

GLOBAL TRENDS IN UNIVERSITY GOVERNANCE

by
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Introduction

In this paper we are concerned with the way that governments plan and direct their tertiary education sectors. The term “governance” is used to describe all those structures, processes and activities that are involved in the planning and direction of the institutions and people working in tertiary education. We also look at some aspects of the internal governance of institutions, but only to the extent that the state believes that it should be involved. This is in line with the key principle behind so many recent autonomy reforms – that institutions should, as far as possible, be free to manage their own affairs.

As the demand for higher education continues to grow and as governments acknowledge their role in promoting economic development, it becomes increasingly important to ensure that higher education systems are managed in an effective way. Higher education systems are also getting more complex due to the growth in the number of public and private institutions, so that the task of managing and monitoring the sector is becoming more specialized and demanding. As a result, the old model of total control from a central ministry of education (MOE) is proving unsustainable in the long term and is being replaced throughout the world by other models. These alter the mode of central involvement from one of detail to that of strategy and rely on more sophisticated forms of monitoring and performance review.

Neave and Van Vught have described a continuum at one end of which is the “state control model” where the centre seeks to control its universities, and at the other end is the “state supervising model” where it monitors and regulates them (1994). As we shall see in this paper, more countries are moving from the control model to the supervisory model in all aspects of their relationship with their universities.

The pressures in tertiary education systems have been caused by the growth in numbers of institutions due to the inexorable increase in participation rates (and the demand for this is to continue in the context of the knowledge economy). In parallel, it is being recognized that the state is not the best arbiter of how individual universities should operate. The management of very complex academic communities cannot be done effectively by remote civil servants, and the task should be left to institutions themselves. Giving them autonomy recognizes that their management needs are different and allows them full exercise of their academic freedoms. The constraints of centrally managing a system that needs to be flexible and responsive have become clear. A variety of alternatives are emerging and this paper aims to summarize them, together

with the new approaches to financing and institutional governance that usually accompany delegation from the centre.

The aim of this paper is to provide those concerned with higher education policy with a concise summary of current developments in the management of tertiary systems. While the paper seeks to provide evidence of the global trends in the ways that such systems and institutions are planned, governed, and monitored, its coverage applies more systematically to the Commonwealth world than to other regions of the world, notably the francophone countries and Latin America. The scope is also limited to issues of strategy, funding, and governance, although some reference is made to assessing quality and institutional management.

Since we are describing changes across the world nomenclature is inevitably a problem. The heads of institutions enjoy many different titles ranging from principal, director, rector, president, vice chancellor, and even rector magnificus. They are referred to here as “president.” Similarly the governing body of a tertiary institution is called a “board,” rather than council, senate, or court.

1. The National Framework

Vision and strategy

The most important role of the state in tertiary education is to set a vision and a strategy. This can involve seeking answers to major questions such as:

- What is higher education for?¹
- What are the principal goals that it should achieve in our country?
- What targets should be set in terms of participation in higher education?
- How will these targets be achieved – by what form of institution, by what mode, over what time?
- What is the role, if any, of the private sector and the community?

Strategic planning studies in higher education have for example been carried out in Pakistan, Bangladesh, Malaysia, New Zealand, Tanzania, South Africa, the United Kingdom and some States in the U.S.² These strategic exercises are usually lengthy processes lasting at least a year with several levels of technical support and public consultation on the draft outcomes. In South Africa, for example, the National Commission on Higher Education had four sub-committees working for it (transformation, funding, size and shape, and governance), while in Bangladesh there were six expert groups (covering the size and shape of the sector, quality, finance,

¹ A comprehensive answer to this was given by the United Kingdom National Committee of Inquiry into Higher Education (1997) in the Report of the National Committee of Inquiry into Higher Education – known as the Dearing Report. “The aim of higher education should be to sustain a learning society. The four main purposes which make up this aim are:

- to inspire and enable individuals to develop their capabilities to the highest potential levels throughout life, so that they grow intellectually, are well equipped for work, can contribute effectively to society and achieve personal fulfillment;
- to increase knowledge and understanding for their own sake and to foster their application to the benefit of the economy and society;
- to serve the needs of an adaptable, sustainable, knowledge-based economy at local, regional and national levels;
- to play a major role in shaping a democratic, civilized, inclusive society.”

² Pakistan Ministry of Education (2002). Report on the Task Force on Improvement of Higher Education in Pakistan; Pakistan Tertiary Education Commission. (2005). Medium Term Development Framework, 2005-10. Government of Pakistan; United Kingdom National Committee of Inquiry into Higher Education (1997) in the Report of the National Committee of Inquiry into Higher Education – known as the Dearing Report; New Zealand Tertiary Education Advisory Commission (2000). Shaping a Shared Vision: Initial Report of the Tertiary Education Advisory Commission; South Africa National Commission on Higher Education (1996). An Overview of a New Policy Framework For Higher Education Transformation; Tanzania Ministry of Science, Technology and Higher Education (1999). National Higher Education Policy.

information and communication technologies (ICT), research, and staffing) that reported to a strategic planning committee.

There are several reasons why countries decide to embark on a major strategic planning exercise for their higher education sector:

- The country is transforming itself from a socialist to a market economy, and requires a new vision and structure for its higher education.
- Similarly, a transformation process after the abolition of a system as divisive as apartheid requires a totally new approach with a unified system of higher education.
- There is a general consensus that a higher education system is in crisis and requires overhauling due to its failure to produce enough graduates despite spiralling costs.
- A country will have a development vision for its growth and wishes to ensure that the higher education sector is playing its proper part.
- A move to mass higher education forces recognition that the state cannot afford to finance a system wholly and must adopt another approach.

One feature of such strategies is that they frequently set out a vision for higher education for the future, for example:

Pakistan: *“Transformation of our institutions of higher education into world class seats of learning, equipped to foster high quality education, scholarship and research, to produce enlightened citizens with strong moral and ethical values that build a tolerant and pluralistic society rooted in the culture of Pakistan.” (Pakistan Ministry of Education 2002)*

United Kingdom: *“Higher education is fundamental to the social, economic and cultural health of the nation. It will contribute not only through the intellectual development of students and by equipping them for work, but also by adding to the world’s store of knowledge and understanding, fostering culture for its own sake, and promoting the values that characterize higher education: respect for evidence; respect for individuals and their views; and the search for truth. Equally, part of its task will be to accept a duty of care for the wellbeing of our democratic civilization, based on respect for the individual and respect by the*

individual for the conventions and laws which provide the basis of a civilized society.” (United Kingdom National Committee of Inquiry into Higher Education 1997)

In New Zealand, the Tertiary Education Advisory Commission started with a vision of the country’s society and economy, which it argued that the tertiary system should support and develop.

In the case of South Africa, all of its strategies since 1994 have been driven by the need to transform its society from one dominated by apartheid; thus the Education White Paper in 1997 summarised the key challenges facing the higher education system as being “to redress past inequalities and to transform the higher education system to serve a new social order, to meet pressing national needs and to respond to new realities and opportunities” (South Africa Department of Education 1997).

Singapore has a very targeted and concise vision of its long term future: “to develop a self sustaining education eco-system offering a diverse and distinctive mix of quality education services to the world, thus becoming an engine of economic growth, capability development, and talent attraction for Singapore” (Economic Review Committee 2003).

Since higher education is widely recognised as a key to national economic competitiveness and overall prosperity, the state is justified in defining a vision for higher education and then setting strategies to achieve that vision. As we have seen, the selected vision will depend on the starting point in the country concerned. Even if there is common agreement that a global knowledge-based economy requires certain types of human resource, not all countries will respond to the challenges this presents in the same way.

An added complication is that higher education is now being delivered across borders and trans-national education, in which institutions from one country educate those of another through setting up offshore campuses or delivering online education is becoming widespread. No longer can governments consider only their domestic providers. They face a much harder role of seeking to identify and then monitor tertiary education provided to their citizens by organisations that they cannot control.

For many years, internationalisation meant study abroad and overseas scholarships. Now the internet brings tertiary education into countries where it is almost invisible to the state. Even the

providing countries do not know how many overseas citizens are pursuing courses offered by their institutions. This cross border provision has to be brought within a country's overall strategic thinking about its tertiary education.

Higher education laws

The boundaries of a nation's higher education system are not always easy to define since tertiary or higher education activities may well take place within the ambit of ministries or agencies not directly concerned with education. Thus, ministries of science, industry and technology will have scientific and possibly technological institutions, a defence ministry will have military or naval academies awarding degrees, the ministries of health and agriculture will have medical schools and agricultural universities.³ There are many central government agencies that could have legitimate policy interests in (and managerial authority over) higher education activity. Co-ordination of these interests is needed to arrive at a national strategic framework for the future.

The boundaries of the activities carried out within tertiary institutions are also changing. In some countries a majority of those studying are not within the classic age group of 18-24 and part-time and distance students outnumber those studying full-time in face-to-face mode. Higher education is seen as a life-long activity that all citizens will return to at several times during their working (and retirement) lives. The implications of this for legislators are that drafting has to avoid creating barriers to flexibility; institutions will need to adapt and change, and the law should not stand in their way.

There is also a need to consider the growing roles of the private sector and professional bodies as providers of higher education in many countries. Finally, as higher education is becoming a global business, we find that almost every country is facing issues of international providers (with face-to-face, correspondence, and virtual delivery) operating within their national boundaries.

One result of the growing complexity of the higher education sector and the number of players in it has been the increasing use of legislation. This can clarify the frameworks within which the various stakeholders operate and can also set out a regulatory regime for both state and private organisations (from all countries).

³ The most extreme example of this was the People's Republic of China where until 10 years ago almost every ministry had its own university or universities.

The scope of higher education laws varies greatly according to the national context and policy priorities. In some countries the laws are very brief, while others aim to make them comprehensive by a consolidation or clarification of previous legislation. It is not unusual for major issues, such as creating and defining the powers of a buffer body or quality assurance and accreditation agency, to be the subject of separate legislation. Similarly, individual laws are often used to set out the regulatory regime over private higher education providers. In many European countries a spate of new laws on higher education has been driven largely by the need to adopt the principles of the Bologna Declaration⁴.

To illustrate the possible coverage of higher education legislation, Appendix I analyses the contents of three recent laws in Ireland, South Africa, and Sri Lanka. Other countries that have recently passed laws incorporating major higher education reforms include Denmark, Indonesia, Japan, Tanzania, and Thailand.

Common elements in such laws are:

- Clarification of the powers of the ministry of education or its equivalent and the buffer body (if any), including those over funding
- Statements on university autonomy and academic freedom
- Clarification of the powers and responsibilities of the governing bodies of autonomous institutions
- Statements on accountability and the powers of the minister

In many cases the higher education law is simply part of a major reform process. In South Africa, for example, the timetable of events in the transformation process after the end of apartheid in 1994 was as follows:

- A National Commission on Higher Education (1996) setting out the main principles and guidelines for reform
- An Education White Paper (1997)
- A Higher Education Act (1997)
- A National Plan for Higher Education (2001)

⁴ Since adoption of the Bologna Process involved substantial changes to the structure of post 16 education in many countries, legislation was needed.

- Transformation and Restructuring White Paper (2002)

National legislation is the apex of the regulatory pyramid and has to be designed for the long term. Indeed, there could be serious problems if there were clauses in legislation that required regular amendment or updating. Once universities are given autonomy, their governing bodies will be responsible for developing their statutes (permanent laws) or regulations (adjustable laws) to govern their affairs. Appendix II shows a typical situation with a summary of what issues might be covered in the three levels. For example, while an act might suggest that lay members should be in the majority on a university board, the university statutes might give the precise numbers and composition.

The legal status of public university institutions

One of the key elements in a higher education law is the definition of the legal status of public universities. There is a spectrum of positions ranging from tight control over them by the state to their enjoying full independence and autonomy. The typology in Table 1 (Four Models from Control to Autonomy) represents just four of the many possible points on the spectrum. However, even these extremes are not simple black and white pictures. Within the State Control model there has to be some freedom as a central ministry cannot control everything (for many financial and practical reasons), and within the Independent model there is an implicit acknowledgement that the MOE is entitled to hold the institution accountable in many respects and must retain overall strategic control over the sector.

