CHAPTER 5

Managing for Results in the Tertiary Education Sector

Despite certain areas of excellence and growing numbers of students, the quality of tertiary education among countries in the ECA region continues to be of concern. The sector has expanded, but the growth has occurred without sufficient quality assurance mechanisms and without the necessary information enabling users to make informed choices. As a result, it is unclear if tertiary students are graduating with the advanced competencies needed by future employers.

A number of countries in the region have already granted tertiary providers considerable autonomy. These countries, while continuing to promote local management of this sector, now face the additional hurdle of improving academic and fiscal integrity by introducing accountability mechanisms that focus on improving learning outcomes. Other countries in the region have yet to change their centralized management practices. These countries face the simultaneous challenges of enhancing university autonomy and developing stronger accountability mechanisms. All of the ECA countries, however, need to make greater efforts to collect data on student learning and employment outcomes, and introduce performance-based financing.

Even though fundamental integrity problems remain widespread in the university sector, it is important that ECA policy makers refrain
from attempting to resolve these problems before they devolve authority to universities and introduce flexible financing. The great temptation in the region—given its tradition of strong centralized control—is to fix integrity problems with even stronger centralized control and management, which history suggests is unlikely to improve the situation. Even if it could, more control is unsuited for improving either relevance or financial efficiency in the tertiary sector. Instead, greater autonomy is needed if local decision makers are to discover and adopt local, innovative solutions that equip their graduates with the competencies needed on local labor markets.

In addition to strengthening accountability, all ECA countries need to focus on collecting more student outcome data. Here, the region shares the problem of advanced industrial nations: an inability to evaluate sector performance based on student learning outcomes. Performance in tertiary education continues to be primarily evaluated based on the data that are easy to generate, namely, the number of academic publications by faculty, which says very little about the quality of teaching and even less about how much students have learned. The only way to shift the discussion of performance towards student learning outcomes is to start using standardized tests to measure what students learn.

Greater use of performance-based financing in the sector is also critical for improving the accountability and efficiency of higher education institutions. In addition, more private resources will be needed to help the tertiary sector meet rising student demand, with fee-based mechanisms offering an additional way to strengthen the focus on results.

**Introduce Learning Assessments and Track Employment Outcomes**

As in the pre-university sector, the need for better outcome data in the tertiary sector is the first priority of central governments in the ECA region because without such data, they cannot address the legacy of central planning. That is, they cannot move from micromanaging inputs to steering the system through policy guidance and standards. Specifically, policy makers need to know whether scarce public resources (and existing rules and regulations) in the university sector are working or need adjustment. For such an assessment, a range of different data is required, with data on student learning and employment outcomes the most important. Only this type of data can answer the question: What is the sector achieving in terms of results?
Governments are not the only actors that would benefit from better information on outcomes. Employers, students, and parents also need objective, standardized data to make informed decisions. The market for tertiary education is a classic example of the seller (i.e., universities) being vastly better informed than their consumers (i.e., students, parents, and future employers), or even their financiers and donors (i.e., governments, for the most part) (Carey 2010). When students make choices about future universities and degrees, they usually do so without having met the professors who will teach them and with little to no understanding of the skills that they will acquire. This asymmetry places a great deal of power in the hands of the seller, which can contribute to worsening quality and higher costs for the consumer. In other parts of an economy characterized by similar informational asymmetries, policy makers usually play a strong regulatory role or mandate that providers provide better information to consumers or both.

Currently, data on tertiary outcomes in the ECA region as elsewhere focus on research outcomes, such as how many publications the faculty of a university is producing. Unfortunately, when this is the only performance indicator available, it inadvertently receives more attention than it should. Indeed, rankings of universities in the region place significant weight on the number of publications that they produce. However, from a skills perspective, the outcome that matters most is whether students are graduating with the competencies in demand on the job market and finding jobs. Currently, these outcomes are not being measured. Governments in the ECA region can change this situation by granting tertiary institutions public resources in return for them providing useful information about student learning and employment outcomes. There are several complementary ways of gathering this information, some of which are more direct than others. These include rankings or league tables, tracer studies, and direct measurement of student competencies via standardized tests.

As noted in earlier chapters, standardized tests are the best available indicator for measuring student performance, especially when socioeconomic characteristics are collected for each student (allowing the results of different socioeconomic groups to be compared). Such data are especially useful if organized to track the progress of individual students over time. Together with other indicators, these tests provide data on differences in learning outcomes between weaker and stronger students and institutions. Without this information, policy makers have no way of identifying—and thereby rewarding—institutions that do the best job of giving the largest number of students a quality education. Unfortunately,
It is perhaps understandable that higher education institutions around the world have been reluctant to let governments interfere in designing tests and measuring competencies of their students, arguing that such attempts would interfere with academic freedom. Any attempt to introduce such tests should accordingly be carried out in cooperation with higher education institutions.

Several countries around the world have introduced standardized tests to measure what competencies their tertiary students acquire during the course of their studies. For instance, in the United States, the Collegiate Learning Assessment (CLA) was developed in the 2000s by a subsidiary of the RAND Corporation, and is currently used only by roughly 400 institutions. Recognizing that students choose very different academic specialties in college, “the CLA tests the higher-order thinking skills that all college graduates should possess: critical thinking, analytic reasoning, and communication. The exam is given to a sample of freshmen and seniors to estimate how much students learn in college” (Carey 2010, 16–17).

Similarly, since 1949, the Graduate Record Examination (GRE) has been used as an admission requirement by numerous graduate programs in the United States. It is a standardized test that seeks to measure verbal and quantitative reasoning, analytical writing, and critical thinking skills.

