



**SLAVICA PETKOVSKA UMA ANÁLISE DA AUTONOMIA FINANCEIRA DO
ENSINO SUPERIOR NA MACEDÓNIA**

**AN ANALYSIS OF FINANCIAL AUTONOMY IN
MACEDONIAN HIGHER EDUCATION**



**SLAVICA PETKOVSKA UMA ANÁLISE DA AUTONOMIA FINANCEIRA DO
ENSINO SUPERIOR NA MACEDÓNIA**

**AN ANALYSIS OF FINANCIAL AUTONOMY IN
MACEDONIAN HIGHER EDUCATION**

Dissertação apresentada à Universidade de Aveiro para cumprimento dos requisitos necessários à obtenção do grau de Mestre em Ensino Superior – erasmus mundus, realizada sob a orientação científica do Doutor Pedro Teixeira da Faculdade de Economia da Universidade do Porto e Doutor Hugo Figueiredo do Departamento de Ciências Sociais, Políticas e do Território de Universidade de Aveiro.

o júri

Presidente

Doutor Rui Armando Gomes Santiago
Professor Associado com Agregação da Universidade de Aveiro

Vogais

Doutora Carla Angélica Silva Pinto Sá
Professora Auxiliar da Escola de Economia e Gestão da Universidade do Minho

Doutor Pedro Nuno Freitas Lopes Teixeira
Professor Associado da Universidade do Porto

Doutor Hugo Casal Figueiredo
Professor Auxiliar Convidado da Universidade de Aveiro

acknowledgments

I would like to acknowledge and thank my supervisor Dr. Pedro Teixeira and my co-supervisor Dr. Hugo Figueiredo for their valuable comments and guidance as well as for encouraging me to think independently and critically.

Immense gratitude to my family and boyfriend for their unconditional and continuous encouragement and support.

To all the friends and colleagues from the HEEM group who have made a contribution to this program and my life in a unique way.

Slavica Petkovska,
Aveiro, July 2011

palavras-chave

Autonomia financeira, autonomia institucional, ensino superior, governo, financiamento, responsabilidade financeira, Macedónia, Europa.

resumo

O tema da autonomia financeira das instituições de ensino superior não está extensivamente estudado. Dada a relevância crescente de dotar as instituições de um maior grau de autonomia financeira, este estudo argumenta de que o tema merece uma atenção especial e necessita de ser analisado em maior detalhe, de modo a clarificar este conceito e os seus "ingredientes essenciais". Além deste objectivo teórico, esta tese procurou estudar o tema empiricamente ao investigar sobre o presente nível de autonomia financeira do sistema de ensino superior da Macedónia, através da discussão e análise das suas principais dimensões. Estas foram mais profundamente exploradas de dois modos: a partir da perspectiva da autonomia financeira formal, que se refere à autonomia das instituições concedida pela lei, e a partir da perspectiva da autonomia operacional, que se refere à capacidade das instituições de usar a autonomia formal concedida na prática. Além da análise exploratória do estado actual da situação do sistema de ensino superior da Macedónia, este estudo visou considerar em relação às mudanças que estas dimensões revelaram nas duas últimas décadas. Finalmente, os resultados da pesquisa foram inseridos num contexto europeu mais abrangente, de modo a compará-los com os resultados de outros países europeus e, assim, ser possível retirar conclusões acerca das respectivas semelhanças e diferenças, bem como, de verificar se os mesmos são divergentes ou convergentes. Os dados acerca da Macedónia foram recolhidos de um modo qualitativo, baseado principalmente na análise de documentos. Adicionalmente, procedeu-se ao envio de um questionário a dois peritos nacionais com o propósito de confirmar os dados recolhidos a partir dos documentos. A informação acerca de outros países europeus consistiu em dados secundários obtidos a partir de estudos comparativos já existentes sobre autonomia financeira, abrangendo uma ampla quantidade de países europeus.

Os resultados revelaram uma incompatibilidade entre a autonomia formal e operacional das Instituições de Ensino Superior da Macedónia com a autonomia garantida por lei sendo mais alargada do que a autonomia usufruída na realidade. Além do mais, este estudo encontrou um certo grau de autonomia em determinadas dimensões e praticamente nenhuma em outras. Em comparação com os restantes países europeus, foram encontradas diferenças em metade das dimensões. No entanto, apesar das divergências com as actuais tendências europeias, dadas as aspirações do país em entrar na União Europeia, o seu comprometimento com o processo de Bolonha e a influência dos projectos de ajuda internacionais, faz com que as previsões para o futuro a curto prazo sejam de que a Macedónia irá exibir semelhanças crescentes com a Europa e convergir para um modelo comum europeu.

keywords

financial autonomy, institutional autonomy, higher education, government, funding, financial accountability, Macedonia, Europe

abstract

The topic of financial autonomy of higher education institutions is not extensively researched. Given the increased relevance of providing institutions with larger degree of financial autonomy, this study argued that the topic deserves special attention and needs to be researched in greater detail in order to clarify the concept and its “essential ingredients”. In addition to this theoretical goal, the thesis aimed to study the issue empirically by investigating the present level of financial autonomy of Macedonian higher education system through discussion and analysis of its main dimensions. These were further explored in two ways: from the perspective of formal financial autonomy which refers to the autonomy of institutions granted by law and from the perspective of operational autonomy which refers to the ability of institutions to use the formally granted autonomy in practice. In addition to the exploration of the current state of affairs of the Macedonian higher education system, the study aimed to account for the changes that these dimensions displayed in the last two decades. Finally, the research findings were placed in a wider European context in order to compare them with the findings of other European countries and thus draw conclusions about their similarities and differences as well as whether they are diverging or converging. The data about Macedonia was gathered in a qualitative manner relying primarily on document analysis. In addition, a questionnaire was sent to two national experts with the purpose to confirm the data gathered from the documents. The information about the other European countries consisted of secondary data obtained from already existing comparative studies on financial autonomy covering a wide range of European countries.

The results revealed a mismatch between formal and operational autonomy of the Macedonian HEIs with autonomy granted by law being broader than the autonomy experienced in reality. Moreover, the study found out some degree of autonomy in certain dimensions and hardly any autonomy in other. In comparison to the other European countries, differences in half of the dimensions were found. However, despite of the current divergence with the European trends, given the EU aspirations of the country, its commitment to the Bologna process and the influence of the international aid projects, the predictions for the near future are that Macedonia will demonstrate increased similarities with Europe and will converge towards a common European model.

Table of Contents

TABLE OF CONTENTS.....	1
LIST OF TABLES AND FIGURES.....	2
LIST OF ABBREVIATIONS.....	3
1. Introduction.....	4
1.1. Theme of the thesis	6
1.2. Rationales for the study	6
1.3. Objectives of the thesis	8
1.4. Research questions.....	9
1.5. Methodology.....	11
1.6. Organisation of the thesis	13
2. Institutional and financial autonomy: concepts and dimensions	14
2.1. Meaning and dimensions of institutional autonomy.....	14
2.2. Meaning and dimensions of financial autonomy	20
2.2.1. Internal allocation mechanism	24
2.2.2. Buffer organizations	30
2.2.3. Tuition fees	32
2.2.4. Generation of external funds	33
2.3. Accountability	36
3. Financial autonomy in Macedonian context.....	39
3.1. Country background.....	39
3.2. Macedonian higher education system	40
3.3. Internal allocation mechanism.....	46
3.4. Buffer organizations.....	49
3.5. Tuition fees.....	50
3.6. Generation of external funds	52
3.7. Financial accountability	55
4. Conclusions	58
4.1. Limitations	62
4.2. Suggestions for further research	63
References.....	64
Appendix.....	75

List of tables and figures

List of tables

Table 1- Dimensions of institutional autonomy	18
Table 2- Dimensions of financial autonomy	22
Table 3- Main European trends in financial autonomy.....	35
Table 4- Number of higher education institutions in Macedonia.....	43
Table 5- Enrollments in higher education in Macedonia	44
Table 6 - Percentage of GDP to education, higher education and R&D in Macedonia	45
Table 7- Formal and operational autonomy in Macedonia	54
Table 8- Evolution of financial autonomy from 1991-2011 in Macedonia	55
Table 9- Comparison of the main dimensions of financial autonomy between Macedonia and Europe.....	61

List of figures

Figure 1- Operationalisation of financial autonomy.....	24
---	----

List of Abbreviations

CHEPS - Center for Higher Education Policy Studies

EC - European Commission

EU - European Union

EUA - European University Association

HE - Higher education

HEIs - Higher education institutions

IMF – International Monetary Fund

MES - Ministry of Education and Science

NPM – New Public Management

OECD – Organisation for Economic Cooperation and Development

R&D- Research and development

UFC –Universities Funding Council

UGC- University Grants Committee

UIS – UNESCO Institute for Statistics

UK- United Kingdom

US- United States

USA- United State of America

1. Introduction

It is often claimed that the public support for higher education is declining (Teixeira et al. 2004, Eicher and Chevaillier 2002, Sanyal and Johnstone 2011, Clark 1998, Barr 2003). Although certain countries are less affected by this problem than others, the continuing financing of HE exclusively from the public budget is brought into question in almost every country around the world (Teixeira 2008, Sanyal and Johnstone 2011, Eicher and Chevaillier 2002). One of the reasons that have contributed to the situation of financial austerity is the massification of higher education systems (Herbst 2007, Teixeira et al. 2006, De Boer and Goedegebuure 2003). The shift from an elite to a mass and in some countries universal higher education system meant that the increased number of students and institutions require more financial resources (Ziderman 1994). Most countries around the world and especially developing ones could not keep up the level of funding with the rapid expansion of the system which occurred at a much faster rate than the ability to proportionally increase the budget devoted to higher education (Sanyal and Johnstone 2011, Ziderman and Albrecht 1995, Teixeira et al. 2006). Other reasons that have played a part to the existence of this situation are the constant rising in unit cost and the increased competition for limited public sources from the other public sectors (Teixeira et al. 2006, Johnstone 1998, Herbst 2007).

In order to deal with the problem of the growing funding gap between decreasing revenues and increasing costs, two policy solutions have been promoted: one on the cost side and one on the revenue side (Teixeira et al. 2006). The cost side solution forces higher education institutions to cut costs, enhance efficiency and productivity and do more with less (Ibid 2006). However, this is not a permanent solution (Ziderman 1994) as it eventually leads to lowered quality of education, demoralized staff and deteriorating infrastructure (Teixeira et al. 2006). The revenue side solution on the other hand is more sustainable in the long run as it proposes supplementation of the public funds with private ones; that is with revenue coming from sources other than the government such as parents, students, philanthropists and businesses (Johnstone 2011, Barr 2003, Sheenan 1997). Since the generation of these additional revenues will help alleviate the fiscal pressures, HEIs are increasingly being encouraged to engage themselves in attracting funds other than the

government (Jongbloed 2008, Council of the European Union 2007). Having in mind the fact that further budget cuts are expected in the years to come (Sanyal and Jonhstone 2011), the revenue solution is increasingly seen with a sense of necessity and urgency. The worldwide financial crisis of 2008 and the current economic crisis in Europe have severely affected HE too and seem to confirm this reality (EUA 2011). According to EUA (2011), the universities' ability to respond effectively to the ongoing economic situation has depended and will largely depend on the level of their institutional and especially financial autonomy. In this sense autonomy is viewed as “a prerequisite to successfully overcome the crisis” (Ibid 2011:7). This means that institutions will have to assume increased responsibility for their own financing and ultimately their sustainability and survival (Weisbrod et al. 2010).

Put succinctly, the relevance of financial autonomy arises from the current financial constraints in which HEIs operate. As in the words of Volkvein (1986:525): “freedom from financial regulation may be most important under conditions of financial stringency and could be relatively unnecessary if funding is adequate”. This suggests that the topic would not have been of great relevance in elite HE systems when HEIs were exclusively funded from the budget and when these funds were sufficient for the small number of students and institutions.

As a result of the aforementioned developments, in the last few years financial autonomy has become the focus of attention in higher education policy with supranational organizations, policy makers and national governments arguing about the necessity of granting institutions with wider financial autonomy (Mitsopoulos and Pelagidis 2008, CHEPS 2009, Ziegele 1998). In addition, financial autonomy has become a central concern of higher education funding reforms undertaken in many higher education systems around the world with increased financial autonomy being one of the main objectives (Mitsopoulos and Pelagidis 2008, CHEPS 2009). This makes financial autonomy a pressing contemporary issue and a current concern at both the national and international level (Kohtamäki 2009, Sheenan 1997).

1.1. Theme of the thesis

Given the relevance of financial autonomy for today's universities, this thesis will study the state of financial autonomy of the higher education system in Macedonia by placing it in wider European context. In this study, Europe will refer to all of the countries geographically belonging to the European continent and not only the countries that are members of the European Union. In this way, the Macedonian trends concerning the issue of financial autonomy will be considered in comparison to the wider European trends. All of the public institutions will be considered, thus making a system level analysis of the public higher education sector. Private institutions will be omitted as they do not receive any substantial government funding (Higher Education Law 2008) and as such they are not of particular interest for this study.

The issue of financial autonomy will be investigated in relation to another very important actor in public higher education: the government (Ziderman 1994, Neave and Van Vught 1994). In this sense, the scope of financial autonomy will be dependent on the degree of the government's interference in the institutions' financial affairs (Ordorika 2003). This thesis too will explore the relationship between the government and HEIs in Macedonia through an analysis of the HE legislation and the funding issues by making a distinction between autonomy granted by law and the actual autonomy experienced in practice. Moreover, financial autonomy will be explored alongside the concept of financial accountability given that today's understanding of autonomy considers accountability as inseparable part of autonomy (European Commission 2006, Council of the European Union 2007).

1.2. Rationales for the study

One of the rationales behind this research is that financial autonomy is an under-researched topic in higher education (Kohtamäki 2009). The scarce number of theoretical and empirical studies devoted to exploring financial autonomy call for further research especially when taking into account the differing opinions among scholars about the definition and dimensions of financial autonomy (Sheenan 1997). Considering that the

relevance of the subject arises from the current context in which HE operates, further studies are needed to explain the changes and developments that have brought the issue to the focus of attention. In this regard, additional theoretical research is needed in order to connect the various factors that make financial autonomy such an important issue today.

Moreover, the reviewed studies on financial autonomy investigate the issue only as part of institutional autonomy. This further justifies the need to study the issue separately from the other dimensions of institutional autonomy, thus contributing to a more detailed and in-depth analysis of the subject. Studying the issue under the umbrella of institutional autonomy can contribute to an enhanced understanding of the topic, however the limitation of studying it only as part of institutional autonomy is that it does not focus on specific issues pertinent only for financial autonomy. Considering that financial autonomy is a combination of autonomy and financing, omitting the complex nature of financing from studying it can lead to superficial studies and conclusions.

In addition, the rationales behind situating the study of financial autonomy in the context of Macedonia are multiple. First of all, this country has not been so far included in studies on financial autonomy neither internationally nor nationally. According to Dobbins and Knill (2009) there are few studies devoted to exploring the path of development of post-communist countries, especially in comparison with the other European countries. What is common for all of the post-communist countries including Macedonia is that after the fall of the communist regimes these countries engaged themselves in a process called the “return to Europe” or “catching up” with the rest of Europe (Pabian 2009:258). In this respect, the inclusion of the experience of the other European countries in this study was considered necessary in order to see how much the “catching up” has already succeeded. Moreover, all of the reforms instigated in these countries including Macedonia take the practice of the other European countries as a reference point. Their influence was all the more emphasised by the Bologna process that aimed to create a common European higher education and research area and by the European integration process commitments aiming to create a stronger and more competitive Europe. And Europe cannot be complete without these countries. Therefore, it is of common interest for both Europe, the other post-communist countries and Macedonia to help each other in this integration. As such,

knowledge about Macedonia and the other post-communist countries is a particularly worthwhile object of analysis for scholars interested in policy convergence and past policy legacies (Dobbins and Knill 2009).

Having this in mind, the Macedonian case specifically will allow the subject to be studied from a perspective different than the ones usually studied and as such can serve as an evidence that the context cannot be neglected since valuable insights can be drawn from the experience of different countries. This knowledge will in turn enrich the understanding of the concept of financial autonomy and improve it for further studies. Thus an enhanced understanding of financial autonomy in a comparative manner can provide relevant conclusions and explanations about the factors that lead to similarities and differences in the scope of financial autonomy among countries as well as the impediments associated in the attempts to bestow institutions with greater financial autonomy. In this way, the findings of this study will be pertinent not only for other countries at the same stage of development as Macedonia, but also for other more developed countries that face the same issues and challenges. Macedonia as a country undergoing transition for the last two decades can provide valuable lessons about the effects of drastic and profound reforms happening at a very short period of time especially when taking into account that the transition meant a “political and cultural convergence” (Pabian 2009:259) of Macedonia with the rest of Europe.

