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Enhancing the University Autonomy in Moldova
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Evaluation of Existing Situation of Financial Autonomy in Moldova

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EXECUTIVE SUMMARY

The aim of the study is to evaluate the current situation of financial autonomy in Moldova. In 2012 the Government issued a decree (GD 983, 2012) that aimed to grant financial autonomy to Moldovan universities. The Government decree came into effect in January 1, 2013, with a transitional period of two years. The analysis of current situation was conducted for two periods: before (period 1) and after (period 2) January 1, 2013. Hence, two sets of findings are reported in the study for each period respectively. The analysis of data from period 1 is more comprehensive as it is based on a large number of laws, regulations and norms, some of which remained valid after January 1, 2013. As it may be expected, data available for analysis from period 2 was scarce; it was largely based on few recent normative acts and on new personal and intuitional activities.

Following a developed research methodology, unobtrusive data in form of laws regulating directly or indirectly the higher education system in Moldova, governmental and ministerial decrees, university chapters and organizational structures, and education records were collected and analysed. A total number of 38 documents have been analysed, adding up to approximately 2000 pages.

According to the Government Decree (GD 983, 2012, Article 6), financial autonomy is defined as “the right of institution to organize its activity independently and to self-manage financially, to perform its work without any ideological, political or religious interference, to take a number of competences and duties in accordance with national strategic options and guidelines for the development of higher and postgraduate education, as well as of research, development and innovation areas, as established by law and policy documents”.

The above definition of financial autonomy was enhanced by bringing in the definition provided by Estermann and Nokkala (2009) and Estermann, Nokkala, and Steinel (2011) whereby financial autonomy is seen as the capacity of universities to: accumulate funds and retain surplus budget funds; establish tuition fees; borrow money from financial markets; invest in financial products; issue shares and bonds; and have land and buildings in ownership. We further extended the scope of the study by analysing the relationship of financial autonomy with five interfaces that characterize the internal and external points of interaction between modern universities and key stakeholders. These interfaces are: Government–University; University Management–University Staff; University Staff–Students; University–Business, and University–Internationalization.

As a result of granting relative financial autonomy to universities, a number of benefits have emerged. Universities now have the right and freedom to accumulate, transfer from one year to another and distribute their financial resources internally as per accountability, quality assurance of education, and compliance with legislation principles. Funding sources have been diversified, reducing dependence on limited public funding. At the same time, universities were allowed to open bank accounts so that the management of financial resources is conducted via bank accounts and not the Treasury.

A number of key issues could be singled out as a result of data analysis. Although universities have freedom in setting up own tuition fees, universities shall coordinate these fees with the founder (Minister of Education). Despite the fact that current tuition fees do not cover actual (full) costs, since 2008, the founder has now allowed any changes in tuition fees. The same issue is with accommodation fees that do not cover actual accommodation costs.

Funding that comes from the state (cost per student) also does not cover universities' full costs. A new approach, methodology is to be implemented to allocate budgetary resources per student rather than per expenditure items. But this methodology is far from being perfect. Related to this methodology is the new principle introduced by the Government Decree (GD 983, 2012) which is to become the basis of annual funding methodology: money follow the student. It aims inter alia to allow the students to choose between universities during their studies, instil competition between the universities and enhance quality of education. Related methodology is yet to be developed.

The size of intake every year is determined by the Ministry of Education, the Ministry of Labour, Social Protection and Family and the Ministry of Finance that adjust the number of students to the financial possibilities of the state, taking specifically into account the state's needs in various professions, number of graduates, and cost per student. The approach, however, that the Ministry of Education uses to distribute the places among each public universities is non-transparent.

Another key, very important issue as well refers to research funding. Universities do not receive funding for research directly from their founder. Historically (from the Soviet times), universities were seen only as teaching, education institutions, leaving research to the Academy of Science. This situation has not changed much these days. Research funding is allocated to universities by the Academy of Science that is also a recipient of such research funding which is clearly a situation of conflict of interest.

Another issue refers to the lack of flexibility in determining entrepreneurial services that could be offered by universities. As of today, such services could only be performed by Government decision.

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1. INTRODUCTION

1.1. Purpose

The purpose of this report is to analyse the level of presence of financial autonomy in public universities of the Republic of Moldova, both at the level of manifestation, and at the level of regulation. It is expected that the results of analysis of the situation in this area will contribute to the elaboration of proposals for the development and consolidation of this type of university autonomy, in particular, and of University autonomy in general.

1.2. Definitions

Existing Governmental documents do not provide explicit definitions of financial autonomy. Given the lack of explicit definition of financial autonomy in national regulatory documents, we shall take the definition of organizational autonomy given by Estermann and Nokkala (2009, 2011) as the ability of universities to decide on:

- the extent to which they can accumulate funds and retain surplus budget funds
- capacity of universities to establish tuition fees
- their ability to borrow money from financial markets
- capacity of investing in financial products
- their capacity of issuing shares and bonds
- their right to have land and buildings in ownership (Thomas Estermann & Terhi Nokkala, 2009).

In addition, we will extend the definition of financial autonomy by analyzing its relationship with five interfaces that characterize the internal and external points of interaction between modern universities and key stakeholders. These interfaces are: government - university, university - employees; employees - students; university - business / business environment and university – internationalization.

1.3. Methodology

To achieve the above objective, we performed a desk research. Secondary data was collected and analysed deriving from laws regulating directly or indirectly the higher education system in the Republic of Moldova, Government Resolutions, Charter of State Universities as well as internal regulations governing certain aspects of financial resources management. List of revised data is presented in Annex 1. In the process of data collection the generic project of methodology was followed designed by EUniAM team (Annex 2). Data was collected and analysed by a team of seven people.

1.4. Report structure

Following this introduction, Chapter 2 describes the research methodology used in this study. Chapter 3 presents the results and discusses the level of financial autonomy which is now manifested and regulated in Moldovan universities. Chapter 4 analyses and interprets these findings in relation to the five interfaces identified. Chapter 5 concludes the report.

2. METHODOLOGY

2.1. Introduction

This chapter describes the research methodology used to achieve the objective of the report, which consists in analysing the extent to which financial autonomy is now manifested and regulated in state universities of the Republic of Moldova. We will continue by describing the type and sources of data collected, and the description of the analysis of such data.

2.2. Data collection

Desk research was conducted by collecting secondary data derived from laws regulating directly or indirectly the higher education system in the Republic of Moldova, Government Resolutions, Order of the Ministry of Finance and the Ministry of Education, University Charter and the organisational and academic internal structures of the university. In addition to external data, governmental and ministerial one, internal data were collected from six state universities: Technical University, Academy of Economic Studies of Moldova, Moldova State University, State University of Medicine and Pharmacy "Nicolae Testemițanu", State Agrarian University. We have chosen these universities based on the following criteria: state universities; importance in training higher education specialists; diversity areas of specialists' training; experience, supported by many years of activity on the education market, the large number of graduates, and the employability level of the graduates.

Another method employed the analysis of legal acts regulating financial activity of Moldovan universities. All these acts are listed as sources in the Reference chapter and are placed on project's Moodle platform. The literature considering financial autonomy aspects in several European Union countries has also been studied. All group members contributed to this collective effort. Each member was assigned a task that has been performed.

Issues that seemed to be ambiguous or were treated differently by team members were solved through discussions within meetings held to discuss the matter or through phone conversations. All universities identified the same issues related to financial autonomy, actually identifying the lack of it thereof, before January 1, 2013, and partial autonomy after that date until nowadays, which issues have been highlighted in this report.

Thirty eight documents were reviewed and analysed adding up to about 2000 pages. The list of revised data is presented in Annex 1. Electronic versions of the analysed material (Annex 1) are available on project intranet: <http://euniam-moodle.samf.aau.dk/>. The generic draft methodology designed by EUniAM team was employed for data collection (Annex 2).

2.3. Data analysis

The project team reviewed, firstly, identified external documents (governmental and ministerial) and internal documents of the university (see Annex 1) in order to analyze the properties and indicators of financial autonomy implicitly incorporated in these documents. Within this case analysis properties and financial autonomy indicators were built as defined by Estermann and Hakki (2009, 2011), and defined in the generic project methodology. Via brainstorming during the analysis phase, the list was also extended (Table 1).

The next step after understanding how financial autonomy is manifested and regulated in the Republic of Moldova was a cross-case analysis, for example, to analyse the potential impact which the financial autonomy could have on the five interfaces identified that are part of the institutional autonomy of universities, namely: government - university, university - employees; employees - students; university - business and university - internationalization. The potential relationships and their impact are shown in Table 2.

2.4. Conclusion

In this chapter the research methodology used to achieve the objective of the study was presented. Secondary data, derived from government and ministerial documents as well as internal documents of the six state universities, was collected and analysed. The analysis of internal and cross-case financial autonomy was carried out. The next chapter - Chapter 3 - will address the results obtained during the analysis of case study (Table 1). In Chapter 4 we will present the findings that emerged from the cross-case analysis (Table 2) of financial autonomy and the five interfaces of institutional autonomy of universities.

Table 1: Understanding of financial autonomy in the Republic of Moldova

Properties / indicators	Source (title and quote source)	Comments / Description
Ways for higher education funding	Law on education no. 547 of 21.07.1995; Government Resolution (no. 983 of 22.12.2012) regarding the operation of state higher education institutions in conditions of financial autonomy; Government Resolution regarding yearly admission plans for secondary vocational education, secondary specialized education and higher education	Public higher education is financed from public and own sources. State budget funding is done based on state order (budget-financed number of units offered to cycle I, bachelor, and cycle II, master students)
Methodology for allocation of financial resources	Government Resolution (no. 983 of 22.12.2012) regarding the operation of state higher education institutions in conditions of financial autonomy	As reference for calculating the funds provided by the State Budget Law for educational services offered by institutions following the Plan (State Order) regarding specialist training, the volume of allocations is taken approved for the previous year, financially adjusted to the policies approved within the Medium-Term Budgetary Framework of the previous year and other factors that influence the amount of expenditure and state order, and expenditures for new policy measures.
Private funding sources and their monitoring	Law on education no. 547 of 21.07.1995; Government Resolution (no. 983 of 22.12.2012) regarding the operation of state higher education institutions in conditions of financial autonomy (Chapter VII)	Current normative acts provide multiple sources of income to be used by universities. Areas for their use are also determined.
University autonomy in terms of establishing tuition fees	Government Resolution (no. 196 of February 22, 2007) ”With regard to special funds of institutions under the Ministry of Education”, in Annex 1	Since January 1, 2013, tuition fees are established by the university based on Government methodology and are coordinated with the founder.
Reporting of unused funds from year to year	Government Resolution (no. 983 of 22.12.2012) regarding the operation of state higher education institutions in conditions of financial autonomy	Since January 1, 2013 universities are entitled with this right
The right of universities to own estate	Government Resolution (no. 983 of 22.12.2012) regarding the operation of state higher education institutions in conditions of financial autonomy (Chapter V)	Universities do not have that right. The state is the owner. Universities have the right to manage the estate, to lease it and keep the money obtained.

