

**R U L E S**  
**regarding higher education funding**  
**SECTION I**  
**General provisions**

Article 1

*Purpose and scope*

The purpose of these Rules is to ensure that funding is allocated to higher education institutions in a transparent manner, with the aim of improving the quality of their education and research activities, and to provide increased predictability for their financing.

The Rules apply to the allocation of public funding to higher education institutions having received accreditation under the provisions of Article 3 of the Higher Education Act, No 63/2006.

Article 2

*Definitions*

For the purpose of these Rules, the following definitions apply:

- (a) *Academic year*: Extending from 1 July to 30 June the following year.
- (b) *Bachelor's degree*: Higher education degree where the student has completed all credits belonging to a structured first-cycle programme, *cf.* the Criteria for Higher Education Programmes and Degrees in force at each time.
- (c) *Completed credits*: Standardised course credits where a student enrolled in the course has received a "Pass".
- (d) *Credits*: Standardised units of study, reflecting the expected student workload necessary to meet the requirements of a particular course.
- (e) *Cycle 1*: Cycle 1 includes two levels: diploma and bachelor's degree, *cf.* the Criteria for Higher Education Programmes and Degrees in force at each time.
- (f) *Cycle 2*: Cycle 2 includes two levels: master's level certificate and master's degree, *cf.* the Criteria for Higher Education Programmes and Degrees in force at each time.
- (g) *Cycle 3*: Cycle 3 includes one level: doctoral degree, *cf.* the Criteria for Higher Education Programmes and Degrees in force at each time.
- (h) *Diploma*: Higher education degree where the student has completed all credits belonging to a structured first-cycle programme, *cf.* the Criteria for Higher Education Programmes and Degrees in force at each time.
- (i) *Doctoral degree*: Higher education degree where the student has completed all credits belonging to a structured third-cycle programme, *cf.* the Criteria for Higher Education Programmes and Degrees in force at each time. Studies toward a doctorate must include a research project which meets international criteria for doctoral theses.
- (j) *Field-weighted citation impact*: A metric indicating how many citations a publication has received as a proportion of the expected number for comparable publications in the field concerned, as indexed in the international Scopus database.
- (k) *Graduate*: A student who has met all the requirements of a programme, and who has thereby received a higher education qualification such as a degree or another type of formal credential.
- (l) *Impact factor*: The metric reflects the number of citations of journals indexed in the international Scopus database and having recorded citations in that database.
- (m) *Master's degree*: Higher education degree where the student has completed all credits belonging to a structured second-cycle programme, *cf.* the Criteria for Higher Education Programmes and Degrees in force at each time. A master's degree must include a research project worth at least 30 credits.
- (n) *Master's level certificate*: Higher education degree where the student has completed all credits belonging to a structured second-cycle programme, *cf.* the Criteria for Higher Education Programmes and Degrees in force at each time. Master's level certificates are awarded for studies that either do not include a research project or only research projects worth 30 credits or less.

- (o) *Private higher education institution*: A higher education institution having obtained ministerial accreditation in accordance with Article 3 of the Higher Education Act, No 63/2006. Private higher education institutions may operate as non-profit foundations (“self-owned organisations”) or under any other recognised corporate form.
- (p) *Programme*: A specific combination of higher education studies with a unique name, corresponding to a defined number of credits which students must complete to be awarded a degree or other qualification at the end of their higher education studies.
- (q) *Public higher education institution*: A higher education institution operating as an independent government-funded organisation under the authority of the relevant Minister. Public higher education institutions are listed exhaustively in Article 1 of the Act on Public Higher Education Institutions, No 85/2008. Public higher education institutions must obtain ministerial accreditation in accordance with Article 3 of the Higher Education Act, No 63/2006.
- (r) *Publication statistics*: Statistics on research activities at Icelandic higher education institutions, as measured by peer-reviewed publications indexed in the international Scopus database.
- (s) *Top 1% of peer-reviewed publications*: A publication belongs in this category if it places in the top 1% of all publications by the number of citations, corrected for year of publication and field of study, in the international Scopus database.
- (t) *Top 10% of peer-reviewed publications*: A publication belongs in this category if it places in the top 1% of all publications by the number of citations, corrected for year of publication and field of study, in the international Scopus database.
- (u) *Tuition fees*: Tuition fees are the student’s contribution toward teaching and administration costs, to which may be added service fees comparable to those which public higher education institutions are authorised to charge under Article 24 of the Act on Public Higher Education Institutions, No 85/2008.

### Article 3

#### *Public funding*

Higher education funding is provided from the State Treasury in accordance with annual budget appropriations in budget line 21.10 Higher Education and Research. Decisions regarding annual allocations to higher education institutions, public and private, must be made in accordance with these Rules.

Higher education funding is provided both for teaching and research activities conducted at higher education institutions and for the fulfilment of the societal role of those institutions. Funding provided in accordance with the first paragraph is to be divided proportionally between the different categories as follows:

- (a) Teaching, 60%
- (v) Research, 15%
- (w) Societal role, 25%

Private higher education institutions which do not charge tuition fees are entitled to the same level of funding as public higher education institutions.

Private higher education institutions charging tuition fees are entitled to funding for teaching and research activities corresponding to 75% of that provided to public higher education institutions under Sections II and III, and to full funding for the fulfilment of their societal role under Section IV.

