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***Funding Systems
and Their Effects on
Higher Education Systems***

COUNTRY STUDY – CZECH REPUBLIC

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Executive Summary

- This paper presents the stakeholders' perspective on the Czech higher education funding system. As a background to the review of individual stakeholders, the paper starts with the description of the current system.
- Public higher education institutions in the Czech Republic rely on public funding for almost all of their income. About half of public expenditures is distributed as a lump sum while the other half is earmarked. Input-oriented mechanisms predominate in the budget over the output criteria, constituting roughly three quarters of the budget. The same ratio applies to the share of formula versus non-formula funding. The main portion of the teaching grant is based on a formula while the smaller portion on contracts. In contrast, the largest share of research support takes the form of project funding whereas formula funding constitutes only its smaller part.
- The key stakeholders in the Czech higher education policy and funding are:
 - Ministry of education.
 - Representative bodies of higher education institutions: Czech Rectors' Conference and Council of Higher Education Institutions, which includes Student Chamber as a student representative body.
 - In addition, we analyse the views of the key political parties because the debate on higher education funding has an important political dimension.
- All political parties call for an increase of public expenditures on higher education. Left-wing political parties prefer the preservation of the current model of predominantly public funding distributed to HEIs. In contrast, right-wing political parties advocate the introduction of student fees and other means of private expenditures as significant features of the funding system. The support of the left-wing and right-wing parties is almost evenly distributed in the population.
- Ministry of education considers funding the most important instrument of its higher education policy. It mostly relies on the contractual and earmarked funding mechanisms to implement its policy goals. Correspondingly, it has recently raised the share of these items within the higher education budget as part of the overall increase of higher education expenditures.
- Representative bodies of HEIs, Czech Rectors' Conference and Council of Higher Education Institutions, would prefer an increase of the formula-based and lump-sum budget items in the context of an overall increase of public expenditures. They pay considerably less attention to the potential sources of private funding.

- In contrast to their representative bodies, the majority of academic staff members are dissatisfied with the current funding system, criticising it for being non-transparent, unfair, complicated as well as for endangering quality. Professors, associate professors, and academics in governance positions hold considerably more positive views on the funding system than academics in the lower ranks of the academic hierarchy.
- The student representative body, Student Chamber of the Council of Higher Education Institutions, insists on state's dominant role in higher education funding and resolutely opposes introduction of student fees. It also calls for the development of a national student welfare system.

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1 System Description ¹

1.1 Decision-making Process, Role and Importance of Various Stakeholders

The decision-making power in the area of the higher education funding rests almost exclusively with the ministry of education. The ministry of education negotiates the total sum allocated to higher education with other ministries, primarily with the ministry of finance, but otherwise governs the allocation mechanisms within the higher education budget. However, the ministry of education is legally bound to discuss funding (as well as other aspects of higher education policy) with the representative bodies of higher education institutions – Czech Rectors' Conference and Council of Higher Education Institutions. In the area of research policy and funding, Research and Development Council as the advisory body to the Cabinet plays an important role. Since the higher education policy and funding have not become an area of consensus across the political spectrum, political parties may significantly influence funding policies.

1.2 Allocation Criteria and Mechanism

There are three types of higher education institutions (HEIs) in the Czech Republic: public, state and private. Private institutions comprise less than 10% of students and are legally obliged to be financially self-supporting. Usually, some 90% of their income comes from student fees. In 2005, private HEIs received 0,08% of public higher education expenditures. State institutions (military and police) comprise about 1% of students and are supervised and funded directly by the respective ministries. This paper thus deals exclusively with public financing of public HEIs. They comprise more than 90% of students and the vast majority of their revenues come from public sources (over 90% of all income at 17 of the 24 Czech public HEIs). Other income sources of the public HEIs include property revenues, services to students, extra teaching activities, R & D activities and study related fees.