Table 1: Four Models from Control to Autonomy

Institutional Governance Model	Status of public universities	Examples in
A. State Control	Can be agency of the MOE, or a state-owned corporation	Malaysia
B. Semi-Autonomous	Can be agency of the MOE, a state-owned corporation or a statutory body	New Zealand, France
C. Semi-Independent	A statutory body, a charity or a non profit corporation subject to MOE control	Singapore
D. Independent	A statutory body, charity or non- profit corporation with no government participation and control linked to national strategies and related only to public funding	Australia, United Kingdom

The principle of academic freedom is a key driver for many of the reforms discussed in this section. It is the cornerstone of autonomy, as it lies at the root of enabling institutions to manage their affairs as fully as the state will allow. One useful definition of academic freedom is enshrined in clause 14 of the Irish Universities Act, 1997, as follows:

“14.— (1) A university, in performing its functions shall—

(a) have the right and responsibility to preserve and promote the traditional principles of academic freedom in the conduct of its internal and external affairs, and

(b) be entitled to regulate its affairs in accordance with its independent ethos and traditions and the traditional principles of academic freedom, and in doing so it shall have regard to —

- the promotion and preservation of equality of opportunity and access,*
- the effective and efficient use of resources, and*
- its obligations as to public accountability,*

and if, in the interpretation of this Act, there is a doubt regarding the meaning of any provision, a construction that would promote that ethos and those traditions and principles shall be preferred to a construction that would not so promote.

(2) A member of the academic staff of a university shall have the freedom, within the law, in his or her teaching, research and any other activities either in or outside the university, to question and test received wisdom, to put forward new ideas and to state controversial or unpopular opinions and shall not be disadvantaged, or subject to less favorable treatment by the university, for the exercise of that freedom.” (Ireland Office of Attorney General 1997)

However, universities cannot enjoy unlimited autonomy, and there have to be checks and balances at two levels if the interests of the state are to be achieved and its citizens are to be protected; first, the State will wish to monitor and assess institutional performance and, second, the institution will have a governing body that holds its managers (particularly the vice

chancellor/president/rector) accountable for achieving institutional goals. These are discussed below.

There is a strong international trend to increasing the autonomy of public institutions by making them independent, self-governing organisations along the lines of models C (Semi-Independent) or D (Independent) listed above. This change is often described as moving from a system of state control to one of “state supervision”. For example, Japan passed the National University Corporation Act in 2003 that made all its national universities legally autonomous with greater powers delegated to the president and a governing board. Singapore also passed similar legislation in 2005 making its three universities autonomous and “corporatised”; technically they become not-for-profit companies limited by guarantee. This is not strictly necessary if legislation has confirmed their independent status, but it does ensure that universities will be subject to some of the financial and reporting disciplines that apply to corporations. In Germany, the State of Nord Rhein-Westfalia has recently allowed its 33 university institutions the freedoms to decide which professors to employ and what courses to offer, decisions that had been taken previously at the centre.

Private universities

The higher education strategy of many countries recognises that without a thriving private sector the national targets for participation in higher education would be simply unachievable. Not only is the cost of expansion beyond the budgetary possibilities of the state, but in many cases the existing institutions are unable to respond adequately to the changing needs of the market; private providers can move faster and sometimes more effectively to fill gaps in supply of higher education.

However, in some countries the state has concerns about the private sector: fears as to whether the profit motive is at odds with the values of education, the risk that its providers may be unable to deliver quality provision and the absence of a research culture. These factors often make governments nervous about openly encouraging the private sector, especially in countries where public university associations and student unions are vocal.

Demand-side financing is sometimes used in support of private higher education. Financing instruments coming under this category are often referred to as “scholarships,” “bursaries,” “financial aid.” There are examples of privately owned and operated institutions receiving government funds in order to help educate students with support from the state. Where funding

follows the student, this is a common option and such a mixed economy operates in several countries. The advantage is that it frees the state from the role of supervising the delivery of higher education in the private institutions and limits the recurrent cost to the same per capita sum as would be distributed to a state institution. A variant of this model is where state funding goes towards scholarships to support poorer students in private institutions. In both cases issues of quality arise, as it is essential that the private sector provision is at least as good as that offered by state institutions.

Policy decisions are required on what level of regulatory control is needed and what criteria should be adopted in recognising private institutions. Governments are often very quick to bear down heavily on the private sector, while ignoring similar (and sometimes worse) levels of under-performance in the state sector. The most common approach to government supervision of the private sector lies in a carefully balanced regime of regulation and encouragement, which requires some legislative backing. Appendix III illustrates the range of topics where legislation has been used to regulate private institutions in recent years. For example, in the Republic of Yemen private universities are only allowed if they have a formal partnership with an overseas institution. In China, foreign private institutions can only operate in partnership with a state-funded university.

Some of the questions that need to be answered in defining the role and character of the private sector in the national system of higher education include:

- What should be the balance between the public and private sectors?
- Is it acceptable for the private sector to focus on commercially profitable programmes with strong market demand? How can the risks and benefits of this be balanced with state supervision?
- What approval and regulatory processes should the state adopt and which would achieve results?
- Will the same quality assurance regime be applied to both private and public providers?
- Will any form of public funding be offered to help promoters of private institutions or to subsidise their poorer students?
- Should the same regulatory regimes apply to state and private universities from other countries establishing local campuses and seeking to be providers?

Several countries have recently legislated specially for private institutions and included in this definition are those public institutions from other countries wishing to deliver trans-national education or distance education in the country concerned. Thus, a publicly funded U.K. institution offering programmes in South Africa is regarded as a private university by the South African government. China passed legislation relating to overseas universities wishing to deliver programmes in China and already has a thriving domestic private sector with 1,300 private colleges serving an estimated 1.4 million students. India is currently revising its regulatory approach in the context of a growing number of international providers wishing to establish partnerships with domestic organisations.⁵ Likewise Tunisia has introduced a law regulating foreign providers.

⁵ Considerable activity has been invested in developing guidelines on how to manage cross border provision. See, for example, the UNESCO (2005). Guidelines for Quality Provision in Cross-border Higher Education.

2. Governance of the Higher Education Sector

A crucial issue in all higher education systems is how the system should be managed. This section explores six key questions:

- Who manages the system overall?
- What powers are retained at the centre, if some are devolved to institutions?
- What central agencies are needed?
- How much autonomy should institutions have?
- How are institutions held accountable; what regulation and reporting is required?
- How is research in the tertiary sector managed?

Who manages the system overall?

In recent higher education reforms three types of change have been occurring: the delegation of powers by central government to another lower tier of government, delegation to a specialised buffer body, or delegation direct to institutions themselves.

In some European and transition countries the ministry of education (MOE) has recently devolved control over universities to regional or provincial governments, but retains a coordinating policy function. This echoes the long established position in some countries such as Australia, the United States, Germany, and Canada, although in the latter two cases the federal governments have limited powers. China has also moved responsibility for more of its state-funded universities to the provincial level, retaining control only over a limited number of prestige institutions, but sharing this in some cases with a province. If responsibility is wholly devolved to provincial level, there is a real risk that central government loses control over national policy. It is, for example, hard for the federal government in Canada or Germany to set new national strategies unless it is by channeling extra funds in order to achieve the desired change. However, in environments where responsibility is split between the centre and the states, as in Australia and the U.S., the centre can exercise control by retaining some strategic financial and funding powers.

Delegation of powers to one or more buffer bodies has long been the preference in countries such as the U.K., India, and Pakistan, and is now being adopted elsewhere.⁶ A range of powers can be delegated to the new intermediary organizations, as shown in Appendix IV, which describes the powers of ten buffer bodies of the British Commonwealth and lists examples of functions that buffer bodies can fulfill. The most common model is for the MOE to pass all matters relating to funding and operational management to the buffer body, while retaining central control over functions, such as national strategy and the overall size and shape of the higher education (HE) system. However, this model is not always followed; in South Africa the relatively new buffer body, the Council on Higher Education, is purely advisory and does not have any role in allocating funds. In Thailand another model has been adopted: the Ministry of Higher Education has been abolished and a new agency, the Commission for Higher Education, has been created to take over its role. However, this is located within the Ministry of Education, so it is unlikely to be a truly independent “buffer” body. Pakistan has yet another model of a buffer body, since the newly formed Higher Education Commission has an extremely wide range of functions and its chair has ministerial status.⁷

The key advantage of having a buffer body is that it removes all the detailed operational issues from the MOE. One major benefit from this is that it protects the state from charges of intervention in academic affairs and generally encourages greater institutional autonomy; it saves the legislature from receiving regular lobbying and allows the buffer body to develop an in-depth understanding of the sector. The MOE can thus focus on policy issues and not get involved in detailed management of institutions. The buffer body can recruit staff who are specialists in higher education and not career civil servants. These staff can operate within an independent career structure created by the buffer body.

By comparison, if universities are managed by a division of the MOE, they can be:

- Subject to the direct intervention by the minister on detailed matters of university finance and management.
- Limited in their ability to think strategically, except within government policy guidelines.

⁶ See, for example, the recent creation of the Tanzania Commission for Universities under the Universities Act, No 7 of 2005.

⁷ Its activities include functions such as the management of overseas staff exchanges and research partnerships, training of academic staff in pedagogy, management of a national ICT network and a national Virtual Library.

- Liable to lose their best staff at the whim of the head of the civil service.
- Have little flexibility as regards recruiting staff or taking in secondments or part-time specialists from universities.
- Unable to operate with a board chaired by an independent chair drawn from industry or civil society.

However, there are some risks in creating a buffer body, described further in Appendix IV. The buffer body's board is usually chaired by an independent person, who is neither an academic nor a member of the government, but its other members will include rectors and sector specialists as well as members of the public at large. The survival and satisfactory operation of a buffer body requires a close working relationship between the minister of education and the chair of the board of the buffer body, since the latter will be implementing and interpreting the policies set by the former. Ambitious ministers could also feel that the existence of a buffer body leaves them with less control than they would like and is a possible barrier to changes they wish to introduce. There have been several instances of buffer bodies being ignored or closed down because ministers lost confidence in them or thought that they might be becoming too independent.⁸

The third model is for the MOE to continue to manage the institutions directly, but to delegate considerable powers to them so that the central role becomes a more strategic one. This is usually only adopted in the smaller national systems with few institutions. However, Botswana, with its one university, disproves this rule since it recently created a classic buffer body, the Tertiary Education Council, to oversee all its tertiary institutions.

What powers are retained at the centre?

If the MOE has decided to devolve powers, it must decide what functions it is essential to retain.

The usual strategic areas which are never devolved are:

- Setting overall policy and agreeing the “size and shape” of the sector (eg; balance between public and private, types of tertiary institution)
- Strategic planning for the sector (but not necessarily for individual institutions)
- Negotiating overall funding with the ministry of finance
- Co-ordination with other ministries (eg: health, agriculture) on higher education issues

⁸ In Australia the Higher Education Commission was abolished due to a difference of opinion with the Minister of Education. A buffer body was also abolished in New Zealand, but has recently been revived in another form.

It is possible for all the other managerial and policy making functions to be undertaken by other entities, such as a buffer body, an independent agency, or an officially recognised committee of university presidents or vice chancellors. The range of possibilities is illustrated in Appendix V. In Ontario, for example, the collection of financial statistics is carried out by the Council of Ontario Universities (the committee of presidents), while in the United Kingdom an independent agency is responsible for reviewing and monitoring how universities select their students.

What central agencies are needed?

The decision on what powers are devolved will influence the number and function of central agencies. There may be more than just the one principal buffer body, and the number will depend on the extent to which the MOE wishes to undertake all the sector management functions itself. It is usual for these bodies to be linked to the MOE, but to be legal entities with a board and independent members drawn from both higher education and industry or commerce. Their funding is either by a grant from the MOE, from university subscriptions, or income generated from services provided.

The logic behind the creation of these agencies is that their functions tend to be specialist and unsuitable for civil servants. They can attract and retain staff with the specialist skills required from all sectors. The MOE can provide them with strategic goals and funding and then allow them to achieve their targets however they wish.

Examples of buffer agencies include:

- A national quality assurance body (of which more below) (Australia)
- An agency for collecting and publishing statistics (U.K.)
- A technical agency to provide and manage the national higher education computing network and negotiate bandwidth access for the sector (Tertiary Education Network - TENET, South Africa)
- A board to control and manage student loans, levels of government subsidy and collection of repayments (Kenya)
- An advisory body providing support and assistance to institutions for the improvement of teaching (Australia)
- A national appeal service to which universities and students can take disputes for resolution (England)

- A technical agency providing support for universities in all matters relating to ICT, interoperability and open source standards, electronic content, e-learning, technical standards, etc. (Korea)
- An agency providing management development and training for senior staff in universities (U.K.)

