



**Towards Sustainable & Equitable
Financing of *Higher Education***
in Bosnia and Herzegovina, Montenegro and Serbia

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Herzegovina, Montenegro and Serbia

**Report on the System Funding of Higher
Education in Montenegro**

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Introduction

The report has been produced within the TEMPUS project “Towards Sustainable & Equitable Financing of Higher Education in Bosnia and Herzegovina, Montenegro and Serbia – FINHED.” It is one of the four reports that address system-level funding arrangements in the three Western Balkan countries. While in the case of Montenegro and Serbia, there are one report per country, in the case of Bosnia and Herzegovina, due to its complex governance and administrative arrangements, we have produced two reports, one for the entity Federation of Bosnia and Herzegovina, and the other for Republic of Srpska. Apart from these four reports, one report covering funding arrangements and practices of six higher education institutions (hereinafter abbreviated as “HEIs”) in the three countries has also been produced and it is complementary to the content of the four system-level reports.

This report aims to provide a descriptive and analytical overview of the current financial situation of higher education (hereinafter abbreviated as “HE”) system in Montenegro and its chief purpose is to assist national policy makers and institutional leaders in making informed choices in the direction of improving existing funding policies and practices. This report is based primarily on the data provided by the Ministry of Education of Montenegro which have been gathered through an elaborate questionnaire combining quantitative and qualitative data.

The report is organised into several chapters, which roughly follow the structure of the questionnaire. In the first chapter we introduce the higher education system in Montenegro, by focusing on its size, institutional landscape and the governance arrangements. In chapter 2 we provide a descriptive account of the system-level funding framework in Montenegro. In chapter 3 we look at the level of government investments and funding sources, while chapter 4 is dedicated to the allocation mechanism for public funding. In chapter 5 we address the issue of accountability of higher education institutions with regards to their financing. With chapter 6 we move on to the students and look into the national student support system in place. Finally, in chapter 7 we discuss main conclusions.

Chapter 1: The higher education system: policy, governance & trends

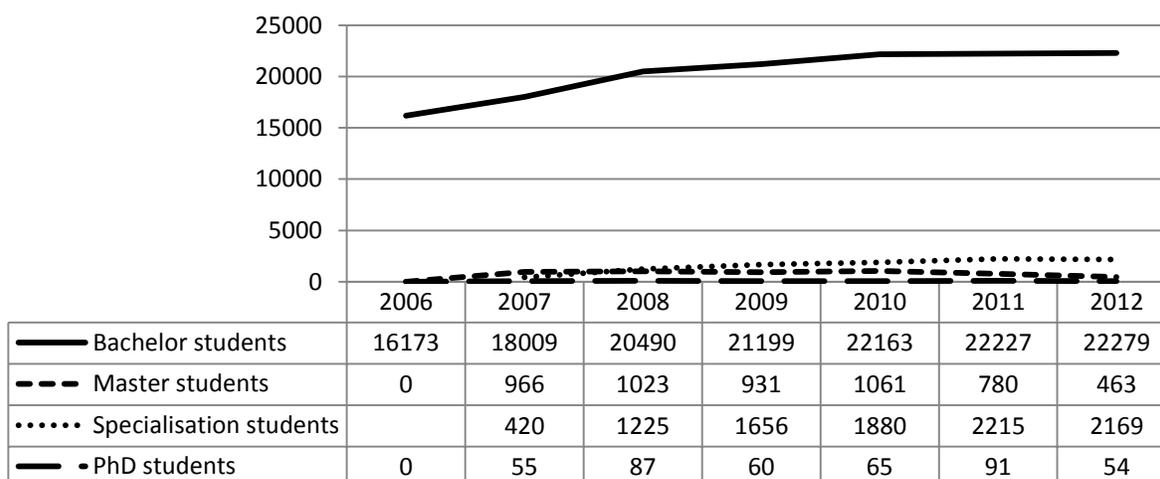
The current Montenegrin Law on Higher Education was adopted in October 2003, in the same year that Montenegro officially became a Bologna signatory country. The law was subsequently amended in 2008 and 2010. The 2003 law called for the reform of higher education, principally for the purpose of increasing efficiency of studies and alignment of the system with the European trends in higher education based on the principles of the Bologna Declaration and the Lisbon Convention. Importantly, the Strategy of Development and Financing of HE in Montenegro for the period 2011-2020 was also adopted in 2011. The document sets a policy framework in place within which a funding arrangements should be developed and implemented (Strategy of Development and Financing of Higher Education in Montenegro 2011-2020, hereinafter “the Strategy”).

In this chapter, we introduce the system and the current trends from three angles, i.e. its relative size, its institutions and the governance arrangements in place.

A. Size of the system

As it has been the case in other countries in the region, the size of the higher education system in Montenegro (both, in terms of the number of students and institutions) has grown over the past decade. Between 2006 and 2012, the growth was particularly noted in the number of students at the first cycle of studies (Figure 1).

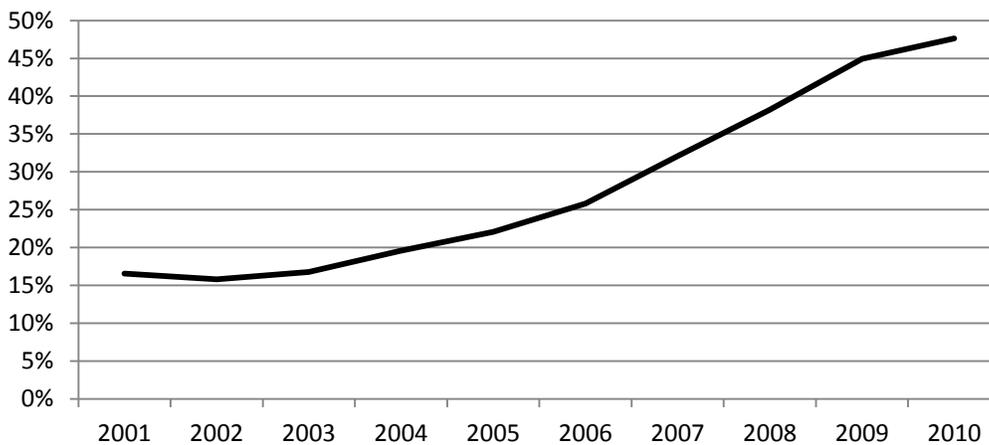
Figure 1. Students in Montenegro by level



Source: MONSTAT

According to a recently produced report (Branković, 2013), since 2000, both the total number of students and Gross Enrolment Ratio (GER) have been on the increase. Based on the data from the UNESCO Institute of Statistics (Figure 2), over the period of ten years, the Montenegrin higher education system has expanded from an elite one to a mass one (Trow, 1974).

