



# FINAL REPORT

January 27<sup>th</sup>, 2012 - February 28<sup>th</sup>, 2014

**Reform of Higher Education Financing in Bosnia and Herzegovina**



Funded by the European Union



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# Reform of Higher Education Financing

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## in Bosnia and Herzegovina

# Final Report

January 27<sup>th</sup>, 2012 - February 28<sup>th</sup>, 2014

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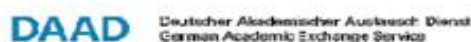
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## Project Title

# Reform of Higher Education Financing in Bosnia and Herzegovina

## Project Details

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This Report	RHEF Final Report: <b>February 28<sup>th</sup>, 2014</b>



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## Glossary of acronyms

<b>ABC</b>	Activity-Based Costing
<b>BiH / BH</b>	Bosnia and Herzegovina
<b>BiH CIR</b>	Centre for Information and Recognition of Documents in the area of HE
<b>BD DE</b>	Brčko District Department for Education
<b>BD DF</b>	Brčko District Department for Finance
<b>BiH HEA</b>	Agency for Development of Higher Education and Quality Assurance BiH
<b>BiH CoM</b>	Council of Ministers BiH
<b>BiH CMoE</b>	Conference of Ministers of Education in BiH
<b>BiH MoCA</b>	Ministry of Civil Affairs of BiH
<b>BiH MFT</b>	Ministry of Finance and Treasury of BiH
<b>BL(U)</b>	Banja Luka (University)
<b>CoE</b>	Council of Europe
<b>CMoE</b>	Cantonal Ministry of Education
<b>CMoF</b>	Cantonal Ministry of Finance
<b>DEI BiH</b>	Directorate for European Integration
<b>DzB</b>	Džemal Bijedić (university)
<b>EC</b>	European Commission
<b>EHEA</b>	European Higher Education Area
<b>ES</b>	East Sarajevo University
<b>EU</b>	European Union
<b>EUA</b>	European University Association
<b>EUD</b>	European Union Delegation
<b>FBiH</b>	Federation of Bosnia and Herzegovina
<b>FMoES</b>	Federal Ministry of Education and Science
<b>FMoF</b>	Federal Ministry of Finance
<b>HD</b>	Hulla & Co. Human Dynamics K.G.
<b>HE</b>	Higher Education
<b>HEBP</b>	Higher Education Budget Planning Programme (Excel-based computer programme)
<b>LF</b>	Logical Framework (LogFrame)
<b>LTE</b>	Long Term Expert
<b>MoE</b>	Ministry of Education
<b>MoEC</b>	Ministry of Education and Culture RS
<b>MoF</b>	Ministry of Finance
<b>PSC</b>	Project Steering Committee
<b>RHEF</b>	Reform of Higher Education Financing Project
<b>RC</b>	Rectors' Conference of BiH
<b>RS</b>	Republika Srpska

<b>SAA</b>	Stabilization and Association Agreement
<b>STE</b>	Short Term Expert
<b>SvM</b>	Sveučilište in Mostar
<b>TL</b>	Team Leader
<b>ToR</b>	Terms of Reference
<b>WB</b>	World Bank
<b>WG / TWG</b>	Working Group / Technical Working Group
<b>Zn</b>	Zenica (University or Canton or both)

## 1 Introduction

- 1 This report describes delivery of assistance specified in the Project Details table above.
- 2 Because it is a final report, it will stand as a key and self-explanatory evaluation and briefing document, It therefore needs to provide a good overall account for subsequent project evaluation<sup>1</sup>, and others who have not been involved in the project during its implementation. Consequently, unlike the previous Interim Reports, the Final Report is required to summarise the origin, strategy and evolution of the project – i.e. to place the results in the context of implementation, showing how the original TOR have been achieved during implementation.
- 3 However, its main focus is on the final outputs and impacts of the project and an assessment of these against the expected outcomes.
- 4 Detailed activity reporting has been undertaken in successive Interim Reports presented to the Project Steering Committee (PSC) up to the most recent meeting on 19<sup>th</sup> February, 2014. These reports have explained the evolution of the project and the reasons for all changes in planned activities. Detailed activity update reporting covering the period since the last Interim Report (IR03, November 6<sup>th</sup>, 2013) is contained in Appendix 3.
- 5 The project has produced a number of documentary and software products. A list of these is attached in Appendix 12 and is available online<sup>2</sup> and in USB/CD formats. Only short documents are attached to this report.

## 2 Objectives of the assistance

- 6 The objectives of the assistance are stated in the project Logical Framework Goal and Purpose-level statements – i.e.

### Overall objective (Goal / Impact)

*An efficient, effective, and solid higher education system in Bosnia and Herzegovina in line with European trends and standards*

### Purpose (Outcome)

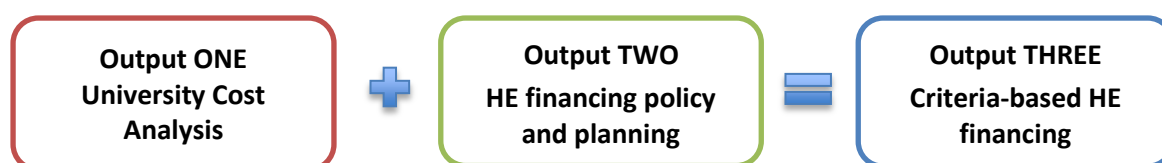
*An improved and modernised system of financing of higher education in BiH which is economically sustainable and efficient.*

### 2.1 BRIEF RECAPITULATION OF THE PROJECT LOGIC AND IMPLEMENTATION STRATEGY

- 7 This report will not aggregate all the activities carried out in the project in detail. These have all been reported on and discussed in successive PSC meetings during the course of the project and presented in the Interim Reports. This section will, however, summarise the story of the project through Outputs 1 and 2, and then report in more detail on Output 3 since this output is the sum and culmination of the other two and its application in Ministry and universities institutional financial planning and budgeting processes and practices.
- 8 The output logic is, therefore, simple and connected – i.e.

<sup>1</sup> By other HE sector project actors and stakeholders

<sup>2</sup> <http://tinyurl.com/RHEF-Files> (Categorized in folders. Files can be downloaded.)



9 The reform strategy driving the process is expressed in a diagram in Appendix 5. In summary, the basis of any finance reform in a jointly-funded service<sup>3</sup>, such as Higher Education, is an understanding of the costs of the service and how these costs are caused. Without this, there is little basis for mutually agreed understandings relating to the internal (university financial distribution) and external (public finance contribution) financial planning and budgeting. The first step, therefore, is to establish these foundations, the next, identify the resource-related policies and priorities underlying the targeting of financing from the various income sources, and the final step, to adjust the present processes, within the laws of Entities and Cantons, to connect the targets, costs, and budget preparation using purposeful criteria.

10 The well-intentioned ambitions of the early project designs<sup>4</sup>, including piloting of MTEF (with its constituent elements) in selected governments, inter-Cantonal transfers for HE, repetition control, voucher system, and performance targets, all of which aim to address real challenges in both the wider government and also the HE education sub-sector, are founded on this capacity to cost, and to standardise unit-costs to the extent that financing policies and decisions can be reliably costed, and their impacts on institutions and the public budget traced.

11 Consequently, as described in the Inception Report, the project focussed on laying these unit-costing foundations and establishing a process by which they can be connected with government and institutional priorities, by re-shaping the project structure into the three outputs illustrated above. It will be upon the project results (and wider budget system evolution) that the next steps in HEF reform will be based – notably, those which move the sector towards a more performance-based financing of higher education.

## 2.2 VARIATIONS IN THE IMPLEMENTATION OF THIS OUTPUT STRATEGY

12 The project Output logic has applied to all activities of the project. However, it is reflected differently according to the varying circumstances in BiH. These can be categorised as follows;

- [A] Financing Ministries/Universities operating input-based Treasury System line items with little or no reference to the programme budgeting elements of the budget law (Bihac, Tuzla, Zenica). The three outputs steps have been applied separately in this category.
- [B] Financing Ministries/Universities where the project was directed towards taking forward the implementation of programme budgeting (RS MoEC, MoF, and RS Universities). The three outputs have been merged into a composite programme<sup>5</sup>. Output Two was not implemented separately for RS since the focus was *on the capacity to establish and cost university outputs with government and institutional policies*.
- [C] Universities/Financing Ministries operating a grant transfer system, with fee-income held, at present, in Faculty accounts (UNSA, DŽBU, SvM). These are universities in the process of transition to integration. For this category, the focus has been on unit-costing criteria for internal distribution of financing, and shifting the cost-base of the grant-transfer to a per-student unit cost. There is limited scope, at present, for an output-based budget step at Ministry level, though this may become viable in Sarajevo Canton in the future.

<sup>3</sup> i.e. cost-sharing between government and private (mainly parental) sources.

<sup>4</sup> especially the Feasibility Study, 2009

<sup>5</sup> The reason for this, is that the RS MoF explicitly directed the project to focus on output/indicator definition and the link to government policies. RS was starting further along the path to programme budgeting than the Cantons.



13 While the starting points, as described above, were different, the project strategy was to converge all of the various ‘beneficiaries’ (universities and relevant financing ministries) under a single common objective of *shifting the cost-base of HE budgeting from the variety of ad-hoc/staff-based/input-based/historical criteria towards a real unit cost-based, output-related basis*, without, however, attempting to change the present budget allocation/transfer and budget execution practices.

14 This bottom-up approach was also necessitated by relatively conservative professorial, university, and Ministry domains, and a complex administrative setup – i.e. there have been local interests and perspectives to be accommodated in the reform, and this has required substantial individual, or small group meetings, sometimes informal.

### 3 Activities, Outputs and Results implemented and outcomes of the activities

#### 3.1 THE INCEPTION PERIOD – FEASIBILITY STUDY AND PROJECT TOR

15 The inception period acted on the Project TOR and adapted them to changes in circumstances.

##### 3.1.1 The Feasibility Study

16 The early Feasibility Study on which the project was based proposed;

- [A] **canton-based funding**: ‘equalising’ the share of HE funding between Cantons with a system which removes the ‘cross-subsidy’ between cantons.
- [B] **per-student formula-based funding**: the creation of a more purposeful and outcome based form of funding through a per-student formula funding arrangement related to HE institutional performance and outcomes.
- [C] **medium term expenditure framework**: the need to reorganise the HE budget so that it is classified according to HE policy objectives and specific outcomes to be achieved and expressed as a medium-term expenditure framework (MTEF).

##### 3.1.2 The Project TOR

17 The project Terms of Reference issued by the EU undertook some adjustment to circumstances of the Feasibility Study recommendations and repackaged the above issues into two ‘components’ relating to ‘models’ for the reform of HE financing, incorporating the first two issues above, and financing standards and medium-term planning, representing the third issue.

18 Specifically, the TOR required 5 areas of reform;

- [1] problem identification relating to HE financing in BiH, particularly with reference to the costs apparently being incurred by ministries/universities relating to students from outside their local boundaries;
- [2] Shifting the cost-base to a per-student unit of financing;
- [3] Reviewing different financing modalities;
- [4] Giving consideration to the development of a medium-term expenditure framework for Higher Education;
- [5] Cross-cutting support to the above in the form of training to key beneficiaries and legal support for reforms proposed.

19 The inception period determined that the conditions to implement the original TOR indicated the need to implement the scope of work in a specific order. Nothing could be achieved in [1], [4] or [5] above without completing [2] (per-student costing). Furthermore, work on [1] and [3] could be done in parallel with [2] as long as both were completed in time to move onto [4] (medium-term planning).

20 However, all of the original TOR were retained in the project reformulation described in the Inception Report, and so no formal project addendum was needed. With the agreement of the PSC, the project reordered TOR into the three outputs described in 2.1 above in order better to reflect the implementation strategy outlined above.

21 The way the five TOR areas of work were completely mapped into the outputs is as follows;

TOR	TOR scope of work	Project Output
[1]	Problem identification and out-of-Canton student costs	<ul style="list-style-type: none"> <li>◆ A major focus of Output 2 – HE Financing Policy and Planning.</li> <li>◆ The result of problem identification is captured in the Project key document, ‘HEF Reform in BiH: context and recommendations’, which was developed as one of the two outcomes of Output 2.</li> <li>◆ Out-of-Canton student costs computed in the Output 1, University Cost Analysis ABC programme (as recommended in the TOR)</li> </ul>
[2]	Per-student financing	<ul style="list-style-type: none"> <li>◆ The technical basis is completely captured in Output 1, with the integration into the budget system forming the key focus of Output 3</li> </ul>
[3]	Reviewing different financing modalities	<ul style="list-style-type: none"> <li>◆ A major focus also of Output 2 working group and project team</li> </ul>
[4]	Consideration of MTEF	<ul style="list-style-type: none"> <li>◆ The major direction of Output 3, built on the Output 1 UCA results</li> </ul>
[5]	Training & legal principles	<ul style="list-style-type: none"> <li>◆ Training was the core of Output 1 UCA ABC programme implementation. University-based teams learned the methodology, and programme and have the capacity to use it.</li> <li>◆ Similarly, the integration of ABC results into the HE Budget Planning programme was implemented in Output 3 through training ministries and universities to develop the medium-term HE budget using the programmes.</li> <li>◆ The legal principles for HEF were developed as part of Output 3 to support the requirement to base future budgets on per-student/study programme unit costs.</li> </ul>

22 Strong dissatisfaction was universally expressed with the HE financing situation at beginning of the project, and there was widespread interest in developing more meaningful criteria. Above all, it was recognised that all developments in HE financing depended on establishing a reliable cost-base.

### 3.2 THE OUTPUT ONE PROGRAMME

23 This sections below, relating to the Outputs agreed from the Inception period, will summarise the story (activity stages and achievements of each) of the project since the Inception Report, through Outputs 1 and 2, and then report in more detail on Output 3, since this output is the sum and culmination of the other two, and its impact on Ministry and institutional financial planning and budgeting processes and practices.

24 **Objective: Output One** aimed to achieve a baseline coverage of per-student/study programme costing in all public universities in BiH, so that average per-student costs by study programme cost category could be established<sup>6</sup>.

#### 3.2.1 Process and achievement

25 The extent of achievement is described in the table below. Output 1 activities lasted from September 2012 to April 2013, with technical strengthening events on-going on an individual needs-basis until the end of the project.

Table 1: Progress on implementation steps for UCA

Step	Step description	Achievement and current status
	<b>University Level</b>	
Step	Development of a <b>concept and</b>	Activity-based-costing (ABC) was introduced as a methodology

<sup>6</sup> This is the objective agreed in the Inception Report. See 3.1.2 for how the Output relates to the project TOR.

1	<b>methodology</b> for unit-costing.	because of its superior cost-analysis and financial planning value for universities <sup>7</sup> .
Step 2	<b>Agreement with stakeholders</b> that they are prepared to support this.	There is agreement in public universities and Ministries of Education and Finance on the necessity for a per-student/study programme cost basis. This has been helped by the development of a computer-assisted tool which feeds key university financial planning and management decisions, as well as providing the unit costs.
Step 3	<b>Formation of technical working groups</b> in each university.	Formed in all public universities and approved by the PSC. Generally comprising; Vice/Pro-Rector/Directors Finance, and key finance staff (generally Heads of Finance, Accounting, Economics Faculty – minimum of 3 per university, maximum 12 (UNSA).
Step 4	Develop a <b>computerised instrument</b> for activity-based costing customised for BiH university financial systems	Led by the project Senior STE for Higher Education Financing, and completed after being progressively adapted to the range of needs and practices in BiH Ministries and Universities. Customisation achieved through individual visits to selected universities, and subsequent workshops.
Step 5	<b>Train stakeholder units</b> in the application, implementation methodology, and use of the programme, and pilot it on willing faculties in each university	Completed in every university through 4 rounds of individual visits to universities, and collective workshops. Universities of Banja Luka, Zenica and Mostar University applied it most widely, followed by East Sarajevo, Bihac, Tuzla, Džemal Bijedić and Sarajevo. (see Appendix 7)
Step 6	<b>UCA working group field work</b> where university groups undertake data collection	Achieved in two stages, with a progress/review workshop in between. Increasing understanding of the process and the value of the results produced stronger commitment. This was also supported by very short local consultant support to assist UCA groups with data entry and cleaning.
Step 7	<b>Connect with European practices</b> in order to strengthen commitment	The project involved the Zagreb University team involved with the European University Full-costing Project. They attended several project events (technical workshop and conference) and presented the scope and application of their project.
Step 8	<b>Support dissemination and experience-sharing</b> including preliminary analysis of pilot results, including programme adaptation requirements	Technical and dissemination rounds of workshops were held in Zenica, Tuzla, Sarajevo, East Sarajevo, and Mostar University. Training workshop on analysis and exploitation for all universities
Step 9	<b>Expansion of coverage</b> across faculties	Varying success: the range of coverage is from 0 to 15 faculties per public university. (see Appendix 7). This issue is discussed below [3.2.2 below]
Step 10	<b>Analysis of results:</b> support individual university and collective aggregated analysis of per-student/study programme cost results	Incomplete: some indicative analysis done in individual universities, but mainly for management purposes (SP cost v enrolments). Only indicative cost category figures achieved and nothing comparative. This issue is discussed below.
Step 11	<b>System support:</b> train in technical aspects of the software, and develop a programme user guide	Programme user-guides completed and drafts distributed to all users. Final colour version being published. Technical training workshop held for all university staff on 18 April 2013.
Step 12	<b>Integration of ABC</b> into internal financial distribution criteria <b>for integrated university management</b>	Specifically related to Sarajevo University and Mostar-based universities. (See Output 3 below)

### 3.2.2 The Activity-Based Costing Computer programme

26 The ABC computer programme was developed by Dr Andre Peer and the university UCA teams, as the standardising instrument for the methodology, data input, data processing, and

<sup>7</sup> Indeed, this has been explicitly recognized by the Sarajevo University Economics and Business school.

results analysis process to establish standardised per-student/study programme costs at university and, subsequently, higher levels.

27 As well as providing decision-support for university financial management, it was built to feed the inputs into the HE Budget Planning computer programme, which sits on top of it, and which uses its per-student/study programme unit-costs as inputs to generate policy-driven planning scenarios.

28 The ABC programme does the following;

- ◆ it converts the input budgets (TS line-item allocations, grant transfers, university fee-income, other income sources) into 'output'<sup>8</sup> costs;
- ◆ it assigns cost drivers, relating to the main activities of the university operation, to costs, based on user-input judgements according to actual, or 'Book of Rules' criteria,;
- ◆ on the basis of this assignment of costs, it calculates the costs of the university activities by study-programme, cycle, faculty, and type of student (public fulltime student, self-financing students, part-time students, and distance learners).
- ◆ it also explicitly calculates and graphically represents surplus and deficit-making study programmes (based on a benchmark of the weighted average for fulltime public students of all faculty programs), and cross-subsidisation between public and private sources;
- ◆ it allows for scenario building on the inputs. For example, the number of teaching staff can be adjusted in order to view the impact on the budget for salaries.
- ◆ it allows for limited scenario modelling relating to raising actual to optimum costs per-student/study programme – i.e. allowing users to model the effects of correcting input-budgets which have fallen below a realistic quality level<sup>9</sup>;

29 A User Guide has been produced for the ABC computer programme. Most users have received at least 3 University-based and 2 collective training workshops and have been using the programme for at least 10 months.

30 The ABC computer programme structure and relationship with the book-keeping and planning systems in use in BiH universities was verified extensively in individual visits to universities and in collective workshops. It has been adapted to circumstance many times as a result and is now in a final form.

31 See Appendix 6 for a schematic representation of the ABC programme.

### **3.2.3 Assessment of Output One results**

32 The operation above was focussed on establishing cost-centre cost-analysis in universities. This was the Output result which was carried over into Output 3 'Criteria-based HE Financing', which brought together Ministries relevant to HE financing, and the universities.

#### **Adoption and utilisation of ABC instruments**

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33 Successive PSC meetings and workshops<sup>10</sup> have established that Output 1 has succeeded in creating ABC instruments, customised to BiH university financial systems, and the institution-based capacity to apply them. The strength of capacity and coverage vary by university, but the central university finance units of all universities have the computer programme, and have applied it to a minimum of three faculties. In several universities (Zenica, Bihac, Banja Luka, Mostar University,...) it has already been used to assess the cost-effectiveness of some study programmes, the way cross-subsidisation is working, the costs of a new study programme, and

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<sup>8</sup> The main, and largely only appropriate output cost for BiH universities is the cost of producing a successful graduate (1<sup>st</sup> or 2<sup>nd</sup>, or 3<sup>rd</sup> cycles) of a particular type and study programme, 'efficiently' (in reasonable time).

<sup>9</sup> While this is unrealistic in the present climate of austerity, it is possible to envisage a period where this will be necessary.

<sup>10</sup> Notably the workshop on 4<sup>th</sup> October, called by the PSC, to monitor the results of the UCA university teams.

more. The programme, and capacity to use it, gives the HE sector new capacity to shift to a unit-costed budget base, and support the shift with legal principles, Ministry and University central authority directives expanding its use in HE budgeting – i.e. the sector now has the means to move towards output budgeting (also envisaged in the budget law), *and this is a capacity it did not have before the project.*

#### From concept wariness to commitment

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34 Early wariness relating to the concept, born out of some previously unsuccessful attempts to implement a per-student/study-programme cost-basis<sup>11</sup>, has largely given way to a widespread agreement with the concept and an awareness that it is an acceptable, and almost inevitable budget planning basis. The project attributes this evolution of attitude to the significant value that the ABC approach and computer programme adds to internal financial analysis and management for universities – i.e. its primary value is to allow universities to assess the behaviour of their cost-drivers and take remedial actions where possible, and its secondary value is in budget planning for Faculty, University, and public finance budgets. Finance staff see the ABC programme (and the subsequently developed Output 3 HE Budget planning programme) as extremely helpful in these processes, allowing them to do things hitherto either impossible, or extremely time-consuming.

#### The problem of coverage

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35 For the new financial management potential provided by the UCA programme to be fully realised, it is necessary for a majority of university Faculties to undertake ABC on their study programmes. University management bodies have had difficulties ensuring that this happens. The project predicted the problem and held individual dissemination workshops in each university to make Faculty Deans aware of the benefits of the process, and allay fears relating to financial intrusion. The workshops led to some expansion, but not to a critical mass. However, the project was always aware that external pressure from Finance Ministries would be needed to ensure complete coverage. This was intended to be applied in Output 3 (see below).

#### Critical mass for data analysis

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36 In order to achieve average per-student costs for each cost-category of study programmes so that analysis of the data can be undertaken, a reasonably representative cross-section of individual study programme costs in each category is needed. Because of hitherto limited faculty coverage, this has not yet been achieved in any university to date<sup>12</sup>. Consequently, the inter-university comparisons, analysis of differences, and assessment of ‘real’ costs against ‘optimum’ costs<sup>13</sup> cannot be made at a cost-category level. While Ministry adoption of per-student costs may result in good Faculty coverage, it is too much to expect Canton Ministries themselves to make the analysis when the data are more complete. While the RS MoEC/MoF has the responsibility and capacity for determining budgeting data requirements, the Federal Ministry of Education and Science has only a coordinating role relating to universities. The Agency for Higher Education Development and Quality Assurance has cross-BiH responsibility (with the

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<sup>11</sup> e.g. in the RS

<sup>12</sup> though it is possible internally in Banja Luka and Bihac Universities which have completed more than enough Faculties.

<sup>13</sup> This is an important assessment. Under current conditions of austerity, the project has pragmatically adopted a procedurally hold-harmless methodology in applying ABC – i.e. the calculation of per-student ‘real’ costs is always limited by the annual budget notification (which is usually the historical budget). The resulting ‘real-cost’ is *not related necessarily to the minimum quality cost* – only to the *actual* cost in that year. However, built in to the ABC programme is a function to add optimal costs (e.g. increased material costs, lower professor-student ratios for lab-time, etc.) which allows universities to establish ‘optimal’ costs (i.e. minimum quality costs).



cooperation of the RS Agency for Higher Education). Under Output 3, the project has explored the possibility of these units taking forward the necessary analysis step.

#### Differential achievement in each University

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37 Not all universities performed ABC to the same extent. There were often multiple reasons for this but none was related to lack of capacity in the staff involved. All UCA sub-groups were capable and willing, in spite of the lack of remuneration. Because implementation of ABC has been on-going through the duration of the project, the final state of each university will be summarised in Appendix 7 below.

#### Per-student/study programme costing in university integration

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38 As the project unfolded, universities in the process of transition developed an interest in the application of per-student/study programme costing in internal distribution criteria for Faculty and Central Services financing (see para 121 below for subsequent implementation).

#### 3.2.4 In summary

39 Output 1 has been successful conceptually, technically, and in appropriateness, but fallen short in data coverage. This leaves the sector in a position to continue the expansion of per-student/study programme costing, but not yet in a position fully to base budgeting and higher-level financial management decisions on it.

### 3.3 THE OUTPUT TWO PROGRAMME

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40 Output Two aimed to uncover the following;

- ◆ how universities and Ministries were managing HE financing and planning arrangements relating to public finance allocations/transfers, and university income;
- ◆ identify main policy goals and priorities from existing strategies and policy documents and the extent to which these influence HE financing criteria;
- ◆ what were the major issues in relation to budget planning and budget distribution;
- ◆ what was the impact of the Treasury System in HE financing;
- ◆ what were the issues relating to students from Cantons without public universities<sup>14</sup>;

41 As explained in 2.2 above, Output 2 was a discrete step for the Cantons, but merged into a composite programme for RS.

42 With the resulting information, the project would be able to ascertain the following;

- ◆ which specific issues relating to budget costing and preparation, budget distribution, and budget execution, are suitable targets for project-supported remedial actions;
- ◆ what kinds of resource-related university and government policies need to be accommodated in a criteria-based budget planning process, and how;
- ◆ is it possible to accommodate an output-orientated budget step within the annual budget process in the different HE financing systems in use in BiH;
- ◆ is the feasibility-study assessment of inter-Canton transfers realistic and what are the issues, if any, relating to 'out-of-Canton' students;

#### 3.3.1 Process and achievement

43 The extent of achievement in Output Two is described in the Table 2 below. The first phase, covering Output Two working group research took place from September 2012 to May 2013. Analysis of results and information gap-filling occupied June to August, 2013, and incorporation

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<sup>14</sup> E.g. did these add unequal costs to universities and Canton budgets, how were they handled, should there be an equalizing formula between Cantons, were there quotas, how did the source Cantons provide financial support, .. ?

into Output Three solutions and, in parallel, three key documents<sup>15</sup> lasted from September to the end of the project.

**Table 2: Progress on implementation steps for HE resource-related policy and planning**

Step	Step description	Achievement and current status
	<b>FBiH &amp; District of Brčko</b>	
<b>Step 1</b>	Meetings and support for stakeholders in developing presentations for conference	Completed: presentation templates prepared, content agreed, presenters (HNC Canton, Bihac Uni, Tuzla Uni, Zenica MoF, UNSA) briefed and supported, agenda finalised.
<b>Step 2</b>	<b>Stakeholder Conference</b> to discuss the resourcing of HE services in FBiH and DB	Held 12 <sup>th</sup> /13 <sup>th</sup> December 2013. Series of conclusions on field of action and possible areas of improvement to be taken forward by proposed Working group
<b>Step 3</b>	<b>Formation of Output 2 Working Group on HE Planning and Finance for FBiH &amp; DB</b> comprising representatives of Ministries of Education, Finance, Universities, Agencies, and student bodies.	Formed and approved by the PSC, and divided into the sub-groups below.
<b>Step 4</b>	Development of a <b>concept and methodology</b> for information gathering	A breakdown of areas of research and key issues resulted in worksheets for three sub-groups: [1] HE funding planning & policy [2] Management of HE financing and [3] Access to HE/Student standards
<b>Step 5</b>	<b>Information/data collection by sub-groups</b> and collective WG review workshop	Information was gathered by SG members on a range of aspects. SGs met electronically & physically in Spring 2013, culminating in WG on 23 <sup>rd</sup> April. However, there were significant gaps in data collected, much of the information collected was not sector-wide.
<b>Step 6</b>	<b>Verification and supplementation</b> of data collected by sub-groups	Project Team produced comprehensive data capture matrices covering processes for: enrolment; budget preparation; budget execution (attached as Appendices in Interim Report 4, September, 2013)
<b>Step 7</b>	<b>Identification of key policy priorities</b> related to HE and HE financing	Analysis of relevant policies and strategies within BiH, with particular focus on areas relevant to work of WGs and Output 2 (summarised in Interim Report 4)
<b>Step 8</b>	<b>Development of 3 key documents</b> on focussing on a [1] critical path analysis of HE financing reforms, [2] options relating to targeted funding for HE, and [3] a medium-term road map for HE financing	Project Team, in consultation with WG2 and stakeholders, drafted 3 documents, submitted to PSC for feedback in January 2014
<b>Step 9</b>	<b>Development of legal principle</b> for 'per student' funding mechanism and Agreement on University Cost Analysis	Texts of the legal principle and UCA model Agreement drafted and submitted to PSC for discussion in January 2014
<b>Step 10</b>	<b>Finalisation of 3 key documents</b>	3 key documents amalgamated and text finalised and distributed to the PSC in February 2014

### 3.3.2 Assessment of Output Two results

44 Output Two activities eventually fell into two phases – the Working Group Two phase, and the subsequent gap-filling phase. The WG phase was only partly successful in producing reliable baselines for assessing issues and areas of focus. In retrospect, the project was proceeding on too wide a front of issues, and depending too much on knowledgeable and comprehensive responses. While there was much of value in the WG output, the gaps necessitated a follow-up phase which was more focussed on actual budget processes and practices.

<sup>15</sup> Subsequently merged into one master document.

45 Specific outcomes of Output Two have been the following.

#### Focus on the 'do-able'

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46 The project was charged with enabling the 'reform' of HE financing and the original TOR contained action steps<sup>16</sup> rather than documents and recommendations. Output Two, therefore, had to separate out issues where improvement could actually be leveraged from those susceptible only to 'recommendations'. As a result, the final data capture matrices focussed on the key processes in the present budget cycle. The wider issues, also explored by WG2 were captured in the key documents.

#### Aggregating existing consensuses

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47 The WG2 process has identified and verified a 'shared public policy vision for HE' relating to HE resourcing in Bosnia and Herzegovina. This was distilled from the wide range of existing policy and strategy documents in BiH of relevance to higher education, as well as from meetings with all key stakeholders during the lifetime of the project and notably from the discussions at the FBiH/DB Conference on HE resourcing and services in December 2013.

#### Evolution of the Three Documents

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48 The '3 documents' are a significant outcome of Output 2, bringing together a detailed analysis of the situation in BiH in relation to HE financing mechanisms and policies, an analysis of relevant European developments and a range of European practices in relation to more policy-oriented approaches to university financing and a 'roadmap' towards a more 'European' future for HE financing in BiH. The hard-headed analysis of short-term practical changes possible focussed on the nitty-gritty of establishing a cost-basis for both university financing and overall budget planning creating a need to capture the higher-level, medium-term needs in document form.

#### Consolidation of medium-term findings into on-going wider policy & priority development

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49 The project has been in on-going dialogue with the joint European Union/Council of Europe project 'Strategic Development of HE and Qualification Standards', to determine aspects of possible complementarity and continuity from RHEF project to the SDHEQS project

#### 3.3.3 In summary (Output 2)

50 In summary, Output 2 developed broadly as intended, although the areas of focus have been narrowed down over the latter period of the project, focussing on areas where the project could make a direct impact and then on recommendations for change to be implemented in the future.

### 3.4 THE OUTPUT THREE PROGRAMME

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51 **Objective:** the objective of Output Three was to consolidate Outputs One and Two results into a criteria-based HE financing system – specifically, to shift the cost-base of HE budgeting to per-student/study programme costing, and use the new cost-base to plan budgets driven by policy and priority criteria, whether applied to the planning of the HE public finance contribution, or the internal distribution of finance within the university<sup>17</sup>.

52 In undertaking the analysis of Outputs One and Two, it became evident that Output Three would have to be defined by two over-riding factors – which budget process to target for improvement, and how this would apply in the varying circumstances in BiH HE financing.

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<sup>16</sup> Unfortunately, most of these were several steps beyond what was possible without an HE cost-basis to build on.

<sup>17</sup> See 3.1.2 above for how the project TOR relate to the Output 3 scope.

