

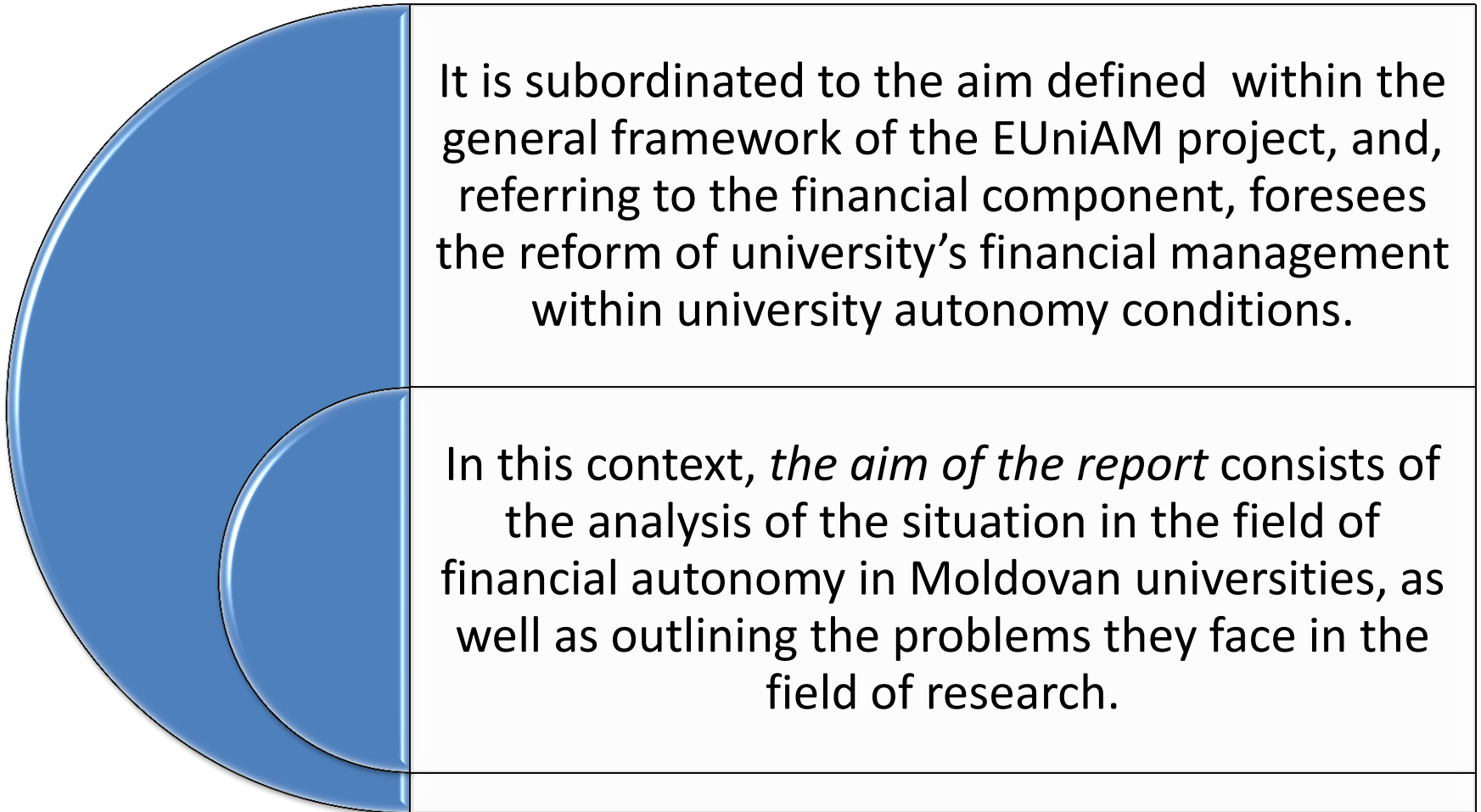
„Enhancing University Autonomy in Moldova (EUniAM)”

COMPONENT IV. FINANCIAL AUTONOMY

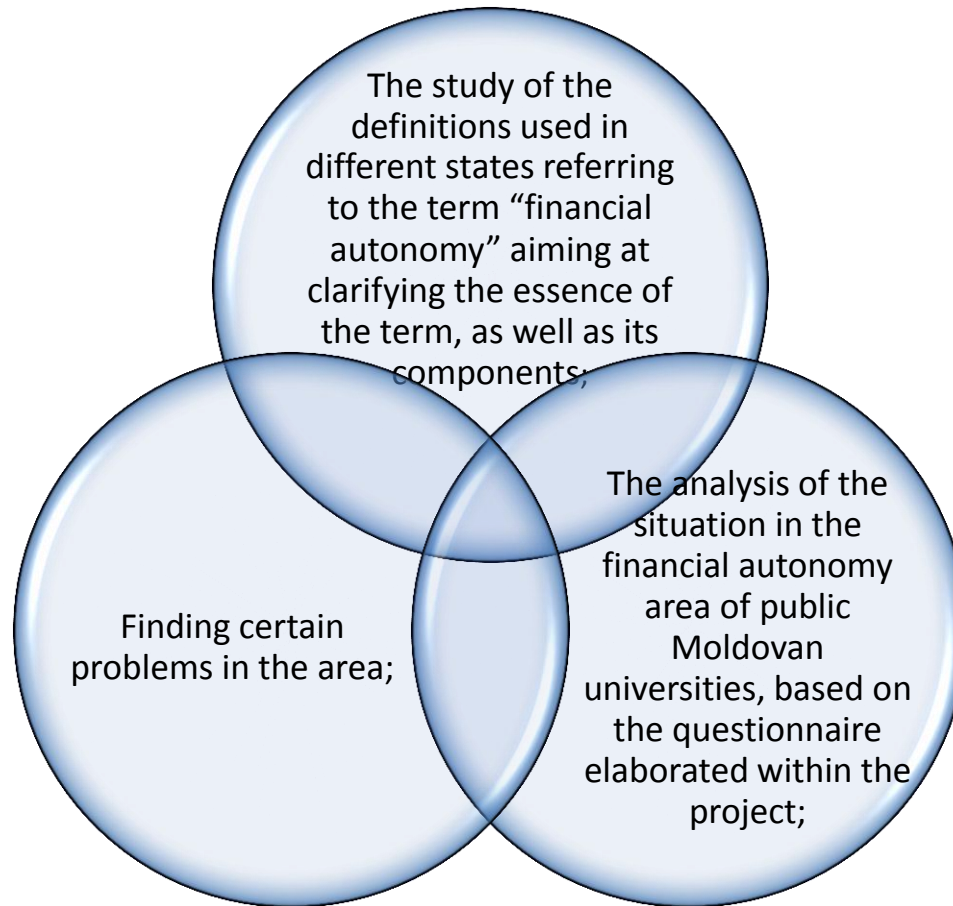
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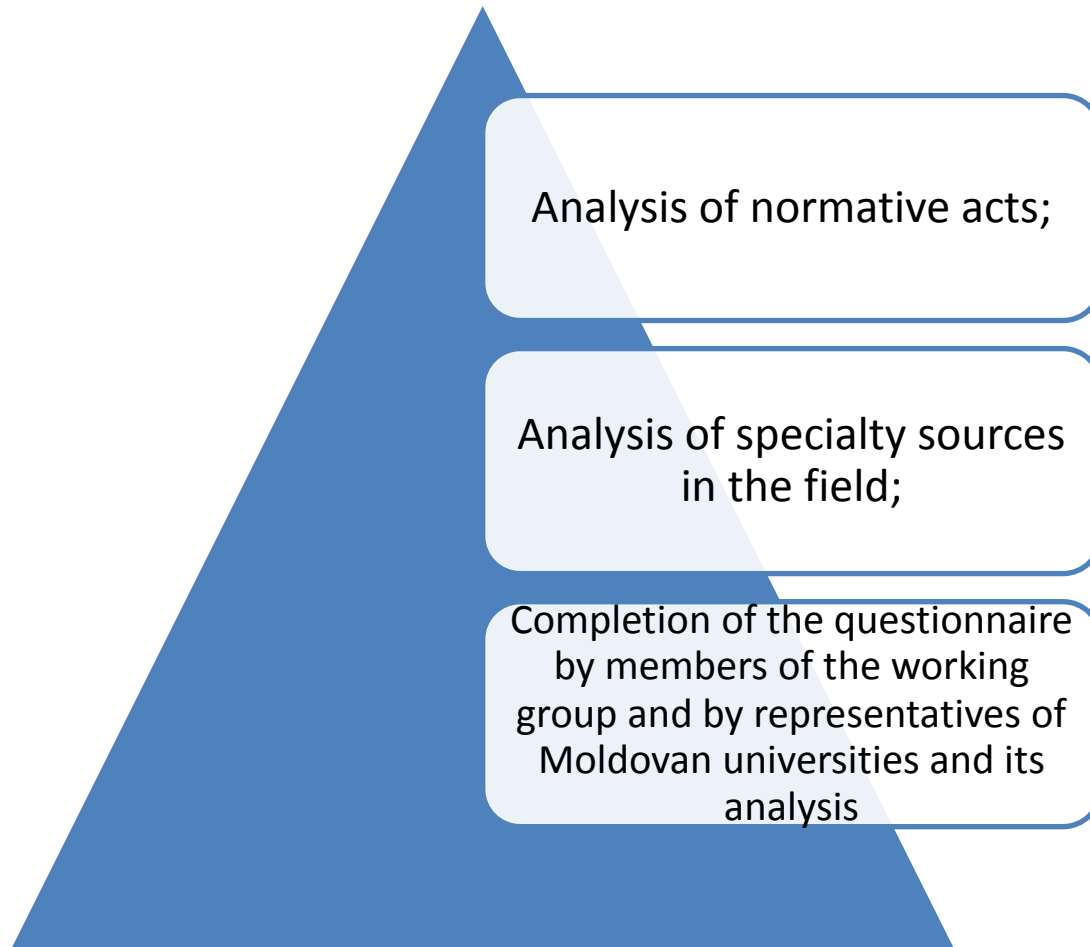
The aim