Figure 2. Gross Enrolment Ratio (ISCED 5 and 6)

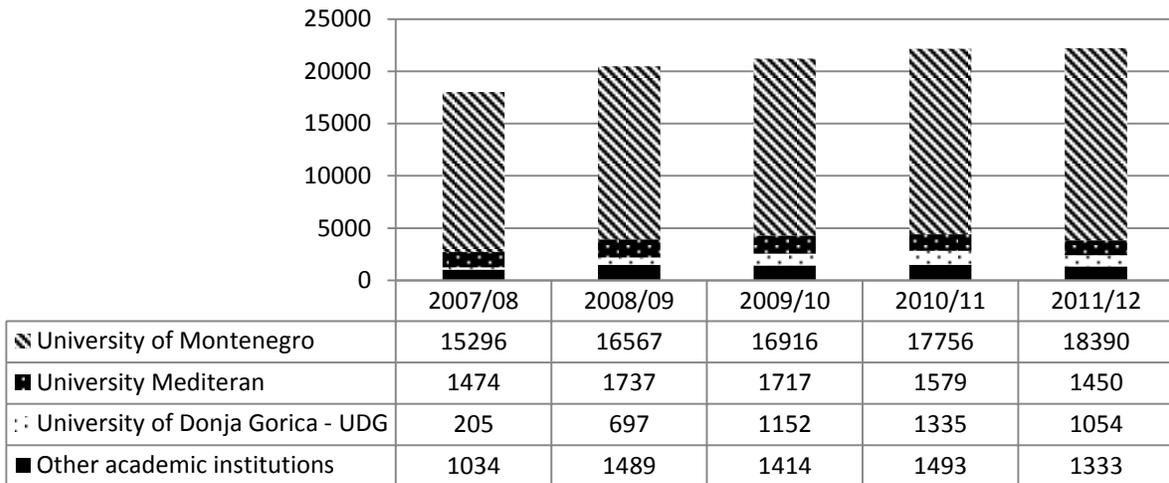


Source: UNESCO Institute for Statistics

According to the data given in the review of HE system in Montenegro (EACEA, 2010, in Branković, 2013), the number of students enrolled in undergraduate study programmes in 2005/2006 increased substantially in comparison with 2003/2004, which indicates that the progression rate for the students studying in accordance with the Bologna system has increased. Moreover, the report emphasises that this is a substantial improvement and one of the most pronounced positive results of the implementation of the Bologna principles. At the same time, access to higher education is based exclusively on the academic merit during secondary school. The exceptions are architecture, arts academies and sport sciences (Branković, 2013).

With regards to the number of students per higher education institution, the University of Montenegro is the single largest HEI in the country, enrolling more than 80% of the total student body (Figure 3).

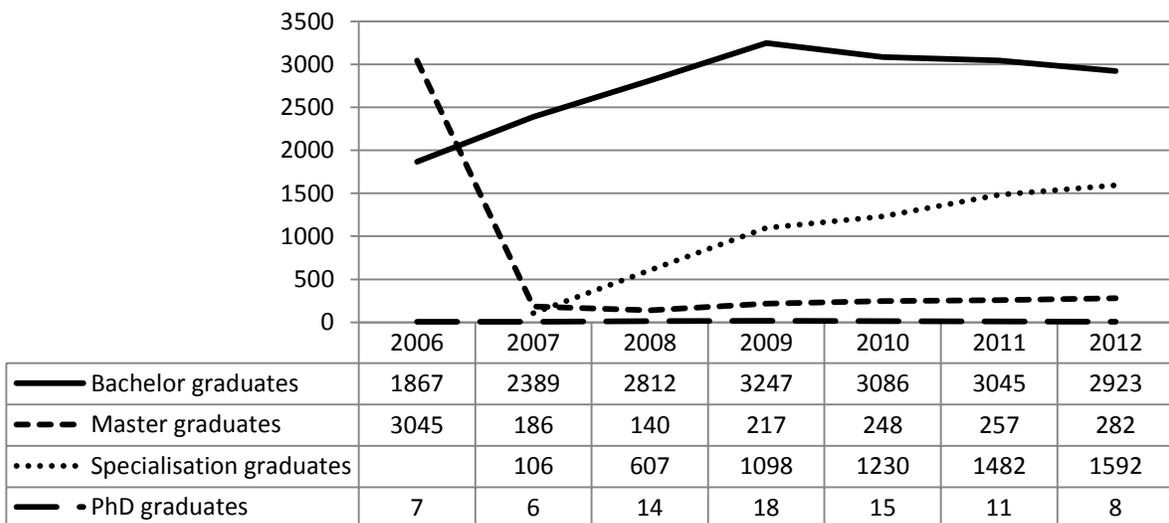
Figure 3. Students by HEI of enrolment



Source: MONSTAT

The number of graduates has also increased as a result of the massification and the introduction of the three-cycle system, most notably at the bachelor and specialisation levels (Figure 4).

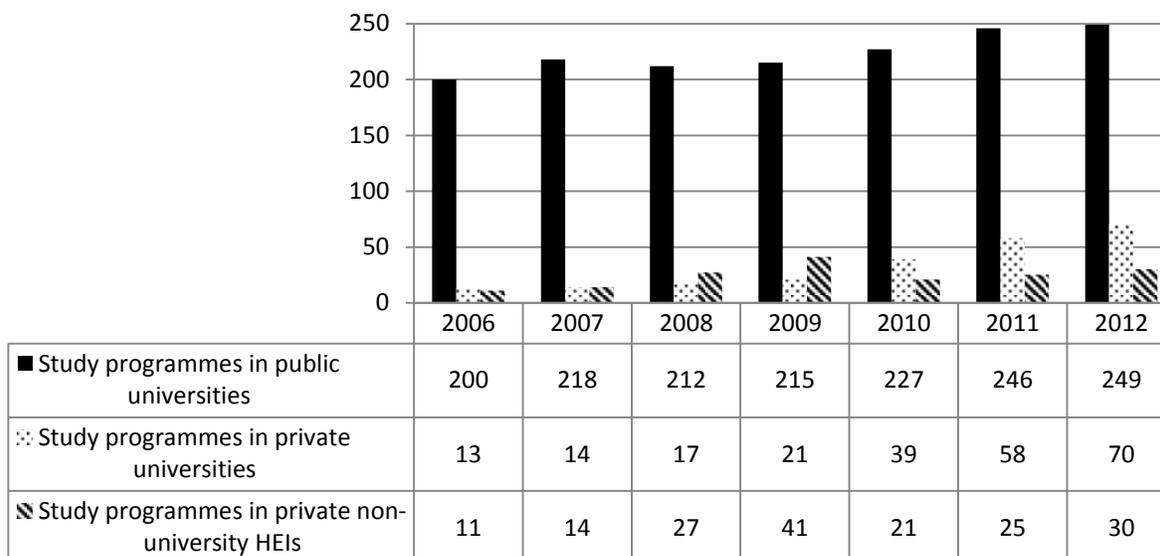
Figure 4. Graduates in Montenegro, by level of studies



Source: Ministry of Education

A similar growth trend is noted in the case of study programmes, both at public and private universities. Since 2003, when the current law was passed, the number of study programmes in the field of social sciences has increased, as well as the number of students in some existing programmes, such as economics, management, business, law, diplomacy, languages. In relative terms, private universities have been noted for the highest increase of study programmes. The growth trend is illustrated in Figure 5 below.

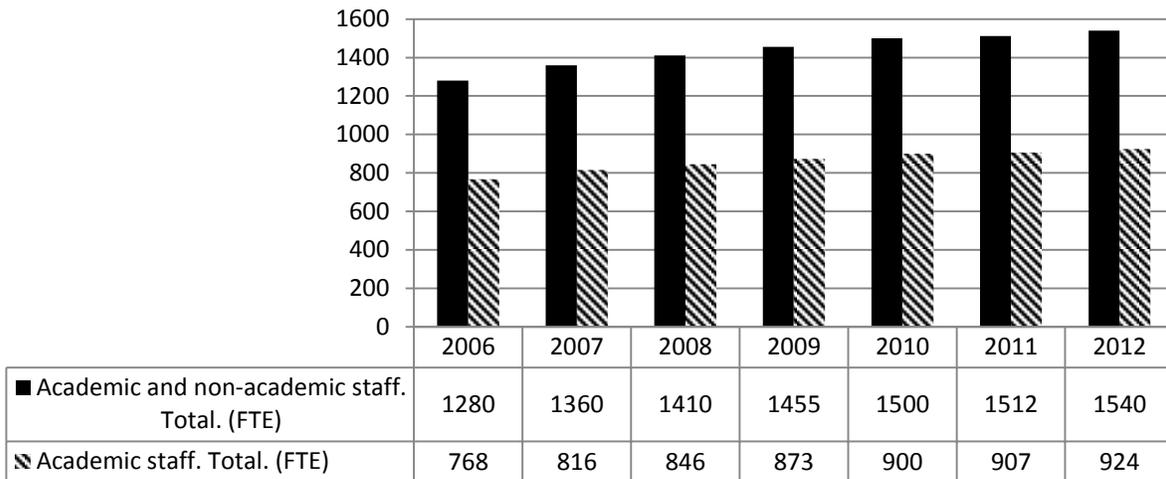
Figure 5. Study programmes in Montenegro, by type and ownership of HEI



Branković, 2013

Finally, with regards to staff numbers, growth can also be noted over the period 2006-2012, however, not at the same rate as the number of students (Figure 6).

