private financing. This may also include medical services, for instance, ultra-specialized diagnosis services or rehabilitation services in Poland.

The taxes determined by health services cover about two thirds of the incomes of university hospitals in Germany. The incomes determined by loaning spaces or other facilities as well as those connected with propriety are supplemental income sources in a lot of countries. Higher education institutions are allowed to establish trade companies in all countries, except for Belgium (German community), Germany, Lithuania, Portugal, and Island. In Finland, beginning with 2006, universities may found companies; nevertheless such a thing has not happened yet.

Higher education institutions have the right to make loans in most countries. In the United Kingdom, almost all higher education institutions have the right to borrow money, although, due to the fact that they are governed by their own rules and not by the government's settlements, there are certain differences, from case to case.

Higher education institutions employ lots of borrowing methods, beginning with direct bank credits and ending with more sophisticated methods including all range of partnerships between the public and private fields. Another source of incomes to be encountered in a lot of countries is that of financial investments' interests. The higher education institutions in Bulgaria, Slovakia, Finland, Iceland, and Norway are explicitly not allowed to borrow or make financial investments. The same is the case of Sweden regarding borrowings.

Jobs' sponsorship (in case an analysis has been drawn out) is authorized in all countries, except for Greece, and Lithuania. This frequently happens in the United Kingdom; in Belgium (the French and Flemish communities) certain professors are sponsored by the business environment, although this does not occur frequently. The circumstances are similar in the Netherlands, Austria, and Finland. It is authorized in Norway, yet it rarely occurs. In Slovenia, the recruitment of researchers for companies

and co-financing young researchers are encouraged. Nevertheless, the practice of sponsorship does not seem to be quite wide spread.

The private financing sources that, most often, require, a previous agreement from the authorities in charge are: borrowings, investments, and companies' foundation. For most higher education institutions that actively look for private funds, partnerships with the private field represent an important basis of increasing financial possibilities. They prove to be quite valuable for research transfer and trade of academic research results.

Mutual research projects or required research seem to be the most common forms of cooperation and, as we have previously mentioned, they generally are the most important sources of public funds. In certain countries (Belgium – Francophone community, Czech Republic – ISCED 5A and Poland) they resort to certain prizes with a view to promote remarkable achievements in the field of research. Innovation parks and technological centers have been founded in partnership, and often in cooperation with the local or regional authorities, in several countries (Belgium – the Francophone and Flemish communities, Bulgaria, Czech Republic – ISCED 5A, France, Italy, Lithuania, Hungary, Poland, Portugal, Romania, Finland, Sweden, and Norway).

In Italy, partnerships between employers' associations and universities also include the sponsorship of master programs directed towards the objectives settled by the employers' associations as well as prizes for license projects that cover the associations' preoccupations. In Belgium (the Flemish community), doctoral research projects, especially in the field of engineering, can be carried out in cooperation with a company.

In Bulgaria, certain higher education institutions have settled, within their own structures, research units (or centers) where they conceive research projects which are subsequently addressed to the National Fund for Science. These centers do not get financial support from public authorities, except for a small amount to cover functioning costs. In case their research projects are promoted, the property incomes and rights that are part of the profitable character of the results go to those research centers.

In many countries, settlements have been changed during the last ten years in order to facilitate the collecting and use of private funds, with no limitations. Yet, a series of countries require certain general conditions to be met regarding private funds and partnerships; for instance, planned commercial activities should be correlated with the main mission and educational objectives of the institutions (Estonia, France, Luxembourg, The Netherlands, Poland, and Leetonia) or should observe the statute of public higher education institutions (Germany). In Denmark, France, Finland, and Norway this type of general condition is stipulated especially in order to found companies (eacea.ec.europa.eu/education.../o91RO.pdf).

In France, the goal of the companies founded by higher education institutions is the manufacturing, promoting, and trading goods and services according to the mission of the public services of higher education. This is also the case in Luxembourg (Truffin, 2006).

In The Netherlands, the external partner cannot provide the central part of higher education program; it is the exclusive responsibility of the higher education

institution. In Finland, universities may found companies in case they are obviously necessary for educational, research, and artistic services proving an important social impact. In Norway we deal with similar circumstances.