Study objectives:



Used methods



INTERFACE 1 GOVERNMENT – UNIVERSITY

FORMATION OF UNIVERSITY FINANCIAL MEANS

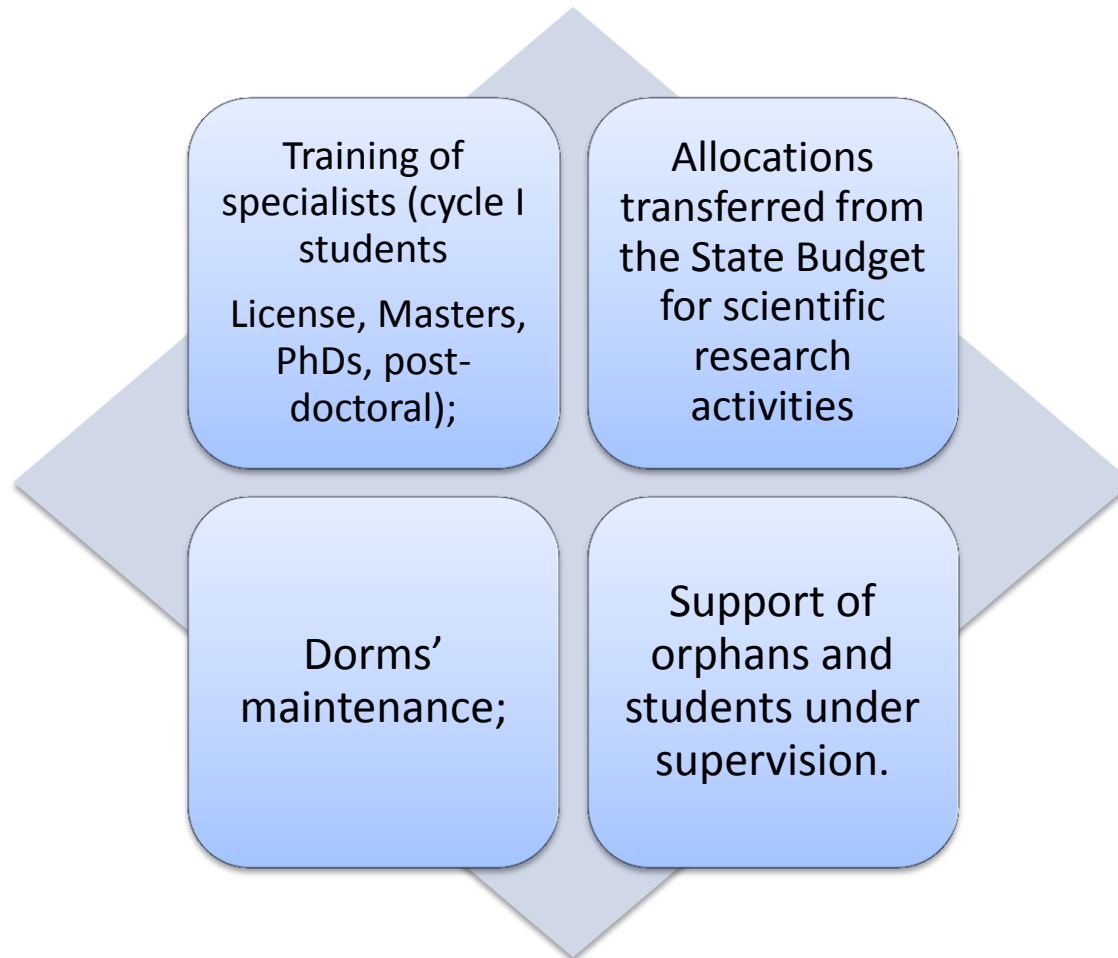


Own revenue (special means)



State budget allocations

1. State budget allocations:



2. Own revenues (special means):

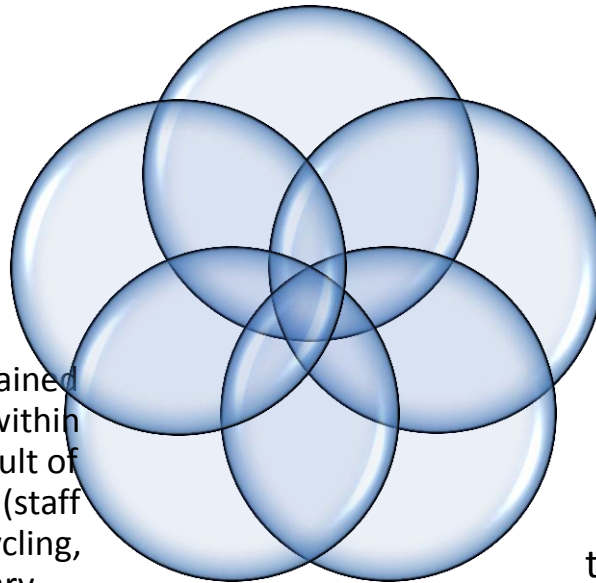
1. The amount of payments from individuals and legal entities for the contract-based training of students, Masters and PhDs;

2. Revenues from the rent or lease of public property goods under the management of the institution and payment of utilities, related to the rented premises;

3. Revenues from the rent of student hostels;

4. Other revenues obtained by public institutions within the legislation as a result of paid services' delivery (staff improvement and recycling, sport activity, military training courses, printing services, sports' sections activity, Medical center's activity and others)

5. Grants and sponsorships.



Regulation of tuition fees

Tuition fees, as well as other fees coming from delivery of services are governed by the State through *Government Decision no. 196 of 22 February, 2007 "On special means of institutions subordinated to the Ministry of Education"*, Annex 1.

