Chapter 41
Relating Quality and Funding:
The Romanian Case

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41.1   Introduction

In the past two decades, a growing number of countries implemented non-traditional, innovative solutions to the considerable shortcomings and challenges they faced in financing higher education (Salmi and Hauptman 2006). Governments have used funding schemes for higher education institutions (HEIs) to reach specific policy objectives. Promoting equity in higher education, increased autonomy and accountability of HEIs or increased quality of university programmes are arguably examples of such objectives. At the same time, a funding scheme may also attempt to offer the actors in higher education (HEIs, students or teaching staff) both positive and negative incentives in order to eventually curb their behaviour. These financial incentives may consist in general rules for funding universities, such as funding formulas or even more specific procedures. One may thus see certain relationships between higher education public funding and its outcomes.

The demand for tertiary education in most countries around the world grew to levels one could hardly imagine 30 or even 20 years ago. On the other hand, developing quality programmes and attempting to create top (or world-class) universities adds a new pressure on governments. However, in many countries the governments failed to provide public resources that are adequate to meet any demand. The disparity

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In A. Curaj et al. (eds.),
European Higher Education at the Crossroads:
Between the Bologna Process and National Reforms
Springer, Dordrecht, 2012, pp. 791-807

between available public resources and the growing demand for tertiary education prompted governments to develop a series of policies. The most frequent response has been to provide incentives for a more efficient use of the public funds, for example by increasing the university autonomy. Another response has been to extract more resources from stakeholders as a way of increasing cost sharing: introducing or raising tuition fees, seeking additional private resources, initiating various loan schemes for students etc. Some governmental actors decided to provide funding schemes consisting in the preferential allocation of funds to the universities which were regarded as offering high quality programmes.

The main hypothesis of this paper is that the funding mechanism generates a set of incentives, behavioural patterns and specific institutional processes (i.e. at university level) that are pivotal both for the understanding and the management of an education system. Given its importance, it is one of the key reform tools in higher education reform processes. We argue that many of the changes that may be identified in the behaviour of the public universities in different countries could be traced back to the incentives and constraints provided by the funding mechanism in use. We shall focus here only on one example, the Romanian case. This case may be of interest by considering a comparative analysis of funding mechanisms with respect to their consequences and the institutional dynamics they set in motion (e.g. the traditional and various types of formula-based allocations). The paper presents various elements of evidence in this respect.

We will focus on the relation between university quality and budgetary allocations. Are they related or need they be related? Is the policy of adjusting funding to the quality of the programmes and to the ranking of the universities defensible?

One important point, related to the Bologna Process, should be mentioned here. The Bologna Process has indeed provided the wider framework for the changes and configurations of higher education funding mechanisms. This framework has increased the opportunities for a more intense transnational exchange of information and policies as well as for specific cross-national comparative analysis. However, the Bologna framework as such has had little direct influence, if any, on national funding mechanisms. These have been mostly oriented towards the introduction of market-based instruments by paying attention to such specific issues like diversifying funding sources, formulas of budgetary allocations, accountability and maximisation of social return of public investment. Among the objectives and principles of the Bologna Process almost no reference was made to higher education public funding with the exception of such general recommendations like the need for an increased budgetary allocation to higher education, considered as a "public good". Higher education funding mechanisms seem to be mostly a domestic national affair, meant to increase competition both within and between systems and institutions. For this reason, we are primarily interested in highlighting those institutional configurations in which national higher education actors operate when confronted with strategic interactions related to funding and quality.

41.2   A Short History of Romanian Higher Education Funding

History does matter in most of the public affairs, and not only in this area. When adopting an institutional perspective of analysis (North 1990), the historical "path dependence" is very much at work. It is for this reason that we choose to refer shortly to the recent history of Romanian higher education funding.

Immediately after 1989, the Romanian higher education experienced huge changes. First, the structure of the university programmes was previously unbalanced: nearly 70% of the new places allocated for students by the government were in the field of Engineering while Social Sciences, Economics, Business or Medicine were severely undersupplied. Secondly, the public universities enrolled a very small number of students compared to the demand for higher education. The economy of queues and shortage, characteristic to Socialist societies, had as its counterpart in higher education a fierce competition among candidates for one of the few places in a university programme. Five to fifteen candidates for one place represented the normal state in the case of Medicine, Law, Humanities, Business or Economics programmes. From this perspective, the changes in the 1990s were drastic, but not surprising. With an economy in deep restructuring, the demand for Engineering fell down dramatically. Technical universities continued however to offer a large number of government-subsidised places, but often less than one candidate competed for one place. However, in absolute terms, the number of places offered by them did not decrease significantly, while in relative terms, in 1999 the proportion of students enrolled in technical programmes dropped to 36.5%. The number of state-subsidised places offered in the fields of Medicine, Social Sciences, including Economics and Business increased, but the lack of public resources prevented public universities from coping with the demand. As one can easily imagine, the newly established private higher education institutions succeeded in attracting a large number of students, most of them in these fields.

