



**Towards Sustainable & Equitable
Financing of *Higher Education***
in Bosnia and Herzegovina, Montenegro and Serbia

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Herzegovina, Montenegro and Serbia

**Report on the System Funding of Higher Education
in Serbia**

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Introduction

The report has been produced within the TEMPUS project “Towards Sustainable & Equitable Financing of Higher Education in Bosnia and Herzegovina, Montenegro and Serbia – FINHED.” It is one of the four reports that address system-level funding arrangements in the three Western Balkan countries. While in the case of Montenegro and Serbia, there are one report per country, in the case of Bosnia and Herzegovina, due to its complex governance and administrative arrangements, we have produced two reports, one for the entity Federation of Bosnia and Herzegovina, and the other for Republic of Srpska. Apart from these four reports, one report covering funding arrangements and practices of six higher education institutions (hereinafter abbreviated as “HEIs”) in the three countries has also been produced and it is complementary to the content of the four system-level reports.

This report aims to provide a descriptive and analytical overview of the current financial situation of higher education (hereinafter abbreviated as “HE”) system in Serbia and its chief purpose is to assist national policy makers and institutional leaders in making informed choices in the direction of improving existing funding policies and practices. This report is based on the secondary data gathered by Centre for Education Policy.

The report is organised into several chapters, which roughly follow the structure of the questionnaire. In the first chapter we introduce the higher education system in Serbia, by focusing on its size, institutional landscape and the governance arrangements. In chapter 2 we provide a descriptive account of the system-level funding framework in Serbia. In chapter 3 we look at the level of government investments and funding sources, while chapter 4 is dedicated to the allocation mechanism for public funding. With chapter 5 we move on to the students and look into the national student support system in place. Finally, in chapter 6 we discuss main conclusions.

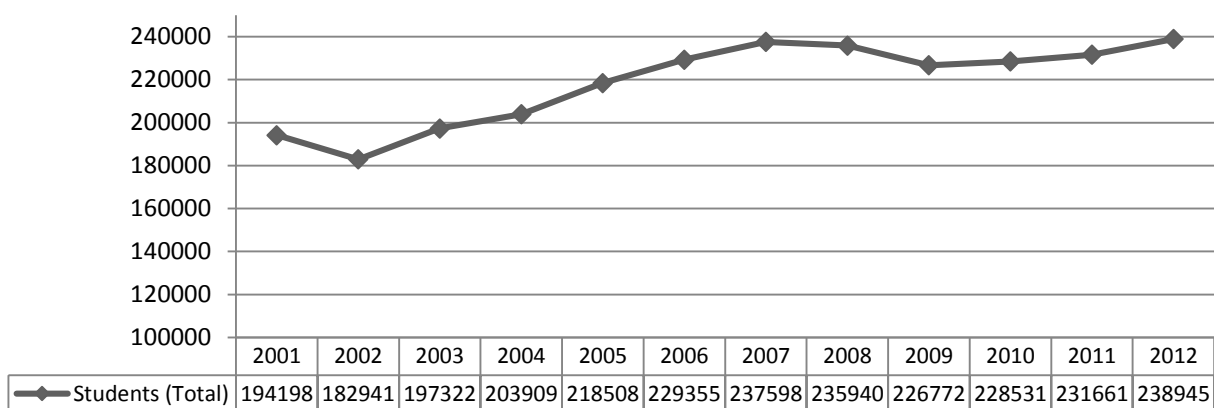
Chapter 1. The higher education system: policy, governance & trends

The current Law on Higher Education in Serbia was adopted in September 2005, two years after Serbia officially became a Bologna signatory country. The law was subsequently amended on several occasions¹. The HE law of 2005 is by far considered the legal framework what should facilitate a comprehensive reform of higher education and further the alignment of the system with the European trends in higher education based on the principles of the Bologna Declaration and the Lisbon Convention. The reforms included the restructuring of the educational provision system – in line with the three cycle system, curricula modernization, development of quality assurance mechanisms, enhancing student and staff mobility, promoting European cooperation, recognition of study periods abroad, qualifications frameworks, etc. In the remainder of the chapter, we introduce the system and the current trends from three angles, i.e. its relative size, its institutions and the governance arrangements in place.

A. Size of the system

As it has been the case in other countries in the region, the size of the system in terms of the number of students and institutions has grown over the past decade (Figure 1), which represents a continuation of the trend from 1990s, yet at a lower growth rate.

Figure 1. Students in Serbia (Total)

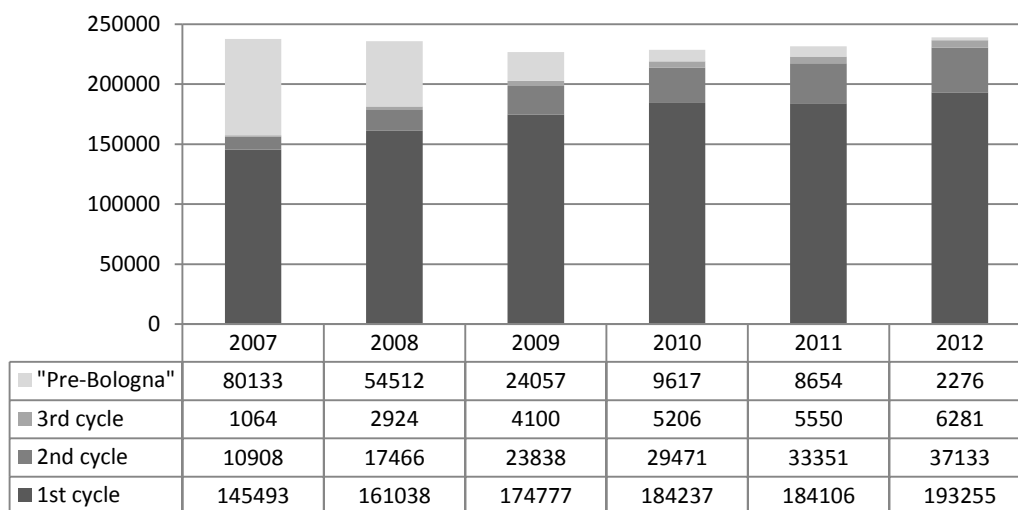


Source: Statistical Office of the Republic of Serbia

¹ The law with its amendments will be referred to throughout the document as ‘the Law.’

Due to the change in the legal framework in 2005 and the mandatory nature of the introduction of the three-cycle system, the decline in the number of so-called “pre-Bologna” students was noted in the post-2005 period, as shown in Figure 2. The same figure shows the trend in the enrolments at different levels of studies.²

Figure 2. Students in Serbia by study cycle

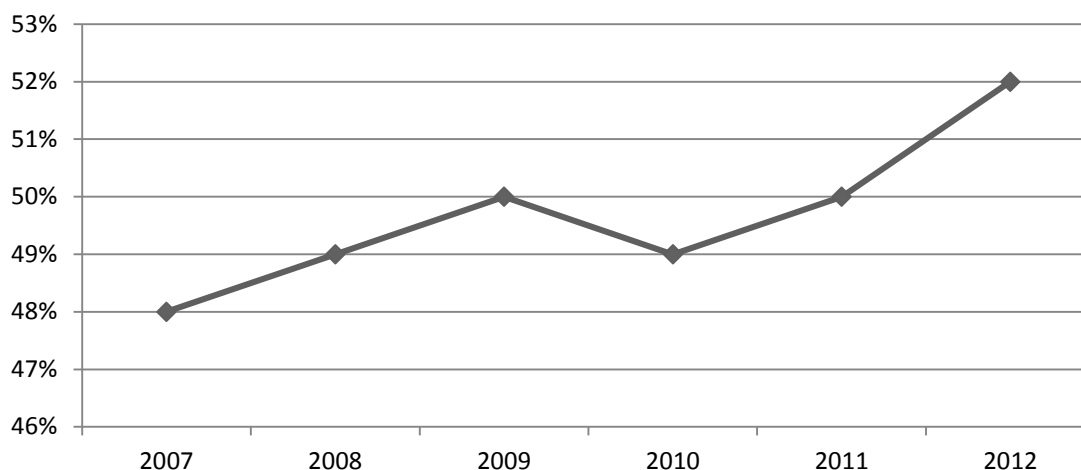


Source: Statistical Office of the Republic of Serbia

According to the UNESCO Institute of Statistics data, in Serbia, Gross Enrolment Ratio (GER) at ISCED levels 5 and 6 (corresponding to the 1st and 2nd cycles of studies), increased from 48% in 2007 to 52% in 2012 (Figure 3). Following Trow’s (1974) classification of higher education systems, Serbia has in this period moved from a “mass” higher education system to a “universal” system.

² Note: 2nd cycle includes both master and specialized studies.

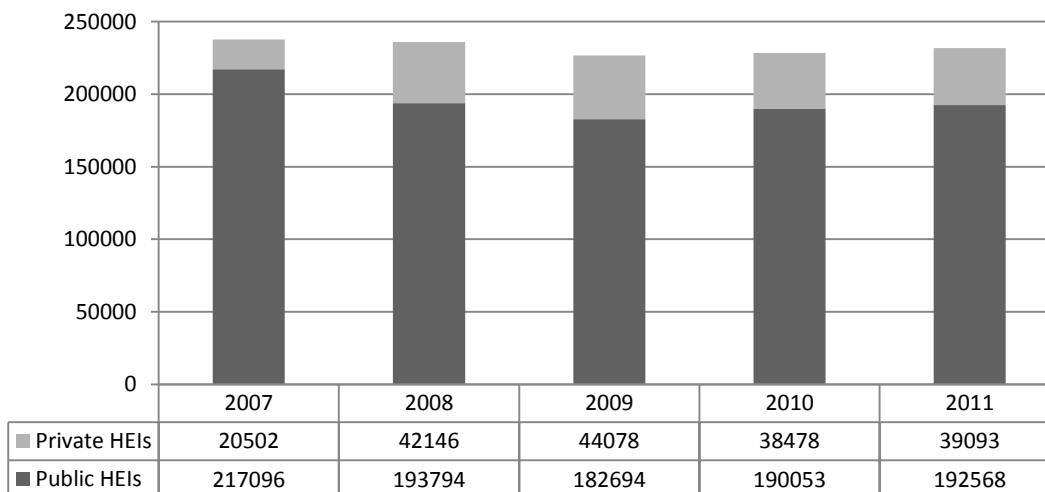
Figure 3. Gross Enrolment Ratio in Serbia (ISCED 5 and 6)



Source: UNESCO Institute for Statistics

According to the Statistical Office of Serbia, the number of students in private HEIs has grown from 9% in 2007 to 17% in 2011 (Figure 4).

