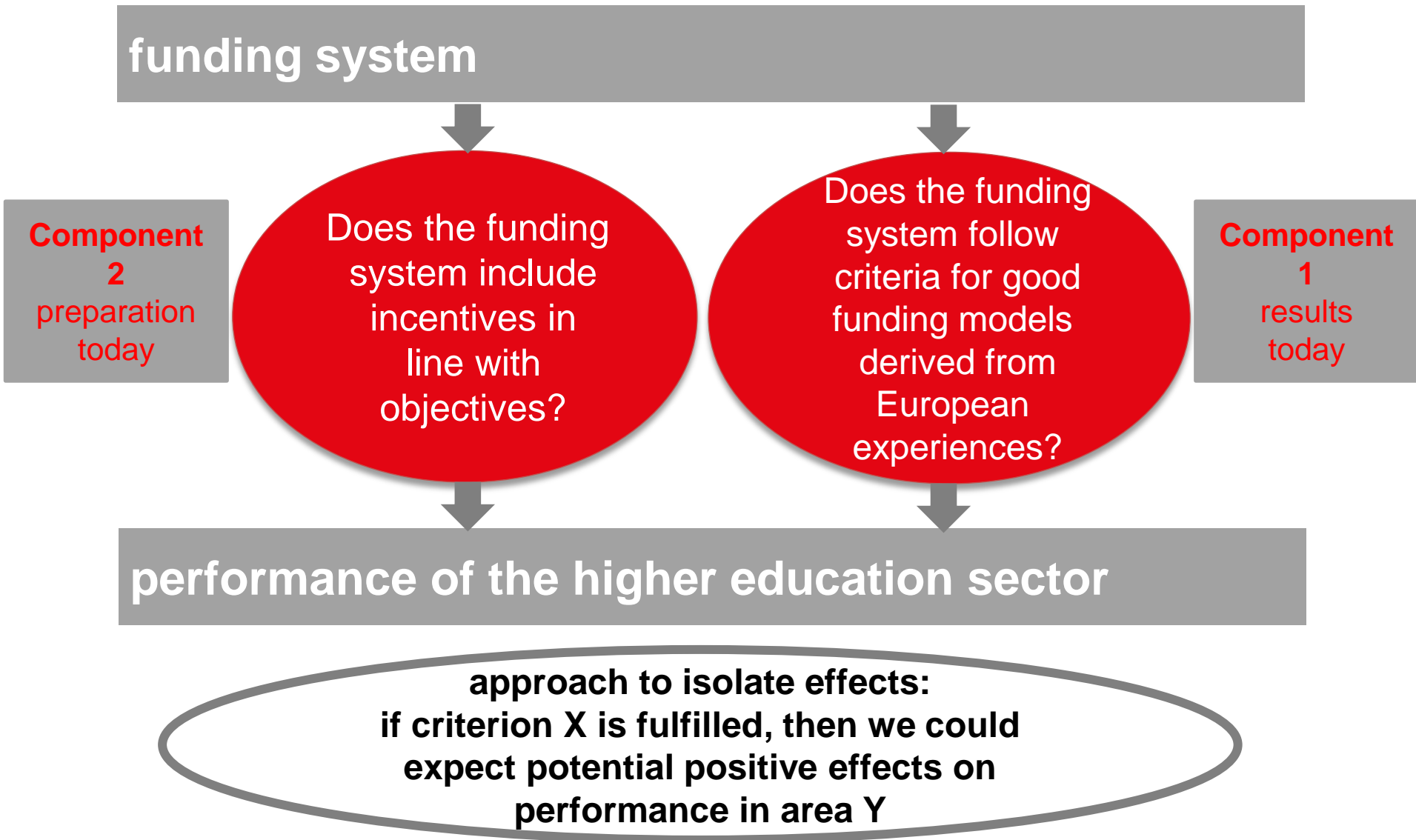


Assessment of strengths and weaknesses of funding of the higher education sector in Latvia (component 1)