The main portion of the teaching grant is based on a formula while the smaller portion on contracts (see Figure 1 for details). The largest formula component is the grant for teaching activity, which is distributed as a lump sum, while other formula items are earmarked: doctoral students' scholarships and support of international cooperation. Contractual funding consists of three budget items: Development Programmes, Education Policy Fund and Higher Education Development Fund. In contrast, formula funding of research forms a smaller part of the research grant and includes a single budget item – Specific Research. The largest share of research and development support therefore takes the form of project funding. The most important in this respect are the Research Plans; there are several other

¹ For an extended account, see Šebková 2006 (chapter 7.2) and Jongbloed 2003.

sources of public research support based on tenders for project funding, including the Czech Science Foundation.

All of the public expenditures on higher education are distributed to the HEIs. However, institutions are obliged to redistribute students' social grants, students' accommodation grants, and doctoral scholarships to students. Teaching activity formula (53%) is distributed as a lump sum while all other budget items are earmarked. About three quarters of the budget are based on input criteria and only about a quarter of the total grant is output oriented. The same ratio applies to the share of formula versus non-formula funding (categories adapted from Jongbloed, 2004)

1.3 Evolution of the Funding System

The principal change in the funding mechanism was implemented in 1992 when formula funding replaced the incremental method (Čermáková, Holda, Urbánek, 1994; Turner 1994). Since the available public resources were insufficient to support unlimited growth, the ministry of education entered negotiations with the HEIs on the annual increase of student enrolments (usually, the agreed rate was between 3-5%).

The most significant change in the recent years has been the declining importance of formula funding (Orr, 2005). In 1997, almost 70% of the budget of HEIs was funded through teaching formula; by 2005, this dropped to 53%. The reason for this development lies in the fact that the ministry perceived the previous arrangements as preventing implementation of government priorities beyond the enrolment growth. In order to reinforce its steering position, the ministry therefore launched the Development Programmes (in 2001), a new funding mechanism based on obligatory strategic documents of both the Ministry and HEIs.

Research funding underwent even deeper changes (cf. Muller 1995). Before 1990, HEIs were not supposed to carry out research; consequently, no funding mechanism to support research existed. Since then, several funding mechanisms commenced: Specific Research in 1994; Research Plans in 1999; Research Centres programme in 2000. Overall, the share of HE expenditures allocated to research has grown considerably.

Recently, some significant changes occurred in the social support of students. Since 2005, the Grant for Students' Accommodation was transformed from institutional grant into student scholarship. Furthermore, Students' Social Grants were introduced in 2006.

Figure 2. Composition public expenditures on public HEIs

Budget item label	Description of key criteria and funding mechanism	Decision maker	Percentage of public expenditures in 2005	Formula / non-formula	Input / output orientation
Teaching Activity	<p>Formula based Fund consists of three items:</p> <p>A: "Study programmes"= Number of financed students x cost of study programme</p> <p>Number of financed students = newly admitted students x 1,0 + over studying students x 0,0 + half year students (those who will start to over study in half year) x 0,5 + other students x 1,0</p> <p>Cost of study programme = coefficient of the study programme x general financing base</p> <p>B1: "Growth in nr. of students" = [(nr. of financed students in year X – nr. of financed students in year x-1) x general financing base]/ (1000 – students not funded by the state)</p> <p>B2: bonus for graduates = [nr. of Bachelor and Master graduates x (bonus base x coefficient of study programme)] + [nr. of PhD graduates x (bonus base x coefficient of study programme) x 1,5]</p>	<p>Ministry of education. The number of funded students in the system is negotiated annually between ministry of education and the Representative Commission. (In principle, all budget items are annually discussed in the Representative Commission.).</p> <p>The general financing base, bonus base for graduates and the coefficients are set by the ministry after consultations with the HEIs representatives</p>	52	formula	input 97%, output 3%
Development Programmes	Tenders. Ministry of education specifies broad topics based on its Long-term Plan; HEIs then submit projects in accordance with their own priorities.	Ministry of education upon the recommendations of the Development Programmes Steering Committee (composed of ministry of education and Council of HEIs representatives)	5,6	non- formula	output
Higher Education Development Fund	Tenders. HEIs submit project proposals within several broad topics. Intended to support innovative activities at HEIs.	Jointly managed by the ministry of education and the Council of HEIs.	1,3	non- formula	output
Education Policy Fund / Extraordinary Activities	Projects to support inter-institutional cooperation or projects of special interest to particular institution and the ministry of education / Unpredictable expenditures of HEIs.	Ministry of education	0,5	non- formula	output
Doctoral Students Scholarships	Number of on site PhD students (no restrictions on enrolment) multiplied by the set funding per student. HEIs set their own criteria for the distribution of the grant to the PhD students.	Ministry of education determines the base.	2,6	formula	input
International Cooperation	State co-funding of EU, CEEPUS and Aktion programmes of plus funding arising from international agreements (mostly student mobility).	Ministry of education / Cabinet	1,1	mixed	input / output
Specific Research	Support of research involving Master and Doctoral students. Calculation criteria include number of Master and Doctoral students and Master graduates, number of professors and associate professors, and the amount of research funding received from public competitive programmes in recent years.	The Cabinet upon the joint recommendation of the ministry of education and the Research and Development Council.	4,1	formula	input
Research Plans	Tenders. HEIs submit project proposals planning the research in broad areas for a period of 5-7 years.	Ministry of education upon the recommendation of expert committees. These committees base their recommendations on peer review of the proposals.	12	non- formula	output