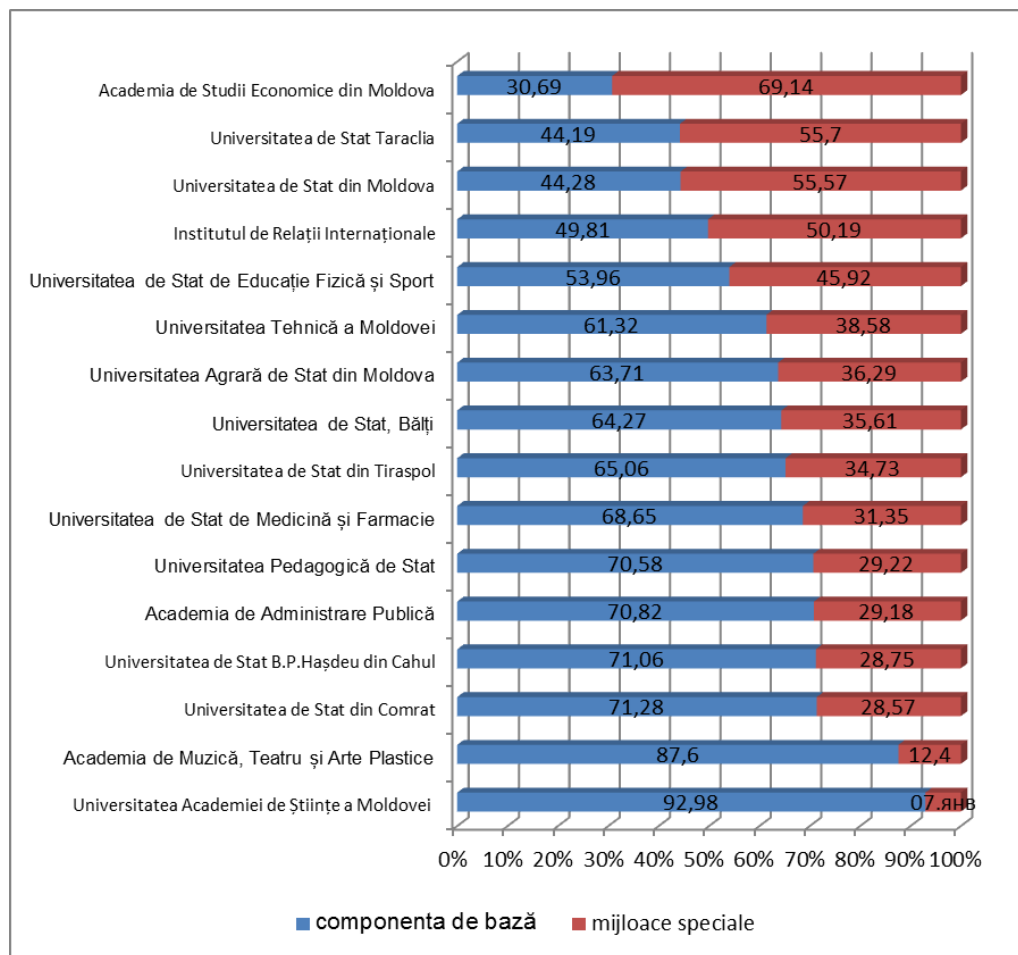
The tuition fee for the contract-based staff training

is calculated based on the actual costs associated to the study process, except the expenses for the payment of scholarships and dorms' maintenance. The tuition fee includes the costs calculated under the acting rules and regulations, tariffs and prices forecasted for the respective period, and in their absence – based on the average real expenditures from previous reports.

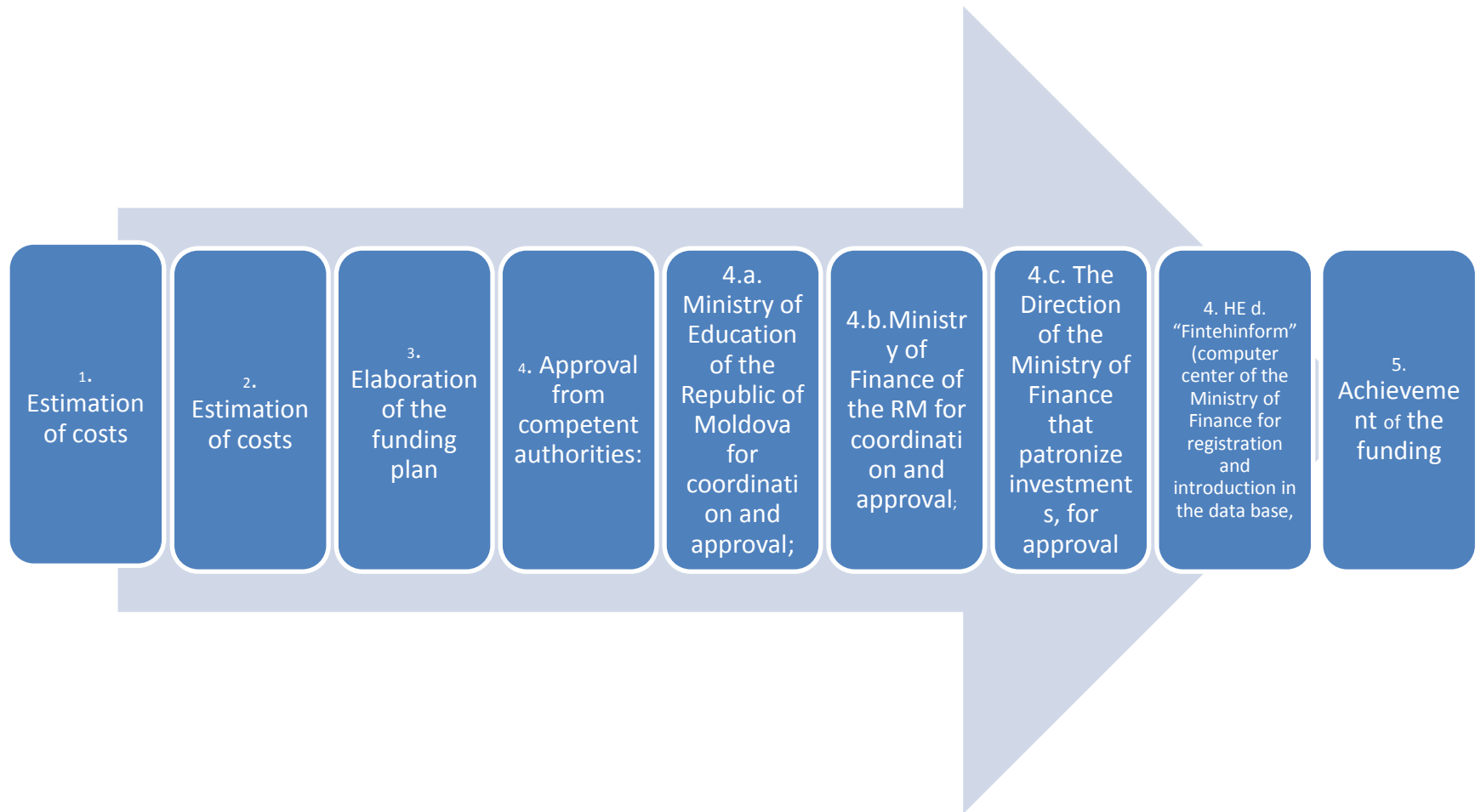
Costs included in the tuition fees of educational institutions (*GD no. 196 of 22.02.2013*)

- Integral coverage of debts;
- Remuneration of staff directly employed in education and services' delivery processes;
- Breakdown of mandatory state social insurance contributions and compulsory medical healthcare insurance premiums paid by employers;
- Coverage of current costs of utilities;
- Equipment with informational technologies and academic equipment, as well as of libraries;
- Procurement of goods, services and necessary works for the development of the study and scientific research processes;
- Current and capital repairs of buildings;
- Other strengthening and equipment costs of the institution established according to the university development plan.

