REVIEWS OF NATIONAL POLICIES FOR EDUCATION

Follow-up to the Review of Tertiary Education in Portugal: Issues for Discussion

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The attached paper has been prepared by the Secretariat to help guide the Committee’s discussion on Progress in Implementing Reforms in Tertiary Education in Portugal. It is presented as complementary information for discussing the issues raised in EDU/EDPC(2008)38.

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NOTE BY THE SECRETARIAT

1. In 2005, the Portuguese Ministry of Science, Technology and Higher Education invited the OECD to undertake a review of tertiary education in order to evaluate performance and recommend how the sector might better meet Portugal’s strategic objectives. The review was organised within the framework of the OECD’s education policy reviews. Portuguese authorities prepared a Background Report, then an OECD review team visited Portugal (15-26 May 2006) and prepared a report. During a special session held in Lisbon on 13 December 2006, the then Education Committee discussed the review with a delegation from Portugal headed by the Minister of Science, Technology and Higher Education, Mr. José Mariano Gago. The review was published in 2007 (OECD, 2007a).

2. Within the framework of OECD’s education policy reviews it is customary for national authorities to return to the Education Policy Committee about two years after it has discussed the review, to report on further developments and progress in implementing recommendations. The Portuguese authorities have provided a progress report [EDU/EDPC(2008)38] to the Committee.

3. This paper has been prepared to help guide the Committee’s discussion. It focuses on a number of specific issues that were addressed in the original review and have emerged as particularly important within the framework legislation recently developed by the Portuguese Government.

4. The Education Policy Committee delegates are invited to:

   - NOTE suggested issues for discussion;
   - DISCUSS progress in the implementation of tertiary education policy in Portugal; and
   - RELATE the insights from the Portuguese experience to the development of tertiary education policy in their countries.
ISSUES FOR DISCUSSION

1. Introduction

5. Over the past three years, the Portuguese Government has been implementing a major reform to modernise the tertiary education system. The reform mainly aims at encouraging institutions to be more responsive to the needs of society and the economy. It involves more room of manoeuvre for institutions but with clearer accountability for the institutions to society. The expectation is that the tertiary sector contributes to equity, ensures quality and operates efficiently.

6. The purpose of the discussion is for Portuguese authorities and Education Policy Committee delegates to review and discuss tertiary education developments in Portugal in light of the OECD Review. In particular, the discussion should:

- Provide the Portuguese delegation with the opportunity to report on reforms in tertiary education, explain the rationale behind them, and describe their impact thus far; and
- Provide Education Policy Committee delegates with the opportunity to convey their views in light of the experience of their own countries.

7. This paper focuses on a limited number of issues addressed by the original review and which have emerged as particularly relevant policy developments in Portugal:

- Institutional autonomy and the option for institutions to become foundations;
- System diversity, with the emphasis on the expansion of the polytechnic sector;
- The student support system with the scheme of publicly-guaranteed loans; and
- International partnerships to assist with the internationalisation of tertiary education and the building of research capacity.

8. The following sections give a brief introduction to each of the four themes, followed by a set of questions to guide the discussion. The Committee delegates may wish to raise additional issues and/or different questions, possibly based on the Progress Report prepared by the Portuguese authorities.

2. Institutional autonomy and the option for institutions to become foundations

9. The OECD Review expressed concerns about the limited autonomy of tertiary education institutions. It considered that the then prevailing arrangements for institutional management and the exercise of institutional leadership was deficient in aligning institutions’ missions to national goals. It proposed as the guiding principle to provide greater scope for autonomy and room for manoeuvre for innovation at the institutional level while reserving the steering role for the Government. It recommended that institutions should be given wide latitude for accomplishing public priorities consistent with their missions and it called for new legislation to be developed to support this paradigm shift. Areas for further autonomy included finances, human resources, facilities and equipment.

10. Following the OECD Review, Portugal approved new legislation allowing public universities, on a voluntary basis, to acquire independent legal status in the form of public foundations governed by private
law (new legal regime for institutions of higher education, approved in October 2007). Granting independent legal status to institutions of tertiary education is one means of giving them greater autonomy.