Figure 4. Students in Serbia by sector



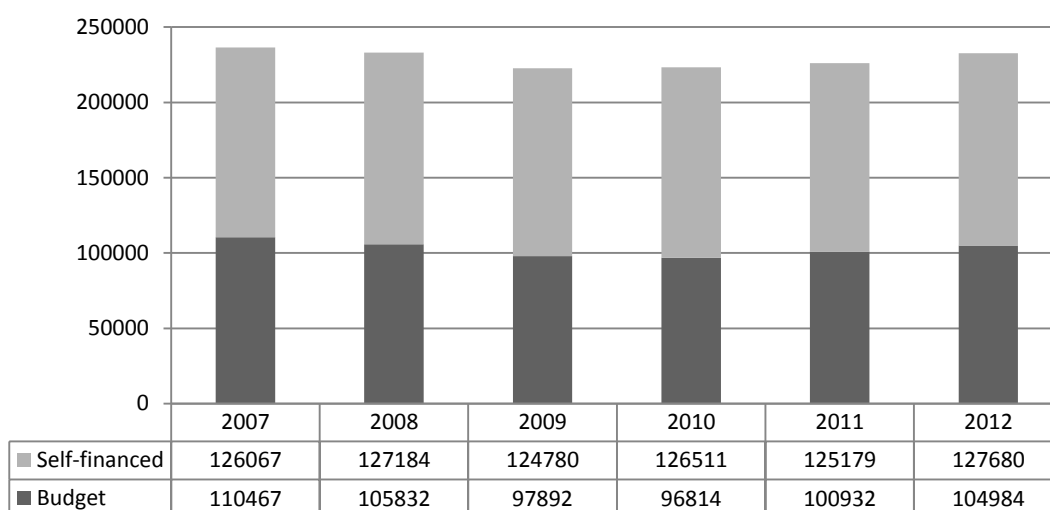
Source: Statistical Office of the Republic of Serbia

According to Vujačić, Đorđević, Kovačević and Šunderić (2013), in the period between the academic 2007/2008 and 2010/11, the total number of students in non-university sector decreased by 5.45%, while the decline in the university sector was 2.78%. However, unlike the

period between 2007 and 2009 during which a decline in enrolments was noted, the period between 2009 and 2012 was marked by, although modest, growth.

With regards to the student status in terms of being charged tuition fee, the ratio between fee-paying and so-called “budget students” (whose tuition is covered by the state) in the period 2007-2012 was about 55:45, respectively. These figures, however, cover both public and private sectors, but do not cover the PhD students (whose number in the given period grew from 0.45% to 2.63% and, at an increasing growth rate over the years, according to the Serbian Statistics Office).

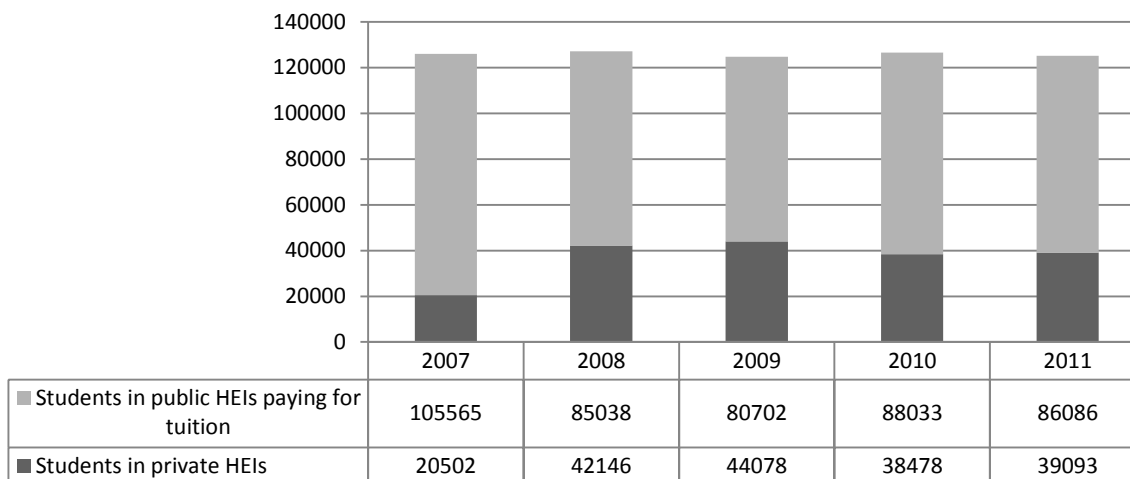
Figure 5. Students in Serbia by status (excl. PhD students)



Source: Statistical Office of the Republic of Serbia

It is interesting to note that the share of students who pay tuition fee and who are enrolled in public HEIs dropped from 84% in 2007 to 69% in 2011, while the share of those in the private sector grew to the other 31% in 2011 (Figure 6). Still, in 2011, of all the students paying the tuition fee (a bit more than half of the entire student population), the share of those in a public HEI was twice as large as the total private sector student population.

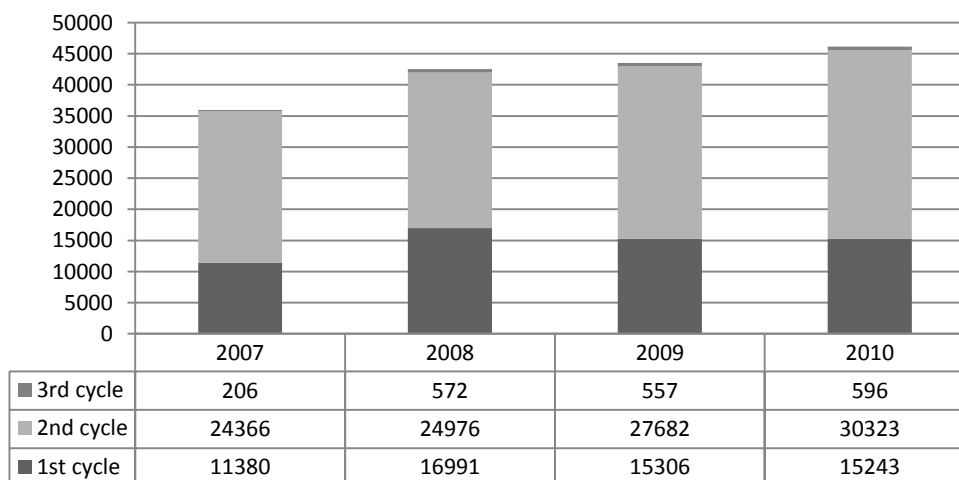
Figure 6. Self- financed students in Serbia by sector



Source: Statistical Office of the Republic of Serbia

In terms of graduates, unlike the enrolment numbers which were highest at the 1st cycle level, the number of graduates is highest at the 2nd cycle (Figure 7). There are several explanations for this, such as that many of the “pre-Bologna” graduates were issued new masters degree, as equivalents to their original degrees, the fact that the studies at this level are programmed to take less time (up to two years), and, simply, that the number of students enrolling in a 2nd cycle programme was growing at a much faster pace than the bachelor level.

Figure 7. Graduates in Serbia by cycle



Source: Statistical Office of the Republic of Serbia

In addition to the data presented in Figure 6, in Table 1 below we provide data on graduates from the 1st and 3rd cycles for 2011 and 2012, as the Statistical Office provides no data for the 2nd cycle. It should be noted that the growth trend in terms of graduates at these two levels continued.

Table 1. Graduates in Serbia

	2011	2012
1st cycle	15502	16504
2nd cycle	<i>No data</i>	<i>No data</i>
3rd cycle	561	770

Source: Statistical Office of the Republic of Serbia

A similar growth trend is noted in the case of study programmes, both at public and private universities. Since 2005, when the current law was passed, the number of study programmes in the field of social sciences has increased, as well as the number of students in some existing programmes, such as economics, management, business, law, diplomacy, languages. In relative terms, private universities have been noted for the highest increase of the number of study programmes.

In sum, the total number of staff at HEIs in Serbia has increased in the past several years – in 2007/08 the total number of FTE academic staff was 10,723, in 2008/09 - 12,799, in 2009/10 - 12,813, in 2010/11 – 13,175 (Vujačić et al., 2013). However, there is no official statistics concerning administrative staff neither total number of HEI staff.

B. Higher education institutions

According to the law (Art. 32), *higher education institution* refers to “university, faculty or academy of arts within a university, academy of professional career studies, four-year college, four-year college of professional career studies.” The first two belong to the university sector, while the latter three are considered non-university HE (or, as here also referred, non-university HE) and had not been regulated by the same act as universities in previous periods. All five are independent legal entities and are guaranteed autonomy by the Constitution. It is important to emphasise that universities are organised as loose organisation of legally independent faculties, whose institutional autonomy is, by the law, at the same level as the one enjoyed by universities.

It would be worthwhile mentioning here that for the most part of the second half of the 20th century, the universities were “self-managing communities” in which the key decisions were taken by large bodies consisting of all employed staff (academic and non-academic) of the

individual faculties, thus making higher education institutions similar to other economic enterprises in socialism. The individual faculties which were independent legal entities were obliged, under legislation, to be associated to form a university (Lažetić, 2009). Self-management did not necessarily mean more autonomy in academic matters in higher education, especially given the fact that funding instruments and detailed legislation did not leave too much space for maneuvering to individual institutions in academic matters, as was evident with respect to the reforms in early 1980s which linked universities very much to career-oriented education (Zgaga, 1996).