Funding Systems and their Effects on Higher Education Systems – Czech Republic

Budget item label	Description of key criteria and funding mechanism	Decision maker	Percentage of public expenditures in 2005	Formula / non-formula	Input / output orientation
Grant for Students' Meals	The total sum is allocated to HEIs according to the number of meals they distributed over last year.	Ministry of education determines the total sum.	4,1	formula	input
Grant for Students' Accommodation	The financial base multiplied by the number of students residing outside the district where they study; redistributed to students according to criteria set by individual HEIs.	Ministry of education		formula	input
Students' Social Grants	Introduced in 2006. Means-tested grants to students whose family income is below 1.1 of the subsistence minimum.	Cabinet.	0,0	formula	input
Assets Investments, Assets Reproduction	Tenders. The decisions on the proposals submitted by HEIs are based on ministerial priorities.	Ministry of education or the Cabinet, depending on the size of funding.	14,3	non-formula	input
Other sources of funding					
Research foundations	Tenders supervised by various providers, e.g. Czech Science Foundation and government ministries.	Funding provider. Various suppliers – Ministries, Czech Science Foundation, other supporters; coordinated by Research and Development Council.		non- formula	output
Other sources				N. A.	N. A.

Figure 3. Example of coefficients of study programmes, general financing base and cost of study programme for 2006:

study programme	General financing base (CZK)	Coefficient of study programme	Cost of study programme (CZK)
Humanities	33 989	1,00	33 989
Education		1,20	40 783
Technical		1,65	56 077
Agriculture		2,25	76 468
Chemistry, medicine		2,80	95 161
Veterinarian		3,50	118 951
Creative arts		5,90	200 517

2 Stakeholder Views

2.1 Political Parties

Czech Social Democratic Party has dominated all cabinets since 1998 and controlled the ministry of education throughout. The negotiations following the parliamentary elections held in June 2006 have so far failed to produce a coalition able to secure a majority in the parliament. This chapter thus covers the views of the five major parties.

Broadening of access and improvement of student welfare system stand out among the aims of higher education policy according to the Christian Democratic Party. The party plans to increase public expenditures on higher education and research as well as to introduce student fees (primarily as a motivating factor) together with the expansion of the student support system (including both grants and loans). The funding of research and development should be earmarked and competitive. Finally, HEIs should be exempted from income tax in order to stimulate the increase of incomes from the private sector. (Vzdělávání pro budoucnost 2006)

The Civic Democratic Party promises to introduce demand orientation into the funding system in order to broaden access, reduce inequalities, and increase the accountability of HEIs to their students and graduates. The party thus plans to introduce student fees (deferred and income-contingent) as well as student support scheme (loans and grants). HEIs would receive public subsidy according to the present formula irrespective of their public/private status. The party plans to increase both public and private expenditures on research and development. Public funding should include both an institutional component to finance basic research and a competitive ear-marked component to fund applied research. In addition, public HEIs should cooperate with private companies in innovative entrepreneurship. (Bartoš 2005; Bartoš 2003; Bartoš & Moldan 2004)

