



Assessment of the Current Funding Model's Alignment with the Higher Education Policy Objectives in Latvia (component 2)

Prof. Dr. Hans Vossensteyn / Prof. Dr. Frank Ziegele

Round-table discussion on Strategic Fit | Latvia | April 23, 2014

What is our task?

funding system(s)

4 topics

- state funding (teaching and research)
- diversification of financial resources
- financial autonomy
- student financing



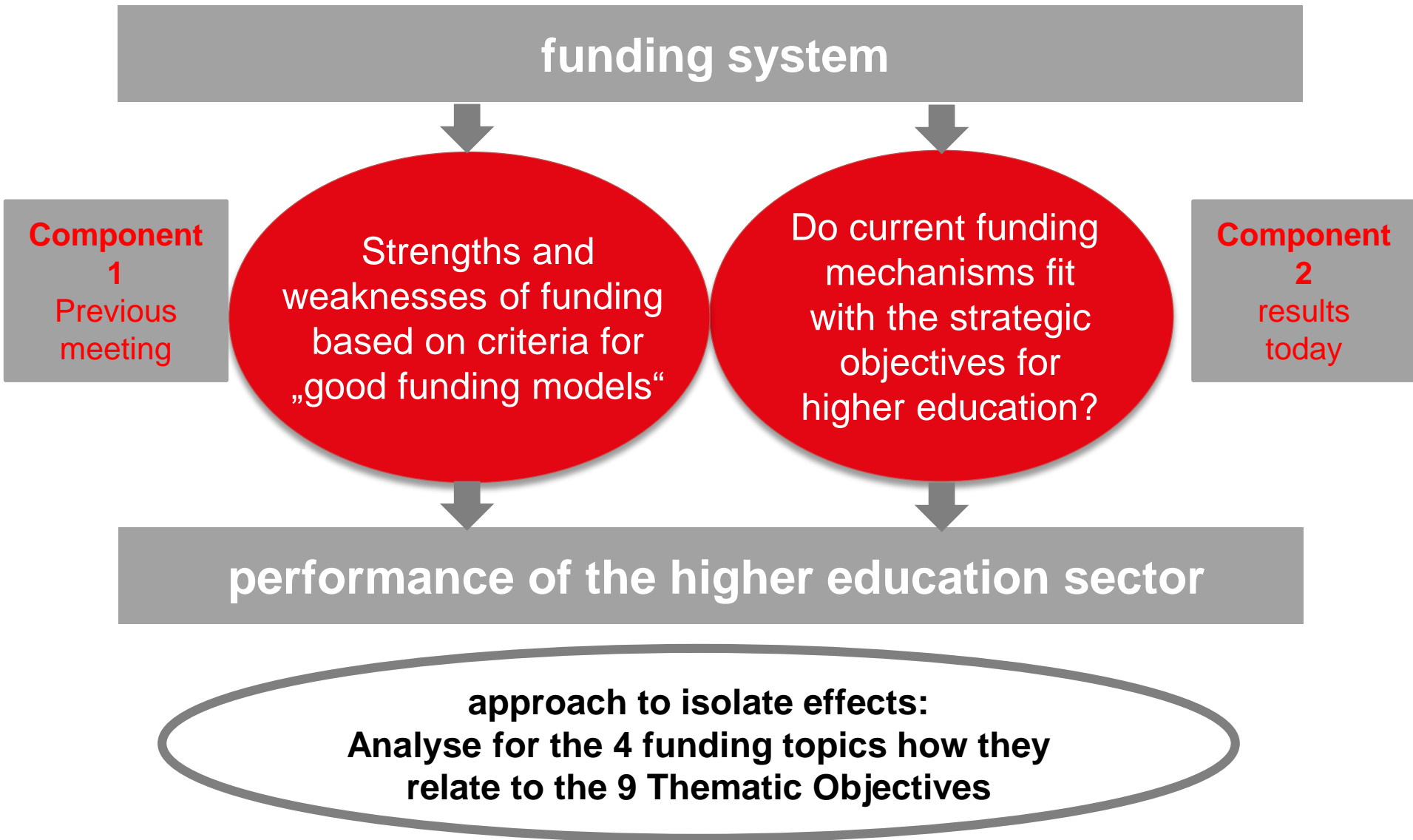
What is the status quo?

What are the current strengths and weaknesses?

What is the strategic fit and opportunities for new funding models?

How should a new model look like?

What is the logic of assessment?