However, despite these changes, until 1999, public universities were funded according to principles more or less inherited from the Socialist period. Roughly, the mechanism could be described as follows: the largest part of the State funds was distributed according to the number of faculty and auxiliary staff positions. Other funds were distributed on predetermined destinations like utilities, investments, etc. The level of funding for each university was dependent upon historical funding and to a large extent the officials in the Ministry of Education had a discretionary control over it.

One of the most interesting institutional consequences of this incentive system was that not all teaching positions were filled; actually, the universities preserved a large number of them vacant. The reasons were complex, but all can be accounted of in a rational-actor framework: first the staff could be better paid, on a cumulative scheme, when a person occupied more than one position. Secondly, in case of budgetary cuts, universities dispensed with vacant positions, and avoided firing their employees. A third, and compelling, reason was that, since the university budget coming from the State budget was highly correlated with the number of staff posi-

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Springer, Dordrecht, 2012, pp. 791-807

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tions, university officials tried to expand it. However, the Ministry of Finance limited the total number of positions in the higher education system; the interests of university officials to maximise their budget competed with the interests of the officials of the other universities, as well as with the interests of the officials in the central Ministries.[1]

A noteworthy institutional dynamics took place in the area of increasing the number of university positions allowed by the State authorities. One way to increase them was to propose a new study programme (The procedure was in fact complex: the university had to proceed to authorising the new programme, by presenting it to the National Council for Academic Evaluation and Accreditation[2]). Then the university asked for some new budgetary places for students to be enrolled in the new programme; it entailed the need to cover the courses, and this resulted in new teaching positions the Ministry was forced to accept. Second, universities argued that the existing programmes did not overlap significantly new courses and that similar courses and other teaching activities must be counted separately, in different teaching positions. For example, the same introductory course in Mathematics was taught for each and every specialisation in a technical university, but counted separately. Third, the pressure to make larger and larger the weekly number of courses and seminars a student was required to take was difficult to resist; and these larger numbers translated into new teaching positions, etc. The number of non-teaching positions expanded mostly when related to student services. Most governments in the 1990s tried to assure the support of the students' associations and therefore did not hesitate to accept their demands on the side of the universities.

Universities appealed to student flows criteria, but only in an instrumental sense, since larger flows resulted in more university positions. But the number of students enrolled could be increased in two ways: first, by getting more places the costs of which was supported from the State budget; and second, by offering new places for students who were willing to pay the tuition fees themselves. The competition for more students became very fierce. More important than that, a "public choice" type of pressure (Buchanan and Tullok 1999) was set into motion under the form of an intense lobbying and interest group action. On the one hand, public universities tried to prevent the private, newly established, universities from attracting too many competitive candidates. The instrument they used in this sense was to block them from being accredited and hence get a higher legal status. Two examples could offer a good illustration in this respect. First, for more than 4 years, Medicine programmes in private universities were all blocked from being even temporary authorised to enrol students. On the other hand, although many private universities satisfied all

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[1] For analytical purposes the budgetary funds used to cover the personnel expenses can be conceptualised as a common-pool resource (Ostrom et al. 1994). The increase in the number of teaching and non-teaching positions resulted at the end of the 1990s in the 'overgrazing' of the budget. In many respects the introduction of the new, formula-based funding mechanism could be seen as a response to the coordination problems raised in this framework.

[2] In 2006 the National Council for Academic Evaluation and Accreditation was replaced by another institution: the Romanian Agency for Quality Assurance in Higher Education (ARACIS).

legal criteria, set as conditions for their accreditation process, the decision was postponed by the accreditation agency for more than 3 years (*i.e.* from 1998 to 2002). Conversely, private universities lobbied to block a Cabinet Ordinance according to which public universities could enrol students who paid their own fees. As a result, given that State-supported places in higher education were limited, a large number of higher education candidates could thus be directed towards private universities. As it happened, public universities were allowed to enrol fee paying students only beginning with 1998, roughly in the same period when the Parliament passed the law according to which the new funding mechanism was established.

