

Higher Education Finance and Cost-Sharing in Estonia

I. A Brief Description of Estonian Higher Education System

In line with the major political and economic transformations taking place in the region since the early 1990s, higher education reforms have also taken place in the Estonia. The higher education system has experienced democratization, restoration of academic autonomy, and changes in its financing system as some educational expenses were shifted from the government to parents and students.

The Estonian higher education system is binary consisting of academic higher education and applied higher education, as well as some vocational educational institutions that have the right to offer higher education level vocational programs (Eurydice, 2004). In terms of ownership, there are both private and public higher educational institutions in Estonia. In 2004 there were 20 public and 20 private higher educational institutions in the country (ENIC/NARIC, 2004).

Academic higher education in Estonia is divided into three levels: bachelor's studies, master's studies, and doctoral studies. In some specialties (basic medical studies, veterinary, pharmacy, dentistry, architect-engineer and a classroom teacher program) the Bachelors and Master's levels are integrated into one unit. Private higher education institutions may only use the name "university" if they have obtained licenses for Bachelor's, Master's, and Doctoral study programs. In addition to academic study programs, universities may also offer applied higher education studies. (Eurydice, 2004).

Applied higher education consists of only one level of study equal to the Bachelor's level in the academic branch of higher education. However, starting in 2004, applied higher education institutions can provide Master's studies in cooperation with universities and taking into consideration regional needs. An institution of applied higher education may independently provide Master's studies in theology and for military study programs (Eurydice, 2004; Implementation of Bologna Declaration in Estonia, 2003).

Estonian public universities have significantly more autonomy than applied higher education institutions. In addition to organizing the academic life of the university, universities can create new curricula, establish admission terms and conditions, approve the budget, approve the development plan, elect the rector and make restricted decisions in matters concerning assets. Institutions of applied higher education, in turn, are more restricted and need the approval of the Ministry of Education and Research to create new curricula and establish terms and conditions for admission. Unlike universities, with whom the state enters into agreements of state commissioned education, appropriations from the state budget fund to institutions of applied higher education and vocational educational institutions are made under the directive of the Ministry of Education (Implementation of Bologna Declaration in Estonia, 2003).

Financing Higher Education in Estonia

Estonia, like other countries in the region, has experienced an increase in student numbers. In addition to publicly funded higher education, the private sector and the tuition sponsored study slots at public higher educational institutions absorb demand for

higher education. Universities also operate so-called “open universities” to meet higher education demand and obtain additional revenue. Students at these open universities are usually admitted without entrance examinations and have to pay tuition (Eurydice, 2005).

There is a dual track tuition system in Estonia. The students who score above a certain cut off point on the entrance examinations are admitted to state funded places at public higher educational institutions. In general the Ministry of Education and Research sets the number of state commissioned places at higher educational institutions according to predicted needs in the labor market. (Eurydice, 2005). Those students who are admitted beyond this quota have to pay tuition.

Tuition within the public higher education sector in Estonia is called “reimbursement of study costs”. The council of the university establishes the rate for the reimbursement of study costs for each academic year, but cannot exceed an increase of 10 percent from one academic year to the next. In the case of professional higher educational institutions, the rate for the reimbursement of study costs by students comprises at least 75 percent of the government expenditure per student in the corresponding study program (Eurydice, 2005).

Private higher educational institutions themselves set the amount of tuition they charge the students. Unless the contract between the private institution and the student stipulates otherwise, the amount of tuition at private higher educational institutions may be increased by up to 10 percent between two academic years. Private university-type higher educational institutions are financed by their own means. Yet, the state may participate in financing certain study programs if there is a public demand for the qualifications that this institution provides.

Table 1.
Enrollment Dynamics in Estonian Tertiary Education¹

	1995	1996	1997	1998	1999	2000
Student enrollment, tertiary, total	39,726	43,468	..	48,684	53,613	57,778

Source: EDSTATS (<http://devdata.worldbank.org/edstats/cd5.asp>)

Table 2.
Dynamics of Enrollment in Estonian Public and Private Higher Education Institutions (HEI)

	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Enrollment in Public HEI	24,234	26,724	30,143	37,164	24,3671	47,374	46,773
Enrollment in Private HEI	5,831	7,818	10,472	12,407	13,266	13,335	10,669

Source: Eurydice, 2004

¹ Student enrollment numbers differ by source.

Student Financial Support

The student financial support system in Estonia consists of grants and student loans (Study Allowances and Study Loans Act, 2003).