The Communist Party focuses on free and equal access to higher education. To secure this goal, it insists on an exclusively public funding of the public higher education sector and asserts that public institutions should constitute the bulk of the sector. Private higher education should play only supplementary role and should be financed exclusively from private sources. The party calls for increased public expenditures on higher education institutions, research and development, and especially on student grants – both merit-based and means-tested. (Naděje pro ČR 2004; Program KSČM 2006)

The most important goals of social democratic higher education policy are to broaden access and prevent social barriers, to increase quality of education, and to support internationalisation. The party considers higher education a public good and therefore advocates its exclusively public funding – at least in the public sector, which should form the primary and largest part of the higher education sector as a whole. The party thus opposes introduction of student fees and deems private institutions only supplementary. Social Democrats promise an

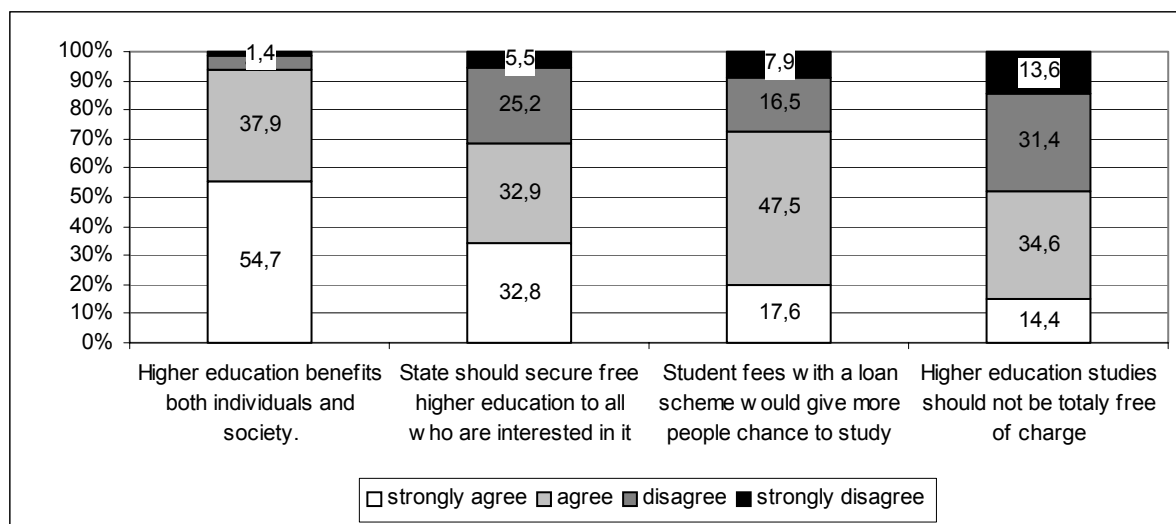
increase of public expenditures that would be sufficient to overcome the long-term underfunding of public HEIs. In addition, they plan an improvement of the student welfare system, especially in the form of means-tested grants. (Dlouhodobá koncepce 2004; Jistoty a prosperita 2006; Lidskost proti sobectví 2002; Základní program 2003)

The primary policy aim of the Green Party is to open access to all applicants. The party advocates an exclusively public funding of higher education because student fees would not raise any significant funds but would constitute a barrier to access. It plans a substantial growth of public expenditures on higher education as well as on research and development. In addition, introduction of tax rebates would stimulate companies to increase their expenditures on research carried out in cooperation with public HEIs. (Kvalita života 2006)

2.2 General Public

According to a recent survey, about half of the respondents do not have a clearly developed opinion on higher education funding. While two thirds of the respondents agreed that the state should provide higher education free of charge, about half of them approved that it should not be completely free. In addition, two-thirds believed that the introduction of student fees and loans would give more people a chance to access higher education. (Šamanová, 2004) In another survey, almost half of the respondents consented to some type of student fees (Matějů, Soukup, 2006).