In this institutional setting related to the distribution of both public and private financial resources to higher education, quality provision became not only a secondary matter. Its standards fell dramatically. Securing a higher number of students and, thus, more financial resources meant also diminishing quality standards. Discussions about "diploma mills" multiplied. It became clear that higher education funding mechanisms had unintentional effects related to a diminishing quality provision in most of the HEIs and study programmes.

41.3   A New Formula-Based Funding and Its Consequences

Starting with 1999, a new formula-based funding scheme has been enforced. It may be seen as a solution to two basic problems: (a) the pressure on the budget generated by a "common pool resource" over-usage logic, and (b) the self-impairing dynamics created by the lobby competition between public and private universities acting in a typical "public choice" logic.

Let us explain this. The funding mechanism is based on a few simple principles. The funds Romanian universities received from public sources are divided in two large categories: basic or core funding and complementary or additional funding (Dinca 2002). Complementary funding covers the subsidies for student accommodation, equipment, investment and general overhaul, and funds for academic research. The complementary funding can only be obtained on a competitive basis (except subsidies for student accommodation, which were mainly established by taking into account criteria like the number of students who lived in student residence halls). Basic funding is meant to cover all staff costs and material expenses (without general overhauls). This sum is allocated under a formula. The formula includes general, widely considered input criteria (Kaiser et al. 2001; Jongbloed 2001). The most important criterion is the number of students enrolled in different (Bachelor or Master) programmes. The Ministry of Education offers yearly a number of student fellowships for undergraduate and graduate studies. In the past decade, this number was settled to about 60,000 for new entrants in undergraduate programmes; given the Bologna process, the number of fellowships for students enrolled in Master programmes has increased to more than 30,000.

Besides the number of students enrolled, the main parameters taken into account by the formula are: (adjusted) cost coefficients by field of study and type of

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Table 41.1 Funding coefficients for types of university programmes, 1999

Type of programme	Coefficient (1999) for personnel expenses	Coefficient (1999) for material expenses	Aggregated coefficients (1999) (material expenses: 20%)	Aggregated coefficients (2010) (material expenses: 20%)
Social-humanities	1.000	1.000	1.000	1.000
Experimental sciences (physics, chemistry)	1.472	2.000	1.578	1.650–1.900
Psychology	1.280	1.280	1.280	1.000
Applied mathematics	1.280	1.280	1.280	1.650
Economics and business	1.000	1.000	1.000	1.000
Engineering	1.472	2.000	1.578	1.750–1.900
Agriculture	1.643	1.643	1.643	1.750
Medicine	1.708	2.500	1.866	2.250
Sports	1.838	1.950	1.860	1.860
Music-arts	2.477	2.477	2.477	3.000–5.370
Theatre-film	5.374	5.374	5.374	5.370–7.500

Source: Miroiu and Dinca (2000, p. 52), also see Nica (2001) and CNFIS (2009)

programme, the lump sum (approved by the State budget law) that establishes the level of funds the Ministry of Education can allocate to all the universities for basic funding. In order to determine the amount of funds allocated to a university, the number of (State-supported) students enrolled is weighed according to the field and the level of the programme (Bachelor or Master). The root formula used to compute the funding of a public university is:

$$N_{se} = \Sigma_{i=1} \left(N_{fi} \cdot K_i \right)$$

where N_{se} is the number of weighted (or 'equivalent') students of the university, N_{fi} is the (average) number of (State-supported) students enrolled in a programme of type i, and K_i is the weighted coefficient corresponding to the programme i. The weighting coefficients took into account different levels of personnel costs and material costs (Miroiu and Dinca 2000; CNFIS 2009). Table 41.1 exemplifies these coefficients (when the ratio of material expenses is 20%). It is important to note that in more than one decade these coefficients have not changed significantly.

Besides these coefficients, the level of programme is also pivotal. Comparisons have appealed to the so-called equivalence coefficients. Taking a standard Bachelor programme as basic, i.e. with an equivalence coefficient 1.000, other types of programmes (e.g., Master or doctoral programmes or programmes in a language other than Romanian) were correspondingly weighted. Table 41.2 presents the main equivalence coefficients.