How much autonomy should institutions have?

The extent of autonomy that institutions are allowed by the state is often a mixture of inherited rights, tradition, legislative intent, and societal culture. It is usually built up over time through a variety of legislative processes, ministerial decisions, and ad hoc regulations. It is rarely a finely crafted structure to a rational design. It is also culture specific and rights or controls that are taken for granted in one country can be unthinkable in another. For example, a survey of government controls in 1996 found that academic staff in one African country were expected to ask the ministry before they travelled overseas (Richardson, G. and Fielden, J. 1998).

The basic principle behind institutional autonomy is that institutions operate better if they are in control of their own destiny. They have an incentive to change if they can directly benefit from their actions; they can be entrepreneurial and reap the rewards. Or they can be timid and see their competitor institutions overtake them. If a group of institutions in a university system is given autonomy to respond to national policy goals as they think fit, there is a reasonable chance that they will choose different ways of reaching the same goal and that some will be more innovative than others. Had they been centrally directed, this variety would have been unlikely.

Appendix VI describes the extent of autonomy that is given to universities in six countries as regards several key areas of decision making. From this and experience elsewhere we can see where the state traditionally still retains control over decisions, and also those areas where delegation is not always simple.

One of the barriers to the grant of greater autonomy is the fear in government that institutions are not competent to exercise the powers effectively. Popular beliefs do not consider academic professors to be managerially skilled and in some countries institutions have been subjected to efficiency reviews before they were given independent powers.⁹ This approach has been followed

⁹ In the U.K. in 1989 when polytechnics were taken away from the control of local government and created as independent corporate entities, they were first subjected to external reviews of their business practices and financial management.

in the matrix in Appendix VII, which sets out a ladder of management capacity in five areas of university management. This may be used to assess management competences before different rewards and powers can be granted by the state.

How are institutions held accountable?

One of the biggest questions facing governments is how to balance the autonomy needed by public universities with the accountability required by the state. How can results, outputs, and outcomes be monitored and accountability encouraged?

This issue is at the heart of most recent reforms, and there is a widespread trend to granting greater freedoms to institutions. However, while direct controls are being relaxed, governments in return are developing more complex supervisory and reporting regimes.

The core areas where either the MOE or a buffer body would always retain direct control over institutions are as follows:

- Review and approval of draft statutes/articles of incorporation before a university is given autonomous status.
- Grant of degree awarding powers to a new public or private institution.
- Setting a cap on the total student numbers overall funded by the state and the totals in selected high cost areas (e.g., medical and veterinary students). If the state is funding the bulk of the costs of higher education, it is reasonable for it to want to control this cost by placing a cap on the total student numbers that it pays for. How students would be allocated within this cap is a matter for the buffer body to decide through a bidding or allocation process. None of this would affect the right of institutions to enrol full fee paying private students, if the state agrees to this principle.

Subject to these, there are few other limits to the freedoms that institutions can enjoy under maximum autonomy regimes. However, states often prefer to introduce modified autonomy in sensitive areas, such as:

- The right to set academic salary levels. Countries such as the U.S., Australia, Canada, and South Africa have traditions in which individual institutions negotiate salaries with their academic and other staff and wide variations can

develop between institutions as a result. European countries such as France and the U.K., on the other hand, have standard national academic pay scales. A compromise approach is to have national pay scales, but to allow institutions to pay market supplements for those disciplines (such as law, computing, accountancy) where it is very hard to attract good staff on the academic scales.

- The power to start a new academic programme is one that is widely delegated to institutions. The argument is that the market is a better mechanism than central planning for deciding what programmes are needed, and an institution is better placed to assess and influence its local market. However, in some countries this power is exercised by the buffer body, since the move to a market situation could be too radical a step and there may be quality concerns.

An area where states are often reluctant to give up all control relates to the selection or appointment of university presidents or the chairs of university boards. This is covered in more detail below.

Once the extent of autonomy has been agreed, how does the state hold its institutions accountable, on both policy and financial matters? If it accepts the principle that it should no longer exercise detailed control, what are the options open to it? There are three things it can do: exercise control through approval of the strategy; agree through a contract with the institution that it should deliver certain outcomes in return for funding; and create a regime of regulation and reporting on performance. It is also able to influence behavior by offering incentive funds if institutions adopt certain policies.

The key control by the state is to measure an institution's performance against its agreed institutional strategy. If there is a national higher education strategy, it can provide the vital framework for universities to use in developing their own strategy. In other words, each institution would be encouraged to develop its own strategic plans for achieving the national goals in its regional and institutional context. Institutions would add their own strategic priorities so that the resulting institutional strategy would meet both sets of goals. The Tertiary Education Commission in New Zealand adopts this model with a system of "Charters" and "Profiles" under which universities show how they will interpret and implement the nationally agreed goals of higher education. A similar approach has been adopted in the U.S. state of Virginia, but with an unusual twist in that universities can select the level of autonomy and financial freedom they

wish to have (Virginia Secretary of Education 2008). The performance contracts in France and Austria allow universities to receive additional funding against their commitment to fulfill a number of national objectives (measured with specific targets agreed between the ministry of education and the institutions).

It is not uncommon for the MOE or the buffer body to base all of its monitoring and evaluation of an institution's performance on a three-year strategic plan. From this plan, targets would be developed, and each year budgets would be prepared showing how the financial allocations (and other income) received would be used to work towards the strategy. These targets, plans, and performance measures would be used by the board of the university in its internal reporting and control, and would be reported annually to the funding body or the MOE.

The funding body would thus assess the institution, not just on its financial rectitude, but more significantly on its success in achieving the strategic targets it had set itself. In due course this might encourage the funding body to move towards a system in which common performance measures were adopted to show the extent to which national strategies were being achieved. Thus, for example, where it was a national strategy to increase the number of students from rural or socially deprived areas, institutions would be expected to develop their own ways of making this happen and to report in a consistent format on what they had achieved.

The second model of state control is broadly similar, as it is based on an agreed contract between the state and each institution. Such contracts will take the particular history and plans of the institution into account and will set out an expectation of the outcomes that the university will achieve. These contracts are becoming more focused on performance and results rather than inputs to the system such as student numbers. In Austria, for example, 20 percent of the state funding is related to indicators of results agreed in performance contracts.

The third approach, which may apply in all the above cases, is for the MOE or the buffer body to require their institutions to report at intervals on their success in achieving national policies. These policies may have explicit targets connected to them such as those relating to access for poorer communities or ethnic groupings, acceptance of students with disabilities, development of links with the community, etc.

Governments are increasing their search for useful performance indicators that will measure the success of their higher education policies, as well as providing them with measures for assessing

comparative institutional effectiveness and efficiency. As a result, institutions are being asked to submit growing numbers of statistical reports and returns.¹⁰ Appendix VIII provides some examples of indicators commonly used at both national and institutional levels. Governments will need to consider the number of indicators to be used for performance-based financing purposes, as well as how much state funding should be linked to such a system. Experience with various systems of performance-based financing suggests that having too many indicators can dilute policy drivers, and sometimes having a small number of indicators makes the priorities clear to institutions. States must also consider how much funding to link to any performance-based system. Too much of an institution's budget linked to performance indicators can sometimes lead to budget instability from year to year, with the risk of putting strategic planning processes in jeopardy. Also, given the vagaries of state budgets from year to year, governments are often looking for items to cut in order to economize. In some instances of belt tightening on public expenditures, the performance-based allocations have suffered by being the first area slated for reduction.

Some countries that have a reputation for considerable academic freedom may, in effect, be burdening their universities with substantial reporting and regulatory requirements. In England, for example, "regional consultants" from the buffer body visit universities at intervals to talk through their performance on achieving their strategic plans and government policy targets; statistics are produced showing how universities' achievements compare with "benchmark targets" set by government; and there is a rigorous process of reporting through Annual Monitoring Statements. Concern about the volume of regulation and the cost to both government and universities has even triggered the creation of a "Higher Education Regulation Review Group" charged with trying to cut down the volume of regulation.

Some governments see it as their role to support their higher education sector by providing institutions with advice and guidance on academic, technical, or management matters. This is best done through agencies such as those described in Paragraph 2.13, which operate independently of the MOE or the buffer body and are able to recruit the specialist staff that their role requires. Universities are not forced to take up the services of such agencies; however, their funding is often linked to the degree of success they have in persuading universities to use their services.

¹⁰ For typical end products from this process see the published KPIs from Australia or the United Kingdom. For Australia see www.dest.gov.au/archive/highered/statistics/characteristics/contents.htm. For the U.K., see www.hesa.ac.uk/pi/home_middle.htm

How is quality assured?

Ensuring not only the provision, but also the quality, of higher education is one of the key roles of the state and increasing attention is being given to creating, expanding, reforming, and building the capacity of the agencies and mechanisms by which quality is assured. In this section we discuss the frameworks that need to be established if effective quality assurance is to be achieved. It is important to note that in some countries the independent, voluntary, and highly participative nature of the quality assurance systems serve as a substitute for stronger government regulation.

There are several interventions that the state may wish to make in order to provide stakeholders with assurance on the quality of inputs, outputs, and outcomes of higher education. The stages in the lifecycle of an institution when this intervention takes place are as follows:

- Authorization -- At the stage when a new public or private institution is given approval to go ahead and develop programmes and recruit staff. This is the authorisation stage and will allow the new entity to operate legally.
- Accreditation -- When the institution has prepared its programmes, recruited its staff and acquired the necessary facilities, it may require approval to proceed. This is sometimes called the accreditation stage. Such accreditation may be of two kinds, that relating to the institution and that relating to academic programmes.
- A continuing quality assurance system -- In some countries accreditation has to be renewed at intervals (5 or 10 years) and an accreditation agency will organise a process to satisfy itself that standards are being maintained.
- Re-authorization -- When an existing entity wishes to offer new programmes, it may be required to seek authorisation and approval for those programmes. In some very specialised or professional disciplines there may be involvement in the decision by relevant professional bodies.
- Periodic review -- When the state wishes to ensure that existing institutions are maintaining the quality of their provision, it may impose some form of external quality audit or review. Failure in such reviews might be the trigger for a ministerial decision to close the institution or to cancel the power to award particular degrees. In South Africa in 2004, a re-accreditation project looked at all the master's degrees in business administration (MBAs) that were

being delivered (by public, private and foreign institutions), and resulted in the withdrawal of a large number of the programmes due to their failure to meet national standards.

Alongside (and often prior to) all the external forms of quality assurance and audit, it is expected that institutions will operate internal, self-administered processes of quality assurance and quality improvement. These rarely have statutory backing, and represent good practice in institutional management as they help to support the practice of institutional autonomy and make it effective. Moreover, the process is as important as the findings, since it helps institutions to understand themselves better and feeds into their academic planning processes through evidence-based decision making. Rich accreditation and evaluation processes help strengthen institutional development.

However, where such internal review activity does not exist, there is a stronger argument for conducting external audit and review. While there is international convergence toward models of good practice in quality assurance, countries have to develop a quality assurance system that is manageable within their context and given resources.

From the statutory perspective the key point is that legislation should empower the ministry or a suitably constituted independent quality assurance agency to approve new institutions, to inspect or audit them as it thinks fit, to provide ways to guide institutions in improving the quality of provision, and to close down any unsatisfactory provision, if necessary.

It is tempting for the state to assume that its own public universities are of a superior quality to those operated by the private sector; thus, quality assurance agencies may be asked to focus solely on the private sector at first. If any of these are profit making, they are always open to suspicion of providing poor quality higher education. Empirical evidence on the qualitative differences between for-profit and non-profit higher education is inconclusive at best. It is important to note that corporate laws that regulate the distribution of surplus revenue to shareholders vary quite dramatically throughout the world, and cannot monitor ethical behaviour by private providers; in some countries the laws and regulations are more meaningful than in others. Experience suggests that the most equitable approach towards quality assurance is to establish a national agency that establishes common standards and criteria for quality assurance that it then applies equally rigorously to both public and private sector institutions, as is the case

in several Latin American countries (Argentina, Chile, Colombia). Until recently Malaysia operated two parallel quality assurance regimes for public and private institutions, a Quality Assurance Division in the ministry for public institutions and a National Accreditation Board for private institutions. Both have recently been combined into a single quality assurance body.