Table 2: Relationship between financial autonomy and academic interfaces

Interface	Relationship (incl., quotes)	Impact
Government - University	<p>Law on education, art.49 regulates the basic components of university autonomy and only specifies the directions of financial autonomy fulfilment.</p> <p>Government Resolution (no. 983 of 22.12.2012) regarding the operation of state higher education institutions in conditions of financial autonomy is the main legal act regulating the basic directions of activity of higher education institutions in conditions of financial autonomy.</p>	<p>Higher education institutions following the introduction of the necessary changes in the Law on education (1995) and, following the issuance of Government Resolution (no. 983) which approved the Regulation on the functioning of state higher education institutions in conditions of financial autonomy and settled the two financial years (2013, 2014) transition period, have obtained more freedom in the management of financial resources, which until 2013 was missing</p>
Management –Employees	<p>Government Resolution (no.195 of 13.03.2-13) regarding conditions of staff payroll in state higher education institutions under financial autonomy is regulating staff salaries.</p>	<p>By Government Resolution (no. 195) the freedom of universities to remunerate employees is not limited; the Resolution establishes mandatory minimum amounts, guaranteed by the state, which employees should receive. At the same time, rectors have the right, according to available funds, to increase proportionally their amount up to the maximum limit specified in this normative act. Ways of motivating staff and periodicity as well as requirements are established by internal regulations of the universities.</p>
Employees – Students	<p>Government Resolution (no. 983 of 22.12.2012) regarding the operation of state higher education institutions in conditions of financial autonomy determines the categories of consumption which are included in the per student cost;</p> <p>Government Resolution (no. 1009 of 2006) regarding the amounts of scholarships, other forms of social support for students of higher education institutions, students of secondary specialized educational institutions and vocational secondary institutions and</p>	<p>Tuition fees are established by the university and are coordinated with the founder.</p> <p>Government Resolution (no. 1009 of 2006) establishes the procedure and conditions for granting scholarships to the students of cycle I, bachelor, students of cycle II, integrated studies, medical and pharmaceutical education in higher educational institutions, and to the individuals attending postgraduate education; the Resolution determines the types and size of scholarships for all</p>

Interface	Relationship (incl., quotes)	Impact
University - Business	<p>individuals who study at post-university level education.</p> <p>Law on education no. 547 of 21.07.1995; Government Resolution no.983 of 22.12.2012</p>	<p>categories of students.</p> <p>Businesses can participate by sponsoring various events both within the university and for nominal scholarships to students. However, many organizations are reluctant to universities.</p> <p>Threats in this respect may arise from business structures related to contractual non-compliance if they conflict with the activities of Universities, or if certain conditions are imposed.</p>
University- Internationalisation	<p>Law on the Legal Status of Foreign Citizens and Stateless Persons in the Republic of Moldova (no.275 of 10.11.1994);</p>	<p>Usually done by various international projects and programs, for example, Tempus, Erasmus Mundus. Limited interest of students from Europe, Asia, and America is mentioned. There is interest of students from countries with increased risk of terrorism for whom the Migration Bureau of the Republic of Moldova does not accept to issue residence permit</p>

3. UNDERSTANDING FINANCIAL AUTONOMY

3.1. Introduction

In this chapter we intend to analyse and discuss the properties and financial autonomy indicators embedded in the context of higher education in the Republic of Moldova. Analysing a number of governmental and ministerial documents and internal documents from the selected universities (Annex 1) a comprehensive picture - frame was developed regarding the level at which financial autonomy is now manifested and regulated in the higher education sector in Moldova (Table 1).

We started with the definition of financial autonomy, as it is perceived in the Republic of Moldova and as it appears in the regulating acts of the country. The definition of financial autonomy is presented in the paper „University management capacity building by expanding university autonomy” which is a draft proposal of Public Policy, initiated by the Ministry of Education of the Republic of Moldova. It is mentioned here that *financial autonomy* represents „the freedom of the university to ensure income and to allocate financial resources, to set tuition fees, campus accommodation fees, services charges, to finance and co-finance university research, to use and store financial resources, using own procedures for their efficient management". (PPP, var.7)

The Regulation on the functioning of state higher education institutions in terms of financial autonomy, approved by Government Resolution no. 983 of 22.12.2012, defines financial autonomy as „the right of institution to organize its activity independently and to self-manage financially, to perform its work without any ideological, political or religious interference, to take a number of competences and duties in accordance with national strategic options and guidelines for the development of higher and postgraduate education, as well as of research, development and innovation areas, as established by law and policy documents (GR 983, 2012, Article 6). The same document mentions the need to correlate financial autonomy to the principles of public responsibility for the quality of all professional training activities, scientific research and services carried out by the institution together with the efficient management of funds and state property.

Both the Education Act and the Government Resolution of 22.12.2012 nr.983 on the functioning of higher education institutions in terms of financial autonomy state that financial autonomy is achieved by:

- management of financial resources, including allocations from the state budget, through bank accounts;
- management of funds from various sources and patrimony according to the Institutional Development Plan and modality established by this Regulation;
- placing at the bank deposit of the balance means available in the bank account, realized over estimate, excluding external grants;
- establishment of the amount of tuition fees and accommodation cost for dormitories, according to the methodology approved by the Government, as well as

for services rendered and work performed against payment, coordinated with the founder;

- establishment of study programmes and institutional offer capacity;
- social support for students and staff;
- granting of study and research scholarships;
- determining the internal structure of the institution and approval of the budget;
- asset management, development, strengthening and endowment of the institution;
- fund raising by participating in research and investment projects based on cooperation with various national and international partners, including public-private partnerships;
- setting units and subdivisions of research and innovation, development, design, services and manufacturing activities;
- establishment of corporate unions and professional association according to the law.

The discussion in this chapter will be carried out around the framework developed and supported by a number of situations that will illustrate critical points of discussion.

3.2. Ways of funding higher education in Moldova

Higher education of the Republic of Moldova is currently passing to financial autonomy. Available funds of higher education institutions are extremely insufficient to enable them to compete with European universities; there cannot be competition with universities spending for some programs ten times more per student than universities from Moldova.

Speaking about the current mechanism for funding higher education we will focus on two time components: until January 1, 2013, with universities not having university autonomy, and after January 1, 2013, when universities are passing a 2-years transition period. Differences specific to this component are minimal because the funding mechanism for higher education has actually remained unchanged.

Public higher education is financed from public and own sources. Funding from state budget takes place according to state order (budget-financed number of units offered to cycle I, bachelor, and cycle II, master students). This principle applies to both periods mentioned. State order is determined in coordination with the Ministry of Labour, Social Protection and Family and with the Ministry of Finance, based on the state needs of certain specialities correlated with the number of graduates, the cost per student, and the financial possibilities of the state. After determining the required number for each specialty and approving it by Government Resolution every year, the Ministry of Education, based on principles known only by itself and without any transparency, breaks down these numbers for each public university that trains specialists in the respective area.

State funding performed through the Ministry of Education of the Republic of Moldova is based not on the number of students required by higher education institution (based on the number of budget students and health standards), but based on state budget possibilities.

The state budget is funding higher education institutions taking into account the following priorities:

- Labour remuneration, as approved for established staff units;

- Contributions to state social insurance fund;
- Student scholarships (taking into account students number);
- Partial funding of current utility services expenditures - payment for goods and services.

The remaining expenditures are covered from sources accumulated from payment-based services, i.e. from special funds. [T. Manole, 2010, p.211]. Revenues administration and use is performed by each higher education institution based on balanced revenue and expenditure budget developed in accordance with criteria established by the Ministry of Education. Revenue and expenditure budget includes financial resources planned to achieve the objectives established in the strategic plan of each higher education institution during the respective financial year. Budget funds are the main source of funding for public universities. At the proposal of the Ministry of Education, the Government approves funding standards for higher education institutions. Funding standards are adjusted to inflation. In addition to the main funding of higher education the Ministry of Education can allocate funds from special state budget for: [T. Manole, 2010 p.213]

- Complementary financing granted on competitive basis, according to criteria established by the Ministry of Education, for infrastructure and other capital expenditures, repairs as well as subsidies for student dormitories and cafeteria;
- Scholarships to students and trainees, including foreigners studying in Moldova in the framework of intergovernmental cooperation, where appropriate;
- Social protection measures provided by law for students, for example, transport facilities to students;
- Achievement of investment objectives;
- Carrying out of co-financed projects with external sources involvement.

Research is another higher education activity area. Certain funds are allocated from the state budget for research and innovation based on competition organized by an authorized body.

3.3. Methodology for allocation of financial resources

The fundamental principle making the core of the annual funding methodology is “money follows the student”, meaning in our conditions that first, public universities are being distributed budget funded units based on specialities, after which depending on their number and area, the respective amount of money is allocated from the state budget.

Calculation basis for financial means provided by the State Budget Law for educational services offered by institutions in order to achieve the Plan (Order of the State) of specialists’ training, is the volume of allocations approved in the previous year, adjusted in accordance with the policies of the financial implications approved in the Medium Term Budgetary Framework of the previous year and other factors that influence the amount of expenditure, state order and expenses for new policy measures.

To adjust the state budget expenditures for the Plan (Order of the State) regarding specialized personnel training, for the year of budget development the average number of students, including cycles I and II, integrated studies, residents, clinical secondary medical students, and PhD, as well as the average total cost per student are used. To determine the total average cost per student it is necessary to use data on the average number of students of cycles I and II, integrated studies, residents, clinical secondary medical students, PhD students, from full-time and part-time forms of education correlated with the coefficient 0.4 of annual ratio of students for two years preceding the draft budget development.