53 **Budget process targets:** the project was advised<sup>18</sup> that it should not and could not treat issues relating to budget distribution (e.g. management of university income, variations in Treasury System line-item utilisation, use of grant funding, differential levels of public funding, etc.), or to budget execution (e.g. unreliable payments, line-item virement, financial reporting, etc.). Instead, it was requested to focus on HE budget planning and the basis and criteria for HE budgeting.

54 **Categorisation of HE financing circumstance:** the differing circumstances of public universities and relevant financing ministries required categorisation according to how per-student/study programme costing can be applied. This, in turn, required variations in the scope and nature of the project support programme. In practice, the three categories in 2.2 above merged into two

- ♦ [1] Universities/Cantons where per-student/study programme costing could be integrated into the budget planning process for the public finance contribution, requiring expansion of Faculty coverage in each university. These locations were: RS Ministries and Universities, Bihac, Tuzla, and Zenica Ministries and Universities – i.e. 5 public universities and their financing ministries;
- ♦ [2] Locations where per-student/study programme costing cannot yet be applied to the public finance contribution, but universities may apply it to internal financial distribution as part of the move towards integration. These locations were Sarajevo and Mostar universities and founder/co-founder Ministries.

55 This defined subsequent project activities and was a milestone decision in the project.

56 As a result, at the 4<sup>th</sup> PSC Meeting held on September 4<sup>th</sup>, it was accepted that seven areas of support would define Output Three implementation – i.e. support for

- [1] HE budget planning improvement (Bihac, Tuzla, Zenica) – implementation of an output-orientated budget planning step based on ABC.
- [2] RS programme budgeting and university budget share through finance standards
- [3] Mostar-based Universities – grant specification and financing criteria for integration
- [4] UNSA and Sarajevo Canton HE financing reform – integrated financial management
- [5] Consolidation and expanded coverage of ABC – mandating per-student/study programme costs as part of the budget process in order to ensure expanded coverage, and application in HEA and FMOES
- [6] The acceptance of and HE Financing Legal Principle – drafting and dissemination
- [7] The development of three key project documents relating to taking forward the HE financing reform

### 3.4.1 Process and achievement

57 The extent of achievement in Output Three is described in the Table 3 below. In effect, this table is a continuation of Table 1. Output Three effectively separated itself out of Output One from May 2013, with the beginning of results analysis and analysis of issues for the project to focus on.

**Table 3: Progress on development of Criteria-based HE financing (Output 3)**

Step	Step description	Achievement and current status
Output-orientated budget step for Ministries and Universities based on HE budget planning computer programme		
Step 1	<b>Brief Ministries of Education and Finance</b> on university progress in UCA and implications for government HE budgeting	Briefing sessions held with all MoEs/MoEC and most MoFs (September to November, 2013: Zenica MoF/MoE twice, Tuzla MoF/MoE twice, HNC twice, Sarajevo once, RS MoEC/MoF thrice, Bihac MoE once).

<sup>18</sup> Notably by the Ministries of Education and Finance in Tuzla and Zenica

Step 2	<b>Analysis of HE Financing issues</b> and decisions on project focus	Analysis of Output One and Output Two results, and preliminary meetings with selected MoE/MoFs. Focus on budget planning and elimination of budget distribution and execution issues from project focus.
Step 3	<b>Technical training workshop with Ministries of Education and Finance</b> (in the groups above) to develop understanding of the ABC methodology and results, and the application to HE budgeting and finance, and get agreement to institutionalise a revised process including improved negotiations with universities.	Completed in all Ministries of Education and Finance, but only as an overview for Sarajevo Canton and MoF Bihac
Step 4	<b>Develop a computer-assisted and customised budget planning process</b> combining enrolment planning, ABC costing, and HE financing policies, and verify its suitability	Completed, forming the basis of the next step. The programme policy scenarios were verified with selected universities and ministries. (See The Higher Education Budget Planning computer programme below)
Step 5	<b>Combined technical workshops</b> bringing Ministries of Education and Finance together with universities to train using the computer and tools agree on process and results	Completed in Zenica, Tuzla, and Bihac (University and Canton), and in RS (MoEC, MoF + BLU & ESU). It has been also introduced to SVM, and UNSA for university budget planning (see below), and to RS Universities and Ministries (see [1] HE budget planning improvement (Bihac, Tuzla, Zenica) below)
ABC for university integrated financial management		
Step 6	<b>Implementation of a UNSA programme</b> focussed on support for <b>financial integration</b> using per-student/study programme costing and advisory support for integrated university financial management.	Incomplete training and coverage of ABC in UNSA ( <i>see</i> [4] UNSA and Sarajevo Canton HE financing reform) below.  First mission of University HE Finance Management Expert established a checklist of financial management arrangements for the newly-formed UNSA Finance Committee under the newly formed Management Board.  The technical work delivered by the project for the UNSA Finance Committee and expanded finance group  A second mission by the expert on Integrated Financial Management was held in the final week of the project.
Step 7	<b>Implementation of a Mostar-based programme</b> to provide a foothold for per-student/study programme costing in integrated financial management and public financing	Completed. Workshop with two project senior STEs (HE University Financial Management Expert, HE Financing Expert) with Sveučilište u Mostaru on implementation of financial and organisational integration principles, and development of internal budget distribution criteria held on 25/02.. Ministries unable to attend.
Applied unit-costing, and results analysis		
Step 8	<b>Present the concept, methodology and tools</b> to the <b>Federal Ministry of Education and Science</b> to canvas for continuation support	Completed. The aim was, inter alia, to explore the possibility of the FMoE&S taking on some analysis tasks, and to show Primary and Secondary education sub-sectors the methodology of policy-driven unit-costing.
Step 9	<b>Brief the HEA</b> on the application of university full-costing to the development of a <b>minimum student fee</b>	Completed. A methodology for minimum student fees was presented in two workshops and the HEA is actively considering its implementation and interested in following up on data collection.
Development of supporting legal principle for HE Finance		
Step 10	<b>Develop and disseminate a legal principle</b> to establish a per-student cost base as the HE unit of financing, and undertake an acceptance process	Legal principle and University-Canton Agreement have been drafted for further action by MoCA and Ministers of Education. The drafts have been distributed for stakeholder discussion. (See below).



Dissemination and awareness raising of results		
Step 11	<b>Disseminate progress</b> to super-ordinate bodies – i.e. Rector’s Conference, Coordination of Ministers of Education	Two briefing meetings with Rector’s Conference and a briefing meeting with the Coordination of Ministers of Education in the Federation of BiH.
Step 12	<b>Disseminate project results</b> through a Conference on HE Financing, and to the Conference of Ministers of Education of BiH	The Conference held on 20th February, 2014. The Conference of MoE of BiH meeting has not been scheduled to meet before the end of the project
Consolidation of project outputs		
Step 13	<b>Capture key results</b> in an HEF Road Map document (see Output 2)	HEF Road Map document complete and under review.
Step 14	<b>Finalisation and publishing of user guides</b> for the HE budget planning programme	Completed and in the process of publication.
Step 15	Publication of a <b>Project Final Report</b>	This report, to be updated at the end of the project because activities continue to the last day.
Step 16	Production of a <b>Project Technical Report</b>	On-going. This report contains the technical details of the cost analysis programme and methodology, the state of implementation in each set of circumstances, and a short term technical road map to consolidate the per-student/study programme costing in university management and HE financial planning and budgeting.

### 3.4.2 The Higher Education Budget Planning computer programme

58 The principle enabling tool for all Output 3 activities is the HE Budget Planning computer programme developed both for internal university financial planning, and to form a basis for University-Ministry HE budget planning negotiations.

59 The programme negotiation is an important contribution to the budget process, both because it shows stakeholders how to think about planning on the basis of output costs, and also enables them actually to do it, based on the actual costs of providing Higher Education.

60 The HE Budget Planning computer programme does the following;

- ♦ it consolidates all the per-student/study programme costing results of the ABC programme into a single database – i.e. the outputs of all faculties are transferred from the ABC-computer program as inputs into the HE Budget and Planning computer programme;
- ♦ on this foundation, it allows users to project future budget planning scenarios, in which **policy options** are set, **filtered** by a number of parameters, and the **cost** of the scenario computed using the per-student/study programme cost database, and, finally, the **impact** on the HE public finance/university/faculty budgets determined;
- ♦ **policy options** available in the programme relate to the manipulation of student fees, numbers of students, percentage of students, student types – each one capable of indicating how policies relating to, for example, labour market relevance, disadvantage, study programme redundancy, study programme priorities, can be targeted.
- ♦ **filters** for fine-tuning are available – i.e. by Year (including multi-annual), Cycle, Study Programme Cost Category, Faculty, and Study Programme;
- ♦ the process allows for **overall scenario planning** (e.g. covering deficits caused by annual reductions in the public budget), specific scenarios (e.g. impacts of fee increases for different types of students in Study Programme X, in year 1), medium level scenario planning (e.g. effects of year-on-year demographically-driven falls in enrolment across a range of study programmes, etc.)

- ♦ the **results** of each scenario are summarised in a printable ‘management report’ contained in the programme.
- 61 A User Guide has been produced for the HE Budget Planning computer programme. A schematic diagram of the programme is in Appendix 6.
- 62 The HE Budget Planning computer programme scenarios and appropriateness was verified in a series of individual consultations with users.
- 63 The programme was presented in the second round of workshops and used to calculate scenarios proposed by the participants. If there is time, the project will provide additional training in a collective technical workshop at the very end of the project.

### **3.4.3 Assessment of Output Three results**

64 As the culmination of Outputs One and Two, Output Three, in effect, represents the final achievement of the project. The assessment will first describe the progress in each of the seven areas of Output Three activity. It will then conclude with a consolidated summary against the overall objective of Output Three.

#### **[1] HE budget planning improvement (Bihac, Tuzla, Zenica)**

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- 65 Following the completion of the programme, the situation is as follows;
- ♦ **Level of understanding and capacity:** Ministries and university finance staff involved with HE budgeting understand the concept, methodology, computer-programmes relating to Activity-Based Costing and HE budget planning, and understand the financial planning and management value<sup>19</sup> of these programmes, their financial scenario modelling<sup>20</sup> capabilities, application to budget preparation, and how to estimate the cost of HE policy targets and choices.
  - ♦ **Zenica:** separate workshops with University financial authorities and the Ministries of Education and Finance of Zenica have produced seemingly unanimous agreement that per-student/study programme costing as the basis of budget planning is both feasible and necessary. These technical levels have agreed both to the scope and outputs of the ABC computer programme and the Higher Education Budget Planning programme based on the ABC outputs. The Ministries and University financial leaders have agreed that universities be required to produce per-student/study programme costs as part of the annual budget process, and have agreed that University-Ministry negotiation is needed to formulate annual budget proposals, including enrolments. In the final collective workshop the project was urged to approach the Ministers and government of Zenica to stimulate decisions to fix the revised budget process, data requirements, and legal principle in place. The project assessment of both the level of agreement and capacity to implement the revised budget process using the new tools is positive, and, in the project’s view, Zenica has achieved a significant step forward and is to be congratulated.
  - ♦ **Tuzla:** after the Ministries workshop with the project, the Ministries of Finance and Education requested Tuzla University to submit per-student/study programme costs with the annual budget. In the second workshop, the Ministries and University agreed on a plan to achieve an adequate level of faculty coverage to permit a reasonably accurate average cost per study programme cost category so that, at the end of April, the enrolment plan for 2015 could be discussed using the new tools. While there is still a lot of time-consuming work to be done at the university in expanding Faculty coverage, Tuzla is on track for achieving a significant step forward in laying the foundations for better

<sup>19</sup> in study-programme cost optimization,

<sup>20</sup> using enrolments, fees, student numbers, study programme cost categories, student types, programme cycles, target HE policies, public budget movements, etc. as parameters

negotiations over the budget in the future. It joins Zenica in the vanguard of HE financing modernisation. However, Tuzla University has also stressed that, while the present focus on a per-student/study programme costing based on *actual costs* is pragmatic, it should be noted that declining budgets in recent years mean that these unit costs may be below the level needed for financing a quality-based study programme and an 'optimum' cost<sup>21</sup> should be used (see *footnote 13 above*).

- ♦ **Bihac:** the situation in Bihac has been complicated for several months by reorganisation in government and university, and so the project was not able to hold a dissemination workshop, or visit Canton Ministries. However, in spite of (or because of) this situation Bihac university requested the project to organise a workshop in Sarajevo involving the Ministries of Finance, Education and the University leadership. The workshop produced seemingly unanimous agreement to shift the budget-base to per-student/study programme costing. Bihac had further recommendations for adjusting the HE Budget Planning computer programme. In short, Bihac appears to have laid the foundations for adopting the costing and budget planning improvements supported by the project.

66 In summary, Zenica, Tuzla and Bihac have all completed the journey to shifting the cost-base using the tools developed with the project. The quality of the university and ministry staff involved has been strong and mostly dedicated to making the process work, in spite of the inherent difficulties in handling complex institutions and assimilating additional work load.

## [2] RS programme budgeting

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67 The Output 3 process was completed also in RS, with a workshop bringing the two universities together with the MoEC and MoF.

68 The final result is generally positive, though it is not clear whether a shift in the cost-base will be officially integrated into budget processes.

69 Both Universities, particularly Banja Luka, have made use of the ABC process, with Banja Luka reporting 15 out of 16 Faculties completed<sup>22</sup>, most of which have been done by the University team after the completion of Output 1. Banja Luka University also reports making extensive use of the programme, both in internal and external financing. It has recently been used to provide costs to the MoF for a new study programme and the university also indicates that it will be used in budget negotiations with the Ministries. East Sarajevo, where faculty coverage is less, reports optimism for the use of per-student/study programme costing and the computer programmes for the 2016 budget year but not for this year. It also feels that university budget share will, eventually, have to pay attention to this cost-base.

70 While the Ministries and Universities appear appreciative of the HE Planning and Budget programme, it is unlikely that there will be any move, in the short term, officially to implement a shift to per-student/study programme costing or the planning opportunities which come with it, and which are captured in the HE Planning computer programme.

71 The RS Ministry of Finance expresses very strong support for the project outcome, and recognises it as a significant contribution to eventual implementation of programme budgeting. In their final comment on the project contribution, the MoF stated, 'finally, we again repeat that the software you have developed is of great significance and that it will surely find its place in the plans for a future period as well as in the Strategy of development of higher education which will be drafted this year for the period from 2014 to 2020.'<sup>23</sup>

72 The RS Ministry of Education and Culture has indicated that the process of establishing a cost-basis for the HE budget has focussed on the on-going development of a revised Book of

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<sup>21</sup> The ABC computer programme contains provision to raise 'actual' costs to 'optimum' costs

<sup>22</sup> In itself, this is evidence of the value the university sees in the process.

<sup>23</sup> Email from MoF & MoEC, February 26<sup>th</sup>, with comments on the final report,

Rules governing, inter alia, the university cost-share. This has proved a difficult process and the project understands that it is unlikely to include per-student/study programme cost criteria – at least, not in the short term. However, the capacity to compare study-programme and other university costs, and to agree finance standards for university budget share, now exists.

73 All RS stakeholders are now aware of the concept, methodology, and tools relating to modernised HE financing. It is possible that the HE sector budget planning potential of the process and tools is taking second place, at present, to the issue of sharing the budget between the two universities. As programme budgeting rolls in, output costing will become necessary, and the implementation of ABC is, therefore, almost inevitable in the medium to long terms.

74 Crucially, the project understands that it is unlikely that either the MoF or the MoEC will require universities to provide per-student/study programme cost data as part of the budget process. As a result, unlike in Tuzla and Zenica, it cannot be said that a shift in the cost-base for budgeting has yet taken place in RS, in spite of the fact that the cornerstone of Programme Budgeting is the capacity to determine and cost university outputs, and plan budgets in relation to these costs.

75 With more time, the project might have been able to make it clear that ABC does not determine budgets and is not a threat to the existing balance of interests. It provides essential and actual cost information to feed discussions of options and directions, and can easily assist in focussing discussions on university budget share to the benefit of RS higher education.

### [3] Mostar-based Universities

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76 Previous reports have explained the complex situation relating to Mostar-based universities. In brief, the public finance budget for both Sveučilište u Mostaru and Džemal Bijedić University is given as a grant<sup>24</sup> covering less than 20% of university expenditure. While the universities retain their fee income, this is inadequate even to pay salaries regularly and, in the case of Sveučilište u Mostaru is not fully paid by all the co-founding Cantons.

77 For a number of reasons<sup>25</sup>, this situation not only preoccupies HE financing discussions in Mostar, but also prevents the implementation of the same approach adopted elsewhere. However, in order to establish a foothold for cost/criteria-based financing in Mostar, the project identified two areas of where immediate implementation can take place;

- ♦ support for Mostar-based universities in applying per-student/study programme costing criteria to the internal distribution of the university budget<sup>26</sup>;
- ♦ support to the founders/co-founder of the Mostar universities in costed specifications for targeting the grants towards enrolment priorities<sup>27</sup>.

78 The workshop with Sveučilište u Mostaru on financial integration (25<sup>th</sup> Feb-14) indicated very strong interest in international principles of integrated management, the details of professorial remuneration, management of university fee-income, cross-subsidisation criteria, financial distribution criteria, and a range of other issues relating to the principles.

79 It also indicated that, unlike the situation with UNSA, the transition period was timed and not dependent on other conditions<sup>28</sup>. While two years after the decision of the Canton was not regarded as an absolute deadline, it was felt that soon after the deadline, the university would

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<sup>24</sup> And frequently delayed, partly-paid, or not paid.

<sup>25</sup> The lack of co-founder leverage due to the limited size of the grant; the difficulty in negotiating a budget when university consolidated income is not visible to the co-founders; the divided responsibility for providing adequate public finance;

<sup>26</sup> at the request of Mostar University

<sup>27</sup> while fungibility, and lack of follow-up capacity will undermine these targets, this may promote some meaningful budget discussions between universities and funding ministries.

<sup>28</sup> i.e. In UNSA, the university is required to develop two key books of rules. Approval of these by the Canton government, and subsequent cancellation of Faculty accounts, would, effectively end the period of transition.

be obliged to complete integration. As a result, there was a slow and steady negotiation of common arrangements within the university, and this accounted for the very strong interest in the project expert's experiences with universities elsewhere in Europe.

80 The workshop with the Ministries of Education (founder and co-founders of both universities) did not take place because of unavailability of the Ministries<sup>29</sup>.

#### [4] UNSA and Sarajevo Canton HE financing reform

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81 For the duration of the project (and before), UNSA has been involved in a see-saw process of moving from an association of university 'members' (faculties, academies, institutes), towards a centrally but collaboratively managed body. During 2013, apparently watershed legislation was adopted which, in theory, set UNSA on the road to integration, albeit by establishing a transitional period which would only be ended when a revised book of rules governing University management (including finance) was accepted by the Cantonal government. In the meantime, public grants continue to flow directly to Faculty accounts.

82 By Q4 2013/Q1 2014, UNSA had managed to establish the Management Board and Finance Committee required to be set up by the revised University statutes which followed the Cantonal legislation relating to integration and transition.

83 The project had visited the Sarajevo Canton Ministry of Education and concluded there was a lack of capacity and readiness to bring the MoE and University together to try to line up the Cantonal grant and the UNSA internal distribution to faculties under per-student/study programme costing criteria.

84 Similarly, while the project had been working with all other universities, UNSA was distracted by the debate over integration and changes in leadership. A UNSA UCA team participated well in the ABC workshops, but, in practice, was only able to undertake limited implementation because of the large number of independent faculties, each of which would need to be engaged. A workshop with a representative group of technical faculty staff was held but the second cancelled through lack of attendance. The Faculty of Sports has remained keen, and the Faculty of Economics/Business School already has its own process of cost-analysis, albeit not as sophisticated or standardised as the project ABC methodology.

85 The situation led the project to target two areas of support;

- ♦ advisory support to the UNSA Finance Committee on common European principles of integration, including criteria to set central services allocations and faculty shares using per-student/study programme costing, leading to inputs into the two books of rules which the recently formed Finance Committee/Management Board is responsible for producing<sup>30</sup>;
- ♦ introducing the Finance Committee members (and wider group of Faculty finance staff) to the concept, methodology, and outputs of ABC in relation to Faculty and University financial management, including the establishment of the university budget, and the HE Budget Planning computer programme.

86 Together, the project intention was to ensure that the Finance Committee and Management Board;

- ♦ were aware of the basic principles, elements, and requirements of integrated management – something which is new to UNSA;

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<sup>29</sup> Resulting from the disruption of Ministry business leading up to the planned workshop.

<sup>30</sup> One book of rules has to cover the overall umbrella arrangements for university financing, and the other has to specify the management of university income.



- ♦ understood the role of University full costing (the ABC process, leading to per-student/study programme costing) in planning budgets, managing cost-drivers, and influencing budget shares;
- ♦ was familiar with the computer-assisted tools of ABC and HE budget planning developed by the project, universities and ministries in the context of BiH;
- ♦ had a clear idea as to how the organisation and arrangements for financial management of an integrated university could structure the books of rules, and the ABC process and results could establish equitable internal finance criteria.

87 The results of the two missions of the HE Financial Management Expert, and the Finance Committee ABC workshop can, at present, only be regarded as the ‘planting of seeds’. The project has run out of time to nurture their growth. In any case, it appears that University unfamiliarity with central coordinated management would indicate that, to take things forward, individual Faculties/Academies/ Institutes would need to implement ABC first and the benefits then accrue to the central Finance Committee. It is unlikely that a top-down approach would find adequate support, and it is clear that the concept of integration is still sufficiently sensitive that the Finance Committee has yet to formulate any firm ideas on how to undertake this<sup>31</sup>.

88 From the project point of view, UNSA did not avail itself of the opportunities which the project presented, and certainly, with the exception of Džemal Bijedić University, UNSA (faculties and university) now lags behind all other BiH universities in its capacity to undertake efficient financial management based on an understanding of its costs and expenditures. Similarly, Sarajevo Canton itself remains completely unaware of the shifting cost-base for HE financing and the budget planning opportunities this presents. From June, 2013, the Canton lacked a Minister of Education<sup>32</sup>, and, as a result, the few staff of the MoE met, but did not wish to engage with the project.

#### [5] Consolidation and expanded coverage of ABC + applied unit-costing, and results analysis

89 The project strategy for expanding coverage in those universities where the central financial departments were having difficulty in bringing other Faculties on board has been to involve the financing ministries in mandating the submission of average per-student/study programme costs along with the annual enrolment or budget plans. In this regard, the interests of the Ministries coincide with those of the University Finance units.

90 This appears to have been successful in Zenica<sup>33</sup>, Tuzla and Bihac. In RS, in spite of the fact that Programme Budgeting will *require these costs*<sup>34</sup>, and the universities are now able to provide them, it seems more time will be needed for the entity government to consider the matter.

91 The project strategy in Mostar has been to achieve the same effect by encouraging the founding/co-founding Canton Ministries to specify targets in the grant, thus necessitating the submission of per-student/study programme average costs. The Ministries have expressed interest, but it is probable that the project has run out of time to provide additional support after the final workshop which will discuss this.

92 In order to maximise the application and results of per-student/study programme costing, the project delivered two workshops to the **Higher Education Agency** and the **Federal Ministry of Education and Science**.

<sup>31</sup> It is also the impression of the project, that the university leadership feels reluctant to exert leadership over the process for a variety of possible reasons.

<sup>32</sup> The Minister did not work from June to October, when he was dismissed.

<sup>33</sup> Though the request to the project to write to the government, suggests that there is still a measure of agreement needed at that level.

<sup>34</sup> The costs of service *outputs* is the heart of Programme Budgeting and the basis for the measurement of policy achievement and institutional performance.

93 The HEA is charged with the development of a **minimum student fee**. In the first workshop, the project presented a concept for the minimum fee for HEA internal discussion, resulting in a request to come back and deliver a more technical workshop concerning data and calculation methodology. A summary of the minimum fee concept is in Appendix 9. The project understands that this work is of great interest to the HEA and helps to resolve the long-standing problem of how to approach the task. Since it requires a steady expansion of underlying data from university-level and cost-category level ABC, in order to calculate university-based minimum fees and higher-level minimum-fees, the Agency has expressed interest in continuing to support the expansion of ABC coverage.

94 In the project view, the workshops were highly productive and the capacity, interest and skills exist in the Agency to follow up on this work.

95 The workshop at the Federal MoES focussed on briefing the Ministry on progress in ABC, and on providing an overview to other education sub-sectors of the concept and methodology of per-student/pupil costing<sup>35</sup>. The project was exploring the capacity and interest in the FMoES in following up on the costing and planning aspects of per-student/study programme costing.

96 While it is of great importance, in advisory and strategic terms, for the FMoES to make use of the outcomes of the project work, the capacity to take up where the project leaves off is limited by staffing and scope of responsibility.

97 Nevertheless, the project hopes that the FMoES can, when the time is right, participate in the presently missing step of comparative analysis. This step requires a consolidation of results, and further expansion (see para 119 below).

#### [6] The acceptance of an HE Financing Legal Principle – drafting and dissemination

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98 The second strategy of the project for fixing the cost-base shift to per-student/study programme costing involves proposing a related and supporting Higher Education financing principle. By setting a principle which states, in effect, that planning HE requires planning stakeholders to include the cost per-student/study programme in proposals and negotiations, it is hoped that university financial authorities will have the necessary arguments to ensure full university costing. In this way, both the internal financial management value of ABC and the external HE budget negotiation value of per-student/study programme costing can be realised.

99 The project draft of the legal principle, and accompanying government-university Agreement, has been circulated for consideration. It is hold-harmless in its financial implications.

100 The project preferred implementation option is the 'bottom-up' one, whereby each university and government consider its local appropriateness and adopt it, if agreed into Canton/Entity legislation. This will avoid the additional complexity of approaching the HE framework law directly, while at the same time, ensuring that the principle does its intended job.

101 Initial informal feedback suggests that the adoption of even such a benign principle will be difficult, even if it is widely supported. Once again, apart from the complexities of the higher-level decision-taking process, there has been an inadequate amount of time for the project to lay a better foundation of understanding in order to gain wider bottom-up support.

102 Nevertheless, the pieces are in place and supported by logic and actual capacity to provide the unit-costs. At the very least, these can be considered actual seeds which have some growing roots.

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<sup>35</sup> This was considered important in view of further developments in responsibility for managing pre-school and primary education – both of which have significant cost assessment requirements.

## [7] The development of three key project documents

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103 The three documents went through several cycles of stakeholder feedback involving the PSC, the Output Two working group, and the Council of Europe/EU project 'Strategic Development of HE and Qualification Standards'.

104 During the course of this process, and under the direction of the PSC, two changes took place;

- ♦ the second document changed from an assessment of pros and cons in a change in HE financing responsibility in the Federation of BiH, to an assessment of targeted funding opportunities and options;
- ♦ once the documents were nearing final draft, they were merged into one document, with the second becoming an annex of the main document.

105 The central dilemma which the document production process has revealed is that, a critical path for further developments in HE resourcing requires the crossing of a well-defined and narrow bridge of the present budget process (budget law, budget planning and preparation process, treasury system, budget execution processes, accountability and reporting processes) in an environment of austerity and high unemployment. These processes and environment affect the whole of government and the private and banking sectors. There are few positive options, either for leveraging cost-saving efficiencies, improving institutional or government performance, increasing HE funding, increasing the investment value of HE for student-loan purposes, increasing parental load-sharing, etc.

106 Unfortunately, all future policies, road-maps, priority policies, etc. have to cross this narrow bridge unless it is widened by changes in the budget law and the processes which it governs<sup>36</sup>, *and* by improved economic performance<sup>37</sup>. In one respect, it could be argued that enough is understood about priorities and strategies, but not enough about how to navigate the critical paths of implementation, and this leads to a surfeit of unrealisable recommendations. The project itself is an object-lesson in this – i.e. the laudable intention to construct the edifice of MTEF in HE, and its associated performance-related elements, could not be implemented on this side of the present budget bridge until other conditions change.

107 The alternative area of improved resourcing lies in higher-level planning for provision of HE services<sup>38</sup>, so the benefits of better economies of scale, more rational curriculum planning<sup>39</sup>, more targeting and specialisation in university strengths, better responsiveness to the challenges of private higher education, more student mobility, better mitigation of the effects of demographic changes<sup>40</sup>, etc. can be realised.

108 This alternative requires, very obviously, the resolution of a wide range of non-education issues before it can be realised, though, it is probable that student choices themselves are shaping some of these changes already<sup>41</sup>.

109 The final merged document is available in USB/CD format and online<sup>42</sup>.

110 The main recommendations of the documents are in Appendix 11: .

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<sup>36</sup> thus allowing, for example, a move towards performance-based budgeting with its associated instruments

<sup>37</sup> thus improving employability, loan-worthiness, parental income, and giving teeth to labour-market relevance in HE, as well as generating more tax-income for possible HE public budget improvements.

<sup>38</sup> i.e. above that of Canton level, and one which allows for HE planning including a larger number of universities.

<sup>39</sup> e.g. fewer small courses with high unit-costs, more cross-faculty electives/core courses, ...

<sup>40</sup> Especially declining university-age student numbers.

<sup>41</sup> These issues are under consideration by the Council of Europe/EU HE project currently underway.

<sup>42</sup> <http://tinyurl.com/HEFReform-2014>

#### 3.4.4 Cross-cutting issues in Output Three:

111 **The ‘decision problem’**: where there is strong agreement to implement a cost-base shift, or the legal principle, among all stakeholders, there still remains a question as to how to get a firm decision to make it happen, and from whom and in what form. This rarely appears to be a clear matter. The project has been pointed in the direction of higher-level bodies – the Conference of Ministers of Education of BiH, the Coordination of Ministers of Education, and the Rector’s Conference. But the record of actual implementation of recorded decisions taken by these bodies may not be encouraging, and regular changes in leadership make continuity a problem also.

112 The project strategy has been to develop a strong technical-level capacity and agreement which allows the implementation of improvements with less dependence on higher-level explicit decisions. Nevertheless, there is still a feeling that continuous facilitation and encouragement over time is needed to fix new practices in place, in lieu of firm high-level decisions.

113 **The Treasury System ‘problem’**: is the TS a real obstacle to progress in HE financing? Even in places where criticism of the TS is strong<sup>43</sup>, there is, nevertheless, a feeling that, before austerity began to bite university budgets heavily, the ‘system’ was manageable<sup>44</sup>. The TS is control- and not performance-orientated<sup>45</sup>. Where it allocates budgets in line-items, with administratively time-consuming virement rules, and controls university income, it does not leave any financial management discretion in the hands of the universities. Where budget levels, adequate or inadequate, are allocated on no particular criteria other than historical, it is hard for governments to demand specific university outputs in return. Where TS line-items (e.g. salaries) refer to specific numbers, and all university income is counted in the TS line item budget, there may be excessive control over decisions which would better be left to universities. The ‘Development’ line-item has been dry in most HE public budgets for some years, and, increasingly, Canton ministries are requiring universities to allocate their own income to prop-up operational short-falls which used to be more fully funded by the public budget<sup>46</sup>. But these are largely behavioural and not necessarily system issues.

114 The TS allows for special grant transfers<sup>47</sup>, and appears to permit the retention of university income in budget-user commercial accounts<sup>48</sup>. A well-specified combination of both would, in theory, permit the implementation of criteria-based budgeting, and a strengthening of accountability processes in the TS, accompanied by a revision of reporting processes, with additional capacity at Ministries to follow-up, would, in theory, permit output budgeting. But Canton Ministries are inadequately staffed, and enforcement of audit-findings and sanctions for non-performance is problematic.

115 However, whether or not the *Treasury System* is the problem, it is widely *perceived as such* and demonised. Generally, it is perceived that being ‘in the Treasury System’ means loss of control over university income, and a ban on university accounts/sub-accounts.

116 In short, the TS as implemented in RS<sup>49</sup>, is not, *as a system*, an obstacle. But, it is not operated in the same way everywhere<sup>50</sup> and this variability appears to cause resentment,

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<sup>43</sup> e.g. Tuzla University

<sup>44</sup> Professor Novakovic, Rector of ES University has stated several time that the TS is ‘necessary’.

<sup>45</sup> although possibly not entirely effective in control, since the project has heard some negative comments on the effectiveness of budget reconciliation, IT systems, reporting, and audit follow-up, all of which would need to be corrected (if true) for performance-based system to be effective.