Figure 6 Academic staff by category



Branković, 2013

In sum, since 2006, the higher education system in Montenegro has expanded in terms of enrollments, graduates, as well as in terms of the number of staff.

B. Higher education institutions

Parallel to the growth of the student body, the number of HEIs in Montenegro has also increased in the past decade (Figure 7). At the moment, there are three universities and seven individual private faculties in Montenegro. Importantly, during this period first HEIs in the private sector have been founded. The University of Montenegro is the only public higher education institution in Montenegro and it comprises 20 faculties, 3 scientific-research institutes and 2 independent study programme at the university level. The university has also established branches of some of its faculties in other cities.

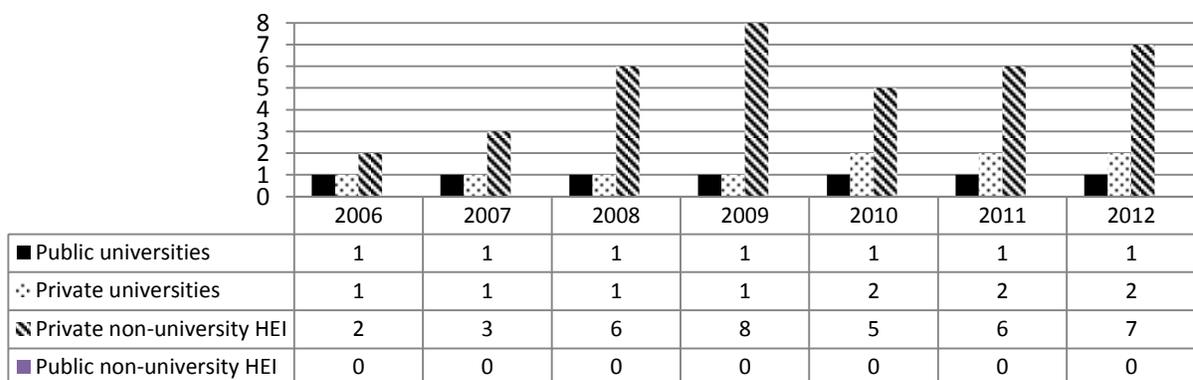
The University of Montenegro was founded in 1974 and it is the largest higher education institution in the country in terms of students, staff, and infrastructure. The university's seat is in Podgorica, the capital of Montenegro, although its faculties are dispersed across four towns and offers study programmes in six more. The university encompasses 20 faculties, 3 scientific institutes, and two independent study programmes¹. About 20.000 students conduct their studies at one of the 77 undergraduate programmes offered by this

¹ Independent study programmes are Geodesy and Teacher training in Albanian language.

institutions. The University of Montenegro has 1170 employees, out of which 56% constitute academic staff.

The oldest and largest institution in the country, University of Montenegro was founded in 1974 when three faculties (Faculty of Economics, of Engineering and the Faculty of Law from Titograd), two colleges (Teaching College and Maritime Studies College) and three independent scientific institutes (for History, for Agriculture and for Biological and Medical Research), signed an Agreement on Association into the University in Titograd. A year after it was founded, it changed its name into the University “Veljko Vlahović,” and since 1992 it has its present name. The seat of the University of Montenegro is in Podgorica. The University of Montenegro is situated in ten Montenegrin towns: Podgorica, Nikšić, Cetinje, Kotor, Herceg Novi, Bar, Bijelo Polje, Budva, Pljevlja and Berane and includes 20 faculties, three institutes and two independent study programme.

Figure 7. Higher education institutions in Montenegro, by type and ownership



Source: Ministry of Education

According to the Law on Higher Education a private institution can be founded by a domestic or foreign physical or legal person. A private institution can start working after obtaining an accreditation certificate and a working license. Certification on accreditation is issued by the Council for Higher Education while the working licence is issued by the Ministry of Education.

University “Mediterranean” is the first private university in Montenegro. It was founded in 2006 and originally consisted of four organisational units: Faculty of Tourism, Hotel and Trade Management Bar, Faculty of Business Studies “Montenegro Business School,” Faculty of Visual Arts and Faculty of Information Technology. Later on, two more faculties joined

the University “Mediterranean,”. The Faculty of Foreign Languages and the Faculty of Law officially became the organisational units of the University “Mediterranean” in December 2006. The seat of the University “Mediterranean” is in Podgorica, where also the following organisational units are located: Faculty of Business Studies “Montenegro Business School,” Faculty of Visual Arts, Faculty of Information Technology, Faculty of Foreign Languages and Faculty of Law. Faculty of Tourism, Hotel and Trade Management is located in Bar.

University Donja Gorica (private) was founded in 2010. It consists of 7 organisational units: Faculty of International Economics, Finance and Business, Faculty of Food Technology, Food Safety and Ecology, Faculty of Legal Sciences, Faculty of Arts, Faculty of Information Systems and Technologies, Faculty of Polytechnics, Humanities Studies. The University Donja Gorica is situated in Podgorica as well as all of its organisational units.

The first private non-university institution was the Faculty of Tourism, Hotel and Trade Management in Bar, founded in 2004 (now it is one of the organisational units of University Mediterranean). At the moment, there are seven individual private non-university HEIs located in Podgorica, Bar, Berane and Tivat. In the opinion of the founders the main reason for establishing these institutions was to provide an alternative to the study programmes offered by public institutions.

It is important to note that according to the law, all institution, regardless of the ownership are treated equally. However, private HEIs cannot benefit from public funding, unless they offer a study programme, which a public institution does not and which is recognised as being of particular national interest.

According to the law, an institution can have the status of a university, i.e. use the term “university” in its name, under the condition it provides minimum five different study programmes at undergraduate studies, of which at least one study programme must have undergraduate, postgraduate and doctoral level studies. Study programmes must also cover a minimum of three of the following eight scientific areas: natural sciences and mathematics, engineering-technology, medical sciences, biotechnical sciences, social sciences, humanistic sciences, interdisciplinary sciences and art. Doctoral studies can be carried out only by the institutions which have university status.

It is important to emphasise at this point that the 2003 law only recognises the university as an integrated higher education institution, i.e. its faculties cannot act as legally independent organisations any longer, which effectively meant less autonomy for faculties, in academic, management and financial matters. Although, Montenegro was the first

country in the region to actually enact such a legal provision, this integration is still resisted in several other countries in the region..

C. Governance

The highest authority responsible for education policy in the country is the Ministry of Education of Montenegro. The Law on Higher Education also determines a Council of Higher Education (hereinafter: the Council), whose 13 members are appointed by the government for four-year period. Council members are appointed from among eminent experts in the area of higher education, science, technology and arts and the area of economy, social activities and other relevant areas and from among students, in compliance with the act on appointment of the Council. A maximum of one half of the Council members can be elected for one more consecutive term of office, in compliance with the act on Council appointment. The Government can dismiss a Council member before his/her term of office expires when it assesses there are reasons for this or at the personal request of a Council member. The Council also functions as the accreditation body and conducts external evaluations through its commissions. The main role of the Council is to monitor the state and achievements in higher education, as well as to give professional proposals to the government for the improvement of higher education policy. Importantly, the work of the Council is financed by the state, while foreign experts may be appointed as members of special commissions for evaluation and accreditation of institutions and study programmes.