3.4. Sources of private funding and their monitoring

In addition to the sources of public universities obtained from the state budget in accordance with the regulations in force and listed in Table 1, the universities may have other sources of income:

- Funds obtained from research and innovation services carried out by order on a contract basis.
- Funds obtained from scientific research conducted on the basis of international research and development projects.
- Funds from tuition or training fees applied to cycle I and II students, integrated studies, residents, clinical secondary medical students, PhD students, as well as continuous training / lifelong learning.
- Interest on bank deposits of funds available.
- Donations and sponsorships.
- Lease and rental contracts.

Insufficiency of financial resources allocated from the state budget requires identifying and capitalizing of special means, completion of necessary funds by own effort. Besides revenues from activities of the institution (income from tuition fees), universities accumulate income by leasing public property, which covers mostly the expenses for the maintenance of study buildings (for utilities) and improvement of university infrastructure. Revenues of universities are classified according to the functions of budget allocations (*Order of the Ministry of Finance of RM No. 91 of 20.10.2008, Annexes 2, 5 and 8*) and categories of special means (*Order of the Ministry of Finance No. 94 of 31.12.2004 and Order of the Ministry of Finance No. 91 of 20.10.2008, Annex no. 7*), and expenses – according to spending articles and paragraphs according to budget classification (*Ministry of Finance Order No. 91 of 20.10.2008, Annexes nr. 3 and 9*).

Government support to higher education institutions entitles it with the right to control the use of their financial resources. State allocation of funds to universities does not take into consideration certain performance indicators regarding training or research activities. Financed from both state and own funds, the university manages its budget in accordance with the objectives, policies and programs approved by its Senate, respecting all legal provisions in this regard. Both the Senate of the higher education institution and the founder (Ministry of Education or other ministry), through regularly submitted reports, supervise the use of funds. Also, every 3 years the Audit and Control Department within

the Ministry of Finance controls the use of financial resources. Periodically, the Court of Auditors performs control.

3.5. University autonomy in setting tuition fees

At present, universities can determine the amount of tuition fees, accommodation in dormitories, according to the methodology approved by the Government, (currently it is not finalised) and for services provided and work performed against payment. These costs are approved by the Senate and coordinated with the founder. Tuition fees for training of specialists contract-based is calculated based on the actual costs related to process development studies, with the exception of expenses for payment of scholarships and maintenance costs of dormitories. Tuition fees include charges calculated under the rules and regulations in force, tariffs and prices forecasted for the period, and in their absence - the average real expenditure of the reports.

The tuition fees incurred by legal persons may include additionally charges for scholarships. The size of the tuition fee for part-time studies makes up 50 % of the full-time tuition fee, depending on the framework plan of study. Changes to the amount of tuition fees for various specialties and years of studies are reviewed by the university senate and submitted to the Government for approval. Unfortunately, the Government did not accept any increase in tuition fees since 2008, when the last increase took place. Meanwhile, costs for study process development have increased.

3.6. Reporting of unused funds from year to year

Here, again we will refer to two periods: before January 1, 2013 and after that date. Until January 1, 2013, the Ministry of Finance monthly reported to the Government on the state budget execution. Because the university budget was part of the state budget, this fact required universities to fully use the resources planned for that month even if the university did not need to use those funds. Also, it was possible to redirect them to another month through a cumbersome and lengthy procedure (about 10 days).

If in the process of the state budget execution the level of budgetary deficit increased than the Ministry of Finance, under the provisions of the above Law, could block university expenditures, excluding expenditures for staff and partially those for utilities without informing the university about it. Thus, the funds could not be reported from year to year.

The situation changed after January 1, 2013, when universities were given the right to adjust the funds unused during one financial year to another financial year. Moreover, universities have been given the right to place the available financial resources into commercial banks and earn interest, considered a source of income.

3.7. Ability of university to own estate

The property managed by the institution is state patrimony and is offered for management by the Ministry of Education or other ministries, to which the university reports (Ministry

of Health, Ministry of Culture, Ministry of Agriculture and Food Industry). Universities can lease the state patrimony after coordination with the founder.

3.8. Conclusion

Financial autonomy of universities in the Republic of Moldova is at the beginning. The identified properties of this type of autonomy and briefly described in this chapter confirm the state of things at the initial stage. Obvious achievements in this regard are money placement into commercial banks and the possibility to obtain interest, as well as keeping unused funds from one year for another year.

4. INTERFACES OF FINANCIAL AUTONOMY AND INSTITUTIONAL AUTONOMY

4.1. Introduction

In this chapter we address the relationship between financial autonomy and the five interfaces that are part of the institutional autonomy of universities, namely: government – university, management - employees; employees - students; university - business and university - internationalization. Also, we analyse the impact of financial autonomy on these interfaces. The emergence of these relations, which are presented in Table 2, will be the focus of discussion in this chapter.

4.2. Government – University Interface

Before January 1, 2013, the university had an annual budget of revenues and expenditures approved by the Senate and strictly observed. The funds of the University consisted of budgetary sources and income accumulated on institution's accounts as a result of services rendered, works performed or other activities carried out against payment.

Allocations from the state budget (budgetary funds), which included:

- funds for training specialists (1st cycle students, bachelor, master students, doctoral students, post-doctoral students);
- allocations for scientific research activity transferred from the state budget;
- campus maintenance funds;
- support for orphan and under guardianship students.

Own revenues (special funds), which included the following types of income:

- amounts paid by individuals and legal entities for contract-based students, master students and doctoral students training;
- income from rental or lease of public property under institution's management and payments for utilities related to property rented;
- income from student campus tenancy;
- other income legally obtained by public institutions as a result of works performed and services rendered (training and re-training of personnel, sports activity, military training courses, printing work, Medical Centre activity, etc.)
- Grants and sponsorships.

Management of funds consists in providing continuous balance between the accumulated resources and financing requests, as well as in efficient use of resources for timely payments. The calculation base of funds provided by the State Budget Law for educational services offered by institutions in order to perform the Plan (State Order) for specialist training, is the volume of allocations approved in the previous year, adjusted to financial implications in accordance with policies approved by Medium Term Budgetary Framework of the previous year and with other factors that influence the amount of expenditure and state order, and also adjusted to costs of new policy measures, e.g.

Government decisions on increasing the salary and scholarships, enrolment plan, and on implementation of other activities.

Tuition fees, as well as other fees from services rendered, have been and are regulated by *Government Decision no. 196 of February 22, 2007 „Regarding special funds of institutions regulated by the Ministry of Education”*, Appendix 1, and, where appropriate, by Government Decision no. 1311 of December 12, 2005 “Regarding the approval of payment-based services rendered by the Ministry of Culture and subordinated institutions”, by Government Decision no. 724 of June 26, 2006 “Regarding special funds of public institutions and organizations from scientific and innovation areas subordinated to the Moldova Academy of Sciences”, by Government Decision no. 928 of August 13, 2007 “Regarding the constitution and use of special funds of public institutions subordinated to the Ministry of Health”, by Government Decision no. 921 of October 6, 2010 "Regarding special funds of educational, scientific and innovation institutions subordinated to the Ministry of Agriculture and Food Industry”. Study fees were paid in 2 stages at the beginning of each semester.

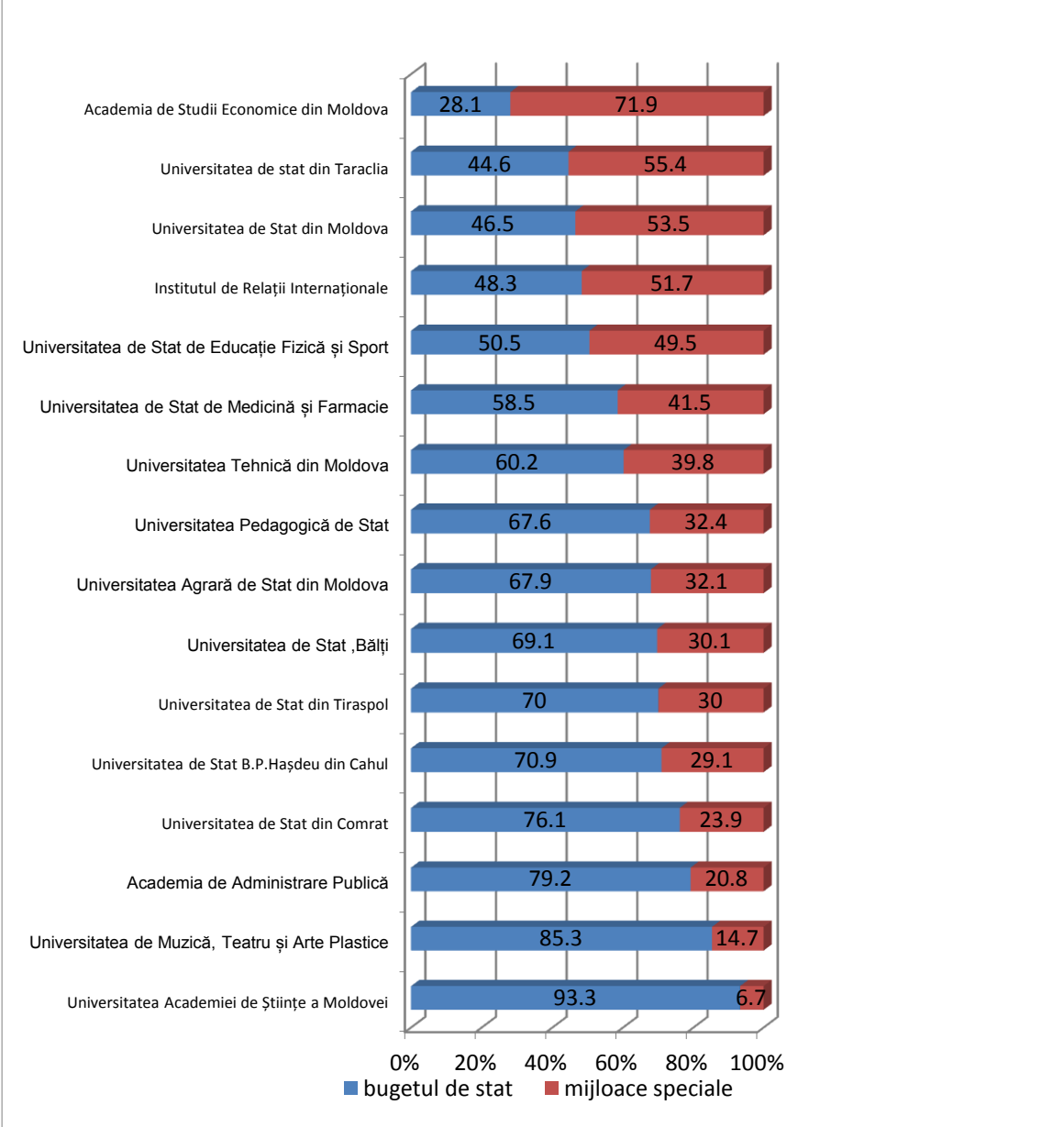
Based on accumulation mode and purpose of special funds of educational institutions approved by *Government Decision no. 196 of 22.2.2007*, and other normative acts, their special funds accumulated through tuition fees primarily include the following expenditures:

- All-debt payment;
- Payment of staff directly employed in the education process and services;
- Mandatory state social insurance payments and mandatory health insurance bonuses paid by employers;
- Payment of utilities current expenses;
- Campus maintenance costs in order to ensure its proper operation;
- Endowment with information technology devices, teaching equipment, library fund;
- Purchase of goods, services and works necessary to ensure the study process/scientific research;
- Current and capital repair of buildings;
- Social support for orphans;
- Granting study and research scholarships;
- Other expenditures necessary to consolidate and endow the institution, established in accordance with the university development plan.