So, for example, a student enrolled in a standard social science Bachelor programme was translated into one equivalent student; a student enrolled in a standard social science Master programme was translated into two equivalent students. But a student enrolled in a Bachelor programme in Engineering offered in English was to

Table 41.2 Equivalence coefficients in the funding formula

Bachelor programmes	
Bachelor programme in Romanian	1.000
Bachelor programme in a foreign language	1.500
Bachelor programme in Hungarian (native language)	2.000
Bachelor programme in German (native language)	2.500
Bachelor programme in campuses abroad	2.500
Master programmes	
Master programme in Romanian	2.000
Master programme in a foreign language	3.000
Master programme in campuses abroad	3.000
Doctoral programmes	
Doctoral studies in engineering, agriculture, science and medicine	4.000
Doctoral studies in other fields	3.000

Source: CNFIS (2009)

be translated into, e.g., $1.750 \times 1.500 = 2.625$ equivalent students and a student enrolled in a Master programme in Engineering offered in English was to be translated into, e.g. $2.625 \times 3.000 = 7.875$ equivalent students.

The funds are directed towards universities on a block scheme. As a result, under the new funding mechanism, their autonomy increased. The State authorities lost their control over the number of teaching and non-teaching positions in universities. The 49 public universities got full control over the use of their facilities and over their investment policies. Since funding is based on a formula, allocations became more transparent. To ensure transparency and accountability, the formula is applied by a buffer organisation, the National Council for Higher Education Financing (CNFIS).[3]

The funding process proceeded as follows: first, the Ministry of Education allocated for each university a number of State-supported student places. The university was allowed to distribute these places among its study programmes. After receiving the university distribution, CNFIS computed: (i) the total number of equivalent students for each university; (ii) the total number of equivalent students at national level; and (iii) the value of a grant per equivalent student. Given the number of equivalent students for each university, the total amount of money for the so-called basic funding was easily computed.

This formula-based funding scheme provided quite simple incentives for university leaders. First, it allowed universities to autonomously use their budget. Universities could design and implement their own policies of institutional development.

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[3] However, the State authorities maintained a powerful instrument to influence universities: the Ministry of Education strictly controls the student flows, in that it establishes the number of State-supported students in each field and for each university. This entails that the Ministry of Education retains the control on the size of university budgetary funding. It is important to add that for more than a decade, under all cabinets, there were no transparent criteria for establishing the number of State-supported students each university is allowed to enrol. In this respect, the discretionary power of Ministry officials was retained.

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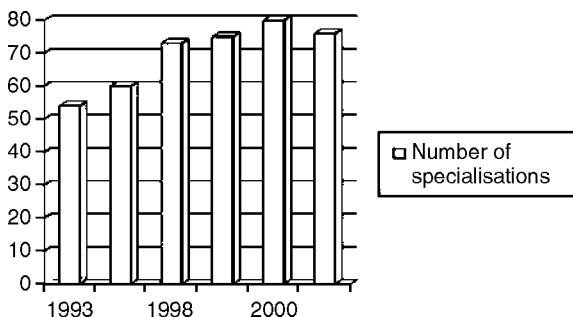Springer, Dordrecht, 2012, pp. 791-807

Secondly, universities developed strategies to reduce costs. They usually included: increasing the student/staff ratio by enrolling more students in the same classes; increasing the ratio of the vacant teaching positions (according to the Romanian legislation, the costs associated with the vacant positions are much lower); overuse of the teaching facilities; reducing the offer for other facilities offered to students (dormitories, student restaurants, sport facilities etc.), changing curricula by reducing the weekly number of courses, laboratories and seminars required for students and offering the same courses to students enrolled in different study programmes; reducing the number of programmes for which the costs were very large; enrolling much more students who pay the fees themselves.[4] Let us underline that this funding mechanism has been applied under the conditions of shrinking public allocations to higher education.

In the first years after the new funding formula was enforced, the incentives to minimise costs resulted in an increased capacity of the State universities to cope with the chronic lack of financial resources. The changes were even more beneficial, given that the level of funding from the State budget was critically low. Some examples may be useful. First, under the historical funding mechanism, the academic curriculum became excessively loaded. The reason was that it translated in a more teaching and non-teaching positions which had to be financed from the budget. At a time when the ratio students-staff was 15–18 students to one teacher in many European countries, in the Romanian universities the ratio was about 5 students to one teaching position. Although dysfunctional when judged according to academic standards, these transformations represented, however, the rational response of the universities to the historical funding framework. With the new funding scheme, cost rationalisation became one of the driving policies of the universities. The existing data confirm this dynamics. The number of students per teaching position was in 1998 as low as 4.85. In 2001, 2 years after the new funding mechanism was implemented, the total number of teaching positions in Romanian public universities was 44,949, while the total number of students was 254,675 (ratio student/teaching position: 5.66). In 2004 the number of teaching positions reached a peak of 45,201, but in 2007 it fell to 42,299 and in 2010 it was 43,029. But, in this period, the number of students increased very much. Not taking into account the students in Master and doctoral programmes, the number of students enrolled in Bachelor programmes increased from 485,371 in 2004 to 515,593 in 2007, while in 2010 it decreased to 447,660. So, the ratio students in Bachelor programmes/teaching staff climbed to 10.73 in 2004, 12.18 in 2007 and then went down to 10.40 in 2010.[5]