Once a government decides to establish a national quality review body to undertake one or more of the functions described above, it has a choice as to the location of the body. It can be either a division within the MOE, a part of the buffer body, or an independent entity. There are examples of all these arrangements.¹¹ The arguments for and against it being located within the MOE are finely balanced.

Location within the MOE will give the body authority and clout. It will show that quality is important. It will enable the quality judgments to influence policy where necessary and the appropriate professional inputs can be obtained by seconding academic staff to the MOE to carry out the work.

Conversely, it may be argued that an independent location is important to provide some assurances that politics and quality judgments on academic content or delivery methods do not get intertwined. The staffing and management of a quality body must inevitably require close liaison with academic staff at various levels and an understanding of current developments in pedagogy, e-learning, and other innovations. These qualities must be engrained in all staff at managerial levels, not just the contract staff. Civil servants are unlikely to have these characteristics and could find it difficult to express judgments on academic quality. More importantly, if academic judgments are emerging from the MOE, there could be risks to academic freedom and institutional autonomy on academic issues.

The role and activities of the quality assurance body will depend on the state of the sector and how mature the arrangements are for quality assurance and quality enhancement within institutions. If universities are already undertaking effective internal assurance, there might be a need for only a light touch at the centre. Conversely, if the sector has done little, the central agency might be justified in taking a more active accreditation and audit-oriented role. It might then expect to reduce this over time as the sector established its own competence at quality assurance and quality enhancement.

¹¹ Within the MOE: Malaysia, Thailand. Within the buffer body: Ireland, Pakistan, Sri Lanka. Independent: U.K., Australia, New Zealand. In the U.K. the quality assurance body was first with the Committee of Vice Chancellors, then it was placed in the buffer body, and now it is a semi-independent entity.

In the US, the main actors responsible for carrying out quality assurance functions are professional associations organized either on a regional basis (for program and institutional accreditation) or by theme (for example Accreditation Board for Engineering and Technology ABET for engineering education).

How is research in the tertiary sector managed?

The governance of research activity in universities can be extremely complex or very simple and will, to a large extent, depend on the national funding and organizational model(s) in place.¹² In some countries research funds are allocated by the MOE or the buffer body together with teaching funds, as the assumption is that every academic will do research and will thereby enrich his/her teaching. In other countries, universities receive research funds from a multiplicity of sources with different types of scrutiny and criteria (peer review, formulaic allocation, competitive bidding, etc).

The role of the MOE or buffer body in setting research strategy for universities will usually be strongly influenced by national research policy considerations. They will not be the sole players in the debate; not only will ministries such as health and agriculture have their own research interests and priorities, but national research councils or funding bodies may not wish universities to be the sole or even principal agents for research. Their own research laboratories may be competitors for funding. In addition, the interests of industry and charitable funders of research will need to be taken into account; how much they will wish to rely on universities to perform their research is a major variable. In some countries the bulk of applied research is undertaken outside universities, and multi-national companies are increasingly looking globally to see where the best and most cost-effective research teams are based.

Thus, the policy questions on university research will be very dependent on the national context and the place of universities in the whole picture. Context notwithstanding, there are still some key policy questions affecting the university sector:

- What should be the balance between funding for applied and fundamental research in universities?
- What should be the policy for promoting centres of excellence or seeking to develop any world class specializations?

¹²For a concise description of the various ways in which research can be funded see Salmi, J and Hauptman, A M (2006).

- Will funding be allocated to the development of cohorts of new researchers, as well as to the encouragement of established researchers?
- Is research funding to be allocated separately from funding for teaching? If so, on what basis?
- If the nation has scarce resources, how can research be targeted to Millennium Development Goals?
- How can collaborative research be encouraged within the country?
- Is there a role for the MOE or buffer body in promoting international research partnerships?

Few universities can finance substantial research from their own sources (apart from drawing on occasional benefactions) and they will always be dependent on the state, charities, or industry for their research funding. Institutions with limited access to such resources may decide to focus their research efforts in a few selected areas in order to develop some centers of excellence.

3. Funding

The overall framework of funding

The growing demand for higher education is placing stress on the financial coffers of governments in both the developed and developing world. Even in countries where the state is contributing less than 50 percent to the cost of its public institutions, the search for ways of cost recovery and income generation is unremitting. Against this background we describe the trends in the way that universities are being funded and managed by their paymasters. Simply put, less state funding can often result in greater institutional autonomy. In this section we review where universities are gaining greater financial autonomy and explore some of the alternative ways they are being financed – whether through the state, students and parents, or third parties.

Universities receive their funds from a variety of sources, including the following:

- Allocations for teaching from government (or for teaching and research combined)
- Research allocations or grants for research projects from a range of government sources
- Tuition and other fees from domestic and international students
- Income generated from research contracts, teaching contracts, consultancy services, or royalties
- Surpluses from on-campus services such as conference facilities offered to staff, students, and the general public
- Income from endowments, gifts, and investments

The distribution of sources of income and volume varies hugely within and between countries. For example, most developing country universities will receive well over 90 percent of their income from the state's allocation for teaching. Their tuition fee income will be negligible. Yet, even within some developed countries those institutions with little research activity will also be heavily reliant on two main sources of income – grants from the government or buffer body, and tuition fees. At the other extreme, in some developed countries public universities will be able to generate a significant proportion of their income from research contracts, teaching projects and other income generation activities so that the state only provides 20 to 25 percent of their total funds.

States are changing the way they manage their tertiary institutions financially in two areas: in how they allocate funds and in how they exercise financial control and monitoring.

Resource allocation

Governments use at least five methods to allocate resources to universities for teaching, and sometimes use a mix of them:¹³

- As part of the civil service budget -- Where the university is treated as a government agency and its academic staff are regarded as civil servants, the mechanisms will follow those for the rest of the public sector with ministers approving estimates and resulting payments for salaries etc. made directly from the ministry of finance.
- Annual negotiation -- If universities are more independent entities, they may enter annual budgetary negotiations with their ministry and reach agreement on their funding based on a round of face-to-face discussions. In the absence of any formula, this model usually involves adding (or subtracting) a percentage to last year's allocation.
- Formulae per student -- The ministry may wish to avoid this negotiation process each year and develop funding formulae per student, usually based on a previous year's national average costs. These may also be based on targeted costs if the ministry wishes to achieve economies by lowering the cost per student.
- Performance-based funding -- Increasingly, an element of funding is based on outcomes or performance; the most common example of this is where part of the grant is linked to the numbers of students completing and graduating, rather than the numbers being taught. The logic is that this rewards success. Universities will receive no funding for those students who fail to complete or pass their exam.
- Competitive bidding -- A final model being adopted is where governments have specific policies they wish to encourage. The ministry or buffer body will establish funds for specific purposes (e.g., the advancement of e-learning and

¹³ For much more detail on these methods and how they can be directly related to policy objectives see Salmi, J and Hauptman, A (2006).

the development of estates strategies) to which institutions will bid competitively. Only the best bids will receive funding.

The trend is for teaching funds to be allocated on a per capita basis with variations in the sums relating to the subject, the mode of delivery, and the level. Thus, the formula figure for a part-time undergraduate student in humanities would be very different from that of a full-time postgraduate in chemistry.¹⁴ The different sums are then aggregated to create a lump sum, which is allocated to the institution as a block grant. The Czech Republic has adopted this model since 1992, although it also retains at least 10 percent, which is awarded competitively to institutions in response to their bids for projects that meet national policy priorities. In England these “top sliced” specialist programs represent a similar proportion; however, there is pressure to reduce them because institutions resent the burden of continual competitive bidding. As a response some of these policy-oriented funds are allocated formulaically with the core allocation.

Despite the English experience, which has been caused by a particularly large number of invitations to bid competitively for relatively small funds, the use of the competitive grant principle allows the funding body to reward those institutions that are responsive to policy priorities. Such funds can also be linked to institutions’ effectiveness in implementing particular long term strategies favored by government.

In the majority of countries the per capita allocations are based on the student enrolments of the previous year and the formulae used are transparent to all. However, some European countries have pioneered allocations that are based on outputs and results, and not on inputs to the system. In the Netherlands, 50 percent of the teaching allocation is based on the number of degrees awarded, and in Norway, 25 percent of the funds are related to factors such as the student credits completed and the number of graduates. There are no national systems which allocate teaching funds wholly on the basis of outcomes or results.

Other features of the funding methods developed recently in OECD countries are as follows:

- The separation of funding for teaching from that for research and the development of peer review systems for funding research (New Zealand)

¹⁴ In Australia for example the allocations per student for 2005-06 were A\$2,481 for an economics student, A\$4,180 for one in Humanities, A\$9,091 for Languages and A\$12,303 for engineering.

- A mixed formulaic and qualitative approach to allocating research funds (Norway)
- The allocation of resources for three years, so that institutions can plan with some certainty (Australia)
- A distribution of funds that match the contributions that universities obtain from third parties, to reward success in external income generation (Switzerland)
- The use of a formulaic approach to allocating funds for capital developments (England)

A widely adopted approach is that the sums finally decided on (by formula or other means) are awarded as a lump sum (or “block grant”). This means that the institution is not subject to any detailed “line item control” and has total freedom to decide how the lump sum shall be spent.

Appendix IX presents a typology of alternative mechanisms currently in use for allocating teaching funds to universities.

Financial monitoring and control

There is a considerable gulf between the financial management required from the state in a system of centralized control and one where full financial autonomy has been granted. A control model requires more significant staffing in the MOE. Table 2 below (Different Approaches to Financial Control) illustrates what the extreme positions might be as regards financial control, ranging from autonomy at one end of the spectrum to central control at the other.

The disadvantage of centralized control systems is that they rely on the centre operating extensive, time consuming processes of approving, and vetting planned expenditure in institutions. Inevitably this is cumbersome, unresponsive, and inefficient in that it reduces flexibility and gives no incentive to institutions to manage resources well. As higher education systems expand, it also becomes unsustainable in terms of public sector workload and staffing.

Table 2: Different Approaches to Financial Control

Topic	Centralized control	Full autonomy
Annual budgets	Agreed in detail by MOE or the funding body	Agreed by the Board (but possibly reported to MOE or the buffer body)
Expenditure	“Line item control” so that institutions cannot switch expenditure between the agreed budget headings	Total freedom to allocate and spend as required within the overall total grant or budget awarded by the MOE.
Under-spending at the end of an accounting period	Surrender of all under-spent sums to MOE/ministry of finance	Freedom to carry forward under-spending (and to absorb any over-spending from future funds within limits)
External earnings from non-government sources	Surrender to the Ministry of Finance or MOE of all external earnings	Freedom to retain and spend freely all sums earned from non government sources
Tuition fees for domestic “local,” domestic “out of state,” and international students	Fees cannot be charged or, if they are, have to be set at a fixed rate and then surrendered to the ministry of finance	Fee levels can be set freely and the money retained without affecting the budget allocation from the government

For those institutions with full autonomy through a block grant allocation of funds an essential corollary is that they are expected to supply their funding body with reliable and prompt reports on how the money has been spent, as well as other statistical returns related to performance and outputs. This represents a move away from the principle of the MOE reviewing planned expenditure in advance and relies on the financial probity of the institution to follow its budget plans and record its expenditure accurately. Mature systems such as those in Australia or the U.K. are able to rely on financial reports once a year, but with a provision for more frequent reporting, if an institution is thought to be facing financial problems. One model is for the funding body to require three year financial forecasts of operations and cash liquidity at the same time as annual reports on performance. These cash predictions are sometimes aggregated and used by the funding body to portray the overall financial health of the sector.¹⁵

The state needs to feel confident in the ability of universities to manage their own financial affairs effectively before it can delegate full financial autonomy to the board of the institution. It could well adopt the approach described earlier in Appendix VII. A sound governance structure

¹⁵ In England the funding body expects that institutions will make an operational surplus of 3 percent after charging depreciation and there is an absolute requirement that the institution is solvent at all times. The former target is frequently missed and this may trigger an investigation.

is, therefore, a pre-requisite for a fully devolved system, as are reliable information systems and suitably qualified professional staff.