The OECD is currently preparing an assessment of tertiary students called the Assessment of Higher Education Learning Outcomes (AHELO), a tool that will “assess learning outcomes on an international scale by creating measures that would be valid for all cultures and languages.” However, the OECD does not expect a full-scale AHELO to be launched before 2016.

Sources: Carey 2010; author’s analysis.

Note: a. See the AHELO website for more details: www.oecd.org/edu/ahelo (accessed September 2010).
Experiment with Measuring Learning Outcomes

All countries in the ECA region save Tajikistan, the Kyrgyz Republic, Uzbekistan, Turkmenistan, and Kosovo, have become signatories to the Bologna Process and the push to create a European Higher Education Area (EHEA) by 2010. As participants in the Bologna Process, most ECA countries have taken important steps towards establishing and strengthening quality assurance institutions, and, most important, moving towards an environment where university degrees are described based on learning outcomes, competencies, and student workloads (Adelman 2003). “Learning outcomes” in the Bologna process are generic statements of what a learner knows and is able to do at the end of a period of study. This initiative has established learning outcomes for the three levels, or cycles, of tertiary education (bachelor, master, and doctorate), as well as for so-called “short degree” or “short higher education” programs. Important preparatory work in this area has been done by the Tuning Project, which brought together academics from all over Europe to develop subject-specific learning outcomes for a range of professions, including, for example, history and nursing.

The establishment of a European Qualifications Framework for Lifelong Learning, followed by the national qualifications frameworks (NQFs) of individual countries, are other important milestones toward the measurement of learning outcomes. Within EHEA today, qualifications frameworks and the European Credit Transfer and Accumulation System (ECTS) allow teachers and students to establish how many “credits”—the quantitative indicator for units of learning—a student obtains from finishing a course, program, or other unit of learning. However, countries in the EHEA have not yet moved toward introducing standardized assessments to measure what students acquiring these credits can do in terms of skills.

One way that ECA countries might begin to measure the learning outcomes of tertiary students would be to introduce standardized testing within fields of study where these outcomes have been clearly defined. Alternatively, ECA ministries of education might develop tests of the broader competencies that all tertiary graduates can be expected to have (e.g. verbal reasoning, quantitative abilities, analytical writing, and critical thinking skills). The OECD’s DeSeCo project (OECD 2005b), discussed in chapter 2, could provide a starting point for the definition of such broad competencies.

Start with rankings, tracer studies, and student surveys. Although it is likely to take years before the competencies of tertiary students can be measured using standardized tests, policy makers in the ECA region can
take immediate steps to provide more information about the quality of the tertiary sector. First, they can mandate that all tertiary institutions survey their students after graduation, using graduate tracer studies. Such studies can be implemented relatively quickly and would provide initial insight into a system’s current strengths and weaknesses. Second, regular surveys on the practice of purchasing admission and cheating may also be worth considering, given the magnitude of reported fraud in the tertiary sector (see the next section), even though such surveys would not be a measure of quality per se. Third, regular (standardized) surveys of students regarding their satisfaction with their university choice and the teaching at that institution could also be implemented relatively quickly and provide additional information for the compilation of rankings.

With respect to tracer studies, two countries in the region—Hungary and Romania—are making rapid progress. In fact, these studies are becoming a core element of tertiary management in these countries. In Hungary, 2010 marked the first year that results from the new “Graduate Career Tracking System” were produced (spanning graduates from 25–30 institutions). This project is the culmination of work that began in 2008 and involved 30 ongoing EU-financed projects. In Romania, data from a graduate survey will be available in 2011. By that time, policy makers will have results from surveys of students who graduated in 2008–09 (i.e., 12 months after they graduated), as well of students who graduated in 2004–05 (i.e., five years after they graduated). As is the case with Hungary, the development of the tracer study in Romania is being financed by EU Social Funds.

Hungary is moving ahead rapidly on tracer surveys for several reasons. In the first place, central policy makers in the country are pressuring tertiary institutions to start collecting such data. The 2005 Higher Education Act of Hungary, for example, makes it mandatory for every university and college to carry out surveys of graduates. The central government has also made tracer studies a part of quality assurance discussions, with the availability of such surveys now (or soon to be) tied to institutions’ accreditation agreements. In addition, the government is using the power of the purse, tying tracer survey data (or their availability) to three-year financing agreements. In the second place, institutions of higher education in Hungary themselves consider tracer data useful for a number of reasons: (1) they want labor market feedback to help them design better programs; (2) the data can be used in marketing; (3) the data is valuable for internal quality assurance; and (4) tracer surveys are one of many engagement tools for strengthening an alumni network.
Rankings have also played an important role in helping broaden what performance in the higher education sector means, moving the definition well beyond a simple measure of the total number of publications a university faculty produces. For instance, the British newspaper *The Guardian* provides “University League Tables” on 46 different fields of study (from programs focusing on “agriculture, forestry, and food” to “veterinary science”) that includes measures of student satisfaction with courses and teaching.⁶

Conceptually, rankings are fundamentally a less valid performance indicator than student assessments or surveys of employment outcomes because they focus primarily on inputs and processes, rather than student outcomes. Nevertheless, rankings play a powerful role by providing certain key information on institutions, strengthening competition among them, and highlighting the idea that “performance” matters.⁷ For example, the multidimensional ranking of the Center for Higher Education Development (CHE) (see Usher and Medow 2009), has gained a strong international reputation. The risk, however, is these efforts promote competition along the dimensions—that is, inputs and processes—that may not necessarily be relevant to outcomes, thereby possibly diverting attention and resources away from the outcomes that really do matter.