Responsibilities of the Council are the following:

- a) Provide opinion on the proposal of development strategy of higher education;
- b) Offer opinion in the procedure of determining norms for issuance, changes and divesting of a license;
- c) Offer opinion on criteria for election in academic titles;
- d) Offer opinion in the procedure for determining norms for higher education financing;
- e) Determine criteria for assessment of study programmes taking into account their compatibility with the professional needs and international comparability;
- f) Undertake periodical controls of quality of licensed institutions and issue a certificate on reaccreditation;
- g) Perform other activities prescribed by this law and enactment on establishment of a council.

It has been foreseen under the project Higher Education and Research for Innovation and Competitiveness (financed by a World Bank loan)² that the Council is given more responsibilities in the future.

Student representation is organised through student parliaments. They exist within each HEIs as a formal student representative body. The parliament is deemed as autonomous in its work and authorized to represent and protect the rights and interests of students. Its work is further defined by its statutes. According to the law, students are represented on the university governing board, senate and faculty bodies; at least 15% of each decision-making body consists of student representatives.

The governing body of a university is the Governing Board, and its main roles are defined by the Statute of the university. It is responsible for the following tasks:

- Establishing educational, research, scientific and policy development;
- Applying the Statute of the University;
- Considering and defining the university budget;
- Setting tuition fees, with the approval of the Ministry of Education and Science;
- Adopting the rulebook on the allocation of the state budget;
- Appointing and dismissing rectors, vice-rectors, deans and directors of organisational units of the university.

Unlike other countries in the region, Montenegro's institutional landscape is dominated by one public institution – the University of Montenegro. The Governing Board of the university consists of 13 members – 7 academic staff representatives, 3 external members, two students' representatives and one non-academic representative (Statute of the University of Montenegro). The rector is responsible for managing the university.

The Senate is the professional body at the university level and it convenes the rector, vice-rectors, representatives of all faculties, academies, institutes, professional colleges, such as the medical school and students. Students represent 15% of the whole Senate. It is prescribed that there should be undergraduate, postgraduate and doctoral students in the Senate. As the supreme academic body, the Senate is responsible to all decisions concerning academic matters, such as general university policy and strategy on the development of academic activities, adopting study programmes, internal quality at the

²“Higher Education Research for Innovation and Competitiveness Project”

<http://www.worldbank.org/projects/P122785/higher-education-innovation?lang=en>, last accessed on 3 February 2014

institution, promotions and academic titles, etc. The Senate is chaired by the rector and it has three permanent professional councils - the Council for social sciences, the Council for the arts and the Council for natural and technical sciences. The powers, composition, duration of mandates, manner of work and decision making of the Senate are closely defined by the Statute of the University.

The professional body of a faculty is the Council and it is composed of the dean, vice-deans, professors and students' representatives (not less than 15% of the overall number of members). Professional councils are responsible for monitoring students' work at the faculty or academy, making proposals to the Senate related to changes in the structure and contents of study programmes and subjects, and appointing members of the Senate and Senate Councils. The faculty leader is the dean. A faculty may have up to three vice-deans.

Finally, according to a report produced in 2013 (Branković), Montenegro can be described as a country with by a sovereign, rationality-bounded steering model in higher education, which can be seen both in the current strategic documents for higher education and science (Gornitzka & Maassen, 2000). At the same time, elements of the institutional steering model can also be noted, given that the university enjoys autonomy, especially with regards to academic issues in which the state in principle does not interfere.

Chapter 2: Funding framework

According to the law, a university in Montenegro is free to generate financial resources from various sources and there are no constraints in terms of maximum amount public HEIs can accumulate relative to the amount they receive from the government (Branković, 2013). Public university is also free to internally allocate state grants, yet it can undergo internal (internal accounting) as well as external control - state audit in which case it must justify the spent resources.

The earlier illustrated expansion of higher education in the previous decade has been accompanied by, among other things, the reduction of the level of government support. However, the tuition fee policy of the government allowed HEIs, also in the public sector, to charge for tuition. Thus, the funds from the state budget and local community budget, as well as from tuition fees represent basic revenue sources of HEIs (the Strategy; Branković, 2013). Moreover, HEIs often have other type of revenue apart from tuition or administrative fees charged to students, however, this in most cases does not represent comparatively significant part of their total budget (the Strategy). Faculties and departments engage in research projects, consultancy services, acquire donations, lease premises and equipment, and so forth. Overall, HEIs, both public and private, struggle when it comes to funding (Branković, 2013).

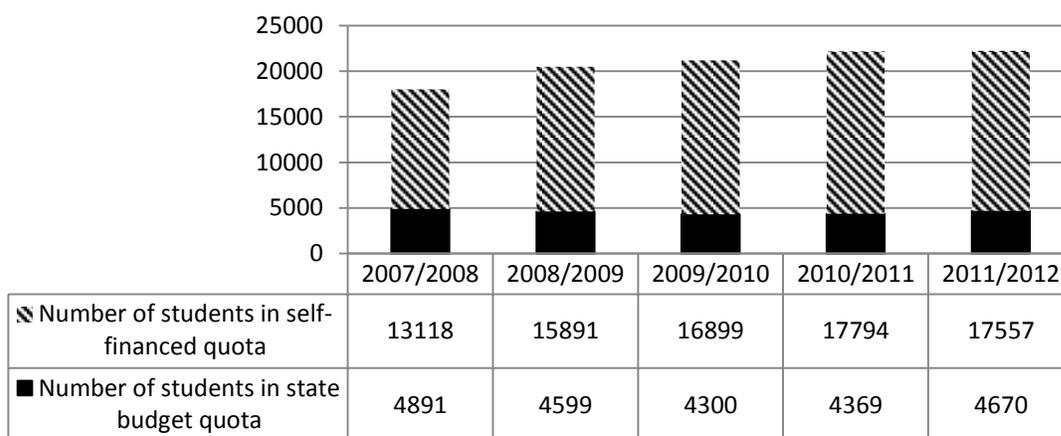
The financing system of higher education during the observed period has essentially remained the same. This means that the model in place is input based and it is based solely on real costs, i.e. the costs of the permanently employed teachers, administrative staff and material costs, while most of the funding comes from the state budget, whether directly from the central government or through the local community, and from tuition fees (EACEA, 2012). In the case of private higher education institutions, tuition fees represent the main source of revenue.

The current funding practice is as follows. The government, taking into account the opinion of the Council of Higher Education, adopts the measures for the financing of higher education and, also, prescribes the mechanism for the allocation of these funds (Rulebook on norms and standards for financing of public higher education institutions and students for financing students at higher education institutions, 2011). Accordingly, the government decides on the number of students to be financed from the state budget, following the prescribed number in the public institutions' working licence and the recommendations

from the Ministry of Education. Hence, funding is not allocated for the fulfilment of specific targets, but is input-based and follows a formula based on student enrolments.

Looking at the trends in student numbers per category (state funded or tuition-fee paying), we can note that while the total number and percentage of students in the self-financed quota increases in the period 2007/2008 – 2011/2012, the number of students in the state budget quota remains at more or less the same level and – relative to the total number of students, decreases (Figure 5).

Figure 5. Students by tuition fee category



Source: Branković, 2013

The government determines the minimum cost per student for the ongoing year for students of liberal arts and social sciences of I, II and III cycle, which are not budget-financed, considering primarily the opinion of the Council of Higher Education. However, the current financing model used by the University of Montenegro is designed to cover running costs, related to permanently employed teachers, administrative workers and material costs.