1.3. Objectives of the thesis

Consistent with the gaps identified in the presentation of the rationales behind financial autonomy, this thesis aims to study this issue both theoretically and empirically. The theoretical exploration of the subject aims to contribute to an enhanced understanding of the topic and attempts to alleviate the confusion and dilemma typically associated with this concept (Chiang 2004). Combined with the difficulties in operationalizing the concept for empirical studies (Thorens 2006), this thesis aims to make a contribution to the higher education literature by providing critical analysis of the dimensions of financial autonomy thus attempting to bridge the gap between the theory on financial autonomy on the one hand its practical application on the other.

Since there are neither theoretical nor empirical studies on financial autonomy about Macedonia, the objectives of this research specifically for Macedonia would be to contribute to an understanding on what institutional autonomy and in particular financial autonomy is and what is the situation in the country in comparison to the trends in other European countries. The knowledge gathered will be based on evidence and as such could be used to inform the funding reforms that are envisaged in near future (MES 2011). Other objectives of the thesis relevant for a wider international audience is that a detailed examination of financial autonomy and its dimensions will be beneficial for further studies that can explore financial autonomy in relation to other variables such as for instance the effect of financial autonomy on institutional performance (CHEPS 2009) and the relationship between financial autonomy and financial diversification (Chiang 2004).

Studying the issue comparatively, in relation to the other European countries, will contribute to identifying the similarities and differences between Macedonia and Europe and determine whether Macedonia is diverging or converging with Europe. In addition to identifying the similarities and differences, the thesis will aim to answer their causes and possible consequences. The value of comparative analysis is that “it can lead to fresh, exciting insights and a deeper understanding of issues that are of central concern in different countries. They can lead to the identification of gaps in knowledge and may point to possible directions that could be followed and about which the researcher may not previously have been aware... They may also help to sharpen the focus of analysis of the subject under study by suggesting new perspectives” (Hantrais 1996:3).

1.4. Research questions

In order to determine the degree of financial autonomy of the Macedonian higher education institutions, the following research questions will be answered in this study:

1. What is the degree of formal and operational financial autonomy of Macedonian higher education institutions and how has it evolved over the last twenty years?

and

2. To what extent is Macedonia converging or diverging with the European trends in relation to the issue of financial autonomy? What are the main similarities and differences in this respect?

The questions indicate that the study will make a distinction between formal and operational financial autonomy. Formal autonomy will refer to the autonomy of institutions granted by law, while operational or actual autonomy to the ability of institutions to put this formally granted autonomy in practice (Kohtamäki 2009, Verhoest et al. 2004, Christensen and Læg Reid 2004). The reason that these two aspects of financial autonomy were included in this study is due to the fact that numerous studies (Moses 2007, Felt 2003, Anderson and Johnson 1998, Ordorika 2003, Chiang 2004, CHEPS 2009, Kohtamäki and Lyytinen 2004) have pointed out that autonomy does not happen by simply changing legislation, but involves an existence of certain structures and procedures that enable a functional realization of this legislation in the real life of the institutions and as a result to the differences found between formal and operational autonomy. Since formal autonomy by itself is not a real indicator of the universities' autonomy (Kohtamäki and Lyytinen 2004), in this research both formal and actual autonomy will be explored in order to see whether there are any mismatches between the two. This is especially interesting to investigate in the Macedonian context as well as other transitional, post socialist countries that show a discrepancy between norms and practices; a historical tendency to have formal rules without real adherence to them (Cloete and Maassen 2005).

In addition, the analysis will assume a comparative perspective in two ways. The first one is intra-country or historical comparison which will take into account the evolution of financial autonomy in Macedonia in the last two decades. The second is the comparison through which the situation in Macedonia will be analysed in relation to that of the other European countries.

1.5. Methodology

The data collection and analysis about the level of financial autonomy in Macedonia are mainly of qualitative nature. Once this data was gathered, a comparative approach was used to analyse the findings in comparison to the main trends observed in the other European countries. The findings about the rest of the European countries were used from already existing empirical comparative studies on financial autonomy (CHEPS 2009, Estermann and Nokkala 2009, Eurydice 2008, Estermann and Pruvot 2011, EUA 2008) that proved very useful in providing this study with the necessary secondary data.

According to Marshall and Rossman (2011:84), the research methods used in a research study should flow from the research questions and from the conceptual framework. In this regard, the nature of the research questions and the nature of the concept of financial autonomy used in this study need to be described in order to illustrate how and why these research questions and conceptual framework were matched with the particular research strategy. First of all, the research questions used in this study aim at providing a deeper understanding of the issue of financial autonomy by presenting and analyzing the complexity of this phenomenon. These characteristics of the research questions are compatible with the purpose of qualitative research which also aims at delving into depth, complexity and understanding (Blaikie 2000, Marshall and Rossman 2011).

Other characteristic of the thesis that makes it suitable for qualitative analysis is the importance that this study places on the context in which the issue of financial autonomy will be studied. For qualitative research also the context is of great importance as it provides room for explaining why the phenomenon manifests in a certain way in a certain context (Marshall and Rossman 2011) which is crucial for this study given the dynamic nature of financial autonomy and the fact that it constantly changes over time and place (Lægreid et al. 2008).

According to Marshall and Rossman (2006:34), the purpose of qualitative research can be exploratory, explanatory, descriptive and predictive. They further outline that certain studies can follow only one of these research strategies, but most of the studies combine all

of these features. This study too aims to combine these four elements. The exploratory part deals with research on phenomena that are not much researched and for which the variables used are not well established (Ibid. 2006). This study too will be partly exploratory in nature since the issue of financial autonomy and its dimensions are not well defined and accepted (Estermann and Nokkala 2009). The value of this kind of research is that the empirical findings may be used for theory informing by adding other dimensions that the researcher was not aware of at the outset of the study. The explanatory part of the thesis aims to account for the similarities and differences encountered between the Macedonian case and the wider European context. The descriptive part deals with gathering factual information about how things are done in Macedonia concerning the various dimensions of financial autonomy. The last part, the predictive part aims to discuss the consequences and implications of the research findings as well as outline future scenarios about financial autonomy in Macedonia in the years to come. All of these characteristics are suitable for several data collection techniques namely document analysis, interviews and questionnaires (Marshall and Rossman 2006).

Since the research will make a distinction between formal and procedural financial autonomy, the issue will be studied both from the perspective of the higher education legislation and the degree of financial autonomy experienced in practice by the higher education institutions. As a result, the higher education legislation was subjected to document analysis which involved analysis of the higher education laws regulating higher education in Macedonia from the country's independence in 1991 up to the present. Other documents such as legal acts, statutes of universities, self-reports and information from the media were also analyzed in order to provide a fuller picture of the issue of financial autonomy in the country as well as substantiate some of the claims made. The data about financial autonomy experienced in real practice also relied primarily on document analysis. This included reports from international organisations such as EC and OECD, documents, decisions and acts from the Ministry of Education archive, information from universities websites and university newspapers and statements of the government and HEIs given for the media. In addition, in order to verify the information gathered by the documents, consultation with two senior university representatives was performed. This involved the use of a questionnaire that consisted of open-ended questions structured around the main

dimensions of financial autonomy and was mailed to the respondents. One of the respondents was a vice-rector for finances, investment and development in the biggest and oldest university in Macedonia Ss. Cyril and Methodius in Skopje. The other one was a vice-dean for finances from the second largest university in Macedonia, St. Kliment Ohridski in Bitola.

The limitations of the qualitative research methodology used in this study is that it is not replicable given that qualitative research methods do not aim at replicability (Marshall and Rossman 2011). Moreover, another disadvantage of this qualitative research is that the findings will be specific to Macedonia and cannot be generalized to other contexts.

1.6. Organisation of the thesis

The first chapter of the thesis has already introduced the theme of the thesis and justified its relevance and the rationales for studying it. The second chapter will provide a description of the wider context surrounding the issue of financial autonomy by providing a literature review on institutional autonomy, its evolution over time and the factors that have contributed to it being of increased relevance today. Further on, it will focus specifically on the issue of financial autonomy by providing a literature review on the meaning of the concept of financial autonomy as well as the elements that constitute it. Finally, it will outline the choice of the dimensions of financial autonomy used in this study and the justifications for it. The third chapter will start with an overview of Macedonia, its higher education system and the issue of financial autonomy in the specific Macedonian context will be elaborated by describing the current debates and trends. Furthermore, it will proceed with the presentation and analysis of the collected data for each of the dimensions of financial autonomy in Macedonia. The fourth and final chapter will present the main conclusions and limitations of the study and will finish with suggestions for future research.

2. Institutional and financial autonomy: concepts and dimensions

Institutional autonomy has become a major policy concern at the national as well as the international level in the last few years (Estermann and Nokkala 2009). At the international level, organizations such as the OECD, UNESCO and the World Bank are strong advocates for granting HEIs greater autonomy (OECD 2008, Raza 2009). At the European level, “the need for universities to have sufficient autonomy” is part of the modernizing agenda of universities and is promoted by actors such as the European Commission, The Council of the European Union, and EUA. As a result of these supranational policy debates, many national governments around the world are encouraged to create the legal and structural conditions necessary for enhanced institutional autonomy (Amaral and Magalhães 2001, CHEPS 2009). Taking into account the increased importance of institutional autonomy in recent years, the chapter will further deal with the definitions and dimensions of institutional autonomy as institutional autonomy provides the larger context to which the topic of financial autonomy belongs to. After that, it will focus specifically on financial autonomy by reviewing its various definitions and dimensions used in the literature, followed by a choice and justification of the dimensions used in this study. Furthermore, theoretical explanation and analysis of each of the selected dimensions of financial autonomy will be provided followed by a discussion of the European trends in relation to each of these. At the end, accountability as the other side of autonomy will be defined and then discussed in the European context.

2.1. Meaning and dimensions of institutional autonomy

When studying institutional autonomy, a distinction should be made between this concept and that of academic freedom since the two are often confused (Thorens 2006). This occurs because institutional autonomy and academic freedom are very closely related concepts. Since “autonomy and “freedom” are synonymous words, it is thus very easy to mix them and use them interchangeably (Bladh 2007, Berdhal 1990). However, the problem in doing this is that it remains unclear who this freedom refers to. In this respect, the terms differ in the level of reference: academic freedom refers to the individual academic, while autonomy refers to the university as an institution. More specifically,

academic freedom refers to the individual faculty members' freedoms such as freedom of teaching, research and freedom of expression (McDaniel 1996), while institutional autonomy refers to the state of self-governance of the institution (Berdahl 1990, Bladh 2007). Moreover, although the concepts are related, the existence of one is not a guarantee for the existence of the other; in fact it is possible to have institutional autonomy without academic freedom and vice versa (Bladh 2007).

Despite of the considerable amount of literature dedicated to exploring the issue of institutional autonomy, the concept is not clearly defined and is subject to myriads of meanings (Berdahl 1990). The reason that autonomy has various meanings is that it is a relative term and a very dynamic and "shifting notion" shaped by the overall societal conditions in which it exists (Felt 2003:13, Meek 2010). According to (Neave 1988 in Chiang 2004:190), autonomy is "contextually and politically defined" suggesting that different periods of time and different countries will have different interpretations of what autonomy is.

The most commonly used definition of autonomy is the freedom, power, ability or capacity of institutions to govern themselves without any outside controls (Berdahl 1990). Yet, the problem with this definition is that it is purely theoretical and does not consider the context in which autonomy exists. According to many scholars (Chiang 2004, Neave and Van Vught 1994, Thorens 2006), although it is tempting to claim otherwise, the reality is that autonomy has never been and will never be unlimited and absolute since it always existed within certain limits posed by the overall societal conditions. In this regards, even in the earliest periods of universities' existence, their autonomy was conditioned by the church or the king (Thorens 2006). The constant changing of the external conditions over time and space can thus account for the various interpretations that this concept carries. That is that reason why scholars argue that the definition of autonomy should always be considered in relation to the environment and the main actors that create this environment (Kohtamäki 2009).

According to Gornitzka and Maassen (2007) and McDaniel (1996), the most important relationship that HEIs have with the external environment is the relationship with the

government. This is especially the case in Europe where HE systems function under the frameworks of national governments and are to a very large extent publicly funded (Amaral and Magalhães 2001). Thus, the question of autonomy and the other side of the coin-control are considered to be the main issues in the government-university relations (Volkwein 1986, Jongbloed 2004). More specifically, “the relations between the government and higher education are analyzed in the realm of laws, rules and regulations and funding” (Ordorika 2003:363, Kohtamäki 2011). The changing government university relationship will consequently have implications for autonomy and can explain how its level has changed and evolved over time (Chiang 2004, Kogan and Marton 2006).

The most prominent and widely used models exploring this relationship are the state control and state supervision models (Van Vught 1994). The latter is characterized by steering at a distance rather than by detailed control thus leaving more autonomy for institutions. The last few decades were marked by a changed relationship between the government and HEIs and a shift from state control to state supervision model (Neave and Van Vught 1994) which implies a shift in the decision making powers from the government to the institutions. Although the role of the state is at arm’s length, that does not mean that the government’s role has diminished (Teixeira 2008, De Boer and Goedegebuure 2003). The government still exercises considerable influence over higher education affairs and its role is still important and crucial (Jongbloed 2008, Kogan and Marton 2006). Against this backdrop, Musselin (1996), Tasker and Packham (1990) and Ordorika (2003) emphasize that the enhancement of university autonomy seems very dependent upon the good will of the state rather than implementation of any given policy. Therefore, for a “university to thrive, or even to exist, the state must have a sympathy with its basic purposes” (Taker and Packham 1990:183). The definition of autonomy that considers the relation of HEIs with the government is the freedom of institution to steer itself without interference from the government (Anderson and Johnson 1998). Again this is an ideal version, as the question is never of full autonomy but the degree of autonomy that an institution has (Askling et al. 1999, Neave and van Vught 1994).

In addition to the shift in the relationship between the government and HEIs, other changes that have contributed to the transformation of the meaning of institutional autonomy

coincide with the reform agenda of the public sectors which appeared in the Western countries in the 80s as part of the larger neo-liberal ideology (Peters 2001, Meek 2010). The main aim behind these reforms was the belief that governments are not efficient enough in steering the public sectors and that introducing elements from the private sectors such as market mechanisms and NPM will increase their efficiency, effectiveness and ultimately their performance (Bovens et al. 2001). Since the government was no longer trusted to be able to govern the public sector (Bovens et al. 2001), the government's role has changed from a controlling to a supervisory one thus giving institutions more autonomy which was seen as essential in order to achieve the goals of efficiency, effectiveness and increased performance (Verhoest et al. 2004). The reform has reached higher education too and much of what is happening in HE is in line with the reforms in the other public sectors with the same reasoning applied: increased autonomy will lead to increased efficiency and effectiveness.

However, the apparent benefits of NPM reforms remain disputed as they have given rise to concepts such as evaluation and accountability which according to Meek (2010) seem to contradict the actual essence of autonomy. In this regard, Yang et al. (2007:578-579) claim: "Ironically one of the side effects of neoliberal policies that aim to make universities more autonomous and independent of government resources is the tendency of governments to introduce more accountability measures thereby reducing the autonomy of universities. These policies have led to wider trends towards an audit society or performative society". Pollitt and Geert (2004) state that institutions become more autonomous in terms of reducing the extent of regulation of ex ante approval requirements while at the same time increasing the ex post control. This is the basis of the accountability concept which indicates that the regulation is not completely abolished but is shifted from control on input and process to a control on output i.e. performance. Put another way, institutions are given more freedom regarding the input and process conditions at the expense of the output for which they are held accountable (Verhoest et al. 2004).

Therefore, starting from the 80s onwards, autonomy is no longer considered as a privilege and value of HEIs and as an end in itself, but as a responsibility and as means to achieve certain ends such as increased efficiency, effectiveness and performance. The claims for

autonomy are therefore “not based on a vision of the university as an academic and cultural institution with a long history and identity of its own, but as a criticism of the Humboldtian legacy” (Olsen 2009:18). In the words of Neave (2009:4) “the evaluative state has seen autonomy mutate from a broad-ranging value and a privilege conferred upon universities as a prior condition to their fulfilling their long term task in society to becoming an operational, multifaceted and largely conditional contract”. This means that institutions do not have unquestioned freedom, but also a responsibility that arises from this freedom. That is the reason why in the modern sense, institutional autonomy goes hand in hand and is inseparable from accountability (Meek 2010, Olsen 2009). Following from this, reaching an appropriate balance between autonomy and accountability should be achieved although that proves to be a very challenging task (Neave 2001, Læg Reid et al. 2008).

Taking into account the fact that the concept of institutional autonomy is a multi-dimensional concept, another way of defining it would be through exploration of its dimensions. In fact, since autonomy is a complex and complicated concept, it must be categorized to understand its full significance (Albornoz 1991:207). The dimensions of institutional autonomy according to different authors are presented in the following table (Table 1).