**Introduce greater autonomy and encourage private sector participation.**

As noted at the outset of this chapter, authority for operational management of tertiary institutions has been most fully devolved in the new EU member states and to a lesser degree, in the countries of South Eastern Europe and in Ukraine and the Russian Federation (see box 5.2 for a description of this process in Romania). By contrast, the reform process has barely begun in Belarus and many other CIS countries. In countries where more freedoms have been granted, institutions of higher education have begun to act in a more entrepreneurial fashion, align their programs to a greater degree with the demands of students and the labor market, and respond efficiently to government incentives.

University autonomy is not, however, generally expanded through a straightforward transfer of authority between two static entities: the national government and tertiary institutions. Rather, tertiary institutions themselves have changed as governments have developed new methods of providing guidelines—a trend that has occurred more to date in Europe and North America than in the ECA region. In his recent study, Usher (2009) notes that governments have not simply handed authority over to traditional self-governing universities, but rather, transferred
Box 5.2

Decentralization of the University Sector in Romania

The degree of autonomy granted to tertiary institutions in Romania rapidly expanded between 1995 and 2005, a period that saw less state regulation, more academic self-governance, and greater managerial governance at the university level. Stensaker, de Boer, and Enders (2006) have recorded the changes in these three criteria for a number of ECA and non-ECA countries. When judged against these standards, Romania’s tertiary institutions (along with those of many other ECA countries) have experienced a large increase in autonomy. The financing of higher education in Romania also underwent major reform, shifting from input-based funding (i.e., linked to the number of professors employed) to student-based funding (i.e., linked to the number of students enrolled).

Increases in autonomy and flexibility in financing happened very quickly—before nascent measures aimed at holding institutions accountable could take hold. For instance, the rapid expansion in enrollment that began in 1990 occurred when the newly established Romanian Council for Accreditation (CNEAA, established in 1993), was still discovering its mandate and trying to establish its institutional credibility. Many new (mostly private) institutions were established during the boom years, but CNEAA simply did not have the capacity to review and accredit every new program or institution; that task was, in some instances, outsourced to public universities, which—in exchange for a fee—were charged with taking a private, growing institution under their wings. By 2005, the shortcomings of CNEAA had become apparent and it was replaced with a new quality assurance agency—the Romanian Agency for Quality Assurance in Higher Education (ARACIS)—modeled on the European Standards and Guidelines (ESG) for quality assurance (see Korka 2008).

There is visible evidence that the accountability framework in Romania today remains insufficient. For example, a long-lasting tug-of-war continues between the Ministry of Education, Research, and Innovation (MERI) and the largest private university (Spiru Haret University)—where as many as one-eighth of all university students are enrolled—over the right to enroll students without a license. Although MERI has refused to accredit certain long-distance learning programs because of a lack of adequate professors, the private university continues to enroll and graduate students from these programs. There are also widespread integrity problems in the sector, as revealed by the Coalition for Clean Universities in a 2009 report, “University Integrity Contest.” As discussed in more detail in box 5.4, the Coalition identified three concrete problems that undermine universities’ ability

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Box 5.2 (continued)

to deliver quality education: increased tolerance of plagiarism, extended nepotism, and a lack of transparency in decision making and the academic process.

In response to these weaknesses, the government introduced a new law on education in 2011. The new law imposes many restrictions on the administrative, financial, and staffing autonomy of universities. At the same time, the new law includes key measures to strengthen accountability for performance. For instance, the law requires extensive reporting by the universities and much transparency in their operations. Importantly, the law also introduces new ways to sanction public universities (including by withholding public funds).

Sources: Stensaker, de Boer, and Enders 2006; Korka 2008; Nastasescu 2006; Coalition for Clean Universities 2009.

Notes:

a. As noted earlier, this book refers to a student enrolled as an “output” (not an “input”) and teachers, textbooks, books, financing, and so forth, as “inputs.”

b. One of the differences between CNEEA and ARACIS was that CNEEA was a consultative body of the Ministry of Education, while ARACIS was established as an independent body. Another difference between the two bodies is that CNEEA did not involve international peers, whereas ARACIS does (see Nastasescu 2006).

authority to an entirely new managerial level that largely superseded former governing entities. At the same time, these governments have put greater emphasis on quality assurance and accountability structures at the university level. According to some authors (see Santiago and Tremblay 2008), this shift in emphasis enhances, rather than reduces, their ability to direct higher education systems. Thus, while they have increasingly devolved day-to-day decision-making powers to a new level of university manager, governments have intensified their oversight of higher education. This is now the central task before the group of ECA countries that have already largely decentralized their university systems.

Low-income CIS Countries Need to Initiate Reform

In ECA countries that have maintained tight centralized control over the tertiary sector, the task ahead will be to start devolving authority to institutions of higher education. In some of these countries, however, the very opposite has occurred, with governments now forcing private institutions to comply with a host of new curricular and budgeting regulations. Ministries would instead benefit from delegating detailed operational responsibilities (e.g., controlling the number of student seats in various programs, managing budgets) and focusing on monitoring educational quality, mobilizing resources, and designing policy to improve strengths and reduce weaknesses in the tertiary education.
Azerbaijan is a good example of a country in which the tertiary sector remains highly centralized (see Salmi 2009). Very little autonomy has been granted to public universities in the country and there has been virtually no growth in the number of private universities. The Ministry of Education continues to centrally control student intake at every university in the country, even in the few private ones that exist. The ministry also decides which programs a university may open and enforces the closing of programs in areas perceived to be either saturated or of little relevance. For example, in 2006, a number of universities had to terminate their programs in law, medicine, and international relations.