The share of budget funds and special means from the total expenditures of Higher Education Institutions in 2010



Stages of budget elaboration



ESTIMATION OF REVENUES

Will be calculated and confirmed by calculations according to a formula and the fees for the delivered services, approved by the Government.

○ *Revenues from contract-based studies* and revenues from the training, improvement and recycling of the staff and from short-term courses were forecasted based on the average number of pupils, students, listeners, established at the beginning of the year and on the amount of the tuition fees approved by Government Decision no. 196 of 22.02.2007.

○ *Revenues incoming from dorms' rent* are estimated according to the provisions of the Government Decision no. 99 of 30.01.2007.

○ *Revenues incoming from public property rent* were forecasted according to the number of signed contracts and based on the regulation on the means of rent, approved by Government Decision no. 483 of 29.03.2008.

○ *Other revenues from works and paid delivery of services*, regulated by Government Decision no. 196 of 22.02.2007, were estimated according to the number of units of the delivered services and of the established fee.



ESTIMATION OF COSTS

is performed on each item and is aligned on expenditures starting with quantitative indicators and the forecasted prices, with the distribution by source of funding: "budget allocations" and "special means", and the later ones – on categories of means, accordingly. All expenses are confirmed by supporting calculations, for each paragraph separately and are filled in in forms – Annexes to the financing plans.

○ *Staff costs* are estimated in strict compliance with the provisions of the Law on salary no. 355-XVI of 23.12.2005 and the Government Decision no. 381 of 13.04.2006 and no. 47 of 12.01.2007, which regulates the conditions of labor remuneration in education, culture and science fields. It has to be noted that staff costs limits were set by the annual budget law and in some cases they did not have full coverage from budget allocations, while in some universities they didn't have coverage from special funds either.

Therefore, universities were forced to make optimizations at staff category to exclude the cases of additional requests to this item of expenditure.

○ *The costs for utilities* were estimated according to the consumption from previous years and taxes adjusted to the current year. In case of increase (or decrease) of the consumption compared to the previous years notes with justifications had to be made.

○ *Travel expenses* are calculated based on the Government Decision no.836 of 24.06.2002, which regulates the posting of employees of Moldovan institutions.

○ *Expenses for organizing and conducting conferences*, symposiums, festivals, round tables, etc., were calculated in accordance with the rules on expenditure norms approved by Government Decision 1151 of 02.09.2002.

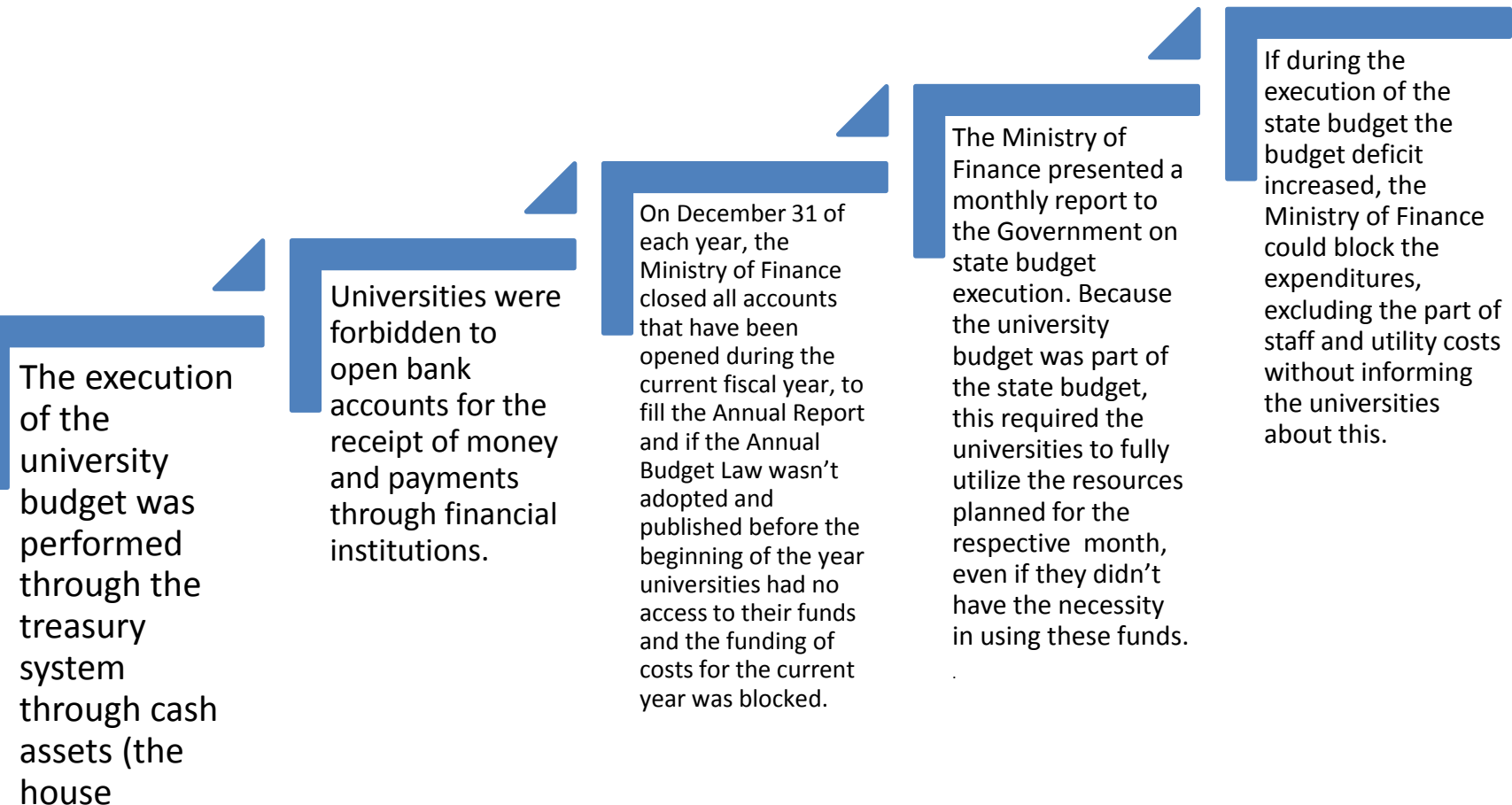
○ *Expenditures for the support of orphans and students under guardianship*, are estimated based on the average number of pupils and students and provisional rules of money expenditures, approved by Government Decision no. 870 of 20.07.2004.

○ *Expenses for the payment of scholarships* are estimated based on the number of students, masters and PhDs with budget-funded education at a 70 percent level and the amounts of scholarships on scholarship categories, according to the Government Decision no. 1009 of 01.09.2006.

○ *Expenses to improve the material and technical base, investments and general repairs*, respecting the volume of each object, approved by the budget law, and other expenses for the procurement of goods, performance of works or delivery of services related to the study process were estimated depending on the needs and financial possibilities of the university, according to the Law no. 96 of 13.04.2007 on public procurement.