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[4] The Academy of Economic Studies in Bucharest offers a stark example. In 1997 it enrolled a number of about 21,500 State-supported students. However, as soon as the university was in a position to enrol students who paid their fees, the number of State-supported students decreased. In 1999, their number was less than 16,000, while the number of students who paid their tuition fees reached more than 5,800. Two years later the number of self-paying students increased to nearly 15,500.

[5] There are more reasons why the number of students enrolled in bachelor programmes decreased. First, we have demographic trends; secondly, the Bologna system reduced the length of bachelor programmes (usually with about two semesters). But in this period the number of students enrolled in master programmes increased very much.

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Fig. 41.1 The number of specialisations offered by the West University of Timisoara

Secondly, the historical funding mechanisms provided the universities with an incentive to offer a larger and larger number of programmes. The list of academic specialities in the long – and short-term educational offer extended dramatically. In Romania there are 49 public universities (this number does not include military and similar HEIs), where approximately 570 specialities are being studied. In just 4 years (1994–1998), the National Council for Academic Evaluation and Accreditation temporarily authorised or fully accredited these specialities, on request. In other cases, academic subjects such as Mechanical Engineering, Energy or Chemical Engineering have been further divided into tens of specialisations across 5 years of study with apparently different curricula, when it was obvious that (at least in the first 2 or 3 years) the teaching was almost identical. The diversification of academic specialities at the undergraduate level has been generated to a great extent by the historical funding, in conjunction to the deans and department chairs' need to fulfil personal or group projects, rather than by a needs analysis of the labour market or by a mere reaction to the labour market. This is why the number of narrow, strictly disciplinary specialisations has been growing at a spectacular rate. One expects that in a formula-based funding mechanism the strategic option should be moving towards broader specialisations for the initial academic training, so that graduates could access, through continuing education, various academic modules and thus this problem could be functionally solved. An example is instructive. The West University of Timisoara is a medium-sized university. It enrolled a number of 9,351 students in 1999, and 11,988 in 2001. But the number of teaching positions decreased from 2,640 in 1999 to 2,054 in 2001. Figure 41.1 shows how the number of academic specialisations offered evolved from 1993 to 2001. One can see that 2001 was the first year when some specialisations were not offered anymore, although they were accredited; hence the decision not to enrol students in those programmes belonged to the university itself.

The formula-based funding formula provided important incentives to the State universities to reduce costs. Not surprisingly, the quality of the educational programmes suffered most. Moreover, there were no *prima facie* incentives to contravene this propensity. However, starting with 2003, the Ministry of Education and CNFIS have introduced a mechanism to urge universities to take quality into

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account. The idea was to use so-called quality indicators which would account for the allocation of a part of the funding. In the first years, 10% of the budget allocated according to the formula was distributed by taking these indicators into account, and then the proportion reached 30%. The better a university satisfies the quality indicators, the larger the sum of funds it received.

Quality indicators concerned most domains of university activity: human resources (accounting for 8.5% of the funding[6]); research (accounting for 9% of the funding); facilities (3.5%); university management (9%). Each group of indicators included at least two, and sometimes one indicator had an extremely complex structure. To give an example, university research was evaluated by means of three indicators:

IC6: quality of research
IC7: the proportion of Master and doctoral students in the total number of students
IC8: the proportion of funding from research in the total university budget.

But IC6 is a very complex indicator (CNFIS 2008). It included ten simpler indicators, grouped in five categories.[7]

Now, it is well-known that a larger number of criteria used to measure a variable result in extremely flat results. Universities could rank well on some dimension, but worse on another. For example, the fact that more students pay the tuition fees themselves may induce a higher proportion of funding attracted from other sources than the State budget, but would also generate a higher ratio student-teaching staff. If both indicators are taken into account, they would mutually eliminate influences. The result is that although 30% of the funding was allocated according to quality indicators, no university succeeded in scoring more or less than 11.6 than the ground zero, with most universities receiving the same funding as if no quality indicators were used. Table 41.3 documents this. So the incentives were not very strong to contravene the tendencies we already mentioned. Universities could well balance the level of fulfilling the quality indicators in order to maximise their benefits. For example, increasing the number of students enrolled in distance learning programmes remained very cost-efficient. All public universities acted in this way, as Table 41.3 shows.