As well as requiring information and financial accounts, the state has other means of holding institutions accountable:

- Through requiring independent external audit of their accounts and an annual report on internal audit activities;
- Through the use of the state audit service to investigate any activity in the institution;
- Through whatever mechanisms and processes have been established for reviewing the quality of teaching;
- Through requiring the submission of strategic plans or other strategies (e.g.: academic, information and communication technologies (ICT), human resource, property) to the funding body; and by
- Specifying that the board of the institution shall include external members with experience of financial management, and that there shall be appropriate arrangements for internal audit.

The ultimate sanction that the MOE holds over any tertiary institution is to instruct the buffer body to withdraw public funds and to remove the power to award degrees.

The change to a system where the central ministry of finance loses control over the internal resource allocation decisions made by individual universities has caused tensions in some transition countries. Traditionally, fears have centered on the sums spent on salaries and the recurring liability that this might present to the state's finances. In a fully devolved system this issue is resolved by making institutions wholly responsible for balancing their budgets and making staff reductions if necessary.

The issue of corruption is becoming a significant concern across a wide range of university activities, from bribing academic staff and waiving of entrance standards to mishandled procurement and intervention in academic promotion.¹⁶ Governments will hope that a combination of effective academic audit, internal quality enhancement, internal audit, and

¹⁶ It is indicative of the growing concern that the Boston College Center for Higher Education has established a Higher Education Corruption Monitor Service to disseminate news and research about corruption in universities throughout the world. See http://www.bc.edu/bc_org/avp/soe/cihe/hecm

independent external audit should be enough to remove the most extreme cases of corruption. However, the Internet is making many forms of fraud and plagiarism easier, and technology is not providing a perfect technical solution to eliminating opportunities, beyond the specialized websites and software to track plagiarism. There is a risk that the fear of corruption will encourage governments to retain powers and controls that they might otherwise have delegated or removed. The question becomes one of balance between the benefits from encouraging initiative and entrepreneurialism in institutions, against the risk of there being the occasional fraud or corrupt transaction.

The management of property assets

A feature of systems with greater institutional autonomy is the extent to which central restrictions over property are removed. If full financial autonomy is granted to a board and the ownership of the university's assets is transferred to its control by the state, this opens the way for the board to use the assets as it sees fit to generate income. In some countries this flexibility has allowed institutions to find imaginative uses for land, such as developing science parks on vacant land and investing in income-generating facilities (for example, hotels, conference centers, or shops).

Property transfer is an area where the state is often reluctant to hand over total control, fearing misuse or misappropriation. Some of the controls that are usually exercised on property activities, and which serve to alleviate these fears, are as follows:

- To ask institutions to prepare property strategies showing how they intend to use (or develop) their property portfolio
- To retain the right to approve any sale or transfer of property assets (above a certain financial ceiling)
- To require institutions to confirm that any financial proceeds from the sale or transfer are spent on higher education (which principle may also be enshrined in the legislation establishing the university)
- To require institutions to submit a post implementation review of any major capital project

The same principle applies when an institution decides to use its academic equipment to generate income from, say, commercial testing. The board is expected to make sure that the surpluses from such practices are used for educational purposes and that the activity does not prevent or hinder

normal academic operations. The income and expenditure relating to this must be audited and declared in the university's published accounts and the funding body is not expected to make any deductions from its allocations. In other words, institutions have an incentive to use their assets to generate income for higher educational purposes.

Once an institution is given full autonomy over its assets, it can explore various avenues (other than the state) for the funding of property construction or acquisition. This opens the way to using a variety of funding sources, as well as funding from the state:

- Borrowing on a long-term basis from commercial banks, which requires that assets are charged as security for loans or bonds
- Private endowments from alumni and other benefactors
- Retained surpluses from the annual accounts, as well as the funds arising from depreciation on university assets charged in the accounts
- Grants from charities or foundations
- Long-term contracts with private sector organisations in which they build, operate, and maintain student residences and recover the costs from charging students rent
- Joint ventures with the private sector, in which for example, the ground floor might be used for commercial lettings to shops and the upper floors for university teaching or office accommodation

Income generation

One advantage of reducing financial controls is that universities now have an incentive to generate income from their people and their assets. Profits do not have to be returned to the state (and can be shared with the community); surpluses can be accumulated and disposed of as institutional leaders decide. In the longer term, all institutions hope for a virtuous circle in which the share of income from non-government sources will rise, giving an institution much needed flexibility to allocate or reinvest the money it has earned. If this aspiration is to be achieved, it may require some cultural and process changes. In some universities the idea of income generation being a basic role for academic staff is seen as selling out to managerialism, while in others, once an entrepreneurial culture has taken root, income generation is a core activity that is not seen as threatening to academic freedom, but rather as positively beneficial.

Achieving a transformation of this kind could take a considerable time. It would also need to be underpinned by incentives such as reward (and possibly promotion) systems for work of this kind, as well as administrative support for external income-generating activities such as consultancy or international project work. The institution will have to develop policies covering issues such as sharing of income earned from external sources and pricing policies for particular types of academic service.

Few corporations or individuals will eagerly make donations to institutions that they see as wholly funded by the state. However, once an institution has gained some independence, the situation seems different. Endowments from wealthy individuals or corporations can be obtained for purposes such as scholarships to poorer students, funding of specific chairs for professors or the construction of major buildings.

In the United States and Canada there is a culture of regular giving by alumni, and it has been estimated that the total of U.S. private college endowments amounts to \$222 billion, half of which is held by an elite three dozen institutions. Fund-raising to build up these endowments can absorb a large part of a university president's time, but this is seen as a small price to pay for the independence and flexibility gained through having independent assets. Fund-raisers find that it is easier to attract donors if there is a specific purpose or project in mind for the funds, and many donors are drawn by the idea of having a building or a scholarship fund named after them in perpetuity.

Some governments are keen to encourage universities to boost these endowments, since in the long term they will reduce the call on the state. However, they are also keen not to be seen to reduce their funding just because a university has been successful in raising its own endowments. The government of the Hong Kong, China launched two matching grant schemes in which it matched dollar for dollar the private gifts that universities managed to win from private sources (Hong Kong University Grants Committee 2006). Both schemes were rapidly oversubscribed and the government believes that it has kick-started a philanthropic culture.

Once a university is confident of its financial stability and competence, it may even consider raising funds in the financial markets through bonds. In some developed countries institutions submit themselves to financial scrutiny by international credit agencies in order to earn favorable credit ratings and better terms in financial markets.

4. Governance of Public Institutions

Once the higher education legislation has defined the role of the state and the powers of institutions, the question arises how much detail should be specified in the law as to how institutions should be governed. What are the essential governance issues and what is the role of government in overseeing the way public universities govern themselves?

This section covers the powers of the board, the appointment of its chair and its composition, and then the appointment of a president. It concludes by reviewing academic governance and the extent to which the state can or should encourage good governance.

Powers of the Board

It is usual for higher education acts to define the powers of the board of a university very broadly as being the supreme governing body of the institution accountable to the minister for its successful operation. Once this framework has been set, the detailed powers of the board are then confirmed in university statutes and regulations, and will follow whatever guidelines on autonomy have been made in respect of the key functions, such as those cited in Appendix VI.

A key principle is that the role of the board is limited to strategic management and that it will need to create a sub-structure of committees to oversee the operational tasks delegated to others. In some countries attempts are being made to codify exactly what the role of the board is by setting out codes of practice and statements of primary responsibilities.¹⁷

Legislation commonly defines the status of the president as the chief officer of the university with accountability to the board for the way the university is run. The president has total discretion to create whatever management structure he or she wishes (although board members may wish to participate in selection interviews of candidates for the most senior posts).

Selection of the Chair and Members and Board composition

Appendix X describes some characteristics of university boards in selected countries. Their size and composition is increasingly a concern of government and there has been a general trend in favor of a managerial model with a smaller number of members and a majority of external non-academic (lay) people. The trend to reduced size is strongest in Denmark where a maximum of 11 members has been recommended (Denmark Ministry of Science Technology and

¹⁷ The most well known of these is that produced in the U.K. by the Committee of University Chairmen in November 2004; Their Code of Practice states that the governing body shall adopt a Statement of Primary Responsibilities.

Development 2003). In Australia and New Zealand governments have suggested a maximum of 12, or even 8, members of the board. Tanzania has suggested between 11 and 21 members with up to 80 percent appointed from external sources. In England, the newest universities created in 1992 must, by law, have between 12 and 24 members, but at least half the members must be external people. In Denmark and Norway, the board must also have a majority of external members.

The method of selecting board members varies greatly, as Appendix X shows. In European countries, other than the U.K. and Ireland, external Board members are often appointed by ministers, but names of candidates are usually put forward by the universities themselves. In Sweden and the Netherlands, government appoints the chair and the members for three year terms. France has a system of wholly elected representatives from various constituencies in each of its three university councils; the state has no say. In Australia, some universities have one or two members appointed by their state parliament and the government recently sought to extend this to all external members, but the proposal was dropped in the face of strong opposition from the vice chancellors. For Ireland and the U.K. the position is that the board is completely free to select both its chair and its members without even having to inform the MOE.

Since the position of board member is usually unpaid and the duties (and legal obligations) are becoming more onerous, some countries are advertising in order to obtain candidates of the right quality and professional skills. In Australia, recent higher education legislation has decreed that each board should have a professional development program for its members.¹⁸ The Code of Practice in the United Kingdom specifies that “opportunities for further development for all members of the board are provided regularly in accordance with their individual needs” (Committee of University Chairmen 2004). In countries where the board can choose its members the aim is to have people from the obvious stakeholders such as the regional government or municipality, local employers and industries as well as the core professionals such as lawyers, accountants and ICT specialists. It is increasingly emphasized that board members are not to act as representatives of any particular interest group or subset of staff; their loyalty is to the university and they must approach decision making “in the interests of the institution as a whole,” with no vested or factional interest in mind.

¹⁸ This is part of a useful set of “National Governance Protocols for higher education institutions,” Annex I from the Australia Ministry of Education Science and Training (2003). Our Universities Backing Australia’s Future. Commonwealth of Australia. http://backingaustraliasfuture.gov.au/policy_paper/policy_paper.pdf

Appointment of the President

When governments delegate powers to a university board and its president, as the chief executive officer, they have an obvious interest in ensuring that the chair of the board and the president are appropriate and competent persons. These appointments are made in various ways, as the following table shows:

Table 3: Ways in Which Presidents are Appointed

By the head of state	By a minister	By the board	By election
Appointed direct with no consultation	Appointed direct with no consultation	Sole right of appointment	By senate members
Appointed after consultation	Appointed after consultation	Recommends a shortlist to minister	By all academic staff
	Approves selection of the board or senate/academics	Recommends one candidate to minister	By all academics and nomination passed to minister for approval
	Selects one from shortlist sent by board	Government representative sits on board and helps to select	

In Japan, Korea, and Turkey the president is elected by the academic staff of the institution or the senate, but the nomination requires the final approval of the government. In many East European countries rectors are elected by the senate without any central approval being required, but three European countries (Austria, Denmark, and Norway) have recently moved from the system where academic staff elected the rector to one where the board now makes the appointment, in recognition of the managerial skills now required in the post holder. This is in line with the general international trend, which is acknowledging the importance of management competence and experience, as well as academic credibility.

Where the Board makes the appointment, it must then hold the president accountable for performance in managing the university. The methods used to do this are not described in legislation, but tend to follow management good practice by establishing performance targets and measuring success against them. It is the role of the chair of the board to undertake the annual

performance review, to which performance related pay and bonuses are sometimes linked. In Japan the usual situation is reversed in that as a result of recent reforms the governing body is under the control of the president who is all powerful.

The thrust of recent international structural reforms is that the board and the president are gaining extra powers and are being urged by governments to become more managerial in running their universities.

Legislation on universities usually defines the president as the principal administrative officer with responsibility to the board for the effective operation of the university. In some countries this has required a strengthening of the president's executive powers where the tradition had been one of a senior professor elected by peers for a short term in a non-managerial environment. The Anglo-Saxon model allows the board and the vice chancellor/president to decide what senior posts are needed at pro vice chancellor/vice president level, and consequently there is a wide range of organizational models with up to five subordinate post holders on a variety of tenures – part-time, full-time, permanent, short term contract, etc. In the Netherlands, however, the executive board has only three members, and in Austria there can be up to four vice-rectors. It is unusual for the legislation to specify how many vice-rectors institutions must have, as circumstances will vary.

