

Higher Education Finance and Cost-Sharing in the Russian Federation

(Updated April 2010)

I. A Brief Description of the Russian Higher Education System

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 2008, the higher education sector in the Russian Federation was made up of 1,423 institutions¹ including 685 federal state-owned institutions, 54 regional state institutions, 13 municipal higher education institutions and 671 private institutions and approximately 9 million students (Vainio 2009) with about 17 percent of these studying in private institutions.

Higher education 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.

There are presently three basic kinds of higher education institutions: universities, academies and institutes. *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). At present three categories of universities have been identified:

- two universities with special status: Moscow State University named after M. Lomonosov and Saint-Petersburg State University;
- seven federal universities created through the merger of higher educational institutions and aimed at becoming centers for higher education and research in Russia;
- 28 national research universities are expected to improve the level of competitiveness of Russian education and science on a global scale.

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 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 the Unified State Examination in a number of disciplines.

The higher education system has undergone a number of reforms since 2006. In February, 2006 the Russian Parliament approved a bill requiring that the Unified State Examination (a

¹ The number decreased to 1,352 higher education institutions in 2009.

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 in line with the Bologna process 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. The two levels of doctoral scientific degrees, the Kandidat Nauk Degree (the first level) and Doktor Nauk Degree (the second, highest level), remained the same.

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 2009, state expenditure on education in Russia was 3.8 percent of its GDP with about 21 percent of this spent on tertiary education (Vainio 2009). State universities receive between 50 and 70 percent of their budgets from the Federal budget², 10 to 20 percent through research, 5 to 10 percent as grants and overhead, 10 to 20 percent from tuition fees and other educational services, and 10 to 20 percent from different types of 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 Education³ and introduced the concept of higher education cost sharing. The first private HE institutions appeared as a result of this law. As of 2008, there are 671 private HE institutions, which account for about 17 percent of total higher education enrollment. By 2009, about half of all students enrolled in public higher education institutions paid tuition (compared to only 13 percent in 1995/96).

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 state-supported students. Therefore, a certain proportion of top scoring students are awarded free tuition and academically-based scholarships ("stipends") from the federal budget to cover their costs. However, the stipend is very low and only covers minimum expenses. In addition to the academic scholarship there are also social scholarships available for students from low income families (Vainio 2009).

Students who have passed the entrance exam, but have not scored high enough to qualify for state support are admitted on a fee paying basis. The level of tuition fees charged is geared to the market value of a program and the prestige of the institution rather than the actually incurred costs. Institutions set their own tuition fee levels. Law, economics, business management and foreign languages are the most expensive fields since they provide 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. The two types of students take their courses together. All students in private institutions pay tuition fees.

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.

² Recent OECD data estimates 70 to 80 percent. (OECD 2007)

³ Under which up to 25 percent of total admissions could be fee-based.

THE RUSSIAN FEDERATION
Higher Education Expenses Borne by Parents and Students
First Degree, Academic Year 2009-10

Ruble (RUB) converted to \$US based on World Bank ICP 2005 PPP of \$1 = 12.74 rubles

		Public			Private	
		<i>State-supported</i>	<i>Low Fee-paying</i>	<i>High Fee-paying</i>	<i>Low Private</i>	<i>High Private</i>
	Application Fee & One-Time Fees	RUB1,443 US\$113	RUB1,500 US\$118	RUB14,330 US\$1125	---	---
Instructional Expenses	Tuition	0	RUB30,000 US\$2355	RUB 300,000 US\$23548	RUB 26,000 US\$2041	RUB 36,600 US\$2873
	Other Fees	0	RUB 144 US\$11	RUB 1,000 US\$78	RUB 1,445 US\$113	RUB2,880 US\$226
	Books & Other Expenses	0	RUB 570 US\$45	RUB 1,445 US\$113	RUB 1,445 US\$113	RUB5,700 US\$447
	Subtotal Instruction	RUB1443 US\$113	RUB32,214 US\$2,529	RUB316,775 US\$24,865	RUB 28,890 US\$2,268	RUB 45,180 US\$3,546
Student Living Expenses	Lodging	0 0	RUB 5,000 US\$392	RUB 44,000 US\$3454	RUB 432 US\$34	RUB34,560 US\$ 2,713
	Food	RUB5800 US\$455	RU 10,000 US\$785	RUB 17,280 US\$1356	RUB 5800 US\$455	RUB 17280 US\$1356
	Transportation	RUB 432 US\$34	RUB 864 US\$68	RUB8,655 US\$679	RUB 864 US\$68	RUB 8,655 US\$679
	Other Personal Expenses	RUB 5,184 US\$407	RUB 10,370 US\$814	RUB10,370 US\$814	RUB10,370 US\$814	RUB 10,370 US\$814
	Subtotal Student Living	RUB11,416 US\$896	RUB26,234 US\$2,059	RUB 80,305 US\$ 6,303	RUB 17,466 US\$ 1,371	RUB 70,865 US\$5,562
	Total Cost to Parent & Student	RUB12,859 US\$ 1,009	RUB58,448 US\$ 4,588	RUB397,080 US\$ 31,168	RUB 46,356 US\$ 3,639	RUB 116,045 US\$ 9,109

Regular Public: regularly admitted (tuition-free admission) student, living 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, Sberbank of Russia became the first bank (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, and 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.

The scheme had 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 guaranteed 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 of 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 government participation in the Kredo loan program as co-guarantor (10 percent of the loans) with Crane, while the second stage was to be the legislation in support of such a program. Under the experimental program, the Ministry of Education and Science and Crane worked with 21 higher education institutions and issued approximately 800 loans. The loan program has been frozen as of 2009 in light of the global financial crisis (Vainio 2009).

In 2010, a student loan program was launched for 56 Russian higher educational institutions (including three private ones) that is expected to cover 10,000 students. Sberbank of Russia and Bank SOYUZ will give first time academically qualified undergraduate students loans on favourable terms – near 5 percent annual interest rate. The borrower makes no principal payments during the period of study and for 3 months following graduation, but must pay a portion of the interest during the first two years of study. The rest of the interest is compounded. The student then has to repay the loan over a 10-year period after graduation. The state acts as a warrantor providing special subsidies (up to 20 percent of the loan total) that cover possible bank losses and the student borrower is not obliged to provide security (pledge or guarantee).

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