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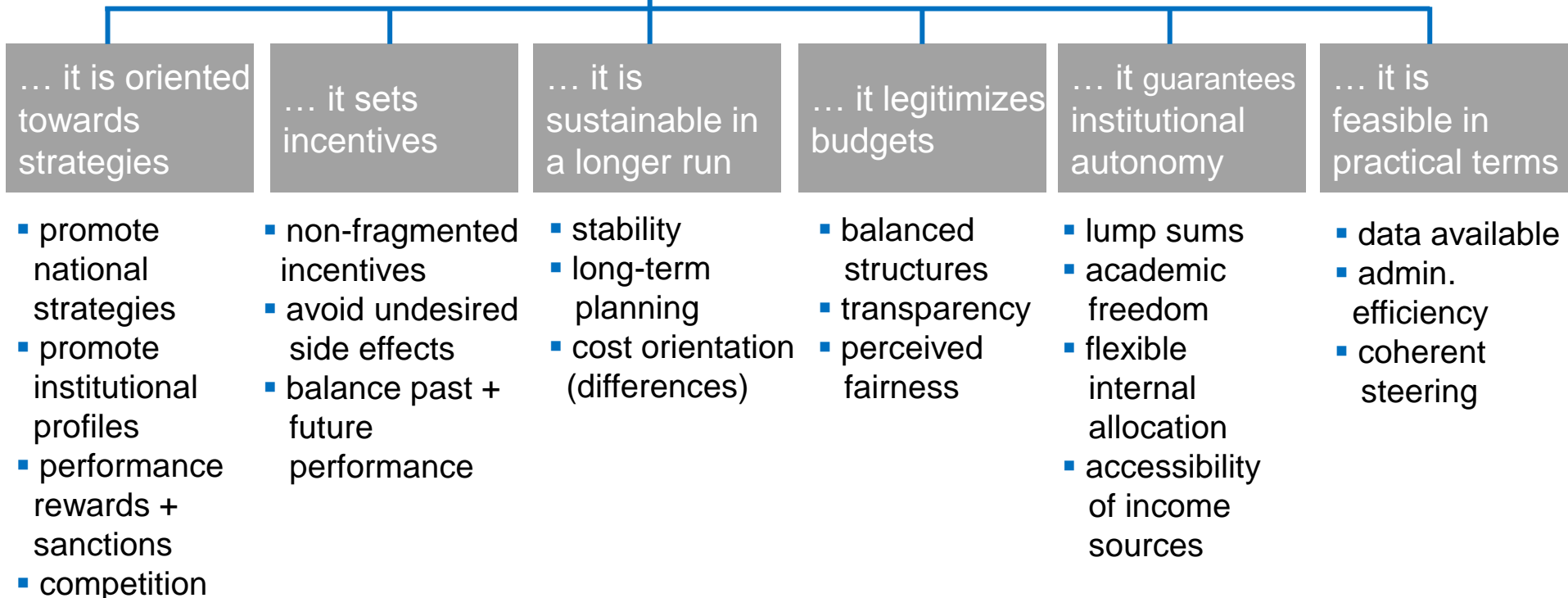
Stakeholder Feedback on Initial Findings | Latvia | March 12, 2014

What is the logic of assessment?



What is the logic of assessment?

a higher education funding system influences performance of the system positively if ...



→ look at the 4 topics,
use criteria to check the status quo for SW,
pick out the respective criteria that explain S/W



**Dimension 1:
political climate
for change**



criterion:
practical feasibility of reforms

Strengths and weaknesses

strengths

- Latvian HE sector highly adaptive to changing environments
- Diverse system
- Quality assurance started
- Recognised potential for consolidation



potential performance effects

- limited financial capacity for development
- limited steering capacity
- blockades hinder improvements
- no financial space to allow targeted performance incentives
- some forms of consolidation may bring efficiency gains