<sup>46</sup> In Tuzla and Zenica, the universities are required to allocate their fee income in the TS line-items. They are ‘free’ to choose which, in theory. In practice, they have to supplement salaries, services, etc. with this income.

<sup>47</sup> Though these are not intended for institutional funding.

<sup>48</sup> Until the end of the project, this point is still not fully clarified.

<sup>49</sup> which operates under the same budget law as the whole of BiH, and permits university retention of own income including fees and commercial projects,

<sup>50</sup> e.g. in relation to the control of university income, and coverage of salaries

particularly in austerity conditions<sup>51</sup>. If a performance-based budget system is needed, it could be fitted in, but some important aspects of the budget process would need to change, and these changes would be needed across all government sectors<sup>52</sup>.

117 **Grant transfers – a solution or a further problem:** two universities receive grants, paid to faculties<sup>53</sup>, from the special grant (Džemal Bijedić and Sveučilište u Mostaru), or from the grant of non-profit organisations line-item (UNSA) line-item. While these are un-earmarked, leaving the university to deploy as they wish, they are also not mandatory in the Canton budgets, and therefore subject to fluctuation, particularly in times of austerity. The latter disadvantage, at present, far outweighs the flexibility of use advantage.

118 **The ‘critical mass’ issue:** has the coverage of per-student/study programme costing reached a ‘critical mass’? The final figures in Appendix 7 suggest that an interesting average cost per-student/study programme could be calculated for all cost-categories except the most expensive<sup>54</sup> by combining all university figures. But, it would not yet be acceptable where some universities have inadequate coverage and can argue it does not represent their situations. Each cost-category would still need further refinement as unit-cost information became available. But for Džemal Bijedić University in particular, the lack of progress is a lost opportunity to demonstrate their disastrous per-student cost in comparison to other universities in BiH.

119 **The missing analysis:** an important step which the project originally envisaged as partly achievable, has not been achieved. With relatively complete per-student/study programme costs, comparisons between universities in BiH, which highlighted differences needing explanation would have led to an analysis of these differences in terms of optimal enrolments, labour market demand, behaviour of internal cross-subsidisation, curriculum costs (in particular ‘optimum’ versus ‘actual’), fee levels, ‘efficiency’, negative demographic trends, student access and mobility, implications for institutional and programme viability and more. This analysis remains to be done when the data reach a critical mass – or even on the present data.

120 This third data-dimension<sup>55</sup> which the project planned, would provide *real* and not notional material for concrete measures to rationalise higher education services. Each difference, with its accompanying analysis, should lead to a remedial measure which can be implemented since it acts demonstrably on public and university budgets and present policies. It is a need which the HEA and FMOES might consider addressing.

121 **Integrated university financial management:** the application of per-student/study programme costing to internal university financing of is an obvious area of interest, especially for those universities that have to produce revised books of rules governing internal financing in order to emerge from a transitional state<sup>56</sup>. Some universities are already reporting the analysis of costs in relation to their present internal financial distribution<sup>57</sup>, and Sveučilište u Mostaru is actively looking at the application of ABC in internal distribution. UNSA, which has the greatest need for revised criteria, has shown some interest in per-student/study programme costing but made no concrete steps yet to develop the book of rules. The project expert in University Financial Management has provided a check-list of areas needing consideration and strongly

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<sup>51</sup> and not just for the Higher Education sector

<sup>52</sup> And input allocation budget systems are intrinsically ill-suited to performance-based budgeting for a variety of reasons.

<sup>53</sup> Forwarded through the university finance department in the case of Sveučilište u Mostaru, because they come from co-founders.

<sup>54</sup> e.g. medicine, art, because the numbers of faculties covered is very few

<sup>55</sup> The **first** dimension is the use of per-student/study programme costing for university financial management, the **second**, its use in HE budget planning, and the **third**, its use in BiH/regional rationalisation of HE services.

<sup>56</sup> University of Sarajevo, which has to submit revised proposals to the Canton, and both Mostar-based universities which need internally agreed criteria.

<sup>57</sup> Especially Banja Luka, which has applied ABC to almost all faculties and analysed cost differences.

urged the university to take the opportunity ABC offers, but the recently formed UNSA Finance Committee has not yet prioritised the development of the book of rules.

### 3.4.5 Final summary

122 The project has laid an important foundation of output cost analysis and criteria-based budgeting on which the sector can build if it continues the work that is not yet complete. If this happens, then ‘reform’ can, perhaps surprisingly, happen. Even if the work is not complete, two conclusions can still be drawn; [1] output-based costing is an unavoidable first step in reform and the project has shown the methodology and produced the tools which can complete the step; [2] all stakeholders who can use the project results are using them, and all those who are not, or only partly using them, know that they can, and, when other circumstances permit, will use them.

123 Whether the sector stakeholders, or a future project, continue down the road, at least the directions should now be widely and clearly understood. The objective evidence of the likelihood of an enduring impact of its work can be supplemented by the frequency of comments such as the one from the RS MoF and MoEC, the evident regret at the closing of the project, and request for continued assistance.

124 Against these indicators, the project TOR and Logical Framework (see below), this was a largely successful project in a very difficult technical area and complex environment.

## 4 Assessment against the Project TOR and the Project Logical Framework

### 4.1 ASSESSMENT AGAINST THE PROJECT TOR

125 As described in 3.1.2 above, the project TOR were all integrated into the three outputs in order to reflect the needed implementation strategy. The table below distils achievement against the TOR as follows;

TOR	TOR scope of work	Project Output
[1]	Problem identification and out-of-Canton student costs	<ul style="list-style-type: none"> <li>◆ The Project key document, ‘HEF Reform; context and recommendations’, and the project ‘Final Report’ describe the higher and operational level problems relating to HE financing, and contain recommendations for short and medium term remedial actions.</li> <li>◆ The ABC programme per-student/study programme unit- costs set the cost-base for all students, including out-of-Canton students, and treat these (as universities do) as all other students.</li> <li>◆ The programme also establishes the specific unit-cost for branch faculty students (i.e. the per-student costs of a faculty operating outside it home university)</li> <li>◆ The project inception report established that inter-Canton compensatory transfers were not appropriate or seen as relevant.</li> </ul>
[2]	Per-student financing	<ul style="list-style-type: none"> <li>◆ The Output 1 ABC programme achieves this in a highly enhanced way through a methodology with significant financial management outcomes.</li> <li>◆ The Output 3 converts the ABC unit-costs into a scenario modelling capacity for annual or medium-term budgeting.</li> </ul>
[3]	Reviewing different financing modalities	<ul style="list-style-type: none"> <li>◆ A key appendix of the ‘HEF Reform; context and recommendations’ document describes the opportunities, modalities and scope of alternative financing sources. The project worked closely with the KfW project on developing a student-loan scheme in BiH and left this area to that project.</li> </ul>
[4]	Consideration of MTEF	<ul style="list-style-type: none"> <li>◆ MTEF itself was considered to be a step too far at this stage. It requires more common action across all sectors, and a considerable enhancement of the TS in the Federation of BiH, especially in adaptation of budget programme codes and improved implementation of the accountability mechanisms of budget execution.</li> <li>◆ However, most of the components of MTEF (outputs, indicators, policy-related costed targets, medium-term budget and expenditure planning) are part of the ABC and HEBP programmes and now built into the budget process in 3 Cantons, and RS,</li> </ul>



		and potentially form part of the financial integration criteria of UNSA and SvM.
[5]	Training & legal principles	<ul style="list-style-type: none"> <li>◆ All universities have teams trained in ABC methodology which are able to use the computer programmes collaboratively developed.</li> <li>◆ The MoF and MoE of Tuzla, Zenica, Bihac, and RS are able to undertake scenario-based medium-term budget planning using the HEBP programme.</li> <li>◆ A proposed legal principle for HE financing, and a model Agreement (to be signed by Universities and MoEs) drafted, and widely disseminated for discussion. Almost universal agreement with the principle, but the process of adopting and its implementation will need individual action in every university location.</li> </ul>

126 In short, achievement against the project TOR has been good, and, if the added financial management value of ABC is taken into account, the minimum student fee methodology, and the potential of subsequent analysis, it has succeeded in creating additional institutional and planning benefits. However, where wider budgetary reforms have been needed (especially for MTEF development), the project has not managed to lift HE reform to that level because they depend on wider reforms outside the project sphere of influence. Nevertheless, it has successfully provided the unit-cost basis and financial planning processes which are the core of output-based budgeting. An MTEF could not be constructed in the HE sector without the costing foundations, tools and processes developed by the project with universities and ministries.

## 4.2 ASSESSMENT AGAINST THE PROJECT LOGICAL FRAMEWORK

127 The Project Logical Framework is in Appendix 1.

### 4.2.1 Output One

128 The Output 1 LogFrame indicators are;

<p><b>Output 1:</b> a set of standard student unit costs for BiH universities is agreed and forms the basis for financing decisions and processes.</p>	(i) Shared student cost norms by student category used by (selected) universities and their contributing funders
	(ii) Capacity to calculate proportion of 'real' student costs covered by public finance

129 Against these two indicators (page 34,  click → **Output 1**), the output has been largely achieved though;

- ◆ not institutionalised to the degree envisaged and implied in the output wording and MoV<sup>58</sup>;
- ◆ but well exceeded in terms of its internal and external management value – i.e. the process of choice of the ABC approach itself has added considerable value not expressed in the output.

130 **In short**, the capacity to achieve the output, and the awareness of its budget planning role, has been clearly established, but the standard student costs are likely to be used as public financing criteria in only a few Ministry/University negotiations.

### 4.2.2 Output Two

131 By the end of the project, this output does not really express what happened during the project Output 2 activities and overlaps with Output 3. In practice, Output 2 was directed at feeding Output 3 with policy criteria, with an attached documentary output. As a description of an Output 3 result, this Output 2 description has actually been largely achieved. A rolling annual process which integrates policies and future needs is built into the HE Budget Planning computer programme and, where that is used during the university-ministry budget planning negotiations, the result is as Output 2 requires.

<sup>58</sup> MoV = Means of Verification (LogFrame speak)

132 The Output 2 LogFrame indicators are;

<p><b>Output 2:</b> a rolling annual planning process between selected universities and contributing ministries which integrates priorities and future needs and is influencing HE financing decisions.</p>	(i) Draft policies relating to key priorities (e.g. HE expansion, employability, priority skills areas, efficiency, incentives for policy implementation) are presented for discussion to Conference of Education Ministers & Rectors' Conference
	(ii) An annual pre-budget planning process incorporating annual review and forward projection.
	(iii) a consolidation of current HE strategies into a representative policy document for each Entity and in common for BiH

133 Against the three indicators (page 35,  click → **Output 2**), the results can be assessed as follows;


- ♦ **Indicator (i):** the project has engaged with higher level steering bodies such as the Rector's Conference and Coordination of Ministers of Education. The Conference of Minister of Education of BiH has not met during final quarter of the project. The meetings that took place aimed to get an agreement to the process of per-student/study programme costing and, in that regard, produced clear expressions of support.
- ♦ **Indicator (ii):** this has been achieved as an integrated part of the HE Budget Planning computer programme where that is used. Since *the project has not spanned a budget planning cycle since the development of the necessary tools*, there is no MoV evidence available yet. However, the instrument, mechanism and process is visible in the HE Budget Planning computer programme operation. In the most recent workshops with Tuzla and Zenica Universities and financing Ministries, discussions have already occurred relating to the 2015 budget using the programme.
- ♦ **Indicator (iii):** the project key Output 2 documents meet the requirement of the indicator.

134 **In short**, in combination with Output 3 results, Output 2 has been achieved, though not institutionalised or visible in a budget process since the project lifetime has not spanned a budget cycle since completing the Output programmes. This problem was presaged in the Inception Report.

### 4.2.3 Output Three

135 The Output 3 indicators are;

<p><b>Output 3:</b> a locally appropriate criterion-based financing process, which contains policy and performance elements and a strategy for phasing in, is agreed between selected universities and their financing units of government.</p>	(i) An HE budget which shows a relationship between budget and university outputs.
	(ii) Financing criteria reflect policy criteria relating to labour market, disadvantage, and other priority policies, and are sensitive to enrolment efficiency.
	(iii) Rationale, proposal and operational strategy for implementing a level change for HE financing responsibility in FBiH

136 This Output has been both been overachieved and underachieved. Against the indicators, performance is (page 35,  click → **Output 3**);

- ♦ **Indicator (i):** where finance related Ministries and Universities make use of the HE Budget Planning computer programme (Tuzla, Zenica, Bihac) this is, or will be, achieved. The annual enrolment plan will be costed, student quotas and fees set, according to policy and cost criteria, though this will subsequently be modified by governments. How this is visible in documentary terms (as indicated in the MoV) is not yet clear. In RS, however, it is probable that the budget will not yet be expressed in Programme Budget outputs, though the capacity to do this now exists, and is fully supported by the Ministry of Finance.

- ♦ **Indicator (ii):** the HE Budget Planning computer programme focuses on providing the means to connect policies to budgets, and various scenarios can be explored in this way. Where this is used, then this indicator is achieved very effectively.
- ♦ **Indicator (iii):** this indicator was to be achieved through the second of the three key documents, which would have done a SWOT analysis of the issue of financing level responsibility in the Federation of BiH. However, the 4<sup>th</sup> PSC meeting changed the focus of the document to targeted funding options, so this element of the Logframe was deleted.

137 **In short**, Output Three has achieved a very solid technical foundation for a criteria-based HE financing process. It falls implicitly short in the degree to which this capacity has been institutionalised. However, this is almost certainly due to lack of time to implement a complex change rather than any failure in the process or tools. A remarkable level of agreement was achieved, but making technical changes stick in the present environment of BiH requires more patience and time than originally allocated.

#### 4.2.4 Progress on Outcome (Purpose) and Impact (Goal) levels

138 **Purpose level:** the project achievement in establishing a process, capacity, and supporting tools for per-student/study programme costing lays the foundation for future development in internal university financial management, and HE budget planning for all income sources. If the project contribution is taken forward by stakeholders, and subsequently exploited by further moves towards implementing the programme budget elements of the existing budget law, the *Purpose level outcome* will be achieved.

139 **Goal level:** to achieve an *impact level outcome*, the analysis of costs, comparisons and differences will have to be done on a reasonably complete data-set. The results will allow the sector to target a range of improvements – i.e. significant access improvement, curriculum rationalisation through optimising enrolments and developing common cross-faculty core courses and electives, targeting labour market relevance, university/Faculty rationalisation, internal budget efficiencies both in terms of costs and faculty budget distribution, and more. Implementation of a reasonable number of these, based on the demonstrable conclusions of the data and the shared benefits would lead to a more efficient and effective HE system in BiH, and one built on European full costing principles.

## 5 Risk, conditions and assumptions

140 The assessment of risks and assumptions has been updated in each Interim report during the course of the project.

141 Key assumptions and risks identified in the project TOR, were;

- ♦ Assumption 1: continuous support of all relevant ministries and institutions.
- ♦ Assumption 2: active participation and cooperation of different stakeholders.
- ♦ Risk 1: lack of political consensus between relevant ministries and higher education institutions.
- ♦ Risk 2: difficulties in harmonizing reform processes between the education sector and the finance sector.

142 In general, the assumptions proved reasonably well-founded, and the risks did not materialise. All stakeholders expressed on repeated occasions, the need for progress in HE financing and backed the project solutions. Two universities were less active, but the reasons were not related to opposition, but to local circumstances which they perceived as obstacles or higher priorities<sup>59</sup>.

<sup>59</sup> Džemal Bijedić University was preoccupied by a very severe budget crisis. UNSA was, for most of the project, beset by leadership uncertainty and then the on-off legal process relating to integration.

143 No significant conflict between ministries and universities occurred which related to, or affected the project reform objectives. Neither was there any significant disagreement between Ministries of Education and Finance.

144 The project ascribes this situation to a number of factors which it implemented in risk-mitigation;

- ◆ it chose an approach which had spin-off benefits to the implementers – e.g. the ABC approach to unit-costing also gave the universities a significant and modern finance management tool; the HE Budget Planning computer programme gave universities a tool for achieving things they could not do before, as well as relating enrolments to budgets);
- ◆ it took care to visit, and develop relations with all stakeholders individually;
- ◆ it worked with both universities and ministries separately to build a consensus before bringing them together;
- ◆ it adopted a ‘hold-harmless’ approach to budget planning since, to do otherwise, would have faced terminal resistance from Ministries of Finance. Similarly, it avoided ‘fighting losing battles’<sup>60</sup> and selected feasible and implementable areas of reform.
- ◆ it did not adopt a ‘one-size fits all’ approach. Instead, it categorised local situations and adapted the implementation of common solutions to suit the different circumstances;
- ◆ it provided solutions and awareness to a wider range of beneficiaries<sup>61</sup>
- ◆ it aimed to achieve *actual behavioural change in budget planning* rather than analysis and recommendations.

145 Further risks were identified in the successive project reports. However, these were gradually whittled down to two;

[A] lack of time

[B] reaching decision-taking levels

146 **The Time risk:** at the end of the project, it has become clear from both the strong demand from some stakeholders<sup>62</sup>, the continuing engagement of others<sup>63</sup>, and the incompleteness of some areas of work<sup>64</sup>, that, with continuing facilitation and engagement of the project, more could be achieved with more time – i.e. the work is on-going and can be built upon.

147 The time has run out, so the risk has materialised. Nevertheless, the project has managed to achieve a minimum success level<sup>65</sup> in ‘reform’ terms, and a good success level against the project Logical Framework and project TOR. In the project strategy, the minimum degree of success was the development of a widespread awareness of the need to establish rational and modern HE financing criteria, and the creation of the tools, capacity, and legal basis to support the shift of the cost-base to a per-student/study programme unit-cost.

148 **The decision risk:** the shift in the cost-base for HE financing requires local decisions to adapt the budget process, attach a supporting legal principle to the local HE law, and, importantly, put in place an agreement to require per-student/study-programme cost-category average costs to be provided by the university for public budget discussion purposes. This latter requires, at the very least, a decision from the local Minister of Education based on support of the stakeholders.

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<sup>60</sup> e.g. supporting those universities which were dissatisfied with procedures of the Treasury System.

<sup>61</sup> e.g. HEA, FMOES

<sup>62</sup> e.g. HNC, Mostar University, Zenica (Ministries and University), the HEA, Tuzla Ministries, ABC expansion in all universities

<sup>63</sup> e.g. UNSA (though fitful), RS Ministries, all universities vv ABC expansion,

<sup>64</sup> e.g. support to UNSA internal financing and integration, support for the analysis phase, more training for the HE Budget Planning computer programme, facilitation of ABC expansion, converging Mostar universities towards the same achievements elsewhere, lining up the UNSA public grant with internal distribution criteria, ...

<sup>65</sup> which, in the context of a difficult history in HE financing, is a valuable step forward – i.e. possibly the hard foundations have been laid.

The project has, largely, been able to facilitate widespread support at technical level (Ministries of Education and Finance, and university finance leaders), and has managed to brief the Ministers of Education of Zenica, Tuzla<sup>66</sup>, and the Entity Ministers of Education.

149 Because there was no official meeting scheduled for the Conference of Ministers of Education of BiH in the final quarter of the project, there was no opportunity to present the case for concerted and coordinated approval of the shift in cost-base or the legal principle.

150 The project mitigation strategy has been to ensure that the capacity to implement at technical level does not depend on higher level decisions. However, although some stakeholders feel that there is nothing preventing the technical level from implementation if everyone agrees, others feel that higher-level formal decisions are needed<sup>67</sup>.

151 In practice, the project can only influence. More time would have permitted more awareness raising and a more careful strategy for causing the right decisions. But the project had to achieve a complex task at great speed<sup>68</sup>.

## 6 'Exit Strategy'

152 The project 'exit strategy' was built into the revised project design in the Inception Report, and has been explained in the risk management section above. It is not something that was developed towards the end of the project.

153 In short, the project set a minimum achievement level and pushed very hard for it. This consisted of leaving a capacity and tools at technical level, and widespread stakeholder awareness and a legal principle support these at higher levels, so that, should the higher-level decisions needed not be achieved before the end of the project, then the stakeholders could, if they so wished, continue after the project end. This strategy did not change during the course of the project.

## 7 Recommendations for future actions

154 Project recommendations are divided into two categories;

- ◆ Technical recommendations for each implementing unit (Universities and Ministries) in Appendix 13;
- ◆ Overall recommendations for building on the project foundations.

155 The general recommendations are summarised here. A critical issue is whether, without external facilitation in the form of a project, the sector actors are able to build on the agreement and capacity developed under the project and achieve an institutionalised integration of per-student/study programme costing into university and public HE budget processes. The best indicator of this will be the next 8 months, when it will be possible to see what use is made by ministries and universities of the tools and capacity so far developed.

156 Specific indicators to track<sup>69</sup> are;

- ◆ **Per-student/study programme costs as a budget requirement:** how many MoEs/MoFs have made it a requirement for universities to provide average per-student/study programme costs for study programme cost-categories?

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<sup>66</sup> We informally understand that these Ministers subsequently instructed their staff to support the process, and, in the case of Tuzla MoE, issued a request to Tuzla University to provide the needed data.

<sup>67</sup> e.g. the Rector of East Sarajevo University commented that it was possible to implement at technical level, while the technical group of Zenica (MoE, MoF, university) requested the project to 'write to the Canton government'.

<sup>68</sup> Even though it was a significant simplification of the original task set by the TOR.

<sup>69</sup> This will have to be undertaken by the MoCA or the HEA.

- ◆ **Faculty/Study Programme coverage:** how many universities have completed, or nearly completed, the application of ABC in their Faculty study programmes?
- ◆ **Minimum student fee:** has the HEA been able to establish a minimum student fee on the basis of university-provided unit-costs?
- ◆ **Integrated financing:** is any form of per-student/study programme costing being used in deciding the internal distribution of the university budget to Faculties?
- ◆ **Legal principle:** has any Canton/Entity adopted the proposed legal principle, or a local variation of it?

157 In the project view, there is no way around the requirement to be able to cost the outputs of universities if any degree of HE finance reform is to be achieved. This is the foundation for all future developments<sup>70</sup>. It is also built into the directions that BiH itself has established the part of its budget law which relate to programme budgeting. Should what the project has done not stick, then a new initiative will be needed to pick up the pieces and move forward. The project would, however, recommend that such an initiative should not start at the beginning or try to introduce alternative costing approaches (unless ABC has demonstrably failed).

158 It may also be appropriate to develop a more comprehensive initiative which continues the project results in HE financing, and, at the same time, develops the tools, and capacity to cost the various policies<sup>71</sup> of BiH governments relating to pre-school, elementary, and secondary education. Ministries of Education and Finance have to divide the education budget between the sub-sectors, and an actual-cost set of instruments providing scenario modelling for the whole education sector budget planning process would help to establish better criteria for allocating sub-sector shares, and incorporating long term demographic trends.

159 Under facilitation from the EUD and MoCA, the project has briefed the CoE/EU project *Strategic development of HE and Qualifications Standards* on project objectives, methodology and achievement, and discussed the areas which might be taken forward by that project. This may require some adjustment in the TOR of that project.

160 The detailed technical follow-up recommendations for each university and finance-related ministries are in Appendix 13. In describe the necessary steps to;

- ◆ complete ABC in university faculties
- ◆ mandate the provision of unit-costs for internal and external budgeting
- ◆ analyse and apply ABC results to management decisions
- ◆ apply the HE budget planning programme
- ◆ gain high level support for the revised budgeting process
- ◆ undertake high-level analysis of results

## 8 Project Inputs, Management, and Coordination

### 8.1 INPUTS

161 **TA Utilisation:** the project used 99.96% of the Key Expert allocation, 97.31% of the Senior Short-term allocation and 100% of the Junior Short-term allocation of Technical Assistance days.

162 Six side-letters, one Administrative order and three Addenda were issued which re-balanced the original TA provision according to the emerging needs in the project, savings on planned allocations, and a needed one-month extension. Approximately 76 Incidentals Expenditure requests were submitted and received 'no-objections' statements from the EUD.

<sup>70</sup> And a necessity for MTEF, formula funding, and performance-based budgeting.

<sup>71</sup> E.g. expanding primary to elementary, shifting pre-school responsibility, District responsibilities for some sub-sectors,...



163 Incidentals expenditure: the project used around 42%<sup>72</sup> of the total allocation under EUD no-objections relating to Incidentals Expenditures requests.

164 The details of this utilisation are in Appendix 4.

## 8.2 THE PROJECT TEAM

165 The **project team of experts** comprised;

	Category	Name	Position
1	Long-term Expert KE1	Trevar Penrose	Team Leader
2	Long-term Expert KE2	Gerard Madill	HE Reform Expert
3	Long-term Expert KE3	Gordana Osmancevic	Legal Expert
4	Senior Short-term Expert	Andre Peer	Senior Higher Education Financing Expert
5	Senior Short-term Expert	Frank Gribben	Senior University Finance Management Expert
6	Junior Short-term Expert	Lejla Huskic	HE Planning and Coordination Expert
7	Junior Short-term Expert	Milica Popovic	HE Planning and Coordination Expert
8	Junior Short-term Experts	[6 locally-based experts]	University-based UCA WG support experts

166 **Human Dynamics**: the Human Dynamics Management Team was led by Natalia Chertoyanova (Project Manager), supported by Marinela Koleva (Finance Officer) – both for the duration of the project.

167 **The Senior Project Management Officer** (Human Dynamics) was Jasmin Kreso, who replaced Alma Kovacevic early in the project.

## 8.3 PROJECT COORDINATION

168 Details of the composition and proceedings of the Project Steering Committee are contained in Appendix 2.

169 Six full PSC meetings have been held, and one consultative meeting. The schedule was as follows;

Meeting	Date	Location	Main Purpose
PSC 1	June 29, 2012	Banja Luka	To review and adopt the project Inception Report and the PSC Rules of Procedures
PSC 2	October 9, 2012	Tuzla	To review and adopt the project First Interim Report, project working groups ToRs and composition and plan of activities for the next reporting period
PSC 3	March 26, 2013	Sarajevo	To review and adopt the project Second Interim Report, the ROM mission report and plan of activities for the next reporting period
PSC 4	September 5, 2013	Zenica	To review and adopt the project Third Interim Report and plan of activities for the next reporting period
PSC 5	November 6, 2013	Mostar	To review and adopt the revised project Third Interim Report, the Report on activities in previous two months period and plan of activities for the next reporting period
PSC X	January 28, 2014	Sarajevo	To consult on activities till the end of the project, and discuss specific project documents and events
PSC 6	February 19, 2014	Sarajevo	To review and adopt the project Final Report, the report on activities in previous two months period and revised project documents

<sup>72</sup> As of 31<sup>st</sup> January 2014.

170 There have been no significant issues during the proceedings of the steering committee. Attendance has been consistent, and, as the project progressed, the outcomes have been helpful in providing guidance to the project.

## Appendices

### APPENDIX 1: PROJECT LOGICAL FRAMEWORK

This Logical Framework was developed during the Inception Period of the project and approved by the PSC. Two indicators were formally updated with the PSC in March 2013.

	LF Level	*Indicators	Source/MOVs	Risks & assumptions
1	<b>Overall objective (Goal / Impact)</b>			
	<i>An efficient, effective, and solid higher education system in Bosnia and Herzegovina in line with European trends and standards</i>	General improvement in BiH statistics relating to HE outputs and funding Incremental improvement in BiH performance in Bologna Process indicators	BiH statistics published nationally/internationally Official Bologna Process implementation reports	There is a steady commitment to a BiH-level market for HE and a reduction in compartmentalisation of higher education provision.
2	<b>Purpose (Outcome)</b>			
	<i>An improved and modernised system of financing of higher education in BiH which is economically sustainable and efficient.</i>	Increasing transparency regarding sources, allocation and use of public funds Proportion of GDP spend on HE closer to SEE norms in short/medium term and European norms in longer term Increase in university income from diverse sources in medium term	Ministries/agencies responsible for funding of HEIs Published national and international statistics Universities/Rectors' Conference	An improving economy is able to fund greater investment in HE. A longer-term policy and planning process is connecting HE outputs with labour market and research needs
3	<b>Outputs (Results)</b>			<b>Targets &amp; target assumptions</b>
3.1	<b>Output 1:</b> <i>a set of standard student unit costs for BiH universities is agreed and forms the basis for financing decisions and processes.</i>	(i) Shared student cost norms by student category used by (selected) universities and their contributing funders	MoF & MoE budget guidelines	Assumption: a sufficient number of universities agree to undertake the cost analysis operation.
		(ii) Capacity to calculate proportion of 'real' student costs covered by public finance	University Finance departments	Completed by mid-2013 Assumption: student standard cost exercise has been completed.
	<b>Activities:</b> (See work plan)			

3.2	<p><b>Output 2:</b> a rolling annual planning process between selected universities and contributing ministries which integrates priorities and future needs and is influencing HE financing decisions.</p>	(i) Draft policies relating to key priorities (e.g. HE expansion, employability, priority skills areas, efficiency, incentives for policy implementation) are presented for discussion to Conference of Education Ministers & Rectors' Conference	Documents of the Conference of Education Ministers & Rectors' Conference	Local policies relating to student cost norms by end-2013. Identification of key resource-related policies (employability, skills areas, HE expansion) by November 2013. Assumption: Ministries have a policy capacity which represent their government views.
		(ii) An annual pre-budget planning process incorporating annual review and forward projection.	Ministry and university procedures	Completed by December, 2013. Assumption: a multi-annual approach can be adopted in spite of the annual budget process.
		(iii) a consolidation of current HE strategies into a representative policy document for each Entity and in common for BiH	Consolidated policy document	Completed by November, 2013. Assumption: None
<b>Activities:</b> (See work plan)				
3.3	<p><b>Output 3:</b> a locally appropriate criterion-based financing process, which contains policy and performance elements and a strategy for phasing in, is agreed between selected universities and their financing units of government.</p>	(i) An HE budget which shows a relationship between budget and university outputs.	(FBiH) a budget process which shows the output equivalent for the input budget. (RS) the university budget is expressed in outputs with targets and indicators	Completed by Q4-2013. Assumption: Canton ministries agree on the recurrent value of the activity. RS MoF requires the output-based budget format.
		(ii) Financing criteria reflect policy criteria relating to labour market, disadvantage, and other priority policies, and are sensitive to enrolment efficiency.	Canton government approved enrolment and fee plans.	Completed by December, 2013. Assumption: a connection is agreed between the enrolment planning, fee setting, and budget planning cycles, and university study-programme costs.
		(iii) Rationale, proposal and operational strategy for implementing a level change for HE financing responsibility in FBiH	Project working group team document	Completed by Q4 2013. Assumption: the PSC and possibly the Council of Ministers request the project to undertake this activity.
<b>Activities:</b> (See work plan)				

## APPENDIX 2: THE PROJECT STEERING COMMITTEE – COMPOSITION & RECENT PROCEEDINGS

### PSC Membership by position

1	Chairperson Ministry of Civil Affairs BiH
2	Jadranka Mihić, Co-chairperson - Delegation of the European Union to BiH
3	Husein Nanić, member - Agency for Development of Higher Education and Quality Assurance
4	Prof. Sead Pašić, PhD, member - University of Džemal Bijedić in Mostar
5	Prof. Mitar Novaković, PhD, member - University of East Sarajevo
6	Prof. Vlado Majstorović, PhD, member - University of Mostar
7	Jelena Starčević, member - Ministry of Education and Culture of Republika Srpska
8	Stevan Brkić, member - Ministry of Finance of Republika Srpska
9	Zlatan Buljko, member - F BiH Ministry of Education and Science
10	Siniša Bilić, member - F BiH Ministry of Finance
11	Jasminka Kurević, member - Ministry of Education, Science, Culture and Sport of Tuzla Canton
12	Mario Bušić, member - Ministry of Education, Science, Culture and Sport of West Herzegovina Canton
13	Zdravko Gavranović, member - Ministry of Finance of Central Bosnia Canton
14	Edina Kurević, member - Ministry of Finance of Tuzla Canton
	Nermina Saračević, observer - Directorate for European Integration
	Trehear Penrose, observer – Reform of Higher Education Financing in BiH Project

### PSC Meetings & Location

Meeting	Date	Location	Main Purpose
PSC 1	June 29, 2012	Banja Luka	To review and adopt the project Inception Report and the PSC Rules of Procedures
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PSC 6	February 19, 2014	Sarajevo	To review and adopt the project Final Report, the report on activities in previous two months period and revised project documents

**FIFTH MEETING OF THE STEERING COMMITTEE OF THE EU PROJECT  
"Reform of Higher Education Financing in BiH"**

**MINUTES**

The fifth meeting of the Steering Committee of the EU Project "Reform of Higher Education Financing in BiH" was held in Mostar on November 6<sup>th</sup>, 2013, starting at 12:00.