Figure 4. Public opinion poll on higher education funding (source: Šamanová 2004)



2.3 Ministry of Finance

According to the current delineation of competences, higher education funding is within the competence of the ministry of education. The ministry of finance thus refrains from any official stance on the issue.

2.4 Ministry of Education

Main features of the funding system, interrelationship with policy goals

The ministerial policy documents rely on funding as the most important measure to implement higher education policy goals: "Higher education institutions are autonomous institutions... Funding represents the fundamental instrument of the indirect steering of higher education institutions by the state..." (Higher Education Reform Policy: 3)

For this reason the same document identified the reform of the funding system as the key to the higher education reform in the Czech Republic. The existing funding system "can neither stimulate nor reflect" the ongoing and intended transformation of higher education. According to the reform proposal adopted in 2004, the growth of public expenditures in the coming years should be concentrated into the non-normative components of the budget. In addition, the ministry plans to incorporate output and qualitative criteria into most of the allocation mechanisms. Another intended change is to achieve an increase of private expenditures on higher education, but not in the form of generalized student fees. (Higher Education Reform Policy)

Quantitative analysis of the ministerial Long-term Plan reveals that the ministry relies in implementing its policy priorities primarily on the Development Programmes and also on the Higher Education Development Fund. More than 80% of the priorities listed in the document are to be funded through these two budget items, which comprise about 7% percent of the total ministerial higher education budget. In contrast, only less than 10% percent priorities are to be implemented through the largest budget component – teaching activity grant. (Long-term Plan 2006-2010)

Strengths and weaknesses, intended and unintended effects

Two of the recent policy documents include the a formal SWOT analysis of the current funding system that also reflect its intended and unintended effects (Higher Education Reform Policy 2004: 27-28; Long-term Plan 2006-2010: 27-38)

As far as the funding system as such is concerned, the possibility to use it for indirect steering by gearing it towards the implementation of government policy priorities counts as the major strength. The documents further identify the following among the strengths of the funding system:

- both the principle of multi-source funding and the operating mechanisms correspond to international developments;
- diversified funding system (in terms of both mechanisms and budget resources) facilitates a transparent allocation of public expenditures according to policy priorities;
- different allocation mechanisms for various budget items enable institutions to seek funding in areas corresponding to their strengths;

- continuous growth of expenditures over the last years, at a rate which facilitates an efficient resource utilization;
- inclusion of quality evaluation results in virtually all allocation mechanisms;
- allocation of resources to HEIs enables them to set internal allocation criteria corresponding to their priorities;

On the other hand, the following ranked as weaknesses:

- long-term underfunding of the higher education system as a whole, low higher education expenditures relative to GDP, growth of public expenditures not keeping pace with the system expansion;
- lack of a long-term contractual funding;
- efficiency of resource utilization varies between various parts of the system;
- low private expenditures on public HEIs;
- increasing administrative complexity of the financial management at HEIs.

The main strengths of the formula funding of teaching activity lie in its ability to regulate access, in transparency and fairness, long-term stability, and the lump-sum allocation. Its excessive reliance on formula calculation and on input factors count as weaknesses, as does the setting of programme coefficients. The major strength of both the Development Programmes and the Higher Education Development Fund is the fact that they facilitate the implementation of government policy priorities while respecting institutional autonomy. They represent also follow the common European trend of the mixed formula / contractual financing. The only weakness, identified in 2004, were the not completely settled criteria and mechanisms. The main weakness in the area of student matters was the failure of the original accommodation grant to cope with the permanent excess demand for student dormitories and with the rising prices. Therefore, the ministry transformed the accommodation grant. With respect to assets investments, the fact that programme funding assures stability counts as strength while the not-resolved depreciation mechanism ranks as weakness. The main strength of specific research funding is the support of student involvement in R&D. Financing of research plans and research centres allows for an evaluation of individual projects, stimulate HEIs to strategic planning of R&D and ensure a long-term funding stability for HEIs. On the other hand, among the major weaknesses is the low share of HEIs on the overall R&D expenditures (particularly private ones) as well as the relatively low participation of several HEIs in research (due to the complicated organisation of R&D).