The institutions can use special funds for current and capital repairs, equipment and utilities to ensure proper operation of their halls of residence. Depending on priorities, institutions may require re-targeting of special funds. Requested changes confirmed by calculations and explanatory notes are approved according to an established procedure. All universities' revenues, including revenues from tuition fees, works and services against payment, until January 1, 2013, were considered public money. Their distribution was subject to the State Budget Law for the respective years. Complying with financial regulations, end-year cash balances were not included in the Budget Law chapter containing current year expenditures. As result, universities could not access these

balances, could not plan it and could not carry out payments because their utilisation would generate budgetary deficit increase, thus jeopardising budget stability.

Figure 1: Share of budget and special funds in HE Institutions expenditures (2012)



Legend to Table 1: Academy of Economic Studies of Moldova, Taraclia State University, State University of Moldova, Institute of International Relations, State University of Physical Education and Sports, State University of Medicine and Pharmacy, Technical University of Moldova, State Pedagogical University, State Agrarian University of Moldova, Bălți State University, Tiraspol State University, Cahul State University “B.P. Hașdeu”, Comrat State University, Public Administration Academy, Academy of Music, Theatre and Fine Arts, University of the Moldovan Academy of Sciences; state budget; special funds

Source: Ministry of Finance

Lack of financial resources allocated from the state budget imposes identification and use of special funds, and obtaining of necessary funds by own efforts. Additionally to the income from the institution activities (income from tuition fees), universities accumulate income by leasing public property, which cover, to a great extent, the expenses for study buildings maintenance (utilities) and infrastructure improvement. Property under the management of the institution is state ownership and it is offered for management by the Ministry of Education or other ministries, to whom the university is subordinated (Ministry of Health, Ministry of Culture, Ministry of Agriculture and Food Industry). All revenues of the universities were classified according to budgetary allocations function groups (*Order of the Ministry of Finance No. 91 of 20.10.2008, Annexes 2, 5 and 8*) and according to special funds categories (*Order of the Ministry of Finance No. 94 of 31.12.2004 and Order of the Ministry of Finance No. 91 of 20.10.2008, Annex 7*), and expenses – in accordance with articles and paragraphs from budget classification (*Order of the Ministry of Finance No. 91 of 20.10.2008, Annexes 3 and 9*).

When analysing in terms of total funding share, on the average, about 60 % of university's funds come from the state budget, the remaining 40 % are own revenues from tuition fees and services against payment (the situation varies from one university to another) (fig.1).

Insufficient sources from the state budget funding impose identification and harnessing of special funds, obtaining of necessary funds by own efforts.

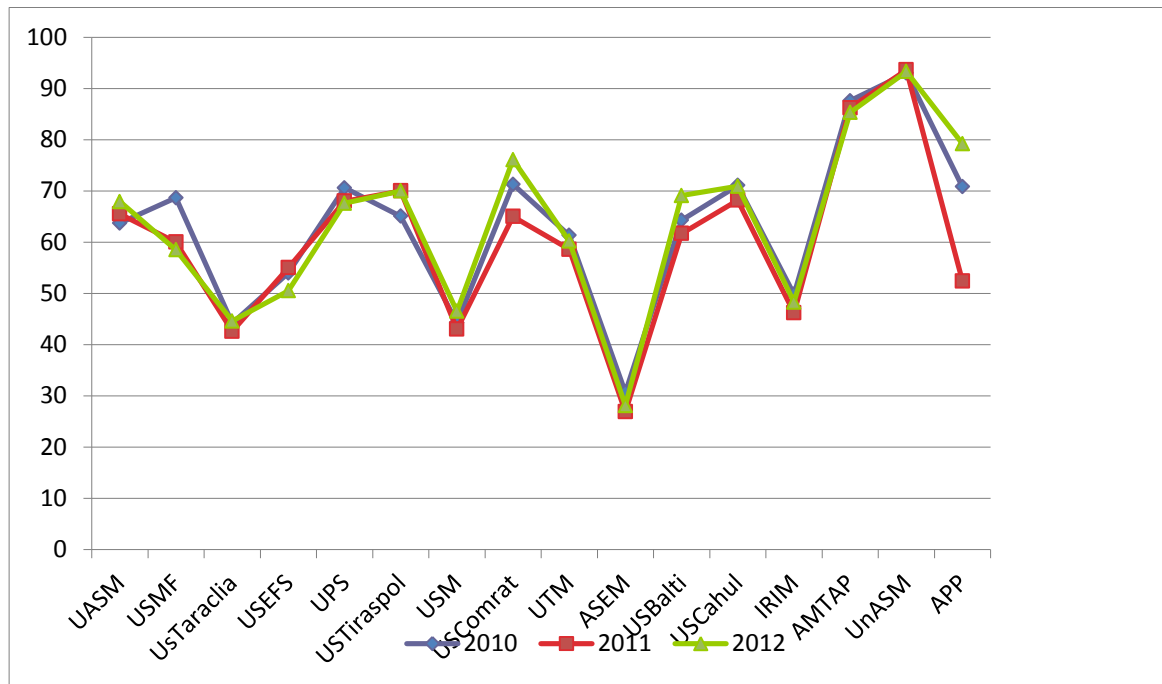
The evolution of budgetary funds share in the total higher education institutions expenditures in 2010-2012, (Fig. 2), indicates a stability of this share for the universities.

Meanwhile, when forming the budget (both budgetary allocations as well as special funds) universities have considered the following:

Estimated income - done and confirmed by calculations established by certain forms, in strict compliance with the fees for services, approved by the Government, namely:

- Revenues from contract-based studies, as well as revenues from training, retraining and requalification and short-term courses, was foreseen based on the average number of students established at the beginning of the year and on study fees approved by *Government Decision no. 196 of 22.02.2007*.
- Revenues from campus accommodation tax are estimated in compliance with *Government Decision no. 99 of 30.01.2007*.
- Revenues from lease of public property was foreseen based on the number of signed contracts and on the Rules regarding the lease (rent), approved by *Government Decision no. 483 of 29.03.2008*.
- Other revenue obtained in the result of the performed work and services against payment, regulated by Government Decision no. 196 of 22.02.2007, was estimated according to the number of service units provided and to the prescribed fee.

Figure 2: Trend of budgetary funds per university to total expenditures in state HE Institutions



Source: (Ministry of Finance, Ciurea et al, 2012)

Expenditures estimation was performed for each cost article and item based on quantitative parameters and projected rates, distributed according to funding sources named „budget allocations” and „special funds”, and these were distributed according to fund categories respectively. All costs were confirmed by calculations supporting each specific article and by completed forms, attached to financing plans.

When developing the draft budget, the following form columns were filled: „past year actual expenditures”, „past year approved” and „current year envisaged”, and column „current year approved” was completed after the Parliament approved the Budget Law, after which universities received funding. When estimating both basic component expenditures, as well as special funds expenditures, the following were taken into account (actually, these components, as well as the mentioned normative acts, have remained the same after 1 January 2013):

- *Staff expenditures* were estimated in strict compliance with the Salary Payment Law no. 355-XVI of 23.12.2005 and Government Decisions no. 381 of 13.04.2006 and no. 47 of 12.01.2007, regulating labour remuneration in education, culture and science areas. To be noted that staff expenditure limits were set by the annual Budget Law and in some cases they would not have full coverage from budget allocations, and in several universities these expenditures would not have coverage neither from special funds. For these reasons, universities were required to make staff optimizations to exclude additional expenditure.

- *Utilities expenses* were estimated according to previous year's consumption and to current year's adjusted rates, and in case of resources consumption increase (or decrease) compared to previous year consumption –explanatory notes containing supporting reasons were developed.
- *Travel expenses* were calculated based on the Government Decision no.836 of 24.06.2002, regulating detachment of Moldovan institutions employees.
- *Expenses for organizing and conducting conferences, symposiums, festivals, round tables, etc.,* were calculated in accordance with the Regulation on expenditure norms, approved by Government Decision 1151 of 02.09.2002.
- *Expenses for supporting orphan pupils and students and those under tutorship,* are estimated based on the average number of pupils and students and on provisional money rates, approved by Government Decision no. 870 of 20.07.2004.
- *Scholarship payment expenses* are estimated based on the number of students, master and doctoral students with about 70% budget funding and on scholarships amounts by scholarship categories, according to Government Decision no. 1009 of 01.09.2006.
- *Expenses for infrastructure improvement, investments and repairs,* in accordance with each object volumes approved by the Budget Law, as well as other expenses for procurement of goods, execution of works or services related to study process, were estimated depending on the needs and financial possibilities of the university, in accordance with Public Acquisitions Law no. 96 of 13.04.2007.

After estimating revenues and expenditures, universities prepared and approved funding plans for each type of institution according to the basic component (budget allocations) and for each category of special funds with their monthly allocation, in compliance to Form no. 3, approved by Order of the Minister of Finance No. 154 of 01.12.06. When changes between expenditure items or additional expenses occurred after the Budget Law amendments were approved, universities could make changes to the financing plans.

Financing plan represents monthly allocations of revenue and expenditure by funding source according to university estimates, authorizing the allocation of resources both from the state budget and from special funds. Before the endorsement of financing plans, universities had to obtain approval from all relevant authorities:

- Ministry of Education of the Republic of Moldova - coordination and approval;
- Ministry of Finance of the Republic of Moldova - coordination and approval;
- Directorate of the Ministry of Finance that supervises investments - approval;
- State Company "Fintehinform" (computer centre of the Ministry of Finance) -registration and corresponding database update, with mathematical and other control of the submitted documents according to the established algorithms.

