

Higher Education Finance and Cost-Sharing in the Russian Federation

I. A Brief Description of Russian Higher Education

The Russian Federation has had a long and distinguished history in tertiary education and science. The system of higher education (HE) has changed greatly since the early 1990s and this transformation process continues today. The transition from a centrally planned to a market oriented economy has had many implications for the quality and quantity of Russian higher education. The process of integration into the world economy led to severe financial constraints and sharp cuts in federal funding. At the same time, this integration has also offered new opportunities. Reforms implemented throughout the last twenty years (diversification of Higher Education; humanization; decentralization of management, university autonomy; creation of non-state [private] sector of Higher Education) have allowed the establishment of a multi-level structure capable of meeting international standards and matching the country's human resource needs.

As of 2007, the higher education sector in the Russian Federation was comprised of 658 state-owned institutions and 450 private accredited university level institutions and over 6 million students (Wikipedia 2008). Both public and private institutions provide higher education in Russia.

Higher education in Russia is under the jurisdiction of the Ministry of General Education and Science, which is responsible for the accreditation of higher education institutions and for the development and maintenance of state educational standards. Nevertheless, there are some institutions (largely military) that continue to be owned and operationally (if not academically) controlled by sectoral ministries.

Historically, Russian higher education was developed following the Central European University tradition, which emphasized the role of scholarship and science and freedom for research in higher education. Until 1917, almost all of the research in Russia was carried out in universities (the first of them, Moscow University, was founded in 1755).

In the Soviet period in the 1930s, major changes were made in the higher education system and the sciences. First, a great number of new HE institutions were established in order to create higher professional schools responsive to industry demand. Research institutes (institutes of the Russian Academy of Sciences) were founded parallel to these professional schools. These two types of institutes, higher educational and research, did not always work in a co-operative manner.

According to the regulations that guide Russian higher education, there are presently three basic kinds of higher education institutions. Universities offer a wide spectrum of programs on all levels of education: undergraduate, graduate and continuing. Universities are leading research centers in fundamental fields that combine learning, teaching and research (following the Humboldtian model). Academies are HE institutions that provide higher education at all levels and conduct research mainly in one branch of science, technology or culture (Academy of Mining, Academy of Architecture, Academy of Arts, etc.). Institutes are independent higher educational institutions or parts (structural division) of universities or academies that offer several professional education programs.

The Constitution and the Russian Federation Law on Education guarantee open and free access to Higher Education on a competitive basis. Applications are accepted from citizens of both sexes who have: (1) completed secondary education; and (2) passed a competitive entrance examination, which is given by each higher education institution on general subjects.

The higher education system presently is undergoing reforms. In February, 2006 the Russian Parliament approved a bill that requires that the Unified State Examination (a standardized test similar to the SAT used in the US) be used throughout the country by 2009 to replace high school final exams and individually administered university admissions tests. (Macwilliams, 2007). In October 2007, a law was enacted that replaced the previous three levels of undergraduate study cycle with a bachelor's and master's degree system starting in 2009. The bachelor's degree will be made up of 240 units equivalent to four years of full-time study.

There are two levels of doctoral scientific degrees: Kandidat Nauk Degree (the first level) and Doktor Nauk Degree (the second, highest level). The Candidate of Sciences (Kandidat Nauk) is the first advanced academic degree in Russia. The Doctor of Sciences, the highest academic degree awarded in Russia, parallels the requirement of published research for faculty promotion in the United States.

The higher education sector is dealing with declining enrollments due to a downturn in the birth rate in the 1990s and was faced with a 30 percent slump in applications for the 2008-09 academic year (Womack 2008). Competition among higher education institutions for students is rising commensurately.

In 2003, state expenditure on education in Russia was 3.8 percent of its GNP (UNESCO statistics). Spending in 2006 on tertiary education stands at approximately 70 billion rubles (one-quarter of one percent of GDP - much lower than the OECD average of 1.7 percent) (Wellhausen 2006). State universities receive between 50 and 70 percent of their budgets from the Federal budget¹, 10 to 20 percent through research, 5 to 10 percent as grants and overhead, 10 to 20 percent from tuition fees, and 10 to 20 percent from different types of educational services (such as renting out facilities and additional services provided to the population).