The role of the senate or academic council has been traditionally restricted to academic affairs with an acknowledgment that its authority on academic issues could override the governing body. However, this core principle is changing in some countries. The board is becoming pre-eminent with senate subservient to it; the usual reality, however, is that a board would have difficulty in challenging an academic proposal that had the strong backing from senate, except on overall strategic or financial grounds.

The role of the state in the governance of private institutions will depend on the number and status of such institutions in the country. The state will undoubtedly wish to set protocols or regulations concerning the right of private institutions to the university title and their powers to award degrees.¹⁹ Beyond this (and the checks on governance that may be included in the approval process), the state may decide not to have a role. Where governments have decided to involve

¹⁹ A recent comprehensive example is the Australian National Protocols for Higher Education Approval Processes (2000) which are applicable to both public and private institutions.
http://www.dest.gov.au/sectors/higher_education/policy_issues_reviews/key_issues/MCEETYAS/

themselves in the details of private university governance, it is usually in matters such as reviewing the role of the founders vis-à-vis the president or setting a financial cap on the sums that can be drawn as profit.

The search for “good governance”

It is unusual for the state to take a direct interest in the detailed way that universities are managed, except for the retention of the power to audit the way funds are disbursed. However, two other forms of intervention are as follows:

- A requirement to conform to codes of governance “good practice”
- Regular provision of advice and guidance on good management, backed sometimes by extra funds encouraging universities to comply

The three countries that have led the way with guidance on good university governance are Australia, Denmark, and the United Kingdom. In Australia, a set of protocols on good governance is almost a mandatory requirement and, if they are followed, universities will gain extra funding. In the U.K., a similar document called the Statement of Primary Responsibilities has been drafted setting out what the prime roles of the governing body are expected to be. This has been prepared by a body comprising the chairs of governing bodies at the request of government. The document is therefore voluntary, but universities are expected to comply and give their reasons if they have not done so. Appendix XI shows the overlapping content of both the U.K. and the Australian documents. In Denmark, a committee set up by the appropriate minister has produced “a number of appropriate principles for discussion by the future members of university boards, which have concentrated primarily on the function and role of the board of the university” and not detailed guidelines or codes (Denmark Ministry of Science Technology and Development 2003).

The second way governments seek to influence the manner in which universities are governed and managed is by funding improvements on systems (such as the development of management information systems and e-learning), and by issuing good practice guidance (on issues like risk management or estates management). Here again the main exemplars are Australia (through all the publications of the Department of Education Science and Technology) and the work on

leadership, governance and management at the Higher Education Funding Council for England.²⁰ If the principle of institutional autonomy is accepted, it could be argued that governments have no right to tell institutions how they should manage themselves. Thus, apart from an obligation to ensure that any public money is properly accounted for (and audited), the state might feel that it should not intervene. Australia and the United Kingdom think differently and believe it is one of the roles of government to do all it can, short of direct intervention, to help institutions to govern and manage themselves effectively.

²⁰ See the Publications page of DEST at www.dest.gov.au/sectors/higher_education/publications_resources/ and for the CUC Guide see www.hefce.ac.uk/lgm/governance/ or www.shef.ac.uk/cuc/pubs/html

5. Conclusions

The reforms in higher education governance in recent years are driven by the same external and internal pressures and are largely following the same pattern. They tend to have the following elements:

- Legislation that establishes universities as autonomous independent entities
- Withdrawal of the state from certain detailed control and management functions and the devolution of responsibility to universities themselves
- The creation of buffer bodies or agencies to carry out some of the detailed financial control and supervision functions in the sector or to provide sector-wide services
- Adoption of funding models that give institutions greater freedoms and that encourage them to develop new sources of income
- Creation of external agencies that monitor the quality of all courses delivered by institutions
- The development of new forms of accountability through reporting on performance and outcomes in achieving nationally set goals for the sector, as well as institutionally set targets
- Confirmation of the role of a university board as having overall responsibility to the minister or the buffer body
- Gradual withdrawal of the state from decisions on the appointment of the chair of the board or president and members of the board
- Expectations of managerial competence by the board and the president

The resulting changed environment presents challenges both to the staff in the MOE and to those in institutions. The move from control to regulation/supervision requires new models of working at the centre; the acquisition by boards of overall responsibility for results necessitates different styles of decision making and new structures within the institution. Making the reforms work involves new skills and is not always achievable overnight.

The benefits of these reforms are significant as they will unlock initiative and talent within institutions and will encourage them to develop closer working relationships with all their stakeholders. This will lead to more relevant programs and services that meet local and

community needs. The quality and relevance of the higher education that is being delivered to students can only be strengthened as a result.

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Appendixes

Appendix I - Three Recent Higher Education Laws Embodying Reforms

The following table lists the topics covered in three relevant, recent acts or draft acts. An asterisk in columns 1, 2 and 3 means that the topic is included in that country's act. There is quite a wide range of practice which is partly due to the history of previous legislation in each country; for example, Ireland had already created a buffer body (The Higher Education Authority) in 1971, so that clauses relating to that topic were not needed.

Topic covered in the Legislation	1	2	3
	Sri Lanka (Draft)	Ireland	South Africa
Legal preliminaries and definitions of terms used in the act	*	*	*
Objectives of a university		*	
Functions of a university	*	*	
Describe types and levels of awards that universities may offer with national recognition of equivalency			
Encouragement of credit transfers and international linkages			
Establishment of new public universities of all kinds	* Note 1	*	*
Creation of a registrar of private universities			*
Who agrees criteria for registration of a private university and appeal mechanism			*
Regulations for private universities concerning certification, records, audit			
Academic freedom guarantee		*	
Minister's power to determine HE policy	*		*
Minister's power to merge or close university institutions	*		*
Minister's power to allocate funds			*
Minister's power to withhold payment of funds			*
Minister's right to delegate his powers under the Act			*
Functions of a buffer body	*	Note 2	*
Powers of the buffer body (UGC/Funding Council) to review universities, publish guidelines, and obtain information from universities	*	*	*
Composition of the buffer body and terms of office of its members	*	Note 2	*
Appointment of CEO/chair of the buffer body	*		*
Meetings of the buffer body			*
Establishment of an accreditation council	*		
Definition of the component elements in a university's governance structure	*		*
Nomination of a chancellor	*		
A University governing body and its broad role	*	*	
Composition of the governing body	*	*	*
Appointment and role of chair of the governing body	*	*	
Functions of the governing body	*	*	
Detailed provisions on meetings, the quorum and terms of office of governing body members	*		
Visitor (appeal mechanism)		*	

Minister's power to appoint an independent assessor to investigate a university and report to him/her	Note 3		*
Powers to suspend a governing body		*	
Appointment of vice chancellor	*	*	
Powers and role of the vice chancellor	*		*
Powers to appoint staff and set levels of remuneration	* Note 4	*	*
Academic council and its functions	*	*	*
Composition of academic council	*	*	*
Power of governing body and academic council to create sub-committees	* Note 5		*
Power of universities to make their own Statutes, regulations and bye laws (which may need ministerial validation)	*	*	*
Such statutes must set out the need for student unions and say how they report to the governing body	*		*
Requirement for faculty boards with specific membership composition defined	*		
Role of deans and heads of department and their appointment	*		
Creation of a university services appeals board and definition of its duties and functions.	*		
Powers of governing bodies to determine admissions policies and entrance requirements	*		*
Obligation of governing body to produce a strategic plan		*	
Obligation to establish internal procedures for quality assurance		*	
Obligation to prepare policies on access and equal opportunity		*	
Establishment and operations of a universities pension fund	*		
Preparation of annual budgets for Parliament or the buffer body	*	*	
Power to borrow money against publicly owned assets		*	
Duty to keep records which shall be subject to financial audit by the state	*	*	*
University powers to set fees and levy charges of all kinds	*	*	*
Obligation to produce and publish an annual report on operations and performance for the UGC or minister		*	
Powers to dispose of property	*	*	
Appointment of a registrar	*		
Appointment of a financial controller	*		
Establishment of a committee of vice chancellors to advise the UGC	*		
Relationship of the act to other existing legislation			

Notes:

1. The minister may also establish a campus of a university and define its structure, powers and functions.
2. The buffer body (Higher Education Authority) was already established under an Act of 1971.
3. In Sri Lanka the minister asks the UGC to investigate a university if he suspects trouble and can direct them to take action.
4. Universities can set grades and create posts, but not fix salaries. Appointments have to be made through the UGC.
5. The draft Sri Lankan Act specifies six committees that each university should appoint.

The three Acts used in the above Table are as follows:

South Africa Higher Education Act 101 of 1997,

http://www.acts.co.za/ed_higher_ed/higher_education_act.htm#higher_education_act_1997.htm;

The Ireland: Universities Act, 1997, <http://www.irishstatutebook.ie/1997/en/act/pub/0024/index.html>;

Sri Lanka: Universities Act 2004. Forthcoming.

Appendix II -Typical Relationship Between National Legislation and University Statutes and Regulations

The key distinctions are as follows:

1. National legislation must be reserved for the long term strategic framework, as provisions once made could take a long time to change in future legislation.
2. University statutes are the university's own internal legislation and will need to be as permanent as possible, since changing them would usually require MOE (or buffer body) approval. One of the first acts of a new board is to develop the university's statutes.
3. University regulations are matters that can be changed by the university's board or academic council each year.

The asterisks in this chart show at what level the topic concerned is covered. Thus, while the existence of a board is specified in legislation, its exact composition may need to take regional or special factors into account and will be covered in the university's statutes.

Topic	National legislation	University's charter and statutes	University's regulations
Constitutional status of the university as a legal entity (able to be sued)	*		
It shall have a board (plus possible guidance on its composition)	*		
Specific composition of the board (eg: academic, external, students) and powers to appoint new members.		*	
Broad powers and responsibilities of that board and a statement on its autonomy as regards academic freedom.	*		
Detailed powers of the board		*	
Accountability of the board to buffer body/MOE and how it is to be exercised	*		
University to be subject to external quality assurance arrangements	*		
Powers of the board to appoint its chair and the rector (subject to buffer body/MOE approval?)	*	*	
Powers of the board to remove the rector		*	
Board to have powers to create sub- committees	*		
Board's powers to set disciplinary and conduct rules for staff and students	*		
Rector's role and accountability to the board	*	*	
Main board sub-committees and their roles		*	
Details of all committees, their terms of reference, and their composition			*
Rules for the conduct of business of the board and its committees		*	*
Role and powers of academic council/senate	*		
Powers to approve creation of new academic programs and		*	

courses			
Detailed regulations for each course			*
Definition of board powers to appoint and dismiss staff	*	*	
Powers to admit students (subject to MOE limits) at various levels		*	
Detailed regulations on admissions procedures			*
Regulations on examinations			*
Powers to award degrees and awards and the circumstances under which these powers can be removed.	*		
Powers to own, acquire and dispose of property	*		
Broad guidelines on financial accountability and submission of financial reports	*		
Detailed financial regulations			*
Requirements as to audit of various kinds	*		
Government's powers to intervene in the event of financial difficulties or suspected fraud	*		
MOE/buffer body requirement to approve any merger with another university body	*		
MOE/buffer body powers to require reports and statistical information at any time	*		
Powers to set tuition fees maxima or standards for domestic and international students	*		
Setting the level of annual tuition and other fees			*
Right of staff and students to organize themselves in representative bodies	*		
Control over, and responsibility of, a students union		*	*

Source: Author's compilation

Note: The 1998 Council of Europe report on the Legislative Reform Program has an Appendix I which follows a similar approach to the table above by defining what should be regulated at what level.