Universities obtained funding after entering the data into the information system and giving the Treasury access to them. University budget was executed by the Treasury system by means of money (cash method).

Treasury system of the Ministry of Finance is a unitary organized and functioning central system, consisting of the State Treasury of the Ministry of Finance, which carries out all levels cash execution of the budgets and their monitoring. According to Law no. 847 of May 24, 1996 **on budgetary system and budgetary process**, universities with budgetary institution status did not have the right to open bank accounts for collection and payment operations through financial institutions.

On December 31st of each year, the Ministry of Finance used to close all accounts opened during the current fiscal year in order to elaborate the annual report, and if the annual budget law was not adopted and published before the beginning of the year universities had no access to their funds and current year financing was blocked, according to Art. 39 of above mentioned Law. The Ministry of Finance monthly reported to the Government about state budget execution. Since universities budget was part of the state budget, this aspect required universities to fully capitalize sources planned for the respective month, even if the university did not have the need to use the funds. At the same time, it was possible to redirect these funds for another month, however through a burdensome and lengthy (about 10 days) procedure. If during the execution of the state budget the budgetary deficit increased, then according to the above mentioned Law, the Ministry of Finance could block university spending, excluding staff and partly utilities expenditures, without informing the university. Thus, the implementation of decisions in case of centralized power takes a very long time leading to late and superficial solving of university problems instead of more rapid and efficient solving, blocks access to money balances, as a result universities cannot find optimal solutions and their activity is hindered.

Based on the above, it was concluded that freedom in decisions is the optimal solution for each university to be able to manage alone its budget, to manage its funds in a different manner than before. Their operation will pass from treasury to banking system that will take responsibility for it. Universities shall be fully autonomous and their state budget funding shall be done based on educational services contract according to the state order. *Since January 1, 2013*, universities have the right to open accounts in commercial banks and to place available financial resources at bank deposit accounts. The main particularities of financial autonomy are currently ensured by Government Resolution no. 983 of 22.12.2012 and have been mentioned above. According to Government Decision no. 983 of 2012, planning, approval, execution, monitoring and evaluation of financial means in terms of financial autonomy is the responsibility of the University Senate.

Financial autonomy should take better account of students needs by having the right to grant from its own funds scholarships, research stipends and social benefits to students, as well as to improve living conditions in the campus, meaning that financial autonomy would never separate universities from students needs.

Even though financial autonomy is followed by numerous benefits, one must acknowledge that it may also take the risk of broadening the differences between rich and poor universities financially, they are not able to secure any vital minimal services and which possibly would terminate their activity (to disappear). However, this is normal in

conditions of market economy. On the other hand, financial autonomy requires the university to take a set of competences and obligations to:

- observe the law, university charter and national policies in higher education and research and innovation areas;
- apply and observe legal regulations regarding quality assurance and assessment in higher and postgraduate education and in research and innovation;
- ensure effective management, efficient and effective use of resources;
- ensure transparency of all university decisions and activities;
- observe the academic freedom of teaching, auxiliary and research staff, as well as the rights and freedoms of students, master students, doctoral students and residents.

In terms of financial autonomy state budget allocations will not be based on historical costs, but on per student funding depending on each study program, and will include: salary costs, costs of goods, services and work acquisitions necessary to ensure the educational process, development expenses and a specialized coefficient or qualitative criteria.

Disadvantages of transition towards university autonomy might affect the period necessary for:

- learning, accumulating necessary experience;
- change of mentality;
- negotiation with competent state bodies regarding the development of legislative framework necessary for the activity of educational institutions under financial autonomy conditions;
- payment of taxes for real estate property in ownership;
- financing of expenditures in the second half of the month, which makes possible payment of salaries to the employees for the previous month with a big delay.

The contract on educational services regarding specialists training shall be signed for the total amount of budget allocations for all academic cycles. The contract shall be signed for one financial year and funding shall be performed monthly to the bank account of the University. If until now financial means from the state budget not used by the university until the end of year were withdrawn back to the state budget, then under financial autonomy conditions these means shall not be withdrawn and shall be used next year, not being included in the amount of funding for the next year.

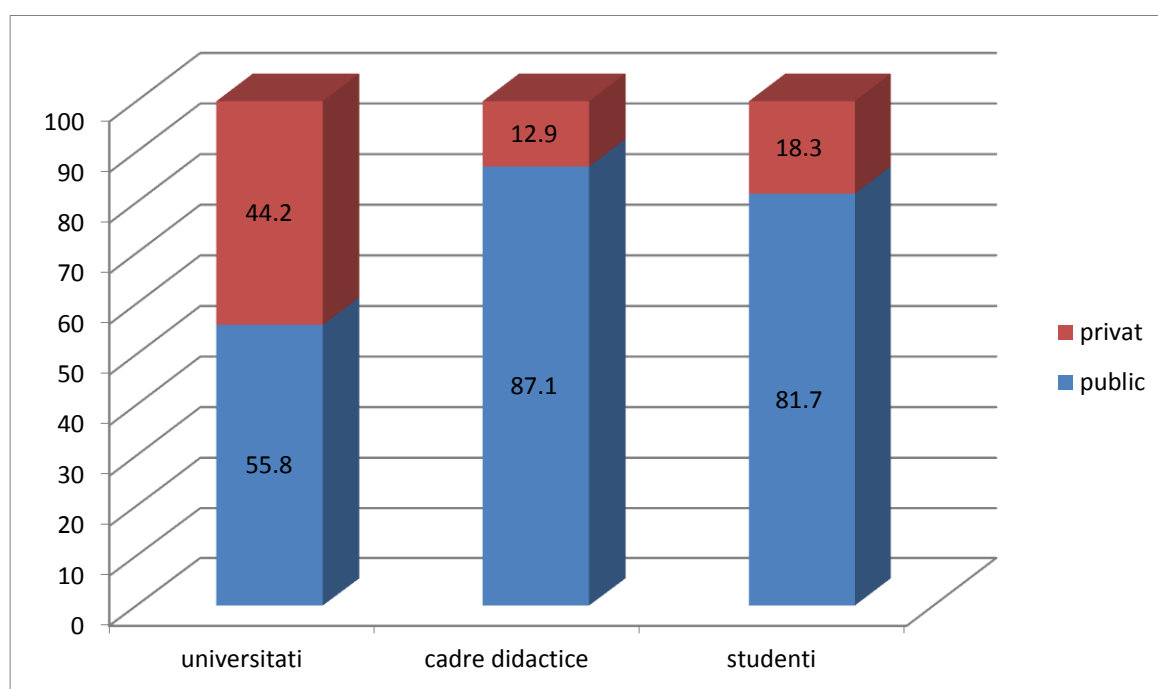
Government support implies the right to control the use of its financial resources. State allocation of funds to the Universities does not consider certain performance indicators within training or research activities. Being funded from both state and own funds the University manages its budget in accordance with the objectives, policies and programs approved by the Senate, observing all legal requirements in this respect.

The share of state funding for universities varies. Thus, in the period 2010-2012 it is about 67% for the State Agrarian University of Moldova, 44,5% for the State University, 60%

for the Technical University, 30% for the Academy of Economic Studies (Fig. 2). Private universities currently do not receive state funding.

Private universities in Moldova make up 44,2% of the total number of higher education institutions, however their role is quite insignificant (Figure 3). Thus, in terms of students enrolled in 2011-2012 academic year, the share of private universities was 18,3% against 81,7% for public universities. The figures regarding academic staff in private and public sector for the mentioned year show a ratio of 12,9% to 87,1%. In the academic year 2012-2013 the share of students in private institutions increased by 20% of the total students number.

Figure 3: Public and private higher education indicators in 2011-2012 academic year (%)



Legend to Figure 3: Universities; Academic staff; Students; Private; Public

Source: www.statistica.md

Under university autonomy conditions, after expiry of the transitional period (2 years), we consider that it would be reasonable to implement a university funding system based on quality indicators, a system existing in many countries. In this case one must have a strong indicators' system that reflects truly the performance of universities. This shall create incentives for efficient activity of higher education institutions.

Improvement of university autonomy can also be achieved through participation in research and investment projects in cooperation with various national and international partners, including public-private partnership; creation of research-innovation,

development, design units and subdivisions; services performance and production activities. Financial autonomy allows a certain level of universities decentralization but in no way it will separate the university from the state where it functions. A state order is always there and money allocated on this basis should be monitored by the State.

Under university autonomy conditions funds financing methods can be the following: funding per student based on performance criteria, classification of universities.

Financial governing bodies in terms of institutions financial autonomy consist of the University Senate and the Management Board. Institution's financial governing bodies have the following functions:

- approval of Institutional Development Plan for a period of 5 years at least, the plan including vision, mission, development strategy of the institution, as well as the main measures for their achievement;
- planning, approval, execution, monitoring and evaluation of financial means;
- approval of strategic decisions with regard to:
 - infrastructure management;
 - staff remuneration and motivation;
 - determination of the amount of tuition, campus accommodation, service and work fees;
 - cooperation with companies;
 - management of financial resources;
 - submission of proposals to merge with other higher education institutions;
 - institutional management of intellectual property rights;
 - institutional management of the technological transfer process;
- connection with the labour market;
- approval of the revenue and expenditure estimate plan;
- efficient use of budget-allocated resources and own revenues acquired by the university;
- identification of locations and means to reduce expenditures by means of: identification of consumers, adjustment and control of consumption in buildings.

Staff responsible for financial and accounting management must operate in compliance with existing normative acts. Each grant, both from external and internal donors, is being managed in strict accordance with the approved grant budget. The University submits a financial report for each funding tranche, attaches copies of invoices, contracts, payroll lists, and all necessary calculations. Transparency is present in most cases after completion of grants and donor representatives verify original documents and overall financial activity in general. During the review period control bodies check grants as well. Based on the contract regarding performance of (State Order) the Plan for specialists training, concluded between the founder and the university, funds allocated for a financial year are distributed monthly. These means are being transferred monthly by the founder to the bank account of the university.

4.3. Management – Employees Interface

Salary represents any reward or earnings measured in money, payable to the employee by the employer under individual employment contract, for work performed or to be performed. When establishing and paying the salary no discrimination based on sex, age, disability, social origin, family status, ethnicity, race or nationality, political or religious beliefs, trade union membership or activity is allowed. Salary value is confidential and every employee is entitled to a guaranteed minimum wage.