Table 1- Dimensions of institutional autonomy

Dimensions of institutional autonomy			
<u>Berdahl (1990)</u>	<u>Frazer (1997)</u>	<u>Verhoest et al. (2004)</u>	<u>Jongbloed (2004) and Ordorika (2003)</u>
1. Substantive 2. Procedural	1. Legal status 2. Academic authority 3. Mission 4. Governance 5. Financial 6. Employment 7. Decentralisation	1. Managerial 2. Policy 3. Structural 4. Financial 5. Legal 6. Interventional	1. Academic 2. Appointive 3. Financial

Berdahl (1990) makes a distinction between two types of autonomy: substantive and procedural. Substantive autonomy refers to the freedom of the institution to determine its goals and programmes- the “what” of autonomy, while procedural autonomy refers to the means by which these goals and programs are realized- the “how” of autonomy (Berdahl 1990). Berdhal’s two dimensional definition of institutional autonomy is widely cited throughout the literature, however its usefulness for applying it for empirical studies is limited since the categories of institutional autonomy are too broad (Askling et al. 1999). Frazer on the other hand deals with seven categories with a narrower focus thus allowing for a more detailed analysis. Verhoest et al. (2004) who study the autonomy of all public organizations, not only higher education institutions in particular, explore the issue from two perspectives: the degree of freedom institutions have to make their own decisions as well as the constraints they encounter in exercising this freedom. As a result, their taxonomy is divided into autonomy as decision-making competences that comprises managerial and policy autonomy, and autonomy as exemption from constraints that is divided into structural autonomy, financial autonomy, legal autonomy and interventional autonomy. Jongbloed’s (2004) and Ordorika’s (2003) classifications are the most concise ones as their perspectives merge similar issues into one.

When all of the mentioned typologies are compared it can be concluded that some of the differences arise from the different perspectives and approaches held by the different authors (de la Rosa 2007). This mainly occurs as a result of the different labelling of same or related issues and the authors’ preference to analyse the issue of autonomy in broader or narrower way. In addition, their choice of dimensions may be subject to changes if these theoretical constructs are applied to different contexts. The differences between the typologies in time are not apparent only by looking at the dimensions, but only through a more in-depth analysis which will demonstrate how a certain dimension has changed over time. In other words, the dimensions *per se* do not change over time, but what changes is the meaning of these dimensions (Ibid. 2007). For instance, the same dimension may have a different meaning and additional sub-categories depending on the changes and reforms occurring in the external conditions.

The last three classifications all mention financial autonomy as one of the dimensions of institutional autonomy and in each of these typologies it is placed separately from the others. Although each dimension is important in its own way and contributes to the overall level of institutional autonomy, the predominance of financial autonomy over the other dimensions is emphasized by Amaral and Magalhães (2001) who claim that institutional autonomy depends upon funding issues and Geddes (1990:9) who considers financial autonomy as the “the root of institutional autonomy”. Geddes (1990:4) further states that “the question of finance is central to an analysis of the promotion of institutional autonomy since it would be very hard for an institution to act as it sees fit if its funding base is under constant review”. In this respect, it can be said that even though institutions may have the freedom to create new programs, hire faculty or engage in research, they cannot, in reality, do so if they do not have the financial means.

2.2. Meaning and dimensions of financial autonomy

As it was the case with institutional autonomy, the concept of financial autonomy is also not clearly defined and there is not a commonly accepted definition. Different authors provide different definitions on the meaning of financial autonomy due to the fact that over time, the form and scope of what is to be considered as university financial issues changes. For instance, in the not very distant past charging tuition fees was unthinkable and even prohibited by constitutions (Tomusk 2001, Teixeira et al. 2004) as HE was considered a public good, whereas today the concept of cost sharing increasingly becomes a common practice (Teixeira et al. 2006). In addition, the definition of financial autonomy also changes according to the different perspectives held by the author. Applying financial autonomy to a different context also contributes to an altered meaning of financial autonomy as different context give different relevance to the same issues. For instance, certain private-generating activities of paramount importance for the American institutions such as selling commercial products, revenues from sport, alumni fundraising are not practiced in Europe, therefore, to study them in the European setting would not be of great importance.

Analogous to the definition of institutional autonomy the definition of financial autonomy refers to the ability of the institutions to handle independently their financial affairs without any outside influence. If considered through the lenses of government-university relationship financial autonomy refers to the freedom of the institution to decide over its financial issues without government's interference. In this respect, the scope of financial autonomy will depend on the degree of government's non-interference in the financial activities of the institutions. As a result, the debates over financial autonomy never argue in favor of full unquestioned autonomy, but for an acceptable and desirable level of autonomy with an appropriate balance between autonomy and accountability. Since full autonomy has been and is "illusory" and idealized notion from the past, when talking about financial autonomy the question is always the degree of autonomy. In today's increasingly marketized higher education there is an emphasized preoccupation with effectiveness and efficiency. Correspondingly, the debate is not only to give institutions more financial autonomy, but the institutions also have the responsibility to make effective and efficient use of autonomy, counterbalanced with a necessary degree of accountability.

The dimensions that comprise financial autonomy also show certain variances due to the authors' different wording of same or related issues and their preference to deal with broader or narrower categories. In addition, Kohtamäki (2009) affirms that it would be impossible to include every single issue that falls within universities finances and this is the reason why different authors choose to deal with dimensions that are more relevant for their analysis or context. The dimensions of financial autonomy discussed by different authors are synthesized in the table below (Table 2) and are presented in a chronological order, starting from the oldest to the most recent one. This was done in order to see whether there are any changes in the dimensions over time given that the concept of both institutional and financial autonomy changes over time as well as to allow for better visualization of the similarities and differences between them.

Table 2- Dimensions of financial autonomy

Dimensions of financial autonomy				
<u>Ashby (1966) in Chiang (2004)</u>	<u>Volkvein (1986)</u>	<u>Ziderman (1994)</u>	<u>Ordorika (2003)</u>	<u>Jongbloed (2004)</u>
1. Freedom to allocate public funds 2. Freedom to generate and use private funds	1. Lump sum budgeting 2. Shifting funds among categories 3. Freedom to retain and control tuition fees 4. Freedom to retain and control other revenues 5. Freedom to decide salary for faculty 6. Freedom to decide salary for other employees 7. Freedom from pre-audit of expenditures 8. Year end balances can be carried over 9. University issues own checks for payroll and purchases	1. Tuition fees 2. Internal allocation mechanism 3. Freedom to generate revenues from assets 4. Buffer organisations	1. Funding 2. Allocation of resources 3. Accountability 4. Tuition fees	1. Internal allocation of resources 2. Tuition fees 3. Freedom to generate external funds

The earliest classification dating from as early as 1966 has only two broad categories; that is dimensions related to public funds and dimensions related to private funds. However, its use for this study is limited as the classification is too broad and does not mention specifically what these public and private funds include. Volkvein (1986) on the other hand includes too many dimensions which is also not suitable for this study since the inclusion of too many dimensions will complicate the study and make it difficult for comparison. In fact, Volkvein's dimensions can be found in the other three typologies (Ziderman 1994, Ordorika 2003 and Jongbloed 2004), with the difference being that they synthesize several of his dimensions into one. For instance lump sum budgeting, shifting funds among categories and the ability to carry over year-end balances refer to the one larger dimension of allocation mechanism that he decided to deal with separately, while the other three look at the issue at a broader level. Volkvein has two additional dimensions that are not included in the other authors; that is the dimensions that deal with the salary of academics and other staff. These dimensions are usually not studied as part of financial autonomy, but

as part of appointive or personnel autonomy that deals specifically with the autonomy HEIs have in staff-related matters.

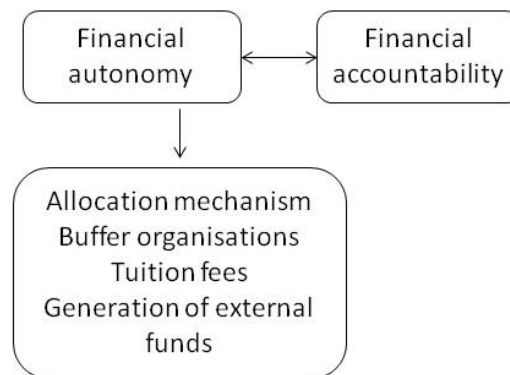
In this respect, the last three classifications (Ziderman 1994, Ordorika 2003 and Jongbloed 2004) are most suitable for this study since they take the middle approach; they do not deal with too few or too many dimensions and they synthesize related issues into larger categories. These three typologies overlap concerning the dimensions of tuition fees and allocation mechanism and as a result this study too will consider these two dimensions. Ordorika (2003) considers funding as separate from allocation mechanism, but since these two are related issues, Ziderman (1994) and Joingbloed (2004) merge this into one dimension of allocation mechanism that encompasses several sub-issues. This study too will place the related issues of internal allocation of resources, building of reserves and funding criteria under one larger dimension of allocation mechanism.

One of the dimensions, that is the existence of buffer organizations is mentioned only by Ziderman (1994). The reason that it was not included as dimension in the other author's classification can be explained by the fact that these buffer organizations are not very common, especially in Europe and especially for the funding of teaching activities (Esternmann and Nokkala (2009)). That is why for most countries' analysis, this dimension is not particularly relevant as these organizations have not been a common practice. However, in the context of Macedonia, this dimension is relevant as these buffer bodies were part of the Yugoslavian higher education system and are part of the current debates in Macedonia. Jongbloed's dimension of generation of external funds and Ziderman's generation of revenue from assets are related dimensions since they both involve the freedom of institutions to interact with the outside world and thus raise additional funds. In fact, Ziderman's dimension is one aspect of Jongbloed's broader category. For this reason, Jongbloed's dimension of freedom to generate external funds was used since it allows several related issues to be explored under the same dimension. In addition, as it can be seen from the table Volkvein (1986) and Ordorika (2003) both consider accountability to be one of the dimensions of financial autonomy. However, in this study accountability is dealt with at the same level as financial autonomy and not as one of its dimensions since

the two go hand in hand and are seen as the two sides of the same coin (Amaral and Magalhães 2001).

In sum, it can be concluded that concerning the choice of the dimensions of financial autonomy, this study is using a combination of Ziderman's and Jongbloed's classifications as they complement each other and synthesise the dimensions found in the other typologies. In addition to the main dimensions of financial autonomy, this study will explore financial autonomy alongside the issue of financial accountability since financial autonomy is both as right as much it is a duty (Thorens 2006, Ziderman 1995). Given that the study deals only with financial autonomy, correspondingly only financial accountability will be addressed parallel to the issue of financial autonomy. A graph (Figure 1) combining the two theoretical concepts of financial autonomy and financial accountability alongside the dimensions of financial autonomy was created in order to explain the operationalisation of these concepts as well as to provide visual structure to the discussion which will take place in the following section.

Figure 1- Operationalisation of financial autonomy



2.2.1. Internal allocation mechanism

A central question determining the institutions' financial autonomy concerning the public funds they receive is the way these funds are allocated. This dimension of financial autonomy is determined by whether the institutions receive line-item or lump-sum budget

(Chiang 2004, Jongbloed 2004). In the case of itemized funding (also called targeted or earmarked funding), the public grant is allocated by detailed ex-ante specifications on how this money should be spend, tying a certain percentage of the overall amount to specific purposes (Chevaillier 2002). It is up to the government to decide what these specific purposes will be: whether this money will go for salary of staff, maintenance, equipment, improvements in teaching etc. With this kind of funding allocation the government acts as a rational planner knowing in advance and calculating the amount needed for the operation of each unit and the university as a whole. Due to these features, itemized funding is a characteristic of centralized systems with the decisions made by the government (Ibid. 2002). The institutions cannot carry the money across budget lines and as a result this allocation model is very rigid and inflexible leaving little autonomy for the institutions. This allocation mechanism implies a lack of trust in the institutions to manage the funds they are given (Chiang 2004).

With lump sum funding (also called block grant) on the other hand, the institutions are free to decide how to spend this money based on their own internal allocation mechanism and according to what they want to achieve (Jongbloed 2004, Clark 1998, Jongbloed 1998). Lump sum funding is thus a characteristic of a decentralized and market system in which the universities freely decide how and on what this money will be spend thus associating this model with greater autonomy (Clark 1998). Moreover, contrary to item-based funding, lump sum funding implies a trusting relationship between the government and the HEIs (Chiang 2004, Trow 1996) and “the underlying rationale is that institutions themselves know best how and where to use their resources to meet their objectives – for instance, whether to recruit a new lecturer or to invest in new equipment” (Jongbloed 2003:120). Although lump sum funding allows more freedom for the institutions it does not mean that it is absolutely unrestricted; for instance in Sweden and Slovenia although the public funds are allocated as lump sum, institutions cannot cross-subsidize large amounts of money across different activities. In addition, even if the institutions are freed from the ex-ante specifications, they are still held accountable for the money they spend.

Such is the theory, but in reality, a combination of both block grants and earmarked funds are usually used, where a certain percentage of money can be freely spend, while other can

be more narrowly prescribed and can be used for specific purposes depending on the government's objectives and priorities (Chiang 2004, Kaiser et al. 2002). This is especially the case in Europe, where the existence of full markets is not allowed, but quasi-markets counterbalanced with a necessary degree of government intervention (Chevaillier 2002, Jongbloed 2003). In this regard, when trying to determine the degree of financial autonomy in relation to the allocation mechanism one cannot find an absolute existence of each, but a "combination that depends on the country and on its politically decided resource allocation model" (Chevaillier 2002:89). What needs to be investigated is which kind of these allocation modes prevails. As in the view of Chevaillier (2002:95): "each allocation model is inherently problematic if taken to extreme".

According to several authors, financing is not merely an instrument of allocating financial resources, but a major steering mechanism that the government uses to affect the behaviour of the institution (Jongbloed 2008, Chiang 2004, Slaughter in Ordorika 2003). Therefore, the resource allocation model in use will shed light on the relationship between the institutions and the government and the decision making powers each of them possess. Any changes in the allocation mechanism will result in changes in the relationship between the two and vice versa, a changed relationship between the government and HEIs will result in changes in the funding arrangements (Chevaillier 2002).

Traditionally, most of the European countries following the continental model were characterized by central government steering and as a result the budget was itemized (Neave and Van Vught 1994). However, starting from the 80s onwards, with the introduction of market mechanisms in higher education this allocated model is considered obsolete and no longer appropriate for the changed circumstances in which HE operates (De Boer 2002). As a result, the tendency in Western European countries is towards the use of lump sum funding. Eastern European countries on the other hand that have started the market reforms later than the western European ones; only at the beginning of the 90s with the collapse of the communist regimes (Brennan 2005); have a tendency to use more item based budgeting (Esterman and Nokkala 2009).

Closely related to the question of internal allocation of resources is the criteria used to determine these sources. Although not usually considered as a dimension of financial autonomy, examination of the funding criteria is a very important financial issue to be omitted especially because it has implications for financial autonomy, although in a more implicit and subtle way.

In the literature, the funding criteria used are also referred to as a type of funding mechanism, funding model or type of funding. Although there are some differences based on the authors classifications (Koelman 1998, Jongbloed 2008) the following funding mechanisms are used: input-based, negotiated, output-based, funding formula, contracts and student-based (Chiang 2004). Input-based or cost based funding model is a traditional model used in almost every HE system (Kaiser et al. 2002). It uses input criteria to determine the amount of the public budget such as the number of students, funds per student, number of staff, square meters of property etc. The advantages of this model is that it does not create financial uncertainties for the institutions; the continuity of funds is guaranteed as long as the institutions enroll students and keep their staff (Neave and Van Vught 1994). Yet, according to some authors (Ziderman 1994, Chevaillier 2002), this may be a disadvantage as the institutions are not given incentives to make efficient use of their resources or achieve results. Since these input criteria or costs can be measured in money terms, it is possible to predetermine the amount of each of them in advance. As such, it is easier and more practical to further allocate such decided amount of funds as funds per item. Since itemized funding limits institution' freedom to manage their funds, the use of this mechanism does not provide much financial autonomy for the institutions.

Negotiated funding is done according to negotiation between the government and the HEIs and according to a financial plan submitted by the institution outlining their needs and objectives (Sheenan 1997). Institutions usually make the financial plan based on the amount of the previous year with certain rising costs increases. That is why this kind of funding is also referred to as incremental funding (Jongbloed 2000). This model is associated with political bargaining and power and by the ability of the institutions to negotiate the terms in their own favor (Ziderman 1994). As such, institutions ability to

bargain with the government will have an impact on the degree of financial autonomy they will have.