II. Estimated Expenses of Higher Education in Russia

In 1992 the Russian Federation Law on Education legalized tuition charges under conditions that were extended in the 1996 Law on Education² and introduced the concept of higher education cost sharing. The first private HE institutions appeared as a result of this law. As of 2005, there are 413 private HE institutions, which account for about 15 percent of total higher education enrollment. By 2005, over 55 percent of all students enrolled in public higher education institutions paid tuition (compared to only 13 percent in 1995/96). In April 2004, the State Duma cancelled the requirement that universities have a minimum of 25 percent of students whose tuition is paid for by the State.

Russia's tuition policy may be described as dual-track, which corresponds to its dual-track admissions policy. As mentioned above, the Law on Education guarantees the right for free access to public higher education on a competitive basis and sets the quota of students (minimum 170 students per 10,000 citizens of region) that are financed from the Federal Budget. Therefore, a certain proportion of top scoring students are awarded free tuition and scholarships ("stipend") from the federal budget to cover their costs. However, the stipend is very low and only covers minimum expenses.

The second track of tuition comes from students, parents, enterprises and philanthropic organizations for students who have passed the entrance exam, but have not scored high enough to qualify for state support. The Law on Education provides the legal grounds for fee admission to HE institutions. Instruction on a fee-paying basis is geared to the market value of a program and the prestige of the institution rather than the actually incurred costs. Law, economics, business management and foreign languages are the most expensive fields since they provide

¹ Recent OECD data estimates 70 to 80 percent. (OECD 2007)

² Under which up to 25 percent of total admissions could be fee-based.

training for high demand careers and are most likely to attract students capable of full-cost payment. In contrast, science and engineering are the least expensive.

Many public institutions have come to depend on tuition revenues as the second major income source after state allocations. The size of additional revenue generation varies by institutions and by the year, ranging from 20 percent to 60 percent. Thus tuition policy plays an important role in the economy of public HE institutions in today's Russia. This policy has allowed a substantial increase in enrollments in higher educational institutions. From 1992 when the policy was introduced to 2005, the system tripled enrollments.

THE RUSSIAN FEDERATION
Higher Education Expenses Borne by Parents and Students
First Degree, Academic Year 2005-06

Ruble (RUB) converted to \$US based on 2005 PPP of \$1 = 12.8 rubles³

		Public			Private	
		<i>Regular</i>	<i>Low Fee-paying</i>	<i>High Fee-paying</i>	<i>Low Private</i>	<i>High Private</i>
	Application Fee & Other One-Time Fees	R1,443 \$113	R1,500 \$117	R14,330 \$1,120	---	---
Instructional Expenses	Tuition	\$0	R28,000 \$2,200	R75,000 \$5,850	R26,000 \$2,050	R36,600 \$2,850
	Other Fees	\$0	R144 \$11	R1,000 \$78	R1,445 \$113	R2,880 \$225
	Books & Other Educational Expenses	\$0	R570 \$45	R1,445 \$113	R1,445 \$113	R5,700 \$445
	Subtotal Expenses of Instruction	R1,443 \$113	R30,214 \$2,360	R91,775 \$7,170	R28,890 \$2,257	R45,180 \$3,530
Student Living Expenses	Lodging	\$0	R2,000 \$156	R34,560 \$2,700	R432 \$34	R34,560 \$2,700
	Food	R5,800 \$453	R10,000 \$780	R17,280 \$1,350	R5,800 \$453	R17,280 \$1,350
	Transportation	R432 \$34	R864 \$68	R8,655 \$676	R864 \$68	R8,655 \$676
	Other Personal Expenses	R5,184 \$405	R10,370 \$810	R10,370 \$810	R10,370 \$810	R10,370 \$810
	Subtotal Expenses of Student Living	R11,415 \$890	R21,670 \$1,693	R70,865 \$5,536	R17,470 \$1,365	R70,865 \$5,536
	Total Cost to Parent & Student	R12,859 \$1,004	R51,884 \$4,053	R162,640 \$12,706	R46,360 \$3,622	R116,045 \$9,066

³ 2005 International Comparison Program, World Bank.

Regular Public: regularly admitted (tuition-free admission) student, living in public university residence halls or at home with parents; using city transport

Low Fee-paying: fee-charged student in less prestige field of study, such as applied mathematics, sciences, engineering; living in dormitory and preparing own meals; using city transport.

High Fee-paying: fee-charged student in prestigious field of study, such as law, economics, and management; living in an apartment; eating in student cafeteria or private restaurants; using own car.

Low Private: low private tuition, living in dormitory or shared apartment; preparing own meals; using city transport.