**Opening the meeting**

The meeting was opened, on behalf of the Ministry of Civil Affairs, by Chairperson of the Project Steering Committee (PSC) Adnan Husić, Assistant Minister within the Sector of Education.

The meeting began by verification of the quorum needed for the PSC meeting.

**Attendance at the meeting**

The meeting was attended by the following PSC members:

1. **Adnan Husić**, chairperson - Ministry of Civil Affairs BiH
2. **Jadranka Mihić**, co-chairperson - Delegation of the European Union to BiH
3. **Prof. dr. Sead Pašić**, member – University of „Džemal Bijedić“ in Mostar
4. **Vera Macura**, replacement of PSC member – University of East Sarajevo
5. **Gordana Maslov**, replacement of PSC member – University of Mostar
6. **Zlatan Buljko**, member - FBiH BiH Ministry of Education and Science
7. **Slavica Žujo**, member, Federal Ministry of finance
8. **Jasminka Kurević**, member - Ministry of Education, Science, Culture and Sport of Tuzla Canton
9. **Edina Kurević**, member - Ministry of Finance of Tuzla Canton
10. **Miljenko Galić**, member - Ministry of Education, Science, Culture and Sport of West Herzegovina Canton
11. **Alma Kurtalić**, replacement of PSC observer - Directorate for European Integration
12. **Trevar Penrose**, observer – Project Team Leader

The meeting was not attended by the following PSC members:

1. **Husein Nanić**, Agency for Development of Higher Education and Quality Assurance
2. **Stevan Brkić**, member - Ministry of Finance of Republika Srpska
3. **Jelena Starčević**, member - Ministry of Education and Culture of Republika Srpska
4. **Zdravko Gavranović**, member - Ministry of Finance of Central Bosnia Canton

The meeting was attended by the following Project team members:

1. **Gerard Madill**
2. **Gordana Osmančević**
3. **Andre Peer**
4. **Jasmin Kreso**



## 5. **Natalia Chertoyanova**

After concluding that 4 PSC members out of 14 PSC voting members did not attend the meeting **it was concluded that the required quorum was present.**

The presence of PSC members at the meeting was registered by the Project Team.

### **ITEM 1**

#### **1.1 Adoption of the Agenda**

After the Chairperson briefly presented to the PSC members the proposed Agenda (in attachment), there was no discussion conducted and **the Agenda was unanimously adopted.**

#### **1.2 Adoption of the Minutes from the 3<sup>rd</sup> PSC meeting**

Under this item of Agenda the following suggestions were made:

- Jasminka Kurević stated that within the part of the Minutes in regard the discussion as per Item 6 of Agenda in which the discussion of PSC member Edina Kurević was mentioned, it was necessary to correct/change the name of PSC member to Jasminka Kurević;
- Alma Kurtalić in regard the PSC member Nermina Saračević's absence pointed out that it was not needed to state that that was unjustified absence;
- Gordana Osmančević emphasized, in terms of comments and suggestions, that the correction of the name of PSC member would be made in the Minutes, and in regard of unjustified absence of PSC member she explained that recording of justified or unjustified absence of the PSC members was done according to the conclusion of the first PSC meeting and in accordance with BoR of PSC.

After conducted discussion **the Minutes were unanimously adopted with comments and suggestions made.**

### **ITEM 2**

#### **Outline and adoption of the Third Interim Report**

Under this item of the Agenda the following was discussed:

- Team Leader informed the PSC that the Third interim report of the project was revised in accordance with suggestions and comments presented at the previous PSC meeting, as well as with comments and suggestions submitted to the project team after the PSC meeting. After all presented and submitted comments have been combined, the revised third interim report of the project was created and together with an overview of all accepted comments submitted to the PSC;
- Jadranka Mihić queried whether all comments were accepted, especially comments from PSC members from RS, given that these members were not present at the meeting and that it would be needed therefore to avoid their possible subsequent complaints;

- Team Leader confirmed that all relevant comments and suggestions submitted to the project team were respected and included in the revised text of the report, including all founded comments of the PSC members from the RS.

After conducted discussion, **the Third Interim Report of the project was unanimously adopted.**

### **ITEM 3**<sup>73</sup>

#### **Presentation of the Report on the project activities during September and October and the discussion on the Report**

Team Leader briefed about the activities that have been approved and implemented in the previous two-month period, specifically with regard to the activities for the Agency for Development of Higher Education and Quality Assurance within which the issues would be presented related to the cost per student and the information provided on their use within the higher education sector.

During the discussion on the report the following comments were made:

- Zlatan Buljko pointed out that it would be important that the PSC member from the Agency for Development of Higher Education and Quality Assurance was present as would be needed to know whether the work of the Agency in the process of HEIs accreditation involves determining the financial component;
- Gerard Madill has explained, in regard of the accreditation process application and quality assessment in Europe, that in terms of financing there were no special requirements on the level of costs and that the focus was primarily on the quality assurance arrangements which should be implemented;
- Zlatan Buljko stressed out that the report itself had pointed out that there was no audit practice of higher education, that there was no transparency in the public funds spending, as well as other elements that include good governance, so the recommendations for improvement should be forwarded to the Agency, and then presented to the Rectors' Conference;
- Gordana Osmančević informed that the project was considering ways of institutionalizing the financing principle of higher education that should be based on the cost price of graduated student as the final output, to ensure that universities continually work on cost analysis and present them to the competent authorities while planning the enrolment policy and budget proposals, and she pointed out that one of the options was the introduction of this financing principle into the Framework Law on Higher education.
- Gerard Madill informed and explained the activities conducted on the development of three documents agreed at the previous PSC meeting, where the draft of Document 1 (Key Steps) was submitted and discussed at the workshop of the Working Group 2, Document 2 (SWOT analysis) was also drafted, but it should be revised in order to refocus on models and options for funds for specific objectives of higher education, and

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<sup>73</sup> Under this item, the items 3 and 4 of Agenda are incorporated.

Document 3 was currently in the form of the frame of this document which would be prepared and finalized based on the work results of the working groups;

- Adnan Husić explained that this was about the outlines of document which were requested at the previous PSC meeting to understand the future activities of the project;

- Gordana Maslov pointed out that regarding the University of Mostar everything was very complicated because they had 5 founders and that they did not have any contact with other cantons, so she suggested to have talks in the framework of the project with those cantons, it means with ministries that finance them / co-finance them, to realize their problem and understand how that situation could be appropriately presented in reports;

- Gordana Osmančević explained that from the very beginning of the project all cantons were contacted, that the representatives of some of these cantons were involved in the activities of the project, that the project had to make, on several occasions further efforts, to ensure their presence, but despite that their representatives have not responded;

- Jadranka Mihić stated that the EU ambassador wanted to visit both universities in Mostar, but it was difficult to implement that. She, also, added that she would be interested to hear how the people from Europe would manage that situation;

- Team Leader explained that generally everybody uses and need to use the university activity-based costing, and that the project was willing to continue organizing the activities for Mostar if there was a demand for something that would be useful;

- Jadranka Mihić queried about the future use of the program created by Andre Peer by the Ministries of Education;

- Team Leader explained the planned activities at the follow up workshop for the Ministries of Education and Finance. After this workshop there is a new one to be organized which would include universities next to the ministries;

- Prof. Sead Pašić pointed out that the University 'Džemal Bijedić' was forced to increase their own income and that their own funds presented 75 % of their total budget, and that only 25 % was coming out the cantonal budget, although the basic right of every public university was to be funded from the budget, but that they have been always told by the Ministry of Education that there was no money for the higher education and by the Ministry of Finance that that was not even the Cantonal obligation;

- Zlatan Buljko noted that the latest data for BiH was: - 6% of GDP was allocated for higher education, for science 0.14%, at that time there were 161 faculties (public and private ones), and what was needed was to allocate 2 % of GDP for the research and innovations, and 6 % of GDP for all levels of education. If we take in account that one city has two universities, and each of them has the same faculties, it means that it was necessary to go for rationalization because the budgets would not increase for a longer period of time and therefore the realistic quota of students should be established - 160 million KM is allocated, currently, for higher education at the level of FBiH;

- Jadranka Mihić stated that she personally and the PSC Chairman held a meeting with the project team and that they stressed that for that issue changes in the constitutional structure and some level of competence were not required, but what was required was to offer models / funds that exist for higher education and science in Europe that could be established at the level of BiH / FBiH and then to have funds located there for

subsidies to higher education, doctoral studies, scientific research, etc. The intention is to see what kinds of funds exist in the EU and how to ensure them in BiH – e.g. the significant funding for higher education in Ireland was donated by their diaspora;

- Slavica Žujo stated that Zlatan Buljko was right in terms of the funds he mentioned, and that should have in mind that there was no funding from the IMF, that based on the budget legislation payment of the higher education does not even have the character of priority and that was fully clearly that everything was very irrational and that everybody just gave up on higher education;

- Jadranka Mihić pointed out that the issue of rationalization of higher education should be proposed for the present joint project of the EU and the Council of Europe;

- Edina Kurević states that in TC 70% of the resources goes to salaries of administration in Canton, within which the education is as well, that 15 % goes for social needs related costs, and that for the capital investment / development budgets nothing is allocated, so instead of making the *Budget Framework Paper*, the multi-year planning which is based on monitoring of needs and performance of higher education should be made;

- Jadranka Mihić states that the funding of higher education includes the enrolment policy by which the number of required, in the labour market, would be increased and then the authorities should fund and reward that, or otherwise reduce the resources;

- Jasminka Kurević noted that universities generally accept the students and retain those programs for which they had professors;

- Andre Peer stressed the need to make higher education more transparent, that the planning should be a least for minimum of three years in advance and that universities would then have the opportunity to make savings in some funds for scientific research. He mentioned that the Dutch ambassador in BiH said that they were willing to finance some of the projects and programs at universities in BiH, but that for these projects and programs, universities must have prepared proposals, which was why the dialogue on the budget was essential and the key for establishing a dialogue between universities and competent authorities in the budget cycle;

- Gordana Maslov pointed out that it would be good to include some necessary framework into legislation, as HNC has provided, at this stage in regard of the University of Mostar, only 100,000 KM out of planned 1 million KM, so for that reason, it was still needed to invite and engage the Cantons in activities that were their founders;

- Jadranka Mihić queried about the manner in which the funding rules would be visible and applicable, whether to include them in the Framework law or that each of educational authority changes their laws, or to do something related to the Agency which could set this as a condition for accreditation?

- Gordana Osmančević explained that the intention of the project was to define the financing principle as the rule to the Framework Law on Higher Education in BiH in accordance with which everyone would act, and that would also be of importance for the Agency, which according to its responsibilities should provide the proposal on level of minimum fees for students at all accredited HEs in BiH;

- PSC Chairman pointed out that the Conference of Ministers of Education in BiH should get informed about all the options and recommendations of the project, and that they should discuss them as one of the agenda items at the upcoming meeting and that then Ministers should decide about them;

- Prof. Sead Pašić said that it would be very difficult to ensure the rule of funding per student as it was otherwise difficult to reach agreement on any matter that affect the financial resources;
- Team Leader explained that that was about the financing principle per student, rather than a specific amount or proportion of money, making it easier for Ministers to come up with an agreement, especially as that has been already applied at the technical level which starts from the lowest level where all of that has been already applied.
- Jadranka Mihić queried how to achieve the critical mass that the funding per student was incorporated and applied throughout the sector because it was necessary to include all study programmes and that that process continues in order to avoid being phased out after the project's completion;
- Jasminka Kurević pointed out that the Ministry of Finance and Ministry of Education have a legal obligation to do so, so they request the University of Tuzla to develop and present all the calculations for all study programmes, which should be the basis for funding from the budget, and the most important was to see how to legally cover this issue. She said that their Minister, after the presentation of the project at a meeting of the Coordination of the Ministers of Education in FBiH, immediately ordered them to prepare a request to the University to submit their cost-analyses results;
- Zlatan Buljko proposed to prepare a MoU which would be signed by the Ministers of Education and Finance by which the roles and responsibilities of the Ministries would be determined to ensure that universities continue their work on the cost-analysis;
- PSC Chairman suggested that the project team compile a draft of the Memorandum, and that the draft of financing principle was proposed as its annex.

After conducted discussion, **the Report was unanimously adopted along with all stated proposals and suggestions.**

#### **ITEM 4**<sup>74</sup>

##### **Presentation of the activities for the next reporting period, discussions and summary of conclusions**

Team Leader presented the activities for the next period, stressing that it should be noted that the project finishes on 24th January 2014. From that reason the organization of the next two-month PSC meeting should be considered, which, in that concrete case, should be at the beginning of January 2014.

During the discussion on this Agenda item, the following was stated:

- Jadranka Mihić queried about further activities for the RS and what would be the expected results, and she pointed out that it would be important to determine what was the critical mass of people at the universities that were trained to continue the work on further activities. She also pointed out that it was necessary to see what would be done on the new costing program development, how long it would take, when the program for enrolment planning could be finished and resources from the Ministries of

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<sup>74</sup> Under this item the Agenda Items 5 and 6 are incorporated.

Education. In terms of project documents which were in preparation, she pointed out that it was necessary to know when they could be adopted by the PSC and to consider options in regard of the project extension for one month;

- Jasminka Kurević queried about Item 1 document of upcoming activities relating to the Ministries of Education and Finance, with a request for clarification of what was the difference between the RS and FBiH since it was said, at the previous PSC meeting, that all good practices applied in RS should have been applied to the FBiH as well. She, also, stated that there was no need to make differences in activities within the document when it comes to universities in Mostar and Sarajevo, and that financing standards and performance indicators should be defined in the same way for all universities;

- Team Leader explained that this was included in the program because it was of interest to the RS Ministry of Finance, although it was not clear whether they have the capacity to apply, and what was the intention of the project was to shift the existing passive budget process to more active one;

- Jadranka Mihić queried whether for beginning it was possible to establish smaller objectives to be achieved in a near future?

- Team Leader explained that Andre Peer already laid the basis for funding, without which it would not be possible to continue and that that was a solid basis for the application, and the issue of small steps was conditioned by the existence of future objectives and policies;

- Jasminka Kurević noted that the most important issue there was the performance indicators, and that the project should on the same way offer everything to every stakeholder;

- Edina Kurević said that the discussion was about the program budgeting in the higher education sector which was defined by all the budget laws in BiH. However, it would take some time to implement it. It was specifically about the program budgeting for FBiH which would be set at the cantonal level as well as the TS which was based on the Oracle system. Furthermore, since everybody in the FBiH has the program budgeting, everybody will use it in the same manner as in the RS. This is why we insisted that all of us work on the same program / program budgeting as in RS;

- Jadranka Mihić suggested that the project of the Council of Europe could work on the further development of standards and monitoring capacities;

- PSC Chairman queried the time when the 3 mentioned documents could be submitted to PSC for consideration before being submitted to the Conference of Ministers of Education in BiH for consideration and adoption;

- Gerard Madill said that the documents would be finalized at latest by mid-December;

- PSC Chairman noted that after finalizing, the final documents should be submitted to the PSC members for consideration;

- Team Leader queried about the nature of the Project Final conference, it means whether it would be more Conference on HE financing or generally on higher education;

- Jadranka Mihić pointed out that the Final conference should be the Conference on HE Financing.

After conducted discussion, **Plan of activities for the next reporting period was adopted unanimously, along with the stated proposals and suggestions.**



## ITEM 5<sup>75</sup>

### **AOB and agreement on the date and location of next PSC meeting**

There were no proposals and discussion on this Agenda item, so **the date of the next PSC meeting would be subsequently determined.**

The PSC meeting finished at 16:00.

### **Draft Agenda for the RHEF 5th PSC**

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The Fifth Steering Committee of the Higher Education Finance Reform project has been set for November 6th, 2013 in the Hotel Bristol, Mostarskog bataljona bb, Mostar, from 12:00 pm until 16:00 pm.

Time	Item	Content	Speaker/Lead
12:00-12:15	1	Adoption of the Minutes from the 4 <sup>th</sup> PSC meeting and adoption of PSC Agenda	PSC Chairperson
12:15-12:45	2	Discussion on the revised Third Interim Report and vote on adoption	PSC Chairperson
12:45-13:00	3	Presentation of Report on Project activities in September and October	Team Leader
Coffee: 13:00-13:15			
13:15-13:45	4	Discussion of the Report	PSC Chairperson
13:45 -	5	Presentation of activities for the next reporting period	Team Leader
- 14:15	6	Discussion of activities for the next reporting period and summary of conclusions	PSC Chairperson
14:15-14:30	7	AOB and agreement on the date and location of the next PSC meeting	PSC Chairperson
Lunch 14:30			

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<sup>75</sup> Under this item, the Item 7 of Agenda was considered.

**INFORMATION-UPDATE AND CONSULTATIVE MEETING OF THE PSC  
"Reform of Higher Education Financing in BiH"**

**MINUTES**

The information update-consultative meeting of the Steering Committee of the EU Project "Reform of Higher Education Financing in BiH" was held in Sarajevo on January 28<sup>th</sup>, 2014, starting at 12:15.

**ITEM 1**

**Opening and purpose of the meeting**

The meeting was opened, on behalf of the Ministry of Civil Affairs, by Chairperson of the Project Steering Committee (PSC) Adnan Husić, Assistant Minister within the Sector of Education who explained the agenda and the reasons for holding a consultative meeting to promptly agreed and implement the upcoming activities of the project until its completion 28.2.2014.

Given the nature of the meeting, the Chairperson pointed out that the existence of a quorum for PSC work will not be officially verified. The presence of PSC members at the meeting was registered by the Project Team.

**ITEM 2**

**Information and discussion on the project activities from November until the end of the project**

Team Leader presented the implemented and planned activities, in terms of which the following opinions and suggestions are given:

- Aida Savić (HEA) has informed about the importance of support and quality of implementation of project activities within the two workshops held for the HEA, particularly in terms of the project contribution in determining the cost in universities in order to implement the HEA legal obligations to develop recommendations on the minimum fees in accredited higher education institutions in Bosnia and Herzegovina;
- Zlatan Buljko (FMoES) has assessed the project workshop as very positive for their Ministry, which resulted in a very positive opinion about the project activities by the Coordination of Ministers of Education in the FBiH, with the conclusion that it is necessary to ensure their implementation in practice;
- The project expert Andre Peer gave information regarding the workshop held in Zenica and a brief explanation regarding the status and future use of computer program in universities;
- Jasminka Kurević (MoE TC) has pointed out that at the recent project activities for TC only representatives of the MoE/MoF attended and that it was needed to insist that the

representatives of the University of Tuzla are included as well, in regard of what they would try also to act through the Minister;

- Prof. Vlado Majstorovic (SvM) thanked the project for relieving the challenges that exist in the sector and he assessed as an important the provision of the support to both parties, it means that the HEIs are asked to undertake efforts regarding funding which is based on the cost determination, and that the government accepts this principle, because this is especially important for the HNC, which is a complex due to the different reasons, such as the existence of two universities funded from different sources;

-Jadranka Mihić (EUD) has pointed out that at the last PSC meeting it was concluded that the workshop for cantons should be held, which would include representatives of all co-founded Cantons to discuss the issue of financing in HNC, and she, also, inquired whether such meeting was held;

-The project clarified that that workshop was organized and that from the co-founded cantons of SvM only representatives of the WHC and PC attended it;

**-No conclusions have been made on this Agenda item.**

### **ITEM 3**

#### **Presentation and discussion on the proposed legal principle of higher education financing**

After the project expert Gordana Osmančević briefed the PSC on proposed principle of financing and on the text of the Agreement by which the implementation and use of the results of cost analyses would be accepted and ensured in all public universities in BiH, the following discussion was conducted:

-Stevan Brkić (RS MoF) thanked the project on to date/previous engagement which he assessed as very useful and he noted that not even one RS representative had a mandate to accept any of the proposed models, and that they insist on action from the bottom up, and that each initiative related to the legislation must be taken at the RS level;

-Jadranka Mihić (DEU) has assessed that the biggest output of the activities undertaken by the project would be that this proposal is to be introduced into the legislation, and she inquired whether is, or how realistic is to expect that, at this moment the changes in legislation could be implemented;

-Stevan Brkić (RS MoF) said that the principle of financing which is in the existing constitutional powers is fine, that the political will is the reality, and that it would be acceptable anything that would not undermined the RS model;

- Jelena Starcević (RS MoEC) has pointed out that the Minister of Education for a long time has been looking for some better solutions, that he was in consultations with universities and that he supports the project activities, but since the RS Law on Higher Education has been recently changed on several occasions, it is not realistic to expect that the new amendments would be supported;

- Prof. Mitar Novakovic (UNI ES) stated that both RS universities prepared the funding proposal within the working group, so that some funding issues could be defined with book of rules without making changes to the law, but the most important is that the Ministries of Education and Finance and universities agree on implementation of analysis and to work on this Agreement in order to be applied;

- Jelena Starcević (RS MoEC) noted that the material for the meeting arrived quite late and that it was additionally needed to look at the proposal and its legal basis;
- The Chairperson proposed that the draft is to be finally considered at the next PSC meeting, and that universities should be included in the signing of this Agreement as well;
- Jasminka Kurević (MoE TC) stated that they had sent to their university a request on the cost presentation, and that they got a replay that that model was not adopted and, therefore, it was not an obligation, from which it is clear to conclude that that model should be defined as a principle by the Framework Law on Higher Education (FLHE), and that the Agreement is to be signed at the level of Ministers of Education and Finance, which would ensure the implementation of this obligation for all those involved in the funding of universities, because otherwise, with all due respect for the autonomy of the university by the Ministries, enforcement of this obligation without the legal basis would be difficult to ensure.
- Aida Savić (HEA) has pointed out that giving the recommendations by HEA for accredited HEIs was precisely defined in FLHE and for that purpose all the universities and their Rectors must be partners in agreement with the HEA and the Ministries of Education and Finance. The project and its programs provide the necessary mass of needed data in terms of financial and economic approach, and it is clear that the agreement on the implementation and obligation for its implementation is really needed, which is why it is very important to ensure the pressure for its implementation;
- Jadranka Mihić (DEU) has concluded that the interventions themselves to the laws that have been proposed were not major ones, but that in regard of that at the next PSC meeting the final opinion should be given;
- The Chairperson noted that the **conclusion was made that the project team should deliver the proposed text of the Agreement and principles to the PSC members for their opinion and suggestions, which should be submitted to the project team by 7.2.2014, after which the PSC will consider the above Agreement at the next meeting.**

#### **ITEM 4**

##### **Presentation and discussion of three key documents - Output 2**

After the presentation of documents by the project expert Gerard Madill, the following discussion was conducted:

- Stevan Brkić (RS MoF) has stated that he had some technical objections to the text which he would submit in writing, and he inquired in relation to the higher education fund (what kind of fund is this, at what level and for which purpose), and the common software to be used for future analysis needs;
- Jadranka Mihić (DEU) has pointed out that for BiH it is of great of importance the development of human capital – in the document Europe by 2020 the objectives/goals are given for increase of highly educated population in all countries, especially in terms of scientific-research activities and science, and the document VISION for the skills/arts by 2020 is in preparation (where BiH is included as well) which anticipate the planning for a period of six years, so that all of this is requiring possibility of the existence of a fund in order that PhD/doctoral studies, science and scientific-research activities would be funded from some additional public and private resources;

- Stevan Brkić (RS MoF) agreed that investment in higher education is an investment in the future, but the issue itself whether this will be through a fund or some other funds or programs it is not for today, so that the targeted funding is what is needed to be done by introduction of cost per student / study program;
- Zlatan Buljko (FMoES) pointed out that the existence of a fund is an excellent idea and he mentioned the example of Ireland, which in this way provides huge additional resources, i.e. the allocation of funds for higher education in Slovenia is 40 %, BiH and Serbia 6 %, comparing with OECD countries in which it is more than 20 %.
- Prof. Mitar Novaković (East Sarajevo University) pointed out that the idea is that the fund assets are allocated to three tracks - for higher education, for science and for development, and that BiH for either of them does not allocate enough resources and therefore it is needed to make funds through allocations of a certain percentage for these purposes, that the Ministry of Finance or the government, with these funds do not need to have anything related, and that the project in its recommendations should tell that these funds we need;
- Slavica Žujo (FMoF) indicated that 60-70 % of the funds in the FBiH goes to social allocations, she does not have any information what kind of situation is in this respect in the RS, but some kind of this fund in the FBiH are inevitable;
- Stevan Brkić (RS MoF) has agreed with this suggestion, but it is not up to the PSC whether someone/anyone would accept it.
- Prof. Vlado Majstorović pointed out the project should be supported and that it is important to support and give a recommendation for these funds and additional resources to enable specific scientific-research activities and development of the academic community because now universities in BiH are not research oriented, and at the same time they need to develop economy and future development.
- The Chairperson suggested that the conclusion for this Agenda item should be that the project team should those three documents summarize in one document which would be called "Recommendations for improving the higher education financing in BiH" and the proposed text should be delivered to the PSC members for their opinion and suggestions, having in mind that present Document 2 could be used as an Annex to the same document;
- Jadranka Mihić (DEU) has pointed out that this document could and should serve to discuss the priorities in higher education, which could be then input data to the EU / Council of Europe project;
- Team Leader said that the technical document would be provided which would be a summary of what has been done in the course of the project;
- Jadranka Mihić (DEU) has inquired about the time of competition of a draft of this document on the grounds that the project could not make huge improvements in these two years, but the important contribution for what to do next would be a well-developed exit strategy in the final report of the project, or what the project team sees as an opportunity for further steps.
- The Chairperson noted that **the conclusion was made that the project team combine these three documents into one document and submit the proposed text to the PSC members for their opinion and suggestions to the project team until 7.2.2014.**

## **ITEM 5**

### **Presentation and discussion on the proposed agenda of the Conference on Higher Education Financing**

After the presentation of the proposed activities in the coming period and the draft agenda of the final Conference of the project, the shorter discussion was carried out and it was concluded the following:

- **The conference will be held on 20.2.2014 in Sarajevo, after the PSC final meeting;**
- **The agenda / program of the Conference should be narrowed and cover the main issues;**
- **The organizing committee of the Conference, which is made by the project team, the Chairperson and deputy Chairperson of the PSC, will discuss and agree on the content of the Conference and the list of participants.**

## **ITEM 6**

### **AOB and agreement on the date and location of next PSC meeting**

Following the discussion on the date of the final Conference **it was concluded that the final sixth PSC meeting would be held the day before, or 19.2.2014. in Sarajevo**, and the time will be determined later.

The PSC meeting finished at 15:00.



## Draft Agenda for the information update and consultative meeting for PSC members

Time	Item	Content	Speaker/Lead
12:00 – 12:10	1	Welcome and purpose of meeting	PSC Chairperson
12-10 – 12:30	2	Update and discussion on project activities – November and on-going to the end of the project	Team Leader
12:30 – 13:00	3	Presentation and discussion on proposed legal principle of HE financing	Project
Coffee: 13:00-13:15			
13:15 – 14:00	4	Presentation and discussion on the three key documents – Output 2	Project
14:00 – 14:30	5	Presentation and discussion of proposed HE Financing Conference agenda	Team Leader
14:30 -	6	Any other matters (6 <sup>th</sup> PSC meeting date/location, ... )	PSC Chairperson
Lunch 14:45 -			

### Documents:

- [1] Composite presentation including Project update/on-going activities presentation + Legal principles + HEF Conference agenda
- [2] Legal principles and MOU draft (previously circulated)
- [3] Three key Output 2 documents (previously circulated)
- [4] Draft HE Conference Agenda
- [Agenda, Minutes, Participants]

**FINAL MEETING OF THE STEERING COMMITTEE OF THE EU PROJECT  
"Reform of Higher Education Financing in BiH"**

**MINUTES**

The Sixth meeting of the Steering Committee of the EU Project "Reform of Higher Education Financing in BiH" was held in Sarajevo on 19.2.2014, starting at 12:00.

**Opening the meeting**

The meeting was opened, on behalf of the Ministry of Civil Affairs, by Chairperson of the Project Steering Committee (PSC) Adnan Husić, Assistant Minister within the Sector of Education with the statement that this was the final meeting of the PSC.

The meeting began by verification of the required quorum.

**Attendance at the meeting**

The meeting was attended by the following PSC members:

1. **Adnan Husić**, chairperson - Ministry of Civil Affairs BiH
2. **Jadranka Mihić**, co-chairperson - Delegation of the European Union to BiH
3. **Velimir Jukić**, replacement of PSC member, Agency for Development of Higher Education and Quality Assurance
4. **Prof. dr. Sead Pašić**, member – University of „Džemal Bijedić“ in Mostar
5. **Prof. dr. Vlado Majstorović**, member – University of Mostar
6. **Jelena Starčević**, member - Ministry of Education and Culture of Republika Srpska
7. **Stevan Brkić**, member - Ministry of Finance of Republika Srpska
8. **Zlatan Buljko**, member - FBiH BiH Ministry of Education and Science
9. **Jasminka Kurević**, member - Ministry of Education, Science, Culture and Sport of Tuzla Canton
10. **Edina Kurević**, member - Ministry of Finance of Tuzla Canton
11. **Miljenko Galić**, member - Ministry of Education, Science, Culture and Sport of West Herzegovina Canton
12. **Zdravko Gavranović**, member - Ministry of Finance of Central Bosnia Canton
13. **Trevar Penrose**, observer – Project Team Leader

The meeting was not attended by the following PSC members:

1. **Prof. dr. Mitar Novaković**, member – University of East Sarajevo
2. **Slavica Zujo**, member - FBiH Ministry of Finance
3. **Nermina Saračević**, observer - Directorate for European Integration

The meeting was attended by the following Project team members:

1. **Gerard Madill**
2. **Gordana Osmančević**
3. **Abdre Peer**
4. **Jasmin Kreso**
5. **Natalia Chertoyanova**

Natalia Dianiskova, head of EUD CBC in BiH, also attended the meeting.

After concluding that 2 PSC members out of 14 PSC voting members were not in attendance, it **was concluded that the required quorum was present.**

The presence of PSC members at the meeting was registered by the Project Team.

## **ITEM 1.**

### **1.1 Adoption of the Agenda**

After the Chairperson briefly presented the proposed Agenda to the PSC members (in attachment), the following suggestions were made:

- Stevan Brkic said that they had submitted comments on the previous three project documents and after that he did not receive a revised merged document, so what is needed now is to discuss that document and then take a view on it;
- Prof. Sead Pasic pointed out that there was no still information from the project about the universities/HE costs, i.e. how much they are and what purposes these finances are allocated for;
- Jelena Starcevic mentioned that she understood that the project, in its final stage, had a lot of activities, but that the Final report was sent to the PSC members quite late, so the consideration should be given to see whether it was appropriate to vote on it today;
- Jadranka Mihic explained that all issues regarding finance and funding were included in the Final report, so that it can be considered within the discussion on the report, when the issues of further comments on the report and the way of its adoption could be considered.

After discussion, it was concluded that the proposed issues should be considered as part of discussion on the proposed Agenda items, after which **the Agenda was unanimously adopted.**

### **1.2 Adoption of Minutes of the Fifth PSC meeting and the Consultative PSC meeting**

The PSC Chairperson proposed that the PSC vote on adoption of the Minutes of the Fifth PSC meeting, and that the Minutes of the PSC Consultative meeting should be only taken as information.