Strategic Objectives clustered in 9 Thematic Goals

1. Increase the quality of education and link with the national economy
2. Increase the quality and (international) competitiveness of research
3. Increase sector efficiency
4. Enhance technology, innovation, creativity and entrepreneurship
5. Renew and develop the human resources of higher education institutions
6. Stimulate participation in and access to higher education
7. Stimulate internationalization in higher education
8. Enhance the funding base of higher education
9. Establish a new and transparent approach to quality assurance

The weighting scheme

(author's subjective estimation)

Strongly Misaligned	Misaligned	Neutral	Aligned	Strongly Aligned
--	-	0	+	++

The findings and observations of this assessment result from

- (a) World Bank team's international experience assessing or reforming systems of higher education financing; and
- (b) Feedback from Latvian stakeholders in HE

Summary of analysis (walk through)

THEMATIC GOALS	State Funding	Resource Diversification	Financial Autonomy	Student Funding
1. Quality of education	--	+	+	-
2. Quality of research	--	+	+	+
3. Sector efficiency	--	-	+	+
4. Technology, innovation, creativity and entrepreneurship	-	--	0	0
5. Human resource development	-	+	+	0
6. Participation and access	--	++	0	--
7. Internationalization	-	0	0	-
8. Funding base	--	-	0	+
9. Transparent quality assurance	+	0	0	0

Thematic Goal 1:

Quality of education and link with national economy

	Reasons for (mis)alignment
State Funding for Teaching and Research	underfunding (- -) input oriented (- -) no overview of graduate destinations (- -) no incentives to modernise curricula (-) rotation for students performance incentive (+)
Diversification of Resources	many students pay tuition fees (++) many private providers (+) over dependence on tuition fees (-)
Financial Autonomy	strong financial autonomy allows profiles (++) allows responses to labor market (+) actors not aware/not using autonomy (-)
Student Funding	oft tuition set at underfunded levels (- -) no need-based support (- -) limited support pushes students to work (-) merit scholarship incentive only for few students (-) fees imply students demand for "value for money" (+)

Thematic Goal 2: Quality and competitiveness of research

	Reasons for (mis)alignment
State Funding for Teaching and Research	<p>too few competition / collaboration incentives (- -)</p> <p>funding too much allocated in 'egalitarian' way (- -)</p> <p>no structured (though implicit) use of performance criteria (-)</p> <p>no transparency about allocation of EU structural funds (-)</p> <p>no felt national research strategy and priorities (- -)</p>
Diversification of Resources	<p>EU structural funds sustained the research infrastructure (++)</p> <p>EU structural funds replaced basic state funding (-)</p> <p>resource diversification still too dependent on 2 sources (-)</p>
Financial Autonomy	<p>financial autonomy is pre-condition for quality & profile (++)</p> <p>autonomy may stimulate collaborations (+)</p> <p>autonomy may stimulate to attract private resources (+)</p> <p>actors too little aware about autonomy / opportunities (-)</p>
Student Funding	<p>EU structural funds for PhD students stimulate talent (++)</p> <p>potential cross-subsidization from tuition revenues (0)</p> <p>student financing for BA and MA students no relation (0)</p>

Thematic Goal 3: Increase sector efficiency

	Reasons for (mis)alignment
State Funding for Teaching and Research	<p>funding for teaching and research do not stimulate profiles (- -)</p> <p>study places model runs against wishes for consolidation (-)</p> <p>no incentives to balance efficiency with other objectives (- -)</p> <p>research funds do not stimulate collaboration, mass, excellence (- -)</p> <p>no links between teaching and research funds (- -)</p>
Diversification of Resources	<p>many tuition-paying students stimulate programme duplications (-)</p> <p>diversified research funds for local initiatives do not create mass (-)</p> <p>egalitarian research funding + tuition revenues enable small groups (-)</p>
Financial Autonomy	<p>financial autonomy enables strategic specialisation and mass (++)</p> <p>financial autonomy may also allow to maintain the status quo (-)</p>
Student Funding	<p>tuition option + loans allow optimizing diversity, size & capacity (++)</p> <p>tuition make students "vote with their feet", thus efficiency (+)</p> <p>absence of need-based support increases "cheap" study choices (-)</p>

Thematic Goal 4: Enhance technology, innovation, entrepreneurship

	Reasons for (mis)alignment
State Funding for Teaching and Research	study places system can promote STEM (+) concerns about preparation of students and dropout (-) no funding to invest in innovative programs (-) no incentives for innovation- and market-oriented research (-)
Diversification of Resources	market for STEM does not function: few students interested (- -) no "innovation funds" for innovative studies and research (- -) income from industry and other parties underdeveloped (-)
Financial Autonomy	autonomy will not urge HEIs to promote STEM or colleges (-) financial autonomy promotes self-initiative, creativity, ... (+)
Student Funding	tuition opportunities create room for investments (+) tuition just covering costs and filling unused study places (-) too little demand to really stimulate STEM development (-)