In accordance with the adopted amendments to the Law on Higher Education, private higher education institutions can also receive funds from the government, albeit only for enrolling students in study programmes which are determined to be of public interest. The government, with the consultation of the Council, determines the number of students and the amount of funds to finance those students.

According to Branković (2013), following the classification of funding mechanisms by Jongbloed and Koelman (2000, p. 14), Montenegro can be categorised as a HE system with

centralized system of funding which is input based and is also known to be a traditional type of budgeting, “where allocations are based on requests (activity plans, budget proposals) submitted to budgetary authorities, known as negotiated funding.”

Finally, it is important to mention that at the moment, a new funding formula is being developed in cooperation with the World Bank and it is based on the cost per student (project title: Higher Education and Research for Innovation and Competitiveness Project – HERIC, financed by a World Bank loan). The main aim of this project is to strengthen the quality and relevance of higher education and research in Montenegro through reforming the financing of higher education and the quality assurance systems and by strengthening research and development capabilities of the institutions. The project has four main components, the first being higher education finance reforms and implementation of quality assurance norms, the second component is the human capital development through internationalisation, the third component is the establishing a competitive research environment and the fourth refers to the project management and monitoring and evaluation.

Chapter 3: Government investments & funding sources

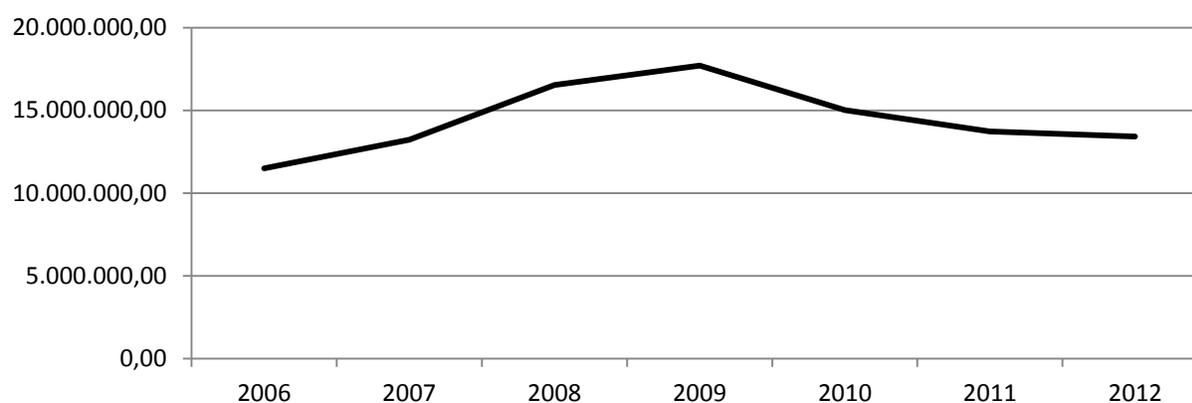
According to the Ministry, there are two basic allocation channels for funding higher education institution: government funding for higher education and government funding for research as a separate kind of activity (Table 1).

	2006	2007	2008	2009	2010	2011	2012
Government funding for HE	11,500,000.00	13,040,000.00	16,300,000.00	17,423,000.00	14,781,000.00	13,502,000.00	13,190,000.00
Government funding for research only (separate from HE) allocated to HEIs		190,000.00	240,000.00	290,000.00	240,000.00	220,000.00	220,000.00
Total allocation		13,230,000.00	16,540,000.00	17,713,000.00	15,021,000.00	13,722,000.00	13,410,000.00

Table 1. Government funding for higher education and for research in Montenegro, 2006-2012, in EUR

As shown in Figure 8, the total government funding grew only slightly between 2006 and 2012. This is an important observation, given the growth in the size of the system in terms of students, study programmes, and staff numbers in the same period.

Figure 8. Government funding for HE and research in HEIs (in EUR)

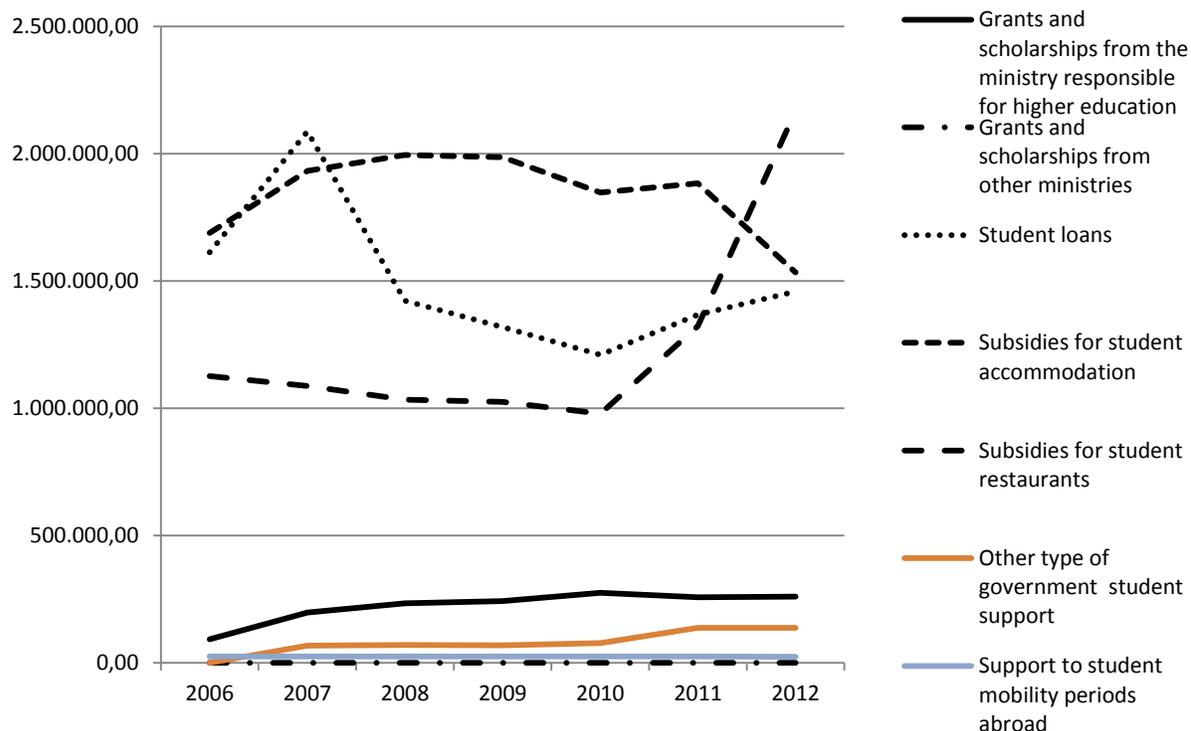


Source: Ministry of Education

A similar observation can be made when comparing the growth in the student body and the allocation of funds through the student support system. Namely, with respect to governments allocation through the student support system, as shown in Figure 9 and Table 2 below, the total amount per year has only slightly increased, while it was only in the domain of subsidies for student restaurants that a significant improvement in investment was visible, notably for the indicated period after 2010. However, it should be stated that this category only refers to restaurant services to students who are not residents of student dormitories. Students who are residents, on the other hand, benefit from subsidised meals as residents of the student accommodation facilities which also run operate student restaurants.