High Private: high private tuition, living in single room or shared apartment; eating in student cafeteria or private restaurants; using own car.

Student Loans in Russia

In the summer of 2000, Sherbank became the first bank (14 others have subsequently set up their own loan programs) to offer loans to help student to pay their tuitions. The loans, which must be used to cover tuition fee costs, carry no governmental subsidy or guarantee, must be cosigned by the students' parents or guardians. They carry the lowest consumer credit interest rates (18 to 20% as the lower rates are generally accompanied by bank commissions for transfer and debt service) and are repayable over a 5 to 10-year period after graduation (interest must be paid during in-school years). By the end of 2004, only 3,000 student loans had been issued (Wellhausen 2006).

In 2004, the Kredo student loan scheme [www.prokredo.ru] was started by the Crane (Krein) Company in close co-operation with the bank Soyuz to provide young people with access to high quality education in leading Russian universities. At present, Kredo is working with 21 universities⁴.

The scheme has the following loan characteristics:

- simplified loan procedures;
- loan given in US dollars fully covering all study costs (\$10,000 to 25,000 depending on faculty and specialty);
- no guarantee or co-signatory requirements;
- interest rate of 10 percent;
- grace period during in-school years;
- long-term repayment period – up to 10 years after graduation.

The Crane Company guarantees the loans, thereby setting students free from additional requirements, such as parental co-signatories or other guarantors, and pledges.

In 2005, the RF Ministry of Education and Science set up an expert group to develop a *Concept o state support for student loans*. The group consisted of high officials, representatives of the university community, and businessmen (including Mr. Mikhail Matrosov, Director-General of Crane). The first stage of the Concept was to include the implementation of an experimental state supported student loan program in 2007-2010, while the second stage was to be the legislation in support of such a program.

On August 10, 2006, the RF Government approved the Concept. Within the framework of the four year experiment, three kinds of student loans (2.5 thousands loans per year) were to be made available:

- general – a payment for the first higher education degree;

⁴ Information for this section was generously provided by Vladimir Taunov, Deputy Director General, Company Crane and Alexandra Konoplianik, Public Relations Manager, Company Crane.

- additional – a payment for further education;
- accompanying – a payment for accommodation, meals and other expenses accompanying study.

Under the experimental program, the Ministry of Education and Science has guaranteed 10 percent of the loans to the underwriter Crane for the Kredo program.

REFERENCES:

Bain, Olga. Cost of Higher Education to Students and Parents in Russia: Tuition Policy Issues. ELP, SUNY at Buffalo, 1998.

Clark, Burton and Guy Neave. The Encyclopedia of Higher Education. Oxford: Pergamon Press, 1992.

Johnstone, D.B. and Bain, O. Universities in Transition: Privatization, Decentralization, and Institutional Autonomy as National Policy with Special Reference to the Russian Federation. <http://www.gse.buffalo.edu/FAS/Johnston>

Johnstone, D.B. Higher Education Under Conditions Of Transition To A Market Economy. <http://www.gse.buffalo.edu/FAS/Johnston>

Koriakina, Tatiana, *Higher Education Finance and Accessibility, Case Study: Russian Federation*, 2001.

Education of Russia. <http://atlas.informika.ru> (in Russian)

Higher Vocational Education (analytical review of Ministry of Education of RF). <http://www.ed.gov.ru> (in Russian)

MacWilliams, Bryon, “In Russia, a Loan Program Vanishes, Leaving Students Scrambling”, *The Chronicle of Higher Education*, December 7, 2001.

State University Higher School of Economics. (2002). *Russian Education System and Reform. Useful Information for Overseas Colleagues and Friends*. Available at: <http://www.hse.ru/eng/education.html>

Tertiary Education and Research in the Russian Federation. OECD, 1999.

Welhausen, Rachel. (2006). *Student Loans in Russia*. Report on a Conference held at Ditchley Park. Oxfordshire: Oxford Russia Fund.

Womack, Helen. (2008, May 18). Russia: Demographic time bomb empties colleges. *University World News* website. Downloaded on 11/24/2008.

Web-sites:

Russian Ministry of Education website. <http://www.ed.gov.ru>

Statistical information about Russian Federation. <http://www.gks.ru/eng>

Ministry of Education of Russian Federation. <http://www.informika.ru/eng>

The World Bank Group. Russian Federation. <http://www.worldbank.org>

Wikipedia. Higher Education in Russia. http://en.wikipedia.org/wiki/Higher_Education_in_Russia