Budget execution



THE FINANCIAL AUTONOMY IS REALIZED THROUGH (GD NO. 983 OF 22.12.2012):

- ✗ a) the management of financial resources, including those allocated from the state budget through bank accounts;
- ✗ b) management of funds from various sources and assets according to the Institutional Development Plan and means established by this Regulation;
- ✗ c) placing at bank deposit of the balance of resources available in the bank account, realized over estimation, excluding external grants;
- ✗ d) determining the amount of tuition fees and dorms' accommodation fees, according to the methodology approved by the Government, as well as for the paid services and work coordinated with the founder;
- ✗ e) establishment of programs and institutional offer capacity;
- ✗ f) social support of students and employees;
- ✗ h) establishment of the internal structure of the institution and budget approval;
- ✗ i) goods' management, institution's development, strengthening and equipment;
- ✗ j) attracting financial resources through participation in research and investment projects based on the cooperation with various national and international partners, including public-private partnerships;
- ✗ k) creating units and subdivisions of research and innovation, development, design, services and production activities;
- ✗ l) establishment of corporate and union associations under the acting legislation.

INCOME SOURCES within financial autonomy

- a) *The funds allocated from the state budget for education services based on the signed contract in order to prepare the specialty staff and support orphan students and those under guardianship / curatorship.*
- b) *Funds allocated from the state budget for the research and innovation activities, obtained through competitions organized by the responsible institution.*
- c) *Funds obtained as a result of the delivery of research and innovation services, performed on a contract-based request.*
- d) *Funds obtained from scientific research undertaken the base of international research and development projects.*
- e) *The funds from tuition fees or the training students from the I and II study cycles, integrated studies, residents, secondary clinical physicians, PhDs, as well as from continuous training / lifelong learning.*
- f) *Interest from bank deposits of the available funds.*
- g) *Donations and sponsorship.*
- h) *Rent contracts.*

University obligations

To respect the acting legislation, the university chart and national policies in the fields of higher education, research and innovation;



To assure management efficiency of the use of resources;



To respect the academic freedom of the academic, auxiliary and research staff, as well as the rights of students, masters, PhDs and residents.



To apply and respect the acting regulations referring to the assurance and assessment of the quality of higher, post-university, research and innovation education;



To assure the transparency of all its decisions and activity;



University vs the State

- ▣ Financial autonomy would allow a certain decentralization of universities and cannot separate the University from the State. There is the state order, and the money allocated on this base have to be monitored by the State.

Functions of the financial administration of the institution:

- * 1) approval of the Institutional Development Plan for at least five years, which includes the vision, mission and the development strategy of the institution, as well as the main steps to achieve them;
 - 2) planning, approval, execution, monitoring and assessment of the financial means
- * 3) approval of the strategic decisions on:
 - * - management of goods;
 - * - staff reimbursement and motivation;
 - * - establishment of the amount of tuition fees, dorms' accommodation fees, services and works;
 - cooperation with other entities;
- * - management of financial resources;
- * - proposals on the fusion with other higher education institutions;
- institutional management of the intellectual property right;
- institutional management of the technologic transfer process;
- 4) connection with the labor market;
- * 5) approval of the income and expenditures;
- * 6) efficient use of budget resources and university revenues;
- * 7) identify places and means of reducing costs through: consumer identification, standardization and control of the consumption on buildings.

CONCLUSIONS

- Today the Republic of Moldova doesn't have clearly defined priorities, that would establish the fields of study that should be funded with public money. In this context, the following question arises: What kind of students should be funded by public money: the best or those who have the utmost need of subsidies? (students coming from socially vulnerable levels, disabled students etc.)
- Public funding of higher education institutions does not consider their performance. We can not say that there are certain criteria for the allocation of money, the basic orientation being the actual costs, adjusted to the expected increases from the upcoming year for the following categories of expenditure: salaries, payment of utilities, scholarships. Funding of the research is carried out on a project base, through competition and takes into account the payment of salaries and utilities, procurement of equipment. The source of funds allocated to specific research projects is the national body specializing in R & D – the Academy of Sciences of Moldova.
- The Universities assume responsibility for received public funds. They submit quarterly reports to the Ministry of Education on the use of state budget funds. In addition, periodic inspections and controls are carried out by the Ministry of Finance, the Court of Accounts in order to check the appropriateness of the use of state budget resources.
- Ability to retain unspent funds and report them from one year to the next is an important aspect of financial autonomy that universities should enjoy. This flexibility facilitates institutions to create medium and long term strategies and allows the funding of projects over several years, creating even the possibility of making investments. Unfortunately, by the beginning of 2013 Moldovan universities were unable to keep the unspent funds and transfer them to the next year.

INTERFACE II. MANAGEMENT –STAFF

REMUNERATION

The university system and wage conditions, based on which employees' salaries are determined, is established by Law on remuneration no. 355-XVI from 23.12.2005, the Government Decision No. 195 of 13.03.2013, which regulates the conditions of labor remuneration in education, culture and science areas.

The State guarantee in the remuneration field include the minimal state wage and the state tariffs of remuneration in the budget sector, as well as additions and increases of compensation character, guaranteed by the state and regulated by the acting law.

REMUNERATION

Besides the basic salary (salary based on the function occupied, additions and bonuses established by law), employees benefit from other incentive payments and compensations.

financial situation the University has the right to establish different rewarding systems, additions and increases to the basic salary and other incentive payments. The above-mentioned systems can be determined through collective agreement as well.

However, besides the payments provided by the remuneration systems, a compensation based on annual achievements can be established for university employees from the salary economy fund.

Based on the conditions provided by the Government and the Law on remuneration, the university has an internal Regulation on the means and conditions of salary set-up.

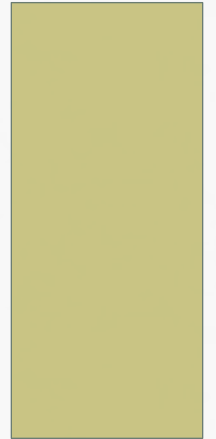
Internal regulation on staff motivation

- **State University**
- Regulation on merit degrees offered to the academic staff based on assessment grids:
 - - Regulation on the organization and development, within the State University of Moldova, of the competition THE TEACHER OF THE UNIVERSITY YEAR and of the contest THE MOST SUCCESSFUL ACADEMIC DEBUT;
 - - Regulation on the stimulation of heads of departments based on performance criteria.
- **The Academy of Economic Studies of Moldova:**
- Regulation on the means and conditions of salary establishment for the staff of the Academy of Economic Studies of Moldova;
- Regulation "Teacher of the year".
- Aiming at stimulating activities in the education and science fields the **Technical University of Moldova** established several Senate prizes as it follows:
 - Laureate of the year in the field of academic activities
 - Laureate of the year of the beginning academic activity
 - The best book of the year
 - Laureate of the year in the research field
 - Laureate of the year in the field of technical creativity
 - The best leader of an academic group
 - Supplements for young specialists under 35.

CONCLUSIONS

- There are some issues related to the calculation of the number of teachers needed in the university. Thus, two methods are highlighted. The first relates to the calculation based on the teaching workload of staff. Another method is based on the ratio teacher / student, that is, from a regulation (not clearly established at the moment). None of the methods is well thought out. Also, there are uncertainties regarding teachers' structure within departments. Hence, universities feel certain deficiencies in the respective system, which inevitably reflects on salaries, often creating their dissatisfaction. There's a mistaken belief that every teacher should work just the planned 750 hours, forgetting about the 7-hours working day, determined by the Labor Code of the Republic of Moldova.
- It was found that the Government Decision no.195 of 13.03.2013 concerning the conditions of employment of the staff of state institutions of higher education with financial autonomy, unjustifiably detailed staff salaries regulation. Thus, both minimum and maximum wages for different categories of staff are set . It is considered that in terms of financial autonomy, the state should establish a minimum for each category of staff so as there are certain guarantees for employees, and the rest - according to the university possibilities ;
- Not all universities use the performance criteria for staff motivation.