The financing of higher education in Azerbaijan has also not been reformed and continues to be based on historical norms, with funding tied to the number of professors. In terms of strengthening quality assurance (an important component of strengthening accountability for results), the Bologna scorecard ranks Azerbaijan’s progress as very limited, with a score at the very bottom of the list of 22 ECA countries that participate in the Bologna Process. Within this restrictive framework, it is very difficult for more dynamic tertiary education institutions to emerge and expand.

It is important that this group of ECA countries not take the path of the group that provided autonomy first without accountability, but instead introduce the two as mutually reinforcing policy instruments. This is not only considerably more effective, it is also politically more feasible to implement, as it is easier to grant the two together than to try to impose accountability later on already autonomous institutions. In carrying out this reform, policy makers in these countries need not simply transfer autonomy to static, traditional universities but can instead mandate that increased autonomy be accompanied by more “businesslike” and accountable leadership and management. Such change should aim, among other things, at professionalizing institutional governance and management (Stensaker, Enders, and de Boer 2006). A number of countries (or autonomous regions within countries) provide examples of how this can be done. For example, in Denmark and Norway and in Quebec (Canada), the wider tertiary education community is held accountable by university boards that have a majority of outside members and the power to hire and fire the leaders of individual institutions (Fielden 2008, as cited in Salmi 2009). Recent reforms in Lithuania are moving the governance of higher education in this direction (see box 5.3).
Box 5.3

Introducing Businesslike Leadership and Management in Lithuanian Universities

Policy makers and university managers in Lithuania know that it is not easy to get the right balance between institutional autonomy and accountability. Lithuania’s Law on Higher Education of 2000 was amended six times during the period 2000–09. On April 30, 2009, additional sweeping reforms were introduced when an entirely new law on science and higher education was adopted.

The 2009 reforms aim to tackle a common problem of countries that have granted more institutional autonomy to universities: How do you get more businesslike leadership and management from university leaders and make them more accountable to outsiders? Prior to the 2009 reforms, the crux of the problem in Lithuania—as in many other countries of the ECA region—was the position of rectors. Rectors were usually elected from within the university; consequently, they felt accountable only to other faculty members (whose ranks they expected to rejoin after having served their term). They also usually had limited managerial experience. Reformers in Lithuania recognized that changing the way rectors were elected (and to whom they were accountable) was not a “magic bullet” for getting better university management, but without this change, major reform of university governance was unlikely.

The essence of the 2009 reforms was twofold. First, it narrowed the mandate of the Senate by clarifying that its main task was to safeguard and promote the academic integrity and prestige of the university (i.e., approving study programs and ensuring admittance follows academic standards), not to manage it. Second, it made explicit that rectors were accountable to a broader set of stakeholders than just faculty members, one that included taxpayers. This was achieved by changing the way rectors are nominated and selected. In the future, the Governing Council—two-thirds of whose members are from outside of the university—will establish an election committee and hold open competitions to search for suitable candidates. (See table B5.3 for a summary of the reforms.)

In exchange for these reforms, university leaders have sought even greater institutional autonomy from the central government. In particular, they pointed to inherent inconsistencies in the major pieces of legislation governing higher education. For instance, although Article 5 of the Law on Higher Education states that the activity of higher education establishments is based on academic freedom and autonomy, the same article also says that this activity is determined (continued next page)
not only by this law and the statute of the institution, but also by other laws. In practice, this meant that universities could not own their buildings or borrow funds, and were only able to spend budgets as they saw fit to a limited extent. As part of the 2009 reforms, these inconsistencies are being addressed by changing the legal status of universities from a budgetary to a public entity. This will provide them more freedom and the right to own property, as well as expand their rights to manage the property entrusted to them by the state.

Create an Accommodating Environment for Private Providers
Another possible way to create a more flexible university sector is to provide an accommodating environment for private providers to establish
universities and flourish. Although clearly not a panacea—and not without some attendant integrity problems (see below)—private resources are nevertheless critical because the cost pressures facing higher education in the region are simply too great. Private providers can be advantageous because they are usually (although not always) nimble and responsive, being less constrained by a top-heavy bureaucracy and political factors. They are also often run by especially motivated and entrepreneurial individuals who, in many instances, establish an institution because they see unmet demand. This type of creativity can prove very valuable to an education and training system that is seeking to become more responsive to rapidly changing labor markets—provided, of course, that adequate quality standards are enforced. (For more on the subject of private providers and private funding for tertiary education, see the section on financing below.)

Private providers in many ECA countries already play a crucial role in absorbing the increased demand for tertiary education that public providers have been unable to meet. Indeed, the rapidly growing and vigorous role of private providers in the ECA tertiary sector is one of the more notable features of the region’s educational systems. While the private sector at the tertiary level is not equally strong across the entire region (in a number of countries, particularly Croatia and the Czech Republic, private education is notable by its almost complete absence), it generally has a much stronger presence than in Western Europe, accounting for as much as one-third of total enrollment in some countries. For example, in Romania, private universities have played a crucial role in accommodating a tripling of the number of tertiary students since 1998. By 2007–08, private enrollment there accounted for approximately 40 percent of all students enrolled at this educational level (World Bank 2008b).