After that there were no objections and suggestions to the proposal of the Chairperson, as well as to the text of the Minutes, **the Minutes of the Fifth PSC meeting were unanimously adopted and the Minutes of the PSC Consultative meeting are duly noted.**

## **ITEM 2.**

### **Presentation of comments and discussion on the draft Legal principle and the draft Agreement**

After the project expert Gordana Osmančević briefly informed and explained the content of comments submitted by the PSC member from University of Mostar and RS Ministries of Education and Finance, the following discussion took place:

- Prof. Sead Pasic has noted that colleagues who have submitted comments were active participants of the project from its beginning, which could not be said for the cantonal ministries, and from that reason he was not sure that they would sign the Agreement;

- Jasminka Kurević pointed out that they had an extraordinary situation because of demonstrations and fire, which is why they were not able to submit comments, but also that she, as a representative of one of the ministries from the Federation of Bosnia and Herzegovina, has already made her comments and suggestions on the proposed principle and the Agreement during the previous PSC meeting, and that she thinks that this was in that sense good enough;
- Prof. Vlado Majstorovic said that they did not know when the deadline for comments was, and who would adopt the documents, and he suggested having an additional deadline for taking view on it;
- Gordana Osmančević reminded PSC members that, in accordance with the conclusion of the Consultative PSC meeting on submitting comments to the project team by 07.02.2014., the request for comments and the drafts of both documents were sent again to all PSC members on 03.02.2014, as well as to all members of the Project working groups within which representatives of all public universities and ministries of education and finance are represented;
- Prof. Sead Pasic suggested that the project team should insist on getting an answer, or at least the indication that they are in agreement, without necessarily giving additional explanations;
- The Chairperson queried whether the PSC could agree that the text of the Agreement is left as a template for those who want to sign it later on, when it would be possible;
- Jadranka Mihic pointed out that at the last PSC meeting it was concluded that there was nothing that would be further considered in regard of the format and text of the Agreement regardless at whatever level it should be signed, so that it could be used as a template for those who want it adopted and signed at their levels;
- Stevan Brkic said that the draft Agreement reflects the logic behind the need for this Agreement, and that the RS Ministry of Finance is content that it presents one of the conditions for program budgeting required by the EU and which everybody in BiH would eventually have to do. He added that the most important thing is to consider this issue with regard to the relationship between the universities and ministries of education, and that the mandatory response is to be sought from them;
- Velimir Jukic said that was little time for those jurisdictions that faced the recent events, and therefore cantonal ministries had both justified and unjustified situations that could affect their failure to submit comments, so that it should be taken into account and leave them extra time to take a view on it;
- Zlatan Buljko stressed that the sustainability of this project outputs is important, as well as continuation of the work on the basis of its results, so one should know who is the one who will take the results and continue further activities - whether local agencies or some foreign organizations, but it would be best that the Ministry of Civil Affairs and the European Union consider that and decide;
- Jasminka Kurević said that in regard of the statements of the colleagues from RS on defining of this issue through the relationship between universities and ministries of education it is important to consider the basis to amend the existing HE laws in order that this principle of financing is introduced even if this Agreement is not signed, and she explained that in Tuzla they had a meeting about this, but the question arose as to who would order that this should be done.
- Stevan Brkic answered that this could be done through amendments to the HE Law or the Law on budget execution;

- Velimir Jukic pointed out that this principle should be introduced as one of the principles of the Framework Law on Higher Education, and that all of us could implement it in future;
- Prof. Sead Pasic said that his university had a problem to raise this issue with its Ministry of Education, and that he was afraid that there would not be any result if the project is finished only with recommendations or something which is not binding at all;
- Prof. Vlado Majstorovic said that it is necessary that these norms are put into the law, but that this is currently difficult or it would result in individual cases, so that this should be given as a recommendation and this Agreement should be used and offered to those who want to sign it;
- Jadranka Mihic reminded members that it was already concluded at the previous PSC meeting that this was a project that dealt with really very complex issues and that was why it was not realistic to expect that it would lead to legal changes in the country, especially in terms of the Framework Law, because it was not the right moment for it. However, it was also said that it was not realistic to expect that the Ministries would implement and use results of universities achieved within the project. Priority areas were defined at the beginning of the project as Output 2 and it was discussed that one part of these recommendations is to be transferred to the project of the Council of Europe and the EU, which should use and implement them further. This means that this project is completed with the proposal on the Agreement as a model, and the project of the Council of Europe and the EU will continue with the recommendations from the Output 2 document, and then to bind financial planning with the reform objectives based on outcomes which that project will define. Thus, this recommendation should be used for the project of the Council of Europe and the EU, and the most important is to see in what sense the universities are willing to fully undertake this analysis, and that they are ready for the needs of the Ministries of Education. In case the universities do not complete their analysis, no one can expect the Ministries to take responsibility and adopt this Agreement.

After discussion, on the proposal of the Chairperson, **the conclusion was unanimously adopted that the PSC accepts the text of the Agreement as a model for consideration and that this project output is to be used within the further activities of the Council of Europe and the EU project.**

### **ITEM 3.**

#### **Presentation of comments and discussion on the draft (merged) document for Output 2 – Reform of Higher Education financing in BiH: Context and recommendations**

After the Chairperson informed that he got the translation of the document during the previous evening, and that he did not have enough time to read it and to see if the comments provided on the earlier documents are included into it, the following discussion was conducted:

- Jadranka Mihic explained that the document was made by emerging three previous project documents, in regard of what she had a meeting with a project expert Gerard Madill, so that the document is composed based on the previous comments, as well as on the comments sent in a meantime. The intention was to hand over this document to the project of the Council of Europe and the EU to see what recommendations should be further realised through the activities of that project.

Given that the PSC members got the translation of the document late, on the proposal of the Chairperson, **the conclusion was unanimously adopted that PSC members should deliver to**

the project team comments on the document within 5 working days, and that the project team should professionally and technically amend and shape the document and deliver it to the PSC members for consideration and adoption by electronic means. In cases where there is no response of any PSC member within the 5 working days deadline, it will be considered that they do not have comments and suggestions, i.e. that they are in agreement with its content.

#### **ITEM 4.**

#### **Presentation of the Project Final Report and a summary of the proposed strategy of continuing activities after project completion, including information on the activities of the project in February after the last PSC meeting, and a brief presentation of the HE budget planning**

After the Project Team Leader presented the Final Report and the recent activities, and presentation of software for HE budget planning by the project expert, Dr Andre Peer, the following discussion was conducted:

- In terms of the HE planning and budgeting program, Jadranka Mihic inquired how that programme would be installed for use in universities;
- Project Team Leader explained that universities already have a program to analyze the costs of activities (ABC programme), that this other programme for HE budgeting is being translated, and that the manuals for the use of these two programs are already done and printed, so the project will distribute all these programs and documents in a hard copy, electronically and on USB - by which it will be possible to carry out with their installation. He also explained that the project did not have enough time available to sufficiently develop the second programme, but also that universities and Ministries of education and finance with their current technical and professional capacities are able to use it.
- In terms of the Final Report, Jadranka Mihic explained that this is the only remaining document which, according to the rules, each project is required to submit 30 days before the end of the project, so she read the first draft of the report and this report is revised in accordance with some of her comments. Parts / chapters of the report were made according to the requirements of the EU, which is why it may seem that the report was comprehensive, but the project team was required to ensure that the report contains all of it. In this regard, she pointed out that, after all, this final report is really good since it is realistic and reflects what has been done. It is readable and understandable. Since she thinks that this report shows what the project could realistically do, currently there are no significant comments, but she will take another look, especially at its attachments, to determine whether it contains everything the EU requires;
- Zlatan Buljko inquired whether the recommendations of the project will be incorporated in the Final report;
- Jadranka Mihic explained that they were already included in the report, and that they were mentioned in Appendix 13;
- The Chairperson said that it now appears a technical question of whether we were about to take view on it or the document should be read more and then see the way the PSC should take stand on it;
- Prof. Vlado Majstorovic inquired whether the Final report included a project finance report;
- Jadranka Mihic confirmed and stated that Appendix 4 of the report contained information about the project cost, the project team costs and incidental costs;



- Stevan Brkic said that the report still includes some statements in regard of which they as PSC members have already provided some comments to an earlier Document 3 and he pointed out that, given that these submitted comments were not made by them, but made at the higher level, which means by their assistant ministers, the report will be reviewed again and their comments re-submitted within the agreed period of 5 days;
- The Chairperson concluded that the text of the Final Report would be once again reviewed after the submission of comments and preparation of the final version;
- Jadranka Mihic also reminded that the Project Team Leader promised to make a technical report, which was not part of the Terms of Reference and that was more information that later someone could take into account from the financial aspect, and that could be used as information;
- The Project Team Leader explained the following: the document will contain the following information: 1. What has been done by the project till now, so that anyone dealing with this issue and in this field could use this data in the future in order to prevent starting with this from the beginning again; 2. That it will include the recommendation that sufficient critical mass of data is to be achieved that could be used for future analyses and part of the work of the institutions; 3. The budget for higher education is part of the total education budget, so the document will contain recommendations on what to do if there are some movements when it comes to funding for primary education, but relevant ministries and municipalities should make an appropriate choice because there is no cost basis for preschool, elementary and secondary education, and 4. That all the Ministries of education and finance have knowledge of what impact these analysis, i.e. information on needed costs, will have this in the future;
- With regard to that, the Chairperson concluded that there was no need for PSC to take a stand on this report since a technical report was not part of the project ToR, but upon its finalisation it should be delivered for further use together with other documents as the result of the project.

After completing the discussion, at the proposal of the Chairperson, **the PSC unanimously adopted the following conclusions:**

- 1. The PSC received the information on the activities carried out in the period after the previous PSC meeting until today;**
- 2. PSC members will deliver their comments on the Final report to the project team electronically within 5 working days, otherwise it will be considered that they are in agreement with the content of the report;**
- 3. The PSC urges the project team to ensure timely completion of all activities that have not been implemented yet:**
  - Finalisation of the document Reform of the HE financing in BiH: Context and recommendations;
  - Finalisation of the project Final report;
  - Creation of the project Technical report;
  - Creation of the Minutes of the Sixth PSC meeting;
  - Realisation of workshops for University in Mostar, University 'Džemal Bijedić' and University in Sarajevo.
- 4. The PSC tasks the project team that all documents as the results of the project should be delivered by mail (electronically and printed) to all institutions participating in the project.**

## **ITEM 5.**

### **AOB**

The Project Team Leader on behalf of the project team thanked the PSC members for a very good and constructive cooperation.

The Chairperson thanked the PSC and also expressed his gratitude to the PSC members, the project team and the Delegation of the EU on a well implemented project.

The PSC meeting finished at 15:00.

### **Agenda of the Final PSC meeting – Hotel ‘Hollywood’, Dr. Pintola 23, Ilidža, Sarajevo, 19.2.2014**

<b>Time</b>	<b>Item</b>	<b>Content</b>	<b>Speaker/Lead</b>
12:00-12:15	1.	<b>Adoption of PSC Agenda Adoption of the Minutes from the 5<sup>th</sup> PSC meeting and Consultative meeting.</b>	PSC Chairperson
12:15-12:45	2.	<b>Presentation of comments and feedback on the draft Legal Principles and draft of MoU</b>	Project expert
12:45-13:15	3.	<b>Presentation of comments and feedback on the draft Output Two (merged) document</b>	Project expert
<b>Coffee: 13:15-13:30</b>			
13:30-14:30	4.	<b>Presentation of the Final Report of the project (including an update on activities in the summary of the proposed strategy of continuing activities after completion of the project (part of the Final Report), including a brief presentation of the HE budget planning in February since the last PSC meeting</b>	TL, Project expert
14:30 – 14:40	5.	<b>Discussion of the Report and Continuation strategy</b>	TL
14:40 – 14:50	6.	<b>AOB</b>	PSC Chairperson
<b>Lunch 14:50</b>			

Documents:

[1] Final Report Presentation (including Post-project continuation strategy)

[2] Summary of comments on Legal principles and MOU draft

[3] Summary of comments on the merged document

[4] Manuals of computer programmes

### APPENDIX 3: ACTIVITY UPDATE REPORT SINCE INTERIM REPORT 3 (NOVEMBER 6<sup>TH</sup> 2013)

The tables below report on the activities planned and implemented since Interim Report 3 and the PSC update report, and the end of the project. The tables are separated into the seven Output 3 areas of support discussed and agreed in the PSC meeting on 5<sup>th</sup> September 2013.

#### [1] Support for HE budget planning improvement

Objective	Activities / purpose	Results
	<i>Develop a revised budget process which incorporates real per-student/study programme costs, government HE financing priorities and policies, and assistance to optimising university study-programme costs, supported by the university full-costing computer programme</i>	
1	[15/11] <b>1<sup>st</sup> MoE/MoF Budget Costing Training Session</b> (all University Cantons)	<p>Attended by MoEs &amp; MoFs all university Cantons except Sarajevo</p> <ul style="list-style-type: none"> <li>♦ Ministries updated on university progress</li> <li>♦ Ministries agreed to go ahead and develop an output-based budget step based on per-student/study programme costs</li> <li>♦ Ministries agreed to request unit-cost data in principle</li> <li>♦ Agreement to do the second workshop as a series of individual Training Sessions with each Canton with a University.</li> </ul>
2	[Planned 05/12 – rescheduled for Jan/Feb 2014] <b>2<sup>nd</sup> MoE Budget Costing Training Session</b> (all University Cantons, and all FBiH universities)	Following the agreement in the workshop above, the second round was scheduled as a series of individual events for Tuzla, Zenica, Bihac, and Mostar for December. These had to be rescheduled for January/February because finance staff were unavailable owing to end-of-financial year commitments.
3	[01/11] <b>Presentation and discussion with Coordination of Ministers of Education FBiH</b> <ul style="list-style-type: none"> <li>♦ Outline of budget improvement proposals</li> <li>♦ Briefing on support decisions needed</li> </ul>	<ul style="list-style-type: none"> <li>♦ Attended by Federal Minister of Ed, Tuzla and Zenica Ministers of Ed.</li> <li>♦ Expressions of strong support and importance both of project and approach.</li> <li>♦ (Subsequently supported by Min. of Ed Tuzla and Zenica instructions to staff)</li> </ul>
4	[27 <sup>th</sup> January] <b>2<sup>nd</sup> Workshop</b> with Zenica MoE and MoF and Zenica University	<ul style="list-style-type: none"> <li>♦ Agreement on enrolment and budget consultation processes</li> <li>♦ Training in use of planning module as the basis of consultation between university and ministries</li> <li>♦ Agreement on expanding coverage of per-student/study programme costing and obligatory annual submission of these unit costs</li> </ul>
5	[4 <sup>th</sup> Feb] <b>2<sup>nd</sup> Workshop</b> with Tuzla MoE and MoF and Tuzla University	♦ Tuzla University is unwilling to hold this workshop. It has to be assumed that the activity has low priority for the university leadership.
6	[14 <sup>th</sup> Feb] <b>2<sup>nd</sup> Workshop</b> with Bihac MoE and MoF and Bihac University	♦ The project has not yet been able to achieve adequate participation from Bihac university and the Canton government. It also appears that internally, there is inadequate agreement from Faculty Deans to pursue per-student/study programme costing. Therefore, this workshop will probably not take place.
7	[20 <sup>th</sup> Feb] <b>Project Final Conference</b> <ul style="list-style-type: none"> <li>♦ Presentation of ABC in universities and ministries, and its application in the sector so far, (revised budget</li> </ul>	<ul style="list-style-type: none"> <li>♦ Summary of state of implementation and agreement</li> <li>♦ Recommendations and action-steps for implementation in the next budget cycle</li> </ul>

	planning process, HEA, internal financial distribution, study programme efficiency, etc.)	Recommendations for steps needed to complete a unit-costing foundation for HE
8	[Planned] <b>Briefing for the Conference of Ministers of Education BiH</b> <ul style="list-style-type: none"> <li>◆ Explanation of UCA and budget planning objectives</li> <li>◆ Presentation of the legal principle and Agreement</li> </ul>	◆ No briefing was possible before the end of the project because the Conference did not meet.

## [2] Support for RS programme budgeting

Objective	Activities / purpose	Results
	<i>Support the reorientation of the HE financial planning process towards the use university output costs as the basis of defining an output-based budget<sup>76</sup></i>	
1	[Nov 15 <sup>th</sup> ] <b>1<sup>st</sup> Workshop</b> on the three areas of work described above.	The workshop did not produce clear outcomes or support to move to the second workshop with universities included. <ul style="list-style-type: none"> <li>◆ The project therefore arranged a follow-up mission to the MoEC and MoF to clarify the focus of additional support, and also a working session with the Head of the Finance Dept. of the MoEC</li> </ul>
2	[Dec 10 <sup>th</sup> ] <b>Clarification meeting</b> with MoEC and MoF <ul style="list-style-type: none"> <li>◆ To assess the purpose and focus of the intended second workshop</li> </ul>	◆ Agreement on the areas of misunderstanding and the scope and focus of the second workshop
3	[Jan 24 <sup>th</sup> ] <b>Briefing working session</b> with the MoEC Head of Finance <ul style="list-style-type: none"> <li>◆ To provide the background and overview of the ABC and planning processes in preparation for the 2<sup>nd</sup> workshop</li> </ul>	◆ Understanding of project purpose. Results of this will be seen in the 2 <sup>nd</sup> workshop
4	[5 <sup>th</sup> Feb] <b>2<sup>nd</sup> Workshop</b> on revised budget planning processes and cost basis	<ul style="list-style-type: none"> <li>◆ HE Budget planning programme presented</li> <li>◆ Update on ABC coverage</li> <li>◆ Non-committal to utilisation in the budget process</li> </ul>

## [3] Support for Mostar-based universities

Objective	Activities / purpose	Results
	<i>Develop a capacity to state Canton(s) block grants to universities in terms of the cost of policy targets relating to priority students, using university-provided per-student/study programme unit costs</i>	
1	[15/11] <b>1<sup>st</sup> MoE Budget Costing Training Session</b> (all University Cantons) <ul style="list-style-type: none"> <li>◆ To ensure that HNC Canton is aware of the directions being followed in other Cantons, and the use of per-student/study programme costing</li> </ul>	◆ Strong interest from HNC Deputy Minister Education – sufficient to propose grant specification
2	[17 <sup>th</sup> Jan 2014] <b>Mission to HNC and Mostar University</b> <ul style="list-style-type: none"> <li>◆ Follow-up a previously submitted proposal to assist HNC to develop costed and targeted criteria for the university grant</li> </ul>	<ul style="list-style-type: none"> <li>◆ Agreement from HNC to hold a workshop with other co-founding Cantons on grant specification</li> <li>◆ Scheduled for [date]</li> </ul>
	<i>Understand, and be able to apply per-student/study programme unit cost criteria in establishing Faculty and central services budgets in the university</i>	
1	[25 <sup>th</sup> Feb] <b>Workshops with HNC Canton and Mostar University/Džemal Bijedić University</b> <ul style="list-style-type: none"> <li>◆ How to specific the founder/co-founder grants</li> </ul>	Sveučilište u Mostaru workshop held on integrated university financing, and ABC methodology. <ul style="list-style-type: none"> <li>◆ Sveučilište u Mostaru leaders have a set of</li> </ul>

<sup>76</sup> This is a synthesis of the activities proposed in PSC Meeting 4 and the results of the meeting with the Minister of Education RS.

	<ul style="list-style-type: none"> <li>♦ Utilisation of ABC in integrated university financing</li> </ul>	<p>principles to apply to financial integration</p> <ul style="list-style-type: none"> <li>♦ Wider group of financial staff can implement ABC in more faculties</li> </ul>
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#### [4] Support for UNSA and Sarajevo Canton HE financing reform

Objective	Activities and content	Results of activities
1	Support a high-level university technical group to develop a model of university integration, including principles of internal financial distribution, and, if requested, develop the operational rules	
1a	<p>[24/10] <b>Meeting with UNSA Rector</b></p> <ul style="list-style-type: none"> <li>♦ Review of support and update on provision of expert</li> <li>♦ Submission of TOR and CV for the proposed expert for university agreement</li> <li>♦ Submission of draft TOR for the UNSA Finance Committee work with the expert</li> </ul>	<ul style="list-style-type: none"> <li>♦ ABC in UNSA is suspended pending outcomes of Finance Committee integration criteria development</li> <li>♦ Expert is agreed</li> <li>♦ (response on UNSA finance committee pending)</li> </ul>
1b	<p>[14/01 &amp; 21/01] <b>Planning meetings</b> with Pro-Rector Finance and UNSA Finance Committee</p> <ul style="list-style-type: none"> <li>♦ To agree on final support programme</li> <li>♦ To brief the UNSA FC on options and possibilities relating to per-student/study programme costing in internal integrated and Canton financing</li> </ul>	<ul style="list-style-type: none"> <li>♦ Next workshops agreed</li> <li>♦ Mission of project expert agreed</li> <li>♦ General recognition that new criteria for financing needed</li> <li>♦ Next workshop would establish suitability of project-developed solutions</li> </ul>
1c	<p>[03/02 &amp; 24-/02] <b>2 workshops with UNSA Finance Committee</b></p> <ul style="list-style-type: none"> <li>♦ 1<sup>st</sup> workshop to introduce ABC and the HE budget planning programmes to the Financial Committee and wider faculty representation</li> <li>♦ 2<sup>nd</sup> workshop to focus on ABC in integrated financing</li> </ul>	<ul style="list-style-type: none"> <li>♦ 1<sup>st</sup> workshop delivered</li> <li>♦ Awareness of tools and their possible applications</li> <li>♦ No apparent result – instead, a focus on short-term issues</li> <li>♦ 2<sup>nd</sup> workshop scheduled for last week of the project</li> </ul>
1d	<p>[26/02] Mission of project University Financing expert</p> <ul style="list-style-type: none"> <li>♦ briefing new UNSA FC on results of previous mission</li> <li>♦ further steps towards the Book of Rules</li> </ul>	<ul style="list-style-type: none"> <li>♦ Not implemented. University decided not to go ahead.</li> </ul>
2	Develop proposals to switch the unit of financing from per-professor to per-student/study-programme	
1e	<p>Scheduled 04/11: <b>meeting with Sarajevo Canton MoE</b></p> <ul style="list-style-type: none"> <li>♦ update SJJ MoE on work with UNSA</li> <li>♦ discuss MoE participation in MoE training programme</li> <li>♦ discuss possible alignment of Canton financing criteria with university internal financial distribution criteria</li> <li>♦ ascertain when the Canton is likely to complete the formation of the University Management Board, and other issues relating to the govt-side furtherance of university integration</li> </ul>	<ul style="list-style-type: none"> <li>♦ SJJ MoE indicates lack of capacity</li> <li>♦ SJJ MoE interested, supporting in principle but detached</li> </ul>

#### [5] Support for Consolidation and expanded coverage of ABC

Objective	Activities	Results
1	Continue introducing ABC to selected UNSA Faculties & support universities facing unit-costing requirements of their MoFs/MoEs	
1a	[19/10] <b>Development of Users Guide</b> for the ABC programme	♦ Complete and translated. Printed 14 <sup>th</sup> Feb.
1b	[31/01] <b>Meeting with Zenica UCA group</b> to check aspects of the new HE Budget Planning Programme	♦ Completed and feedback integrated
1c	[Jan-Feb] Tracking of newly covered faculties and integration of data into improved average student costs	♦ Bihac, Mostar, Zenica, Tuzla, and Banja Luka report additional faculties (see Appendix 7)
1d	[11 <sup>th</sup> Nov] <b>Working session with the Federal Ministry of Education</b>	<ul style="list-style-type: none"> <li>♦ Agreement in principle on both points</li> <li>♦ Agreement to undertake a workshop for the</li> </ul>

	<ul style="list-style-type: none"> <li>◆ Discuss post-project expansion, analysis and utilisation of average student cost data for entity planning</li> <li>◆ Discuss role of Federal MoE in taking over system development and exploitation</li> </ul>	FMoE on ABC methodology, results, and analysis
<b>1e</b>	[Planned if needed]: <b>1 additional workshop for UNSA UCA</b> group to plan implementation of ABC in support of internal financial distribution criteria]	<ul style="list-style-type: none"> <li>◆ Not requested</li> </ul>
<b>1f</b>	<p>[11<sup>th</sup> Nov]: <b>training workshop for FMoE</b></p> <ul style="list-style-type: none"> <li>◆ Demonstration of ABC computer programme</li> <li>◆ Understanding of concept and methodology of ABC</li> <li>◆ Awareness of other education sub-sectors of the methodology of per-pupil costing for pre-school, primary and secondary</li> </ul>	<ul style="list-style-type: none"> <li>◆ Understanding of utilisation in budget planning and in university cost-driver management</li> <li>◆ Understanding of possible use of average student costs in Entity HE and general education planning</li> <li>◆ Limited FoMES capacity to develop ABC further and analysis requirements of cost differences between universities</li> <li>◆ Limited FoMES capacity to develop average student costs and compare to standards elsewhere</li> </ul>
<b>1g</b>	<p>[07/11 &amp; 23/01]: <b>two training workshops for HEA staff</b></p> <ul style="list-style-type: none"> <li>◆ Demonstration of ABC computer programme</li> <li>◆ Understanding of concept and methodology of ABC</li> </ul> <p>◆ 2<sup>nd</sup> workshop to focus on technical calculations and data requirements</p>	<ul style="list-style-type: none"> <li>◆ Capacity to develop ABC further and analysis requirements of cost differences between universities</li> <li>◆ Understanding of possible use in setting financial standards</li> <li>◆ Understanding of how to use the ABC programme to provide a basis for eventual minimum/maximum student fee setting for accredited universities</li> <li>◆ Acceptance in principle of the minimum student fee concept and methodology</li> <li>◆ Need for HEA to follow-up on per-student costing and analysis of variations</li> </ul>
<b>2</b>	Development of additional university budget planning modules to support enrolment and budget planning	
<b>2a</b>	[14/11] design of enrolment and budget modules relating to the ABC programme	<ul style="list-style-type: none"> <li>◆ The new output budget step is made easier by computer-based budget planning modules</li> </ul>
<b>2b</b>	[Jan-Feb] Verification meetings relating to structure and scenario planning in the HE Budget Planning programme	<ul style="list-style-type: none"> <li>◆ Programme adapted to need – changes made after Zenica, Tuzla and RS inputs</li> </ul>
<b>2c</b>	[Feb] Finalisation, translation and printing of manual for the HEBP programme	<ul style="list-style-type: none"> <li>◆ Completed</li> </ul>
<b>2d</b>	<p>[20<sup>th</sup> Feb] <b>Project Final Conference</b></p> <ul style="list-style-type: none"> <li>◆ Presentation by the project of the ABC system</li> <li>◆ Presentation by selected Universities on internal utilisation</li> <li>◆ Presentation by Ministries on expected role of per-student/study-programme costing in the budget process</li> </ul>	<ul style="list-style-type: none"> <li>◆ Completed</li> <li>◆ The ABC system: its contribution to HE finance reform, its state of implementation, adoption by universities and Ministries and needs for further expansion and exploitation</li> <li>◆ Institutional handover and expectations for further development</li> </ul>

## [6] Support for HE financing legal principles

Objective	Activities	Results
<b>1</b>	Draft and disseminate options relating to financing legal principles (e.g. relating to the base unit of cost)	
<b>1a</b>	<p>[11<sup>th</sup> Nov] Meeting with Federal Ministry of Education</p> <ul style="list-style-type: none"> <li>◆ Advice on scope and process for establishing HE financing legal principles</li> </ul>	<ul style="list-style-type: none"> <li>◆ Bottom-up process preferred – i.e. principles formulated, discussed and reformulated, and then proposed at Entity, Canton level</li> <li>◆ Support for unit-cost principle and budget priorities principle</li> </ul>
<b>1b</b>	<p>Dissemination of these options to Ministers, Ministries of Education and Finance, and Universities</p> <p>[Planned:</p>	<ul style="list-style-type: none"> <li>◆ principle disseminated for comment</li> </ul>



	<ul style="list-style-type: none"> <li>♦ 01/11: Coordination of Ministers of Education FBiH</li> <li>♦ 03/12: RS MoEC – how unit costs can form a basis for an RS legal principle</li> <li>♦ 05/12: Agenda item for 2<sup>nd</sup> training workshop for MoE + Universities]</li> <li>♦ Conference of Ministers of Education of BiH</li> </ul>	
<b>1c</b>	[Feb 19 <sup>th</sup> : revised draft model of legal principles presented as a recommendation in the project Final report]	♦ No final feedback available in time
<b>1d</b>	<p>[Planned mid-January] <b>Project Final Conference</b></p> <ul style="list-style-type: none"> <li>♦ Presentation by the project of the proposed model of legal principles and rationale for them</li> <li>♦ Summary of consultation process</li> </ul>	♦ Recommendations for further action on legal principles

## [7] Development of Key Documents

Objective	Activities	Results
<b>1</b>	<i>Document 1: Higher Education finance-related policy implementation: a critical-path analysis (CPA)</i>	
<b>1a</b>	[6 <sup>th</sup> Dec]: <b>Working meeting</b> with CoE Project	♦ Professional feedback from the project
<b>1b</b>	[Planned: Dec 6 <sup>th</sup> ] <b>Final draft completion</b>	♦ Draft Document completed & submitted for feedback
<b>1c</b>	[Jan-Feb] Feedback and revised drafts	♦ On-going. Final draft due 20 <sup>th</sup> Feb Decision taken to merge the 3 documents into one.
<b>2</b>	<i>Document 2: Models and Options for Targeted HE Funds in BiH</i>	
<b>2a</b>	[29 Nov] <b>First draft complete</b> and circulated to stakeholders	♦ Feedback on-going
<b>2b</b>	[6 <sup>th</sup> Dec]: <b>Working meeting</b> with CoE Project	♦ Professional feedback from the project
<b>2c</b>	[Planned: Dec 6 <sup>th</sup> ] <b>Second draft completion</b>	♦ Feedback received and being incorporated into revised draft. Document now merged into an annex of the consolidated document
<b>3</b>	<i>Document 3: Road-map for medium-term financing reform</i>	
<b>3a</b>	[06/12] <b>First Draft completed</b> & translated	♦ Circulated to WG members and CoE project
<b>3b</b>	[06/12 – 17/12] Consultation & feedback collection	♦ Professional feedback from the project
<b>3c</b>	<p>[06/12] <b>Joint workshop with CoE project</b></p> <ul style="list-style-type: none"> <li>♦ CoE presentation of priority directions</li> <li>♦ RHEF presentation of finance reform needs within the policy directions &amp; summary of Docs 1 and 3</li> <li>♦ Feedback from participants</li> </ul>	<ul style="list-style-type: none"> <li>♦ Alignment of common areas</li> <li>♦ Revision of documents against feedback</li> </ul>
<b>3d</b>	[Planned: Dec 20 <sup>th</sup> ] <b>Second draft completion</b>	<ul style="list-style-type: none"> <li>♦ Document completed and circulated for feedback</li> <li>♦ Feedback on-going</li> <li>♦ Decision to merge all three documents</li> </ul>
<b>3e</b>	<p>[Planned mid-Feb] <b>Project Final Conference</b></p> <ul style="list-style-type: none"> <li>♦ Presentation by the project of the final versions of the documents. Summary of recommendations and feedback</li> </ul>	♦ Awareness of main recommendations

## APPENDIX 4: USE OF STAFF AND OTHER RESOURCES

### Expert Utilisation until February 28<sup>th</sup>, 2014

	1st Interim TOTAL	2nd Interim TOTAL	3rd Interim TOTAL	Final TOTAL	GRAND TOTAL 1+2+3+final	TOTAL ALLOCATION (WDs)	Remaining No. of WDs
<b>Key Experts</b>							
TL/KE1 Trevear Penrose	88	104	92,5	136	420,5	425	4,5
KE2 Gerard Madill	121	111	109	77	418	418	0
KE3 Gordana Osmančević	86	73	92	105	356	356	0
<b>Short-term experts</b>							
Senior STE	0	37	59	85	181	186	5
Junior STE	0	4	58,5	33	95,5	95,5	0
Total working days	295	329	411	436	1471	1480,5	9,5

### Summary of Incidentals Expenditure

Present totals are up to January 31<sup>st</sup> with February estimates.