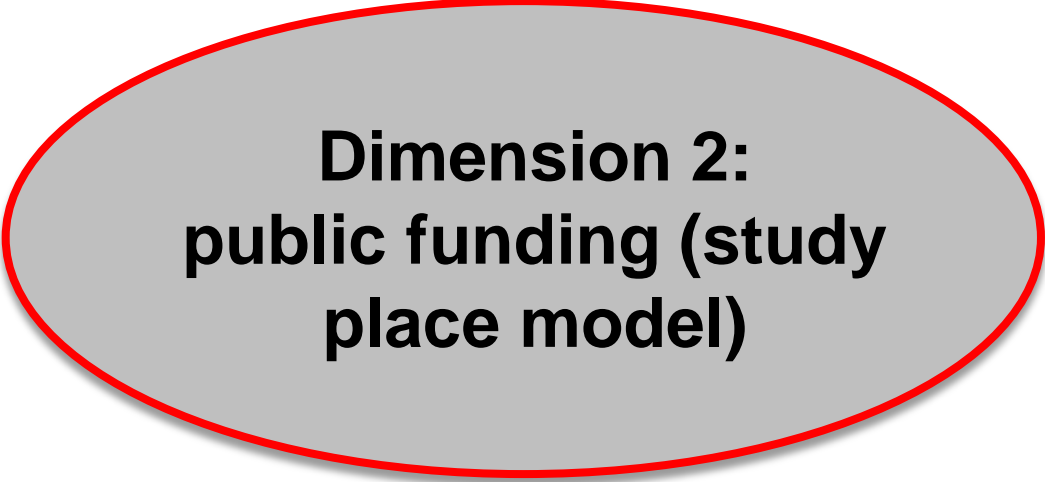
weaknesses

- Uncertainty within the system about HE strategy
- Public vs. private good debate leads to political blockades
- Drastic underfunding with many competing demands
- Political view: education sector as budgetary unit



conclusions

- focus on a strategy for HE and the joint objective to increase public funding to overcome underfunding
- improve political climate for change by acknowledging „mixed good“ character of HE
- increased funding requires „package deal“ with new performance-oriented elements representing the major strategic goals



**Dimension 2:
public funding (study
place model)**

Strengths

strengths	criteria used
steering according to national priorities and labor market needs	strategic orientation
price differentiation	sustainability, cost orientation
transparent calculation	transparency
stable budgets (per university)	stability
merit-based allocation to students (incl. rotation)	incentives
involvement of line ministries as advocates for HE	strategic orientation
link to accreditation	coherent steering, incentives



potential performance effects

- satisfying labor market needs, flexibility
- promote student performance
- planned outcomes promote realization of goals
- transparency

Weaknesses

weaknesses	criteria used
price per study place too low (more relevant than increase in number of study places)	sustainability
lack of performance incentives (neither past nor future performance)	incentives
no „3-pillar model“	balanced structures, competitive environment
only shifts within university budgets, no financial rewards for innovative programs	incentives
non-automatic, negotiated performance considerations without effects	incentives
historical budgets, but short-term shifts enforced by ministry	stability

Weaknesses

weaknesses	criteria used
no incentives to diversity profiles or to consolidate sector	promote institutional profiles and national strategies
„gaming the results“ in price system	perceived fairness
outdated cost data	cost orientation, fairness
exclusion of part-time students	undesired side effects
no clear strategy for private HEI	perceived fairness, competition



potential performance effects

- problem for all performance aspects contained in national and institutional strategies, as there are no real incentive mechanisms
- problem for innovativeness / new developments because of lack of pre-funding of future performance
- access problem for part time students

conclusions

- study place system as important element of funding system
- labor-market oriented planning processes important
- enforce coherent use of system (all elements should have a transparent effect)
- update prices (focus on relative prices)
- develop into 3-pillar-model
- additional funding + targeted, performance-oriented funding (package)
- consider to include part-time students
- develop systematic approach for private HEIs



**Dimension 3:
public funding
(research)**

Strengths

strengths	criteria used
competition within the whole sector	competition
support to young researchers	national strategies
disciplinary cost differentiation	cost orientation
historic, survival with EU funds	sustainability
current evaluation could be linked to funding	incentives



potential performance effects

- ability to perform with research activities sustained despite budgetary crisis
- potential for stronger performance incentives

Weaknesses

weaknesses	criteria used
strong reliance on EU funds, no long-term perspective	stability
historical allocation, no sufficient performance orientation	performance incentives
lack of national research strategies	strategic orientation
no funding of knowledge transfer + industry relations	strategic orientation
difficult conditions for Ph.Ds	avoid undesired effects
„multiple“ salaries	perceived fairness, undesired effects




potential performance effects

- lack of performance rewards, static system
- danger of stability to be dominant
- hr/salary policies may have perverse effects

conclusions

- improve financial situation (not only short-term with EU funds) and create more opportunities to do research
- introduce differentiated performance incentives (also for knowledge transfer etc.), overcome static situation
- use evaluation outcomes, clearer allocation procedures
- intensify collaboration with business
- consider more equal HR policies