Minimum wage is the minimal amount of remuneration evaluated in national currency, amount determined by the state for a simple and unqualified work, under the level of which the employer cannot pay for the work rate performed monthly or hourly by the employee. The minimum wage does not include additions, bonuses, incentive payments and compensations. The amount of minimum wage is binding for all employers, legal entities or individuals, using paid employment, regardless of ownership and legal constitution type. This amount can be reduced neither by collective work agreement nor by individual employment contract. The amount of minimum wage is guaranteed to workers based only on performance of their work obligations (norms) during working hours established by law.

University system and conditions for employee salaries payment are established by Law no. 355-XVI of 23.12.2005, Government Resolutions no. 381 of 13.04.2006 and no. 47 of 12.01.2007: it regulates labour remuneration in education, culture and science areas. State guarantees regarding remuneration include state-approved minimum wage, state wage rates for the budget environment and compensation-type benefits guaranteed by state and regulated by law. Besides basic salary (tariff wage, position wage, bonuses and additions provided by law) the employee benefits of other incentive payments and compensations. Depending on the financial situation and after consulting employee representatives, the university is entitled to establish various systems of rewards, additions and bonuses to the base wage rate, as well as other incentive payments. The envisaged systems can be also provided by the collective work agreement.

However, beside payments provided by salary systems, universities may establish results-based rewards for its employees from the annual salary saving fund. Based on conditions stipulated by Government and by Salary Payment Law, the university has developed internal rules regarding salary setting manner and conditions. These rules determine the approach for calculating monthly salary, including benefits, additions, bonuses and material aid for employees during their work within university. They also stipulate additional payments to the basic salary from special funds. Meantime, the rules provide creation of an incentive fund consisting of budgetary and special funds in order to stimulate staff to improve efficiency and quality of work, such as jubilee awards, material aid and other incentive-based payments.

University employee's monthly salary is regulated by the Government both at the minimum level and at the maximal level. But in the context of the above, we consider that state involvement in salary regulation should be minimal by means of setting minimum wages.

Each university, besides its internal rules, has the right to develop and approve through its Senate other regulations for employees' motivation. Thus, in the case of the State University, these are:

- Regulation regarding merit awarding for teaching staff based on assessment frame;
- Regulation on the organization within the State University of Moldova of the contests „Teacher of the Academic Year” and „The Most Successful Beginning Teacher”;
- Regulation on department's heads stimulation based on performance criteria.

For the Academy of Economic Studies of Moldova these are:

- Regulation on salary calculation mode and conditions for the Academy of Economic Studies of Moldova staff;
- „Teacher of the Year” Regulation.

Within the Technical University the Senate stimulates training and research activities by awarding the following:

- Winner of the Year in Teaching;
- Winner of the Year at Initial Phase in Teaching;
- Best Manual of the Year;
- Winner of the Year in Research;
- Winner of the Year in Technical Creativity;
- Best Academic Group Supervisor
- Bonuses for young professionals with age up to 35 years.

Rector's monthly salary is established according to an administrative act approved by public authority (Ministry of Education). Material aid, coefficients, reward amount and terms are also set by the higher body. Rector is allowed to establish additional compensations, based on the years of experience and professional performance, from/within the limits of the salary fund and within the limits regulated by the Government, which can be increased or reduced depending on the results and quality of work. These supplements are approved by decision of the Senate at the proposal of the Rector.

Given that the core activity of universities is education, funding sources largely depend on the number of students studying at the university. The category of the institution, the number of the teaching staff, including the management staff and wages depend on the mentioned indicator. The salary fund granted from the budgetary allocations is calculated based on the number of teaching and non-teaching staff.

The staff structure and salaries are set up by the university management within the limits indicated by the Government. All incentive payments, which might be granted by the University to its employees, are regulated by the Government at their maximum level. The amount of incentive payments from the extra budgetary funds paid monthly to an employee will not exceed the position salary of an employee, taking into account the bonus

for total work history. To establish incentive payments the universities will use the special funds remaining available after covering other expenses related to the services provided, to the carried out works or other activities, according to their share in the approved revenue and expenditure estimates.

However, the academic staff, in addition to its teaching activity, is not limited in conducting research activity for additional remuneration as well, under some contracts. At the same time, they can carry out teaching activity in other divisions and other universities, which leads to an increase of the monthly personal income.

4.4. Employees – Students Interface

Currently the size of tuition fees is fixed and regulated by Government Decision. The size of tuition fees can be changed by the university only after supportive justification and Government agreement, respectively. In terms of financial autonomy, the financial management bodies of the University are entitled to determine the amount of tuition fees and the rent prices for accommodation in dormitories, but only following a methodology approved by the Government and in coordination with founder.

However, the number of students (the plan of specialist training under state budget funding and contract based by paying the tuition fees) is set annually by the Government, according to the needs of the labour market and needs for the development of national culture and art. From the point of view of universities, this is not correct because it leads to violations of freedom of administration. The plan of specialists professional training should be decided by the university itself based on the principles of quality and capacity of the university.

Tuition fees are paid only in MDL and students have been required to pay in two instalments, i.e. at the beginning of each semester. Payment of tuition fees in full is not possible because it is contrary to the *Regulations for the Formation and Directions of Use of Special Funds of Universities*, approved by Government Resolution no. 196 of 22.02.2007. After January 1, 2013, students are entitled to pay, at their will, the entire amount at the beginning of the academic year. Fee payment learning contracts may be concluded both with individuals (students, parents or relatives who bear the costs of study), and with legal persons which manage their studies. At the same time, the amount of tuition fee was and still remains established under the level of state budget allocations at the majority of universities (Table 1).

Thus, only the State University of Medicine and Pharmacy "Nicolae Testimîţanu" has established the amount of tuition fee exceeding, on average, by 9% budget allocations per student (Table 3). For universities under the subordination of the Ministry of Education, as well as for SAUM, the average fee per student is 65% of the state budget allocations per student. Obviously, we are considering average values since professional training varies from one specialty to another depending on its specific aspects. However, the demand and offer determine the amount of tuition fee which is established by the universities. Often, for specialties requiring higher expenditures for specialist training (chemistry, physics,

etc.) the amount of the tuition fee is smaller than the real cost. Reversed situations can also be encountered.

Table 3: Average annual cost per student, 2012, MDL

University	Average annual cost (budget)	Total average cost	%
State Agrarian University of Moldova	18860	12250	65,0
State University of Medicine and Pharmacy	29155	31869	109,3
Universities under the subordination of the Ministry of Education	18200	11893	65,4
Academy of Music, Theatre and Fine Arts	40418	33958	84,1
University of the Moldovan Academy of Sciences	32472	32472	100,0
Academy of Public Administration	10642	10642	100,0

Source: Ministry of Finance

The University could not grant study loans to the students as it contravenes the Law about the budgetary system and budgetary process. At the same time, the students who want to take loans from Bank to pay the tuition fees have very few alternatives. Very few banks have tried to do deals of this kind; however, they gave up this package. All together, universities may grant tuition exemptions. Usually it is performed at the beginning of the academic year, based on the applications submitted by students, on their academic situation and their family situation. Yearly a certain number of students are exempt of tuition fee in the amount of 100%, 75%, 50% or 25%. In this sense, every university shall act in accordance with the university policy and financial possibilities.

Additional fees are paid by students for various supplementary courses at their request. Additional fees are also charged for optional courses for students. Training in the Military Department (at the student's choice) is an additional fee charge. Additional fees collected are used for salaries, utilities and are not subjected to special directions of use.

However, students enrolled on a contract basis and paying tuition fees benefit of scholarships as students funded under the budget. Besides the study scholarship, students enrolled on the basis of the state budget funding benefit of social scholarships, merit scholarships, material aid, bonuses; orphan students receive allowances and food. These payments, according to the Tax Code (article 20, Chapter 2, Title II) are not subject to taxation, except material aid and bonuses granted by the university. Students are informed about the tuition fees and all facilities through the website of the university, Student Guide

and the faculty staff, which is responsible for relations with students. Students are represented in the Senate, Faculty Council (25%) and, through its representatives participate in decision making.

4.5. University – Business Interface

Business environment is the main beneficiary of universities, given the fact that businesses (economic agents) are in constant need of qualified specialists and the universities are those institutions which train them. Hence, there is a close relationship between these two entities: to have highly skilled employees, businesses should be interested in working closely with universities and in participating in practical training of students by providing places for internships and financial support to universities, contributing thus to the education of specialists. But this situation is mainly theoretical for Moldova, because the involvement of enterprises in the training of specialists or in the university activities is minimal. Hence, we can assume that if the university would receive financial support from the businesses it could be more autonomous to some extent. At the same time, the relationship between the university and businesses can be extended for research. Universities are open in conducting applied research for businesses and at their order. Unfortunately, this research is insignificant at this moment.

Each university has in its structure a career guidance service for students, which aims at establishing and strengthening relations between the university and the business environment. For example, the Academy of Economic Studies of Moldova has a Centre for Placement and Relations with Businesses (Economic Agents (CPRAE)), which is a structural subunit within the Academy of Economic Studies of Moldova. The Centre has a subdivision in its structure - Business Incubator.

The **goal** of the Centre is to develop and ensure the fulfilment of strategies for students' placement in production practices, establishment of relations with different businesses with the purpose of placing students in the labour market, and training and monitoring of entrepreneurship of residents of Business Incubator. The main **objectives** for the accomplishment of the Centre's mission are:

- consulting and training in professional fields, covering the real needs of the market concerning the students' placement in the labour market;
- organizing training courses for employees and individuals;
- providing modern (updated) training programs using innovative methods of teaching - learning - assessment;
- providing professional support to employers (consulting, information, services);
- establishing relationships with the faculties of the Academy of Economic Studies of Moldova in order to provide support to graduates and employers;
- collaboration with similar Centres and other institutions at home and abroad.