Output-based funding or performance based funding is “payment by results” which means that the institutions are not funded according to the costs of HE, but according to the results they achieve, implying that those institutions that show superior performance will be rewarded while those that do not perform so well will be sanctioned by getting less funding (Cowen 1996). Although this model is associated with increased competition, efficiency and value for money, it remains controversial as the indicators used to measure the performance are criticized for not being as easily quantified as it is claimed (Kells 1994, Herbst 2007). How much do they really grasp the performance and the quality of the institutions remains an ongoing debate. The quality of teaching by measuring the number of graduated students does not capture the quality of these granted degrees (Sheenan 1997), and the number of publications published in international journals disfavors books and publications in the national language. As a result, it has been claimed that the performance indicators are not neutral, but loaded with certain values and interests (Kent 2005). Institutions are thus funded not for what they are, but for what they do, making sure that they comply with the criteria and objectives set out by government. In Berdahl’s (1990) terms this restricts institutions’ substantive freedom i.e. the “what” of autonomy meaning that the objectives and goals that institutions need to achieve are not decided by the institution itself, but by actors external to the academia. In this regard, performance-based funding can be seen as a threat to institutions’ autonomy (Teixeira 2009). Even if the funds are then allocated as lump sum, institutions still need to meet the conditions in order to earn these funds (Chiang 2004). According to some, performance based funding is another form of accountability (Dill 2001) and as such is deemed necessary in today’s market oriented HE systems.

Another type of funding mechanism is the use of a funding formula that employs a combination of several models; usually input based and output based criteria suggesting that certain amount of funds will be given as earmarked and other as lump sum. Funding institutions in this way is therefore a more balanced form of giving institutions certain

degree of financial autonomy, while at the same time retaining the control of issues that are of importance to the government.

Contract funding means that the government and HEIs enter into a contract agreement that specifies the rights and responsibilities of each party. This practice borrowed from the private businesses and applied to higher education has led to changes in the government-university relationship (Chiang 2004). This means that the government and HEIs jointly determine the criteria of performance and the scope of achievement that they oblige themselves to fulfil (Jongbloed 2004) with the government being the client and the HEIs the provider of services (Koelman 1998). Institutions will receive the funding only if the mutually agreed criteria are fulfilled. Since both HEIs and the government have a say in the matter, in this respect, contract funding is similar to formula funding as it allows a certain degree of autonomy to be counterbalanced with a certain degree of regulation. This kind of funding arrangement increases the transparency between the government and HEIs as they both know in advance what each of them is expected to do. This type of funding is gaining increasing usage today and is implemented in countries such as France, Netherlands and Finland (Estermann and Nokkala 2009).

Student based model or often called voucher model means that the government subsidies are channelled to the institutions through the students. This model is regarded as the most marketised form of funding, giving the students greater choice and supporting them in their efforts to attend HE (Jongbloed 2004). This funding system is demand driven as it is the student that drives the system (Ibid. 2004). In addition, it is the client i.e. student who decides what institution to attend and what programs to enrol in thus placing the students “at the heart of the system” (Browne et al. 2010 p.25). However, the model is still at the stage of debate with possible introduction in the UK, USA and Australia (Teixeira 2009). In the UK, the introduction of student based funding was discussed and debated in the so-called Browne report (2010) that emphasised the necessity of the replacement of block grants with student-based funding if the issues of access, quality and sustainability are to be improved.

The general trend in Europe is to substitute input based funding with output. Many European countries after the example of the US have experimented with the introduction of this mechanism, yet its use is not fully implemented as “there is no a funding system that is hundred percent performance based” (CHEPS 2009:10).

The right to build reserves is closely related to the issue of allocation mechanism. It refers to the ability of the institution to keep any unspent sums of the public grant and save it for any future purposes that the institution considers appropriate. Having this freedom increases institutions financial autonomy in a sense that they can make more efficient use of the remaining funds investing them in other areas consistent with their objectives. In most cases, the nature of lump sum lends itself more appropriate for funds to be carried over to the following year and for institutions to build their own financial capital. The nature of item-based allocation on the other hand is more restrictive in this sense since it does not allow any savings to be carried over (Herbst 2007, Chevaillier 2002). Yet, certain countries such as Bulgaria and Greece are exception to this tendency and although they have item-based allocations, they allow institutions to keep their surpluses. The majority of the European countries permit institutions to retain their public funds (Estermann and Nokkala 2009).

2.2.2. Buffer organizations

This element of financial autonomy is concerned with the way the public funds are distributed to the institutions: either directly from the government or through an intermediary organization. If the funds are channelled directly from the government to the institutions, the government can use the funding as a leverage to exert control over the behavior of the institutions and attach any other discretionary stipulations as it sees fit. The direct allocation of funds is thus more subject to “political rather than institutional criteria” and infringement on financial autonomy and institutional autonomy in general is more possible (Ziderman 1994). Hence the notion of “whoever pays the piper will call the tune” (Tapper and Salter 1995:60) can serve to illustrate the fact that funding is a powerful steering mechanism that the government is reluctant to leave out of its reach.

An allocation through a buffer body on the other hand suggests that the government has delegated the public financing of HE to a funding agency or council. In this way the institutions are insulated from governmental influence and their autonomy is safeguarded. In addition, the management of the financial issues is left in the hands of the buffer body, while the government focuses on establishing broad guidelines and policy issues (Fielden 2008, Goedegebuure et al. 1993). In this sense, the existence of a funding council indicates a supervising role of the government, while the direct allocation shares more features with a state control model.

Traditionally, most of Continental European countries appropriated the public funds directly to the institutions. A notable exception is the British case that has established the University Grants Committee (UGC) as early as 1919 thus securing institutions' autonomy for which the British HE is renowned (Tasker and Packam 1990). Other countries that have their HE system based on the British model such as Australia, India and Pakistan also use this kind of buffer bodies with varying degrees of success in terms of conserving institutions autonomy, the reason being that the power of these bodies was either too weak with their decisions still needing government approval or the body was too strong thus itself interfering with institutions autonomy (Zideman 1994). Following from this it can be concluded that the creation of a funding council that will stand in-between the government and institutions can serve as a mechanism in protecting autonomy, but in reality that is not often the case. The existence of a buffer body therefore is not a guarantee that autonomy will be protected. What is also important is how this council is constituted: whether the members are appointed or elected, whether they are academics, government representatives or other independent experts. When the UGC was replaced by the Universities Funding Council (UFC) in the UK its function to preserve autonomy has declined since most of its members were government appointees (Tasker and Packham 1990). The best way to secure that the council will protect institutional autonomy is if it is independent and staffed by specialists in education rather than civil servants (Tapper and Salter 1995). At the moment, in Europe only few countries such as UK, Romania and Ireland use these intermediate bodies, with several others having such a body with restricted authority over institutional funding (Esterman and Nokkala 2009, Eurydice

2008). Therefore, most of the European countries do not have much freedom in this respect since the existence of buffer organization in financial matters is not very common.

2.2.3 Tuition fees

The freedom of institutions to introduce tuition fees and determine their amount is an important aspect of their financial autonomy. Allowing institutions to benefit from student contributions makes a considerable difference in their financial independence and as a result their dependence on government funds is diminished (Johnstone 1998).

The introduction of cost sharing in Europe was a highly contested and sensitive issue, accompanied with fierce public debates. The proponents of cost sharing were justifying the student contributions on several grounds: due to significant private returns of HE, as well as from an efficiency, equity and necessity point of view (Johnstone 2006). The opponents to the introduction of tuition fees argued that HE is a public good and should be free at all levels, a right that is even constitutionally guaranteed in certain countries such as Finland. Another concern of the introduction of cost sharing was that it may impede access and equality of opportunity especially for students from lower socio-economic backgrounds. However, despite of the contestation, the majority of countries in Europe proceeded with the introduction of tuition fees (Estermann and Nokkala 2009).

The European setting shows certain variety in this regard, ranging from certain countries such as the Nordic countries, Austria and Czech republic that offer free education at all levels, to others such as Greece and Slovenia that are allowed to charge tuition fees only at the master and doctoral level. However, the majority of European countries charge tuition fees to all students (Ibid. 2009). Whether institutions can decide the amount of tuition fees also differs in different European countries. In certain countries, mainly Eastern European, the institutions can independently set the level of tuition fees; in countries such as Bulgaria, France and Spain the fees are set by the government, while in countries such as Italy and Portugal both the government and HEIs have a say in this matter (Ibid. 2009). Yet, in total, in the majority of countries, it is the government who decides the amount of tuition fees.

Although the trend in Europe is moving towards introduction and increase in tuition fees, student contributions still do not provide large percentage of the total HE funds. In most of the European countries, governments still remain the primary funding source for higher education institutions (Teixeira 2009). Exception to this is the UK that has the highest tuition fees in Europe and consequently tuition fees contribute to larger percentage of the total HE budget. However, as the Browne report (2010) argues the charging of higher tuition fees is made possible and is justified by the existence of a student finance system. This means that the students do not pay any upfront tuition fees, but are required to pay back the loan only after they graduate and only after they become employed and earn a certain threshold amount. Charging tuition fees in this way is very student friendly and is believed to improve access and equity. In addition to the UK, US, Australia and Canada also have the practice of student contributions for longer period of time (Sanyal and Johnstone 2011) and a steady increase in tuition fees over the years. In this way, tuition fees could make up a large percentage of the institutions additional income (Jongbloed 2004).

2.2.4. Generation of external funds

The ability of institutions to generate funding from sources other than the government and to allocate them independently (Sheenan 1997) is very important aspect of their financial diversification which according to (Clark 1998) and (Chiang 2004) is the very essence of financial autonomy. In this regard, (Verhoest et al. 2004) claim that if institutions rely only on public funding, then their autonomy is minimal. These non-governmental sources may come from various sources such as industry, property revenues, consultancy services, donations and others and are especially valuable in providing institutions with additional discretionary money (Chiang 2004:194). In this regard, it is not only important to have the freedom to attract external funds, which is the case for every country in Europe (Dominicis et al. 2011), but to have the necessary conditions, capacities and incentives in place in order to make optimal use of these opportunities (Ziderman 1994, CHEPS 2009, Estermann and Nokkala 2009). For instance, institutions may have little or no incentives to attract additional funds, if they are required to return them to the national budget (Ziderman 1994). In addition, institutions may be constrained in the actual use of this

freedom if they do not have the knowledge and experience on how to engage themselves in revenue-generating activities of this kind.

Institutions' land and buildings are another form of capital that they can take advantage of to accumulate additional income. Some of the ways in which HEIs can achieve this is by renting or selling part of the university space to external organizations, by establishing their own firms on the property etc. In order to be able to convert this physical capital into financial, institutions need to be owners of their property first. The transference of the ownership of land and buildings from the state to the institutions occurs as a result of universities becoming independent legal entities, separate from the state. By being granted a legal person status universities are allowed not only to acquire, hold, dispose of and deal with property, but also to borrow money, enter into contracts, establish funds, establish enterprises, to sue and be sued and to assume legal responsibility (Kohtamäki 2009: 25). Being allowed to do all these things means that institutions are granted with legal autonomy (Verhoest et al. 2004, Christensen and Lægheid 2004).

The trend in Europe is moving towards making universities autonomous legal entities (CHEPS 2009) and transferring the ownership of the university real estate from the state to the university itself (Estermann and Nokkala 2009). These moves suggest that universities are no longer state owned agencies, but more of a hybrid public-private institutions allowed to introduce elements of private organizations in their endeavors to attract additional streams of income (Marginson 2007). The institutions legal capacity also matters in universities being allowed to collect revenue from the goods they produce, for instance by selling patents and intellectual property rights (Marginson 2007, Jongbloed 2004).

The definition of the dimensions of financial autonomy presented above that is: internal allocation mechanism, existence of buffer organisation, freedom to set and determine level of tuition fees and freedom to generate funds from external sources pointed out to the complexity and depth of each dimension. It also pointed out to the existence of different solutions in dealing with same issues and that each of these has its own advantages and disadvantages. In addition, the discussion showed considerable changes and reforms

happening in the last few decades thus contributing to a changed meaning of each of the dimensions in question. The possible introduction of new models and elements such as student-based funding or higher tuition fees suggests that things will continue to change in the following years.

Based on the discussion of these same dimensions in the European context, it can be concluded that the majority of countries use lump sum funding and thus have a considerable freedom in the way the public funds are distributed. Concerning the existence of buffer bodies, in most of the European countries these bodies do not exist and the funding is still exclusively dealt by a certain ministry of the government. In this respect, most European countries have almost no freedom as governmental interference in the channelling of the public sources to the institutions is still present to a large extent. When it comes to tuition fees, the wider European trend suggest that most countries have limited autonomy in this respect meaning that institutions are allowed to charge tuition fees, with the government setting the amount. As for the ability of institutions to raise funds from external sources, most countries enjoy considerable freedom as they are allowed to establish partnerships with industry and raise funds from their property. In sum, the following table (Table 3) describes the current European trends in the four dimensions of financial autonomy.

Table 3- Main European trends in financial autonomy

	Freedom to allocate funds	Buffer organisations	Freedom to set and determine tuition fees	Generation of external funds
European trends	+	-	+/-	+

Legend: +have autonomy; -hardly any autonomy; +/- have autonomy in some aspects

Having dealt with the dimensions of financial autonomy, the chapter will further proceed with the issue of accountability. It was already mentioned that accountability is not a dimension of autonomy, but the other face of autonomy and that is the reason why it will be addressed after the main dimensions of financial autonomy were summarised. The main

aim of the discussion about accountability is to describe the meaning of the concept, but also to see whether the accountability requirements used in Europe are in balance with autonomy and whether they pose any restrictions on how autonomy manifests.

2.3. Accountability

Accountability refers to “the obligation to report to others, to explain, to justify, to answer questions about how resources have been used, and to what effect” (Trow 1996:310). It appeared in the 80s as a product of the NPM ideals (Meek et al. 2010) and the rise of the evaluative state (Neave 2009). As such, accountability has become a pervasive concept in today’s democratic and pluralistic societies, increasingly regarded as both “necessary and indispensable for reasons of honesty and prudence” (Thorens 2006:105). Therefore, “its main function is to constrain the corruptions of power, including fraud, manipulation, malfeasance and the like” (Trow 1996:310). Despite of its widespread acceptance today, it is still subject to criticism, especially in the academic world. In the view of Albornoz (1991) and Salmi (2007), internal accountability within the institution has always existed and is not a problem, what is problematic is the external accountability where universities need to respond not only to the government, but also to society at large. That is the reason why certain authors consider external accountability as another means of control, a regulatory mechanism that compared to the past has only shifted from pre-control and pre-audits to post-control and post-audits (Berdahl 1990, Van Vught 1994, De Boer and Goedegebuure 2003).

Although the meaning of autonomy used in this study considers accountability as inseparable from autonomy, accountability is necessary and justified as long as it does not interfere with autonomy. According to Trow (1996), excessive accountability requirements may weaken autonomy and therefore appropriate balance between the two should be reached, which is not very easy to achieve due to their inherently conflicting nature. Accountability requirements are justified in relation to the public funds, but if institutions are asked to report about how they spend their self-financed sources then the accountability requirements get in conflict with autonomy.

Accountability requirements in higher education can take different forms: the demands for efficiency, performance, evaluation, quality assurance, accreditation, performance funding are all conditions that the HEIs need to meet (Trow 1996, Albornoz 1991, Alexander 2000). In the case of financial accountability specifically, accountability requirements take the form of financial reports and audits (Estermann and Nokkala 2009, Tapper and Salter 1995). The demand for financial accountability is related to the fact that universities receive taxpayer's money and as a result they need to justify to the government and to the wider public that the money are efficiently spent (Chiang 2004). In the past this used to be discretionary, but today it needs to be done in a transparent manner (Sheenan 1997, Enders 2005).

Submitting financial reports to the relevant authorities is one of the forms of financial accountability. The relevant authorities to which the institutions send these reports can vary across countries: in some cases it is the Ministry of Education, in others some other governmental agency. Very few countries such as Luxembourg and Malta report directly to the Ministry, while the majority of cases in Europe report to some state agencies (Estermann and Nokkala 2009). In this regard, institutions can better guard their financial autonomy if the reports are not sent directly to the ministry. In certain countries, such as Austria, Finland and France, the financial reports are used to negotiate the funding contract between the government and HEIs (Ibid 2009). Used for this specific purpose, the function of the accountability requirements is to determine whether the HEIS conform to the government demands (Albornoz 1991:211) and as a result may obstruct institutions' financial autonomy. The financial audits as the second form of financial accountability in most European countries are conducted by a state audit agency (Estermann and Nokkala 2009). In only small number of European countries such as Netherlands, Denmark and Austria the audits are performed by private audit agencies, while Greece is one the very few countries where the audits are done by the ministry itself (Ibid 2009). In this respect, financial autonomy is guarded best if the audits are done by a private audit agency that does not work under the jurisdiction of the government.

The presence of accountability procedures in all of the discussed European countries confirms the previously discussed theoretical notion that autonomy is not unlimited but is

increasingly being subjected to accountability. Although there have been concerns that accountability measures may constrain autonomy, the discussion has shown that for the majority of European countries that is not the case since the accountability requirements are usually conducted by another agency that is independent of the ministry of education. This prevents direct involvement of the ministries and in turn safeguards autonomy. Although it was pointed that it is difficult to achieve a balance between autonomy and accountability, most of the European countries suggest that this is not impossible to reach.