Grants

Students apply each year for public grants. All students (except Doctoral candidates) enrolled in state financed slots at higher educational institutions are eligible for the basic allowance if they are Estonian citizens or permanent or temporary residents and have not exceeded the nominal period of study in their program. However, if there are circumstances that hinder any student from continuing his/her studies, an educational institution has the right to grant a basic allowance out of its allowance fund to this student even if he/she is self-funded. This is the only need-based feature in the Estonian student grants system. In all other cases basic allowances are granted according to merit, activity in the community, or successful participation in competitions and contests related to the student's specialty.

All students meeting the previously described requirements (again with the exception of Doctoral candidates) may also apply for a supplementary allowance if they have to commute to school from a distance of at least two municipalities. The student's academic performance is considered when issuing a supplementary allowance as well.

There is a separate merit based allowance policy for Doctoral candidates in Estonia. Doctoral candidates can apply for the allowance if they have not exceeded the nominal period of study set by the program, and if they are not employed other than in teaching or research. The size of allowances is established annually according to the amount of funds allocated by the state budget.

Student Loans

Estonia was the first among the three Baltic countries to introduce student lending from the resources of commercial banks. This policy came into effect in Estonia in 1997.

Estonian citizens or permanent residents have the right to obtain a student loan from the government's program as long as they are studying in a program whose duration is more than nine months and are enrolled full-time in a legally recognized public or private higher educational institution. Part-time students who are pursuing degrees in teacher training or who are working as teachers or educators are also eligible for the state guaranteed student loan.

Banks issue student loans against the state guarantee and individual security provided by the student (two co-signatories, real estate or shares). The state guarantees the full amount of loan borrowed by a student. The interest rate is 5 percent. If the interest rate charged by a bank is higher, the state subsidizes the difference.

A student has to start repaying the loan and the interest no later than one year after completing or discontinuing his/her studies. The mode of repayment is like that for conventional loans, yet there are some differences. For example, repayment of the student loan is stopped for the duration of compulsory military service, or if a student is a single parent whose child is up to three years old. During this time the state pays the interest on the loan. Part of the student loan can also be forgiven if a graduate becomes an employee in the public sector. The loan is cancelled in the event of the recipient's death. The

individual responsibility to repay the loan is also cancelled if the recipient becomes disabled and has lost or nearly lost his or her capacity to work as the result of the disability. However, both in the case of debtor's death and disability, the bank that has issued the loan has the right to demand that the state repays the loan.

II. Estimated Expenses of Higher Education

Estonia

Higher Education Expenses Borne by Parents and Students

First Degree, Academic Year 2002-03

Estonian kroon (EEK) converted to \$US by 2003 PPP estimate \$1 = 5.58 EEK

		<i>Public</i>		<i>Private</i>	
		<i>Low Public</i>	<i>High Public</i>	<i>Low Private</i>	<i>High Private</i>
Instructional Expenses	Tuition	--	25,000 EEK US\$4,480	19,550 EEK US\$ 3503	35,600 EEK US\$6,380
	Other Fees	na	na	na	230 EEK US\$41
	Books & Other Educational Expenses	600 EEK US\$107	2,000 EEK US\$358	1,750 EEK US\$313	5,000 EEK \$US896
	Subtotal Expenses of Instruction	600 EEK US\$107	27,000 EEK US\$4838	21,300 EEK US\$3,816	40,830 EEK US\$7,317
Student Living Expenses	Lodging	4,800EEK US\$ 860	4,800 EEK US\$860	4,800 EEK US\$ 860	24,000 EEK US\$4,301
	Food	18,000 EEK US\$3,225	18,000 EEK US\$3,225	18,000 EEK US\$3,225	36,000 EEK US\$6,451
	Transportation	3,600 EEK US\$645	3,600 EEK US\$645	3,600 EEK US\$645	8,400EEK US\$1,505
	Other Personal Expenses	15,000 EEK US\$2,688	15,000 EEK US\$2,688	15,000 EEK US\$2,688	15,000 EEK US\$2,688
	Subtotal Expenses of Student Living	41,400 EEK US\$7,418	41,400 EEK US\$7,418	41,400 EEK US\$7,418	83,400 EEK US\$14,945
	Total Cost to Parent & Student	42,000 EEK US\$7,525	68,400 EEK US\$12,256	62,700 EEK US\$11,234	124,230 EEK US\$22,262

Low Public: lowest program tuition and fees, living in dormitory or shared apartment.

High Public: high program tuition, living in dormitory or shared apartment.

Low Private: low private tuition, living in dormitory or shared apartment.

High Private: high private tuition, living as independent adult.

References

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