Summary	IE Budget	Spent in reporting period	Cumulative total spent	Remaining Balance
Incidental Expenditure	155.690,00 €	13.241,56 €	46.173,86 €	109.516,14 €

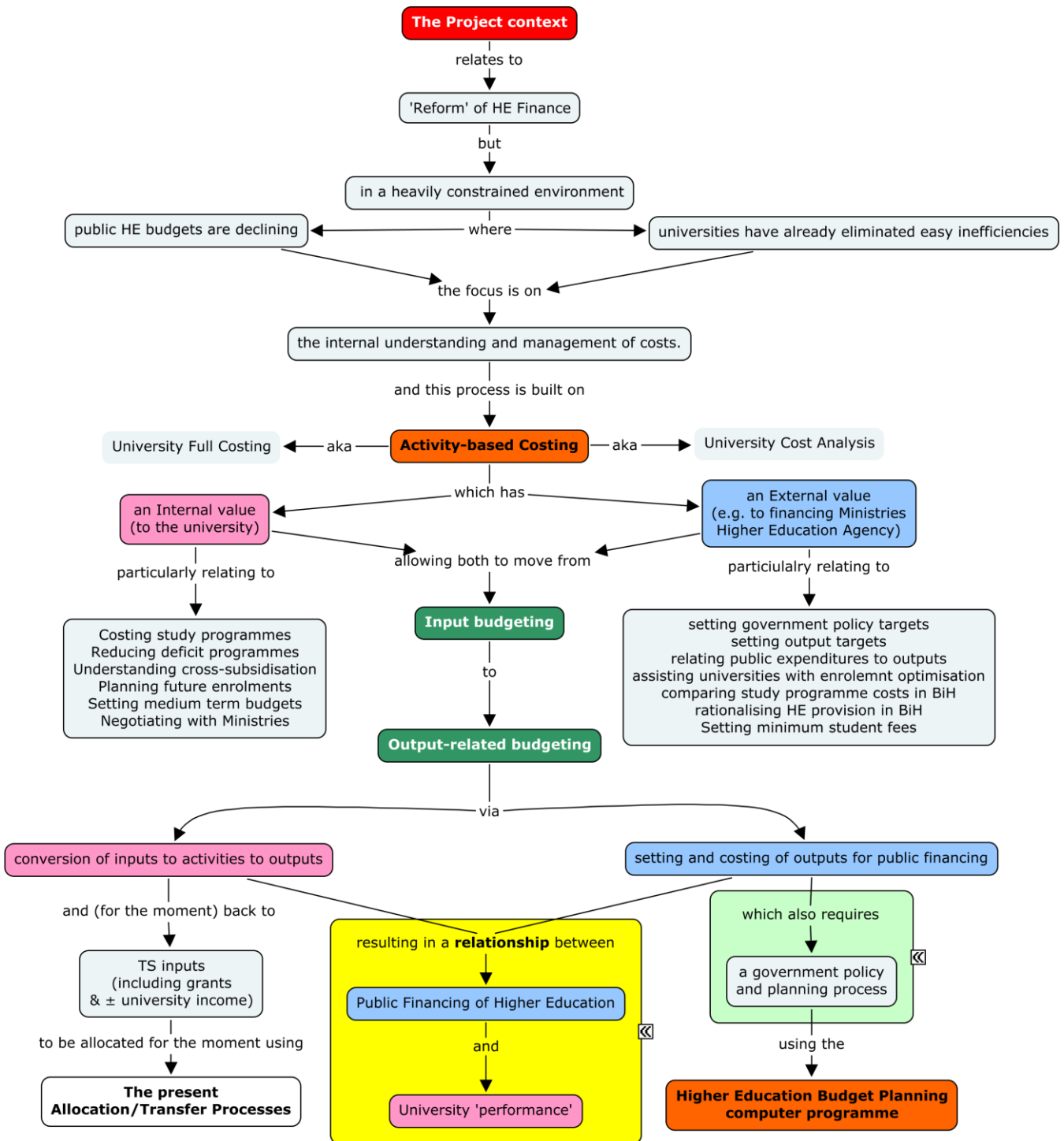
### Contract side letter history

CONTRACT SIDE LETTER HISTORY [SUMMARY OF SIDE LETTERS] during the period 27<sup>th</sup> January 2012 – 28<sup>th</sup> February 2014:

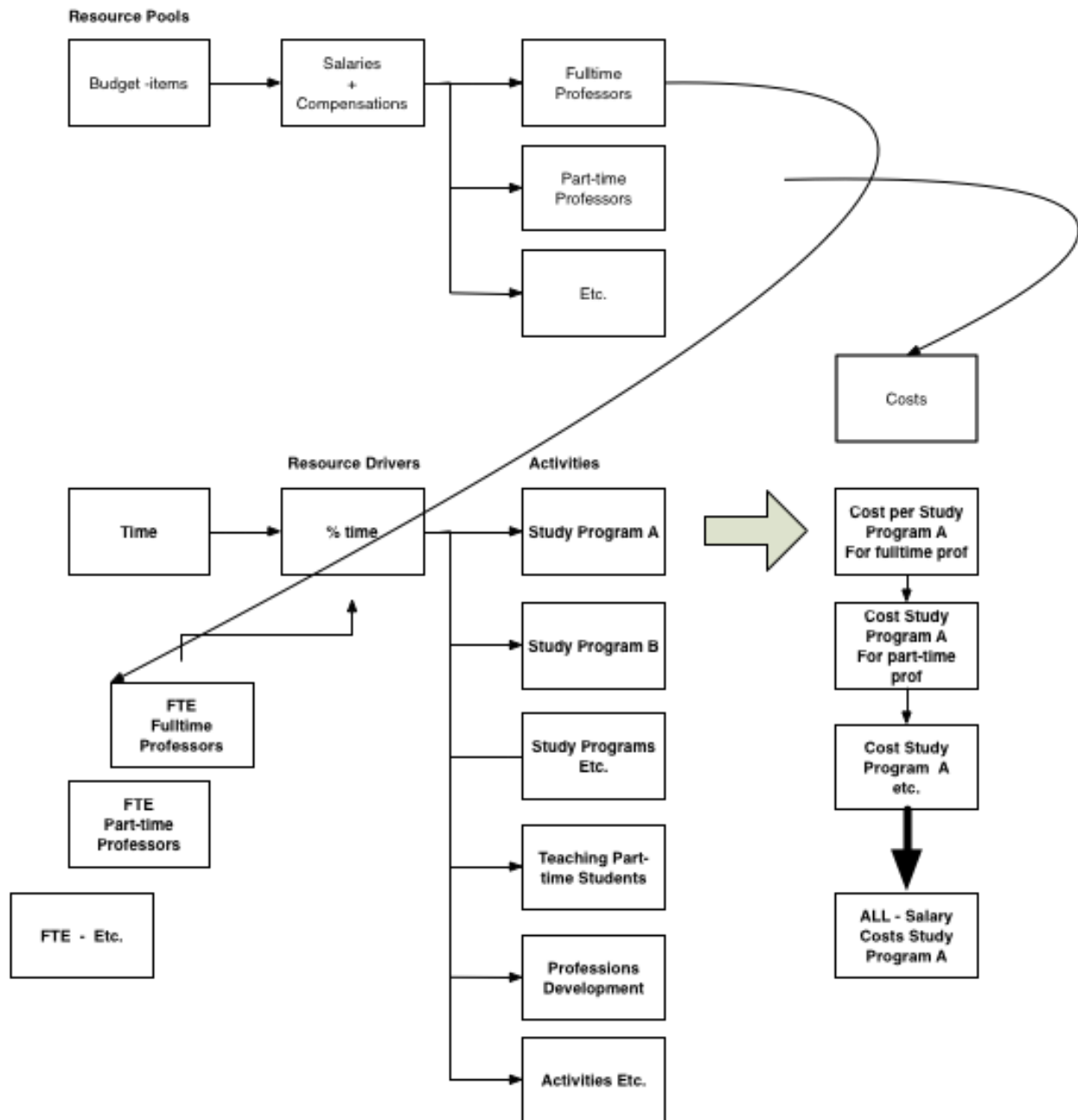
Request ref.	Side letter no.	Purpose	Details	Date of approval
1	1	<b>Approval of Mr. Andre Peer</b> (Senior Expert University Cost Analysis)	<u>Request for STE Approval 1:</u> - <b>Mr. Andre Peer</b> (Senior Expert University Cost Analysis) – 50 working days	19.09.2012
2	2	<b>Approval of STE Ms. Milica Popovic</b>	<u>Request for STE Approval 2:</u>	10.12.2012

		(Junior HE Planning, Coordination and Facilitation Expert)	- <b>Ms. Milica Popovic</b> (Junior HE Planning, Coordination and Facilitation Expert) – 40 working days	
3	In addition to SL 1	<b>Approval of extension for Mr. Andre Peer</b> (Senior Expert University Cost Analysis)	<u>Request for approval of extension:</u> - 7 working days in addition to the initially approved 50 working days (according to SL 1)	10.01.2013
4	3	<b>Approval of Mr. Andre Peer</b> (Senior Higher Education Financing Expert (Output 3) (International))	<u>Request for STE Approval 3:</u> - <b>Mr. Andre Peer</b> (Senior Higher Education Financing Expert (Output 3) (International)) - 20 working days	02.04.2013
5	4	<b>Approval of 5 Junior STEs</b> (Junior University Cost-Analysis Support Experts)	<u>Request for STE Approval 4:</u> - <b>Junior University Cost-Analysis Support Experts</b> Darko Lazić – 8 working days Adnan Šepić – 8 working days Aleksandra Vanovac – 8 working days Radmila Letica – 8 working days Suada Alispahić – 16 working days	19.04.2013
6	In addition to SL 3	<b>Approval of extension for Mr. Andre Peer</b> (Senior Higher Education Financing Expert (Output 3) (International))	<u>Request for approval of extension:</u> - 25 working days in addition to the initially approved 20 working days (according to SL 3)	15.05.2013
7	5	<b>Approval of Ms. Lejla Huskic</b> (Junior HE Planning, Coordination and Facilitation Expert (HEPCF))	<u>Request for STE Approval 5:</u> - <b>Ms. Lejla Huskic</b> (Junior HE Planning, Coordination and Facilitation Expert (HEPCF)) – 35 working days	27.05.2013
8	In addition to SL 3	<b>Approval of extension for Mr. Andre Peer</b> (Senior Higher Education Financing Expert (Output 3) (International))	<u>Request for approval of extension:</u> - 50 working days in addition to the initially approved 40 working days (according to SL 3 & Request ref.6)	29.08.2013
9	6	<b>Approval of Mr. Frank Gribben</b> (University Financial Administration Expert)	<u>Request for STE Approval 6:</u> - <b>Mr. Frank Gribben</b> (Senior University Financial Administration Expert) – 15 working days	24.10.2013

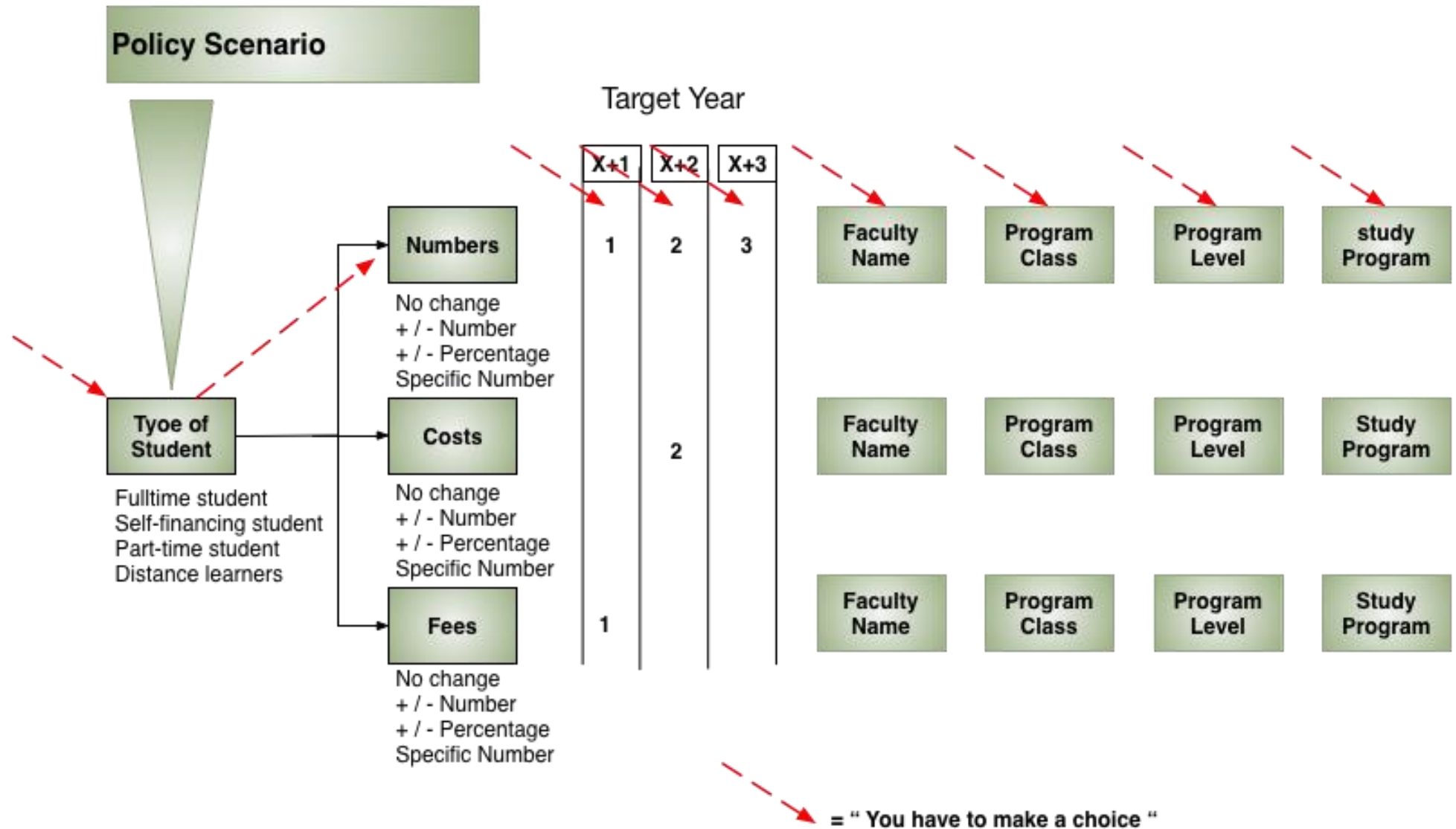
**APPENDIX 5: THE PROJECT REFORM LOGIC**



### Activity Based Costing – structure of the Computer Programme



# Higher Education Planning and Budgeting (computer) Program





**APPENDIX 7: SUMMARY OF STATUS OF ABC AND HE BUDGET PLANNING IMPLEMENTATION IN UNIVERSITIES**

	Universities	Trained in ABC	Faculty Coverage	Plans to expand ABC	ABC used in internal distribution criteria	Used for Faculty management decisions	Understanding of the HE Planning and Budgeting Program	Able to use HE Planning and Budgeting Program	MoE & MoF require/intend to require per-student/study programme costs based on ABC and Planning and Budgeting
1	Banja Luka	Yes	15 out of 16	Yes	Indicative	Yes	Yes	Yes If all faculties covered	Yes by MoF
2	East Sarajevo	Yes	7 out of 16	Yes	unknown	No	Yes	Unknown	No
3	Sarajevo	Yes	None	No	Finance Committee briefed	No	No	No	No
4	Zenica	Yes	3 out of 7	May be required by MoF	Once data coverage is complete	Yes	Yes	Yes If all faculties covered	Yes
5	Tuzla	Yes	4 out of 13	Required by MoE/MoF	Unknown	No	Yes	Yes If all faculties covered	Yes
6	Bihać	Yes	5 out of 6	Unknown	Unknown	Yes	Yes	Yes If all faculties covered	Yes
7	Džemal Bijedić	Yes	None	Yes	No	No	No	No	?
8	Mostar	Yes	4 out of 11	Yes	Once data coverage is complete	Yes	Yes	Yes If all faculties covered	?

### University of Sarajevo

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The following appendix is a shortened version of the document produced by the project Senior Expert in University Financial Management, Frank Gribben of the University of Edinburgh, for the Finance Committee of the University of Sarajevo Management Board.

#### Introduction

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The current University members-based financial arrangements are long-standing. It seems highly likely that the current financial autonomy enjoyed by the Faculties is linked strongly in the minds of the Deans to the concept of academic autonomy. Partly as a result of this, the process of moving towards legal and financial integration at University level will be difficult (since it is a very significant change from long-standing arrangements) and will have to be approached as a long term change management project, with several phases of implementation, requiring many years to complete. It is a significant process of political, cultural and legal change, not just a process of modifying a budgetary allocation system.

It is unusual for Faculties to have a separate legal status from their university. In the rest of Europe and elsewhere in the world, it is usual for the university to be the legal entity, holding among other rights the authority to award degrees, and only the university will be incorporated in law. Faculties are very important academic organisational units, but they exist as units created by and within the university, not as separate legal entities.

#### Common budgetary allocation principles in integrated universities Europe & worldwide

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- [1] **Ownership of income:** All income is university income.
- [2] **'Restricted income':** Some income is provided for specific purposes, such as purchasing library books, or constructing a new building, or funding a Professorial post, and must be used by the University for that purpose. This is known as restricted income.
- [3] **'Unrestricted income':** Most income received/earned by universities (either from government grants or tuition fees etc.) is not provided for such clearly specified purposes, and it is for the University managers to determine the most appropriate use of these funds. Such income is known as unrestricted income.
- [4] **Income and expenditure scope:** In analyses of income earned and expenditure incurred, and in determination of budgetary allocations, account is taken of all unrestricted and restricted income, and of all expenditure.
- [5] **University income and unit budgets:** The university receives income from various sources. The Faculties/Institutes/Academies within a University receive budgets allocated by the University's managers or management board. It is, therefore, normal for the university to publish only one set of consolidated accounts, and to have only one bank account.
- [6] **General university organisation:** It is normal for universities to organise themselves into (i) whole-university level units which receive a budget to enable them to provide services across the university (such as premises management, library & IT systems, student administration, human resource and financial management, support for the Senate and management board, academic quality assurance, etc.); and (ii) Faculties / Institutes / Academies responsible for the core academic teaching and research of the university, and which receive services from the whole-university support functions.
- [7] **Attribution of whole-university costs:** Budgetary allocation processes make clear the basis (or bases) which they use for attributing any whole-university costs and costs of whole-

university services among the Faculties (e.g. FTE student numbers, FTE staff numbers, or space occupied) as part of the overall reporting and accounting for expenditure and budget-setting.

- [8] **Coverage:** It is normal for budgetary allocation systems to cover all organisational units within a university – Faculties, support functions, Rectorate, etc. – even although the income will be mostly or solely generated by the academic units.
- [9] **Transparency:** Information on the underlying data on income and expenditure, the analyses conducted on these data, and the budgetary allocations are usually made available to Deans, heads of department etc. within the university, so that the academic community can understand the basis of budgetary allocations and can be assured that they are reasonable.
- [10] **Ownership of assets:** Universities usually own their assets, including their buildings. Universities usually prefer to own their buildings, rather than rent them, so that they retain control over their use; can designate them for alternative use, or for sale/disposal, without requiring permission.
- [11] **Capital and recurrent budget planning:** It is normal for universities, within their budgetary allocations, to plan separately for annual recurrent budgets for Faculties and for whole-university support functions, and for capital expenditure on a programme for maintaining, upgrading and replacing over time the university's equipment and buildings.
- [12] **Budget review and balance:** It is normal for universities to review budgetary allocations on an annual basis, and to seek to find a balance within their budgetary approach between providing clear incentives for Faculties to generate more income, and some element of stability, so that Faculties are not destabilised. The exact balance will vary considerably from university to university, and from time to time within an individual university. But this is a general aim of most university management boards.
- [13] **'Resource-pool' investments:** It is normal for universities to allocate some element of their budget in support of new initiatives or strategic priorities for the future benefit of the university. This might be in support of a service improvement (e.g. in electronic student administrative systems), or in a single academic discipline area, or in support of a new multi-disciplinary academic endeavour. Such "pooling of resources" for common benefit or for future success is a very common feature of university financial management.
- [14] **Cross-subsidisation between university units:** It is normal for the most universities to have some units in surplus and some in deficit at different points in time. It is also common for this cross-subsidisation to be regarded as both inevitable and desirable. The ability to cross-subsidise enables the university to avoid having to close activities which may have a good long-term future because of financial difficulties which may be short-term.

### Strengths and Weaknesses of Current Un-integrated Financial Model

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This analysis of strengths and weaknesses of the current financial model makes two general points, but then concentrates on three significant features of the current arrangements:

- [C] that it operates at Faculty/Institute level, not University level,
- [D] that the Canton grant element of income is based on staff numbers, not per-student unit-costs,
- [E] that this public finance is, at present, a grant transfer (paid monthly) from the Canton to the faculties, and fee-income from students is paid into faculty commercial bank accounts (which are outside the treasury system).

### Governance Arrangements

- [1] The University will need to work with the Canton authorities to establish an integrated University Board of Management (BoM), which will then replace the existing Faculty/Institute/Academy Boards of Management and Supervisory Boards.
- [2] The University will need to take steps formally to establish the Finance Committee, appoint its members, and get a clear set of terms of reference for the Committee from the Board of Management.
- [3] In the short-term (perhaps prior to the establishment of the University BoM), it will be important to get University or Canton decisions leading to Faculties having to provide the core data required to populate the activity-based costing model which has been developed as part of this project.
- [4] The University BoM and the Finance Committee should accept as an initial operating principle that gradual development and implementation of change is preferable to rapid and radical change. A balance needs to be found between, on the one hand, creating incentives within the budgetary process to encourage dynamism and desirable change in activities, and, on the other hand, avoiding significant alterations (particularly reductions) in any Faculty/Institute's budgetary allocation which will destabilise that Faculty / Institute / Academy and threaten the quality of education offered to students.

### Using the Activity-based Costing Model

- [5] The process of determining an approach to internal disbursement of finances should use the activity-based costing model developed earlier in this project, and standardised across all BiH public universities, as the basis for collecting core data on income and expenditure on a consistent basis, both to minimise the additional technical work required and to ensure that data can be aggregated easily at different levels.
- [6] It will be very important to move quickly to completing the work of collecting the activity-based costing information for all activities across all Faculties/Institutes/Academies in the University. This is an essential pre-condition which has to be met if the Book of Rules states developed by the Finance Committee puts forward per-student/study programme unit costs as the basis of internal distribution.

### Data Collection and Analysis

- [7] It may be sensible for the Finance Committee to start with one or two Faculties/Institutes/Academies as pilot case studies, and to use the activity-based costing information to establish more clearly at programme and department level the relationship between income earned from various activities and the expenditure incurred in carrying out those activities. In this way, the Finance Committee and relevant Deans will establish the areas within those Faculties/Institutes/Academies which are operating in surplus or in deficit; and can begin the work of re-allocating staff time or staff expenditure among programmes/activities to achieve a more sustainable balance between income earned and expenditure incurred.
- [8] Data on income and expenditure will have to be collected on a consistent basis across the whole University, and in such a way that it is possible to aggregate the data at various levels for analysis (programme level, activity level [teaching, research, and commercial contracts], Faculty/Institute level, and whole-University level).
- [9] Given the high proportion of expenditure which relates to staff costs, any apportionment of expenditure between programmes or activities (for example, between teaching and research) must proceed on the basis of seeking to reflect accurately the time deployed by

staff on these different activities. The Finance Committee will have to support Faculties/Institutes/Academies to ensure that these staff deployment data are as accurate as possible.

- [10] Once the activity-based costing information is completed, and analyses have been undertaken, it will be possible for the Finance Committee to work on the basis of a per-student unit-costing approach, as agreed in earlier stages of this project. It will also be possible for them to identify the range of costs per programme across the University. A realistic medium-term objective for the Finance Committee should be to work with Academy/Faculty/Institute Deans to narrow the range of costs per programme within Faculties/Institutes/Academies. In the longer term, it should be possible to narrow the range of costs per programme across cognate disciplines in different Faculties/Institutes/Academies.
- [11] Can the University negotiate with the Canton authorities and migrate to common fee levels for programmes in similar disciplines (e.g. Humanities, Social Science, Engineering & Technology, etc.), perhaps using the six broad disciplinary groupings described by the Pro-Rector Finance? This would aid the integration process, by reducing the amount of variation across the Faculties/Institutes/Academies, in an area of income-generation where the current ability of the Faculties/Institutes/Academies to generate their own income is variable.
- [12] Consistent norms for the proportion of time of different categories of academic staff deployed in teaching and student support will need to be established and codified in the University Rule Book. The work to determine the norms should be a priority for the University-level BoM and the Finance Committee, since these norms will help University and Faculty/Institute managers to compare workloads and budgetary requirements within and across Faculties/Institutes/Academies.
- [13] Academic capacity is limited, and the Faculty/Institute managers need to ensure that the time of academics is deployed to the best effect, both academically and financially. The activity-based costing model will help Deans to identify programmes and activities where this is not the case financially. This, in turn, will allow discussions to take place about redeployment of academic time. This should also enable discussions to take place about the University's overall portfolio of programmes and potential rationalisation of that portfolio, to ensure that there is a sustainable link between the cost of delivering a programme and the income generated from that programme.

#### Other Finance Committee Priorities

- [14] It will be necessary for the Finance Committee to work with the Faculties/Institutes/Academies to create a comprehensive register of the University's assets (equipment, buildings, cash balances, etc.), so that the Finance Committee can take account of maintenance, replacement and depreciation in its financial planning and expenditure attribution.
- [15] The Finance Committee will also have to consider how to create a management capacity in the Rectorate to support the Committee and the University in discharging its new budgetary responsibilities. It will be worth considering whether it would be possible to do that by internal transfers of staff from the Faculties/Institutes/Academies.
- [16] The Finance Committee should, over time, look for the opportunities to share administrative costs across the University. At present, Faculties/Institutes/Academies have a separate legal status and need to negotiate individually with Ministries, keep their own accounts etc. As such, each Faculty/Institute requires some financial administrative service. Once the University integrates its financial planning and budgetary processes, there is likely to be an over-supply of financial administration, since it is unlikely that what is needed to support 30 separate entities will be required to support one, aggregate entity. Will it be possible for the

University to streamline this support service after integration, and to negotiate with the Canton authorities to redeploy budget currently consumed on administrative spend to support additional academic expenditure? This would be much simpler, and a matter for the University itself, if the Canton authorities accept a proposal to move away from staff-based budgetary allocations to a per-student, unit-cost basis for determining the Canton's contribution to the University's income.

[17] Once the budgetary model is developed by the Finance Committee, it will be important to be able to show Faculties/Institutes/Academies that when their staff perform roles for the whole-University the budgetary process recognises this and compensates the Faculty/Institute accordingly.

## Legal Issues

[18] The Canton HE law and University statutes were changed earlier in 2013, but not yet implemented, and other legal changes are likely to be necessary before the new law can be fully implemented. That process of legislative negotiation and change will take some considerable time to be finalised.

[19] Will the separate Boards of Management and Supervisory Board of each of the 30 Faculties/Institutes/Academies be revoke and a single, whole-University Board of Management created? The logic of the new Canton HE law suggests that that is what will happen, but the timetable for doing so is unclear. But who has the authority to ensure this is what happens?

[20] Ultimately, if the University is to become the legally-incorporated body, in receipt of the Canton's grant, rather than the Faculties/Institutes/Academies, then this would suggest that the Canton would have to work towards a point in time when the 30 separate Faculties/Institutes/Academies were dis-established in law, and their responsibilities, assets and liabilities transferred formally to the University. Such a move would be consistent with the normal European budgetary principles outlined above, but the Canton and the University will have to agree and set out a timetable for introducing such a change; and a set of transitional arrangements which could apply/operate whilst the University moved in this direction.

[21] It will be important for the Finance Committee and the BoM of Integrated University to work with the Canton authorities to create a series of interim steps in the determination/allocation and management of budgets, so that progress towards an integrated University can be made while the legislative changes are being negotiated and introduced by the Canton.

[22] The statutes of the University may also need to be amended to make sure that such transfers and interim arrangements were appropriate within the University.

[23] If the Canton authorities are intending to deal financially and in enrolment planning with the University only, rather than with the 30 Faculties/Institutes/Academies, then what is the intention around retention of the currently separate bank accounts? Ultimately, if the University is to be fully integrated, and to have control and authority over internal financial disbursements and management, then it would suggest that such a move has to take place. This would clearly be an important step towards the realisation of an integrated University, and would be consistent with the usual European budgetary principles outlined above; but it would be a significant step, requiring focussed political will, and is unlikely to happen quickly.

[24] If a strength for the Faculties/Institutes/Academies of the current arrangements includes them feeling more secure that significant amounts of their income (e.g. tuition fee income) are accounted for outside of the Treasury system, then can the Canton authorities agree to continue with this approach if the University becomes the financial authority rather than the Faculties/Institutes/Academies? It would be important for the success of the proposed

integration to negotiate such an outcome with the Canton authorities. It would be highly problematic if the intended move towards an integrated University had the effect of reducing the levels of financial autonomy currently available to the University's constituent Faculties/Institutes/Academies.

[25] Discussions will have to take place with the Canton authorities to change the basis of the budgetary allocations from staff-based to a per-student, unit-cost basis. The University BoM will also need to use those negotiations to obtain reassurances from the authorities that income currently recognised as sitting outside of the Treasury system remains classified in this way, and that the Canton authorities do not intend to alter this important feature of the present financial arrangements as they move from a Faculty/Institute based budgetary approach to a whole-University approach.

[26] Even in countries like Germany, where the universities are very much regarded as public bodies with a duty to operate in the public interest, and where the vast majority of their income comes from government grants, the universities still have considerable financial autonomy. They receive their government grants as unrestricted income, and it is for managers in the universities to use/allocate the funds at their own discretion. It will be important for the BoM of Integrated University to obtain recognition from the Canton authorities of the importance of enshrining the principle of academic autonomy by creating for the University at least as much fiscal autonomy as currently enjoyed by the Faculties/Institutes/Academies.

The Canton controls the levels at which tuition fees are set for students. In many cases, these are far lower than the fees set by private universities. Is there any scope for the BoM of Integrated University to discuss an increase in the tuition fee levels for self-financing students with the Canton authorities, to help the University compete with the private providers?

## **University of Mostar**

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### **Introduction**

It is unusual for Faculties to have a separate legal status from their University. In the rest of Europe and elsewhere in the world it is usual for the university to be the legal entity, holding among other rights the authority to award degrees, and only the university will be incorporated in law. Faculties are very important academic organisational units, but they exist as units created by and within the university, not as separate legal entities.

This integrated university structure is so widely used partly because it is simpler for governmental/regulatory bodies to fund and work with a smaller number of larger entities, but mostly because integration makes it easier for universities to plan on a sustainable basis. Universities generally find it easier to balance recurrent financial planning with longer-term infrastructural investment when they are financially integrated. It is also easier to create the capacity to make significant but necessary investments in academic developments (particularly inter-disciplinary developments), and/or improvements to support services such as libraries and computer systems, when a university is able to "pool" its financial resources. Integration also enables universities to maintain academic capacity in multiple disciplines, despite short-term difficulties caused by fluctuating demand, by cross-subsidising some subjects for a period until financial stability can be restored.

This report draws upon work conducted in autumn 2013 with the University of Sarajevo, which is facing a similar challenge of moving towards integration, and the discussions which took place during a workshop in Mostar held on 25 February 2014. The first section of the report lists a set of financial management principles which are common to integrated universities around the world, and which the University of Mostar will have to decide how to accommodate in its operations as it becomes more integrated. The second section gives some suggestions for the



University's managers on the first, practical steps upon which they should concentrate as they set out on the process of making the University of Mostar more integrated.

[**Note:** in this report, the term "Faculties" should be understood to refer to all 11 academic units in the University of Mostar, the 10 Faculties and the Academy of Fine Arts.]

### **Common budgetary allocation principles in integrated universities elsewhere in Europe and worldwide**

1. **Ownership of income:** All income is university income.
2. **'Restricted income':** Some income is provided for specific purposes, such as purchasing library books, or constructing a new building, or funding a Professorial post, and must be used by the University for that purpose. This is known as restricted income.
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8. **Coverage:** It is normal for budgetary allocation systems to cover all organisational units within a university – Faculties, support functions, Rectorate, etc. – even although the income will be mostly or solely generated by the academic units.
9. **Transparency:** Information on the underlying data on income and expenditure, the analyses conducted on these data, and the budgetary allocations are usually made available to Deans, heads of department etc. within the university, so that the academic community can understand the bases of budgetary allocations and can be assured that they are reasonable.