The discussion in this chapter has demonstrated that the concept of institutional and financial autonomy are complex issues each encompassing their own sub-dimensions. The dimensions of financial autonomy were further defined and theoretical analysis of each separate issue was provided. The European trends concerning each separate dimension of financial autonomy show some diversity, however the overall European trends indicate a high degree of autonomy in relation to the internal allocation mechanism, almost no autonomy when it comes to intermediary funding organisations, limited autonomy with respect to tuition fees, and considerable autonomy in the ability of institutions to attract additional external revenues. In addition, it was shown that accountability requirements have become an important part of the financing of HEIs and are increasingly being used as a way of balancing autonomy. The following chapter will discuss how these same dimensions of financial autonomy and accountability mechanisms manifest themselves in the Macedonian context.

3. Financial autonomy in Macedonian context

The issue of financial autonomy in the Macedonian higher education system is assuming greater importance in the last few years. For a longer period of time, Macedonian universities operate in financial crisis given the very small government funding for higher education. It is expected that these government funds will either stay at the same low level or will be decreased even more. In such a situation, institutions need to find additional ways of sustaining themselves. However, this becomes a challenge given the increased government regulation of how universities can achieve this. Assuming greater responsibility in supplementing these public funds with private would be very difficult if institutions are not given wider financial autonomy. As the chapter will illustrate, the views of the government and the HEIs on how to achieve this differ in many respects.

The chapter will start with providing basic statistical data about Macedonia and a brief historical account of the country's development since independence. It will then proceed to an overview of the Macedonian higher education system after which the main dimensions of financial autonomy will be discussed in the Macedonian context. At the end, it will conclude with a summary of all of the dimensions of financial autonomy, accountability procedures and the nature of the government-university relationship in Macedonia.

3.1. Country background

The Republic of Macedonia is located on the Balkan peninsula in the south-eastern part of Europe. It is a small, landlocked country with an area of 25,713 km² and population of 2,050,671 people (State Statistical Office 2011) and one of the most multi-ethnic states in the Balkans. Macedonia was part of the Yugoslavian Federation from 1945 until 1991. The six republic and two autonomous regions comprising the federation were at different stages of development, with Macedonia being one of the least developed ones (OECD 2002). In 1991, following the breakup of Yugoslavia, Macedonia became an independent republic, but its international recognition was disputed up until 1993 when it became member of the United Nations under the provisional name of (FYROM) Former Yugoslav Republic of Macedonia (Spaskovska 2010).

Internally, the first decade of the independence was characterized by turmoil in every sense: economic, political and social (OECD 2002, Spaskovska 2010). The economic transition involved the challenges associated with the shift from centrally planned to market economy, the loss of the common Yugoslavian market and the Greek embargo that further exacerbated the already weak economy existing before thus leading to increased poverty and high unemployment (Kuzmanoska and Piperkoski 2008, Spaskovska 2010). The political transition was marked by the shift from a single party system to a pluralist democracy, which did not go smoothly either, due to an unstable political climate brought about by frequent changes in governments (Ibid. 2008). Regarding the social conditions, the Kosovo crisis from 1999 stirred the fragile inter-ethnic relations culminating in a brief armed conflict between the Macedonian military forces and ethnic Albanian rebels which was brought to a negotiated end in 2001.

The current economic situation is still not stabilized with Macedonia being one of lowest income countries in Europe (European Commission 2011). For instance, in 2009 the GDP was 9.221 in billion US\$ and the GDP per capita 4 400 US\$ (World Bank 2011). Although the real GDP growth has shown steady increases in the last five years, Macedonia's growth is still the lowest in the region (IMF 2011). In addition, it has the highest unemployment rate among the Balkan countries which amounts to 33.5 percent of the population (State Statistical Office 2010). The political and social situation is also fragile with frequent early elections and ethnic unrests that are still very common (Dnevnik 2011).

3.2. Macedonian higher education system

Macedonia inherited its higher education system from former Yugoslavia. The common features of the higher education system shared by all of the republics was the organization of the universities including the governance and the funding model. Within Yugoslavia, up until the mid-seventies autonomy was virtually non-existent (Vukasovic et al. 2009) and HEIs' relationship with the government i.e. the Party was one of state control model, with highly centralized, top-down decision making. However, as in the words of Clark (1983:46), things changed in 1974 when a self-governance model was introduced in all of the faculties:

“A notable case of extremely high faculty independence is found in contemporary Yugoslavia. There, the faculties, not the universities as wholes, are very much the main units of local organization. Their strength has been increased by the deliberate decentralization of power in virtually all societal sectors, which has made Yugoslavia so unlike other Communist countries”....” Individual units can set themselves up and govern themselves in whatever form they wish, with the higher levels of government even constitutionally barred, after 1974, from powers of supervision”...“In the Yugoslav model, the university as a whole lies somewhere between a voluntary association and a confederation”.

The model of self-governance introduced at that time could be either seen as faculties having a full autonomy or as their full neglect from the state (Vukasovic et al. 2009). As a result, faculties were run by a powerful academic oligarchy (Clark 1983) following Olsen’s institutional state model (Olsen in Gornitzka 1999). The implications of this organizational structure are that the power is distributed between the lower and upper levels of authority, leaving the middle structure very weak. Consequently, with each faculty pulling in its own direction, any attempt at coordination at the university level is extremely difficult. This fragmentation of universities into faculties still persists today, posing a serious problem for the integration of the university and for its governance. In effect then, university autonomy in Macedonia is actually faculty autonomy (Stojanov and Galeska 2006, Bonner et al. 2002, OECD 2002).

The financing of higher education in Yugoslavia in the early postwar period was through the state budget directly allocated to the universities, then “through the so-called Social Funds, and during the last 2 decades of its existence through the Self-Managed Communities of Interest for Post-elementary Education and for Science” (Soljan 1991:143). HEIs could also generate part of their income through cooperation with industry and by charging tuition fees to part-time and post-graduate students (Soljan 1991, Uvalić-Trumbić 1990).

After independence in 1991 and up until 2000, HE was not a priority, with faculties being left to themselves, while the government was occupied with other more pressing issues. This can be seen from the fact that the first law on higher education in the independent republic was not passed until 2000. For the first nine years of independence, higher

education was still regulated by the 1985 higher education law of Yugoslavia (OECD 2002). A negative consequence of the decade of government's non-involvement in higher education is a widespread corruption, nepotism and favoritism that still exist today, jeopardizing the relationship of trust between the institutions and the government.

The government began to show increasing interest in higher education only in 2003 when Macedonia became part of the Bologna process. At this time, the need for higher education reforms was acknowledged and steps were taken to bring higher education in line with the Bologna guidelines. The same year, the higher education law of 2000 was amended in order to provide a new legal framework for the changes that were about to be made. The main aim of these changes was to modernize the higher education system and make it more comparable to the European model.

Moreover, Macedonia became a candidate for EU membership in 2005, at which time the government issued strategic plans to fulfil the EU's accession requirements, including those pertaining to education (Mojsoska-Blazevski 2005). The requirements for HE specifically involved harmonization of the legal framework of HE with that of the EU, as well as the reform of HE policies to bring them into conformity with European standards. In achieving these objectives, Macedonia received considerable financial and technical support from the EU and its various agencies, as well as other international organizations such as OECD, World Bank, USAID and others. All of these aid projects have played and continue to play an important role in the discourse, policies and practices concerning the issue of financial autonomy specifically as well as other related issues that have an impact on the scope of financial autonomy. These included, *inter alia*, institutional autonomy, creation of integrated universities, governance reforms, the relationship between the government and HEIs, and accountability. Thus the years from 2003 until the present have been marked by profound and rapid changes and reforms in the higher education system, which, as in other Central and Eastern European countries "took place at a lightning speed" (De Boer and Goedegebuure 2003:219). However, despite the substantial international assistance, not all of the proposed reforms and projects were successful. Some were met by a fierce resistance from the academic community; while others were implemented with a "low awareness inside the institutions as well as the relevant government about the need

for and the aims of these reforms and without any long-term vision” (Mojsoska-Blazevski 2005:1). The latest changes that may have implications for institutions’ autonomy in near future concerned increased transparency, accountability and performance of the HEIs. These involved introducing measures that would prevent the employment of family members in the universities, introduction of mandatory self and student evaluations, strengthening the role of the rector and increased research performance by academics (MES 2011). The proposed legislative changes provoked academic protests in the country in February this year; however, despite the academics’ resistance they were still approved by the Parliament and are to come into force in September this year.

Based on Kyvik’s (2004) classification of the structure of higher education systems, the Macedonian higher education system is a unified system with universities and higher vocational schools that do not exist separately, but are part of the university system. While it was part of Yugoslavia, Macedonia had only two public universities. That number remained unchanged until 2001, when the first private university was established with the help of the international community, catering mainly to the Albanian population. Since then the number of institutions has grown substantially, due to the government's lowering of the barriers that prevented private institutions from entering the market. Given that Macedonia has a population of only two million people, of whom some 60,000 are students, the existence of 5 public and 11 private institutions (Table 4) suggests an existence of a considerable competitiveness among the institutions.

Table 4 - Number of higher education institutions in Macedonia

	1991	2001	2004	2011
Public universities	2	2	3	5
Private universities	0	1	1	5
Other private institutions	0	0	4	6
Total number of institutions	2	3	8	16

(Source: State statistical office 2011)

The number of students in the last twenty years also increased due to both an increased demand and government's policies to widen access and increase the number of individuals holding HE degree (Geramitcioski et al. 2005). According to the latest available data only 10 percent of the population hold a higher education degree, a situation largely attributed to a high drop-out rate (Center for Research and Policy making 2006). As it can be seen from the table below (Table 5), in the period from 1990 and 2008 the number for students more than doubled. The current participation rate of 40 percent shows that the Macedonian higher education system has moved from an elite to a mass higher education system.

Table 5 - Enrollments in higher education in Macedonia

	1990	2001	2004	2008
Total number of students	29 349	40 246	49 364	63 437
Number and percentage of public enrollments	29 349/100 %	39 452/98.1%	45 909/93 %	52 018/82 %
Number and percentage of private enrollments	0/0%	794/1.9 %	3455/7 %	11 419/18 %
Percentage of Gross enrollment ratio	18.6	24	28	40

(Source: State statistical office, Tempus Office data, UNESCO institute of statistics, OECD)

The massification of the system, as in many other countries, had implications for the future funding of universities. The level of government funding could not keep pace with the rising number of students and the additional staff needed to teach them. Besides this, Macedonia's investment in higher education is much lower than that of most European countries. On average, EU members devote 1.1 percent of their GDP to higher education (Linden et al. 2008), whereas Macedonia, in recent years, has dedicated only 0.5% of its GDP to higher education. An analysis of the governments HE budgets since 1992 shows a constant downward trend, leading to the conclusion that Macedonia's public universities are substantially underfunded (Table 6).

Table 6 - Percentage of GDP to education, higher education and R&D in Macedonia

	1992	2002	2003	2005
% of GDP to all education	5.2	3.5	3.49	3.4
% of GDP to higher education	1.4	0.5	0.44	0.4
% of GDP to R&D	0.23	0.26	0.08	0.11

(Source: World Bank, UNESCO institute for statistics, State statistical office, Stojanov and Galeska 2006)

The autonomy of the higher education institutions in Macedonia is guaranteed by the constitution of the independent Republic adopted in 1991 (Article 46) as well as by the legislation regulating higher education (Higher Education Law 2008, Article 11). According to the higher education law, autonomy comprises academic freedom, autonomous decision making, governance and non-violability of the university space (Article 2). In addition, the higher education law states that universities have the right to defend their autonomy in a court of law (Article 10), a right that the institutions have used on several occasions (Constitutional Court 2009, Dnevnik 2011). In addition to their legally protected status, universities are legal entities and hence have legal autonomy. At first glance, it appears that universities enjoy not only a formally granted autonomy but also have the legal means to defend it. However, when examined closely, the constitution is found not to elaborate on what this guaranteed autonomy actually means. Likewise, the higher education law guarantees the autonomy of institutions but also does not specify what this actually means. Therefore, in order to obtain a more accurate picture of the scope of institutional and financial autonomy in particular, it is necessary to make a more in-depth analysis of each specific element of financial autonomy, an issue which will be dealt with in the following section.

3.3. Internal allocation mechanism

In Macedonia, the funding for teaching and research is separate (Higher Education Law 2008). On the question of the HEI's autonomy in allocating public funds, the two higher education laws passed since independence are silent. Neither the 2000 law nor the 2008 one states whether or not the institutions are allowed to internally allocate public monies as they see fit (Higher Education Law 2000 and 2008). However, the university statutes, themselves approved by parliament, specifically say that the institutions have freedom in the usage of funds received from the government (Statute of Ss. Cyril and Methodius 2008). However, as the vice-rector revealed, the public funding is around 90 percent item-based, thus giving institutions only little room for maneuver. This finding was confirmed by the data from the UIS (UNESCO Institute for Statistics), which also show that the budget for teaching activities is predominantly item-based, with 89.1 percent earmarked for salaries, 1.1 for capital and 9.8 percent for other (UIS 2006). With the majority of funds allocated to staff salaries and maintenance, the remaining 9.8 percent that goes for "other" leave institutions with very little autonomy. This serves to illustrate that even in the most centralized systems, institutions have some degree of autonomy, just as there is a certain degree of centralization in the most marketised systems (Chevaillier 2002). In addition, the fact that there are differences in what the statutes of universities allow and what happens in practice suggests that the formal financial autonomy of HEIs is broader than their operational autonomy. Despite the passage of twenty years – and two laws on higher education – the allocation mechanism has remained largely unchanged.

The persistence of the itemised allocation mechanism in Macedonia opposite to the wider European trend may imply a lack of trust between the government and HEIs with the government's fear of corruption the dominant factor in their relationship. Since Macedonian society is infamous for its widespread corruption (EC 2009), the possible misuse of the government funds may explain why they are still apportioned in a centralized manner, leaving institutions with only a small degree of financial autonomy. One of the government's priorities, following the recommendations of EC and OECD is to fight corruption in all sectors and at all levels (EC 2009, EC 2005, OECD 2004). However, as the EC recommendation states (EC 2005:19): "in order to prevent misuse of public funds

and minimise the risk of fraud and corruption, it is essential that internal controls and audits are developed as soon as possible". This suggests that a better solution would be to develop better internal controls and audits rather than to constrain institutions' autonomy. However, as will be discussed later, these accountability requirements are still at the initial stages of introduction, and the fact that they do not function properly and efficiently may explain why the government is still using the measure of prevention: that is stricter ex-ante control over the use of public funds.

According to Chevaillier (2002), who wrote about the lack of changes in the allocation mechanism in French universities, the continued use of a particular model may indicate a reluctance on the part of the government to let go of a traditional system that has been in place for such a long time. Chevaillier (2002) further states that in order to instigate reforms in the allocation model and to allow for the shift from item-based to lump-sum funding to occur, institutions need to acquire the necessary financial knowledge and experience. A European Commission report (EC 2008) commenting on Macedonia's progress with its ongoing reforms, pointed out that one of the main obstacles to their implementation is a pervasive lack of relevant expertise – a situation attributed mainly to outdated HE curricula and their failure to adjust to changed labor market needs. In addition, since lump-sum funding is a marketised and deregulated allocation model (Ibid. 2002), the fact that market mechanisms in HE in Macedonia are still at introductory stage (Kuzmanoska and Popovski 2008) may explain why the government is hesitant to adopt this model.

However, in spite of the challenges that may arise as a result of an introduction of a new allocation model, the Macedonian government recognized the need for the traditional Yugoslav model to be modernized if Macedonia is to follow the path of Bologna and the EU (Stojanov and Galeska 2006). Therefore, the willingness to reform the funding system following the trend in most European countries is envisaged in the following year after consultation and knowledge is gathered on how to do so (Kurir 2011). In order to achieve this goal the government is aided by the expertise and funds of the World Bank (Ibid. 2011). Therefore, the prognosis for the future is that Macedonia will also move in the

direction of lump sum funding too, although there are lingering concerns about how quickly and how efficiently the reforms will be implemented.

In almost all countries in Europe, public funds are allocated to the university, which then disburses them to the individual faculties. Very few countries allocate the funds directly to the faculties, Macedonia being one of them and Serbia another. Croatia also used faculty allocations until 2007, when the practice was abolished and allocations to the university level were introduced (Estermann and Nokkala 2009). Although faculty allocations are still used in Macedonia today, there have been certain changes, encouraged by the European Commission program Tempus, that aimed to create integrated universities (European Commission Tempus 2007). However, according to the vice-rector, the success of these reforms was partial; the legal status of the faculties was abolished – thus making the university as a whole a single legal entity – but financing continued to be distributed at the faculty level, with each faculty keeping their own separate accounts. Several reports on higher education in Macedonia (OECD 2002, OECD 2004, Bonner et al. 2002, Linden et al. 2008) have emphasized the problems this practice poses for the coordination of the university as a whole and for the existence of a common university strategy. Also, the fact that the faculties are not located on a single campus but are scattered throughout the city may be another reason why this practice persists.