	2006	2007	2008	2009	2010	2011	2012
Grants and scholarships from the ministry responsible for higher education	92,950.00	198,120.00	234,000.00	243,360.00	275,200.00	258,000.00	259,720.00
Grants and scholarships from other ministries	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Student loans	1,612,840.00	2,088,000.00	1,422,870.00	1,319,412.50	1,210,311.50	1,367,754.00	1,459,558.50
Subsidies for student accommodation	1,689,206.40	1,932,820.00	1,995,966.00	1,986,264.00	1,847,790.00	1,883,952.00	1,534,680.00
Subsidies for student restaurants	1,126,800.00	1,087,815.00	1,034,235.00	1,025,070.00	978,540.00	1,322,580.00	2,167,875.00
Other type of government student support	0.00	68,000.00	70,000.00	69,120.00	78,000.00	137,300.00	138,200.00
Support to student mobility periods abroad	25,050.00	25,600.00	25,200.00	25,000.00	24,800.00	25,100.00	24,350.00
Total allocation (should match the sum of all the above)	4,546,846.50	5,400,355.00	4,782,271.00	4668226,50	4414641,50	4,994,686.00	5,584,383.50

Table 2. Government funding for higher education through student support system in Montenegro, 2006-2012, in EUR

Figure 9. Government allocation for the student support system (in EUR)


Regarding total government investment in higher education and research as % of GDP, both in public and private institutions, the figures are given in Table 3 below. Both the investment in higher education as % of GDP and as % of GDP per capita decreased in the given period.

	2006	2007	2008	2009	2010	2011
% of GDP (education all levels)	4,10	3,60	3,80	0,04	0,04	4,30
% of GDP per capita (HE and Research)	0,00000216	0,000001909	0,000001613	0,000001813	0,000001743	0,000002151
% of GDP (HE)	1,163.00	0,925	0,907	1,006.00	0,966	0,927
% of GDP (HE) per capita	0,00000187	0,00000149	0,00000146	0,00000162	0,00000155	0,00000149
% of GDP (Research)	0,18	0,26	0,095	0,12	0,12	0,41
% of GDP (Research) per capita	0,00000029	0,000000419	0,000000153	0,000000193	0,000000193	0,000000661
% of GDP (HE and Research)	1,343.00	1,185.00	1,002.00	1,126.00	1,086.00	1,337.00

Table 3. Government funding for higher education and research in Montenegro as % of GDP, 2006-2011

With regards to the relationship between allocating funds for education and research conducted at HEIs, up to the 2010 this had been done by a single ministry, the Ministry of Education and Science and all funds allocated to HE and research were within the responsibility of this ministry. At the moment, higher education and research is under the responsibility of two ministries, the Ministry of Education and the Ministry of Science which then negotiate the public budget for research and higher education among themselves and then with the Ministry of Finance.

At the moment there is no formula in place which would provide the criteria (input and/or output criteria) for determining the amount of the public funding for HEIs. . Rather the main mechanism for determining the amount of public funding is negotiated funding, which largely relies on the previous year's budget. In this process, the Ministry of Education and the Ministry of Science prepare the so-called programme budget which is then transferred to the Ministry of Finance. Representatives of the both ministries negotiate with the Ministry of Finance and determine several scenarios for the programme budget. Eventually, it is the government which decided and drafts the proposal of the Law on Budget for each calendar year to be then adopted by the National Assembly of Montenegro.

In accordance with the Law on Higher Education some financial means are allocated to the students at private HEIs who are enrolled in the study programmes that are deemed to be of public interest and which are, as a rule, not in place at the public university. These means are allocated in accordance with a number of criteria determined in advance.

Lastly, no attempts to empirically calculate public or private returns to HE investment in Montenegro have been made.

Chapter 4: Allocation mechanism for public funds

As it is the dominant practice across the Western Balkan region, also in Montenegro allocations are made on the basis of input indicators and rely on the number of enrolled students, number of employed staff, etc. In other words, the model does not incorporate any financial incentives that would be in line with the output indicators or the process of delivering higher education.

Salaries of academic, administrative and support staff, equipment and maintenance are the main types of costs of HEIs that are incurred for the purpose of conducting higher education activities and for which the government funds are in principle allocated for. Notably, the difference is not made between academic staff and those who are involved in either teaching only or research only. With regards to the types of research only costs of HEIs the government allocates public funds for equipment, maintenance, printing, publishing, as well as participation at scientific conferences in the country or abroad. No funds are allocated for the salaries of research staff only.

Public funds are allocated to the University of Montenegro which further distributes them to its organisational units. The type of allocation is lump-sum, meaning that the institution can determine about internal distribution of the finances entirely on its own. However, government funds that are allocated to the public university are for the most part internally distributed towards the employees' salaries. It is up to the university to decide how it wishes to use the surplus that remains at the end of the budgetary year from both the public budget and other sources of revenue..

In accordance with the University of Montenegro statutes, the Rector is authorised, pursuant to the law, to sign contracts on behalf of the university activities whose value does not exceed € 100,000. For contracts whose value exceeds € 100,000, the Rector is obliged to inform the Governing Board of the university. For contracts whose value exceeds € 500,000, it is necessary to obtain prior approval of the Governing Board. As for the faculty level, the Dean is authorized to sign agreements related to the faculty activities or academy whose value does not exceed € 10,000. For contracts exceeding the amount of € 10,000, the Dean is obliged to inform the Rector within 7 days from the date of signing, while for contracts whose value exceeds € 100,000, it is necessary to obtain prior approval of the Rector.

Unlike in most of the countries in the region, in Montenegro, there is a possibility for private HEIs to receive funding from the state under specific circumstances (indirectly, through students). Namely, in accordance with the law, the government, with the consultation of the Council for Higher Education, determines the number of students and the amount of funds to finance those students who study at private institutions in the study fields that are deemed to be of public interest. The exact amount is determined according to the Decree on Norms and Standards for Financing of Public HEIs and Students at HEIs (2012), which was adopted by the Government. The government may prescribe certain conditions for the use of resources allocated to a private institution, as well as ask from a private institution to submit the budget proposed for performing its activity for the following fiscal year. A private institution is accountable to the government for the lawful use of resources for specified purposes allocated by the government, and it is obliged to enable access to financial books and records to the government. In other words, if a private HEIs benefits from the public budget, it's work is more closely monitored by the government compared to the institutions who do not enjoy such benefits.

Chapter 5: Accountability

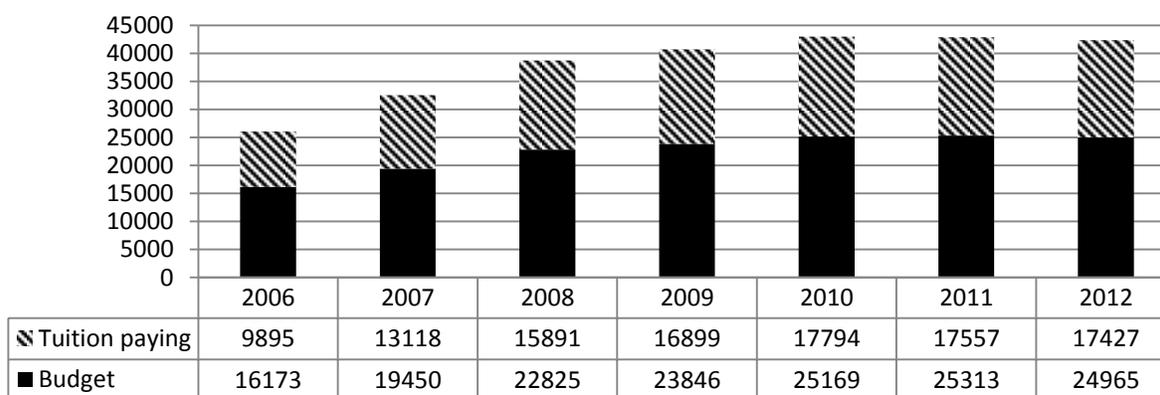
The University of Montenegro, together with its constituent parts, is required to conduct financial reporting for the entire budget of their institution, public and own revenue, to its Governing Board. It is the Rector for the University, the Dean for the faculty, and Director for the institute, who are responsible for the management and use of funds belonging to the university and their organisational units prepare the report for the Governing Board.