INTERFACE III. STAFF – STUDENTS



BASIC POINTS

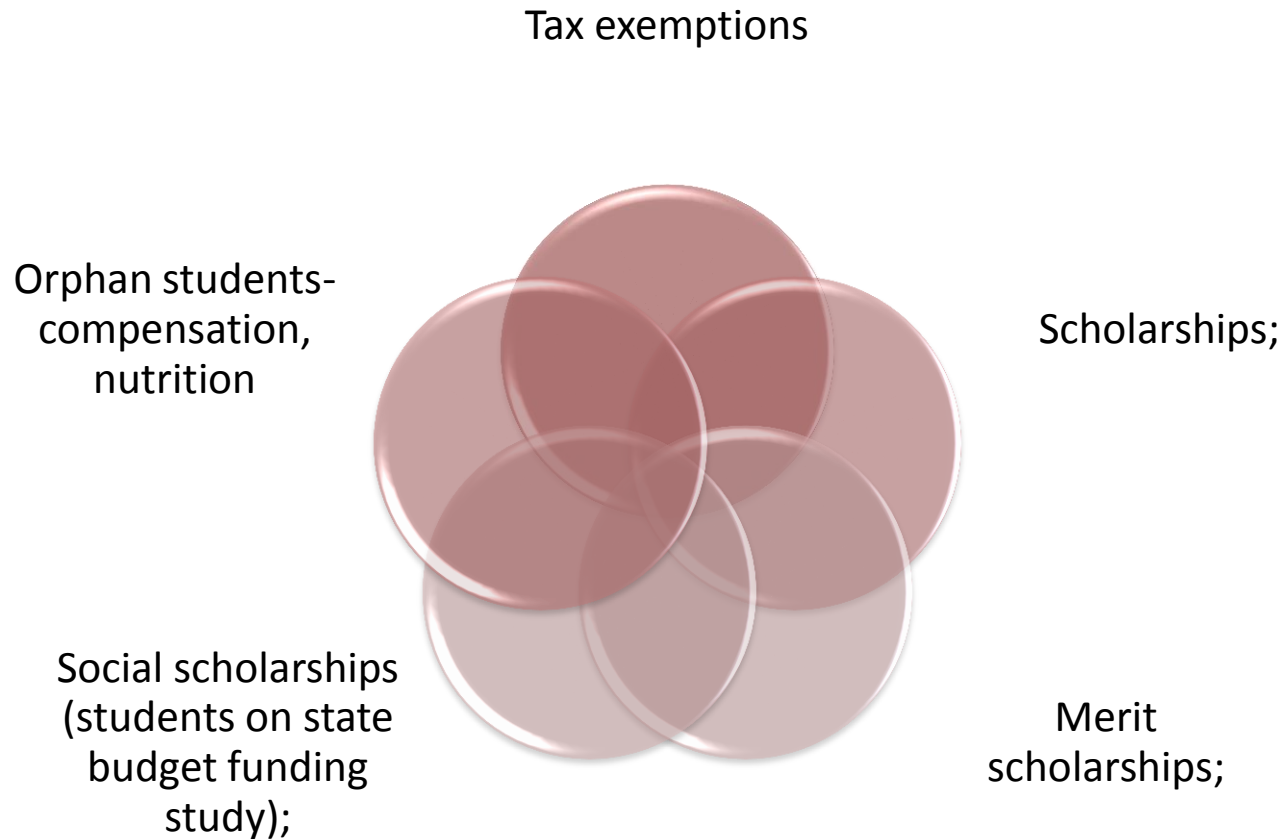


The tuition fee;

The university
doesn't offer
credits for the
education;

Commercial banks
do not offer study
credits to
students;

The students benefit from:



Additional fees



For optional
courses;

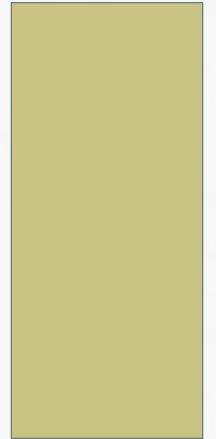


For training within
the Military
Department;