In fact, the boom in private tertiary education in the ECA region is a characteristic example of governments using the nongovernmental sector to absorb demand (Slantcheva and Levy 2007). Most countries that embraced this solution have created a large number of small institutions that specialize in subjects that are inexpensive to teach (primarily law, social sciences, economics, and business administration) and whose teaching staff consists primarily of academics from the public sector who teach part-time to supplement their incomes (see, for instance, Linden, Arnhold, and Vasiliev 2008). This has been an efficient way to meet the niche demands of specific employers, satisfy demand in smaller and more remote areas of countries where public institutions are not available, and introduce new (usually foreign) teaching
techniques and curricula to a local market (for example, New York University in Tirana).

These private institutions have, to a certain degree, even taken part in attempts to change the prevailing culture with respect to transparency, markets, and democracy (for example, Khazar University in Azerbaijan and the European Humanities University in Belarus). However, private sector providers have not yet been able to offer education in the sciences or engineering or to provide education in a research setting. Throughout the ECA region, these specializations have remained the preserve of the public sector, with the notable exception of the British-Kazakh University in Almaty.

**Strengthen Accountability**

Accountability at the most basic level refers to fundamental academic and fiscal integrity, which touches on such issues as admissions and financial fraud, plagiarism, and professorial nepotism. Here, almost all ECA countries continue to have serious problems. Strengthening accountability in tertiary education also entails ensuring that public resources are spent effectively, the education provided is of high quality, and that study programs are relevant to students’ future in the workforce. Although it might seem necessary to address basic integrity issues before dealing with higher-order accountability issues, all of these problems can be addressed concurrently, a task made easier by the fact that most basic accountability instruments also address higher-level concerns.

**Improve Fiscal and Academic Integrity**

At the lowest level, strengthening accountability in higher education means safeguarding the system’s basic integrity. With regard to finances, this implies preventing embezzlement, fraud in public tenders, collusion, and so forth. With regard to academics, it means avoiding examination fraud, unethical behavior among faculty, noncompliance with admission standards, research fraud and other forms of plagiarism, and deception in the quality assurance process (Salmi 2009).

With the exception of a few new EU member states, evidence suggests that higher education across the region is still struggling with basic integrity issues, both academic and financial. As discussed in chapter 2, this evidence comes in different forms. For example, when randomly selected university students in a number of ECA countries were asked a range of different questions related to purchasing grades, admission, and diplomas,
more than 60 percent of respondents reported knowing of other students who had purchased either entrance to the university or a specific grade (see figure 2.6). Newspapers and other media regularly report on fraud and corruption in the sector. For instance, a scandal erupted in the Czech Republic in 2009 following revelations that a number of students had been awarded law degrees by the University of West Bohemia in Pilsen after only a few months of study. The scandal led the Minister of Education to order a national audit of all university degrees awarded since 2000, covering some 315,000 graduates (see Holdsworth 2009).

The fact that such problems persist is also evident in the work of national quality assurance and accreditation agencies. For instance, in Georgia, when a National Education Accreditation Center was finally established in October 2004—13 years after the first private provider was allowed to operate—its first assessment of the 178 existing institutions of higher education (both public and private) brought sobering news: only 78 passed the minimum quality requirement established by the center. While both private and public institutions were barred from admitting students in 2005, the vast majority of barred institutions were private. During the years when there was little or no regulation of quality, an estimated 20–30 percent of all tertiary students graduated from unregulated—and largely unmonitored—private institutions (Pachuashvili 2007).

As a recent report (Salmi 2009) documents, countries around the world utilize a range of different instruments to address basic integrity problems and strengthen accountability for educational quality and fiscal efficiency. The good news is that more sophisticated instruments generally help with accountability problems across the board, that is, with both basic integrity and higher-order accountability concerns. The various instruments available and their uses are summarized in table 5.1.

Many new members of the EU in the ECA region are already familiar with the instruments used to strengthen accountability for better learning outcomes. Yet these tools also strengthen basic integrity. One such instrument is licensing, which is critical for strengthening academic integrity in tertiary institutions. Other tools that promote both academic integrity and the quality of education include regular institutional evaluations, such as accreditation procedures, academic audits, and other forms of evaluation. Public disclosure laws are also useful. In addition, it is possible to foster programs in which outsiders—or anyone with no vested interest in the university system—review an institution’s academic integrity (this
Instruments that address basic fiscal integrity also have an impact on the efficient use of resources. One obvious tool for improving basic financial integrity is the financial audit. Tools that accomplish both fiscal integrity and the efficient use of resources include public disclosure laws, strategic budget plans, performance contracts, external watchdogs (see box 5.4), and student loans, scholarships, and vouchers. In addition, it can be useful to embed incentives into the resources allocated to higher education institutions, for example, by linking funding to the number of students enrolled or graduated, rewarding good performers. These suggestions are discussed in greater detail in the section on financing below.

**Implement Immediate and Long-term Quality Assurance Mechanisms**

Strengthening accountability for educational quality is an especially long and difficult process. At the outset, setting up effective accreditation or quality assurance mechanisms requires building a country’s capacity for these tasks. In view of the relatively weak institutional capacity for
Box 5.4

Using External Watchdogs to Shed Light on Integrity Problems

In 2007 in Romania, a group of 14 nongovernmental organizations (NGOs) combined forces to form the Coalition for Clean Universities (CUC) to monitor Romanian public universities and establish norms for good governance. The CUC piloted a methodology to assess the academic integrity of these universities. A questionnaire was designed and teams of external evaluators—composed equally of experts and students—set about requesting information from the universities (see Mungiu-Pippidi 2009 for a detailed description of the methodology). In its widely disseminated report, the CUC emphasized three findings:

Evidence of increased tolerance for plagiarism. Despite numerous scandals regarding plagiarism, universities have no tools to control this phenomenon. With the exception of a single university, evaluators could not identify procedures for combating plagiarism, either at the diploma level or the level of papers elaborated by research staff.