In addition to internal reporting, external financial audit is required from the university. The management body of a public institution is collectively accountable for lawful and purposeful use of resources allocated in accordance with the Law on Higher Education. Independent internal and external financial control is provided for the operations of public institution. The statute of a public institution regulates the way in which internal financial control is performed. In performing external control, the government may appoint an independent auditor to examine financial standing of any higher education public institution. The management body of a public institution is obliged to ensure cooperation when financial control is performed. Notably, financial statements are prepared in accordance with international accounting standards.

Chapter 6: State student support system

Concerning the status of students, the regulation on higher education recognises only full-time students and makes a distinction between so-called “budget” and “self-financed” students, i.e. those whose tuition is paid by the government, directly to the institution and those who pay for the tuition themselves, respectively. The number of students in each of the categories is given in the figure below.

Figure 10. Students in Montenegro, by category



Source: Ministry of Education

NOTE: The number of budget students refers to the students at all levels at all HEIs in Montenegro, while the number of tuition paying students refers only to the bachelor students.

With regards to number of students in each of the two categories, the government decides on the number of students to be financed from the state budget (approximately 25% of students, the remaining 75% being self-financed), following the number indicated in the public institution’s licence and recommendations from the Ministry of Education.

As the main academic body, the University Senate proposes the number of students to be enrolled in the academic year, as well as defining the criteria and procedures for enrolment, in accordance with the higher education law. Each HEI defines its own rulebook on conditions, criteria and procedures for enrolment in the first academic year. Student enrolment is based on the open public competition for all study programmes. The public call is published in daily newspapers and on the website of the University of Montenegro. The call is announced in the second half of June of the academic year, indicating the first enrolment deadline. If the number of qualified candidates is less than the prescribed

number, a second or even third enrolment deadline may be introduced. The second deadline is announced in the second half of July, while the third enrolment deadline is in the second half of August.

The minimum fee for self-financed students, at the University of, for the first cycle is € 500,00 per year. The maximum fee for the first cycle is € 1.000,00 per year, while the most common fees at the first cycle is € 500,00 per year. At the second cycle (master study programme) fees are between € 750,00 and € 1.000,00 per year. All master degree students at the public university are obliged to pay tuition fee. At the private HEIs in Montenegro, the fee at the first cycle is about € 1.500,00 per year, while at the master degree the fee is about € 2.000,00 per year. As indicated earlier, access to higher education is based exclusively on the academic merit during secondary school. The exceptions are architecture, arts academies and sport sciences.

Applicants who wish to enrol for a particular study programme need to submit the following documents: original school leaving certificate, original diploma on passed “matura”, or final examination, birth certificate and diploma “Luca” (the highest award issued to the best pupils based on all the best marks throughout the whole secondary school study period). Prospective students must have finished secondary education to be able to enrol at a HEI. In accordance with the Law on Higher Education, the matriculation, or professional exam is valued with at least 15% of the total number of points obtained at admission. Students financed from the state budget who do not fulfil the criteria to continue their studies as a budget-funded student may continue as self-financing students. Conversely, self-financing students who pass all exams may move to the status of budget-funded students if there are places available on their study programme. Those students are chosen on the basis of the ECTS gained and academic performance during their studies.

Similarly to other countries in the region, Montenegro has its own national system of loans, scholarships/grants, as well as subsidised accommodation, meals in student restaurants, public transportation subsidies, etc. Until the 2010-2011 academic year, only budget students were entitled to apply for scholarships and loans. However, at the moment, between the two categories of students, there is no difference in terms of exercising the right to direct or indirect support, nor there is a difference between students of public and private higher education institutions. Both have the right to:

- Accommodation and food in students' dormitories,
- Students' loans,
- Scholarships for talented students,
- Getting local and inter-city public transportation expenses (for students),

- Professional training, and health care.

The criteria, method, conditions and compensation amount for exercising rights to room and board for high school student and university student dormitories, student loan, scholarship for highest ranking students, allowance related to suburban and interurban transport costs for students of private and public higher education institutions, are all set in the Rulebook on the Criteria, Method, Conditions and Compensation Amount for Exercising Rights to Dormitory Room and Board, Student Loan, Scholarship and Transport Allowance, adopted by the Ministry.

Students who are identified as showing particular scientific or artistic inclinations, as well as those who win awards at international and national competitions are considered as the highest ranked students. Scholarships to these students are awarded without any repayment commitment. Importantly, students who are included in the loan scheme are not eligible for this type of scholarship. Two criteria are taken when this type of scholarship is awarded, namely, student's performance achieved in the previous study year and the actual awards won at national and international competitions by the student in question.

With respect to loans, each academic year the Ministry announces the call for applications. The Ministry also decides the conditions students need to fulfil in order to be eligible for receiving the loan, the number of loan beneficiaries (proportionate to the number of the students enrolled on higher education institutions), the list of documents and other relevant matters. Upon applying, the student is required to submit proof of enrolment, transcript of records, proof of residency and citizenship, bill of exchange including information of guarantors, and the certificate that a student's parent exercises the right to social security in line with the social welfare regulations, if available.

In accordance with the Rulebook, the Ministry announces the call for allocation of grants to the best students annually. Students entitled to scholarship shall meet the following:

- Rank highest among students on the second and the succeeding years of studies,
- Have citizenship of Montenegro,
- Be enrolled on a semester of an academic year for the first time,
- Not lose a single year during the studies,
- Pass all exams from previous years of studies in line with curriculum of a higher education institution they attend, accomplishing the performance index of at least 9.00.

Students with Montenegrin citizenship and students with permanent residence in Montenegro are eligible to be awarded grants and loans.

In 2013, 3.291 of students in Montenegro were using student loans (about 9% of the entire student population). According to Branković (Ministry data, 2013), in Montenegro, 11.66% of students benefit from student loans (which is not the type of the loan system encountered in Western countries) and less than 10% of students (8.46% in 2011/2012) live in subsidised student accommodation. The scholarship system is merit-based and they are given on a competitive basis to students with highest grades, as well as to those with special affinity towards scientific/artistic work, and those who were awarded prizes at state and international competitions.

In principle, students who use student loans are obliged to repay them in accordance with the Rulebook. Student who completes the studies within the timeframe defined by a higher education institution Statutes as a period necessary for completion of full-time study programme, with the average grade ranging from 9.00 to 10, shall be granted full loan remission. Student who completes the studies within the timeframe defined by the HEI statutes as a period necessary for completion of full-time study programme, with the average grade ranging from 8.00 to 9.00 (on the 5.00-10.00 scale), is granted 80% remission. Student who completes the studies within the timeframe defined by the HEI statutes as a period necessary for completion of a full-time study programme, with the average grade ranging from 7.00 to 8.00, shall be granted 60% loan remission.

According to the regulation, the loan beneficiary starts repaying the loan within one year from the date the completion of studies was due in line with the HEIs' statutes. Loan beneficiary that discontinues the studies begins repaying the loan amount received within one year from the date of terminating the full-time studies. However, the loan repayment can be deferred for maximum 18 months from the date of completion of studies, so that the final loan repayment deadline cannot exceed the time twice as long as the period of loan usage. The loan remission is carried out upon a personal request submitted by a user within six months from the day the completion of studies was due in line with a higher education institution Statutes. In case of incapacity to continue education due to permanent disability, loan is written off upon a personal request, i.e. upon the request of a parent or a guardian. Along with the request, medical certificate shall be submitted.