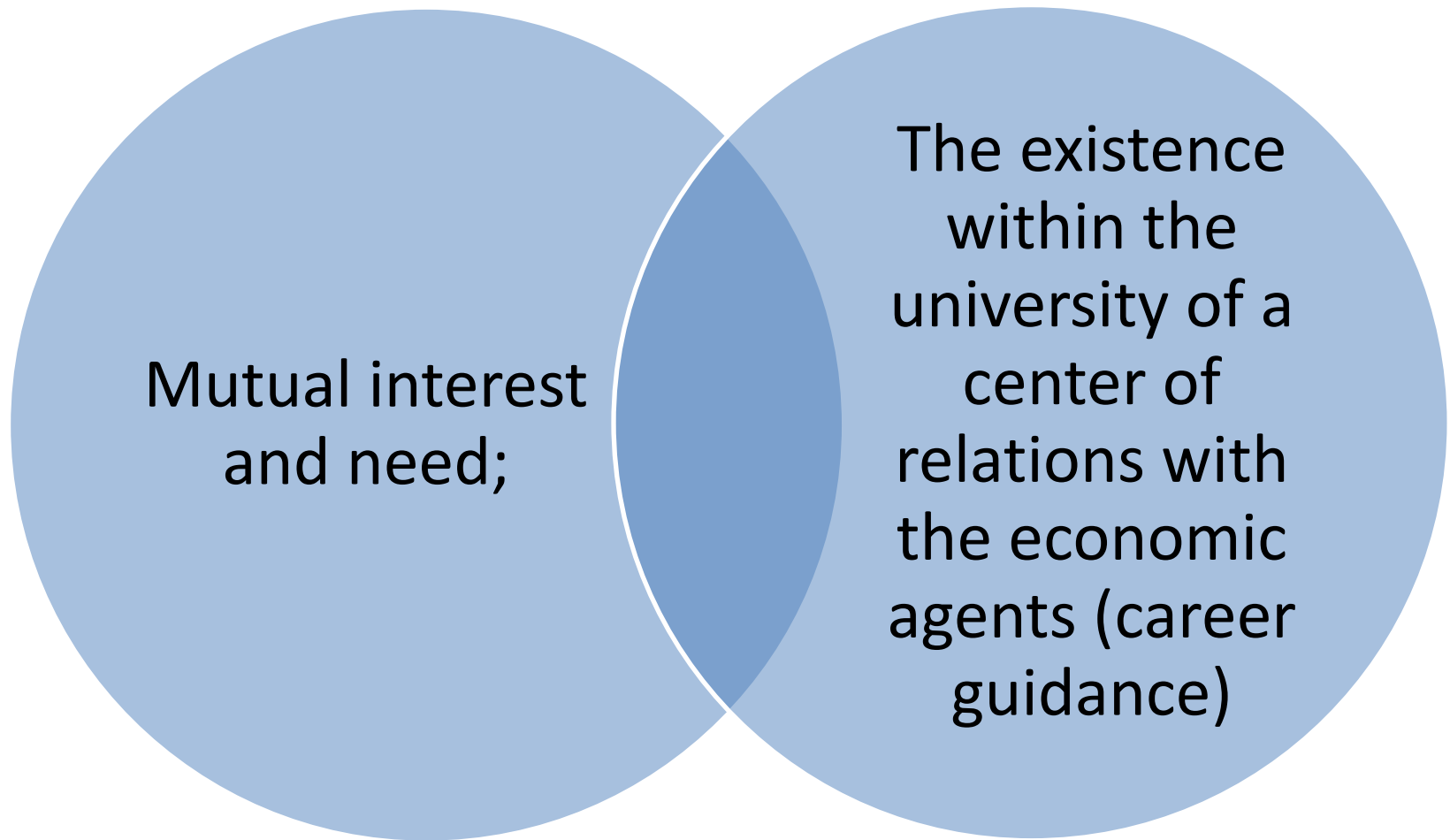
CONCLUSIONS

- The respective chapter outlined a moment, that is inappropriate within financial autonomy. It is about the maintenance of student hostels and paying for the accommodation in the hostel. According to Government Decision No.99 of 30 January 2007 it is established that students that live in dormitories pay 40% of the actual cost calculated, the rest of 60% being paid from the state budget. The rent payment is determined by categories of tenants at the beginning of each financial year by the university senate, given the additional costs of accommodation. The calculation methodology imposed by this judgment is incomplete, and does not allow the university to cover any part of the actual expenditure. A more frequent situation is when the necessary sources for current home repairs, purchase of furniture is made from the money earned from tuition fees, respectively, decreasing the amount directed towards studies.
- In order to stimulate the students to a better learning, the amount of scholarships should not be decreased.

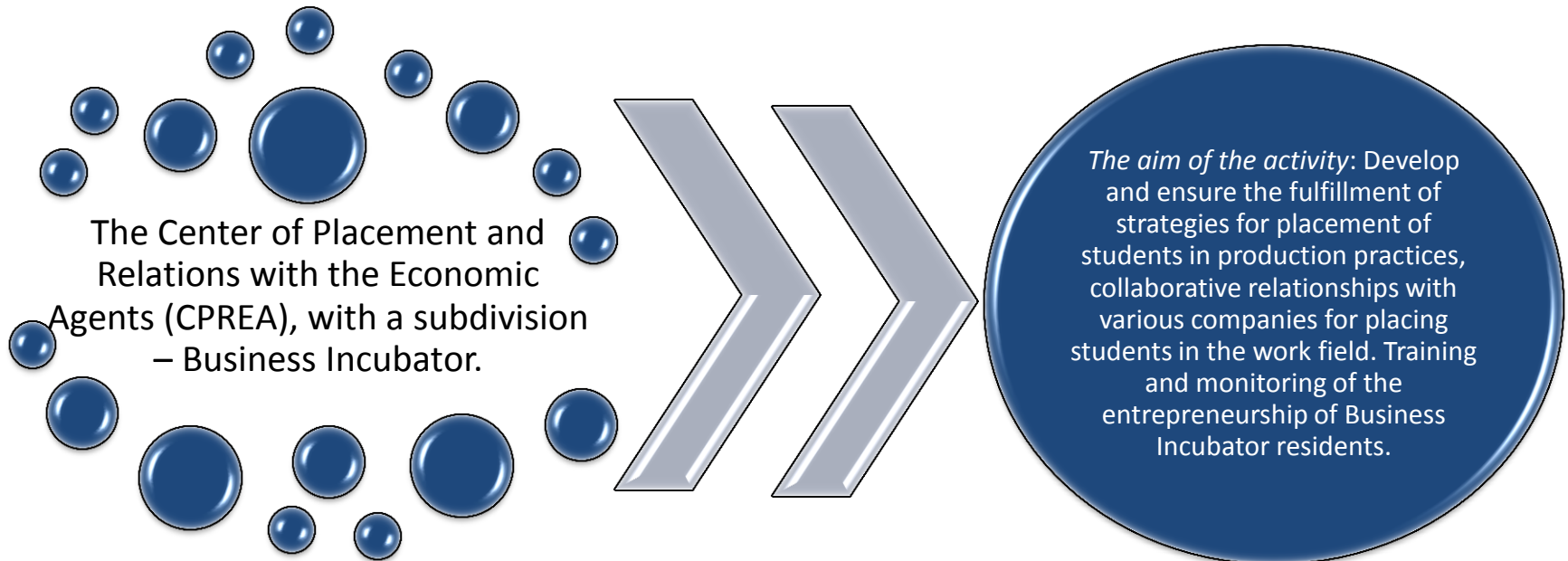
INTERFACE IV. UNIVERSITY- BUSINESS ENVIRONMENT



University-Business environment



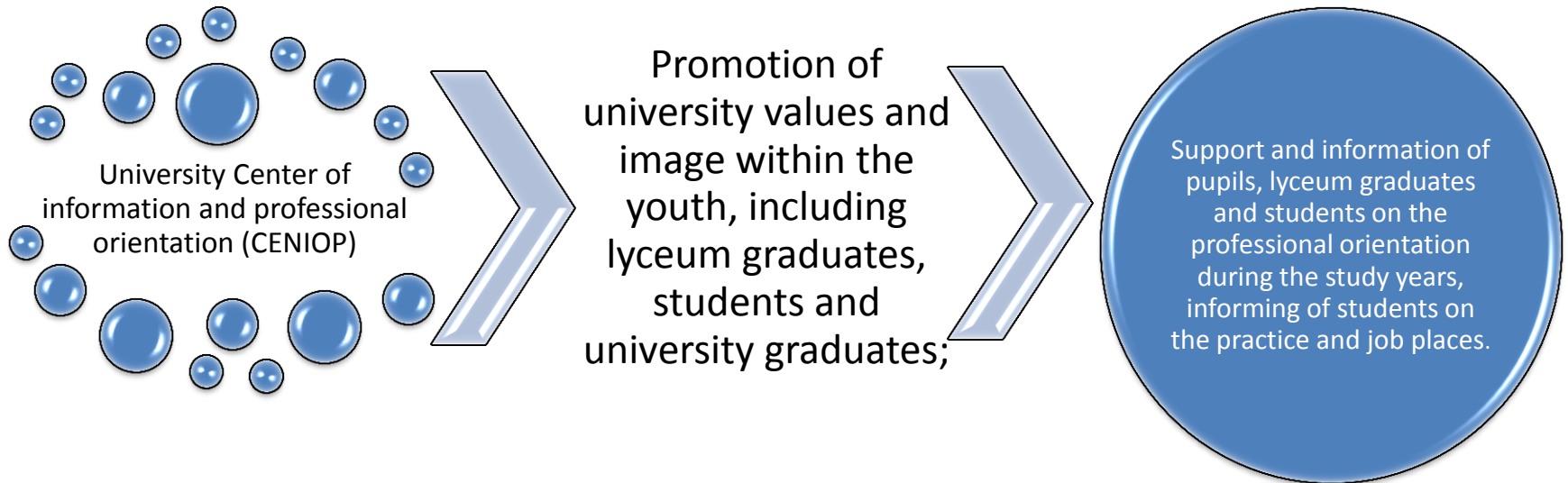
The Academy of Economic Studies of Moldova