2.5 Representative Bodies of HEIs

2.5.1 Czech Rectors' Conference

Main features: decision-making process

The rectors' conference reports variable relations with the ministry of education. While in 2004 the conference criticised the ministry for ignoring criticisms of the ministerial funding

reform proposal, in 2005 they appreciated the consensus between the ministry and HEIs' representatives that permeated the budgetary negotiations. (Annual Report 2004 and 2005) Finally, in June 2006, it thanked the minister for the significant contribution to higher education reform – namely, for the increase of public expenditures on higher education. (Resolution 86/2 2006²)

The conference also deplored the absence of a political consensus on the higher education reform, which has so far been blocked by disagreements over some peripheral issues (e.g. student fees; contrasting with the matters of fundamental importance to HEIs, e.g. research). (Annual Report 2005)

Main features: funding system

In 2003, a review of the funding system was carried out under the aegis of the rectors' conference. The conclusions of the review approved in principle of the current funding system but called for the strengthening of its formula and lump-sum components as well as for the introduction of "qualitative" criteria. These reforms should be accompanied by a significant increase of public expenditures, intended to compensate for the long-term underfunding of public HEIs. This proposal concentrated more than 70% of the proposed budget growth in the formula and lump-sum items (esp. teaching activity, specific research and doctoral grants) while proposing relative decline of the programme funding. The report further advocated the distribution of a part of the R&D expenditures as a lump sum in order to support "flexible" research at HEIs. (Durčáková 2003)

These demands have constituted a foundation of the conference's policy ever since (Annual Report 2005, 2004, 2003). In 2005, for example, the conference formulated the following priorities for the budgetary negotiations: 1) an increase of teaching formula expenditures; 2) an increase of doctoral grants formula; 3) an increase of mobility funding; 4) an increase of specific research funding (Annual Report 2005; Resolution 79/3 2005).

The rectors also welcomed the introduction of some of the proposed qualitative criteria into the funding system, such as the inclusion of the number of graduates into the teaching activity formula in 2005 (Annual Report 2005 and 2004). However, they devoted considerably less attention to this aspect of the proposed funding reform. (Durčáková 2003)

Even less attention the conference devotes to the potential private sources of funding. It welcomed the proposal (eventually defeated in the parliament) to grant the HEIs the right to collect student fees while granting to institutions the right to decide about fee levels (Resolution 75/2 2004; Resolution 72/3 2003). In addition, the conference demands the implementation of tax deductions for companies funding research carried out at HEIs (Resolution 78/5 2005).

² How to read the reference: the second resolution adopted at the 86th plenary session, which met in 2006.

Strengths and weaknesses; intended and unintended effects

The rectors' conference insists that the current funding system has failed to achieve its intended effects, not because of its design but simply because of insufficient public resources. The long-term underfunding of public HEIs thus negatively affects quality of both teaching and research (Annual Report 2005, 2004, 2003).

2.5.2 Council of Higher Education Institutions

Council of HEIs adopted the core recommendations of the rectors' review of the funding system. The council thus called for significant growth of public expenditures in general and of the formula and lump-sum mechanisms (esp. teaching activity and specific research) in particular. In contrast, the contractual budget items should either remain stable or grow only moderately (Bilanční a hodnotící 2005). Furthermore, the council recommended distributing part of the Specific Research funding as a lump sum in order to support flexible research at HEIs (Připomínky RVŠ 2003).

The council criticised too great reliance of the funding system on quantitative criteria as leading to a rapid growth of enrolments and thus endangering quality of graduates. It thus proposed to reinforce output measures and to introduce new qualitative criteria into funding mechanisms (Ježek et al. 2004). The council also calls for the inclusion of output controls into the Development Programmes as well as for their long-term orientation (Bilanční a hodnotící 2005: 53).