In the same way as with the scholarship, the criteria for granting loans is regulated by the Rulebook. The loan scheme is largely based on the merit criteria and includes the student's performance in the previous year of studies. Notably, students whose parents or guardians exercise the right to social security in line with the social welfare regulations are given

advantage under equal conditions with regards to the performance. Importantly, among the students with the same success in their studies an advantage is given to the student who can prove that their parents are awarded state social aid. The amount of the loan awarded depends on student's performance index and the year of studies attended. Loan is realized in ten monthly instalments and is not lower than the amount of the cost of the students' residence and board allowance, increased by 25%. The loan is granted for the period of one academic year. The scholarship amount depends on the level of the loan set for all the students maximum increased by 30-50%.

Accommodation and meals costs are calculated based on suggestion of Dormitory Governing Board. In a further communication with the Ministry of Education final decision concerning public subsidies is established.

According to the Ministry, students can receive financial support for co-financing mobility abroad, for which the scholarship for master and doctoral studies are calculated based on empirical assessment from previous years. This practice exists already for the last five years.

According to Ivošević and Miklavič (2009), as it is the case with students in other country in the region, study costs (tuition fee, books, etc.) and living costs (accommodation, meals, transport, leisure, etc.) are largely covered by parents. A small percentage of students has a part-time job, some benefit from state support system, still most of them for the most part fo their costs depend on parental support.

Chapter 7: Summary and discussion

Higher education system in Montenegro has been undergoing a reform process in the past decade, largely as part of a broader wave of reforms happening in Europe. Being a signatory country to the Bologna Declaration since 2003, early in 2000s Montenegro embarked on changing its legal framework in the field of higher education, as well as implementing other measures aimed at increasing efficiency and effectiveness of its higher education system. Even though the Montenegrin higher education system is a rather small one when compared to other countries in the region, it has been exposed to the same challenges larger systems in the region (and elsewhere) have been exposed to in recent years (Branković, 2013). These include, *inter alia*, massification, privatisation, both in terms of private providers and increased contribution by students, also marketisation and increasing difficulties in meeting the labour market needs. As elsewhere these changes were accompanied by a rapid growth in number of HEIs and number of students, followed by an expansion of new study programmes.

However, despite all these changes, the system of financing has remained essentially the same during the last decade. The model in place is still input based and it is based solely on real costs, i.e. the costs of the permanently employed teachers, administrative staff and material costs, while, as already mentioned, most of the funding comes from the state budget, either from the state level or the level of local community, and from tuition fees. In other words, the funding base of higher education institutions is not sufficiently diverse, while incentives towards diversifying and strengthening other funding sources and exploring new potential ones, are almost non-existent. Therefore, Montenegro can be categorised as a HE system with centralized system of funding which is input based and is also known to be a traditional type of budgeting, within which the allocation is based on requests submitted to the authorities, known as negotiated funding (Jongbloed & Koelman, 2000). In other words, the model does not incorporate any financial incentives based on output indicators or the process of delivering higher education.

This expansion has been accompanied by, among other things, the reduction of the level of government support. Furthermore, the tuition fee policy of the government allowed HEIs, also in the public sector, to charge tuition to students, which eventually lead to tuition fees being the main sources of revenue of public institutions alongside the government support. In the period 2007/2008 – 2011/2012, even though the total number of students grew, the number of students in the budget quota remained more or less at the same level and – relative to the total number of students, decreased, while the total number and percentage

of students in the self-financed quota increases in the same period. At the same time, the total government funding grew only slightly between 2006 and 2012, but not following the growth in the size of the system in terms of student and staff numbers, and in terms of the investment in higher education as % of GDP and as % of GDP per capita, the funding decreased in the given period.

Expectedly, in the case of private institutions, tuition fees represent the main source of revenue. Importantly, private higher education institutions can also receive funds from the government, albeit for enrolling students in study programmes which are determined to be of public interest. Even though faculties and departments engage in research projects, consultancy services, receive donations, lease premises and equipment, as well as arrange other types of charges for services to students, these altogether represent a smaller portion of the overall budget of a HEI, especially when compared to charging tuition and the amount received from the state.

The shortcomings of the model currently in place have been recognised by both the decision makers and higher education institutions and initiatives have been taken in the direction of change. In 2011, Montenegro adopted the Strategy of Development and Financing of HE in Montenegro for the period 2011-2020, which set a policy framework in place within which a funding arrangements should be developed and implemented. In line with it, a new funding formula is being developed in cooperation with the World Bank under the project “Higher Education and Research for Innovation and Competitiveness Project – HERIC” and it foresees a system based on the cost per student.

In principle, the governance structures in place, even at the system level, seem to be largely dominated by members of the academic community, which indicates a strong reliance the state when it comes to higher education issues. Moreover, the involvement of representatives of the economy and the business sector in projects of relevance to higher education (e.g. HERIC), as well as the diverse composition of the National HE Council, point to a rather inclusive decision making practices when it comes to Montenegrin higher education. While this as such could only be seen as conducive to the institutions’ openness towards a broad range of collaborative activities with various constituencies in its environment, and, consequently, to the expansion of its funding base in terms of the diversity of sources, the institutions are still largely oriented towards students and, of course, the state.

Public funds are allocated to the University of Montenegro which further distributes them to its organisational units. The type of allocation is lump-sum, meaning that that institution can determine about internal distribution of the finances entirely on its own. However,

government funds are for the most part internally allocated to the employees' salaries. With regards to the accountability for the use of the public funds, the University of Montenegro, together with its constituent parts, is required to conduct financial reporting for the entire budget of their institution, public and own revenue, to its Governing Board. In addition to the internal reporting, external financial audit is required from the university. However, the university is formally not reporting on the effective and efficient use of these resources, nor is there any criteria or mechanisms in place to enable external monitoring of the use of public or own revenue.

At the level of students, the regulation in Montenegro recognises only full-time students and makes a distinction between so-called "budget" and "self-financed" students, i.e. those whose tuition is paid by the government, directly to the institution and those who pay for the tuition themselves, respectively.

Similarly to other countries in the region, Montenegro has its own national system of loans, scholarships/grants, as well as subsidised accommodation, meals in student restaurants, public transportation subsidies, etc. Until the 2010-2011 academic year, only budget students were entitled to apply for scholarships and loans. However, at the moment, between the two categories of students, there is no difference in terms of exercising the right to direct or indirect support, nor there is a difference between students of public and private higher education institutions. Overall, about 12% of students benefit from student loans and less than 10% of students live in subsidised student accommodation. The scholarship system is purely merit-based and they are given on competitive basis to students with highest grades, as well as to those with special affinity towards scientific/artistic work, and those who were awarded prizes at state and international competitions. Allocation of loans, on the other hand, does take into consideration the student's socio-economic status, although very limitedly. In principle, students who use student loans are obliged to repay them, unless they achieve excellent academic results, in which case they can be granted partial or full loan remission. Finally, Montenegro also supports some of the students who go on international mobilities and this support is also based on empirical assessment from previous years.

When it comes to the issue of students' sources of income, the situation in Montenegro is similar to other counties in the region. Namely, study costs (tuition fee, books, etc.) and living costs (accommodation, meals, transport, leisure, etc.) are largely covered by parents. A small percentage of students has a part-time job, some benefit from state support system, yet still most of them and for the most part of their costs depend on parental support. However, there is almost no data available on this issue. This, as numerous studies point out (e.g. Archer, et al. 2003; Goastellec, 2010), can significantly impede access to higher

education, in particular for those students coming from lower social-economic background and especially when the student support system, such as grants and loans, do not reach a significant portion of the student body, largely ignore the need-based criteria and are almost exclusively merit-oriented, and are as such insufficient.

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