State University of Moldova



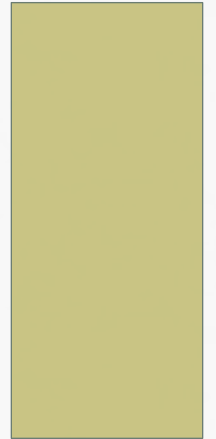
Technical University of Moldova



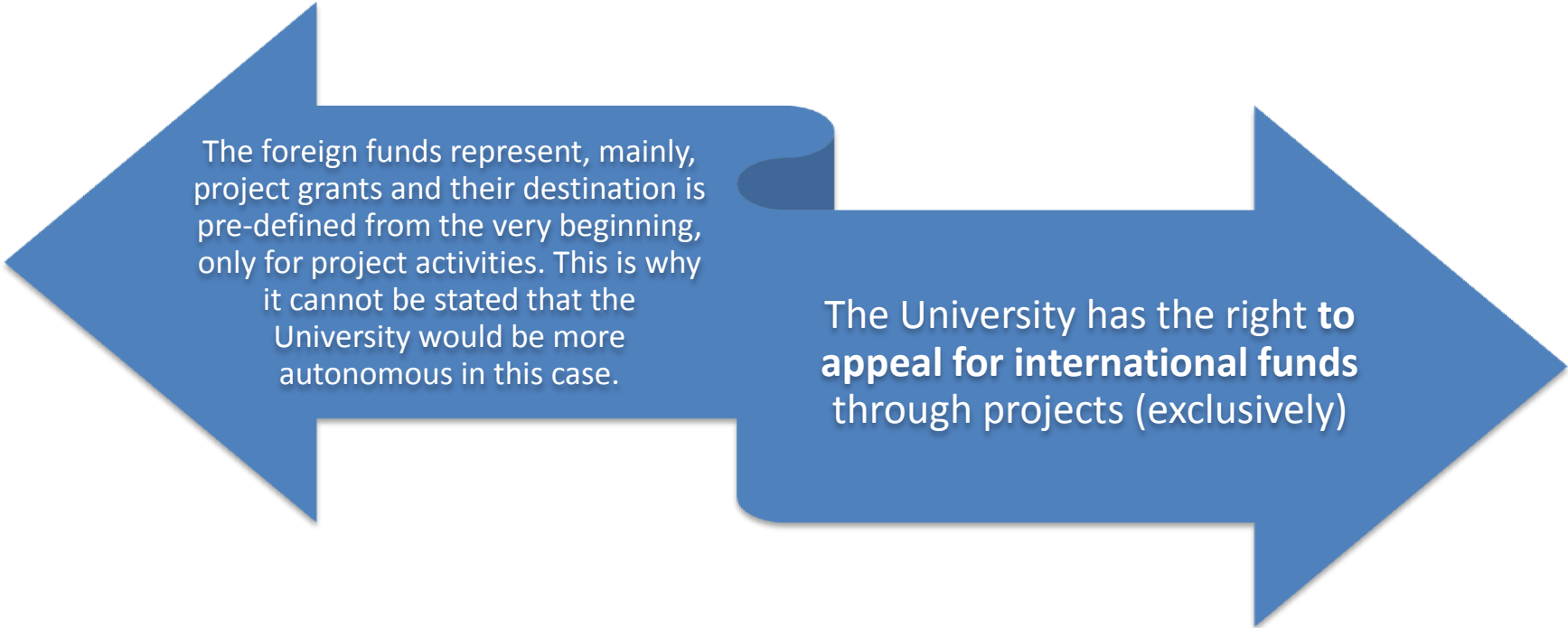
CONCLUSIONS

- For most higher education institutions actively seeking private funding, partnerships with the private sector represent an important basis for increasing funding opportunities. They prove to be extremely valuable for research transfer and commercialization of academic research. In addition, private sources contribute undoubtedly to create the link between education and society. Unfortunately, Moldovan universities failed to raise funds for the above-mentioned needs until now. At the moment, private sector funds come only in the form of sponsorship of certain events or activities.
- At the moment there's a lack of a Government policy of encouraging partnerships between higher education institutions and the private sector, possibly through tax policy.
- The existing legislation does not allow universities to borrow money from banks or other financial structures. However, the University has the right to earn its own resources from providing certain services: training courses; scientific conferences with representatives of the business environment; - Publishing; - Services provided by the sports complex, recreation, etc.

INTERFACE V. UNIVERSITY- INTERNATIONALIZATION



BASIC POINTS



The foreign funds represent, mainly, project grants and their destination is pre-defined from the very beginning, only for project activities. This is why it cannot be stated that the University would be more autonomous in this case.

The University has the right to **appeal for international funds** through projects (exclusively)

BASIC POINTS

- Unfortunately, *the number of foreign students* in Moldovan universities is very low. Each university tries to elaborate its own policies on foreign students' attraction, but, until lately, the Moldovan legislation (Law no.180 -XVI of 10 July 2008 on labor migration (Monitorul Oficial of the Republic of Moldova, 2008, no.162–164, art.598) didn't offer these students the possibility to work, as in other countries. This is a serious impediment, because not everybody has the possibility to receive parents' support. The legal side of the situation has changed at the beginning of the current year, when some modifications have been introduced in the above-mentioned law and according to article 5, p.4¹ of the Law of the Republic of Moldova no. 303 of 26.12.2012 on the modification and completion of some legal acts "Foreigners with the right to temporary residence can develop labor activities on the territory of the Republic of Moldova, according to the Labor Law, for a period of 10 hours per week or the equivalent in days in a year."

BASIC POINTS

- The Republic of Moldova is a country with a still forming economy and political problems, which does not create a very good image worldwide. Therefore, there are few people from Europe, Asia, who would like to study in our country. It's only those who have a specific reason to do so. African persons are interested to study in Moldova, but most countries belong to the group of high risk countries and it is very difficult to get a stay permission for them. Altogether, the experience shows that many people who come from different countries from the African continent use our country for leaving (often illegally) to other EU countries.
- With all these, lately Moldovan universities tried to introduce stud programs in English hoping to attract foreign students at integral or mobile studies.

CONCLUSIONS

- Internationalization versus Universities has a double impact: on one hand it creates study and practice opportunities for students and staff within mobility. This allows them to gather experience and good practice from other countries. On the other hand, it is a threat to the educational system of the Republic of Moldova. European and American universities are interested in receiving students with high marks, including from the Republic of Moldova. Annually, thousands of graduates leave abroad for studies. This is also an important threat for the educational system of the Republic of Moldova.

GENERAL CONCLUSIONS:

- At the moment, Moldovan universities are not autonomous from financial point of view. Starting with January 1, 2013, the Government Decision no. 983 offers universities autonomy, including the financial one, but with a transition period of two years. At present, the external regulations limit the autonomy of the higher education institutions as it regards budget formation and realization.
- Public funding of universities is carried out from the previous year's actual costs and does not take into account their performance. There is no formula based on which they would estimate the cost of a student. Budget allocations are calculated based on the payment need of employees, utilities and scholarships and other expenses strictly necessary to maintain the educational system's functionality.
- Universities could not use and exploit financial balances. Their existence is explained by the fact that revenue from tuition fees are made at the beginning of the school year. Many students pay the fee at the last moment, i.e. when they are not admitted to the session. The session is in December. Obviously, the university failed to capitalize the money until the end of the calendar year. Since 1 January 2013 the situation changed and universities can use their balances from previous years.

GENERAL CONCLUSIONS:

- The size of the tuition fees is below the actual cost of specialists' training. The University cannot determine the tuition fee, this being decided by Government Decision.
- The excessive state regulations affect the remuneration system as well. Limitations in staff remuneration leads to the fact that the academic staff has several jobs to have a higher income.
- The universities have a certain freedom of offering supplements to salaries from special sources. Each university has its own methodology of offering these supplements, but not all of them take into account staff performances.
- Students are becoming more and more involved in university life, including through participation in making certain decisions. Tuition fees that students pay are a substantial additional source of income for universities. Altogether, the university gives students certain facilities in this respect. For example, tax exemption, postponement of tax payment period. However, all the above-mentioned and the criteria for granting facilities are known by students.
- Unfortunately, the cooperation between the business environment and universities as it regards funds' attraction is still insufficient.

Thanks for
attention