## SECTION II

### **Funding for teaching**

#### Article 4

#### *Distribution of funding provided for teaching activities*

Funding for teaching activities according to Article 3, second paragraph, point (a), is to be divided proportionally between two categories as follows:

1. Completed credits, 70%
2. Number of first- and second-cycle graduates, 30%

Article 5  
*Completed credits*

Higher education institutions are to receive funding based on the number of credits completed by their students, as provided in Article 4.

Funding provided according to the first paragraph is to be calculated taking into account the total number of credits completed by students during the three most recent academic years, divided proportionally according to the share of each institution (for example, appropriations from the State Budget for 2025 are to be based on the total number of credits completed during the academic years 2021/2022, 2022/2023 and 2023/2024), taking into account the specific coefficient of each programme according to the third paragraph.

Programmes are to be classified into four categories according to the requirements of each programme with regard to teaching. The categories will have the coefficients 1, 1.5, 2 and 4. The final classification of programmes and coefficients is decided by the Ministry and is to be published annually in the annex to the State Budget in accordance with Article 19, first paragraph, Point 4, of the Public Finance Act, No 123/2015.

Article 6  
*Number of first- and second-cycle graduates*

Higher education institutions are to receive funding based on the number of first- and second-cycle graduates, as provided in Article 4.

Funding provided for the number of graduates in accordance with the first paragraph is to be calculated taking into account the average number of students having graduated from the higher education institution concerned over the two most recent academic years (for example, appropriations from the State Budget for 2025 are to be based on the average number of graduates during the academic years 2022/2023 and 2023/2024), taking into account the following coefficients for each graduate category:

- (a) Bachelor's degree, coefficient 1
- (x) Master's degree worth 120 ECTS, coefficient 2
- (y) Master's degree worth 90 ECTS, coefficient 1.5
- (z) Master's level certificate worth 120 ECTS, coefficient 1.5
- (aa) Master's level certificate worth 90 ECTS, coefficient 1.125
- (bb) Master's level certificate worth less than 90 ECTS, and diploma, coefficient 0.2
- (cc) No funding is to be provided for studies covered by Article 23a of the Act on public higher education institutions, No 85/2008, or Article 19, fourth paragraph, of the Higher Education Act, No 63/2006.

SECTION III  
**Funding for research**  
Article 7

*Distribution of funding provided for research activities*

Funding for research activities provided according to Article 3, second paragraph, point (b), is to be divided proportionally between three categories as follows:

1. Publication statistics, 55%
2. Number of third-cycle graduates, 15%
3. Foreign grants, 30%

Article 8  
*Publication statistics*

Higher education institutions are to receive funding for publication activities, as provided in Article 7.

Funding provided based on publication statistics is to be calculated taking into account the number of peer-reviewed publications over the three most recent calendar years, divided proportionally according to the share of each institution. Publication statistics are to be calculated using the following six sub-variables extracted from the international Scopus database:

1. The number of peer-reviewed publications in each field, multiplied by a coefficient measuring the field-weighted citation impact, 55%
2. The number of peer-reviewed publications in open access, regardless of the publishing model used, 10%
3. The number of publications ranked among the top 10% of peer-reviewed publications in the relevant field, 12%
4. The number of publications ranked among the top 1% of peer-reviewed publications in the relevant field, 2%
5. The number of peer-reviewed articles published in the top 10% journals with the highest impact factor in the year of publication of the relevant article, 9%
6. International collaboration, measured as the number of publications where any of the co-author are active at foreign research or higher education institutions, 12%.

#### Article 9

##### *Third-cycle graduates*

Higher education institutions are to receive funding based on the number of third-cycle graduates, as provided in Article 7.

Funding provided for the number of doctoral graduates is to be calculated taking into account the average number of third-cycle graduates over the two most recent academic years, divided proportionally according to the share of each institution.

#### Article 10

##### *Foreign grants*

Higher education institutions are to receive funding based on foreign grants received, as provided in Article 7, point (c).

Funding is to be provided taking into account grants from sources specified annually in the annex to the State Budget in accordance with Article 19, first paragraph, Point 4, of the Public Finance Act, No 123/2015.

Funding for foreign grants received is to be calculated taking into account the relevant institution's share of the total amount of grants received from the sources referred to in the second paragraph, over the five most recent calendar years.

### SECTION IV

#### **Funding for the fulfilment of a societal role**

#### Article 11

##### *Distribution of funding provided for fulfilling a societal role*

Higher education institutions are to receive funding for fulfilling their societal role, as provided in Article 3, second paragraph, Point (c). Funding provided for the fulfilment of the societal role is to be divided proportionally between seven categories as follows:

1. Regional development and distance learning, 12.8%
2. STEAM initiative, 12%
3. HEI strategy, 20%
4. Support for low-enrolment disciplines considered essential, 4%
5. Teaching supplement, 20%
6. Research supplement, 20%
7. Implementation, 11.2%

Funding for the fulfilment of a societal role is a policy-based contribution for which the distribution between categories is to be reviewed annually and published in the annex to the State Budget in accordance with Article 19, first paragraph, Point 4, of the Public Finance Act, No 123/2015.

Section V  
**Miscellaneous provisions**

Article 12

*Review*

A review of these Rules is to be undertaken when three years have elapsed from their entry into force.

Article 13

*Legal basis and entry into force*

These Rules are issued under the provisions of Article 22, first paragraph, of the Higher Education Act, No 63/2006.

These Rules enter into force immediately; at the same time, the previous Rules regarding higher education funding, No 646/1999, are repealed.

*Ministry of Higher Education, Science and Innovation, 11 June 2024.*

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