The Centre has the following *tasks* and *responsibilities*:

- Development of strategies for students' placement into industry internships

- Establishment of reciprocally beneficial collaboration relations with companies;
- Supports the graduates in the employment process;
- Consulting services regarding the employment process;
- Organization of workshops, conferences, contests with the participation of companies;
- Negotiation of collaboration contracts with companies;

In the case of the State University of Moldova, the bridge toward business is provided by the Career Guidance and Labour Market Relations Centre. Within the Technical University of Moldova the University Centre for Information and Guidance (CENIOP), a specialized structure of the University in accordance with Tempus Project JEP-25121-2004 "Guidance and placement of students", was created for relations with business. The main objectives of the Centre are:

- promotion of academic values and University's image among young people, including high school graduates, students and graduates of the University;
- support, information and consulting students and high school graduates regarding professional guidance to under-graduate students during the years of study, informing the students about job internships and job placement.

The Scientific Research and Technological Development Department of TUM provides contract-based research services for companies (the beneficiary is given scientific, technical and other documentation as set by the technical task and conditions of the contract). TUM has concluded framework agreements with relevant Societies in such areas as energy (electrical, thermal, gas, ...), transportation, food industry, light industry, etc. On this ground, contracts are annually concluded with industrial enterprises within these associations, identifying the specific issues to be completed this year (for instance, organizing student internships, development of research for companies with the assistance of students and lecturers). Every year hundreds of graduation papers are being developed based on topics identified as enterprise needs.

Companies can rent university facilities based on contracts approved by the Ministry of Education and revenues from rental or lease of public property managed by the institution, as well as corresponding utilities payments, become sources of additional revenue. Also, the University does not have the right to sell its property. It can be sold only by approval of the Ministry of Education and the money is being transferred to the state budget, given that the property is state-owned, regardless of the financial source for its construction.

Economic relations with companies are possible with regard to the following: contract-based training and continuous training of specialists both within all study cycles and at continuous training courses. Thus, during the last two years the Academy of Economic Studies provided continuous training services based on corporate contracts to the following companies: BC "Fincombank" etc. - 5 contracts, Centre for Combating Economic Crimes and Corruption - 1 contract, SE "Fiscservinform" - 1 contract, "Centre for Public Administration Consolidation" - 1 contract, LLC "Flornuc" - 1 contract, LLC "Prodent Com" - 1 contract, NGO "Business Women Association" - 1 contract, LLC "MCS" - 1

contract, etc. At the same time, companies can finance (sponsor) certain programs or activities. Usually these refer to scientific, cultural and student activities.

The main **threats** to financial autonomy of universities can arise from non-compliance of companies to contract provisions, as they might impose certain conditions, different from university areas of activity. Current legislation does not allow universities to borrow money from banks or other financial structures. Instead, universities have the right to earn their own resources from provision of certain services: continuous training courses, organization of scientific conferences with participation of company representatives, publishing services, sports services, recreation centres, and others, etc. Universities participate in research projects and obtain corresponding research grants funded by the Academy of Sciences, companies, internal and external donors.

4.6. University – Internationalisation Interface

Universities are more autonomous when receiving support from foreign funds. Foreign funds are mainly project grants and the use of these funds is defined from the start, that is, only for carrying out project activities. Therefore, one cannot say whether the universities should be more autonomous in this case.

Universities have the right **to apply for international funds** by means of projects (exclusively). Thus, Tempus is the most frequently addressed program in the Republic of Moldova, being the longest European program playing an important role in modernising and reforming the education. Tempus program is conducted in Moldova since 1994. Another program is Erasmus Mundus, present in Moldova since 2006, which offers funding for:

- higher education institutions wishing to implement joint postgraduate programs or to conclude inter-institutional cooperation partnerships between European universities; the project is aimed at third countries;
- individual students, researchers and university staff, wishing to conduct study/research/lecture periods under the framework of one of the above mentioned programs or cooperation partnerships;
- any organization operating in the area of higher education wishing to develop projects aimed at enhancing the attractiveness, profile, visibility and image of a European higher education institution worldwide.

The Erasmus Mundus program provides Moldovan citizens with an opportunity to enrol in complete masters courses for a 1.5-2 year period at one of the universities in the EU Member States. Applications are made directly to the European Commission, without intermediaries from Moldovan universities. During 2005-2011, 41 students and one university personnel from Moldova benefited from Erasmus Mundus program (Report on higher education system in the Republic of Moldova, 2012).

Funding for international business takes place based on contracts signed between the university and external donors through institution's bank accounts. Attraction of such

funds varies depending on year and project, but anyway the funds are not significant. Annual external funding ranges around 1-3%.

The number of foreign students in Moldovan universities is, unfortunately, very small. Each university is trying to develop policies for attracting foreign students, though Moldovan legislation (Labour migration Law no. 180-XVI of July 10, 2008, Official Monitor of the Republic of Moldova, 2008, no.162-164, art .598) does not offer the opportunity to work to these students, as it exists in other countries. This thing represents a serious barrier because not all students can be supported by their parents. The situation has changed, at least legally, at the beginning of the current year when several amendments were introduced in the above mentioned law and under Article 5, ph.4¹, of the Law no.303 of 26/12/2012 regarding the amendment and supplementing of certain acts, "Foreigners with temporary residence for studies may perform work on the territory of the Republic of Moldova, in accordance with labour legislation, for a period not exceeding 10 hours per week or the equivalent in days during a year."

The Republic of Moldova is a country with a still forming economy, with political problems, which do not create the country a really good image in the world. Therefore there are few people in Europe and Asia who would like to study here and they have a specific reason to do so. People from Africa are interested in studying in Moldova, but most African countries belong to a high risk group of countries and their citizens obtain a residence permit with difficulty. Also, the experience shows that many people who come from different countries of the African continent use our country to go (often illegally) to other EU countries.

Given all that, the universities made efforts in the recent years to introduce study programs in English in order to attract foreign students for integral studies or for mobility periods. Internationalization of higher education may have some **threats** for university autonomy by the fact that, as mentioned above, Moldovan universities are not quite attended by foreigners, and on the contrary, more and more Moldovan students leave the country to study abroad. Thus, the number of students coming to study will be lower which fact will decrease the financial sources of universities respectively. At the same time, universities may establish international relations in order to obtain additional revenue only by offering services: courses, three-level education, research and implementation of research results.

4.7. Conclusions

- Currently Moldovan universities are not fully autonomous when speaking in financial terms. Beginning with January 1, 2013, Government Decision no. 983 offers autonomy, including financial, to universities, but with a two-year transition period. Currently, external regulations limit the autonomy of higher education institutions in terms of budget development and execution.
- Public funding of universities is carried out based on actual expenditure in the previous year and does not take into account their performance. There is a formula based on which they would estimate the cost of a student. Budget allocations are

calculated based on the need to pay employees, pay utilities, pay scholarships and other expenses necessary to maintain strict educational system functionality;

- Universities could not use and exploit the remaining financial balances. Their existence is explained by the fact that tuition fees are normally collected at the beginning of the study year. Many students do not pay the fee until the last moment, i.e. when they are close to not being admitted to exams session which is in December. Obviously, the university failed to capitalize this money until the end of the calendar year. Beginning with January 1, 2013 the situation changed and universities can use previous year's balance.
- The amount of tuition fees is below the actual cost of specialists training. Universities cannot establish the tuition fee themselves, its value being established by Government Decision. Since January 1, 2013, it can be approved by the University Senate Decision and coordinated with the founder.
- Excessive state regulation affects the labour payment system. Limitations imposed on staff salaries leads to many lecturers working in several places to have a higher income.
- Universities have a certain degree of freedom when providing additions to salaries from special financial sources. Each university has its own methodology for calculating these additions, but not all these methodologies are based on employee performance.
- Students become more involved in university life, including their participation in taking certain decisions. Tuition fees paid by students are an additional significant source of income for universities. Also, universities grant students certain facilities in this regard, i.e. tax exemption, postponement of tax payment. All these, as well as the criteria for granting facilities to students are known by them.
- Regretfully, insufficient collaboration between business and universities, especially in terms of fundraising, remains.

5. CONCLUSION AND NEXT STEPS

The analysis of existing situation regarding university financial autonomy in the Republic of Moldova have allowed us to conclude that this is at the beginning of the way. According to legal provisions, years 2013-2014 are considered years of transition to university autonomy. During this period the main rules, established in the respective legal acts and mentioned in the report, apply. At the moment, several ambiguous aspects can be highlighted. For example, what is the most efficient procedure for allocation of budgetary resources to universities? What are the expenditure items that need to be considered? How to calculate per student cost? What should be the relationship between the calculated value of this cost and the size of tuition fee? Do private universities need to receive state support? To find answers to these and other questions arising along the way we consider appropriate to study the experience of other countries and to identify possible solutions for Moldovan universities.

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Regulation on the operation conditions of financial autonomy of higher education institutions, approved by Government Decision No. 983 of 22.12.2012

APPENDIXES

Appendix 1: Data sources

#	Type	Title
1.	Law	on education with amendments, No. 547 of 21.07.1995
2.	Law	regarding the budgetary system and the budgetary process, No. 847 of 24.05.1996
3.	Law	on labour migration, No.180 -XVI of 10.07.2008
4.	Law	amending and supplementing certain legal acts, No. 303 of 26.12.2012
5.	Law	on the salary system in the public sector, No. 355 (with subsequent amendments) of 23.12.2005
6.	Law	regarding the budgetary system and the budgetary process, No. 847 of 24.05.1996 (with subsequent amendments)
7.	Law	on public procurements, No. 96 (with subsequent amendments)
8.	Law	Labour Code of the Republic of Moldova, No.154 of 28.03.2003
9.	Government Resolution	on approval of the Regulation regarding the norms of expenditure for conducting conferences, symposiums, festivals, etc., by public institutions financed from the state budget, No.1151 of 02.09.2002 (with subsequent amendments)
10.	Government Resolution	on approval of the Regulation regarding the delegation of employees of Moldovan organizations, No. 10 of 05.01.2012 (with subsequent amendments)
11.	Government Resolution	on the amount of scholarships, other forms of social support for students from higher education institutions, for students from secondary specialized educational institutions, vocational secondary institutions and for attendants of post-university education, No.1009 of 01.09.2006 (with subsequent amendments)
12.	Government Resolution	on salary conditions of employees from state higher education institutions with financial autonomy, No. 195 of 13.03.2013
13.	Government Resolution	on special funds of institutions within the Ministry of Education, No. 196 of 22.02.2007 (with subsequent amendments)
14.	Government Resolution	on salary conditions of employees of public entities, No. 381 of 13.04.2006 (with subsequent amendments)
15.	Moldova	
16.	Government Resolution	on the salaries of employees from public organizations in the area of science and innovation financed from the state budget, No.47 of 12.01.2007 (with subsequent amendments)
17.	Government Resolution	on approval of the Regulations regarding the lease of unused assets, No.483 of 29.03.2008
18.	Government Resolution	on approval of expenses temporary rates for orphan pupils (students) and children under guardianship from professional and vocational schools, from secondary specialized education institutions and higher education institutions, from boarding schools and orphanages, No.870 of 28.07.2004 (with subsequent amendments)
19.	Government	on the operation of state higher education institutions in conditions of