As for the criteria used to determine the amount of public funds allocated to HEIs, Macedonia continues to employ input-based funding (Higher education law 2008, World Bank 2008), unlike many countries, where the trend has been to adopt performance-based funding (Jongbloed 2008). However, the possibility of introducing performance criteria and performance-based funding has been discussed in talks between the government and the World Bank (Kurir 2011).

The freedom to accumulate reserves was something that Macedonian HEIs were not allowed to do until 2009, when changes in the Law on Budgets (2009) granted the institutions this right. However, despite being allowed to build reserves, institutions avoid this practice due to the existing additional rules that act as disincentives towards the actual use of this freedom. For instance, the vice-dean explained that if institutions decide to carry

over funds to the following year, they will be required to pay a 10-percent tax on the amount they carry over. Also, if they choose to cross-subsidize salaries with the carry-over, all the taxes associated with salaries, which amount to 50 percent of the gross salary, need to be paid too. As a result, faculties try to spend everything before the end of the fiscal year, fearing that if they don't they may get less funds the following year. Thus, since institutions are unable to retain surplus public funds, they are, in effect, encouraged to behave wastefully and inefficiently.

3.4. Buffer organizations

Within Yugoslavia, it was the practice for Macedonian institutions to receive their public funds via an intermediary organization. With the disintegration of Yugoslavia, this funding council ceased to exist, but its revival has been part of the higher education debates in Macedonia for more than ten years. Thus the 2000 higher education law, the first passed by an independent Macedonia, created the legal conditions for a funding council to be established, but to this day the council exists only on paper (Alfa TV 2010). Once again, this underlines the fact that there is a discrepancy between the higher education law and real practice. The academic community has repeatedly demanded from the government to set up the council, pointing out that under the law of 2000 and the law of 2008 that replaced it, the government has the legal obligation to do so (Nova Makedonija 2011). The Macedonian academics have placed tremendous optimism in an existence of a funding council hoping that it will solve many of the problems associated with the financing of Macedonian higher education, as well as preserve institutions' autonomy (University newspaper 2009). This belief held by the academics is based on the higher education law (2008, Article 82) that specifies that the majority of the council members are to be academics: that is fifteen members from academia elected by the rectors conference, five government nominees, one trade union representative, one student and one external representative. Furthermore, the higher education law states that the council will function independently from the Ministry. In addition, the fact that the members will not be only ministry representatives means that academics will have more influence in the way HEIs are funded. Whether this will be the case remains to be seen. Meanwhile, the government, aided by the expertise of the World Bank is expected to initiate a comprehensive funding

reform in the coming year and perhaps the question of the funding council will be finally solved.

3.5. Tuition fees

In 1991 while still part of Yugoslavia, institutions in Macedonia and the other republics were allowed to charge tuition fees to the part time and postgraduate students with government approval on the amount charged (Soljan 1991). However due to the high inflation and the financial crisis that hit Yugoslavia at the end of the eighties made the government and HEIs consider the implementation of co-financing in near future (Uvalić-Trumbić 1990). Few years after the independence of Macedonia, this idea of co-financing was partially introduced as education was still free for a small number of students (called public quota students) while the majority (called private quota students) were paying small fees (Kuzmanovska and Piperkoski 2008). The students' quotas was merit-based and competitive; the students that achieved the highest scores on the entrance exams could study for free, while those with lower scores had to pay. Thus, this period that lasted until 2002 was a transitional period, typical for post-communist countries (Johnstone 2006:56) with the objective to retain free education on the one hand, and to charge tuition fees on the other. In 2002, the HEIs, with government's approval were allowed to introduce tuition fees for all students, but did not abolish the mix of a small public quota and a much larger private quota. From 2002 until 2010 tuition fees were slowly, but constantly rising and faculties were allowed to charge differential fees based on the academic program ranging from 200 for the public to 1200 Euros for the private quota. However, in 2010, the government decided to introduce a flat fee of 200 Euros for the public quota and 400 Euros for the private quota, for all universities and all academic programs (MES 2010). This decision was taken without any prior consultation and incurred considerable disapproval from the HEIs.

The issue was a hot debate at the time, with both ardent proponents and opponents to the decision. The government's stand on the issue was that the initiative was undertaken in order to meet the needs of the students as well as make higher education more accessible and thus increase the number of highly educated individuals in the country (MES 2010).

Moreover, the ministry's statement maintained that the decision followed the example of countries such as Check Republic, Norway and Sweden which have much higher standards of living than Macedonia, but still maintain free higher education. In addition, the government claimed that Macedonian institutions were charging the highest tuition fees in the region (Ibid. 2010). For their part, the institutions argued that the already small government subsidies, combined with a 35 to 70 percent reduction in tuition fees (Ibid. 2010), will seriously undermine the quality of the institutions and their ability to survive. During the period of highest tuition fees, tuition was HEIs major source of revenue, with institutions using it to cover close to 70 percent of their costs (Nedanovski 2009). The recent lowering of tuition fees, combined with the inadequate government subsidies, not only places universities in a severe financial crisis but also erodes their financial autonomy.

While most other European countries are embracing the concept of cost sharing (Teixeira et al. 2004) or increasing tuition fees (Johnstone et al. 2006), the Macedonian government has decided to lower them. With other countries going in the opposite direction, a valuable question to be asked is why the Macedonian higher education is going against the grain? Considering the fact that the government had already allowed institutions to gradually increase fees few years ago, this particular decision to lower them indicates reversal of policies. Taking into account, the country's aspiration to follow Bologna and join the European Union (Government of the Republic of Macedonia 2004), it is very probable that tuition fees will have to be increased again in the years to come.

One peculiar feature of the Macedonian case regarding the tuition fees is that the government starting from 2010 has decided to hold institutions accountable for the way they spend this money. The current Minister of Education, in a statement given for the media (Sitel 2010) even accused HEIs of misusing the money gathered from tuition fees by allocating them for extra professorial salaries. In order to ensure that they will not do the same in the future, changes were made to the HE law of 2008, stating that 40 percent of tuition revenues will have to be devoted to research and capital investments. The government's argument for the need of these changes was justified by the fact that institutions have not demonstrated enough that they have invested these additional funds back to the university's improvement, for instance the lack of laboratories for students

leads to a curricula mainly based on theory, without it being supplemented by practice (Institute for Economic strategies and international relations 2010). This clearly illustrates the strained relationship between the government and the HEIs, with the government trying to tighten its control, and HEIs responding by protesting and defending their autonomy. To conclude, there are no differences between the HE law and the reality with respect to tuition fees. The law allows institutions to charge tuition, and in practice they do so, subject to government approval of the amount charged for undergraduate instruction. Institutions have more freedom when it comes to postgraduate education, where they can determine the amount they charge. Law and practice have thus changed over the last twenty years, with the trend being towards decreased financial autonomy. In the past, institutions were allowed not only to charge tuition fees, but also had complete control over their amount. In 2010, the government chose to abolish this aspect of financial autonomy.

3.6. Generation of external funds

The ability of institutions to establish contracts with outside organizations was encouraged even in times of Yugoslavia (Soljan 1990) when the links between HE, industry and labor market needs were particularly strong (Ibid 1990). In fact, this is one of the features that characterized socialist regimes “who had tried to relate higher education to the perceived needs of society to the extent unknown in the history of university and is something that the West can learn from the recent Eastern European history” (Tomusk 2000:184). This practice continued in Macedonia after independence, but was done at the faculty level. It received formal recognition in the higher education laws of 2000 and 2008. What this means is that faculties or individual faculty members can enter into contracts with industry and thus enlarge their budgets. The implications of this practice done at the faculty level is that certain faculties are more successful in attracting revenues than others; for instance the technical sciences are always having more opportunities of this kind than the humanities.

However, as mentioned earlier, although the institutions are formally free to attract external funds, in practice that freedom may be constrained by requirements imposed from outside. For instance, under amendments to the latest higher education law (2008),

institutions are compelled to use 40 percent of their extra incomes for training and professional development of their staff, an expense which had previously been met by the education ministry. Academics see this as interference in their financial autonomy, while the government's view is that this provision will teach institutions to make more efficient use of their financial resources and encourage them to assume responsibility for their own development.

In Macedonia, the higher education law states that the universities have the status of legal entities and own their land and buildings as well as the financial resources they acquire through this property (HE law 2008, article 88). In addition, institutions can create their own companies and, with government approval, sell the property. However, institutions report that when it comes to spending the proceeds from land and buildings, these rights are constrained by the government. According to the vice-rector, the revenues from property must go into a separate bank account and can only be spent on infrastructure investment and renovation. To conclude, this last dimension of financial autonomy does not show differences between formal and operational autonomy. Although Macedonian institutions have always been allowed to exercise this freedom, the last few years show some changes in this dimension and concern the introduction of certain restrictions in the way institutions can spend this money.

The dimensions of financial autonomy that is internal allocation mechanism, buffer organisations, tuition fees and generation of external funds in the context of Macedonia were already discussed from two perspectives: from the perspective of formal and operational autonomy and from the perspective of changes in relation to each of these in the last two decades.

With respect to the analysis on the scope of formal and operational autonomy of Macedonian HEIs, a mismatch was found to exist in two of the dimensions of financial autonomy; that is freedom to allocate public funds and buffer organisations (Table 7).

Table 7 - Formal and operational autonomy in Macedonia

	Freedom to allocate funds	Buffer organisations	Freedom to set and determine tuition fees	Generation of external funds
Formal autonomy	+	+	+/-	+/-
Operational autonomy	-	-	+/-	+/-
Discrepancy	yes	yes	no	no

Legend: +have autonomy; -hardly any autonomy; +/- have autonomy in some aspects

In this respect, the findings indicate that the freedom granted by the higher education law is limited in practice. This finding confirms what literature pointed out; that the existence of formal financial autonomy does not automatically mean that this autonomy will be manifested in the same way in practice.

The evolution of financial autonomy in Macedonia was considered from the period of the country's independence in 1991 until the present. For comparative purposes these two decades were divided in three time periods; from 1991 until 2000, 2000 until 2008 and 2008 until present. This specific division was purposeful as these three periods refer to the existence of different HE contexts. This was done in order to see whether the evolution of the dimensions of financial autonomy followed the legal changes and the changes in the government-university relationship. In this regard, 1991-2000 was the decade that shows a continuation of Yugoslavian practices and the government's non-involvement in HE. The period from 2000 until 2008 was the period when the first HE law of independent Macedonia was passed and the government became more involved in HE. The latest period from 2008 and 2011 was the period when the second higher education law was adopted and the when the government's influence became even more pronounced. However, despite of the expectation to encounter more changes, the results were somewhat surprising as it was found out that except for tuition fees and certain recent limitations on the spending of external funds, Macedonia does not show much development in financing matters in the last two decades (Table 8). However, there are indications that this may happen in near future as comprehensive funding reforms are announced by the government.

Table 8 - Evolution of financial autonomy from 1991-2011 in Macedonia

	Freedom to allocate funds	Buffer organisations	Freedom to set and determine tuition fees	Generation of external funds
1991-2000	-	-	+	+
2000-2008	no change	no change	+	no change
2008-2011	no change	no change	+/-	+/-

Legend: +have autonomy; -hardly any autonomy; +/- have autonomy in some aspects

In addition to the analysis of the main dimensions of financial autonomy in Macedonian context, an analysis of financial accountability as a related concept of financial autonomy was carried out. This was done in order to see whether financial accountability exist and whether it constrains autonomy. The financial accountability requirements from the Macedonian HEIs will be explored in the following section.

3.7. Financial accountability

According to the laws of 2000 and 2008, each faculty has its own separate bank account and is required to submit annual financial reports to the university senate. The same data was confirmed by the vice-rector who said that the senate further discusses the faculties' reports and makes a consolidated financial report for the university as a whole. After that the university report is forwarded to the Central Register where the financial reports of all of the public institutions are kept. Regarding the financial audits, the vice-dean said that these are conducted by the State Audit Office which functions under the jurisdiction of the Ministry of Finance, with a government budget and auditors with a civil servant status.

The higher education laws and the universities' statutes on the other hand do not mention anything about accountability, financial control or financial audits and none of these words appear there at all. This serves to confirm the widespread notion among the public that all of the public institutions, including HE are characterized by a lack of accountability (Center for Civil Communications 2009, Deutsche Welle 2011). An EC report (2008) also pointed out to need of setting up adequate systems of financial control for the public

institutions, as well as create a culture of transparency and accountability in the country. In fact, it was only in 2009 when the concept of accountability was first introduced, even accompanied with difficulties in finding an appropriate word for it in the Macedonian language.

The reason for this situation may be the fact that the functioning of the State Audit office started in 1999 with only nine employees, while the first State Audit Law was enacted only in 2005 (State audit office 2011). At the moment, there are only 36 auditors responsible for the auditing of all of the public institutions in the country. The small number of auditors suggests that the audits are irregular, inconsistent and conducted on an ad hoc basis. For instance, 2010 was the year when all of the public universities and faculties were audited (Sitel 2010) and it is unknown when the next audit will occur.

Although accountability mechanisms in higher education in Macedonia have begun to be introduced, in order to turn them from a formality to a more efficient means of revision, the number of auditors needs to be increased and the audits need to be conducted on a more regular basis (EC 2008). In this regard, the conclusion from the Macedonian case, relevant for an international audience and confirming the theory in Chapter 2 is that even in most centralized systems with a low degree of financial autonomy, abuses of financial autonomy are possible if this autonomy is not counterbalanced with accountability.

Regarding the discussed dimensions of financial autonomy in Macedonia it can be concluded that the current operational financial autonomy of Macedonian HEIs shows hardly any autonomy with respect to internal allocation of public funds and existence of buffer organizations and limited autonomy in respect to tuition fees and generation of external funds. Concerning the accountability requirements from the Macedonian HEIs, the data suggests that the existing accountability mechanisms do not constrain financial autonomy. On the contrary, they need to be better developed and turned into a regular practice.

When it comes to the relationship between the government and HEIs in Macedonia, it can be concluded that this relationship is characterised by tension and mistrust, with each side

viewing the other as a threat. The government favors re-regulation, especially after a decade of extreme and often abused autonomy and retorts that institutions are using the issue of autonomy in order to avoid responsibility and accountability. Institutions, on the other hand, have responded with protests and claims that their autonomy is under constant threat. Given their confrontation, the national strategy for HE calls for the issue to be debated further, with the main goal being the drafting of a mutually acceptable definition of autonomy (Geramitcioski et al. 2005). Considering that the highest priority for the government is Macedonia to become part of the EU and the fact that the EU requirements, Bologna and the international aid projects aim towards the common goal of granting institutions wider financial autonomy, it is expected that Macedonia will follow this path too regardless of all the challenges and current realities.

4. Conclusions

“A conclusion cannot be definitive when the reality on which it comments is changing so rapidly”.

Robert Cowen

The main concern of this thesis was to answer the question of how much freedom higher education institutions in Macedonia have in relation to the main dimensions of financial autonomy. Given the qualitative nature of the study, a separate description and analysis of each of the dimensions was carried out. Having this in mind, the study aimed to find answers for each of the dimensions of financial autonomy: that is freedom to distribute the public funds, existence of buffer organizations, freedom to set and determine the sum of tuition fees and freedom to generate external funds and in the end make conclusions about each of these aspects. These dimensions were in turn explored from two standpoints; that is from the standpoint of the HE legislation and from the standpoint of the higher education institution's autonomy in practice. The main aim in doing this was to investigate whether there are any discrepancies between the two. In addition to the main dimensions of financial autonomy, the study explored the financial accountability requirements that the higher education institutions are expected to fulfil. At the end, the study considered the findings comparatively in relation to the changes in the dimensions of financial autonomy in Macedonia in the last two decades and in relation to the main European trends.

The findings revealed that the HEIs in Macedonia have more formal than actual autonomy thus showing inconsistencies between the law and practice. This was revealed to be the case in half of the dimensions of financial autonomy: that is freedom to allocate public funds and existence of a buffer organisation. In this respect, the findings of the current study are consistent with the literature review that called attention to the fact that the existence of autonomy in legislation is not by itself a guarantee that autonomy will exist in practice. These findings further support the idea that the initial distinction between formal and operational autonomy at the beginning of the study was justified and that future studies should take this distinction into account too. Moreover, the literature review also

mentioned that this discrepancy is even more pronounced in transitional countries that are characterized by an existence of formal rules that are not usually followed in reality. In this regard, the example from Macedonia also supports this observation. The continuing existence of a situation where the financial autonomy on paper is higher than the autonomy in practice may justify and further increase the distrust that the HEIs in Macedonia have towards the government.