The 2005 Law also opened the space for the development of a less university-dominated higher education system, since for the first time non-university (sometimes referred to as vocational or professional) higher education institutions were recognised as part of higher education, and were given the right to award bachelor and specialist degrees in applied sciences. This also means that standards and procedures concerning quality assurance and accreditation apply to these institutions as well. In other words, and according to the Kyvik's (2004) classification, higher education system in Serbia is a binary system. According to Vujačić et al. (2013; data from the accreditation commission) there are 1,329 accredited study programmes within all universities in Serbia (both public and private), and only 30 of them are non-university study programs within the universities.

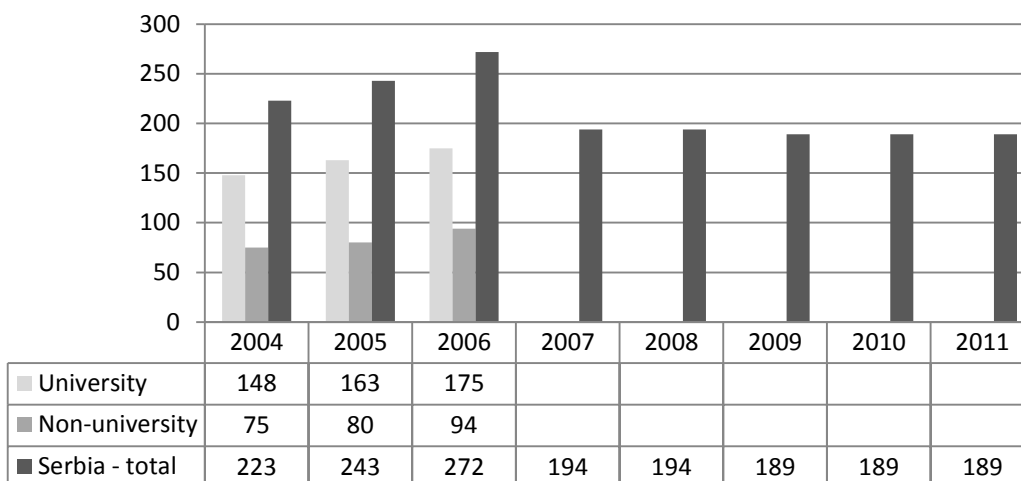
The largest HEIs in the country is the University of Belgrade which enrolls almost a third of the entire student population (32% in 2010/2011; see Table 2). In terms of number of students and staff, as well as constituent units, it is followed by the University of Novi Sad, University of Niš and the University of Kragujevac, all of which are comprehensive public universities and are the oldest HEIs in the country. Together, in 2010/2011 they enrolled 62% of the entire student body. The private sector, on the other hand, is relatively small. Apart from the two largest universities, Singidunum and Megatrend, which together make up about the size of the University of Niš and are also its oldest ones, most other HEIs are much smaller in terms of enrolments. As for the non-university sector, it is by far the largest one in terms of the total number of institutions (more than 50 accredited), while the total number of students enrolled in them in 2010/2011 was about the size of University of Novi Sad and Kragujevac combined.

Table 2. HEIs in Serbia by student numbers, sector and category

University	Students	Sector	Category
University of Belgrade	73,480	Public	Uni
Public non-university HEIs	41,190	Public	Non-uni
University of Novi Sad	35,331	Public	Uni
University of Niš	18,973	Public	Uni
University of Kragujevac	13,743	Public	Uni
Singidunum	8,928	Private	Uni
Megatrend	7,177	Private	Uni
Private non-university HEIs	5,979	Private	Non-uni
University Business Academy	4,781	Private	Uni
Edukons	2,717	Private	Uni
Union	2,596	Private	Uni
State University of Novi Pazar	2,403	Public	Uni
Art University Belgrade	2,235	Public	Uni
European University	2,167	Private	Uni
Academy of Criminalistics and Police Studies	2,083	Public	Non-uni
International University Novi Pazar	2,051	Private	Uni
Alfa	1,359	Private	Uni
Metropoliten	745	Private	Uni
Free-standing faculties	593	Private	Uni
Total university	174,498		
Total non-university	54,033		
Total public	189,438		
Total private	39,093		
TOTAL	228,531		

Source: *EQUI-ED, 2012 (data from the Statistical Office of the Republic of Serbia)*

Until 2007, the number of HEIs in Serbia had been on the increase, in parallel with the growth of the student body (Figure 8). The reason for the drop in the number of institutions after 2007 was the introduction of accreditation, which was first conducted in the non-university sector and later in the university sector. At the same time, National Statistics Office changed the type of data published about institutions, hence as of 2007 the number of HEIs by category has not been included in the published statistics. It would be also worthwhile noting that in terms of the number of institutions, private sector has expanded more significantly than the public sector.

Figure 8. HEIs in Serbia by category


Source: Statistical Office of the Republic of Serbia

With regards to the category of institutions, in 2013, there were 18 universities and 72 non-university HEIs, out of which 20 are private (Table 3). At the same time, the number of public research centres or institutes which are part of a university was 102 (Vujačić et al., 2013).

Table 3. Number of non-university HEIs in Serbia

	Public	Private	Total
No. of non-university HEIs	52	20	72

Source: Vujačić et al., 2013

As of 2005, individual faculties could no longer function as autonomous higher education institutions HEIs but only under the framework of a university, which was the reason why many of institutions operating as private faculties beforehand grouped universities thus giving rise to the increase of number of universities (Vujačić et al., 2013).³ Moreover, the same law allowed for non-university HEIs, the sector which had previously not been considered part of higher education. However, according to the official statistics, in the academic year 2010/2011, about 600 students were reported to have been enrolled in a free-standing faculty (Table 2).

³ An institution of higher education shall have the status of a university if its academic study programs imply all levels of study courses at least in three areas or fields within the following educational-scientific and/or educational-artistic fields: natural sciences and mathematics; social studies and the humanities; medical science; engineering and chemical engineering; arts (*Law on Higher Education*, Article 33).

According to the law, all institutions, regardless of the ownership, are treated as equal by the law, as long as they have obtained the licence from the Ministry. However, private HEIs cannot benefit from the state budget, nor can the students enrolled at these institutions benefit from subsidised accommodation, meals, student grants, nor loans.

C. Governance

The highest authority responsible for overall education policy in the country is the Ministry of Education, Science and Technological Development of Serbia. The Law on Higher Education also foresees the Council of Higher Education (hereinafter: NCHE) as a body responsible for the overall policy, whose 21 members are appointed by the Parliament for four-year period.

With respect to the structural and organisational arrangements of Serbian HE system, alongside the government, through the ministry in charge of HE, the 2005 law on HE stipulates the following buffer bodies and their composition:

- **National Council for Higher Education (NCHE) (Nacionalni savet za visoko obrazovanje)** – 12 nominated by the Conference of Universities and 2 by the Conference of Non-University HEIs upon a public call) + 7 prominent scientists or scholars, cultural figures, educators, artists or businessmen (6 nominated by the Government upon a public call, one of which is from the University of Priština (Kosovska Mitrovica) and one representing Vojvodina Province); all selected by the National Assembly (Parliament); NCHE can also have 2 student representatives, one appointed by each Student Conference, without a voice;
- **Commission for Accreditation and Quality Assurance (CAQA) (Komisija za akreditaciju i osiguranje kvaliteta)** – 15 members appointed by NCHE, proposed by the Conference of Universities, after the pre-selection procedure through a public call;
- **Conference of Universities (CoU) (Konferencija univerziteta)** – number of members are relatively proportional to the size of universities in terms of the number of students and teaching staff;
- **Conference of Non-University HEIs (ConNonUHEI) (Konferencija akademija strukovnih studija)** - gathers directors of non-university HEIs, and
- **Two Student Conferences (SC) (Studentske konferencije)**, one for universities and the other for the students of non-university HEIs, members delegated by university student parliaments.

In principle, the first two bodies, NCHE and CAQA, are operating on the state level and are, together with the Ministry, steering structures, while the role of the conferences is to voice the interests of HEIs, on one hand, and HEIs student parliaments, on the other.

As regards the structures at the level of the system, the law foresees their composition and all of their competences and is rather detailed in that respect. In Table 4 we provide the list of their objectives and responsibilities. As can be seen, the higher education steering is rather hierarchical in nature, where, for example, the HE policy is proposed by the NCHE to the Ministry which then proposes it to the government. From the current legislation it is not clear what changes in HE policy are possible from NCHE to the government. Issues in which NCHE can make the final decision on its own relate only to academic titles and standards and procedures for quality assurance and accreditation. Despite the fact that NCHE does “provide opinion on enrolment policy and other regulation related to HEI,” the final word is with the government.