Thematic Goal 5: Renew and develop human resources in HEIs

	Reasons for (mis)alignment
State Funding for Teaching and Research	no extra funding to attract highly qualified and foreign staff (- -) intransparent remuneration system and underpaid staff (- -) initiatives to attract young talented staff on EU structural funds (+)
Diversification of Resources	EU structural funds used to attract young talented staff (++) EU structural funds not used to attract international staff (0)
Financial Autonomy	financial autonomy itself may not stimulate high qualified staff (-) minimum wages and % of PhD-holders stimulate qualified staff (+)
Student Funding	no direct relationship with HR policies (0) tuitio-fees may bring revenuesdevelop staff; very indirect (0)

Thematic Goal 6: Stimulate participation and access

	Reasons for (mis)alignment
State Funding for Teaching and Research	<p>merit-based tuition-free study places generally benefit the rich (- -)</p> <p>no free study places for part-time students; mature & low-SES (- -)</p> <p>due to rotation low SES student may drop out more often (- -)</p>
Diversification of Resources	<p>tuition opportunities stimulate access beyond public budget (++)</p> <p>private HE stimulates access beyond public budget (++)</p>
Financial Autonomy	<p>institutions can select students for scholarships & loans (+)</p> <p>this hinders towards students (-)</p> <p>HEIs set their own fees, some keep them low to ensure access (+)</p>
Student Funding	<p>the merit-base dual-track tuition system hinders access (- -)</p> <p>limited availability of scholarships hinders access (- -)</p> <p>merit-based scholarships benefit high-SES students (- -)</p> <p>grantor restriction makes loans less attractive for low-SES studs (- -)</p> <p>debt aversion makes loans less attractive for low-SES studs (- -)</p>

Thematic Goal 7: Stimulate internationalization in HE

	Reasons for (mis)alignment
State Funding for Teaching and Research	no stimulation or limitation of internationalization (-)
Diversification of Resources	EU structural funds not used to stimulate internationalization (-) relative low-tuition in Latvia could attract non-EU students (0)
Financial Autonomy	institutions could/should use autonomy for internationalization (0)
Student Funding	no fees abroad stimulates outward mobility, but higher other costs (0) perceived quality of education might be more important (-) tuition fees may prevent foreign students to come to Latvia (-) degree mobility not supported by Latvian scholarships & loans (- -) credit mobility is possible with Latvian scholarships & loans (++)

Thematic Goal 8: Enhance the funding base of HE

	Reasons for (mis)alignment
State Funding for Teaching and Research	underfunding & outdated cost calculations (- -) promised budget (by law) increase did not happen (- -)
Diversification of Resources	tuition revenues & EU structural helped survival (+) but basic public funding was replaced by other sources (- -) income from other sources underdeveloped (-)
Financial Autonomy	autonomy indirectly stimulates income generation (0)
Student Funding	tuition fees increased funding base (++) tuition levels at public subsidy levels helps push for realistic funding (+)

Thematic Goal 9:

A new and transparent approach to quality assurance

	Reasons for (mis)alignment
State Funding for Teaching and Research	accreditation requirement for public funds keeps HEIs alert (+)
Diversification of Resources	tuition paying students will require "value for money", but really? (0)
Financial Autonomy	no influence in this area (0)
Student Funding	no direct influence in this area (0)

Overall assessment

THEMATIC GOALS	State Funding	Resource Diversification	Financial Autonomy	Student Funding
1. Quality of education	--	+	+	-
2. Quality of research	--	+	+	+
3. Sector efficiency	--	-	+	+
4. Technology, innovation, creativity and entrepreneurship	-	--	0	0
5. Human resource development	-	+	+	0
6. Participation and access	--	++	0	--
7. Internationalization	-	0	0	-
8. Funding base	--	-	0	+
9. Transparent quality assurance	+	0	0	0

Conclusions / suggestions (no priorities attached)

Funding base / system issues

1. The intended increase in public funding for teaching and research is crucial for the quality of teaching and research
2. Consider integrating (some) teaching and research funds
3. Use potential new investments to achieve some strategic objectives
4. Stimulate system efficiency (critical mass and competition)
5. Work towards a transparent quality assurance system

Conclusions / suggestions (no priorities attached)

Performance orientation

6. Introduce performance orientation and competition
7. Provide room for innovative activities
8. Expand resource diversification and collaboration with external partners (public-private partnerships)
9. HEIs can use their autonomy more proactively
10. Consider instruments that help students prepare for STEM studies

Conclusions / suggestions (no priorities attached)

Human resources

11. HRM to be put higher on the agenda
12. Make the academic labour market more transparent
13. Build on the good initiatives to attract young talented academics

Student financing / access

14. Reconsider dual-track tuition system: general fees for all?
15. Provide need-based student financial support
16. Promote Latvia as a relatively low-cost study destination