**Appendix III - Possible Requirements of Tertiary Education Laws
Relating to Private Institutions**

Areas of Regulation
<p>Establishment of new institution</p> <ul style="list-style-type: none"> - registration / licensing - prospectus - basic safety standards - norms on facilities, equipment, information and library resources - norms on teachers (student / teacher ratio, qualifications, full-time status, staffing for e-learning) - imposed curriculum - minimum number of programs - minimum research activities - commitment to operate a minimum number of years (at least until first cohort graduates) - prior accreditation - governance and management structure (board of trustees, academic boards and functions, appointment and qualifications of leadership, etc.) - additional provisions for access of foreign private providers (evidence of empowerment to offer programs on behalf of foreign university) - time limit to grant or deny authorization to operate
<p>Qualifications and articulation</p> <ul style="list-style-type: none"> - authorization to issue degree and/or recognition of degree (locally or abroad) - credit transfer
<p>Establishment of new department / program</p> <ul style="list-style-type: none"> - curriculum requirement - enrollment policy and rules (admission criteria, number of students)
<p>Financial support from public budget</p> <ul style="list-style-type: none"> - direct subsidy - payment of teachers - tax incentives and exemptions - eligibility of students for scholarships - eligibility of students for loans - eligibility of students for vouchers
<p>Equity promotion</p> <ul style="list-style-type: none"> - minimum number / proportion of scholarships to be offered to low income students - enrollment targets and quotas - equal opportunities or quota in staffing
<p>Personnel management</p> <ul style="list-style-type: none"> - possibility for public institutions professors to teach concurrently in private institutions - freedom of teachers and administrative staff to form a union and engage in collective actions
<p>Academic freedom guarantee</p>
<p>Governance</p> <ul style="list-style-type: none"> - supervision of appointment of trustees

Source: Compiled by Jamil Salmi and John Fielden (with inputs from Yoshiko Koda and Gwang-Jo Kim)

Appendix IV - Functions of Buffer Bodies

In the table below we show the functions of ten buffer bodies according to the legislation that created them. The bodies are not necessarily yet performing all these functions for one reason or another.

Country	B	C	D	E	F	G	H	I	J
Strategic planning									
Policy analysis/ problem resolution									
HEI mission definition									
Academic program review									
Budget development/ funding advice/allocation									
Program administration									
Monitoring/ accountability									
Quality assurance/ standards review									
Deciding the total number of student admissions									

Key

B= Canada (Manitoba)	F= Nigeria
C= Hong Kong	G= South Africa
D= India	H= Sri Lanka
E= Kenya	I= England
	J= Zimbabwe

Source: CHEMS Online Paper no 27. Buffer Organizations in higher education: illustrative examples in the Commonwealth. 1998. (Modified in 2006)

There are risks in having a buffer body and this explains why some have a short life or why many of the legislative provisions granting them powers never come into effect. The main risk from the government perspective is that the body will fail to follow government policy in making its decisions and in managing the sector. There have been examples of ministers of education thinking that the buffer body stood in the way of reform and that the MOE no longer had control of the sector. The key to overcoming this is for the chair and CEO of the buffer body to have regular close liaison with the MOE on policy matters and to ensure that the buffer body requires universities to build in national policy guidelines into their own strategic plans.

The main risk from the buffer body perspective is that the MOE will still intervene in the funding and management of institutions in response to direct lobbying by rectors and others in the sector. Should this happen, the buffer body will become sidelined and institutions will no longer consider themselves bound by its decisions. This situation can also arise if the MOE loses confidence in the ability of the buffer body to perform its functions. This risk can also be avoided by regular contact at senior levels between the MOE and the buffer body in order to ensure that both are consistent and by the MOE exercising self-discipline, so that it only acts through the buffer body in any dealings with individual institutions. If the MOE believes that there are problems in any one institution, it must ask the buffer body to investigate and then put things right.

Appendix V - Possible Location of Key Management Functions

Key Functions of the State	<i>Can be undertaken by any of the following</i>				
	Ministry	Buffer Body	Specialized Agency	Council of Presidents/ VCs	Associations and lobby bodies (e.g. unions)
Setting the vision and goals for the HE system	X				
Agreeing on the size and shape of system	X				
Licensing new institutions (public and private)	X	X	X	X	
Research on HE policies and objectives	X	X	X	X	
Setting HE policies and objectives	X				
Agreeing universities' strategic plans	X	X			
Allocating resources	X	X		X	
Allocating resources for special programs	X	X			
Monitoring university performance	X	X	X		X
Collecting HE statistics	X	X	X	X	X
Assessing the quality of teaching		X	X	X	X
Assessing the quality of research		X	X		
Financial auditing	X	X			
Support with governance and management		X	X	X	

Source: Author's compilation

Note: A mark in **bold** indicates that it is usually considered essential for that function to be performed by the ministry.

Appendix VI - Examples of University Autonomy in Selected Countries

Category	Country					
	Holland	United Kingdom	Denmark	Canada	Malaysia	Pakistan
Appointment / dismissal of VC/president/rector	X	X	X	X		X
Appointment / dismissal of professors	X	X	X	X		X
Academic tenure	X	X	X	X	X	X
Academic pay and conditions				X		
Students entry standards		X		X		X
Selection of students		X		X		X
Size of enrollments	X	X	X	X		X
Quotas for special groups	X	X	X	X		
Language of instruction		X		X		X
Introduction of new courses / elimination of old courses	X	X		X		X
Selection of textbooks	X	X	X	X	X	X
Examination / graduation standards	X	X		X		X
Decision to teach courses at graduate level	X	X		X		X
Research priorities	X	X	X	X	X	X
Approval of publications	X	X	X	X	X	X
Membership and control of governing council / board		X	X	X		
Management of university budget	X	X		X		X
Level of tuition fees		X Part				
Approval of income generation ventures	X	X		X		X
Own buildings and equipment	X	X		X		X
Ability to borrow funds	X	X	X	X		X

Note: X means that the university has the power to perform this function autonomously.

Appendix VII – Higher Education Information (HEI) Management Capacity Levels

HEI Level	Public Resource Profile	Governance and Leadership	Financial Management	Procurement and Physical Plant Management	Human Resources Management	HEI Performance Measurement
E	Line item Competitive grants	Legal autonomy granted to the institution by Government Board of Trustees with industry representation convened Rector elected by trustees Strategic exercise begun	Financial management staff mandate issued by Rector Training of staff ICT infrastructure installed HEI-wide dialogue on financial management	Procurement staff mandate issued by Rector Training of staff ICT infrastructure installed HEI-wide dialogue on procurement and physical plant management	Human resources staff mandate issued by Rector Training of staff ICT infrastructure installed HEI-wide dialogue on staffing, incentives, and personnel management	Institutional research staff mandate issued by Rector Training of staff ICT infrastructure installed HEI-wide dialogue on institutional performance, quality assurance, and performance indicators
D	Line item Competitive grants	Strategic planning continued Incentive systems created Academic strategy and curriculum review begun Community and labor market outreach begun MIS system installed with staff trained to conduct internal audit of system Governance roles clarified	HEI diagnostic report on financial management capacity needs and capacity building plan Ad hoc financial management capacity integrated into HEI central management structure Qualified financial staff in place	HEI diagnostic report on physical plant and procurement needs with capacity building plan Ad hoc procurement capacity integrated into HEI central management Adoption of standard bidding documents Qualified procurement staff	HEI diagnostic report on personnel management and overall staffing needs with capacity building action plan Staff-wide dialogue on contract hiring process and merit-based promotion / tenure-track system	Key higher education indicators agreed with MOE and adopted Data collection and graduate tracer surveys begun Data reported to a National Information System for Higher Education HEI self evaluation initiated
C	Line item Competitive grants Management capacity grants	Strategic plan adopted Curricula revised Academic strategy continued Local community engaged Local industry engaged Stakeholder responses reflected in management Development program for trustees begins Governance protocol reviewed and adopted	Preparation of university budget Integration of department-level treasuries into central HEI budgeting Standardized and centralized HEI banking procedures Segregation of functions in HEI finance unit Initial reconciliation of HEI cash accounts	Establishment and adoption of robust mechanism for handling of procurement complaints Establishment and adoption of public disclosure mechanism for contracted unit rates on major civil works contracts and for prices on major procurement of goods	Qualified human resources management staff in place Civil service reduction process begun Competitive contract hiring process begun Merit-based promotion / tenure-track system linked to staff performance is adopted by institution	HEI self evaluation complete Licensure self evaluation initiated and completed Expansion and refinement of key HEI performance indicators to include local and national targets
B	Shift line-item financing to block grants Competitive grants Management capacity grants Performance-based grants	Performance-based funding initiated Subsequent strategic planning exercise begun HEI moving closer to management capacity required in Level A	Financial management system integrated into all departments Establishment of internal audit unit Preparation of auditable financial reports Public disclosure of reports	Procurement planning, physical plant investment and upgrading as part of HEI budget process Publication of sanctions against poor performance contractors, suppliers, and consultants	Civil service reduction process continued Contract hiring process continued Merit-based promotion and tenure-track system begun Faculty selection devolved to department level	HEI peer review Licensure peer review
A	Block grants Competitive grants Performance-based grants Demand-side financing	Successful performance-based grants Self-review of Board of Trustees completed	Successful annual financial audit by external accounting firm applying international norms	Successful procurement capacity technical audit (by external auditor)	Successful human resource management technical audit (by international review panel)	HEI accredited Licensure fields accredited

Appendix VIII - Selected Performance Indicators
(That can be used at national or institutional level)

<u>Students</u>	Social composition
	Number of applications for each place
	Overall percentage of international students
	Percentage of students retained after one year
	Percentage of student entrants who graduate
	Percentage of graduates in employment or further study six months after graduation
<u>Research</u>	Scores on a national peer review system
	Rise in income from non government sources
	Average publications record (or citations) per staff member
	Number of commercial spin outs / royalty income
	Overall percentage of postgraduates
<u>Staff</u>	Staff turnover
	Percentage on fixed term contracts
	Percentage from other nationalities
	Proportion of female staff
<u>Finance/Efficiency</u>	Percentage of income from non-government sources
	Percentage of total expenditure on salaries
	Financial health/efficiency ratios (reserves/solvency etc)
	Percentage expenditure on building maintenance.

Source: Author's compilation.

Appendix IX - Mechanisms for Allocation of Public Resources to Teaching

<i>Type of Allocation Mechanism</i>	<i>Where Practiced</i>
I. Direct Public Funding of Institutions – Countries typically provide public support of institutions to finance: their instruction, operations and investment expenses, including recurrent expenses and for a variety of specific purposes; and university-based research.	
A. Funding instruction, operations and investment – Countries use a number of different approaches to help institutions pay for their expenses related to instruction, operations, and investment. These payments generally apply only to public institutions, although in a few countries private institutions also are eligible for this type of support.	
1. Negotiated Budgets – Allocations of public funds negotiated between government and institutions are largely a function of historical or political factors, either the amount received the year before or the political power of the inst. Negotiated budgets typically are allocated to institutions either as:	The most traditional form of funding recurrent expenses, still in effect in many countries including:
<i>a. Line-item budgets</i> – Negotiated budgets often are implemented through line-item allocations to institutions.	
<i>b. Block grants</i> – Providing a single block grant to each inst is another way that negotiated budgets can be implemented.	
2. Funding Formulas – Most countries now use some form of formula to allocate funds to institutions for their recurrent expenses. These formulas vary on the basis of what factors are used in the development of the formula and what type of organization develops it. The factors used in determining funding formulas include:	
<i>a. based on inputs</i> – The most primitive type of funding formula, based on inputs such as the number of staff or staff salaries at each institution, and other more sophisticated measures such as number of professors with a PhD.	Once most typical formula, still used in some cases, especially in Eastern Europe
<i>b. based on enrollments & costs/student</i> – Most funding formulas now are based on the number of students enrolled and a variety of cost per student calculations as shown below:	
1) actual costs/student – Allocations to institutions based on actual costs per student as reported by the institution	Most traditional form of formula funding
2) average costs/student – Allocations to institutions based on system-wide average costs per student, usually calculated from aggregate statistics on spending and enrollments	
3) normative costs/student – Allocations are based on the calculation of normative costs, using optimal staff/student ratios and other standardized efficiency measures	An approach adopted or being considered in a # of countries, including?
<i>a) benchmarking</i> – One form of normative costs in which the cost figures and structure are pegged to a ‘benchmark’ inst.	Which countries or states?
<i>c. Charge back arrangements</i> – In cases where funding is based on prospective estimates of student #s and/or costs, allocations are reviewed mid-year to reflect reality and funding is adjusted	Most countries w/ formulas based on prospective #s use charge-backs
<i>d. Priority-based funding</i> – Formulas where adjustments are made to reflect national and regional priorities such as critical labor force needs; also referred to as funding for relevance, e.g., a price higher than full cost might be paid to institutions for seats determined to be in high priority fields of study.	England has taken the lead in inserting priorities into its funding formula; selected US states also make such adjustments
<i>e. Performance-based formula components</i> – Performance measures are built into funding formula, e.g., institutional allocations are based on the number of year-end completers or degree recipients rather than the number of students enrolled.	Denmark, England, Israel, and Netherlands base all or portion of formula on end-of year completers or graduates