Table 4. Competences of HE governance structures

Structure	Objective, as given in HE law	Competence as given in the HE law
National Assembly	N/A	<ul style="list-style-type: none"> ▪ Passes and amends the law on HE;
Government	N/A	<ul style="list-style-type: none"> ▪ Adopts by-laws;
Ministry	Not explicitly defined	<ul style="list-style-type: none"> ▪ Proposes HE policy to the Government ▪ Plans the policy for enrolment in public HEI, upon proposal of NCHE ▪ Monitors HE development ▪ Issues licences for HE ▪ Adopts the content of the Diploma and the Diploma Supplement ▪ Allocates resources to HEI from the state budget and controls spending ▪ Gives opinion on the tuition fee, set by the faculties ▪ Performs administrative supervision ▪ Works towards inclusion of HEI in the process of recognition of HE qualifications in Europe (article 23)
National council for Higher Education (NCHE)	To support development and quality enhancement of HE	<ul style="list-style-type: none"> ▪ Monitors HE development, in line with European and international standards ▪ Proposes HE policy to the MoE ▪ Provides opinion on enrolment policy, other regulation related to HE ▪ Proposes to the Government operational standards as well as financial resources necessary for HE, based on the input of CoU and ConNonUHEI ▪ Adopts scientific and artistic fields, based on the input of CoU and ConNonUHEI ▪ Adopts the list of scientific and artistic titles ▪ Adopts standards for self-evaluation of HEI ▪ Adopts standards and procedures for external quality assessment of HE, as well as standards relevant for licensing ▪ Adopts standards and procedures for accreditation of HE institutions and programmes ▪ Decides in complaint procedures related to accreditation ▪ Gives recommendations about criteria for academic staff

		appointment and promotion (article 11)
Commission for Accreditation and Quality Assurance (CAQA)	To coordinate the process of accreditation and quality assurance	<ul style="list-style-type: none"> ▪ Proposes to the NCHE standards relevant for licensing and external quality assurance ▪ Proposes to the NCHE standards and procedures for accreditation of HE institutions and programmes ▪ Supports HEI in their efforts to enhance quality ▪ Implements the process accreditation of HEIs and programmes ▪ Monitors the compliance of Serbian accreditation standards and procedures with those used in EHEA ▪ Provides opinion in the process of licensing (article 14)
Conference of universities (CoU)	To coordinate the work and advocate the interests of universities	<ul style="list-style-type: none"> ▪ Discusses issues of common interest related to teaching, research and artistic activities in universities ▪ Coordinates activities and harmonizes opinions related to enrolment policy ▪ Provides opinion on standards for evaluation of quality of teaching, research and artistic activities ▪ Proposes the list of scientific and artistic titles ▪ Proposes measures focused on improvement of material conditions of universities and students (article 19)
Conference of Non-University HEIs (ConNonUHEI)	To coordinate the work and advocate interests of non-uni. HEIs	<ul style="list-style-type: none"> ▪ Discusses issues of common interest related to teaching, professional and artistic activities in vocational HEIs ▪ Coordinates activities and harmonizes opinions related to enrolment policy ▪ Provides opinion on standards for evaluation of quality of teaching, professional and artistic activities ▪ Proposes the list of professional titles ▪ Proposes measures focused on improvement of material conditions of vocational HEIs and students (article 21)
Student conferences (SC)	To advocate for common interests of students as partners	<ul style="list-style-type: none"> ▪ No detailed definition of competences apart from the participation in the NCHE on a limited number of issues, without the right to vote.

If we look at the system through Clark’s triangle of coordination in higher education (Clark, 1983), there are three major forces shaping a higher education landscape of a country: the state, the academic oligarchy and markets. The higher education system in Serbia has traditionally been on the state – academia side of the triangle, while the market has always been a less prominent force. According to Clark (1983), most higher education systems in the continental Europe share this to varying extent. This also means that the key players in steering higher education at the system level are the government and the academic community. The roles of both of them and their relationship changed several times from the end of the 80s (and the breakup of former SFR Yugoslavia) till the present day and the current state of affairs is first and foremost the result of the last legislative change which took place in 2005, when the Parliament of Serbia adopted the Law on Higher Education.

The current law foresees internal organisation of HEIs, in particular public ones, while private have a higher degree of autonomy in certain matters, such as deciding the internal composition of the Board. In principle, the law sets the basic governance structures for HEIs, along with the

composition of its leading body and their mutual relationship. The law specifies four types of institutional governance entities for all types of HEIs: the governing body (Board) (*organ upravljanja*), the professional body (Senate in the case of universities/Council in the case of faculties and all other HEIs; Note: here we shall refer to the latter as Faculty Senate) (*stručni organ*), the executive officer (Rector/Dean/Director) (*organ poslovođenja*) and the student parliament.

The law stipulates that the Board adopts the statutes, financial plans and activity report, manages institution's property and decides on the tuition fees. All of these need to be first proposed by the Senate/Council. The Board selects and removes the executive officer (Rector/Dean), reports to the founder and performs other activities in line with the law. Apart from the abovementioned competences shared with the Board, the Council is also responsible for the academic matters, which are now also need to be to a great extent in line with the NCHE accreditation standards. This in principle means that a HEI cannot run a study programme unless it has been previously granted positive accreditation evaluation by the CAQA.

In order to secure a higher level of integration of HEIs, the law requires them to “assure unified and coordinated activities of the higher education institution”, while for universities to “integrate the functions of all the institutions and units that it comprises, particularly the faculties, by conducting unified policies aimed at continual promotion of the quality of courses and improvement of scientific research and artistic creativity” (Art. 48 in the original 2005 law). However, this area is noted for particular sensitivity, as faculties tend to be rather resistant in terms of renouncing their competences in the name of a more integrated university, which in particular refers to the financial and organisational matters (Branković, 2010).

With respect to the academic matters, although some of the core competences rest at the level of HEIs, some are shared among the bodies of all levels of the system. Even though HEIs in principle have a high degree of autonomy in defining their academic profiles, study programmes need to be verified at several instances. To illustrate, Faculty Senate is responsible for proposing the study programme, University Senate for adopting it and CAQA for finally approving it. As regards promotions and academic ranks, these are part of the University Senate competences, as well as the competence of the Councils of Disciplinary Groups (*Veća grupacija*). On the other hand, the procedure of student admission is run at the faculty level, even though the number of students financed by the state depends on the Ministry's decision, while the number of students required to pay tuition is decided by the University Board. However, the total number of students cannot exceed the number for which the study programme has been accredited. In this way, there are certain limitations to the recruitment policy, even though the nature and type of examination required for admission is the sole competence of the HEIs. In general, the autonomy of HEIs in terms of academic matters is high in determining the “what” of the academe, in Berdahl's (1990) words, though when it comes to the “how” the competences are shared vertically across the HE system and the HEIs are not as autonomous. When it comes to the interference of other, non-

HE fields, it could be noted that markets as well penetrate the academic core and tend to influence the academic profiles of particular HEIs in terms of study programmes they offer, for instance.

Other structures that could be involved in system level steering include other sectors of the responsible ministry (in particular the sectors for science and for secondary education), Ministry of Finance and Ministry of Labour and Social Affairs, National Employment Service, unions of employers etc. However, these structures have no official channel of communication with either the official system level actors or with higher education institutions directly. This lack of communication and cooperation sometimes results in legislation incoherence; for example: some provisions related to state secondary school exam serving as entrance exam to higher education are not reflected in higher education legislation. In other cases, it presents an obstacle when it comes to cross-sectoral issues, such as the development of national qualifications framework. It can also lead to complete neglect of certain issues, e.g. development and financing of doctoral studies, since they fall between mandates of two ministries (science and education). Finally, this situation does not support a holistic approach to issues of education, especially in terms of continuous monitoring of various system performance indicators. Thus, many problems, such as obstacles to access to later stages of education, go undetected.

Chapter 2. Funding framework and the allocation mechanism for public funds

Funding, as a policy instrument, is usually observed in two ways. On one hand, it refers to the way financial resources are allocated, i.e. allocation instruments, and on the other, on the scale and the scope of investment. In other words, it is not only the question of how much money goes for HE, but also how this money is distributed, the latter, as it is the case in Serbia, being stipulated by appropriate regulative solution. The relationship between the allocation method and the effect it actually produces is of key importance in financial policy of any higher education system. Financing as a steering tool makes an important part of the overall policy on HE, which is why it needs to be in accordance with the policy in question. The importance of making this link becomes clearer when legislative changes aiming at reforming a system are not followed by appropriate changes in the funding scheme, as it is the case in Serbia (Vukasović, 2009).

The two main revenue channels for HEIs in Serbia are the state funding (in case of public HEIs and in the case of the University of Novi Sad, the budget of the Vojvodina Province) and tuition fees (in case of both public and private HEIs). Moreover, HEIs often have other type of own revenue apart from tuition or administrative fees charged to students, however, this in most cases does not represent comparatively significant part of HEI's total budget. Faculties and departments engage in research projects, consultancy services, donations, lease premises and equipment, etc. Importantly, according to the law, a HEI in Serbia is free to generate financial resources from various sources and there are no constraints in terms of maximum amount public HEIs can accumulate relative to the amount it receives from the government. In the case of private higher education institutions, tuition fees represent the main source of revenue.

As previously indicated, the 2005 introduced some important novelties in HE, in particular in the domain of system-level steering, quality assurance, student involvement, private higher education, international dimension of higher education, etc. However, when it comes to funding, the law has only slightly changed and is complemented by a by-law dating from 1990s (Regulation on Norms and Standards⁴) and although the regulatory framework has changed several times since then, it still serves as the main frame of reference when budget for higher education is distributed to public higher education institutions. While NCHE “proposes... operational standards as well as financial resources necessary for HE”, it is not defined what

⁴ Vlada Republike Srbije (2005), Uredba o finansiranju o normativima i standardima uslova rada univerziteta i fakulteta za delatnosti koje se finansiraju iz budžeta. Službeni glasnik Republike Srbije broj 15/ 2002, 100/ 2004, 26/ 2005.

happens afterwards and how the final decision on how much funding and how is allocated to higher education institution. This lack of clarity could be due to the fact that the adoption of the new Law on HE in 2005 was supposed to be followed by the revision of the government regulation on HE funding. However, this revision did not take place till this date, and it poses challenges for both HEIs and students, in terms of implementation of reforms and transition to the new study structure, some of which is described in Babin and Lažetić (2009). The mentioned lack of clarity in the current legislation could lead to conflicts between different actors about the procedure and nature of the new funding regulation. It also means that NCHE is not a typical buffer body, since a large segment of steering higher education (i.e. financing) is not in its hands.