Evidence of extended nepotism. In a number of universities, evaluators identified the existence of so-called “academic families,” raising serious questions about the objectivity of promotions and evaluations among colleagues. In one university evaluated by the CUC, eight pairs of academic families existed: three husband-wife pairs and five father-son pairs. Taking into account the total number of teachers (45), the incidence of “academic families” was very high.

Lack of transparency in decision making and the academic process. CUC found that the competition for certain teaching or academic positions is kept quasi-secret; in the most common cases, there was, in fact, a single candidate. Similarly, the procedure for approving a university budget (revenues and expenditures) is often carried out without any real consultation with the university’s senate. Promotions and pay increases are also governed by nontransparent procedures, without clear benchmarks. Evaluators have also witnessed problems in the publishing of asset and interest declarations, as well as the absence of declarations on cooperation with the former secret police. Restrictions in accessing public records of public acquisitions are also a major problem.

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monitoring educational quality and relevance among universities and ministries of education in the ECA region—including newly established or nonexistent quality assurance agencies—policy makers need to employ many different, complementary tools to strengthen accountability for results (see box 5.5). These tools include rankings and tracer studies (which also provide useful data on institutional performance in the absence of standardized assessments), together with an enabling environment for private sector participation. Counting on a quality assurance agency to quickly establish the capacity needed to externally monitor a rapidly growing sector is risky—this kind of agency needs to be part of the solution, but not the only response.

In 2003, the ministers responsible for the Bologna Process began a consultation designed to lead to a common, but not unified, system of quality assurance in the tertiary education sector. Two years of consultations between quality assurance agencies, higher education institutions, and student representatives followed, resulting in the adoption in 2005 of the European Standards and Guidelines for Quality Assurance (ESG) in the European EHEA. The main features of this consensus are the following:

- Tertiary institutions have primary responsibility for quality and are required to have processes of internal quality assurance.
- Tertiary institutions are subject to external oversight by an agency charged by the government with assuring the competency of quality assurance mechanisms.
- Quality review agencies themselves submit (on a voluntary basis) to quality assessment procedures through the European Quality Assurance Register, which is a joint project of the European Network of Quality Assurance Agencies (ENQA), together with the European

Source: Coalition for Clean Universities 2009.

Box 5.4 (continued)

The lack of transparency regarding internal procedures and administrative or academic results or both can be discovered simply by trying to access university websites, as they frequently do not include such information on such topics as employment opportunities, teaching jobs, teacher performance, program content, or decisions of internal governing bodies.
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University Association (EUA), the European Association of Institutions in Higher Education (EURASHE), and the European Students Union (ESU).

In principle, this structure means that national quality assurance bodies now coordinate to determine mutually acceptable evaluation frameworks, and thus, visions of institutional quality. At the same time, institutions are empowered to assess themselves within the framework of wider agreements on institutional quality and evaluations that their representative organizations have worked to develop. This situation is indicative of a broader governance trend (and changing government role): increased institutional operational autonomy coupled with strengthened webs of external coordination.

Box 5.5

Two Approaches to Strengthening Accountability

As noted by Alex Usher (2009), two approaches have been used throughout the world in the past 20 years to improve tertiary educational quality by strengthening accountability. The first approach is generally referred to as “quality assurance” or “accreditation,” and has traditionally focused on ensuring that certain minimum levels of resources (i.e., inputs) and standards are present to ensure a “quality” education. In addition, the approach seeks to put requirements in place so that tertiary institutions themselves monitor the quality of their education.

The second approach focuses on learning conditions and learning outcomes. This method includes rankings systems and systems of performance indicators. It also relies to a much larger extent on using students and parents to exert outside pressure on tertiary institutions to deliver results. Thus, parents and students, rather than a state agency, become the driving force behind better accountability.

These two approaches to enhancing accountability are complementary to, and not substitutes for, one another. As Jongbloed (2008) has noted, quality assurance is the equivalent of a restaurant health inspector, while university rankings are the equivalent of a Michelin guide. Both have their place and neither can replace the other.


a. In the terminology of the World Development Report 2004, the first approach is the “long” route to accountability, while the second is the “short” route (World Bank 2003c).
Regular stock-taking exercises are carried out to assess whether Bologna participants are meeting concrete measurable goals towards the bigger goal of creating an EHEA. That is, whether they are making academic degree standards and quality assurance standards more comparable and compatible throughout Europe (see Rauhvargers, Deane, and Pauwels 2009). The last such stock-taking exercise took place in 2009 and revealed that many ECA countries have a considerable way to go in terms of strengthening quality assurance mechanisms. In particular, the exercise showed that many countries in the region have not yet incorporated international peer reviews—one of the three key benchmarks in the stock-taking exercise—into their quality assurance processes. Figure 5.1 groups ECA countries into three categories, according to their Bologna scorecard for implementing quality assurance mechanisms.

**Figure 5.1  Progress on Implementing Quality-Assurance Mechanisms: The Bologna Scorecard**

Source: Authors' assessment.