In a lot of cases, higher education institutions should also obey certain more specific requirements regarding the getting of private funds; restrictions as to the types of funds allowed may exist. Getting loans is restricted in Belgium (the German community), the Czech Republic, Germany, Ireland, France, Hungary, Malta, The Netherlands, Slovenia, and the United Kingdom. In these countries higher education institutions should, as a rule, observe certain procedures and they often need the agreement of the ministry before asking for loans (Măcriș, 2010, pp. 142-161).

In Malta, the loaning of an amount higher than 30 000 pounds (namely, 69 730 Euro) requires the written agreement of the Ministry of Education. In The Netherlands, transactions can be done only with accredited financial institutions. In order to get loans, higher education institutions in the United Kingdom should observe all terms agreed with the financing organism. Nevertheless, although these conditions are met, neither the government nor the financing organism guarantees for the higher education institution. As regards investments, there are restrictions too, in Belgium (the German and Flemish communities), the Czech Republic, Hungary, Malta, The Netherlands, Poland, and Sweden.

In Belgium (the francophone and Flemish communities), higher education institutions are not allowed to do direct financial investments. Yet, they can found a financing company in cooperation with a private financial institution with a view to financially invest in derived companies.

In the Czech Republic, public higher education institutions are not allowed to place real estate goods, subsidies or public grants in companies or cooperatives.

In Hungary and Poland, higher education units are allowed to invest their surplus only in State obligations; yet, they are not allowed to invest on the stock exchange. In Sweden, higher education institutions may not get a profit out of private financing. Consequently, they allow only those investments connected with the main activities of the institution. Other specific restrictions are applied upon real estate incomes, jobs' sponsorship, and tariffs of offered services.

In Belgium (the Flemish community), the money got from renting real estate goods should be used with a view to maintain the buildings and to do capital investments in buildings. In Norway, higher education institutions can offer real estate goods for rent; yet, this cannot be done in the detriment of the usual institutional activities.

In Slovakia, jobs' sponsorship is based upon an agreement that stipulates the terms of both juridical persons (the company and the higher education institution). In Sweden, as regards the providing of continual education services, it is not allowed to perceive taxes from the students. Nevertheless, companies and organizations may pay for certain required courses. In The Netherlands, the cooperation between universities and university hospitals should be based upon a previous agreement which mentions the responsibilities regarding the financing and the staff. In case of founding companies, a lot of countries require specific conditions.

In Belgium (the francophone and Flemish communities), the higher education institution's participation in a derived company should be based upon an agreement drawn out with the management of the institution which guarantees the remuneration of its financial contributions as well as of other type of contributions. Similar protection measures are also stipulated by legislation regarding the participation of higher education institutions in innovation centers and research parks.

In Czech Republic, they need the previous agreement of the administration council of the higher education institution before founding separate juridical persons. Public higher education units are not allowed to offer guarantees for the financial debts of other entities or to exert the pledge right through real estate properties. They may not become partners of public corporations or general partners in limited partnerships.

Private sources undoubtedly contribute to establishing connections between education and society. Accordingly, certain authors consider that the partnerships with the private field should include, among other things, the following: the participation of all the fields of economy in the programs of fundamental and applied research of higher education institutions; courses teaching in higher education institutions by private field specialists; financing projects in exchange of patents and author's rights; mutual use of scientific and technological infra-structures and accelerating transfer processes; financial benefits for private companies according to the number of students employed (Escotet, 2006, p.27).

This last aspect involves the remuneration of higher education by those who get benefits from it. The aspect's basic idea is that companies should contribute to the education of their own labor through financing higher education, including through fiscal measures. This interesting model clearly requires a close cooperation among responsible authorities, the management of higher education institutions, and companies.

CONCLUSIONS

A policy that encourages partnerships between higher education institutions and the private field is necessary in a knowledge-based economy. One should take into account the fact that higher education institutions and companies have different characteristics and objectives. Accordingly, although decisional factors promote a closer cooperation, they nevertheless should not allow the principles of an entirely free market to penetrate public higher education. They should consider certain measures capable to protect academic liberty, for instance, owing to avoiding the phenomenon of choosing research issues mainly out of financial reasons.

In certain countries, authorities explicitly interdict certain forms of private financing of higher education institutions and implement various restrictions and terms regarding the search and use of private funds. The question whether these restrictions and terms represent a measure that guarantees the quality of public services or, on the contrary, they are an obstacle in developing private financing sources still remains to be deliberated upon.

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