11. A university foundation has typically four main defining features: (i) it is an independent legal entity; (ii) it has a mission (or charter or mandate) to serve defined public (or national or societal) interest in tertiary education and research; (iii) as a not-for-profit public interest legal entity, has favourable tax treatment on its incomes, assets and trading activities undertaken in the pursuit of its foundation goals; and (iv) it has the autonomy to raise funds and manage its assets in pursuit of the foundation goals. In its more extensive form, it may grant the rights to: borrow and raise funds; own building, equipment and other financial assets; fully control budgets to achieve objectives; set internal administrative and management procedures; set academic courses and evaluation procedures; employ and dismiss academic and other staff; set salaries and reward systems; set criteria and size of student enrolment; and set the level of tuition fees (Hasan, 2007).

12. University foundations may have a number of advantages. First, institutional leadership has the maximum autonomy to pursue its goals with little external constraint. Second, institutional leadership can plan with a long term view without being subjected to changes in government’s budgetary policies. Third, there are new opportunities for generating additional resources. Finally, accountability is placed on the shoulders where responsibility rests. There are also a number of potential shortcomings. For example, running a foundation requires a new set of skills that the institutional leadership may consider difficult to acquire. In addition, staff may see the transition from a public service status to a university employee status filled with risks and uncertainties. There are also concerns about the feasibility of foundations, for example as a result of not high enough scale or sufficient expertise to run foundations (Hasan, 2007).

Issues for discussion

13. The Committee may wish to address the following questions:

- What expectations are there that granting universities the possibility of becoming public foundations governed by private law will lead institutions to be more responsive to the needs of society and the economy? What are the expectations regarding the number of universities which will opt for the status of foundation?

- What are the risks involved in granting institutions an independent legal status? What has been the experience with granting independent legal status to institutions in countries other than Portugal?

- What have been the major obstacles for the creation of institutions with independent legal status in OECD countries? What are the major concerns expressed by institutions, academic staff and students and other stakeholders?

3. System diversity, with the emphasis on the expansion of the polytechnic sector

14. The OECD Review recommended that the binary framework should be maintained and significantly strengthened. It further suggested that the diversity of study programmes should be increased, with the primary area of growth being in the polytechnic institutes in first-cycle professionally orientated programmes and short-cycle vocationally orientated certificate and diploma programmes.

15. Tertiary education in Portugal is characterised by a binary line, between universities and polytechnics. Only universities offer the doctorate while both universities and polytechnics offer first and master’s degrees. Under Portuguese legislation, polytechnic first degrees “must value particularly training
actions targeted at the practice of a professional activity, ensuring a component of application of the knowledge acquired to the actual activities of the respective professional profile”. At the master’s degree level, polytechnic degrees must “ensure predominantly that the student acquires a professional specialisation” in contrast to university degrees that must “ensure that the student acquires an academic specialisation resorting to research, innovation or expansion of professional competences”. Universities are generally considered to have a national role while polytechnics are assumed to have a more regional role, taking regional demand and needs of local industries into account.

16. The growth of non-university sectors is among the most significant structural changes which have occurred in tertiary education systems in recent times. Many countries established new sectors of institutions that are alternatives to traditional universities. While these institutions are enormously varied, their common objective is to be strongly employer-oriented and closely integrated with the labour market needs of each locality and region. Expanding the non-university sector also reflects an important recognition of the need to draw in a wider range of learners and to cater for their varying needs in innovative ways (OECD, 2008).

17. Recent reforms in Portugal seek to promote the binary system with expansion concentrated on professionally-oriented degrees in polytechnics. In 2008, the supply of short-cycle Technological Specialisation Programmes was considerably expanded through the polytechnic sector, involving about 5000 students, compared with 1000 students in 2005. The new legal framework will also allow for the creation of regional consortia of polytechnics to strengthen the capacity of the vocationally-oriented sector, including through improved links with key stakeholders in each region. A more flexible admission regime for students aged over 23 years was also put in place with the objective of encouraging the attendance of more mature students.

**Issues for discussion**

18. The Committee may wish to address the following questions:

- How is Portugal achieving the diversification of its tertiary education system? What other approaches have been followed in OECD countries? What are the advantages and shortcomings of achieving diversification through a sharp distinction between universities and polytechnics?

- What are the major challenges in expanding vocationally-oriented sectors and/or programmes? How have some countries successfully expanded their tertiary vocationally-oriented sectors and/or programmes and raised the social status of such offerings?