Note: QA = quality assurance.
The 2009 stock-taking exercise also revealed significant weaknesses in establishing internal quality assurance mechanisms. For example, some countries (both ECA and non-ECA) treat internal quality assurance within institutions of higher learning only nominally (i.e., having institutions prepare a “self-assessment report”), thereby ignoring an essential part of the ESG that focuses on “learning outcomes-based and improvement-oriented internal quality assurance systems” (Rauhvargers, Deane, and Pauwels 2009, 51). A key failing of many countries is that they have still not managed to induce higher education institutions to describe programs in terms of learning outcomes. Even fewer countries have moved to introduce “student assessment procedures designed to measure achievement of the intended learning outcomes” (Rauhvargers, Deane, and Pauwels 2009, 55).

Introduce Performance-Based Financing and Encourage Private Funding Resources

Financing can be a central government’s most potent policy instrument for steering education providers. First, budget discussions—whether annual or pluri-annual—are recurrent events that give policy makers a regular opportunity to reward or discourage managerial behavior. Granting more autonomy or strengthening accountability instruments, on the other hand, are more protracted and lengthy processes. Second, in most ECA countries, public resources continue to provide a large share of tertiary education funding, giving the central government an important seat at the table. Finally, public resources can be used to influence the behavior of private institutions that may not otherwise have formal reporting arrangements with the government. In turn, private resources can strengthen a results-oriented outcome by encouraging greater competition in the sector and increasing students’ stake in the end result of their educations.

Per Student Financing

Per student financing is the simplest and most effective instrument for moving toward output- and outcome-based financing in ECA countries. Per student financing, combined with autonomous management of both public and private education institutions, creates a competitive environment in which students select the best institutions that most closely meet their educational goals. Creating built-in incentives for individual institutions to compete for students transforms an input-oriented, supply-driven
education delivery system into an output-oriented, demand-driven system. Several ECA countries (for example, Poland and Romania) have already adopted per student financing as a core element of managing public tertiary education institutions, shifting their focus away from inputs and toward results.

Although most countries start the move towards per student financing by linking financing to students enrolled, conceptually, this is not ideal. Policy makers should encourage high student graduation rates, as well as high rates of subsequent employment—not simply enrollment. Systems in Denmark and the Netherlands provide an excellent model, one in which the funding formula is based on the number of graduates produced. Other output-based funding measures are also possible, for example, linking funds to survey results showing alumni success in the labor market, giving institutions clear incentives to ensure that programs are relevant to labor market needs, and aiding students in their transition to the labor market. These steps also motivate institutions to focus on the true outcome desired by policy makers: more qualified workers. Financing reforms also need to be accompanied by accountability measures in order to prevent reduced program rigor.

**Performance Contracts**

The introduction of performance-based budgeting can be a powerful instrument that ministries of education (and finance) can use to guide the sector, as it causes governments to shift from line-item to outcome-based funding (OECD 2007c). At the same time, universities are given greater autonomy in how they spend their budgets and are held accountable for delivering results. Three models of performance-based funding are currently being used in higher education (Ziegele 2009): (1) formula funding, (2) target agreements, and (3) competitive funding (see table 5.2).

A recent report (OECD 2007c) reviewed the experiences of OECD countries with performance-based budgeting and highlighted five potential benefits. First, this type of budgeting generates a sharper focus on results within the public sector. Second, it provides more and better information on government goals and priorities, as well as how different programs contribute to these goals. Third, it encourages greater emphasis on planning and signals what is working and what is not. Fourth, it improves transparency by providing greater and more useful information to the central government and the public. Finally, it has the potential to improve both the efficiency and the management of individual programs.
Encourage more private financial resources in tertiary education.

Mobilizing private resources can also help strengthen results-oriented outcomes in tertiary education in the ECA region in two fundamental ways: (1) by increasing competition, as more nimble and innovative private providers help bring innovations to public providers; and (2) by increasing students’ connection to the education process. When students and parents pay tuition fees—whether to a public or a private provider—they are generally more demanding about the quality and relevance of the education provided.

As noted earlier in this chapter, one of the most prominent features of the tertiary sector in many ECA countries is the presence of a vibrant network of private educational institutions. It is thus necessary to look at structures and levels of fees in both sectors to get a full picture of private financing of higher education. Private higher education institutions in the region for the most part do not receive government funding for core operating purposes (Turkey is the prime exception here). In many countries, they can apply for and receive funding for scientific research, but because their research facilities tend to be poorer than those in public institutions, their success rate is often quite low. As a result, private institutions are for the most part entirely self-funded via tuition fees.

Public institutions in many countries have also been given considerable latitude to raise funds through tuition fees. The introduction of fees has occurred despite deep political resistance (and even, on occasion, constitutional prohibitions on the practice), which is a legacy of the region’s communist past. Generally speaking, the introduction of tuition fees has

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**Table 5.2 Three Models of Performance-Based Funding**

<table>
<thead>
<tr>
<th>Formula funding</th>
<th>Target agreements</th>
<th>Competitive funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantitative indicators representing goals</td>
<td>Negotiation on objectives</td>
<td>Central funds with defined purposes (e.g., research excellence, national priorities)</td>
</tr>
<tr>
<td>Technical issues: weights, cost differences, formula construction</td>
<td>Written and signed performance contract</td>
<td></td>
</tr>
<tr>
<td>Usual indicators: students, graduates, Ph.D.s, external income, international students, etc.</td>
<td>Performance criteria tailor-made to different organizations</td>
<td>Application procedure, often including peer review</td>
</tr>
<tr>
<td>Ex post measurement of performance</td>
<td>“Contract” definition of rewards and sanctions</td>
<td>Institutional and individual funding, project funding</td>
</tr>
<tr>
<td></td>
<td>Ex ante definition and ex post measurement of performance</td>
<td>Ex ante discussion on performance</td>
</tr>
</tbody>
</table>

*Source: Ziegele 2009.*
come via a “dual-track” method in which a certain portion of students—usually those deemed especially meritorious—are not required to pay. On top of these students, institutions are permitted to enroll a number of fee-paying students, although the institutional freedom to determine both fees and the number of additional students varies widely across the region. Thus, higher education in ECA countries has managed a delicate political balance by both introducing the principle of fees while retaining the principle of free tuition.