41.4 On Institutional Homogeneity and Isomorphism

Funding schemes were not then successful in increasing the quality of Romanian higher education. They did not discriminate much on the basis of quality or performance indicators, and instead promoted an equalitarian funding. The incentives to increase quality and to develop specific strategies were ineffective.

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[6] We refer to the 2010 allocations (CNFIS 2009).

[7] University management was measured by taking into account 14 simpler indicators.

Table 41.3 Budgetary allocations to HEIs with and without quality indicators included in the formula

	Budgetary allocation without the influence of the qualitative indicators	Budgetary allocation according to quality indicators			
		Total	Budgetary allocation given the number of equivalent students (70%)	Budgetary allocation weighted by quality indicators (30%)	The influence of the quality indicators (no influence=30%)
University Politehnica Bucuresti	165,027,913	184,269,492	115,519,539	68,749,953	41.66%
University "Babes – Bolyai" Cluj	123,647,465	124,786,657	86,553,226	38,233,431	30.92%
University "Al. I. Cuza" Iasi	87,356,878	86,838,754	61,149,815	25,688,939	29.41%
University of Bucuresti	107,667,721	108,635,809	75,367,405	33,268,404	30.90%
University "Constantin Brancusi" Târgu Jiu	8,804,737	7,911,039	6,163,316	1,747,723	19.85%
University Politehnica Timisoara	75,944,654	77,679,590	53,161,258	24,518,332	32.28%
University "Eftimie Murgu" Resita	8,280,336	7,449,443	5,796,235	1,653,208	19.97%
University "Lucian Blaga" Sibiu	52,806,832	49,981,614	36,964,782	13,016,832	24.65%
University of Arts in Bucuresti	13,453,015	12,032,425	9,417,111	2,615,314	19.44%

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Our argument is that the egalitarian allocations brought about by these funding schemes had quite different consequences. Not only did they not help increase quality of the study programmes offered and the differentiation in the mission and activities of the Romanian universities, but acted in a quite contrary direction. This is a typical case of unintended consequences of a funding mechanism which rationally intended to provide incentives for enhancing HEIs autonomy and accountability.

One striking characteristics of the Romanian higher education system is its homogeneity, or at least the existence of a powerful process of weakening the differences between State and public universities, between old and new ones, between large and small universities, between comprehensive and highly specialised universities. Their mission (as codified in the university Charts) is quasi-identical, their organisational structures, types of study programmes and their organisation, as well as content, procedures and practices related to teaching and research, the internal regulations are all similar (if not simply copied from one another) and at most incrementally different.[8]

For institutionalist scholars, the process which resulted in these consequences should be no surprise. As DiMaggio and Powell (1991) argue, in highly structured organisational fields like higher education, incentives exist to produce homogeneity. According to DiMaggio and Powell (1991), isomorphic forces are powerful in the field of higher education mainly due to three characteristics. First, its objectives (such as getting knowledge or producing educated graduates) are difficult to measure. Secondly, the technology used (teaching activities) is largely unclear. And third, the organisational actors are extremely professionalised.

The two authors identify three mechanisms through which institutional organisational change occurs: mimetic, normative, and coercive. First, mimetic mechanisms express a propensity of some universities characterised by a lack of legitimacy to imitate universities perceived as traditional and highly performing. In Romania, the establishment of new universities in the past decade, as well as the appearance of private universities provided a strong impetus in this direction. Institutional mimetism consisted in adapting the organisational structure to existing traditional patterns, in developing new study programmes similar to those existing in prestigious universities, etc. The result is the increase of legitimacy on the part of the new (and private) universities, although not necessarily correlated with an effective better quality.

Normative mechanisms had an important role: in the past decades, the impact of the norms defined at national level with regard to the access to faculty positions was quite extensive. The process of professionalization of the persons who populate both old and new universities resulted in their tendency to be more and more similar in the educational activities carried on in the universities employing them, as well as in the type of research they performed. The quality assurance legislation also contributed to

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[8] The process of institutional isomorphism also characterizes other educational systems (Birnbaum 1983; Morphew 2009). A similar process can be met when we move across national boundaries: as argued in Dobbins and Knill (2009), the Bologna process brings about institutional isomorphism across European higher education systems.

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this process. The Romanian Quality Assurance Agency for Higher Education (ARACIS) provided evaluations for about 4,000 study programmes (Bachelor and Master) by appealing to more than 700 evaluators. Their joint activities impacted the way in which standards of quality assurance are defined and applied in Romanian universities, as well as the routines and practices developed in them.