As public funding (for which only public HE institutions are eligible) is as a rule insufficient for HE institutions to make ends meet, they are forced to incur additional finances from private sources, where tuition fees and other administrative costs charged to students play major role. As envisaged by the Law, this so-called own income can include “tuition fees, provision of services to third persons, gifts, donations, sponsorships and other sources of fund acquisition”. Contrary to the funding received from the state, which is earmarked (the Ministry decides on its internal allocation, though only within broad categories), the law allows HE institutions to dispose of their own income (including equipment, books, facilities, etc.) the way they deem proper. The ratio between public money and own income varies across HE institutions, making some of them more or less financially autonomous with respect to the state. In other words, those institutions which receive e.g. half of their yearly budget from the state are considered more financially autonomous than those which are almost completely supported by the state. Furthermore, the internal allocation of the non-public resources can vary across different faculties and it can depend on internal arrangements of each individual institution or the priorities that institution has taken upon itself. For instance, some institutions choose to “invest” these additional resources in infrastructure, while some use it to top-up staff salaries (Babin & Lažetić, 2009) which also means that the salaries can vary across faculties, regardless of, for instance, the workload. As the financial autonomy in the case of public HE institutions can vary according to the public-private resources ratio, private HE institutions are in this sense more procedurally autonomous from the state.

It would be worthwhile mentioning that in the case of public sector universities (apart from the State University of Novi Pazar) when we refer to financing of higher education in Serbia we mean financing of faculties. Put differently, the public funds are distributed directly to the individual faculties as legal entities which agree on contributing funds from their budgets to the university level “in order to financially enable the joint services” (Ivošević & Miklavič, 2009, p. 86), which somehow puts faculties above the university level when it comes to the allocation of public financial resources.

As it is the dominant practice across the Western Balkan region, in Serbia the allocation basis is also input oriented and relies on the number of enrolled students, number of employed staff, etc. In other words, the model does not incorporate any financial incentives directed at the output or the process of delivering higher education. The funding formula for government funding in place is input-based and it is based solely on real costs, i.e. the costs of the permanently employed teachers, administrative staff and material costs, while most of the funding comes from the state budget, at state level or the level of local community, and from tuition fees.

Importantly, the Regulation on Norms and Standards mentioned earlier is perceived solely as a formula used to calculate how much financial resources the state is to allocate to individual faculties and other public HEIs, not as a set of rules how these financial resources are to be spent.

Salaries of academic, administrative and support staff, equipment and maintenance are the main types of costs of HEIs that are incurred for the purpose of conducting higher education activities and for which the government funds are in principle allocated for. According to Vujačić et al. (2013), employees in public HEIs receive salaries determined by the coefficient defined within the Law on State Employees Salaries. The amount is determined by the regulation on coefficient for calculation and payment of salaries for the employees in public sector, but each HEI has the right to supplement the salaries of its employees from its own resources by not more than 30% of the base pay.

Notably, the existing funding arrangements also affect the behaviour and create incentives for higher education institutions. Due to the increasing demand for higher education and its massification and rather limited state budget for this purpose, along with a rather inefficient allocation of its content, HEIs are practically forced to incur more resources through private channels, which in most cases boils down to increasing student numbers and raising tuition fees.

With regards to the intra-university dynamics, especially in the public sector, finances are another sphere in which faculties are highly autonomous in relation to the universities they constitute, in terms of the support they receive from the state, the salaries they offer, the tuition they set and how they spend their income in a more general sense. For the financial resources they incur from the state faculties are accountable to the state, not universities, while when it comes to their own income, they are not accountable to any authority.

When it comes to the property of HEIs, according to the HE law, “The immovable and other property acquired through bequest or donation shall be owned by the acquiring institution of higher education”, while the rest (not donated to the HEI in question by a third party) belongs to the founder, which in case of public HEIs refers to the state. The manner in which the HEI is to use this type of property is completely up to that institution.

Following the classification of funding mechanisms by Jongbloed and Koelman (2000, p. 14), Serbia can be categorised as a HE system with centralized system of funding which is input based and is also known to be a traditional type of budgeting, “where allocations are based on requests (activity plans, budget proposals) submitted to budgetary authorities, known as negotiated funding.” At the same time, no accountability mechanisms are foreseen, which is expected given that the allocation of funding is not linked to specific targets. Finally, finances are likely to be one of the least regulated areas in the HE law and it is in general rather vague and non-transparent, in particular when it comes to the own income of public HEIs and its spending and the overall income in the case of private HEIs and its spending.

Chapter 3. Government investment & funding sources

With regards to the level funding, the amount given to each higher education institution every year is set by the Government and is calculated according to an input-based formula. The formula includes the number of teaching staff, the number of enrolled students, the field of study and basic criteria for salaries in the public sector (see Babin & Lažetić, 2009). As for research, the regulation in question assumes that academic staff is also involved in non-teaching activities, research included, although the actual amount of funds is calculated only on the basis of foreseen teaching activities. In this sense, it could be said that the higher education funding in Serbia is, in effect, funding of teaching at higher education institutions. NCHE and CAQA have no role in the budgeting process, apart from the role they have in the process of issuing permissions to individual institutions and study programmes. Therefore, the authority of the government extends to the process of negotiation of numbers with faculties, which should be in close relation with the overall enrolment policy the Government is to implement, if such exists. Nevertheless, we are not familiar with existence of such policy at the moment. Hence, using finances for steering is rather difficult under the circumstances given, since although the policy has changed, the nature of mechanism has not followed accordingly.

The total estimated public expenditure in higher education in Serbia in 2010 (the recent year for which there is data available) was 0.96 % of GDP, which the investment from public budget was 0.67% (Table 5). Importantly, these figures refer (same as for Table 6) only to the main allocation channel and does not include finances transferred for the student standard system which includes accommodation, loans and grants, as well as allocation to theological higher education (categories as provided in the Law on Budget). In other words, the share of GDP that pertains to higher education is even higher and this in particular if we take into account individual contributions of students for their living and other costs which are not paid to higher education institutions.

Table 5. Investment in HE in Serbia (I)

		2005	2006	2007	2008	2009	2010
GDP (in million RSD)	A	1,687,831.500	1,980,236.700	2,362,849.700	2,764,522.300	2,872,255.800	3,105,482.900
Total HE investment from all sources (government + HEIs' own revenue) (B+C)	B	14,450.261	17,448.503	19,790.476	28,695.291	27,408.239	29,725.237
Total government investment in HE (in million RSD)	C	9,239.373	11,629.079	15,213.549	20,727.753	20,695.913	20,817.713
Total investment in HE as % of GDP (B/A)	D	0.86%	0.88%	0.84%	1.04%	0.95%	0.96%
Government investment in HE as % of GDP (C/A)	E	0.55%	0.59%	0.64%	0.75%	0.72%	0.67%

Source: Ministry of Education, Science and Technological Development, 2012

In Table 6 we provide the Ministry's data (2012) on both government investment and investment in HE coming from HEIs' own revenue. It is interesting to note that in the period 2005-2010, the share of total own revenue decreased from 36% to 30%. With regards to individual faculties The percentage of their own revenue, relative to the total revenue from all sources, varies from 10% to 70%,⁵ while most faculties have about 45% of budget transfers and about 55% of their own revenue (Vujačić et al., 2013).

⁵ The amount of resources received from the state vary: Faculty of Mechanical Engineering, Belgrade, 90%, Faculty of Physical Chemistry, Niš 89%, Faculty of Natural Sciences and Mathematics, Belgrade 84%, Faculty of Electrical Engineering Niš 73%, Faculty of Dentistry, Belgrade 71%, Faculty of Forestry, Belgrade 47%, Faculty of Political Sciences, Belgrade 47%, Faculty of Law, Belgrade 45%, Faculty of Economics, Belgrade, 33%. (Vujačić et al., 2013)

Table 6. Investment in HE in Serbia (II)

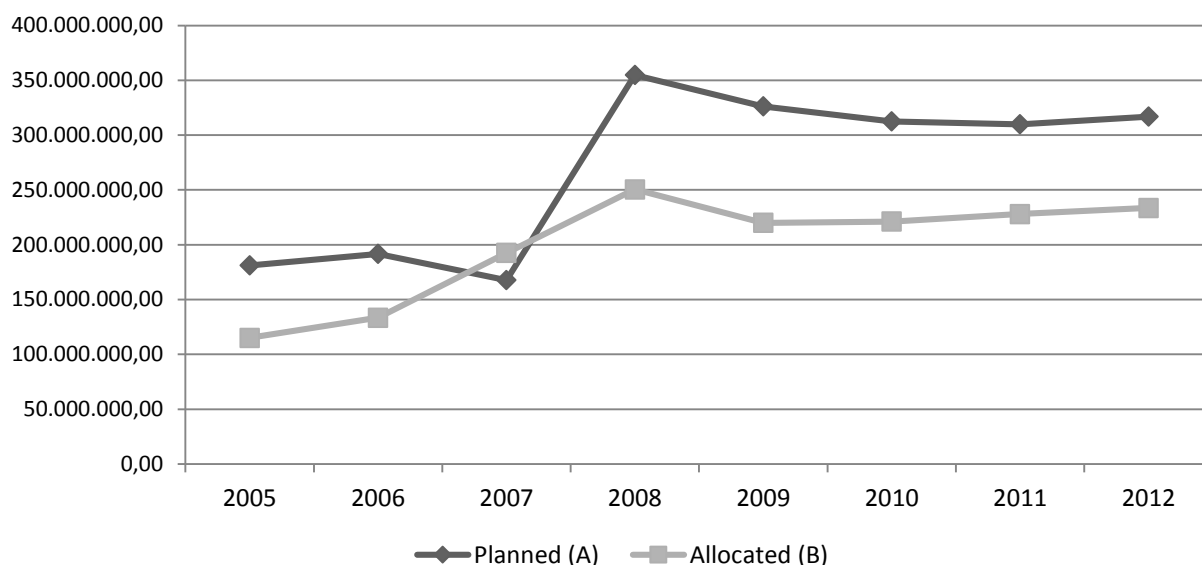
		2005	2006	2007	2008	2009	2010
Total government budget (in million RSD)	A	429,764.926	548,405.821	646,466.666	742,293.141	867,778.775	1,055,307.545
Total government investment in HE (in million RSD)	B	9,239.373	11,629.079	15,213.549	20,727.753	20,695.913	20,817.713
Total investment in HE from HEIs' own revenue (in million RSD)	C	5,210.888	5,819.424	4,576.927	7,967.538	6,712.326	8,907.524
Total HE investment from all sources (government + HEIs' own revenue) (B+C)	D	14,450.261	17,448.503	19,790.476	28,695.291	27,408.239	29,725.237
Share of HEIs' own revenue in total revenue (C/D)	E	36.06%	33.35%	23.13%	27.77%	24.49%	29.97%
Share of HE budget in total government budget (B/A)	F	2.15%	2.12%	2.35%	2.79%	2.39%	1.97%

Source: Ministry of Education, Science and Technological Development, 2012

It would be important to note here that the figures indicate in these tables differ from the sums planned in the Law on Budget. In Figure 9 we show the actual difference between the sum⁶ planned in year N for the year N+1 and the sum actually allocated to higher education in the year N+1, as reported in the year N+2. Again, note that this only refers to the main allocation channel and does not include finances transferred for the student standard system and theological higher education.