In the area of research funding, the council recommended a reduction in the number of funding providers. In addition, it criticised the disadvantageous position of HEIs in the current system of research funding (Bilanční a hodnotící 2005: 65-79; Prohlášení k problematice 2004). The council advocated the transformation of the accommodation grant into scholarship (Záznam z 5. zasedání 2004) and the equalisation of public and private HEIs in receiving this support (Ježek et al. 2004). It also urged the government to support multi-source financing of public HEIs (from the business sphere in particular) by changing both the pertinent legislation and the relevant tax regulations (Ježek et al. 2004).

2.5.3 Student Chamber of the Council of Higher Education Institutions

The student representative body advocates the central role of public funding in higher education financing as necessary to ensure the constitutional right to education as well as to support study fields which are indispensable but not commercially attractive. In addition, students point to the existence of positive externalities of higher education for society as a whole. (Poziční dokument Financování 2002)

In general, the chamber holds that the Czech funding system should combine both formula and contractual mechanisms to prevent expansion of enrolments at the expense of quality. The former ensures the resources for the development of study programmes while the latter

should reflect both long-term priorities and quality of teaching and research. (Poziční dokument Financování 2002)

Understandably, student representatives concentrate on issues involving students. They oppose student fees as contradictory to the constitutional right to education (Poziční dokument Školné 2002). Their principal demands include an increase of doctoral scholarships, of specific research and of mobility funding. Furthermore, they demand the introduction of a student loans system to help the students to cover their study-related expenses. (Dlouhodobý záměr 2005) Student Chamber also initiated the transformation of the accommodation grant into scholarships and called for the same change in the case of meals grant (Programové prohlášení 2003).

Student Chamber also calls upon HEIs to increase income from private sources (excluding student fees). Both non-profit foundations and private companies should become more interested in supporting teaching activities at public HEIs while the state should facilitate private expenditures especially by adapting the tax legislation. Furthermore, HEIs may raise income from private sources by expansion of fee-based continuing learning programmes. On the other hand, private HEIs should be eligible for public funding of projects which serve general interest (e.g. research or innovation). They should also receive accommodation and meals grants on the same terms as public institutions. (Poziční dokument Financování 2002; Dlouhodobý záměr 2005)

2.6 Academic Staff

Main features of the funding system

Among the findings of our survey of academic staff, three conclusions stand out. Firstly, a considerable part of academics probably do not have any definite view on the funding system – many respondents were not able to assess the system or its components as either positive or negative. Secondly, academic staff members tend to be more negative towards the funding system in general but more positive when it comes to details. Finally, the assessment becomes more positive with the ascent on the ladder of academic hierarchy as well as with holding a position in institutional governance.

Almost 40% of our respondents were not able to evaluate the funding system as a whole either positively or negatively. Less than 20% of our respondents saw the system positively but 43% saw it negatively. Those respondents who hold no position in academic administration are more often unable of assessment; those respondents who hold position in academic administration more often evaluate the financing system positively. Positive evaluation grows with higher academic rank: professors and associated professors tend to more positive assessment than respondents in lower ranks. The biggest part of the budget, the formula funding of teaching activity, received most negative evaluations (47% negative) while the targeted

research support, Research Plans and Development Programmes were the items with most positive answers.³

Impact of the funding system

The majority of our respondents view the existing funding system as non-transparent (50%), unfair (54%) and complicated (64%); they also think it threatens quality (64%).

Respondents in our survey assess quite pessimistically the impact of funding on teaching and teachers quality, research and development and technology transfer. In all these instances, about 40% of respondents see the overall impact as negative while only about 20% as positive. The opposite distribution, about 40% of positive and 20% of negative answers pertains in areas of continuing education, student services and development of new study fields. The positive and negative views are more or less balanced with respect to equipment and facilities at HEIs, growth in enrolments, and atmosphere in the workplace. In all instances, quite a large number of respondents (between 27 and 46%) assessed the impact as "neutral".

Strengths and weaknesses

The assessment of strengths and weaknesses of the current funding mechanism is based on answers to open questions. The most frequently mentioned strengths are stability and continuity of funding, funding of research and differentiated funding mechanism that includes quality measures. However, quite a large number of respondents failed to find even a single strength of the current funding system.