Regarding the current financial autonomy experienced in real practice, it was concluded that Macedonian HEIs have hardly any autonomy in relation to the distribution of public funds and the existence of buffer organizations, while in relation to other two dimensions that is tuition fees and generation of external funds, institutions show some degree of autonomy. The knowledge and evidence gathered about the present degree of financial autonomy in Macedonia could prove useful for the higher education institutions, the government and other internal and external actors and policy-makers to make informed decisions concerning the future changes. Given that financing reforms are expected in the following year, this study identified the current state of affairs and pointed out to the areas where increase of financial autonomy could be aimed for.

When it comes to the changes in relation to each of the dimensions of financial autonomy, it was found that, with the exception of tuition fees and generation of external funds, there has been scant reform in the last two decades in the way Macedonia funds its higher education. Although it was shown that Macedonian higher education has undergone massive changes since 2001, the area of financial autonomy in particular does not seem to be affected by these changes. The fact that there are only slight changes in the dimensions of financial autonomy implies that the time for these reforms has not yet come. Taking into account that the changes in financing matters require knowledge, commitment and existence of necessary institutional capacities may mean that more time is needed for the Macedonian HE to adjust to the changes happening Europe-wide. The fact that the World Bank supports these efforts, it is expected that more changes will be manifested in near future.

As for the existing accountability procedures, the study revealed that Macedonia has just started to introduce accountability mechanisms in higher education. In order for Macedonia to follow the footsteps of the most European countries where accountability demands are well in place, Macedonia needs to improve and strengthen these mechanisms. This is essential if accountability measures are to fulfil their role of balancing autonomy. Without accountability mechanisms, the previously mentioned situation of extreme and abused autonomy may continue to exist. In addition, the development of appropriate accountability mechanisms could solve the current tension between government's regulation and institutions' autonomy. Perhaps then the government will not insist on such a detailed ex-ante control but will only focus on outcomes. HEIs from their part could learn that autonomy is not absolute, but that increased autonomy goes hand in hand with increased responsibility.

After the analysis of the situation in Macedonia, this study positioned Macedonia in a European context. Unlike other European countries, which predominantly use lump-sum budgeting, Macedonia distributes its HE funds on an itemized basis, a practice which is characterized by lesser autonomy. In this respect, Macedonia shows divergence with the main European trends. European HEIs also operate with degree of constrained autonomy inasmuch as financial buffer organizations are as rare in Europe as they are in Macedonia. When it comes to the freedom to set tuition fees, Macedonia shows convergence with most of the European countries that have limited autonomy in this respect since they are allowed to charge tuition fees, but their amount is set by the government. Macedonia follows the dominant European model in allowing its HEIs to raise external funds only to some extent, due to the fact that certain limitations in the exercise of this freedom exist. In sum, in comparison to the main European trends, Macedonia shows similarities in certain aspects and differences in others. However, in total it appears that it displays more similarities than differences suggesting that Macedonia is slightly more converging than diverging with the rest of Europe (Table 9).

Table 9 - Comparison of the main dimensions of financial autonomy between Macedonia and Europe

	Freedom to allocate funds	Buffer organisations	Freedom to set and determine tuition fees	Generation of external funds
Macedonian trend	-	-	+/-	+/-
European trends	+	-	+/-	+
Similarities	no	yes	yes	yes/no

Legend: +have autonomy; -hardly any autonomy; +/- have autonomy in some aspects

The differences found between the Macedonian and the European trends are not that surprising given the different background that Macedonia comes from and the different legacies it inherited from the past. Although the initiated reforms aiming to bring Macedonia closer to the other European countries occurred at a very fast rate, these were achieved with varying degrees of success. Starting the reforms much later than many European counterparts explains why Macedonia is still in the process of catching up. However, in spite of the differences, more similarities were found which suggests that Macedonia as every country around the world is not immune to the effects of internationalisation and globalisation which make higher education systems around the world show increasing similarities.

In addition, given the increased influence of the European dimension in higher education, it is expected that in near future Macedonia will show even more convergence with the rest of Europe. The consequences of not moving closer to fulfilling all of the dimensions of financial autonomy are that institutions will remain in financial crisis and will not be able to compete at international scale.

One of the aims of the research was to show that valuable and relevant policy conclusions can be derived from studying the issue of financial autonomy in another, typically neglected context. In this respect, it was shown that Macedonia is experiencing certain difficulties in breaking away from the past. It may therefore serve as a lesson, suggesting

that transitional post-socialist countries need to be given more time to implement reforms that, from their historical perspective, are extremely radical. However, as the funding reforms are aided by the World Bank and since accession to the EU and implementation of the Bologna process recommendations are the highest priority of the country, it is expected that in the near future Macedonia will move even closer to the trends in the other European countries. This prediction is also supported by other scholars who have studied the impact of the Bologna reforms and have shown that there is an increased tendency in Europe towards a convergence to a common model (Dobbins and Knill 2009).

The contribution of this thesis to higher education theory and research is that this study is one of the very few attempts to critically discuss and analyse the dimensions of financial autonomy as well as further operationalise them for empirical study. The existing studies do not compare the dimensions used by different authors nor try to explain their differences and similarities. This study took into account several authors' perspectives and demonstrated that their differences are not as great as they appear at first sight. When looked more closely, most of the dimensions mentioned by the different authors overlap. This does not seem obvious given that different authors name same dimensions differently and apply wider or narrower scope of analysis. In addition, the dimensions mentioned by certain authors and not by others seem to confirm that when applying the dimensions in different contexts, some of the dimensions become more relevant to discuss than others.

4.1. Limitations

One of the limitations of this study is that it did not consider the financial autonomy of HEIs in all financial aspects, but only in those aspects that the literature considered most relevant. Hence, some aspects that may be particularly important for other countries may have been omitted. Another limitation of the study is related to the fact that the concept of financial autonomy which like the overall concept of institutional autonomy, is changing very rapidly. For that reason, the findings presented in this study may not be valid a few years from now. In Macedonia specifically, with proposals for funding reforms expected by the end of this year, the present situation may change drastically and quickly. An additional limitation is that the study analyzed all Macedonia's five public universities at

the system level. Despite their small number, there may be minor variances among the institutions regarding the different dimensions of financial autonomy; however, for the purposes of this study, these variations were not taken into account. In addition, for comparative purposes, the summary of trends concerning the various dimensions of financial autonomy reflect the major tendencies in Europe. Hence the study may not have done justice to the variations and diversity that exist within Europe.

4.2. Suggestions for further research

The question of financial autonomy could be studied in a quantitative manner when an index of financial autonomy could be created to measure the degree of financial autonomy. In addition, perceptions of financial autonomy held by the academics could be explored. Once the funding reforms are implemented in Macedonia, another study could assess the impact that these reforms have had on the level of financial autonomy. Similarly, another study could explore the influence of international financial aid projects on the increase in financial autonomy in particular and institutional autonomy in general. More comprehensive studies could explore all of the dimensions of institutional autonomy together and then draw conclusions about other aspects of autonomy that were not covered in this study. Additional studies might also explore the issue of financial autonomy not only in relation to the government but in relation to other actors that HEIs are increasingly asked to respond to. In addition, the issue could be studied at different levels of analysis than this study, namely at the institutional level or the department level. Financial autonomy could also be studied in relation to other concepts such as level of marketization of HE, its effect on performance, diversification of resources, effects on quality, etc.

References

- Albornoz, O. (1991) Autonomy and accountability in higher education. *Prospects*, 21(2), pp.204-213
- Alfa TV (2010) The funding council is not created yet. Accessed on 01.03.2011
<http://vesti.alfa.mk/default.aspx?mid=36&eventid=25825>
- Alexander, F.K. (2000) The changing face of accountability: monitoring and assessing institutional performance in higher education. *The Journal of Higher Education*, 71(4), pp.411-431
- Amaral, A. and Magalhães, A. (2001) On markets, autonomy and regulation, the Janus head revisited, *Higher Education Policy* 14(1),pp. 1–14.
- Anderson, D. and Johnson, R. (1998) *University Autonomy in Twenty Countries*. Commonwealth of Australia
- Askling, B., Bauer, M. and Marton, S. (1999) Swedish Universities Towards Self-Regulation: A new look at Institutional Autonomy. *Tertiary Education and Management*, 5, pp. 175–195. Kluwer Academic Publishers. Netherlands
- Barr, N. (2003 - 4th edition), Higher education. In *Economics of the welfare state*, Oxford: Oxford University Press, pp. 321-345
- Berdahl, R. (1990) Academic freedom, autonomy and accountability in British universities. *Studies in higher education*, 15(2),pp.169-180
- Bladh, A. (2007) Institutional Autonomy with Increasing Dependency on Outside Actors. *Higher Education Policy*, 20, pp. 243–259. International Association of Universities
- Blaikie, N. (2000) *Designing social research: the logic of anticipation*. Polity Press
- Bleiklie, I. (2006) Policy regimes and policy making. M. Kogan, M. Bauer, I. Bleiklie and M. Henkel (eds.), *Transforming Higher Education: A Comparative Study* (Second Edition), pp.39–68.
- Bonner, C.S., Herschbach, D. R. and Rifkin, N. (2002) Education for Change: Changing Education. Recommendations to USAID/Macedonia for Assisting Macedonia's Reform of the Education Sector. USAID
- Brennan, J. (2005) Reform and transformation following regime change. In I. Bleiklie and M. Henkel (eds.), *Governing Knowledge*, pp.49-63.
- Browne, J. et al. (2010) Securing a sustainable future for higher education: an independent review of higher education funding and student finance. Independent. UK

- Bovens, M., Hart, P. and Peters, B.G. (2001) *Success and failure in public governance: a comparative analysis*. Edward Elgar Publishing Limited
- Center for Civil Communications (2009) Insufficient transparency and accountability of the public institutions for public procurements. Translated from Macedonian. Accessed on 10.06.2011
http://www.ccc.org.mk/index.php?option=com_content&view=article&id=74%3A2009-12-30-14-23-06&catid=7%3Avesti&Itemid=4&lang=mk
- Center for Research and Policy Making (2006) *Private or public education, Is there fair competition? Accreditation of private universities in Macedonia*. Skopje.
- CHEPS Consortia (2009) *Progress in higher education reform across Europe: Governance Reform*. Volume 1: Executive Summary and main report. European Commission
- CHEPS Consortia (2009) *Progress in higher education reform across Europe: Funding Reform*. Volume 1: Executive Summary and main report. European Commission
- Chevallier, T. (2002) University governance and finance: The Impact of Changes in Resource Allocation on Decision Making Structures in A. Amaral and G. Jones (eds) *Governing Higher Education: National Perspectives on Institutional Governance*, Dordrecht: Kluwer Academic Publishers, pp.87-98.
- Chiang, L.C. (2004) The relationship between university autonomy and funding in England and Taiwan. *Higher Education*, 48, pp.189–212
- Christensen, T. and Læg Reid, P. (2004) Governmental autonomisation and control: The Norwegian Way. *Public Administration and Development*, 24, pp. 129-135
- Clark, B. (1983) *The higher education system: academic organization in cross-national perspectives*, University of California Press, Berkeley, California
- Clark, B. (1998). *Creating Entrepreneurial Universities: Organizational Pathways of Transformation*. Oxford: Pergamon Press.
- Constitution of the Republic of Macedonia (1991) Official Gazette of the Republic of Macedonia
- Constitutional Court (2009) Decision of the Constitutional Court. Accessed on 22.06.2011
<http://www.ustavensud.mk/domino/WEBSUD.nsf/ffc0feee91d7bd9ac1256d280038c474/4be1ed0c9213e0e0c12576b600581942?OpenDocument>
- Council of the European Union (2007) Council Resolution on Modernizing universities for Europe's competitiveness in a global knowledge economy. Brussels
- Darling, A.L., England, M.D., Lang, D.W. and Lopers-Sweetman, R. (1989) Autonomy and control: a university funding formula as an instrument of public policy. *Higher Education* 18, pp.559-583

de la Rosa, A.R. (2007) Institutional Autonomy and Academic Freedom: A Perspective from the American Continent. *Higher Education Policy*, 20, pp. 275–288. International Association of Universities

De Boer, H. and Goedegebuure, L. (2003) New Rules of the Game? Reflections on Governance, Management and System Change,. In: File, J. & Goedegebuure, L. (eds.) *Real-Time Systems*. CHEPS/ VUTIUM. pp. 207-234.

De Boer, H., Enders, J. and Schimank, U. (2008) Comparing Higher Education Governance Systems in Four European Countries. In: N. C. Soguel and P. Jaccard (eds.), *Governance and Performance of Education Systems*, pp.35–54.

Deutsche Welle (2011) Where do the money from the Macedonian budget go? Accessed on 20.05.2011

http://www.dw-world.de/dw/article/0,,15041049,00.html?maca=maz-TB_maz_TVA1-3119-html-cb

Dill, D.D. (2001) The regulation of public research universities: changes in academic competition and implications for university autonomy and accountability. *Higher Education Policy*, 14, pp.21-35.

Dnevnik Newspaper (2011) East and West. Translated from Macedonian. Accessed on 20.06.2011

<http://www.dnevnik.com.mk/default.asp?ItemID=942DF8C2B131C346A7AFDA6A5EB84DA6>

Dnevnik Newspaper (2011) The Law on Higher Education in front of the Constitutional court. Accessed on 22.06.2011

<http://www.dnevnik.com.mk/default.asp?ItemID=8F9EA3AE8DDF904B8DE83DCE3DBB6DA5>

Dobbins, M. and Knill, C. (2009) Higher Education Policies in Central and Eastern Europe: Convergence toward a Common Model? *Governance: An International Journal of Policy, Administration, and Institutions*, 22(3), pp.397–430.

Dominicis, L., Perez, S.E. and Fernandez-Zubieta, A. (2011) European University Funding and Financial Autonomy. A study on the degree of diversification of university budget and the share of competitive funding. European Commission. Spain.

Eicher, J.C. and Chevallier, T. (2002) Rethinking the Financing of Post-Compulsory Education. *Higher Education in Europe* vol. 27, N.1-2, pp.69-88

Enders, J. (2005) Higher education in times of discontent? About Trust, Authority, Price and Some Other Unholy Trinities. In I. Bleiklie and M. Henkel (eds), *Governing Knowledge*, pp. 31-48. Springer. Netherlands

Estermann, T. and Nokkala, T. (2009) *University Autonomy in Europe I: Exploratory study*. European University Association

Estermann, T. and Pruvot, E.B. (2011) *Financially sustainable universities II. European universities diversifying income streams*. European University Association

European Commission (2005) Analytical Report for the Opinion on the application from the former Yugoslav Republic of Macedonia for EU membership. Brussels. Accessed on 05.05.2011
http://ec.europa.eu/enlargement/archives/pdf/key_documents/2005/package/sec_1425_final_analytical_report_mk_en.pdf

European Commission (2006) Communication from the Commission to the Council and the European Parliament. Delivering on the Modernisation Agenda for Universities: Education, Research and Innovation. Brussels. European Commission

European Commission (2008) *The Former Yugoslav Republic of Macedonia 2008 Progress Report. Enlargement Strategy and Main Challenges 2008-2009*. Brussels

European Commission (2009) Communication from the Commission to the European Parliament and the Council. Enlargement strategy and main challenges 2009-2010. Brussels

European Commission (2011) The former Yugoslav Republic of Macedonia. Accessed on 10.06.2011
<http://ec.europa.eu/esf/main.jsp?catId=390&langId=en>

European Commission Tempus (2007) Promoting a model of Integrated University in the FYROM. Accessed on 04.03.2011
<http://www.unica-network.eu/project/prium-promoting-a-model-of-integrated-university-in-the-fyrom-tempus-jep>

European University Association (2008) *Financially sustainable universities: towards full costing in European universities*. European University Association. Brussels.

European University Association (2011) Impact of the Economic crisis on European Universities. EUA. Accessed on 30.06.2011
http://www.euaconvention.org/News/11-01-07/Impact_of_the_economic_crisis_on_European_higher_education_EUA_publishes_latest_update_ahead_of_major_new_report.aspx

Eurydice (2008) *Higher education governance in Europe. Policies, structures, funding and academic staff*. Eurydice. Brussels.