10. **Ownership of assets:** Universities usually own their assets, including their buildings. Universities usually prefer to own their buildings, rather than rent them, so that they retain control over their use; can designate them for alternative use, or for sale/disposal, without requiring permission.
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12. **Budget review and balance:** It is normal for universities to review budgetary allocations on an annual basis, and to seek to find a balance within their budgetary approach between providing clear incentives for Faculties to generate more income, and some element of stability, so that Faculties are not destabilised. The exact balance will vary considerably from university to university, and from time to time within an individual university. But this is a general aim of most university management boards.
13. **'Resource-pool' investments:** It is normal for universities to allocate some element of their budget in support of new initiatives or strategic priorities for the future benefit of the university. This might be in support of a service improvement (e.g. in electronic student administrative systems), or in a single academic discipline area, or in support of a new multi-disciplinary academic endeavour. Such "pooling of resources" for common benefit or for future success is a very common feature of university financial management.
14. **Cross-subsidisation between academic units:** It is normal for the internal economy of most universities to have some academic units in surplus and some in deficit at different points in time. It is also common for this cross-subsidisation to be regarded as both inevitable and desirable. The ability to cross-subsidise enables the university to avoid having to close activities which may have a good long-term future because of financial difficulties which may be short-term.

## **Issues to be addressed in the movement to becoming an Integrated University**

### ***Overall Objective of Integration***

The end result of financial integration will see the University of Mostar operating on the basis of a single, aggregated set of income from Canton grants, tuition fees and commercial contracts providing the basis on which University managers allocate budgets among the University's Faculties and centralised support services. The process of determining budgetary allocations within the University will require negotiation between managers across the University. These negotiations will only proceed successfully if they are based on shared values and principles, on clear criteria, reliable and consistently gathered data, and make use of common information management tools and analyses.

The common datasets and information management tools cannot determine budgetary allocations – these allocations must be the product of managerial judgement and negotiation. But the tools will assist University managers by providing analyses, standards and norms, against which can be set other, more qualitative considerations, reflecting University policies and strategic priorities.

The state of integration is not an end in itself: it is a means to creating a more sustainable basis for the University to deliver high quality teaching and research which better meets the needs of

graduates and the wider society; to pool its resources to compete more effectively with other higher education providers in the region; and to be able to innovate and invest in strategic developments more easily than is possible with the present, unintegrated structures.

The objectives outlines below are intended to guide the University towards achieving this objective.

### **Short-term Objectives**

1. The workshop on 25 February presented and discussed the activity-based costing model developed as part of this overall project on higher education reform in BiH. This tool will be very useful for managers across the University as they work towards integration and gaining the organisational benefits which it can deliver. The workshop presentation was based on detailed data on income, student numbers and costs from three of the University's Faculties: Civil Engineering, Economics and Law. This is an encouraging start in data collection for the University, not least because these three Faculties account for 40% of the University's total student numbers.
2. It will be very important to build on this encouraging start, and to move as quickly as possible to collecting the activity-based costing information for all activities across the remaining Faculties in the University. Given the significant size of the Faculties of Natural Science & Education and Philosophy (which between them account for almost 45% of the University's total student numbers), it would be particularly important to encourage these two Faculties to participate in the data collection and input to the activity-based costing model at an early stage.
3. Even if the University was not seeking to move towards greater integration, the completion of the data collection and input to the activity-based costing model is a very important step to take in improving managerial understanding of the University's cost base, and the income which it generates from different activities in each of the Faculties. It will be an important management tool for the Deans and Faculty financial managers. The model will be even more useful when it includes data from all 11 Faculties, since it would then permit cost comparisons to be made at programme level between cognate academic units, such as Civil and Mechanical Engineering, as is already now possible for the social science disciplines in the Faculties of Economics and Law.
4. Data on income and expenditure will have to be collected on a consistent basis across the whole University, and in such a way that it is possible to aggregate the data at various levels for analysis (programme level, activity level [teaching, research, and commercial contracts], Faculty level, and whole-University level). The model and technical manuals presented at the February workshop will help with this task.
5. Given the high proportion of expenditure which relates to staff costs, any apportionment of expenditure between programmes or activities (for example, between teaching and research) must proceed on the basis of seeking to reflect accurately the time deployed by staff on these different activities. The finance staff of the University will have to support the Deans to ensure that these staff deployment data are as accurate as possible. The utility of the activity-based costing model is dependent on the accuracy of these staff deployment data.
6. Consistent norms for the proportion of time of different categories of academic staff deployed in teaching and student support will ultimately need to be established and codified in the University Rule Book. In the first instance it will be important simply to record consistently the deployment of academic time, and analyse the variations between programmes within Faculties and among the different Faculties. Over time, as

these analyses are better understood within the University, it should be possible to determine (at least for each Faculty) norms for both (i) the proportion of time of Professors and other academic staff devoted to teaching, scholarship, management etc. and (ii) expected or desirable student: staff ratios for different programme types in each subject area. Once established, these norms will help University and Faculty managers to compare workloads and budgetary requirements within and across Faculties.

7. In this way, the Deans will establish the areas within their Faculties which are operating in surplus or in deficit; and can begin the work of re-allocating staff time or staff expenditure among programmes/activities to achieve a more sustainable balance between income earned and expenditure incurred in their overall portfolio of activities.
8. Once the activity-based costing information is completed for every Faculty, and analyses have been undertaken, it will be possible for Faculty and University managers to work on the basis of a per-student unit-costing approach, as agreed in earlier stages of this project. It will also be possible for them to identify the range of costs per programme across the University. A realistic medium-term objective should be to work with the Deans to narrow the range of costs per programme within their Faculties. In the longer term, it should be possible to narrow the range of costs per programme across cognate disciplines in different Faculties.
9. Academic capacity is limited, and the Faculty managers need to ensure that the time of academics is deployed to the best effect, both academically and financially. The activity-based costing model will help Deans to identify programmes and activities where this is not the case financially. This, in turn, will allow discussions to take place about redeployment of academic time. This should also enable discussions to take place about the University's overall portfolio of programmes and potential rationalisation of that portfolio, to ensure that there is a sustainable link between the cost of delivering a programme and the income generated from that programme.
10. If comprehensive cost data is collected for all 11 Faculties on a consistent basis, University managers can also begin to compare the costs of their support services (such as financial and personnel administration, student registration and IT systems, and academic quality assurance) which ought to be quite similar across the University, since they should be less susceptible to subject-based difference. Having firm data which permits cross-University comparison should provide managers with opportunities to seek efficiencies in the delivery of these services, even before integration, by sharing best practice.
11. It will be necessary to capture the agreements on financial distribution and management in a Book of Rules, as is standard in most universities in the region. Two Books of Rules may be needed: (i) an overall Book of Rules relating to financial management and administration, and (ii) another Book relating to the management of University income from fees, commercial projects, etc. It is possible that co-Founders may require such documents at some point, and they are likely to be the best way the University can negotiate control of its own income while agreeing the way it becomes part of the Treasury System as a single budget user and legal entity. In this regard, the best local model available for incorporating university funding within the Treasury System is the situation in RS and not the implementation of the Treasury System in Zenica, Tuzla and Bihac.

### ***Medium and Longer-term Objectives***

12. In the medium-term, the University may decide to migrate to common fee levels for programmes in similar disciplines (e.g. Humanities, Social Science, Engineering & Technology, etc.), perhaps using the four cost groupings identified in the activity-based costing model. This would aid the integration process, by reducing the amount of variation within and across the Faculties.
13. As the University moves closer towards becoming integrated, and is considering how to “pool” income at whole-University level and set budgets for each of the Faculties, it should accept as an initial operating principle that gradual development and implementation of change is preferable to rapid and radical change. A balance needs to be found between, on the one hand, creating incentives within the budgetary process to encourage dynamism and desirable change in activities, and, on the other hand, avoiding significant alterations (particularly reductions) in any Faculty’s budgetary allocation which will destabilise that Faculty and threaten the quality of education offered to students.
14. It will be necessary for University managers to work with the Faculties to create a comprehensive register of the University’s assets (equipment, buildings, cash balances, etc.), so that the University’s budget-setting processes can take account of maintenance\replacement and depreciation of buildings and equipment in its financial planning and expenditure attribution.
15. University managers should, over time, look for the opportunities to share administrative costs across the University. At present, Faculties have a separate legal status and need to negotiate individually with Ministries, keep their own accounts etc. As such, each Faculty requires some financial administrative service. Once the University integrates its financial planning and budgetary processes, there is likely to be an over-supply of financial administration staff, since it is unlikely that what is needed to support 11 separate entities will be required to support one, aggregate entity. It should be possible for the University to streamline this support service after integration, and to redeploy budget currently consumed on administrative spend to support additional academic expenditure.
16. As the University becomes more integrated, it will be possible to re-organise a number of support services (such as premises management & maintenance, libraries, IT systems and support, etc.) into single, whole-University services. At present, part of the income/budget of each Faculty has to be devoted to providing these support services. Once the University is integrated, it should be possible to look for cost savings in the delivery of such services, since it is likely to be possible to find efficiencies of scale when operating such services at whole-University level.

### The principle

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The full-costing computer program (ABC – computer program) offers the opportunity to link a minimum student fee to the cost per student in a study program. With this approach, the fee is a financial contribution of the student to cover certain costs of a study program.

The costs of study program can be categorized as **fixed costs** and **variable costs**.

*The principle is that the minimum student fee must, at least, cover the variable cost.*

The rationale for linking the fee to the variable costs is as follows:

**Variable costs** are linked to the number of students; **fixed costs** are independent from the number of students – i.e. only a big increase in the number of students will have impact on the fixed costs – i.e.

- ◆ 1 extra student induces an extra unit of (variable) costs.
- ◆ This extra unit of variable costs must be covered by the fee the student has to pay.

**Variable costs** are in a study program are:

- [1] Non-salary costs, such as materials, utilities, etc.
- [2] Costs of administrating, such as the student office.
- [3] Laboratory work and field work: the number of students being trained in any class is limited by laboratory capacity. Additional students will require more capacity leading to additional costs.
- [4] Conducting research: a limited number of student can be involved in research – additional students require more research capacity.

From these variable of semi-variable costs of study program, non-salary costs and costs of administrating of students are most sensitive to a small increase of the number of students.

Calculation

The full-costing computer program offers all the necessary data to calculate the full range of variable costs (point 1 to 4). See the example below.

### An example

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The example shown in the table reflects the following situation:

- ◆ Situation 1: all 4 items of variable costs
- ◆ Situation 2: non-salary items and cost of administrating students (point 1 and 2, see above).
- ◆ The upper limit reflects the variable costs of situation 1
- ◆ The lower limit reflects the variable costs of situation 2

Faculty:

- ◆ The faculty offers 6 study programs: A, B, C, D, E, F
- ◆ The fee per student for all study program is KM 240

Faculty		Cost KM per-student	Upper limit		Lower limit	
			Fee	%	Fee	%
Study program	A Politologija	2,679	1,445	54%	233	9%
Study program	B Sociologija	2,613	868	33%	178	7%
Study program	C Komunikacije	2,091	475	23%	159	8%
Study program	D Socijalni rad	1,610	330	20%	110	7%
Study program	E Sigurnosne studije	1,063	188	18%	63	6%
Study program	F Mirovne studije	1,179	208	18%	69	6%
<b>Weighted average cost per-student, KM</b>		<b>1,838</b>				
<b>Weighted average fee per student, KM</b>			<b>581</b>		<b>134</b>	
<b>% weighted average fee to cost per-student</b>			<b>32%</b>		<b>7%</b>	

## Results

- ♦ The minimum fee per-student for this class of study programs is: KM 134
- ♦ Thus minimum fee is 7% (weighted average) of the cost per-student for this class of study programs (ranging from 6 to 9%).

All the information to set the minimum fee can be derived from the full-costing computer program.



## **Proposal of model for defining a Higher Education financing principle**

### **Introduction**

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Following contemporary trends worldwide, the EU-financed project for the Reform of Higher Education Financing in BiH has worked with public universities, and competent Ministries of Education and Ministries of Finance in BiH, to develop a model of financing of universities based on the average cost per student studying a particular course of study (study programme) according to study cycle. For planning purposes, university study programmes have been grouped according to similar cost characteristics.

Since the main activity of higher education is focused on the student, and the main output of university/HEIs activities is a successfully graduated student, this model of financing and its cost basis directly relates the provision of public finance to the cost of producing the main output. This brings it into line with programme budgeting rules in BiH for all budget users, and with global performance-related budgeting trends.

It should be noted that the per-student/study programme cost-basis financing represents only a 'principle' and not a fixed amount. The actual proportion of a per-student cost covered by public finance is governed by the policies of governments reflected in their budget priorities.

### **The objective of defining and applying the financing principle**

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In order to ensure that the public budget for universities is determined and allocated by an agreed set of unit costs and enrolments, it is necessary that:

- ◆ **Universities** prepare their budget requests based on Ministries of Finance guidelines and the real costs of study programmes they provide, and create and present to the competent authorities their enrolment and budget requests accordingly;
- ◆ **Educational Authorities** have an instrument for planning, creating and monitoring of enrolment policy implementation and of connecting its goals with planned outcomes and determined strategies, and on that basis define the financing criteria;
- ◆ **Ministries of Finance** may negotiate and decide on universities' financial plans and programmes on the basis of well-founded and evidence-based projections of income and expenditure.

Accordingly, it is proposed that the model presented above is defined as ***a principle of Higher Education financing according to which the basis for HEI funding will be cost-per-student of a specific study programme within each study cycle.***

The recently acquired capacity of all public universities in BiH to perform university full-costing, in line with European practices, and present to their competent financing/co-financing authorities the average cost per student/study programme fulfills a pre-condition of this principle and makes implementation feasible.

### **Proposal of legal definition of the financing principle**

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For the purpose of a consistent and standardised application and use of this financing principle by all HEIs, educational authorities and other responsible authorities and bodies in BiH, ***it is proposed that the principle is incorporated in the existing legislation in the field of higher education in BiH.***

Options for achieving this are described below.

### Option 1: Defining the financing principle model in laws on higher education of RS, cantons in FBiH and BD BiH

All applicable laws on higher education which are adopted by the RS, all cantons in the FBiH and the BD BiH who are founders/co-founders of public HEIs in BiH: recognize HE as an activity of their special interest, determine the responsibilities for HE and enrolment policy development, and define the issue of funding necessary for the functioning of HEIs' they establish for this purpose.

In terms of financing, all the above-mentioned laws define the sources from which funds are received for financing/co-financing of HEIs, some of these laws prescribe what shall be financed/co-financed with funds from the public budget, and what from the income of HEIs. The issue of determining the criteria for financing is entrusted to the relevant governments that determine the educational policies, study programmes/cycles, number and structure of students, as well as the cost of their studies.

In order to enable the competent educational authorities to plan, create and monitor the implementation of an enrolment policy based on an average per-student/study programme cost of HEIs, and on that basis to define the criteria for their financing, *it is proposed that:*

- ◆ *competent Ministers of education, at the level of the Conference of Ministers of Education in Bosnia and Herzegovina, discuss, agree and accept the proposed application of the principle of funding of public universities through the conclusion of agreement on the implementation of cost analyses at public universities and the application of the results of this analysis in the budget planning for public universities, which would be signed by the competent ministers of education, finance ministers and rectors of public universities in Bosnia and Herzegovina (the draft text of the Agreement is given in the appendix);*
- ◆ *respective Ministries of Education prepare the proposal for amendments to the law on higher education within their competence, by introducing the provision on the proposed financing principle into the existing provisions on financing, and initiating the procedure of its adoption, until which the proposed financing principle would be applied on the basis of the Memorandum of Understanding if it is concluded.*
- ◆ *The Ministry of Civil Affairs, responsible for the coordination and development of higher education in Bosnia and Herzegovina, in consultation with other relevant ministries, on the basis of an agreement on the level of the Conference of Ministers of Education in Bosnia and Herzegovina and the Rectors' Conference of Bosnia and Herzegovina, **initiates a procedure for the decision making of the Council of Ministers of BiH on the adoption and implementation of the proposed principle financing of public higher education institutions in Bosnia and Herzegovina.***

### Option 2: Defining the financing principle model in the Framework law on the higher education in BiH (FLHE)

The FLHE, in Article 2 (the Purpose of the Law) regulates that, for the purpose of HE reform, this Law defines **basic principles and standards for delivery of HE in BiH**, in accordance with the relevant provisions of relevant international conventions, recommendations, principles and strategic goals in the field of HE, and determines that HE is an activity of special interest to BiH. FLHE does not contain specific provisions which explicitly define the issue of HE financing in BiH.

However, within the framework of rights and obligations provided for integrated public higher education institutions and promoting and ensuring their academic, financial and institutional development, FLHE defines certain issues of which the issues relevant for the issue of financing cost are: the right of acquisition and management of public and private financial resources; determination and collecting of tuition fees and other fees; hiring of the staff; determination of the curricula and financial development plans; co-financing of the scientific research activities; and others. The FLHE implicitly defines some issues for which a financing principle is both necessary and now feasible.

Furthermore, the FLHE also stipulates that the Agency for Development of Higher Education and Quality Assurance (HEA) is charged with making a recommendation on the minimum fees for all students at accredited higher education institutions with the objective of harmonizing them across Bosnia and Herzegovina. This implicitly links the quality of higher education study with its costs, and financial resources that are needed to achieve it. Taking into consideration that the first official accreditation of HEIs in BiH was recently performed, it could be expected that the HEA will start to create the recommendation soon, why application of proposed financing principle in analysis and determination of study fees' amount will be necessary.

Accordingly, in order to standardize the criteria for establishing of the budget for financing of public HEIs, ***the proposed financing principle model would represent one of the principles for the higher education sector which would be established by the law*** and which could be incorporated by modifying the text of the existing provisions relevant to the principles and costs of higher education realization. By introducing the proposed principle as a framework, through the adoption of amendments to the FLHE based on the proposal of the Ministry of Civil Affairs, ministries of education in BiH would initiate in accordance with their powers the procedure to apply this principle by amending their own laws on higher education.

The text of the relevant provisions of FLHE, and the proposed amended text that would ensure the application of the proposed financing principle, is as follows:

**In Article 4 (The Higher Education: Goals and Significance)**, paragraph 2, a new item 2 should be added:

#### **Article 4**

Higher education shall be based on:

- academic freedoms, academic self-administration and autonomy of universities;
- **efficient and stable public financing system which is based on average costs per student of specific study programmes within the relevant study cycle;**
- openness of universities towards public, citizens and local communities;
- indivisibility of the lecturing work and scientific research, that is, creative artistic work;
- appreciation of European humanistic and democratic values, and harmonization with the European higher education system;
- respect for human rights and civic freedoms, including ban of all forms of discrimination;
- concept of life-long education;
- interaction with the public community and the obligation of university to develop public accountability of students and other members of the academic community.

**In Article 19 (Legal Subjectivity and Institutional Autonomy)**, paragraph 1, in item 3 the following text should be added:

#### **Article 19**

Unless the law provides otherwise, any licensed public higher education institution, either a university or a college, shall have the full legal personality in connection with such issues that are the subject of this Law, including the powers to:

- dispose with and manage the land and buildings in its ownership, pursuant to the applicable laws;
- receive and manage funds from any legal sources;
- **determine and collect school fees and other fees pursuant to the law, which are determined on a basis of costs per student and per study program within the relevant study cycle;**
- hire staff;
- conclude commodity and service contracts;
- establish legal relations with students;
- establish commercial enterprises for education and research purposes;
- conclude agreements with other higher education institutions in Bosnia and Herzegovina and abroad;
- conclude contractual relations with business entities in public-private partnership;
- have other powers required for effective performance of its functions.

All funds received from the budget, proper revenues, collected school fees and funds from other sources shall belong to the higher education institution and shall be expended pursuant to the law, statute and the adopted financial plans.

**In Article 48. (The Agency for Development of Higher Education and Quality Assurance)**, in item 5 the following text should be added:

#### **Article 48**

The Agency shall be competent for:

- determination of clear, transparent and accessible criteria for accreditation of higher education institutions and passing of norms determining the minimum standards in the area of higher education;
- determination of criteria for selection of domestic and international experts who provide evaluation and perform the quality review and provide recommendations on accreditation of higher education institutions;
- provision of recommendations on the criteria and standards to the ministry of the Republika Srpska, cantonal ministries and the Brčko District of BiH for establishment and closing of higher education institutions, and for restructuring of study programs;
- provision of recommendations on the criteria for licensing of higher education institutions and study programs;
- provision of recommendations on the lowest school fees **which are determined on the basis of costs per student of particular study programmes within the relevant study cycle** for all students at accredited higher education institutions, aimed at harmonization of the lowest school fees on the whole territory of Bosnia and Herzegovina;
- provision of advice on the work and development policy to the ministry of the Republika Srpska, cantonal ministries and the Brčko District of BiH;

- provision of advice and information on the issues from its scope of competency to the interested parties;
- determination of quality standards, analysis of quality, provision of recommendations for removal of omissions in the quality of studies and higher education institutions;
- representation of Bosnia and Herzegovina in international organizations for quality in higher education;
- proposing of general guidelines and criteria based on which funds may be allocated from the budget of the BiH institutions to higher education institutions for scientific research work;
- passing of rulebooks and other enactments from its scope of competency.

**Note:** for realization of above mentioned proposals of integration of the financing principle into existing higher education legislation in BiH the additional funds are not required.

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## MODEL OF AGREEMENT

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In accordance with the recommendations set out by the Strategic Directions for Development of Education in Bosnia and Herzegovina, with Implementation Plan 2008-2015 ("Official Gazette BiH", No. 63/08) relating to the efficient and evidence based planning and use of resources, and improving the system of public financing in the higher education sector in order to achieve the highest results in the educational and economic terms, and in order to implement the basic principles and standards for acquiring the higher education in Bosnia and Herzegovina as the activity of special public interest in accordance with the Framework Law on Higher Education in Bosnia and Herzegovina ("Official Gazette", Nos. 59/07, 59/09) and the laws on higher education of all responsible authorities in Bosnia and Herzegovina, Ministers of education and finance in charge of higher education planning and financing / co-financing of public higher education institutions in Bosnia and Herzegovina, conclude

### AGREEMENT

#### **ON THE ACCEPTANCE AND IMPLEMENTATION OF THE COST ANALYSIS PROCEDURE AT PUBLIC UNIVERSITIES, AND APPLICATION OF ANALYSIS RESULTS IN UNIVERSITY BUDGET PLANNING**

##### I

Ministers of education and finance, responsible for higher education planning and financing / co-financing of public higher education institutions in Bosnia and Herzegovina (hereinafter: the Signatories of the Agreement) have concluded this Agreement on the acceptance and implementation of the cost analysis procedure at public universities and application of results analysis in university budget planning.

##### II

By this Agreement it is accepted and ensured the continuation of implementation of the procedure of actual costs analysis at public universities, as a basis for identifying, planning and provision of public finance for the costs of activities that produce the intended result.

The aim of conducting the university cost analysis is to determine the average cost per student studying in a particular study programme within a specific study cycle, as the basic principle of higher education financing.

Proposal of the higher education financing principle is presented in the Annex to this Agreement and it forms its integral part.

##### III

In accordance with this Agreement, the responsible Ministries of Education will ensure that universities present their unit costs per students / study programmes with their annual enrolment and budget proposals, which will represent the basis of planning the proportion of public finance for the university annual enrolment and budget.

The responsible Ministry of Education shall use presented university costs for planning, creating and monitoring of enrolment policy and of connecting of its goals with the planned outcomes and determined strategies, and on that basis define the public financing needs and criteria.

#### IV

In accordance with this Agreement, the responsible Ministries of Finance shall in the process of budget determination and approval respect financial projections of incomes and revenues, which are determined and presented by the university / Ministry of Education on a basis of unit costs per student/study programme.

Ministry of Finance will request the justification of the university budget on a basis of costs of university outputs, i.e. per student / study programme unit costs.

#### V

Signatories of the Agreement shall ensure that the analysis of costs at public universities is fully implemented and available for the purpose of preparing the budget for 2015.

#### VI

Signatories of the Agreement are in agreement that the text of this Agreement is published in the official gazettes of the RS, FBiH, Cantons in the FBiH and Brčko District BiH.

#### VII

This Agreement is made in the Bosnian, Croatian and Serbian language and shall enter into force on the day of its signing.

Place, date

**Minister**

RS Ministry of Education and Culture

**Minister**

RS Ministry of Finance

**Minister**

Federal Ministry of Education and Science

**Minister**

Federal Ministry of Finance

**Minister**

Ministry of Education, Science and Culture of the Una-Sana Canton

**Minister**

Ministry of Finance of Una-Sana Canton

**Minister**

Ministry of Education, Science, Culture and Sports of Posavina Canton



**Minister**

Ministry of Finance of Posavina Canton

**Minister**

Ministry of Education, Science, Culture and Sports of Tuzla Canton

**Minister**

Ministry of Finance of Tuzla Canton

**Minister**

Ministry of Education, Science, Culture and Sports of Zenica-Doboj Canton

**Minister**

Ministry of Finance of the Zenica-Doboj Canton

**Minister**

Ministry of Education, Science, Culture and Sports of Bosnia-Podrinje Canton

**Minister**

Ministry of Finance of the Bosnia-Podrinje Canton

**Minister**

Ministry of Education, Science, Culture and Sports of Central Bosnia Canton

**Minister**

Ministry of Finance of Central Bosnia Canton

**Minister**

Ministry of Education, Science, Culture and Sports of the Herzegovina-Neretva Canton

**Minister**

Ministry of Finance of the Herzegovina-Neretva Canton

**Minister**

Ministry of Education, Science, Culture and Sports of the West Herzegovina Canton

**Minister**

Ministry of Finance of the West Herzegovina West Herzegovina Canton

**Minister**

Ministry of Education, Science and Youth of Sarajevo Canton

**Minister**

Ministry of Finance of Sarajevo Canton

**Minister**

Ministry of Education, Science, Culture and Sports of the Canton 10,

**Minister**

Ministry of Finance of the Canton 10

**Head of Department**

Department of Education of Brčko District BiH

**Director**

Finance Directorate of Brčko District BiH

**Rector**

University in Banja Luka

**Rector**

University in East Sarajevo

**Rector**

University in Bihac

**Rector**

University in Tuzla

**Rector**

University in Zenica

**Rector**

University in Sarajavo

**Rector**

University in Mostar

**Rector**

University 'Džemal Bijedić' in Mostar

**Comments and suggestions of the PSC members on  
Proposal for defining a higher education financing principle and draft Agreement on the  
acceptance and implementation of the cost analysis procedure at public universities,  
that were presented at the PSC consultative meeting on 28 January 2014**

**Information**

- Both documents delivered to the PSC members on 3 February 2014, with notification on providing the comments until 7 February 2014;
- Agency for Development of Higher Education and Quality Assurance requested extension of the deadline for 10 February 2014;
- Ministry of Education and Culture RS requested extension of the deadline for 11 February 2014;

**Comments delivered:**

**1. University of Mostar, 6 February 2014**

**General comment:**

„An addition relates to signatories of the 'Agreement' – i.e. 5 cantons as our founders. In the draft Agreement, Minister and the Ministry of Posavina Canton – Orašje are missing; I presume that 'Canton 10' is the Herzeg-Bosnia Canton – Livno, so together with those listed, that are 'our' 5 cantons. Eventual comments and suggestions on the Agreement will be provided later.“

**Action following the comments:**

**The comments were technical** and so they have not been accepted because the Ministry of Education of Posavina Canton has already been included in the draft text of the Agreement, while the comment related to Canton 10 and Herzeg-Bosnia Canton – Livno was only an observation.

**2. Ministry of Education and Culture RS and Ministry of Finance RS joint comment, 12 February 2014**

**General comment:**

„The Ministries will not be signatories of the proposed Agreement from the reason that opinion of the responsible sector Ministry of Education and Culture RS was that it would mean taking the responsibility for adoption of the new Law on HE which could not be implemented soon.

We do not have anything against the proposed financing system based on average cost per student, though. We think that by that we can improve policies in higher education sector, decision making processes, financing, linkage of education with labour market, etc.

A good side of this Project is the software development which can assist our universities in implementation of described financing system, as well the Ministry of Education and Culture RS in monitoring and creation of the higher education. However, an issue of using this software is 'internal' matter and each entity/canton could implement it independently since it is a really good solution.

**Comments presented in the text of documents:**

- incorporation of a principle in existing legal framework in the near future is not possible due to the recent (and frequent) changes of the law;
- the Ministry of Finance RS will not be signatory of the Agreement since it considers this as a matter of explicit responsibility of the Ministry of Education and Science RS and universities;

- the Ministry of Education and Culture cannot commit itself to sign the Agreement since it requires an amendment of the Law on HE, which is not currently possible in RS; realistically, it cannot be expected anymore that any amendment to the Law on HE is made, however the new Law on HE should be worked on what will not take place in the following 2 years;
- Is the legal basis for this Agreement correct?;
- In Item V of the Agreement which relates to ministries of finance, a word 'respect' should be replaced with word 'consider';
- In Item VIII of the Agreement which relates to entering in force of the Agreement, a word 'signing' should be replaced by word 'publishing'.

**Action following the comments:**

- substantial comments that the **proposed financing system based on average cost per student is acceptable and can improve policies in higher education sector, decision making processes, financing were positive** and so they did not require any intervention in the text of the Agreement;
- the comment that the **proposed Agreement will not be signed by the Ministries** (Ministry of Finance is of the opinion that the issue of software use and costs analysis for universities and hence the signing of the Agreement itself is under the exclusive authority of the Ministry of Education and Culture, while the Ministry of Education and Culture considers that signing of the Agreement would impose obligations related to the implementation of further amendments to the Law on Higher Education of RS) pertains to the actions which requires decision to be made at the level of Ministries or higher level, and the project has no impact on that part, so there is no need for any intervention in the text of the Agreement to that effect;
- the question requiring **additional explanation related to the legal basis for the Agreement** has been reviewed and it was established that the basis for the conclusion of this Agreement is found in the existing strategic and legal framework for the higher education sector in BIH, and so there was no need to make any amendments;
- the comment related **to replace the word "respect" with the word "consider" in Item V of the Agreement** has been accepted and the correction has been made in the text of the Agreement;
- the comment related **to Item VIII of the Agreement according to which the Agreement would enter in force on the day of its publishing rather than the day of its signing** as proposed in the Agreement has not been accepted in view of acting in line with the rules of drafting and passing the laws and other general regulations in BIH under which it is not obligatory to publish the documents concluded between two or more parties (agreements, memoranda of understanding, contracts) which is why they enter in force on the day they are signed by its signatories.

**Comments and suggestions of the PSC members on  
Proposal for defining a higher education financing principle and draft Agreement  
on the acceptance and implementation of the cost analysis procedure at public universities,  
that were presented at the 6th PSC meeting on 19 February 2014**

**1. Ministry of Education and Culture RS and Ministry of Finance RS joint comment, 26 February 2014**

General comment:

We have no further comments, other than those that are already incorporated in the report under the section "Comments and suggestions of the PSC members to the Proposal for defining

a higher education financing principle and draft Agreement on the acceptance and implementation of the cost analysis procedure at public universities” pertaining to the conclusion of the Agreement, more specifically, impossibility to accept this idea.

**Action following the comments:**

- the earlier comment with an explanation from 12 February 2014 reading that the Agreement will not be signed by the Ministry reiterated, and it was estimated that this is the action to be taken at the level of ministries or higher level, and the project has no impact on that;
- in line with the discussion on proposed documents at the PSC meeting and the conclusion that the text of the Agreement is accepted as a model for consideration and will be used as a model for all those who want to adopt it and sign at their levels, as well as in further activities of the Council of Europe and European Union, the amendments have been made in the Proposal for defining a higher education financing principle which is proposed as a draft Proposal of Model for defining a higher education financing principle, and in the draft Agreement which is now proposed as a draft Model of Agreement that will be available to the relevant authorities for consideration and deciding on the manner of conducting and implementing the costs analysis at their universities;
- consequently, all the necessary amendments to the text of the Final report of the project have been made, while the proposed models of both documents are attached thereto.