⁶ The original sums were in RSD and the exchange rate used for each year are provided at the end of this report.

Figure 9. Planned vs allocated finances to HE (main allocation channel to HEIs) from state budget (in EUR)



Source: Ministry of Education, Science and Technological Development (2012) for allocated; laws on budget for planned

Only in 2007 was the amount actually allocated higher than initially planned. In all other years shown here, it was a reverse case, going up to 106 million EUR in 2009. In Figure 10 (Table 7) below we add other categories for year 2011, the student standard and higher theological education, from which can be seen that the same principle of reduced final allocation applies in these cases too. Unfortunately, data for other years are not available (the balance sheets for other years were not adopted by the Parliament).

Figure 10. Planned vs. allocated finances to HE from state budget for 2011 (in EUR)

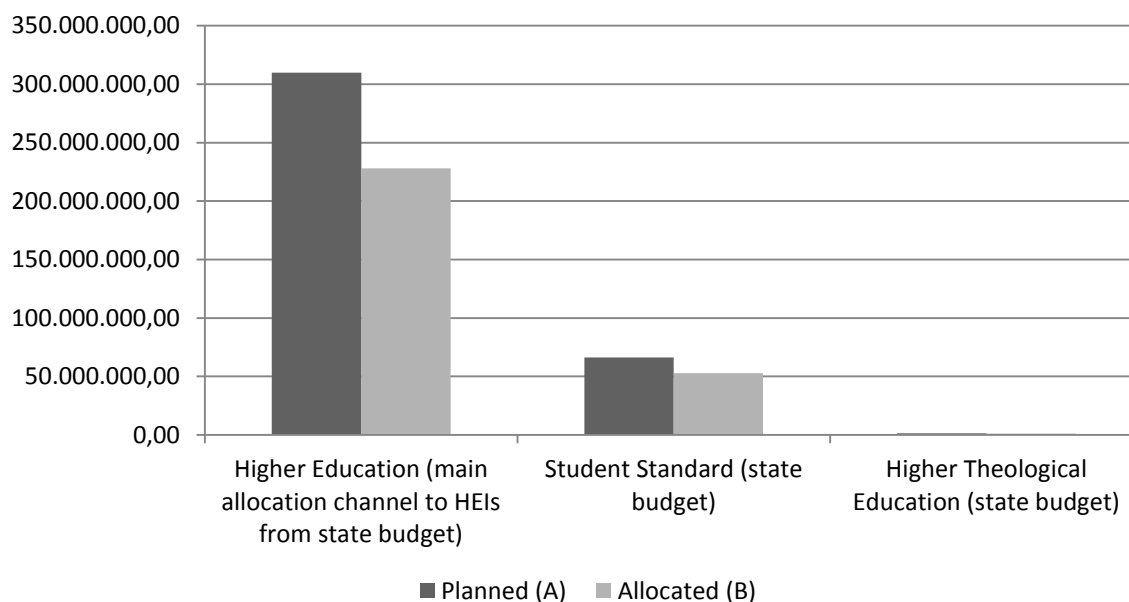


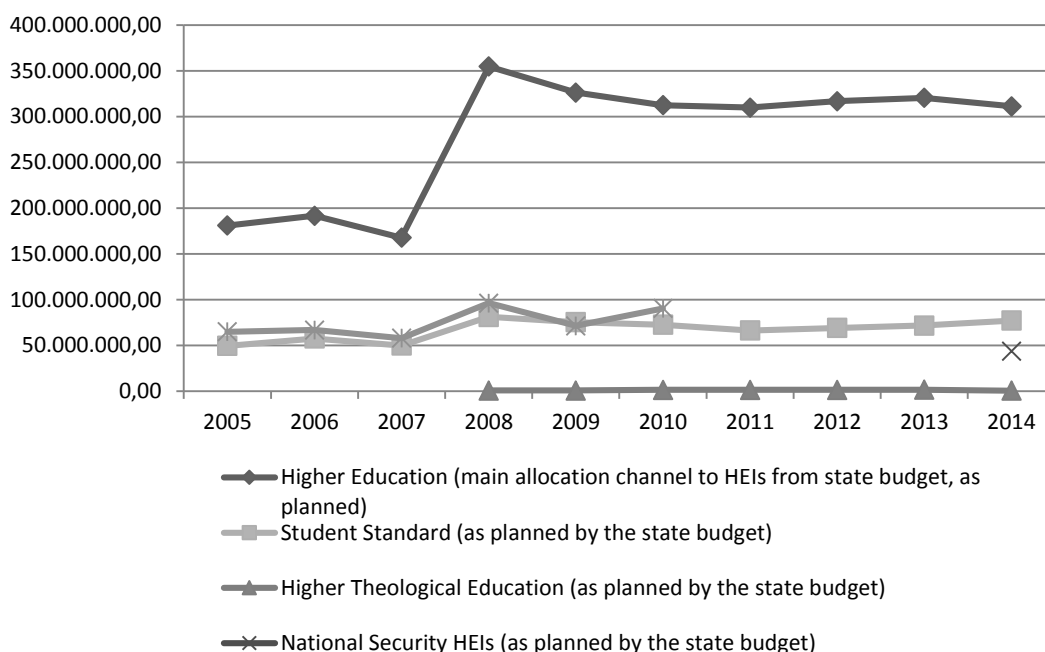
Table 7. Planned vs. allocated finances to HE from state budget for 2011 (in EUR)

	Planned (A)	Allocated (B)	Difference (A-B)
Higher Education (main allocation channel to HEIs from state budget)	309,943,253.24	228,035,439.95	81,907,813.29
Student Standard (state budget)	66,267,065.37	52,873,272.91	13,393,792.46
Higher Theological Education (state budget)	1,433,964.50	1,198,019.98	235,944.52
Total	377,644,283.12	282,106,732.85	95,537,550.27

Source: Ministry of Education, Science and Technological Development (2012) for allocated and Law on Balance Sheet for 2011 for allocated; laws on budget for planned

It would be, however, worthwhile to look at the planned allocation for all categories across years, in order to get an idea of the ration between different categories. Apart from the categories which are recognised in the Law on Budget (Higher Education main allocation channel, Student Standard, Theological HE, and since 2014, National Security HE), we added the Ministry's data (2012) on HEI's own revenue and the trends per category are given in Figure 11. Here it is interesting to note that government contribution, either to HEIs or to the student standard systems, significantly exceed the HEI's reported own income.

Figure 11. Planned costs of higher education in Serbia by category (EUR; excluding students' living costs)

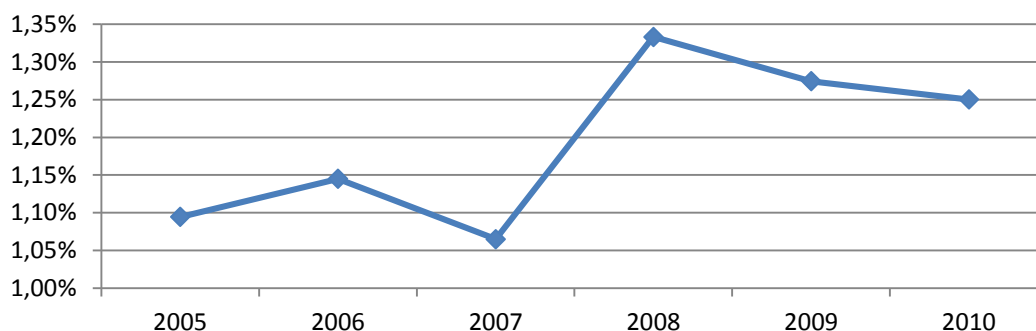


Source: laws on budget

It should be noted here that the main allocation channel to HEIs does include other purposes than supporting HEIs, such as international cooperation and exchange of students and staff, and CEEPUS programme. However, these are negligible compared to the allocation to HEIs.

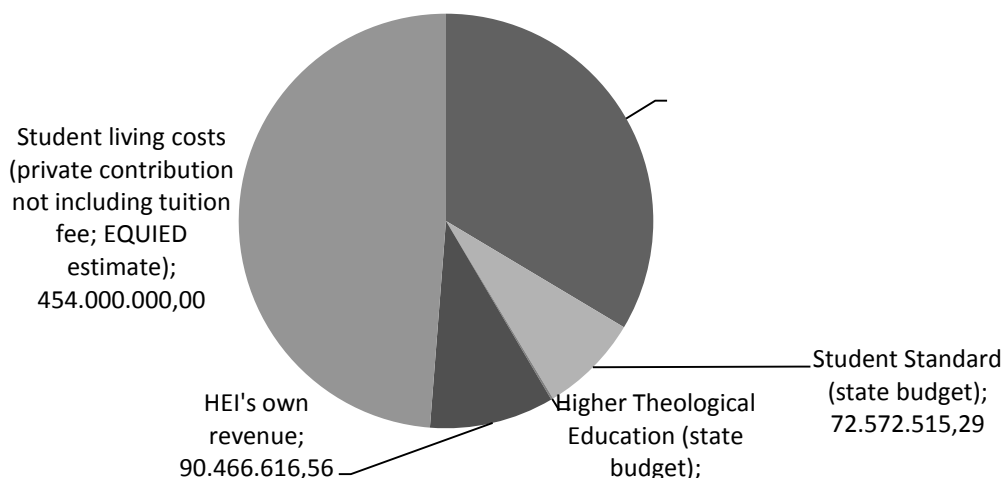
If we go back to the calculation of HE investment as % of GDP and combine the real allocation with the planned for the categories for which real allocation is not available, we arrive at the figure of about 1.3% (Figure 12).