**Dimension 4:
diversification of
financial resources**

Strengths and weaknesses

strengths

- diversification legally enabled
- willingness to invest in HE by students
- structural funds „saved“ HE in Latvia during financial crisis
- substantial private sector

weaknesses


- strong reliance on tuition fees
- industry income underdeveloped
- dependence on many funders reduces chance to set own priorities
- some restrictions (e.g. renting facilities)



- risk spreading allows performance
- reliance on tuition fees endangers access (in particular areas)
- stronger business involvement creates competition

conclusions

- maintain the current high level of resource diversification, but spread the risk further
- prevent too strong reliance on tuition fees from full-fee paying students: demography and fairness ask for alternative approach
- prevent too strong reliance on EU structural funds: direct public funds more sustainable and business involvement desirable



**Dimension 5:
financial autonomy**

Strengths and weaknesses

strengths

- autonomous internal distribution
- autonomy to build reserves, set tuition fee levels, borrow money

weaknesses

- unclarity about limits of autonomy
- transparency concerns
- balance with national priorities

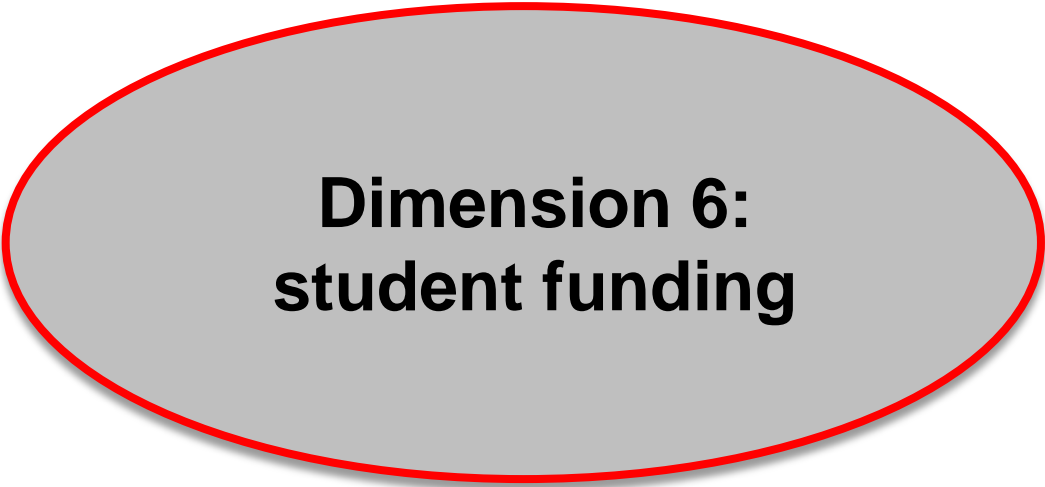


potential performance effects

- ability to develop strategies and profiles
- ability to take all decisions to perform well
- efficiency
- no full use of these potentials

conclusions

- continue leading position in Europe regarding financial autonomy
- transparency about finances and limits / potentials of financial discretion
- address concerns through incentives + transparency, not reductions of autonomy



**Dimension 6:
student funding**

Strengths

strengths	criteria used
Willingness of students to pay tuition fees	diversification
flexible differentiation of tuition fees by universities	cost orientation, perceived fairness
availability of loans with favorable repayment conditions	perceived fairness
merit-orientation, climate for top-performance	perceived fairness, performance orientation



potential performance effects

- high student performance
- loans do support access
- HEIs take care of access issues (is that the right level?)

Weaknesses

weaknesses	criteria used
stray reliance on fees + pure merit-orientation	fairness
loss of income and access problems through dual track system	fairness
students forced to work	fairness
scholarships for „happy few“	performance incentives, fairness
difficulty to get a guarantor for loan, very favourable debt waving conditions	fairness, efficiency
missing of need-based elements	fairness
ill-informed student decisions	performance orientation

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- serious dangers for access, plus loss of income

conclusions

- serious access issue because of high number of full-cost paying students without means-based elements
- system misses to generate potential income from students / parents who could afford it
- improve loan system addressing the guarantor issue and cancelling expensive debt remission mechanisms
- question the scholarship system (only relevant for small minority of students who would likely anyway attend HE)