4. The student support system with the scheme of publicly-guaranteed loans

19. Portuguese tertiary education has expanded significantly over the last twenty years but tertiary level participation is still below the OECD average. Given the need to develop human capital required to increase labour force productivity and in view of high returns on investment in tertiary education, a higher level of investment in tertiary education is warranted over the long term.

20. In Portugal the extent of cost-sharing between the State and students is still limited and the student support system is developing. There is a high level of dependence on public resources to fund tertiary education in spite of some recent diversification of funding sources. The relative proportion of expenditure on tertiary education institutions by private sources – *i.e.* households and other private entities – increased from 4 to 14% between 1995 and 2004 (OECD, 2007b).
21. The public sector cannot meet the resource requirements of further expansion by itself. Extending cost-sharing in tertiary education will be inevitable over the long term but this will require the prior expansion of the student support system. The OECD Review recommended that in the short term Portugal should retain its current tuition policies (which allow fees to increase consistent with inflation) and expand its student support system. It further suggested that the latter should mainly concentrate on the establishment of a loan scheme with income-contingent repayments.

22. In this context, in the 2007-08 academic year Portugal launched a scheme of publicly-guaranteed loans through commercial banks with some innovative features. The scheme is based on an existing Mutual Counter-Guarantee Fund, previously available only to small and medium-sized enterprises (SMEs), and does not require any collateral-type guarantee from the students. The public endowment to the Fund covers 10% of the loans provided, with the commercial banks covering the remaining risk. Interest rates charged are determined on the basis of the “swap” rates increased by a maximum spread of 1%. Interest rates are also merit-based: three academic performance brackets are considered, with the best performing students paying a lowest interest rate. The scheme typically provides for a grace period of one year, followed by a reimbursement period of 6 to 10 years. The system also supports students undertaking international mobility programmes of 3 to 12 months. The loan scheme complements the existing means-tested scheme of grants for tertiary students.

Issues for discussion

23. The Committee may wish to address the following questions:

- What led to the development of the scheme of publicly-guaranteed loans instead of other alternatives such as a loan scheme with income-contingent repayments supported by a public fund? How successful has the new scheme been among Portuguese students?
- What are the innovative features of the Portuguese scheme of publicly-guaranteed loans? Have other OECD countries developed similar systems? How can loan schemes be promoted in countries in which students have little tradition of borrowing?

5. International partnerships to assist with the internationalisation of tertiary education and the building of research capacity

24. Improving research and innovation capacities is a key strategic objective of the Portuguese Government. Considerable progress has been made in building the science base and capacity during the last ten years, and the future targets are ambitious. The PhD production has almost doubled and the target is to double it, and the total number of R&D personnel/population, again in few years time. This is part of the “Commitment to Science” initiative launched by the Portuguese Government to promote public and private investment in science and technology. These are developments well-aligned with the recommendations by the OECD Review. The Review also emphasised the need for tertiary education institutions to take on a more proactive approach towards internationalisation, including with the establishment of joint degrees offered in collaboration with foreign partners, the development of international research co-operation and the planned use of EU programmes.

25. An innovative initiative in Portugal in these areas is the series of large-scale international partnerships which have been launched between consortia of Portuguese institutions and leading world tertiary education and research institutions through, for example, the establishment of joint professional master’s and doctoral programmes. The partnerships involve institutions of tertiary education, research institutions and companies in specific thematic areas concerning the development of post-graduate and R&D programmes.
26. The initial partnerships were established with:
   - Massachusetts Institute of Technology (MIT-Portugal Programme), focused in the areas of energy systems, transports systems, advanced manufacturing and bioengineering;
   - Carnegie Mellon University (CMU-Portugal Programme), in ICT;
   - University of Texas at Austin (UTAustin-Portugal Programme), in digital media, advanced computing, mathematics and technology commercialisation; and
   - Fraunhofer Society, including the establishment of the first Fraunhofer institute outside Germany, in the area of new content applications and services based on information and communication technologies for ambient intelligence.

27. The overall goals of the initiative include launching and promoting new research-based consortia at a national level together with a large number of research centres and associated laboratories as well as establishing a productive working relation between universities, research institutions and companies.

**Issues for discussion**

28. The Committee may wish to address the following questions:
   - What is the rationale behind the international partnerships with leading world institutions? What has been the experience thus far and what are the expectations in the long term? What risks does this internationalisation strategy entail?
   - Have other OECD countries engaged in large scale international partnerships with world leading research institutions? What has been the experience thus far?

**REFERENCES**