**RHEF: Recommendations for improving HE financing in BiH**

**Logic of document**

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- ◆ Situation analysis, followed by;
- ◆ analysis of HE policies and strategies, culminating in 'shared vision';
- ◆ outline of obstacles etc. preventing achievement of shared policy objectives;
- ◆ identification of aspects which need to change in order to make progress;
- ◆ examination of relevant practice in other European countries - practice for future reference, and informs:
- ◆ recommendations for BiH in medium to longer term

**Shared public policy vision**

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- ◆ Generic: HE crucial to economic & social development. Need more investment in Science & Research
- ◆ Steering/Management of sector: real coordination needed (sector & HEIs) autonomy/accountability balance, role of Ministries of Education
- ◆ Modernisation: quality of Teaching, Learning & Assessment, subject balance, efficiency & effectiveness – completion & employability, harmonisation
- ◆ Funding: transparency, stability & diversification
- ◆ Internationalisation/EHEA integration

**'European' HE financing trends**

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- ◆ Movement away from historical/negotiated funding
- ◆ Increase in instances of formula-based funding
- ◆ Greater diversification of funding sources, including (limited) cost-sharing
- ◆ More performance-oriented approach
- ◆ Governance reforms: 'external' governors, CEO-style rectors

**Future Roadmap**

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- ◆ Targeted funding  
Higher Education Development Fund(s)
- ◆ Core funding  
Cooperation mechanism – to develop common approach to funding of universities  
Develop future funding methodology and criteria
- ◆ Specific recommendations  
Governments  
Universities  
Rectors' Conference BiH

## Governments

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- ◆ Provide sufficient and reliable public funding and ensure that complementary funding will not replace public funding
- ◆ Ensure that ABC is embedded within all arrangements for funding public universities in BiH
- ◆ In the medium term, consider establishing funding incentives for universities to engage in partnerships and foster donations from the private sector, such as matched funding schemes
- ◆ Develop plan to implement long-term aim of achieving GDP target of investment in Higher Education, through a combination of public and private contributions

## Universities

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- ◆ Introduce compatible, operational MIS systems (covering finance, students, staffing).
- ◆ Integrating Universities in process to consider implementing the common budgetary allocation principles for integrated universities in Europe as outlined in Project paper
- ◆ Embed and make full use of cost-analysis for internal budget, distribution & planning and to improve efficiency & effectiveness of their programmes
- ◆ Instigate student feedback & tracking processes. Identify reasons for drop-out/extended completion times, monitor graduate employment
- ◆ Human Resource strategies to systematically develop English language capacities of academic staff

## BiH Rectors' Conference

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- ◆ Work with senior management of universities to implement the recommendations of the Priorities for Integrated University Management project



## Comments and suggestions of the PSC members on the '3 documents' presented at PSC consultative meeting of 28 January 2014

### Information

- The 3 documents were delivered to PSC members on 24 January 2014, and presented at the PSC Consultative meeting of 28 January with notification on providing the comments by 7 February 2014;
- Ministry of Education and Culture RS requested extension of the deadline for 11 February 2014

A number of detailed points of clarification were raised – too many to address individually in this paper, but the authors have tried to address these in the revised and merged version.  
NB – page numbers refer to the original/separate documents.

### Comments delivered:

#### **3. Ministry of Civil Affairs, 11/2/14**

##### Doc 1

##### Generic comments:

Several requests for clarification or further information

**Action:** *further information, references provided, or sentences deleted.*

p.4 Suggested that the paragraph referring to a lack of trust between ministries and universities be deleted.

**Action:** *the sentence about lack of trust was deleted. The part about lack of confidence in the wider system of audit was retained.*

p.5 Asks 'what evidence'? Suggested that reference to a lack of effective coordination of the sector at the end of the first paragraph under the heading 'structures' be removed.

**Action:** *A reference to supporting evidence elsewhere in the document was inserted.*

##### Doc2

Asked for minor clarifications or further information on a range of points.

**Action:** *clarifications and further information was made on most points. Due to an oversight, suggested amendments to the section on European funding opportunities were not made in time for the final PSC meeting, but have now been incorporated. Specific clarification was given on the question about the reluctance of universities to apply for Erasmus funding.*

##### Doc 3

Asked for clarification of comments relating to the coordination role of the Ministry of Civil Affairs. Asked for clarification of the reference to the 'National Contact Point' Unit within MCA.

**Action:** *these points have now been clarified.*

#### **4. EU Delegation**

##### Doc 1 (11/2/14)

A range of minor amendments and requests for further information and clarification.

**Action:** *Specific amendments requested were made. Further information and clarification was provided in each instance, including cross-references to information in other sections of the document.*

## Doc 2 (12/2!4)

The main comment related to the information provided on HE Funds – more information was requested specifically on the scope, operation and impact of Funds intended for specific HE policy purposes at country level.

Other comments related largely to points of clarification or further information.

**Action:** *considerable additional information was researched and provided on HE Funds, including impact data and information from independent evaluations of such funds, where available.*

### Generic comments:

Further information on the relevance of the national case studies to the BiH context was requested.

**Action:** *Further information was provided, including a new section with some conclusions for BiH from the case studies.*

## **5. Ministry of Education and Culture RS and Ministry of Finance RS joint comment, 12 February 2014**

### Generic comments:

Asked for greater clarity and accuracy relating to which information in the 3 documents relate to all parts of BiH and which parts were relevant to individual entities. In particular, suggested that references to HE not being a priority for public funding were too harsh in relation to RS. Suggested that some of the comments related to the TS were inaccurate or needed to be clarified.

**Action:** *Many amendments were made to clarify these aspects of the documents.*

## Doc 1

### Specific comments:

p.7 (In the paragraph following the sub-heading 'Poor relationships/lack of dialogue', it is suggested that the problem is not with the budget process itself, but with the fact that participants do not engage in dialogue.

**Action:** *text was changed from “does not involve or allow real negotiations” to “does not result in real negotiations”.*

p.9 requested deletion of the reference to 'collaborative enrolment planning'.

**Action:** *This may be a misunderstanding of what is described here. The text was reformulated to clarify, as was also requested by the Ministry of Civil Affairs of BiH.*

p.10 under 'capacity building' – requests deletion of reference of bullet point relating to Rectors' Conference of BiH

**Action:** This bullet point has been reformulated to remove the reference to establishing an executive or staff capacity.

p.10 in paragraph under 'trust/confidence building – requests deletion of text 'in order to underpin any moves to greater financial autonomy for universities such as a longer-term move to a block grant system'.

**Action:** *this has been reformulated, to refer to 'any future reforms' and give any move to a block grant system as an example only.*

### Doc 3

#### Specific comments;

p. 9 4th paragraph – argues that centralisation of the HE system will not solve its problems.  
**Action** – none necessary. This paragraph is simply describing a challenge in relation to the current situation. It does not argue for, far less propose a change to the existing set up in BiH.

p. 9 5th paragraph – asks what is meant by this paragraph and argues that the TS is not an obstacle to the development of HE.

**Action:** the translation clarified, so that it reflects the specific point more accurately.

p. 11 – on the proposal for a Development fund for HE, opposes the establishment of such a fund at state level.

**Action:** the reference is now to a development fund or funds within BiH, with no reference to state level.

p.11 – requests deletion of the reference to the coordination role of the Ministry of Civil Affairs.

**Action:** This has been amended from “the Ministry of Civil Affairs, would undertake this within its existing coordination role” to “the Ministry of Civil Affairs could facilitate this dialogue within its existing coordination role”.

p. 15 – requests deletion of the bullet relating to the 'national contact point' in the Ministry of Civil Affairs

**Action:** this bullet has now been deleted.

p. 17 – requests deletion of bullets 1 & 2 in the recommendations for the Rectors' Conference

**Action:** the 2nd bullet point has been deleted as requested. The first bullet point has been radically revised and now merely refers to what is provided for in the FLHE.

### **Comments and suggestions of the PSC members on the merged document for O2 which was presented at the 6th meeting of the PSC on 19 February 2014**

#### **1. Ministry of Civil Affairs BIH, 25 February 2014**

Comments were made on the part which is related to the changes in the section 'Recommendations' (p. 30 and 31), correction of technical mistakes that were pointed to in the comments to 3 documents but still existent in the merged Document for O2 and so it was requested to make technical arrangements (heading, contents, abbreviations, alignment, cover page, etc.).

**Action:** all comments have been adopted, and the final formatting of the document shall be done after the final approval of the text, for the purpose of easier reference to the changes made in the document following the comments of the PSC members.

#### **2. EU Delegation, 25 February 2014**

Suggestions were given verbally for better wording and changes in the text, and cosmetic changes and formatting of the documents and its annex.

**Action:** All suggestions have been accepted.

### 3. RS Ministry of Education and Culture and RS Ministry of Finance, joint comment, 26 February 2014

#### Comments:

p.6 – The question was raised about the need for the Council for HE, with a proposal to delete it.

**Action:** It has now been deleted and replaced with an observation that this aspect of the Strategic Directions strategy has not been implemented.

p.7 – A comment was made that the observation about universities are not priority in financing are too harsh and that financing HE is a priority in RS.

**Action:** The wording is changed so that it reads: „there has been a large number of cases in practice“, and an example of financing HE in RS was made.

p.7 – A comment was made that CIP will not agree with the observation on the functioning of institutions at the state level considering its competence.

**Action:** No need to change the observation because the text contains a reference on the FLHE which provided for the establishment of HEA and CIP and determined their competence; rather, this reference observes that these bodies are still facing obstacles in their functioning, which is based on the information that these bodies provided during the project activities.

p.7 – With regard to the functioning of TS, the clarification was asked as to which institutions they are about.

**Action:** This suggestion has been accepted and text referring to the ministries from FBIH was added.

p.7 – It was suggested that sentence relating to political interventions should be reformulated or removed.

**Action:** This suggestion has been accepted and sentence deleted.

p.9 – A comment was made that „a consensus and mutual understanding“ about the coordination or sector management mechanisms at a higher level do not exist.

**Action:** This reference has been changed to refer specifically to FBIH.

p.10 – It was suggested that the issue of financing priority be reformulated in accordance with the comment on priorities from p.7.

**Action:** It was estimated that this is not necessary as the reference pertains to the practice „in large number of cases“ while the issue of priorities in the financing of RS universities has been clarified on p. 7.

p.13 – It was suggested to delete the wording „to represent the collaborative enrolment planning“ in the text about the cost analysis and TBA program.

**Action:** the wording was replaced with „to represent the manner that would provide better approach to enrolment planning.“

p. 14 – It was suggested to delete the wording that pertains to capacity building of the Rectors' Conference of BiH.

**Action:** This suggestion has been accepted and text formulated to observe that the Rectors' Conference of BiH should be much more active.

p.14 – The deletion of the following wording was suggested: „for example, long-term progress towards the block grant system.“

**Action:** This suggestion has been accepted and the wording deleted.

p. 23 (now p. 22) – It was suggested that the centralization of HE will not resolve the problem of HE in BiH, that the project should not be dealing with the issues that interfere with the constitutional competence in BiH and that the conclusions should be reached separately for each Entity.

**Action:** This suggestion has been accepted and text changed to give a general overview of HE system from the point of view of its financing and coordination.

p. 23 – the comment was made about unclear reference and that TS operation is not an obstacle to the development of HE.

**Action:** This comment has been accepted and text reformulated.

p. 25 (now p.24)– It was suggested that the establishment of the BiH Fund is unacceptable and impossible to implement , so that this reference should be deleted.

**Action:** The text has been reformulated so that it gives a general overview of possibilities to ensure additional funds for the development of HE in BiH, while the part in relation to the initiative of non-governmental sector or Ministry of Civil Affairs has been deleted.

p.26 – It was suggested that the sentence about the role of the Ministry of Civil Affairs regarding the coordination of the dialogue between universities and their governments is deleted.

**Action:** the suggestion has been accepted and this sentence deleted.

p. 26 (now p.25) – A comment was made that strengthening of the institutions at BiH level in HE is not acceptable and that a paragraph on alternative approaches should be deleted.

**Action:** references to alternative approaches deleted.

p. 26 (now 25): The earlier comment made on the project documents is reiterated that RS cannot accept the conclusion of the Agreement because at the current stage they cannot initiate the amendments to the law, with a remark that at the closing PSC meeting the agreement was reached that the text of the Agreement should be offered as an option, not necessarily to all but to interested Ministries in BiH, to which it can serve as an example.

**Action:** This comment has been accepted and text reformulated that „it was developed the draft text of the Agreement as a model for those Ministries and universities which intend to make sure that ATU is continuously implemented and used in the process of enrolment and budget planning.“

P.30 (now 29): It was suggested to delete the recommendation for relevant authorities which pertain to the NCP (National Contact Point) unit in the Ministry of Civil Affairs of BiH.

**Action:** This suggestion has been accepted and this recommendation deleted.

P.30 (now 29): It was suggested to delete the recommendation for the Rector's Conference of BiH related to the establishment of its permanent secretariat.

**Action:** This recommendation has been deleted and replaced with the recommendation that regarding the financing of the Rectors' Conference of BiH the provisions of FLHE need to be implemented.

## APPENDIX 12: LIST OF PROJECT DOCUMENTS/PROGRAMMES

The following documents (and computer programmes) are archived and can be downloaded at the following online location; <https://www.dropbox.com/sh/7051qjmo1kg3mfk/pRA7QTjC0g>

or

<http://tinyurl.com/RHEF-Files>

	Document Name	Descriptions
<b>Original Design Documents</b>		
	Annex 1 General_Conditions.pdf Annex 2 Terms_of_reference.pdf	Original EU TOR
	Final Report_tender doc.pdf	Human Dynamics Tender Offer
<b>Implementation Reports (Inception, Interim, Final)</b>		
	RHEF_BiH Inception report_Final_Version.pdf 01_Interim Report 1 [JAN-JUL12] 02_Interim Report 2 [AUG12-JAN13] 03_Interim Report 3 [Feb13-JUL13] 04_Update Report 4 [Sept-Oct 2013] 05_Final Report 06_Final Technical Report	Approved project reports in pdf format
	[Bosnian versions]	
	RHEF HEF Draft Legal Principal and Agreement	
	Bosnian Version	
	RHEF Activities Jun01-Sep15.docx RHEF Activities Nov16-Mar30_v2.docx RHEF Activities Nov16-Mar30-go.docx RHEF Activities Nov16-Mar30.docx RHEF Activities Sep16-Nov15.docx RHEF Activities_docs_Apr01-Jun30-2013.docx RHEF Activities_docs_Jul01-Nov30-2013_v2.docx	Activities lists submitted to the EU Delegation
	[Bosnian versions]	
<b>HEF Reform Document</b>		
	HEF Reform Context and Recommendations	HEF context, road map and recommendations
	[Bosnian version]	
<b>Computer Programme documents and software</b>		
	ABC Manual ABC Programme	The Activity-based costing Excel/VBA programme – final version and manual
	HE Budget Planning Manual HEBP Programme	The Higher Education Budget Planning Excel/VBA programme – final version and manual
	[Bosnian versions]	

## APPENDIX 13: RECOMMENDATIONS FOR FOLLOW-ON ACTIVITIES BY INSTITUTIONS AND MINISTRIES

The following table outlines specific next steps for each of the stakeholder organisations the project has worked closely with.

Organisation	Steps needed
<b>Universities</b>	
<b>Bihac</b>	<ul style="list-style-type: none"> <li>◆ Ministry of Education is strongly in favour of output-oriented budgeting of the university; the Ministry of Finance sees the advantages of output-oriented budgeting. The Finance Department of the University has almost completed the per-student cost per study program. Except for one faculty, ABC-costing for all faculties is completed.</li> </ul> <p>Next steps are:</p> <ul style="list-style-type: none"> <li>◆ reconciliation of: (1) different opinions about ABC costing, (2) presentation of the Higher Education Planning and Budgeting Program, (3) development of an operational plan for full covering of ABC and Budgeting per-student per study program.</li> <li>◆ completion of ABC in the remaining faculty.</li> <li>◆ Use of the results of ABC-costing for internal purpose of the university. For example, trace surplus and deficit making study programs and advise the dean how to reconcile the cost of a study program – i.e. use the results of ABC to analyse and enhance the internal financial efficiency.</li> <li>◆ prepare as soon as possible the aggregated overview of all faculties (study programs / cost per-student) in the computer program Higher Education Planning and Budgeting Program (NB: first concept has been prepared by the Project / not all faculties yet).</li> <li>◆ use the “Management Report”, if the Planning and Budgeting Program is completed, print the “Management Report”, and start analysing the first results, for example: take the part of the minimum and maximum cost per study program per class, average cost per cost-category (=class), and the related cost-weights.</li> <li>◆ University Steering Committee takes a decision in using ABC costing in the University.</li> </ul> <p>To continue to the next stage:</p> <ul style="list-style-type: none"> <li>◆ University introduces Bihac cost-categories of study programs specifically for the (post) vocational education programs.</li> <li>◆ If possible, the University develops, in cooperation with the Ministry of Finance and the Ministry of Education, different policy scenarios and projections of budgets, enrolment, costs and fees for a plan period of three years.</li> <li>◆ Dissemination of the “Management Report” among the deans.</li> </ul> <p>Implementing:</p> <ul style="list-style-type: none"> <li>◆ It should be possible for Bihac University to convert to ABC costing and Budgeting in 2015.</li> </ul>
<b>Tuzla</b>	<ul style="list-style-type: none"> <li>◆ Ministry of Finance, Ministry of Education, University will agree to use cost per-student (framed by ABC –computer program) per study program per faculty as the base for budgeting (framed by the Planning and Budgeting computer Program).</li> </ul> <p>This process will include:</p> <ul style="list-style-type: none"> <li>◆ a consultative meeting between Ministry of Education, Ministry of Finance and the University to decide on a schedule to implement cost per-student per study program.</li> <li>◆ the University Steering Committee takes two decisions (1) to introduce a system of per-student per study program costing, (2) appoint a university expert –finance department – to supervise the actual costing per-student per study program per faculty.</li> <li>◆ The University should complete sufficient study programmes to provide the Ministry of Education with adequate per-student/study programme costs.</li> <li>◆ in March 2014, covering the fiscal year 2013, all faculties have implemented per-student costing using the ABC-computer program.</li> <li>◆ use the results of ABC-costing for internal purpose of the university. For example, trace surplus and deficit making study programs and advise the dean how to reconcile the cost of a study program – i.e. the university uses the results of ABC to analyse and enhance the internal financial efficiency.</li> <li>◆ In May 2014, the finance department can use the Planning and Budgeting Program to prepare an aggregated overview of all faculties for the fiscal year 2013.</li> <li>◆ It will be possible for the finance department to develop policy scenarios derived from the “enrolment policy and related policy objectives / Ministry of Education &amp; Ministry of Finance” for the fiscal year 2015 (base year 2013), and an assessment of the budget for (the running fiscal year)</li> </ul>



	<p>2014, 2015, and 2016.</p> <ul style="list-style-type: none"> <li>♦ And finally, at the end of May 2014, tripartite consultation may be held between the Ministry of Education, Ministry of Finance and University for the projection of the budget, enrolment, fees and costs for 2015.</li> </ul>
<b>Zenica</b>	<ul style="list-style-type: none"> <li>♦ Ministry of Finance, Ministry of Education, University may agree to use cost per-student (framed by ABC –computer program) per study program per faculty as the base for budgeting (framed by the Planning and Budgeting computer Program).</li> </ul> <p>This process will include:</p> <ul style="list-style-type: none"> <li>♦ See the steps in the process for Tuzla.</li> </ul>
<b>Sveučilište u Mostaru</b>	<ul style="list-style-type: none"> <li>♦ From the beginning of the Project, Sveučilište u Mostaru, was very much involved in ABC costing. The University has built a strong base for further expansion of ABC among all faculties. Some other example of being committed are: (1) the vice director for finance made a presentation at a Conference in Podgorica, she presented the ABC computer program and the results of some faculties (subject conference: financing and funding of higher education in the Balkan countries), (2) the University cooperates with the Faculty of Economy of the University of Zagreb to exchange experiences about ABC.</li> <li>♦ The Ministry of Education and Finance are very much in favour of ABC costing.</li> <li>♦ Complicated factors are: (1) the co-funders of the University, co-funders should be involved and agree on a system of criteria based funding, and (2) agreement with Džemal Bijedić, for an integrated system of costing and funding.</li> </ul> <p>Steps to implement ABC costing and funding:</p> <ul style="list-style-type: none"> <li>♦ continue to work with ABC costing and to cover all faculties of the university (as explained above, this won't probably induce any content problems, or time problems). This is a coverage for the fiscal year 2012/2013.</li> <li>♦ When the costing of the faculties is finished, the results should be transferred in the aggregated format of Higher Education Planning and Budgeting Program.</li> <li>♦ The co-funding Cantons: a criteria based funding could be established based on the average cost per student per cost-category (class) of students. This average cost per class is generated by the Planning and Budgeting Program ("Management Report"). Therefore, an agreement has to be made with the University and the co-funding Cantons about the number of students per cost-category.</li> </ul> <p>NB:</p> <ul style="list-style-type: none"> <li>♦ The Project expert will adjust the Planning and Budgeting Program for the specific issue of co-funding.</li> <li>♦ Use the results of ABC-costing for internal purpose of the university. For example, trace surplus and deficit making study programs and advise the dean how to reconcile the cost of a study program – i.e. the university uses the results of ABC to analyse and enhance the internal financial efficiency.</li> <li>♦ 2012 / 2013 is the base year (Year x –base). In May 2014, the finance department can use the Planning and Budgeting Program to prepare an aggregated overview of all faculties for the fiscal year 2013.</li> <li>♦ The planning period will be the fiscal year 2015 (Year x +2) and year 2016 (year x + 3).</li> <li>♦ It can be possible for the finance department to develop policy scenarios derived from the "enrolment policy and related policy objectives / Ministry of Education &amp; Ministry of Finance" for the fiscal year 2015 (and an assessment of the budget for (the running fiscal year) 2014, and 2016.</li> <li>♦ At the end of May 2014, multi- partite consultation may be held between the Ministry of Education, Ministry of Finance and Sveučilište in Mostar for the projection of the budget, enrolment, fees and costs for 2015. The co-funding Cantons of Sveučilište in Mostar should participate as well.</li> </ul> <p>NB:</p> <ul style="list-style-type: none"> <li>♦ At this stage of the implementation of ABC, it is unclear if Džemal Bijedić will implement ABC and is willing to cooperate in this multi-partite meeting.</li> </ul>
<b>Džemal Bijedić</b>	<ul style="list-style-type: none"> <li>♦ Džemal Bijedić was not actively involved in the project. The university is very much concerned about the low level of funding and the implication for the academic level of education. Although, the rector is interested, and has agreed to be involved and to get at least the professional experience of ABC not any person was appointed and participated in workshops.</li> </ul> <p>Džemal Bijedić can do the following:</p> <ul style="list-style-type: none"> <li>♦ get a professional understanding and experience about ABC costing and funding – possibly by asking the ABC expert of Sveučilište u Mostaru to provide professional support (Ms. Maja Letica).</li> </ul>

	<ul style="list-style-type: none"> <li>◆ Start costing of the faculties.</li> <li>◆ When finished, use the Planning and Budgeting Program to prepare an aggregated overview of the output budget of the university (the base year should be 2013).</li> <li>◆ Use this aggregated overview to start budget negotiations with the Ministry of Education and the Ministry of Finance.</li> <li>◆ To participate at the multi-partite meeting (and May 2014) of the Ministries of Education and Finance, Co-funding Cantons of Sveučilište in Mostar, and Sveučilište in Mostar.</li> </ul>
Sarajevo	<ul style="list-style-type: none"> <li>◆ Sarajevo University is still not an integrated university. An important issue of integration is the costing and budgeting of the integrated faculties. ABC costing could be a strong base for having clear criteria to disseminate government funding among the faculties, for cross-subsidizing among between faculties and to take a stand in earned income. However, the formal Finance Committee (established by the Senate) has no clear strategy to introduce an integrated system of costing and budgeting, and to overcome internal obstacles for integration.</li> <li>◆ The Project has organized several workshops to explain ABC and budgeting. Recently, a presentation of ABC and the advantage of ABC and for Planning and Budgeting for interested faculties (organized by the Finance Committee). To apply per-student/study programme costing to internal distribution, UNSA will need to: <ul style="list-style-type: none"> <li>◆ Agree a strategy for producing the book of rules</li> <li>◆ Discuss the principles provided by the project expert and agree on those applicable</li> <li>◆ Agree on how to pool university income <i>notionally</i> in order to apply distribution criteria (i.e. regardless of where the money resides)</li> <li>◆ Put forward provisional principles to the Management Board for approval to proceed to the details</li> <li>◆ Develop norms, and operational rules relating to university income and additional professorial income</li> <li>◆ Assess whether to include a research strategy in the budget criteria</li> <li>◆ Agree, <i>in principle only</i>, on the use of per-student/study programme costing and cross-subsidisation after negotiation</li> <li>◆ Implement ABC according to a strategy which feeds adequate data for the distribution criteria</li> <li>◆ Train faculty-based groups to implement ABC</li> <li>◆ Undertake an analysis of the results so as to eliminate internal and rectifiable inefficiencies, optimise costs against enrolments, prioritise study programmes, and adjust for seriously underfunded per-student/study programme costs generated by ABC.</li> <li>◆ Develop a strategy for carving out a central services budget, and then rationalising duplication of services across the university</li> <li>◆ Present an assessment of results to the Management Board, along with recommendations as to the best way to proceed.</li> </ul> </li> </ul>
Banja Luka	<ul style="list-style-type: none"> <li>◆ University of Banja Luka has used the ABC costing program to calculate the cost per student per study program for a majority of faculties. However, no concrete decision has been taken by the Ministry of Education to use the budgeting of the university on objective criteria: cost per-student. However, Ministry of Finance, is a strong promoter of program budgeting / cost per-student per study program.</li> </ul> <p>This process may include the following content oriented activities:</p> <ul style="list-style-type: none"> <li>◆ Finalisation of the per-student costing per study program for all faculties using the latest version of the ABC programme (Finalna verzija programa za obračun ukupnih troškova v_4.0 PERFECT.xlsm) There is no change in the structure of the calculation, but some changes in the format.</li> <li>◆ Continue with the analyses of the results (cost per-student per study program) and briefing the deans of the faculties (deficit/ surplus making study program – “economy-of-scale”).</li> <li>◆ Use the Planning and Budgeting Program to prepare an aggregated overview of all faculties. The results of the faculties (ABC computer program, worksheet: REZULTAT – b) have to be transferred manually into the Planning and Budgeting computer Program.</li> <li>◆ generate the “Management Report” (worksheet in the Planning and Budgeting Program), informing and briefing the pro-rector finance, and disseminating the “Management report” among the deans.</li> <li>◆ Make an analysis of the information provided by the “Management Report”, e.g. Minimum and Maximum costs per-student in a cost-category (classes of study programs). Benchmark: (1) there should be no overlap in costs between the classes, (2) a logic and gradual increase of cost-weights in successive cost-categories.</li> <li>◆ Based on the analysis, internal considerations (finance department) about the actions to be taken in order to increase the internal financial efficiency of the faculties.</li> <li>◆ It is also possible to make different financial scenarios based on policy objectives from the</li> </ul>

	<p>Ministry of Finance (expectation of increase or decrease budget), and Ministry of Education (relevant study programs / enrolment).</p> <ul style="list-style-type: none"> <li>◆ Finally, inform and brief the University Steering Committee, and deans of the faculty (using the generated "Management Report").</li> </ul>
<b>East Sarajevo</b>	<ul style="list-style-type: none"> <li>◆ No clear decision by the finance department to continue with the process of costing per-student per study program. However, the university finance department has been using the ABC computer program for calculating the cost per-student for a majority of the faculties.</li> </ul> <p>To continue the process:</p> <ul style="list-style-type: none"> <li>◆ use the Higher Education Planning and Budgeting computer Program in order to get acquainted with the innovative approach to calculate and assess budget by projecting the budget, enrolment, costs and fees. Therefore, the results (from the ABC –program) of limited number of faculties can be used</li> <li>◆ make some financial scenarios for a plan period of 3-years. Consider, the enormous time saving for the finance department when all faculties would be included</li> <li>◆ If the innovative aspects would be an advantage for the university, continue with finalizing the cost per student per study program for the rest of the faculties.</li> <li>◆ It is also worthwhile to consul the University of Banja Luka to take a comparable stand in per-student costing.</li> <li>◆ start informal dialogue between the Universities (East-Sarajevo / Banja Luka) to compare for equal the cost per study program.</li> <li>◆ See for other points: University Banja Luka.</li> </ul>
<b>Ministries</b>	
<b>Bihac (USC)</b>	<p><b>General:</b></p> <ul style="list-style-type: none"> <li>◆ ABC costing and funding is a concept to justify public money for Higher Education. It will provide the government with a tool to inform the public about the costs to educate young people at the university.</li> <li>◆ The Planning and Budgeting Program will have the opportunity to make policy scenarios. These policy scenarios can be used by the Ministry of Education and Finance to steer the outputs of the university per study program and to calculate the financial impact on the budget.</li> <li>◆ ABC is a concept to support an integrated university. It is based on clear criteria for allocating funds to faculties, and can be a tool to support the financial integration of the university</li> </ul> <p><b>Role of the Ministries:</b></p> <ul style="list-style-type: none"> <li>◆ Planning and Budgeting based on Activity based Costing, discussions about results, should be embedded in the annual budgeting process. Therefore, ABC, Planning and Budgeting should be part of the Book of Rules.</li> <li>◆ Although there is a strong commitment for using ABC in universities there is still some resistance among deans to be involved in ABC costing.</li> <li>◆ If possible, and with the tacit agreement of the university leadership, the provision of study programme costs (either individually or as cost-category averages) should be made a requirement for budget submission.</li> </ul>
<b>Tuzla (TC)</b>	<ul style="list-style-type: none"> <li>◆ Idem</li> </ul>
<b>Zenica (ZDC)</b>	<ul style="list-style-type: none"> <li>◆ Idem</li> </ul>
<b>Mostar (HNC)</b>	<ul style="list-style-type: none"> <li>◆ Idem</li> </ul> <p>Additional / role of the Ministries:</p> <ul style="list-style-type: none"> <li>◆ co-funding Cantons should be informed about ABC and understand the practical implications for funding.</li> <li>◆ the funding of the co-funders should be based on clear criteria derived from the average cost per-student per cost-category (class) of study programs.</li> <li>◆ Both universities must be involved in budget discussions about the grant allocation of the founder(s)</li> </ul>
<b>RS</b>	<ul style="list-style-type: none"> <li>◆ Idem</li> </ul> <p>Additional / role of the Ministries:</p> <ul style="list-style-type: none"> <li>◆ Since RS is running a parallel budget submission in programme budgeting format, per-student/study programme costs should be required as the basis for the HE programme/sub-programme submission of outputs and costs.</li> <li>◆ In calculating university budget share, RS Ministries should require an assessment of study</li> </ul>

	<p>programme cost differences between the universities, and the inclusion of some financial standards</p> <ul style="list-style-type: none"> <li>◆ Future project in other sectors (esp. Health) should include a comparable approach to output costing so as to expand the practical ability to cost using standardised methodologies.</li> </ul>
<b>Federal MoES</b>	<ul style="list-style-type: none"> <li>◆ the Federal MoES should be involved in coordinating ABC-costing and budgeting – e.g. collecting the results of ABC from the universities in FBIH, analysing the results, and return to the university the statistical analysis. These statistics could be used as a benchmark by the universities.</li> <li>◆ Inclusion of the statistic figures to make annual reports about the costs of services in each university</li> <li>◆ recommendations for the Cantonal Ministries of Finance and Education relating to cost differences and enrolment policies, to as to bring a convergence of costs and rationalisation of access across the universities of the FBIH</li> </ul>
<b>MoCA</b>	<ul style="list-style-type: none"> <li>◆ Promote the HEF legal principle and the approach and methodology and needed decisions to the Conference of Ministers of Education of BiH and track the continuation indicators listed in the Recommendations section of the main text.</li> </ul>
<b>Agencies &amp; Others</b>	
<b>HEA</b>	<p>A requirement by law is that the HEA must advise universities about a minimum fee.</p> <ul style="list-style-type: none"> <li>◆ The Project explained in two workshops: ABC costing, Planning and Budgeting, and the way to derive from these concepts the minimum fee. The minimum fee is based on the variable cost per student (as part of the total – including the fixed -cost per-student per study program).</li> <li>◆ However, much more data from the university is needed to set a reliable minimum fee per cost-category (class) of study programs. The Project expert has introduced the minimum fee as a percentage of the average cost per cost-category of study program.</li> <li>◆ HEA may take on the principle role of expanding per-student/study programme costing coverage, collecting, aggregating and analysing the results, establishing local and wider-area minimum student fee levels, and developing indicative finance standards per-study programme cost categories and individual study programme.</li> </ul>
<b>Rectors' Conference</b>	<ul style="list-style-type: none"> <li>◆ Support the modernisation of costing and financing of the Universities based on ABC-costing.</li> <li>◆ Develop a strategy for implementing the shift to per-student/study programme costing in the HE sector</li> </ul>



# Reform of Higher Education Financing in Bosnia and Herzegovina

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