Figure 12. Government investment in HE as % of GDP



Finally, as the private individual contributions of students are also considered costs related to higher education, these should also be included in the calculation. Unfortunately, reliable data on this are not systematically collected in Serbia and for the moment only estimations can be found. One such estimation has been done by the team of the TEMPUS EQUI-ED project which determined that the living costs of students in Serbia in 2010 amounted at about 454 million EUR⁷. This figure is added to our data for the same year and the relation can be seen in Figure 13 below.

Figure 13. Costs of higher education in Serbia by category (EUR, estimate, 2010)



⁷ The study can be found on the following EQUI-ED project website page: <http://www.equied.ni.ac.rs/dokumenti/viewcategory/4-publikacije.html>. Document “The Baseline Study” for the English version and “Studija zatečenog stanja” is the original version in Serbian.

As it appears, according to this report, students' living costs considerably exceed both government investments and HEI's own revenue. If we also take into account that higher education incurs other types of costs too for the individuals (apart from the contribution paid through taxes), let alone opportunity costs, the total country's investment in higher education is much higher than it appears at first sight. Nevertheless, due to the lack of data and proper approach to unveiling these "hidden," yet rather considerable investments in higher education, it is at the moment impossible to know their nature and implications.

Chapter 4. State student support system

In discussing higher education funding it is essential that the issue of student support system is brought into the spotlight.

As it was indicated earlier, there are essentially two categories of students with regards to the tuition fee, those who pay for their tuition, which can be found in both public and private sectors and those for whom the state covers tuition costs, the so-called “budget students.” The ratio between fee-paying and “budget students” in the period 2007-2012 was about 55:45, respectively (covering both public and private sectors, but do not cover the PhD students, whose number in the given period grew from 0.45% to 2.63% and, at an increasing growth rate over the years, according to the Serbian Statistics Office).

The allocation of the “budget” places at public HEIs is done by individual institutions based on the enrolment rules set by the Ministry. The regulation states that the candidates are evaluated for their high school achievement and the entrance exam results. The entrance exam normally weights 60% of total points, while the high schools achievement the remaining 40% (except for the art programmes where a different ratio applies, which favours more the entrance exam). For the students of other years, the HEIs evaluate the achievements in the previous years of study. Thus, the condition for the financial support is meritocratic and entirely insensitive to the socio-economic characteristics of students.

In order to also take into account needs of certain groups of students, the state has foreseen a number of measures, along with the precise list of which categories can benefit from them, i.e. the so-called “sensitive social groups.” The groups targeted by these affirmative measures include:

- Individuals from families with lower socio-economic background
- Individuals without parental care
- Individuals from single-parent families
- Individuals who are the members of the Roma national minority
- Individuals with disabilities, persons with chronic diseases and convalescents
- Individuals whose parents went missing or were kidnapped on the territory of Kosovo and Metohija or on the territory of one of the republics of the former SFRY
- Refugees and displaced persons
- Returnees under the Readmission Agreement and deported students
- Individuals from families with lower socio-economic background and children without parental care

Moreover, during the enrolment period, the Ministry issues the Recommendation to Higher Education Institutions for the Exemption from Tuition Fee Payment to consider member of the groups above in the exemption. Moreover, the Ministry foresees, up to 10% of the accommodation capacities in dormitories for the students from the above listed sensitive social groups and up to 10% of the total loans and scholarships allocated to the students from these groups.

The government has also secured student accommodation for a number of students, subsidised meals, as well as a loan and scholarship (grant) scheme. With regards to the accommodation, the government has in place 8 student centres across the country which distribute the places, in line with the rules set by the government. The capacities of these centres vary, while the largest one is located in Belgrade. Their work is regulated by the Law on Pupil and Student Standard from 2010 as well as with the corresponding bylaws. These bylaws (decisions, rules and regulations, and administrative acts) more closely determine the categorization of accommodation capacities, nutrition quality, accommodation prices, nutrition prices and similar issues. According to the EQUI-ED study (2012), the student accommodation the prices are significantly lower in comparison with the market prices of rent of rooms and apartments.

Importantly, only the students who are financed from the state budget, about 45% of the entire student body, can apply for a place in the student dormitory. The latest data available (Table 6) show that 7.36% of the student population lived in student dormitories (which was about the capacity available) which amounted at about 100 EUR per year. According to the EQUI-ED study, 63% of the students lived with their parents or relatives which, according to the same source, cost their parents 600 EUR per year, while about 30% of the students paid for the accommodation (average yearly price of 1,000 EUR). The study further suggests that at the aggregate level the former represented an investment of about 86.4 million EUR, while the latter about 68.5 million EUR. Altogether, the EQUI-ED study estimates accommodation related costs at about 8 million EUR in a single year, not including the contribution from the state. The same study estimates that the amount allocated from the state budget for the subsidy of student restaurants and accommodation expenses of students in 2012 to have been about 2.2 billion RSD or 12 million EUR. In total, the report suggests that overall costs for accommodation contributed from individuals amounts to about 164.5 million EUR or approximately 720 EUR per student a year.

Similarly as in the case of accommodation, only budget students have the right to use student restaurants at subsidized prices, whereas the self-financed students cannot buy the meal tickets in cafeterias at the reduced (subsidized) price. However, the students who study in their place of residence can only buy the meal tickets for lunch. According to the EQUI-ED study, In the school year 2010/2011, over 40.000 students used the benefits of subsidised meals (the number

of meal cards issued, which is prerequisite for students in case they wish to purchase meals in the student cafeterias).

Table 7. Number of students, meal cards, and of students in dormitories

	Total number of students	Total number of meal cards issued	Share of students with meal cards	Number of students in dormitories	Share of students in dormitories
2008/2009	235.940	40.269	17.07%	16.304	6.91%
2009/2010	226.772	43.019	18.97%	16.728	7.38%
2010/2011	228.531	43.553	19.06%	16.304	7.13%
2011/2012	231.661	48.134	20.78%	17.059	7.36%

Source: EQUI-ED, 2012: National Statistics Office

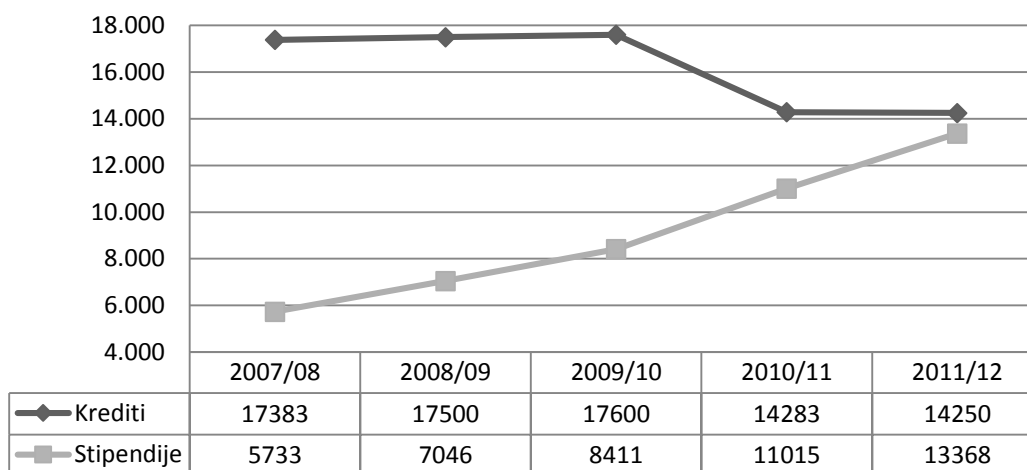
Apart from financing the studying of some students from the budget, providing subsidized accommodation and meals, the Republic of Serbia also provides for the students the financial support in the form of scholarships and student loans. Scholarships represent financial support to students with excellent success during the studies (without losing a year and with the average of over 8.50, on the 5.00-10.00 scale) and they are given without any obligation to be paid back. The number and the amount of allocated scholarships are determined every year on the basis of the available funds in the budget of the Republic of Serbia. On the other hand, student loan is a financial support which combines merit-based and need-based criteria, although with much more weight on merit. Hence, better achievers are more likely to be recipients of loans than those who demonstrate that they need financial support while having poorer academic results. Moreover, the loan is supposed to be paid back after the completion of the studies, unless the student meets certain requirements – if he/she graduates in the period determined in the contract with the average grade higher than 8.50 and notifies the authorized ministry about this in a given period, the student has the right to be exempt from paying back the loan or to pay back a smaller amount than it is required.

As it is the case with accommodation and meals, also the “budget” students of public HEIs have the right to this kind of support. In addition, the candidate for the scholarship or student loan has to be enrolled in the current study year for the first time. The basic criterion for getting the scholarship or loan is the success during the studies (general success in the form of the average grade and the efficiency of studying in the form of the efficiency coefficient). The socio-economic status of the family is also used as an additional criterion for the allocation of student loans.

Both the scholarship and the loan are transferred to students in ten monthly payments within a given academic year. In the school year 2011/2012, the monthly amount of scholarships and

loans was 6,100 RSD (circa 55 EUR). According to the EQUI-ED study (2012), in the academic 2011/2012, the amount of 1,626,077,000 RSD or close to 15.5 million EUR was allocated from the budget for the scholarships and student loans.

Figure 14. Student scholarships and loans



Source: EQUIED, 2012 (Translation: krediti = loans / stipendije = scholarships)

Figure 7 shows the number of approved student loans and scholarships in the period 2007/2008 – 2011/2012. While the number of scholarships more than doubled in the given period, the number of loans decreased for several thousand after 2009. Therefore, we could argue that this trend indicates that the student support policy is more governed by merit and studying efficiency than by the social dimension and need related criteria.