#	Type	Title
	Resolution	financial autonomy, No.983 of 22.12.2012
20.	Government Resolution	on accommodation rates charged in the dormitories of state institutions for secondary vocational education, specialized education, university education and from the area of science and innovation, No.99 of 30.01.2007
21.	Government Resolution	on approval of the list of payment-based services rendered by the Ministry of Culture and by subordinated institutions, No.1311 of 12.12.2005
22.	Government Resolution	on special funds of public institutions and organizations from science and innovation area within the Academy of Sciences, No.724 of 26.06.2006
23.	Government Resolution	with regard to formation and use of special funds of public institutions under the Ministry of Health, No.928 of 13.08. 2007
24.	Government Resolution	on special funds of educational and science and innovation institutions under the Ministry of Agriculture and Food, No. 921 of 6.10.2010
25.	Order of the Ministry of Finance	on approval of the Regulation regarding monthly allocations of revenues, expenditures and financing sources of the state budget, No.154 of 01.12.2010
26.	Order of the Ministry of Finance	regarding budget classification, No.91 of 20.10.2008 (with subsequent amendments)
27.	Order of the Ministry of Finance	on approval of the Regulation regarding the management of special funds of public institutions financed from the budget, No.94 of 31.12.2004 (with subsequent amendments)
28.	Informative material	Financing of higher education in Romania (2007). – CNFIS opinion
29.	Informative material	Higher education governance in Europe. Policies, structures, financing and academic staff (2008), Eurydice
30.	Article/Paper	Andreescu Liviu "Academic freedom. Between theory and university policies
31.	Article/Paper	University autonomy – condition of civilisation, Andrei MARGA
32.	Article/Paper	Lucica Matei and Diana Camelia Iancu and Iulia Grigorovici (2010) Financing public education in the European Union. Case study: The higher education system
33.	Article/Paper	Korosaye-Orubite A. K., F. Godgift Paulley & Nath. M. Abraham University (2012) Autonomy, Academic Freedom and Academic Staff Union of Universities' (ASUU) Struggles in Nigeria: A Historical Perspective
34.	Draft normative act	Public policy proposals initiated by the Ministry of Education: Developing managerial capacities of universities by expanding university autonomy
35.	Report	Report on higher education system of the Republic of Moldova
36.	Regulations	Regulation of the Academy of Economic Studies of Moldova on the approach and conditions of setting wage for the employees of the Academy of Economic Studies of Moldova

#	Type	Title
37.		Thomas Estermann & Terhi Nokkala,2009, UNIVERSITY AUTONOMY IN EUROPE I, ExploRAToRy STUdy, http://www.rkrs.si/gradiva/dokumenti/EUA_Autonomy_Report_Final.pdf

Appendix 2: Data collection method - Financial Autonomy

Part I.

<p>Interface I Government - University</p>	<p>List the available financial resources of the University (types and basic rules for their distribution). What are the main principles of budget allocation for a specific university? What is the price policy in higher education (student fees regulation). The main issues of Regulations regarding budget distribution within the university. Does government support entitle it with the right to control the university? Can the university keep its extra public funding Does the possibility to own buildings allow the university to receive additional funding from rent? Are KPIs (performance indicators) based on research and teaching? Is the university state-funded or privately-funded? Does the university have the right to manage the budget according to its own policy or according to government decisions? What is the share of state funding within university budget? What rules are established by state regarding public funds? Can private universities be funded by the state? Does the government establish additional fees if the University proposes the budget and plans budgetary evolution? Is there any possibility that financial autonomy could lead higher education institutions away from the needs of students? What are the disadvantages of transition toward university autonomy? Is it reasonable, given the autonomy of Moldovan universities, to introduce a university funding system based on quality indicators? What types of financial flows can improve university autonomy? Would financial autonomy cause separation between the state and the university? What methods could be employed for financing and administration of funds under university autonomy conditions? Would diversification of funding sources allow to get rid of financial dependence and limited autonomy? What level of autonomy should have the person responsible for financial and economic activity of the university? When providing state grants for financial operation of universities is there a transparent and methodologically-based allocation procedure? What is public funding cycle period? Does the university have the right to set tuition fees? How are funded all three university levels (focusing on doctoral studies)?</p>
<p>Interface II Management – Employees</p>	<p>Should government regulate employees' wages? Can university infrastructure be improved if the university would own buildings or borrow money?</p>

	<p>Internal rules for employees' motivation.</p> <p>Are KPIs (performance indicators) based on research and teaching?</p> <p>Are minimal and maximal salaries of academic staff established by law?</p> <p>Can the rector, the deans and department heads propose salaries within these limits?</p> <p>Does the state provide salary funding based on the number of students?</p> <p>Is the university in charge of establishing the structure and employees salaries?</p> <p>Are there wage limits for employees?</p> <p>Are outsourcing funds available to the university?</p> <p>What staff categories would benefit from the financial autonomy of the university?</p> <p>Would financial autonomy limit the freedom of scientific research?</p> <p>Does the university allow its employees to receive wages for overtime work performed at the university?</p> <p>Can staff be employed part-time outside the university?</p>
Interface III Employees - Students	<p>Is the student more exacting when paying a full tuition fee?</p> <p>Must the size of tuition fee be regulated by the government?</p> <p>Should the government regulate the number of students?</p> <p>Can the university award tuition grants to students from own funds?</p> <p>What are the additional fees paid by students and what are they used for?</p> <p>Is there the idea of funding per student /area?</p> <p>Do students have to pay any taxes?</p> <p>What is the role of students in the support of the financial autonomy of the university?</p> <p>Do students receive financial support from the university?</p> <p>Are students aware of tuition fees and of financial support?</p>
Interface IV University – Business environment	<p>Is the university more autonomous if it receives financial support from business environment?</p> <p>Can business influence research areas by funding specific research areas?</p> <p>Could the university invest in its infrastructure if it could borrow money from financial markets?</p> <p>Are there special support measures to strengthen university-business relationship? List them</p> <p>Does funding from private companies require the university to accept sponsor policies?</p> <p>Can the university rent its premises to obtain additional income?</p> <p>Does the university have the right to sell some share of its property?</p> <p>Is it possible an economic relationship with the business?</p> <p>Can business finance any programs?</p> <p>What kind of collaboration with local business is effective in terms of supporting the financial autonomy of the university?</p> <p>What commissions from private corporations can contribute to the financial autonomy of the university?</p> <p>What are the main threats to the financial autonomy that can arise from business structures?</p> <p>Does the university have the right to request loans or borrow money?</p> <p>Does the university have the right to earn own resources from economic activities?</p> <p>Can the university compete with other companies to obtain research grants within national competitions?</p>
Interface V	<p>Is the university autonomous when receiving support from foreign funds?</p>

University – Internationalisation	<p>Does the university have the right to use international funds?</p> <p>What kind of financing is employed by international business?</p> <p>How many external funds are raised in this context?</p> <p>What are the policies for attracting foreign students?</p> <p>What are the main threats to the financial autonomy that would arise from the internationalization of higher education?</p> <p>Can the university establish international relations in order to obtain additional income?</p>
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Part II.

83.	What proportion of University funding is provided by the Government? (give a %)	Please tick	
		Yes	No
84.	Please indicate which of the following apply in the allocation of Funding to HEIs		
	Negotiation on the basis of an estimate from the institution		
	Fixed on the basis of past costs		
	Formula funding		
	Performance contract		
	Funding for research projects on a competitive basis		
85.	Do performance indicators play a role in funding allocations?	Yes	No
86.	Are there restrictions in the way in which the University can use the funding?	Yes	No
87.	Does this include allocations to Faculties?	Yes	No
88.	Does this include allocation to Departments?	Yes	No
89.	Is research funded separately?	Yes	No
90.	If no, is it part of a block grant?	Yes	No
91.	Please indicate which of the following accountability measures apply and whether they are mandatory or optional:	Mandatory	Optional
	External financial audit		
	Internal financial audit		
	Fulfilment of institutional strategic plans		
	Achievement of performance indicators		
92.	Are institutions able to carry forward unspent funding from one year to the next?	Yes	No
93.	If, so is there a limit on the amount or percentage of funding which can be carried forward?	Yes	No
94.	Are institutions free to make investments?	Yes	No
95.	Are institutions able to take out commercial loans?	Yes	No
96.	Do HEIs charge tuition fees?	Yes	No
97.	Are tuition fees fixed by:	Yes	No
	The Government?		
	The University?		
98.	If by the University, are there any restrictions on the level of fees which may be charged?	Yes	No
99.	Are Universities restricted in the way in which they can use tuition fee income?	Yes	No
100.	Do tuition fees constitute a significant (15% or more) element in the	Yes	No

	funding of HEIs?		
101.	Are Universities encouraged to seek private funding?	Yes	No
102.	If they are successful in achieving private funding, are they restricted in how they may use it?	Yes	No
103.	Is the University required to report on the amount of and use of private funding?	Yes	No
104.	Are Universities free to create commercial companies?	Yes	No
105.	Please tick any of the following sources of private funding which are actually available to Universities:		
	Donations/legacies		
	Loans		
	Rent/revenue from property		
	Sponsorship of posts		
	Use of research results/contracted research		
	Fees from service provision		
	Interest on investments		
	Creation of commercial companies		
106.	Do independent private Higher Education Institutions receive any public funding?	Yes	No
107.	Are Universities responsible for their infrastructure including buildings?	Yes	No
108.	Are Universities responsible for the maintenance of their estates?	Yes	No
109.	Is the University responsible for capital development?	Yes	No
110.	How is this funded?	Yes	No
111.	Do Universities have highly trained professional staff to manage their finance?	Yes	No
112.	Who appoints the Head of Finance -	Yes	No
	The Government?		
	The Rector?		
113.	Does the Head of Finance have any direct responsibility/reporting line to the Ministry?	Yes	No
114.	Do Universities operate an internal resource allocation model?	Yes	No
115.	Have Universities established separate cost centres?	Yes	No
116.	If yes, is there a system of devolved budgets?	Yes	No