Type of Allocation Mechanism	Where Practiced
<p><i>f. Student-based allocations</i>– Funds could be distributed to institutions based primarily on the characteristics of the students who enroll instead of the more traditional institutional characteristics such as costs/student; this kind of formula could be referred to as ‘Supply side’ vouchers</p>	<p>England pays a premium for low income students. Jordan and Palestinian Authority have proposed student-based allocation schemes.</p>
<p><i>g. Organizations developing formulas.</i> Another important consideration in describing formulas is what kind of group develops the particulars of the formula. Options include:</p>	
<p>1) <i>political entities</i> – In most countries politically elected entities such as chief executives or legislatures design and implement the funding formula</p>	
<p>2) <i>buffer bodies</i> – In a minority of cases, groups known as buffer bodies develop the formula. These buffer bodies represent the link between governments and institutions and are intended to insulate the funding process from excessive political pressures</p>	<p>The Higher Education Funding Council of England (HEFCE) is a prime example of a buffer funding body</p>
<p>3. Categorical Funds – A more traditional form of funding in which certain categories of institutions are designated as being eligible for funds for a specific purposes; these funds may often be distributed on a formula basis among the designated institutions</p>	<p>Title III program in USA, funds for predominantly black instns in South Africa</p>
<p>4. Performance-based funding – In addition to performance-based formula funding components described above, a number of countries in recent years have adopted performance-based funding mechanisms to fund all or a part of recurrent operating budgets. Four types of performance-based funding are:</p>	
<p><i>a. Performance set asides</i>- A percentage of funds outside of the basic funding formula are distributed based on a set of performance measures. Typically only a small portion of funds for recurrent expenses are distributed on this basis; in a few cases, most funds are allocated on performance measures.</p>	<p>South Africa; more than a dozen states in USA, including Missouri, New Jersey Tennessee, South Carolina, Ohio,</p>
<p><i>b. Performance contracts</i> – Regulatory agreements between governments and systems of institutions or individual institutions in which various performance measures are used to benchmark progress. These contracts are typically more punitive than incentives as institutions would be penalized for not meeting the agreed upon performance-based standards.</p>	<p>In France, payments are made when contract is signed, with post-evaluation. Denmark & Austria also use contracts, Colorado implementing contracts.</p>
<p><i>c. Competitive Funds</i> – These are usually funded on a project-by-project basis, typically for the purposes of improving quality, promoting innovation, and fostering better management – objectives that are difficult to achieve through funding formula or categorical funds</p>	<p>Argentina, Bolivia, Bulgaria, Chile, Ghana, Hungary, Mozambique, Sri Lanka, USA (FIPSE)</p>
<p><i>d. Payment for results</i> – A small number of countries now pay for performance in one of the two ways:</p>	
<p>1) <i>Performance-based formula components</i> – discussed above as I.A.2.e</p>	<p>Denmark, England, Israel & the Netherlands</p>
<p>2) <i>Fees for services</i>- Institutions enter into contracts with governments to produce certain numbers of graduates and are paid based on whether they meet the contract specifications</p>	<p>Colorado implementing system to pay for each post-baccalaureate student enrolled</p>

Source: Salmi, J and Hauptman, A.M. (2006).

Appendix X - Characteristics of Governing Boards in Selected Countries

Country	Role of the Board	Membership and Size of the Board	Role of Academic Council/Senate	Role of Chair of Board	Who can be elected or appointed as a Chair of the Board	Role of Rector/VC/ President	Who can be appointed as a Rector/VC/ President
Australia	Overall responsibility to the funding body for governance of the university	Up to 24, with majority of non-academics.	Supreme academic body but is accountable to the Board	Manages the Board's business, appraises the performance of the Rector	Any non academic – from business, civil service etc	Responsible to Board for all academic and administrative management	Any senior academic (or other suitably qualified person) (1)
Canada	Ultimate responsibility for the management of the institution, and recruiting or dismissing the VC, but provinces have some powers and allocate funding	Average size is 27. 25% appointed by province, 25% elected, 25% appointed by Board and 25% ex officio. Half are lay members	Senate is responsible for the academic direction (but is accountable to the Board)	Chairs the Board, supports, advises and evaluates the President	Usually from business, the professions or civil service.	Responsible to the Board for day to day academic and administrative management	Any senior academic (or other suitably qualified person).
Denmark	The Board oversees the interest of the institution in its capacity as an education and research institution and provides long term leadership	The Board is composed of a majority of external members (the majority) and members representing the technical and administrative staff, as well as students of the university	Academic Council sees to the academic interests of the faculty; if there is only one council at the institutional level, the Board sets up the councils with the rector as the chairperson		Chairman is elected by the external members of the Board and can only be an external member of the board	The rector sees to the day-to-day management of the university within the framework set by the governing board	An acknowledged researcher with management experience
France	Governing Board, agrees four year plan and contract with the State determines the policy but still subject to many controls from MOE (eg over staff)	Members are elected from a number of backgrounds including external people.	Scientific Council recommends academic policy changes in teaching and research to the Board.	Rector/VC chairs the Governing Board, the Scientific Council and the Social Council	Not applicable	Directs the university, presides over the Councils, controls finances and is responsible for orderly running	A senior academic who is elected by members of the three university Councils

Germany	Senate carries out resource allocation. Many powers still reside in the Lander.		No central academic body, so faculty or departmental councils decide on all teaching and research matters			Either Rector or President (term of tenure differs) are nominally responsible for managing the institution but have limited powers.	Is elected from a senior professor cadre by an assembly of all staff.
Hungary	Senate is the supreme governing body which elects the Rector, but some decisions subject to approval by Minister	Members are elected for three years				Is the chief academic and administrative officer	A senior member of the academic staff elected by Senate
Indonesia	The Board of Trustees play the central role in university governance	Representatives of a number of bodies, including the ministries, academic senate, academic community, and broader society. This also includes the rector	The Academic Senate is to be elected				
Japan (2)	Board of Directors considers the most important matters before the President decides.(Each university can decide the powers of its Board)	Internal and external members	Councils shall deliberate on academic courses, research, staff appointments and students and advise the President	Not specified	Not specified	President is expected to be a strong leader with ultimate responsibility for the institution, with help from an Administrative Council containing external experts.	Well qualified candidates from inside or outside the university can be appointed by a selection committee containing non-university experts
Nether-Lands	Supervisory Board approves the strategic plans and the budget and appoints the Executive Board of three people	Five external members of SB appointed by the Minister on the advice of the University Council	University Council (of c 15) is elected and advisory body able to comment on strategic plan and proposed new regulations	No specified functions other than chairing the Supervisory Board	Usually eminent persons from business or politics	Is the senior academic member of the Executive Board which has full (but collegial) responsibility for running the university	A senior academic (professor) who is appointed by the Supervisory Board

Norway	Executive Board has overall responsibility for running the institution	4-5 external members appointed by Minister. c.7 internal members elected	Advisory bodies being created under a new law, containing Deans ex officio.				
Pakistan	The Syndicate is the chief executive organ of the university	Size of Board is 20-25 persons and includes academic and non-academic representatives; dominated by academics	Senate decides academic issues of the university, appoints members of the Syndicate and considers annual accounts		Vice-Chancellor is the President	Vice Chancellor is principal executive and academic leader of the university	Can be either an internal candidate from the university or an external candidate. Need to be competent administrators and scholars
Sweden	Board of Governors has overall responsibility for all aspects of the institution	Members and Chair appointed by Minister (but suggested by University)	Faculty Boards determine policy in teaching and research in each faculty	Chairs the Board, and is appointed by Government. Must not be affiliated with the institution		Vice Chancellor (or Rector) is the principal officer responsible to the Board	A senior academic appointed by Government on recommendation of the Board
Tanzania	Council of the university will be the principal policy making organ of the university	Size of councils must be between 11-21 members; up to 80% of the members must be from outside the university	Senate of the university is the decision making organ for academic matters		Chairman of the council will be selected by the President of Tanzania based on the recommendation list submitted by the University Commission	Vice-Chancellor is the principal academic and administrative officer of the university	Vice-Chancellor has to be a senior academic
United Kingdom (3)	Overall responsibility for managing the institution and appointing the VC	Recommended limit of 25 members (current average c.30)	Responsible for academic policy and quality, but is ultimately accountable to the Board. Has 25-150 members	Chairs the Board and reviews the performance of the VC.	Any non academic from business, civil service or Government	Is the Principal academic and administrative officer and is accountable to the Board.	Any senior academic, but suitable diplomatic, military or business people have also been appointed.

United States (4)	Board of Trustees/Regents has overall responsibility for managing the institution, but powers vary by State. Usually selects the President.	In State universities Board members (c 10-25) are appointed by the State Governor	University Faculty Senates advise the President and the Board on academic matters. Members are elected and vary in number	Chairs the Board and reviews the performance of the President	Chair of the Board is appointed by the Governor	President has overall responsibility to the Board for the academic and administrative management	Usually a senior academic, but can be from commerce or Government.
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Source: Author's compilation

Notes:

- (1) Senior diplomats, civil servants or military persons have sometimes been appointed Rector or VC.
- (2) This is based on a National University Corporation Law in April 2004.
- (3) In the U.K., there are two different governance systems for universities for those established before 1992 and those established after 1992.
- (4) This is based on state-funded universities, but details vary greatly between States. In general there is a move to delegating more powers to university Boards.

Appendix XI - Statements on Responsibilities of the Board in U.K. and Australia

United Kingdom: Statement in Committee of University Chairmen Guide, November 2004	Australian National Governance Protocol, number. 2, 2005
1. To approve the mission and strategic vision of the institution, long term academic and business plans and key performance indicators and to ensure that these meet the interests of stakeholders	In paragraph 2 (b) Yes and approve the budget and business plan
2. To delegate authority to the head of the institution, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution. And to keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the head of the institution.	In paragraph 2 (c) “Oversee and review the management”
3. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment and procedures for handling internal grievances and for managing the conflict of interest	In paragraph 2 (e) In paragraph 2 (f)
4. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should where possible be benchmarked against other comparable institutions	In paragraph 2 (c)
5 To establish processes to monitor and evaluate the performance of the Governing Body itself	Not in Protocols
6. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life	Not in Protocols
7.To safeguard the good name and values of the University	Not in Protocols
8 To appoint the head of the institution as chief executive and to put in place suitable arrangements for monitoring his performance	In paragraph 2 (a)
9 To appoint a secretary to the Governing Body and t ensure that, if the person has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability	Not in Protocols
10. To be the employing authority for all the staff in the institution	Not in Protocols
11. To be principal financial and business authority, to ensure that proper books are kept, to approve the annual budget and financial statements and to have overall responsibility for the university’s assets, property and estate	In paragraph 2 (b)
12. To be the institution’s legal authority and to ensure that systems are in place for meeting all the institution’s legal obligations	Not in Protocols
13. To make such provision as it thinks fit for the general welfare of students in	Not in Protocols

consultation with Senate	
14. To act as Trustee for any property, legacy, endowment or gift in support of the work or welfare of the institution	Not in Protocols
15. To ensure the University's constitution is followed at all times	Not in Protocols
Not Included in the U.K.'s Statement	2 (d). To establish policy and procedural principles.
Not Included in the U.K.'s Statement	2 (g). To oversee and monitor academic activities
Not Included in the U.K.'s Statement	2 (h). To approve significant commercial activities.

Source: Author's compilation



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In this paper we are concerned with the way that governments plan and direct their tertiary education sectors. The term “governance” is used to describe all those structures, processes and activities that are involved in the planning and direction of the institutions and people working in tertiary education. We will also look at some aspects of the internal governance of institutions, but only to the extent that the state believes that it should be involved. This is in line with the key principle behind so many recent reforms - that institutions should, as far as possible, be free to manage their own affairs. The aim of the paper is to provide those concerned with higher education policy with a concise summary of current developments in the management of tertiary systems. The paper seeks to provide evidence of the global trends in the ways that such systems and institutions are planned, governed, and monitored. The scope is limited to issues of strategy, funding, and governance, although some reference is made to assessing quality and institutional management.

The findings, interpretations and conclusions expressed in this paper are entirely those of the authors and should not be attributed in any manner to the World Bank, its affiliated organizations or to the members of its board of executive directors or the countries they represent.

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