Apart from the above mentioned scholarships, the government has established the Fund for Young Talents, a scholarship fund run by the Ministry of Youth and Sports which specifically targets excellent students (also studying abroad). Compared to the other scholarship scheme, this one is more limited in terms of the number of recipients, while being more generous in terms of the amount. Contrary to the other scholarship, this one contractually obliges the student to stay in the country for a number of years after graduation.

Overall, the systemic support of the living standards of students covered 12% of all students with either a scholarship or a loan and loans, 7% of the students who used the benefit of the accommodation in a dormitory, and 20% of the students who used the subsidized nutrition in student restaurants. The amount of either scholarship or loan is the same, while also being the same for all recipients, and is about 70 EUR per month (until recently it was about 55 EUR). In total, 80% of the students did not use any type of systemic support for living standards, and 60%

of the students did not qualify for receiving some type of support. A very small amount of these funds are intended for the enhancement of the social dimension of higher education (10% of the available spots in dormitories and 10% of the available scholarships and loans, and that in practice represents barely 1% of the total available funds). The scholarship system is purely merit-based and they are given on the competitive basis to students with highest grades, as well as to those with special affinity towards scientific/artistic work, and those who were awarded prizes at state and international competitions. Allocation of loans, on the other hand, does take into consideration socio-economic status, although very limitedly. In principle, students who use student loans are obliged to repay them, unless they achieve excellent academic results, in which case they can be granted partial or full loan remission.

These measures seem to be insufficient, on one hand, and not most effective, on the other, provided that their aim is to contribute to access and equity in higher education. First and foremost, none of the above described state support measures is available to students in the private sector or students in the public sector who are not in the state/budget quote. In other words, to about 55% of the entire student body. Second, even in this category, the criteria are by and large merit oriented and only to a small percentage of the students in need and in that case under specific circumstances are they made available. Finally, none of them have been revised for several decades and are not adequate for a mass or universal higher education system, with a large and diverse student body.

Chapter 5. Summary and discussion

Higher education system in Serbia has been undergoing a reform process in the past decade, largely as part of a broader wave of reforms happening in Europe. Being a signatory country to the Bologna Declaration since 2003, early in 2000s Serbia embarked on changing its legal framework in the field of higher education. Much like other higher education systems in the region (and elsewhere), HE system in Serbia has been exposed to the same challenges such as, *inter alia*, massification, privatisation, both in terms of private providers and increased contribution by students, also marketisation and increasing difficulties in meeting the labour market needs. As elsewhere these changes were accompanied by a rapid growth in number of HEIs and number of students, followed by an expansion of new study programmes.

The HE law of 2005 is by far considered the legal framework what should facilitate a comprehensive reform of higher education and further the alignment of the system with the European trends and policies. The reforms included the restructuring of the educational provision system – in line with the three cycle system, curricula modernization, development of quality assurance mechanisms, enhancing student and staff mobility, promoting European cooperation, recognition of study periods abroad, qualifications frameworks, etc.

As it has been the case in other countries in the region, the size of the system in terms of the number of students, institutions, study programmes, staff and graduates has grown over the past decade. The GER calculated for ISCED 5 and 6 levels has surpassed 50% which places Serbia in the category of “universal” higher education systems. However, although the absolute number of students has slightly grown since 2009, the expansion experiences at the beginning of the last decade is not likely, largely due to the population decline. Until 2007, the number of HEIs in Serbia had been on the increase, in parallel with the growth of the student body. The main reason for the drop in the number of institutions after 2007 was the introduction of accreditation, which was first conducted in the non-university sector and later in the university sector. In terms of the number of institutions, private sector has expanded more significantly than the public sector, which was also the case in terms of study programmes, however in this case the introduction of accreditation played a significant role and to some extent limited institutions.

The largest HEIs in the country is the University of Belgrade, followed by the University of Novi Sad, University of Niš and the University of Kragujevac, all of which are comprehensive public universities and are the oldest HEIs in the country which in 2010/2011 enrolled 62% of all the students. Apart from the two largest universities, Singidunum and Megatrend, which together make up about the size of the University of Niš and are also its oldest ones, most other HEIs are much smaller in terms of enrolments. As for the non-university sector, it is by far the largest one

in terms of the total number of institutions (more than 50 accredited), while the total number of students enrolled in them in 2010/2011 was about the size of University of Novi Sad and Kragujevac combined. All universities are concentrated in larger cities, while some private HEIs, as well as HEIs in the non-university sector can be often located in smaller towns.

With regards to governance and steering, the of steering higher education at the system level is jointly done by the state and the academic community. In principle, the governance structures in place, even at the system level, seem to be largely dominated by members of the academic community, which indicates a strong reliance the state has in the expertise of the academics when it comes to higher education issues. This, however, can be a hindrance in securing visibility of different interests and stakeholders in higher education.

However, despite all these changes and challenges, the system of financing has remained essentially the same during the last decade. The model in place is still input based and it is based solely on real costs, while most of the funding comes from the state budget and from tuition fees. In other words, the funding base of higher education institutions is not sufficiently diverse, while incentives towards diversifying and strengthening other funding sources and exploring new potential ones, are almost non-existent. Therefore, Serbia can be categorised as a HE system with centralized system of funding which is input based and is also known to be a traditional type of budgeting, within which the allocation is based on requests submitted to the authorities, known as negotiated funding (Jongbloed & Koelman, 2000). In other words, the model does not incorporate any financial incentives directed at the output or the process of delivering higher education.

With regards to the level of investment, it is estimated that the share of GDP allocated to higher education has relatively grown in the past several years, and was about 1.25% in 2010. However, government contribution, either to HEIs or to the student standard systems, significantly exceed the HEI's reported own income. Importantly, existing studies indicate that students' living costs considerably exceed both government investments and HEI's own revenue. If we also take into account that higher education incurs other types of costs too for the individuals (apart from the contribution paid through taxes), let alone opportunity costs, the total country's investment in higher education is much higher than it appears at first sight. Nevertheless, the existing data is not entirely reliable and not collected systematically, which is why it is at the moment impossible to know their nature and implications.

Expectedly, in the case of private institutions, tuition fees represent the main source of revenue. However, tuition fees are, along with the state funding, the core revenue channel for public HEIs too. Even though faculties and departments engage in research projects, consultancy services, donations, lease premises and equipment, as well as arrange other types of charges for services to

students, these altogether represent a smaller portion of the overall budget of a HEI, especially when compared to charging tuition and the amount received from the state.

With respect to the state student support system, it seems to be both insufficient and largely ineffective. First and foremost, none of the state support measures is available to students in the private sector or students in the public sector who are not in the state/budget quota. In other words, to about 55% of the entire student body. Second, even in this category, the criteria are by and large merit oriented and only to a small percentage of the students in need and in that case under specific circumstances are they made available. Thirdly, none of them have been revised for several decades and are not adequate for a mass or universal higher education system, with a large and diverse student body. Finally and most importantly, the divide of the student body into two categories, completely according to the merit where one has access to all the benefits, while the other (the majority of the student population) has virtually no access, seems rather unfair and certainly not conducive to equity and fairness, not only in higher education, but also in society in general.

Similarly to other countries in the region, Serbia has its own national system of loans, scholarships/grants, as well as subsidised accommodation, meals in student restaurants, public transportation, etc. However, currently only students in public HEIs and only those in the “budget” quota are entitled to apply for scholarships and loans and their allocation is primarily determined by merit (excellence criterion). At the same time, their amount is very limited, equal for all recipients and amounts at about 70 EUR per month. Overall, the systemic support of the living standards of students covered 12% of all students with either a scholarship or a loan and loans, 7% of the students who used the benefit of the accommodation in a dormitory, and 20% of the students who used the subsidized nutrition in student restaurants. In total, 80% of the students did not use any type of systemic support for living standards, and 60% of the students did not qualify for receiving some type of support. A very small amount of these funds are intended for the enhancement of the social dimension of higher education (10% of the available spots in dormitories and 10% of the available scholarships and loans, and that in practice represents barely 1% of the total available funds).

When it comes to the issue of students’ sources of income, the situation in Serbia is similar to other countries in the region. Namely, study costs (tuition fee, books, etc.) and living costs (accommodation, meals, transport, leisure, etc.) are largely covered by parents. A small percentage of students has a part-time job, some benefit from state support system, yet still most of them and for the most part for their costs depend on parental support. However, there is almost no data available on this issue. This, as numerous studies point (e.g. Archer, et al. 2003; Goastellec, 2010), can significantly impede access to higher education, in particular for those coming from lower social-economic background and especially when the student support system,

such as grants and loans, do not reach a significant portion of the student body, largely ignore the need-based criteria and are almost exclusively merit-oriented, and are as such insufficient.

The overall coordination of expenditures in higher education does not seem to be focused on maximising the effectiveness of treasure as a mechanism of steering. The main reason behind is most likely the existing funding scheme which is input oriented and directed to the funding of individual faculties, as well as the lack of clear strategy for higher education which a government is expected to have. Moreover, as funding is not linked to any specific targets or goals, no accountability mechanisms can be installed and therefore they do not exist. That said, measuring actual effectiveness of higher education and individual activities within it would be a rather challenging tasks, given that policy goals of HE are, at best, rather unclear.

Nevertheless, the government cannot be the only side held responsible. The academic community, as it is illustrated above, is to a great extent responsible for steering higher education and is therefore sharing this responsibility with the government. Hence, the initiative and action of redesigning the funding instruments in order to increase the effectiveness of the tool is expected to come from both sides. Yet, if the initiative to change the formula comes only from the side of the government and is not endorsed by the academic community, the latter's resistance to its implementation is likely to be very strong, in particular if the academic community recognises suggested arrangements as a threat to the principles of institutional autonomy.

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Annex. Exchange Rate

EUR - RSD Middle Exchange Rate on January 31 for the year in question, taken from www.nbs.rs									
2005	2006	2007	2008	2009	2010	2011	2012	2003	2014
80.2868	87.1203	79.0000	82.7715	94.1012	98.4620	104.61	106.0620	111.6013	115.9236