Given the significant private returns to people who graduate from tertiary schools, however, there is an argument that the main beneficiary of this education—the graduate—should contribute a larger share of the costs relative to his or her peers who chose not to attend, or are not able to attend, university. There is no single ideal level of funding for higher education and no single ideal mix of public and private funding sources. Different countries will make different kinds of trade-offs. Yet if ECA countries want to simultaneously raise participation rates and increase the quality of tertiary education, more private resources will be needed—the cost pressures facing higher education are simply too great.

Governments could, for example, permit public institutions to collect more revenue in return for commitments to enroll more students, or they could facilitate the development of more private tertiary education institutions. In either case, it is critical that all institutions be given the right to fully use their fees. It is also important that the expansion of private institutions take place within an overall system of quality assurance, and that appropriate financial assistance measures be put in place to assist students in need.

**Summary**

In terms of the relationship between the central government and tertiary institutions, ECA countries today can, broadly speaking, be divided into two groups. The first group consists of most new EU member countries, which have already expanded the autonomy of their tertiary institutions. Their main challenge today is to strengthen a still weak accountability structure, evident in persistent allegations of corruption in the sector and doubts as to whether existing accountability mechanisms (such as sanctions, accreditation agencies, and so forth) are sufficiently strong to induce providers to focus on improving learning and employment outcomes (as opposed to other goals of tertiary institutions). The second group of countries—mostly low-income CIS countries—have maintained tight
centralized control over tertiary institutions. In order to create a more flexible and responsive tertiary sector, these countries need to impart more autonomy to universities, make financing a more active policy instrument (i.e., introduce performance-based financing), and, as with the first group of countries, introduce a range of mechanisms to strengthen the accountability of tertiary providers.

Because strengthening accountability for educational quality is an especially long and difficult process, ECA policy makers will need to employ many different, complementary tools to strengthen education providers’ accountability for results. In addition to quality assurance agencies, introducing rankings, tracer studies, and standardized tests to measure student learning outcomes, together with more effective private sector participation, will enable countries in the region to launch both immediate and long-term quality assurance mechanisms. Counting on a quality assurance agency to quickly establish the capacity needed to externally monitor a rapidly growing sector is risky—this kind of agency needs to be part of the solution, not the only response.

An essential part of strengthening accountability will be to collect more student outcome data at the tertiary level. Without standardized tests to measure what competencies graduates acquire and tracer studies to establish the kinds of jobs they find on the labor market, institutions of higher education are severely hampered in their ability to measure their own performance or respond to the changing demand for skills.

Finally, in addition to introducing or improving performance-based financing in the sector, countries in the region need to find ways to encourage more private financial resources in tertiary education. Not only will fee-based mechanisms enable the sector to meet rising student demand and introduce needed competition among providers, they offer an additional way to strengthen these providers’ accountability for results.

**Notes**

1. Given the complexity of the tertiary sector, some clarifications are needed. First, the "providers" discussed in this chapter, both public and private, are all institutions that offer tertiary education programs. Second, it is readily acknowledged that tertiary education institutions serve important societal goals that stretch far beyond that of providing graduates with employable competencies. For instance, through their research, these institutions help expand a society’s collective knowledge and can contribute to innovations in the economy, giving students employable competencies in the process. And through their political independence, universities help society hold public
officials accountable. Yet, the focus of this book—the need to create education systems that are more responsive to labor market needs—implies that these broader goals of tertiary institutions (and the policies related to enhancing their performance in those dimensions) are beyond its scope.

2. See a recent report on university autonomy by the European University Association (Estermann and Nokkala 2009). The EUA report does a careful job of discussing the complexities and all dimensions of university autonomy.

3. The Bologna Process was kicked off by the signing of the Bologna Declaration in 1999.


5. For additional information on the Tuning Project, or Tuning Educational Structures in Europe, visit its official website at http://tuning.unideusto.org/tuningeu/ (accessed September 2010).

6. See the online guide at www.guardian.co.uk/education/universityguide/ (accessed January 2011).

7. For a discussion of rankings, Kehm and Stensaker 2009.

8. The scorecard is the result of a regular stock-taking exercise undergone by countries that participate in the Bologna Process. The last such stock taking was carried out in 2009.


10. In addition to scoring countries on three indicators related to quality assurance (“external quality assurance,” “student participation in quality assurance,” and “international participation in quality assurance,” the 2009 stock-taking exercise included a “qualitative analysis” of various aspects of internal quality assurance.

11. Private expenditures on higher education are somewhat difficult to capture. Data from the UNESCO Institute for Statistics on this subject is quite inconsistent, in part because it includes income from many different sources (see the UIS website, http://www.uis.unesco.org/; accessed September 2010). However, it is possible to look at fee income in a relatively straightforward way, based on accessible published sources. In most of the OECD region (with the exception of Japan, the United States, and Mexico), for example, fee income accrues almost entirely to public educational institutions.