Generally insufficient expenditures and non-transparency rank as the two most frequently mentioned weaknesses points of system. They are accompanied at the top by the idea that formula funding based on the number of students harms quality since it leads the institutions to increase student enrolments; with the inclusion of output criteria, the institutions would also try to make the study "more easily passable", as one of the respondents put it.

³ See Pabian & Melichar [forthcoming] for more detailed results of this survey.

3 Conclusions

Our review of stakeholders' views on higher education funding suggests their strong correlation with the position in the higher education system. The central stakeholders in the Czech higher education system, the ministry of education and the representative bodies of HEIs, accept the current framework of funding arrangements but seek to shift the balance between the system components in order to strengthen their influence. While the ministry of education prefers contractual and earmarked mechanisms as means to implement its policy priorities, representatives of HEIs favour formula-based and lump-sum funding that enhances their financial stability and autonomy. This resulted into a compromise between these two actors: while the share of contractual and earmarked funding has been steadily rising in the past decade, the mechanisms most preferred by the ministry have reached only 7% of the budget.

The results of our academic staff survey shows that the support for the current system among academics is considerably lower than among their representatives. Two factors explain this tension: Firstly, the positive assessment grows with the growing rank in the academic staff hierarchy as well as among academics involved in institutional governance. Secondly, the representatives are nominated by HEIs' official bodies and most of them come from the rank of professors and associated professors. Other surveys have also shown that professors and associate professors display significantly more satisfaction than those at the bottom of the academic hierarchy. Obviously, senior academics are able to influence the system to be more responsive to their interests.

Student representatives accept the current funding system as well because their priority is to secure predominantly public funding of higher education and thus to avoid student fees. However, they do not oppose charging fees from students enrolled in continuing learning courses, as these students are not represented in the student representative body.

This reliance on public funding is in line with the position of the Czech left-wing political parties; one of them, the Czech Social Democratic Party has controlled the ministry of education in the 1998-2006 period. The only call to significant challenge to the current funding system thus comes from outside the system, mostly from the right-wing political parties (Christian and Civic Democrats) and from several public finance and public policy experts (e.g. Dušek & Žigić 2004; Veselý & Kalous 2003; Valenčík & Zichová 2005).

All stakeholders nevertheless agree on the necessity to increase public expenditures as a precondition to implementing any significant changes. This suggests that the expenditures on higher education must reach a certain critical (as perceived by the actors) level for the funding system to have any significant impact on the higher education system. Below this critical level, all expenditures would presumably be spent on the maintenance of status quo irrespective of the funding mechanisms through which they are delivered.

4 Study Design and Methods

The study is based on three types of data:

- The chapters on political parties, ministry of education and representative bodies of HEIs are based on content analysis of their policy documents. The chapter on political parties thus used the relevant sections of the current party platforms. The chapter on the ministry of education draws primarily on the two most important of the recent ministerial policy documents: Higher Education Reform Policy and Long-term Plan of the Ministry for 2006-2010 (for details about these documents, see Šebková 2006: 15-16). Annual reports and resolutions adopted over the last three years constituted the source base for the chapter about the rectors' conference. Analysis of the views of the Council of Higher Education Institutions draws on all kinds of its documents – annual reports, policy statements, minutes etc. The chapter on the Council's Student Chamber is based mostly on its Higher Education Funding policy paper and on its policy strategy for the years 2006-2009.
- The chapter on academic staff is based on survey of employees of public HEIs carried out specifically for the purpose of this project. The data collection was realized by *Factum-Invenio* research agency. Some 5000 respondents were asked to answer and about 1000 opened the questionnaire; for the analyses, we used the data from 510 completely filled questionnaires. Quota sampling was based on the data about the numbers of academic employees of various positions in all public higher education institutions.
- The consultations with the decisive stakeholders (respondents from the ministry of finance, ministry of education, several vice-rectors, other experts) served us to better comprehend the features of the system but questioned the concept of stakeholder. Opinions of individual representatives of stakeholder institutions were often expressed “off-record” as their private opinions, influenced by their multiple roles. In search of the institutional opinions we thus resorted to the published documents.

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