However, the most important mechanisms that led to institutional isomorphism were the coercive ones. Regulations issued by the State authorities played a core role. Laws, Cabinet decisions, decisions of the Ministers of Education brought about stricter requirements on the organisation and structure of universities, on the types of study programmes offered, on the human resources policies. The financial incentives provided by CNFIS stimulated the Romanian universities to adopt quite similar policies and structures. The example of the quality indicators, which did account for 30% of the core financing of the State universities, is relevant: if they wish to fulfil these indicators, the best strategy for State universities is to become similar. In our view, the main reason why the universities try to satisfy the quality indicators is not that they get larger funds in this way; for, as we argued above, the differences resulting by taking into account the quality indicators are in general less than 10%. But, by better satisfying the performance indicators, universities enjoy a higher legitimacy and a better external perception of the quality of their activities. This expectation determined universities to be increasingly organised around rituals of conformity.

To conclude, the incentives provided by regulations on quality assurance and funding have largely contributed to enforcing a process of homogenisation of the Romanian higher education system. While this process contributed to an increased conformity with general regulations and some good practices, to a higher legitimacy of many, especially new, universities, it has also had a negative side. The race for conformity is not necessarily a move towards greater efficiency and higher and higher quality standards. On the contrary, in an institutional framework, the propensity to align to a median position is accompanied by the downwards shift of this position. On a medium term, homogenisation is strongly correlated with lower quality standards. The reason is simple: homogenisation, as well as the legitimacy it displays, is a public good. Therefore, if they attain a certain level, organisational actors have strong incentives to free-ride. And free-riding brings about worse result for all the actors involved (see also Miroiu and Andreescu, 2010).

41.5 Looking Ahead for a New Funding Mechanism

A growing concern in the academic world about the decreasing quality performance of the Romanian universities brought about fierce debates for nearly a decade. Something had to be done – but no way out was reached for quite a while. Both an adequate conceptual picture of the state of affairs and feasible policy recommendations were missing. However, by the end of 2009 a comprehensive report (currently known as the "Miclea Report") on the state of Romanian education and research was made public and widely and controversially debated. In this context, a new law

In A. Curaj et al. (eds.),
European Higher Education at the Crossroads:
Between the Bologna Process and National Reforms
Springer, Dordrecht, 2012, pp. 791-807

on education was enforced at the beginning of 2011.[9] The new law sets the objective to classify all universities, both State and private, in three classes based on their quality in research, teaching, relations with environment and institutional capacity. The legally stated classes are: universities focused on teaching, universities focused on teaching and research, and research intensive universities.

The classification is not intended to provide a university ranking, but rather to support them in defining different missions and developing differentiation strategies. The law clearly states that universities in all classes must be supported according to the way in which they succeed in achieving performance with respect to their stated objectives. In the summer of 2011 the Ministry of Education published the first, if provisional, classification. A number of 12 universities were included in the class of research intensive universities, and 15 in the class of universities focused on teaching and research (www.edu.ro). The classification was completed by a ranking of all study programmes in five hierarchical categories.

The two processes had an immediate consequence: the magnitude of the resources distributed by the Ministry of Education to the public universities faced a sudden, and sometimes dramatic, change.[10] Thus, the universities which were classified as research intensive received more grants for students enrolled in Master programmes (approx. 20% more), and more grants for doctoral students; while the teaching and research universities roughly retained the same number of grants for students enrolled in Master programmes, they received smaller numbers of grants for doctoral students and only for those programmes that were highly ranked. But the teaching-focused universities received a drastically diminished number of grants for doctoral and Master students. Since the formula-based funding scheme is still in place, this fact immediately translates into much smaller budgetary allocations for the core basic financing.

CNFIS is currently preparing a new funding scheme to be in use from the financial year 2012. It assumes two driving principles. First, in line with university classification, funding aims at supporting their differentiation. Secondly, in line with the programme ranking, funding would take into account the classification of the universities and the ranking of their study programmes.