Felt, U. (2003) *University Autonomy in Europe: Changing Paradigms in Higher Education Policy*. Bologna: Magna Charta Observatory

- Fielden, J. (2008) *Global Trends in University Governance*. The Education Working Paper Series 9. The World Bank
- Frazer, M. (1997) Report on the Modalities of External Evaluation of Higher Education in Europe: 1995-1997. *Higher Education in Europe*. 22(3), pp.349-401
- Geddes, A. (1990) The quest for institutional autonomy in the Dutch higher education Sector. *Higher Education*, 20, pp.1-10
- Geramitcioski, T. et al. (2005) National program for the development of education in the Republic of Macedonia 2005-2015. Ministry of education and science of the Republic of Macedonia
- Goedegebuure, L., International Association of Universities, Centrum voor Studies van het Hoger Onderwijsbeleid (1993) *Higher education policy: an international comparative perspective*. Pergamon Press
- Gornitzka, Å. (1999) Governmental policies and organizational change in higher education, *Higher education*, 38, pp. 5-21, Kluwer Academic Publishers, Netherland
- Government of the Republic of Macedonia (2004) National strategy for the Integration of the Republic of Macedonia in the European Union. Sector of European Integration. Skopje
- Government of the Republic of Macedonia website (2011) The lowering of tuition fees one of the best solutions by the MES. Translated from Macedonian. Retrieved 20.06.2011
<http://www.vlada.mk/?q=node/5625>
- Hantrais, L. (1996) *Cross-national research methods in the social sciences*. Biddles Ltd. UK
- Herbst, M. (2006) *Performance Based Funding*. Springer. Dordrecht
- Higher Education Law (2000) Official Gazette of the Republic of Macedonia, Number 64
- Higher Education Law (2008) Official Gazette of the Republic of Macedonia, Number 35
- Institute for Economic Strategies and International Relations (2010) *Leadership Monitoring. Report on the realization of the Government's Program activities 2010*. Ohrid. Translated from Macedonian.
- International Monetary Fund (2011) IMF country report. Former Yugoslav Republic of Macedonia: Selected Issues. International Monetary Fund. Washington D.C. Accessed on 11.06.2011
<http://www.imf.org/external/pubs/ft/scr/2011/cr1133.pdf>
- Jongbloed, B. (2003), Marketisation in higher education, Clark's triangle and the essential ingredients of markets. *Higher Education Quarterly*, 57 (2), pp. 110-135

- Jongbloed, B. (2004) Deregulation and competition in higher education. In Teixeira, P., Jongbloed, B., Amaral, A., and Dill, D. (eds) *Markets in Higher Education – Rhetoric or Reality?*; Dordrecht: Kluwer. pp. 87-111
- Jongbloed, B. (2004) Funding higher education: options, trade-offs and dilemmas. Paper for Fulbright Brainstorms
- Jongbloed, B. (2009) Funding of Higher Education – A View from Europe; CNC: Brasilia
- Johnstone, B. D. (1998) The Financing and Management of Higher Education: A Status Report on Worldwide Reforms. World Bank
- Kaisser, F., Vossensteyn, H. and Koelman, J. (2002) Public funding of higher education. A comparative study of funding mechanisms in 10 countries. CHEPS
- Kells, H.R. (1994) Performance indicators for Higher education: A Critical Review with Policy Recommendations. In J. Salmi & A.M. Verspoor (Eds) *Revitalising Higher education*. International Association of Universities and Elsevier Science LTD
- Kent, R. (2005) The changing role of the state in Mexican higher education: from the crisis of ineffectual populism to new forms of system coordination. In *Reform and Change in Higher education: Analyzing policy implementation*. Springer
- Koelman, J.B.J. (1998) The funding of universities in the Netherlands: Developments and Trends. *Higher education*, 35, pp. 127-141
- Kogan, M. and Marton, S. (2006) The State and Higher Education: Changes in the Role of the State and the Place of the Universities within it. In M. Kogan, M. Bauer, I. Bleiklie and M. Henkel (eds.), *Transforming Higher Education: A Comparative Study* (Second Edition), pp.69–84.
- Kohtamäki, V. and Lyytinen, A. (2004) Financial autonomy and challenges to being regionally responsive higher education institution. *Tertiary Education and Management*, 10, pp. 319–338
- Kohtamäki, V. (2009) *Financial Autonomy in Higher Education Institutions- Perspectives of Senior Management of Finnish AMK Institutions*. Tampere University Press
- Kohtamäki, V. (2011) How do Higher Education Institutions Enhance their Financial Autonomy? Examples from Finnish Polytechnics. *Higher Education Quarterly* (Forthcoming)
- Kurir (2011) European trends in higher education. Accessed on 20.06.2011
<http://kurir.mk/makedonija/vesti/14647-Evropski-trendovi-vo-visokoto-obrazovanie>
- Kuzmanoska I. and Piperkoski I. (2008) Changes in the Macedonian higher education governance- system and institutions: policy, politics, dilemmas and tensions. Paper presented at 2nd International RESUP Conference. Lausanne June 2009.

Kuzmanoska, I. and Popovski, Z. (2008) Rethinking governance – trends, policies, policy options. UNESCO. Accessed on 15.06.2011
http://portal.unesco.org/education/en/files/58133/12258165315Kuzmanoska_and_Popovski.pdf/Kuzmanoska%2Band%2BPopovski.pdf

Kyvik, S. (2004) Structural Changes in Higher Education Systems in Western Europe. *Higher Education in Europe*, 29(3), pp.393-409

Law of Budgets (2009) Official Gazette of the Republic of Macedonia

Lægreid, P., Verhoest, K. and Jann, W. (2008) The Governance, Autonomy and Coordination of Public Sector Organizations. Springer

Linden, T., Arnhold, N. and Vasilev, K. (2008) From fragmentation to cooperation: Tertiary Education, Research and Development in South Eastern Europe. The World Bank

Maassen, P. and Cloete, N. (2005) Global Reform Trends in Higher Education. In N. Cloete et al. (eds.), *Transformation in Higher Education*, pp. 7-33. Springer. Netherlands.

Marginson, S. (2007) The public/private divide in higher education: A global revision. *Higher Education*, 53, pp.307-333

Marshall and Rossman (2006) *Designing qualitative research*. Fourth edition. Sage Publications, Inc.

Marshall, C. and Rossman, G.B. (2011) *Designing qualitative research*. Fifth edition. Sage Publications, Inc.

McDaniel, O.C. (1996) The paradigms of governance in higher education systems. *Higher Education Policy*, 9(2), pp.137-158

Meek, V.L. (2003) Introduction. In Amaral, A. et al. (eds.) *The Higher Education Managerial Revolution?* Kluwer Academic Publishers, pp. 1-30.

Meek, V.L. (2010) Boundaries of Institutional Autonomy and their Impact on Higher Education. Elsevier Ltd

Ministry of Education and Science (2011) Proposal for changes and amendments to the Law on Higher Education. Accessed on 07.06.2011
<http://mon.gov.mk/novosti/702-zakonvisoko>

Ministry of Education and Science (2010) Press Conference. Accessed on 05.05.2011
<http://mon.gov.mk/novosti/419-2010-04-11-14-14-23>

Mitsopoulos, M. and Pelagidis, T. (2008) Comparing the Administrative and Financial Autonomy of Higher Education Institutions in 7 EU Countries. *Intereconomics*

Mojsoska-Blazevski, N. (2005) Education for the EU? Reforms in the CEECs education systems with a focus on Macedonia. Ministry of Finance. Skopje

Moses, I. (2007) Institutional Autonomy Revisited: Autonomy Justified and Accounted. *Higher Education Policy*, 20, pp. 261–274

Musselin, C. (2005) Change or Continuity in Higher Education Governance? Lessons drawn from twenty years of national reforms in European countries. In I. Bleiklie and M. Henkel (eds), *Governing Knowledge*, pp. 65-79. Springer. Netherlands

Neave, G. and van Vught, F. (eds.) (1994). *Government and Higher Education Relationship Across Three Continents: The Winds of Change*. Exeter: BPC Wheaton Ltd.

Neave (2009) Institutional Autonomy 2010-2020. A Tale of Elan-Two Steps Back to Make One Very Large Leap Forward. In: B.M. Kehm, J. Huisman and B. Stensaker (eds.) *The European Higher Education Area: Perspectives on a Moving Target*. Sense Publishers, pp. 3-22

Nedanovski, P. (2009) Financing of higher education in the Republic of Macedonia- The Example of Ss. Cyril and Methodius University in Skopje. Accessed on 02.03.2011
http://www.ukim.edu.mk/dokumenti_m/180_EN_Prof.Dr.Pece.Nedanovski.Financing.of.Higher.Education.in.Macedonia.The.Example.of.UKIM.in.Skopje.ppt.

Nova Makedonija newspaper (2011) New law on higher education. Accessed on 22.06.2011
<http://www.novamakedonija.com.mk/NewsDetal.asp?vest=11511840267&id=9&prilog=0&setIzdanie=22182>

OECD (2002) Thematic Review of National Policies for Education-FYROM: Stability pact for South Eastern Europe. OECD. Accessed on 20.02.2011
<http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=CCNM/DEELS/A/ED%282001%297/FINAL&docLanguage=En>

OECD (2004) Improving Access and Opportunity: Higher Education in Transition in the Former Yugoslav Republic of Macedonia. OECD.

Olsen, J.P. (2009) Democratic Government, Institutional Autonomy and the Dynamics of Change. *West European Politics*, 32(3), pp. 439-465

Ordorika, I. (2003) The limits of university autonomy: Power and politics at the Universidad Nacional Autónoma de México. *Higher Education*, 46, pp. 361–388

Pabian, P. (2009) Europeanisation of Higher Education Governance in Post-Communist Context: The case of Check Republic. In Amaral, A., Neave, G., Musselin, C. and Maassen, P. (eds) *European Integration and the Governance of Higher Education and Research*. Springer

Peters, B.G. (2001) *The Future of Governing*. 2nd edition, revised. Lawrence, KS: University Press of Kansas

- Politt, C. and Geert, B. (2004) *Public Management Reform. A Comparative analysis*. Oxford University Press
- Raza, R. (2009) *Examining Autonomy and Accountability in Public and Private Tertiary Institutions*. The World Bank.
- Salmi, J. (2007) Autonomy from the State vs Responsiveness to Markets. *Higher Education Policy*, 20, pp.223–242
- Sanyal, B.C. and Johnstone, D.B. (2011) International trends in the public and private financing of higher education. *Prospects*. Springer
- Sheenan, J. (1997) Social Demand Versus Political Economy in Higher Education at the Turn of the Century Higher Education Financing: Policy Options, *Higher Education in Europe*, 22: 2, pp. 123-136
- Sitel (2010) Auditing of the public universities. Translated from Macedonian. Accessed on 22.02.2011
<http://www.sitel.com.mk/dnevnik/makedonija/prosvetnite-inspektori-vo-kontrola-na-drzavnite-fakulteti>
- Sitel (2010) Different opinions about universities' spending. Accessed on 23.06.2011
<http://www.sitel.com.mk/dnevnik/makedonija/razlichni-stavovi-za-troshenjeto-na-prihodite-na-univerzitetite>
- Soljan, N.N. (1991) The Saga of Higher Education in Yugoslavia: Beyond the Myths of a Self-Management Socialist Society. *Comparative Education Review*, 35(1), pp.131-153
- Spaskovska, L. (2010) *Country Report: Macedonia*. European University Institute. Italy
- State Audit Office (2011) History of the State audit office. Accessed on 24.06.2011
<http://dzt.gov.mk/DesktopDefault.aspx?tabindex=0&tabid=283>
- State Statistical Office of the Republic of Macedonia (2010) Enrolled students in higher schools and faculties in the Republic of Macedonia in the academic year 2008/2009 (first cycle of studies).Skopje. State statistical Office
- State Statistical Office (2010) Unemployment rate. Accessed on 24.06.2011
<http://www.stat.gov.mk/Default.aspx>
- Statute of Ss. Cyril and Methodius (2008) Official Gazette of the Republic of Macedonia, Number 35
- State Statistical office (2011) Population. Territorial Units.

- Stojanov G. and Angeloska-Galevska N. (2006) The higher educational system in Macedonia: Overview, reforms and prospects. *European education*, 38(1), pp.44-59
- Tapper, E.R. and Salter, B.G. (1995) The changing idea of university autonomy, *Studies in Higher Education*, 20(1), pp.59-71
- Tasker, M.E. and Packam, D.E. (1990) Freedom, Funding and the Future of the Universities. *Studies in Higher Education*, 15(2), pp.181-195
- Teixeira, P., Dill, Jongbloed, B. and Amaral, A. (2004) Introduction. In *Markets in Higher Education – Rhetoric or Reality?*. Dordrecht: Kluwer.
- Teixeira, P., Rosa, M. and Amaral A. (2004) Is there a Higher Education Market in Portugal?. In Teixeira, P., Jongbloed, B., Amaral, A., and Dill, D. (eds) *Markets in Higher Education – Rhetoric or Reality?*; Dordrecht: Kluwer. pp. 291-310
- Teixeira, P., Johnstone, D. B., Rosa, M.J. and J. J. Vossensteyn; (2006) Introduction. In: *Cost-sharing and accessibility in Western Higher Education. A Fairer Deal?*. Springer-Kluwer, Dordrecht
- Teixeira, P. (2009) *Higher Education's Funding – Challenges and Options*; CNC: Brasilia.
- Teixeira, P. (2009) Economic Imperialism and the Ivory Tower: Some Reflections upon the Funding of Higher Education in the EHEA (2010-2020). In: B.M. Kehm, J. Huisman and B. Stensaker (eds.) *The European Higher Education Area: Perspectives on a Moving Target*. Sense Publishers, pp. 43-60
- Thorens, J. (2006) Liberties, Freedom and Autonomy: A Few Reflections on Academia's Estate. *Higher Education Policy* 19(1), pp. 87–110.
- Tomusk, V. (2000) When East meets West: decontextualizing the quality of East European higher education. *Quality in Higher Education*, 6(3), pp. 175-185
- Tomusk, V. (2001) Enlightenment and minority cultures: Central and East European higher education reform ten years later. *Higher education policy*, 14, pp.61-73
- Trow, M. (1996) Trust, markets and accountability in higher education: a comparative perspective. *Higher Education Policy*, 9(4), pp. 309-324
- UIS (2006) *Global Education Digest 2006: Comparing Education Statistics around the World*. UIS
- University newspaper (2010) Ss. Cyril and Methodius, Skopje, Issue 98
- Uvalić-Trumbić, S. (1990) New trends in higher education in Yugoslavia. *European journal of education*, 25(4), pp. 399-407
- Van Vught, F.A. (1987) *A new autonomy in European higher education? An exploration and analysis of the strategy of self-regulation in higher education*. CHEPS

- Van Vught, F.A. (1994) Autonomy and accountability in government/university relationships. In J. Salmi & A.M. Verspoor (Eds) *Revitalising Higher education*. International Association of Universities and Elsevier Science LTD
- Veld, R. J., Füssel, H.P. and Neave, G.R. (1996) *Relations between state and higher education*. Council of Europe and Kluwer Law International. Netherlands
- Volkwein, J.F. (1986) Campus Autonomy and Its Relationship to Measures of University Quality. *The Journal of Higher Education*, 57(5), pp. 510-528
- Vukasovic, M. et al. (2009) *Financing higher education in South-Eastern Europe: Albania, Croatia, Montenegro, Serbia, Slovenia*. Centre for Education Policy. Belgrade
- Verhoest, K., Peters, B.G., Bouckaert, G. and Verschuere, B. (2004) The study of Organisational Autonomy: A Conceptual Review. *Public Administration and Development*, 24, pp.101–118
- Yang, R., Vidovich, L. and Currie, J. (2007) Dancing in a cage: Changing autonomy in Chinese higher education. *Higher Education*, 54, pp.575–592. Springer
- Weisbrod, B.A., Ballou, J.P. and Asch, E. D. (2010) *Mission and Money. Understanding the University*. Cambridge University Press
- World Bank (2011) Macedonia, FYR. Accessed on 10.06.2011
<http://data.worldbank.org/country/macedonia-fyr>
- Ziderman, A. (1994) Enhancing the financial sustainability of *higher education* institutions, in: J. Salmi & A.M. Verspoor (Eds) *Revitalising Higher education*. International Association of Universities and Elsevier Science LTD
- Ziderman, A. and Albrecht, A. (1995) *Financing Universities in Developing Countries*. The International Bank for Reconstruction and Development
- Ziegele, F. (1998) *Financial autonomy of higher education institutions: The necessity and design of an institutional framework*. CHE Center for Higher Education Development. Gütersloh

APENDIX

Questionnaire

Higher education budget

1. How is the budget distributed to the institution? As lump sum or item based?
2. Is the budget allocation done to faculty or university level?
3. Are there any changes in the way the budget is allocated in comparison to the last twenty years?
4. According to your opinion, what are the reasons that the budget is distributed in this way?
5. Can the HEIs retain the unspent government funds?
6. What criteria are used in determining the budget for HE?

Council for financing of higher education

1. Does the council for financing of HE exist in practice? Who are its members and how are they elected/appointed?

Tuition fees

1. Are HEIs allowed to charge tuition fees to students? Can they decide on the amount of tuition charged?
2. Are there any restrictions on how HEIs can spend the sources gathered from tuition fees?

Other self-financing activities

1. Do HEIs own their property and can they use it to generate funds (For example by renting the university space, selling or renting of the property etc.?)
2. Are there any changes regarding these issues in the last twenty years?
3. Are institutions allowed to enter into partnerships with industry?

Financial monitoring

1. Are institutions required to submit financial reports and who are they sent to?
2. Who carries out the financial audits?