As for the first aim, the general view on differentiation is that it would be: (1) multi-dimensional; (2) inclusive; (3) non-hierarchical; (4) flexible, and (5) non-compulsory (also see Van Vught 2007). Multidimensionality is non-reductionist. For example, it should not favour just one aspect of university performance (e.g. research or ability to attract funding). Inclusiveness implies that it should apply to all Romanian universities, regardless of their being public or private. The non-hierarchical character is required in order to attract the positive action of the universities: for any differentiation that ends with top-positioned and bottom-positioned

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[9] http://www.edu.ro/index.php/base/frontpage

[10] It is worth noting that in the past decade the formula-based funding mechanism was implemented in such a way so that changes in the size of allocations from the state budget were always incremental.

universities creates frustrations and perverse actions to undermine the criteria proposed and the effects of the resulting hierarchy. Non-compulsory differentiation means that the universities themselves have the crucial role in defining their position as members of a cluster or another; and flexibility entails that differentiation is not static, but dynamic. This immediately entails that there is not a single, universal, policy proposal. Differentiation can be induced by using a large number of types of incentives. A standard example in this regard is provided by the Higher Education Funding Council for England. Among the incentives the Council appealed to we may note: institutional flexibility in the use of block grant funding, with freedom to determine resource allocation internally; dual support for research, enabling universities to plan their own research profiles; institutions freedom in determining the form of engagements with businesses and community; student premiums, which recognise differing costs between levels and modes of study; specialist institution premiums, especially for small and mono-subject institutions; special funding incentives for particular purposes; supporting institutions in developing their own missions and strategies, by taking into account performance indicators which recognise the variety of institutional types and allow benchmark comparisons to be made, etc. (HEFCE 2000; see also Taylor 2003).

How would funding take into account the ranking of the study programmes? First, the number of grants allocated to study programmes should not be left at the arbitrary decision of the ministerial bureaucracy, but computed according to: (i) the domain in which it is offered (is it a priority for the government public policies of the time?); (ii) the capacity of the universities to enrol a number of students without decreasing the quality of the programme, and finally (iii) the way that study programme is ranked. However, as we already mentioned, quality needs to be regarded in a non-reductionist way: the number of grants allocated to a university would vary according to its capacity to reach its mission and objectives.

Secondly, the new law requires that a sum representing at least 30% of the core funding be allocated to the universities on the basis of quality. Quality indicators are then expected to be so constructed that they would differentiate HEIs much more than they did before. The idea is that this policy would determine them to be much more careful in developing new programmes, and on the other hand, direct resources to the higher quality programmes and departments in research and/or teaching. Third, a new so-called funding for institutional development would be established. In our view, this new type of funding may be the vehicle to be used by the Ministry of Education, and CNFIS, to propose and enforce policies of institutional change. One example may be envisaged: one policy objective of the authorities may be that of reducing the number of universities. In Romania there are 49 State universities (to which we can add 7 military universities), and more than 60 private universities. Among the State universities, some have a few hundreds or thousands students. The Ministry repeatedly expressed its view that university merging would contribute to more efficiency in the use of public resources, as well as to more competitive universities in the present European and globalisation context. Funding incentives are, in our view, extremely appropriate: if merging, universities would receive funds to strengthen their managerial, research, and/or teaching capacity.

How would the actors (universities, staff, and students) respond to this new set of (different) funding incentives? This is a question for the future. In the meantime, we are looking for a way to better specify and then implement the new funding mechanisms.

41.6   Conclusion

It is a truism to say that funding mechanisms hold a key position in any explanation of the higher education system and organisational developments. However, we are far from fully understanding the institutional matrix at work. By looking more closely, from an institutionalism perspective, at the workings of higher education funding mechanisms in Romania, we intended to highlight how these mechanisms generated certain consequences in areas like student flows, staff recruitment and promotion, quality assurance and organisational structures.

Funding mechanisms are historically "path dependent" in their functioning. Their generating consequences are also dependent on the contextual institutional matrix existing at both system and organisational levels. For this reason, whatever purposive actions and objectives might have been designed in a funding mechanism, many unintended consequences are induced by its very contextual and institutional context. Some of these consequences may prove to be quite detrimental at both system and HEIs levels, while others are associated with quality. In order to prevent some negative unintended consequences of the existing funding mechanisms, a new policy of higher education public funding should be periodically envisaged while also anticipating and monitoring its intended and unintended consequences. This is particularly important when considering the growing diversification of higher education provision on public/private axis, but also the changing ties among the polity, economy and civil society, the institutional embeddedness of academic markets coupled with an increased demand for higher education qualifications and a higher pressure for public accountability. Organisational changes are thus viewed as interest-based actions constructed in the context of specific institutional and historical parameters, but also with regard to the wider system level parameters.

Government regulations targeting the institutionalisation of new funding and accountability schemes have both intended and unintended consequences on the "inner" organisational structures of HEIs and also on the ways the higher education system functions as a whole. Coupling the endogenous and exogenous institutions at work (Meyer and Rowan 2006) also calls for an analysis of the issues of power in the process of institutional change in higher education.

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