



Ministry of
Education and Science
Republic of Latvia

Performance-based Higher Education Funding Model



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Outline

- **Context** of the HE financing reform
- **New HE funding model** – logic and incentives
- **Implementation process and results** – comparing institutional performance



Pre-reform model of HE financing: 1-pillar “study place” model

2002–2006: transition from historical to normative financing.
Latvia’s HEIs financed by a formula based on input criteria.

Input-based formula components:

- Number of state-funded study places
- Costing of a study place: base, social security and welfare, coefficient by subject area

Analysis of input
and output data
by MoES, HE
Council sector
ministries

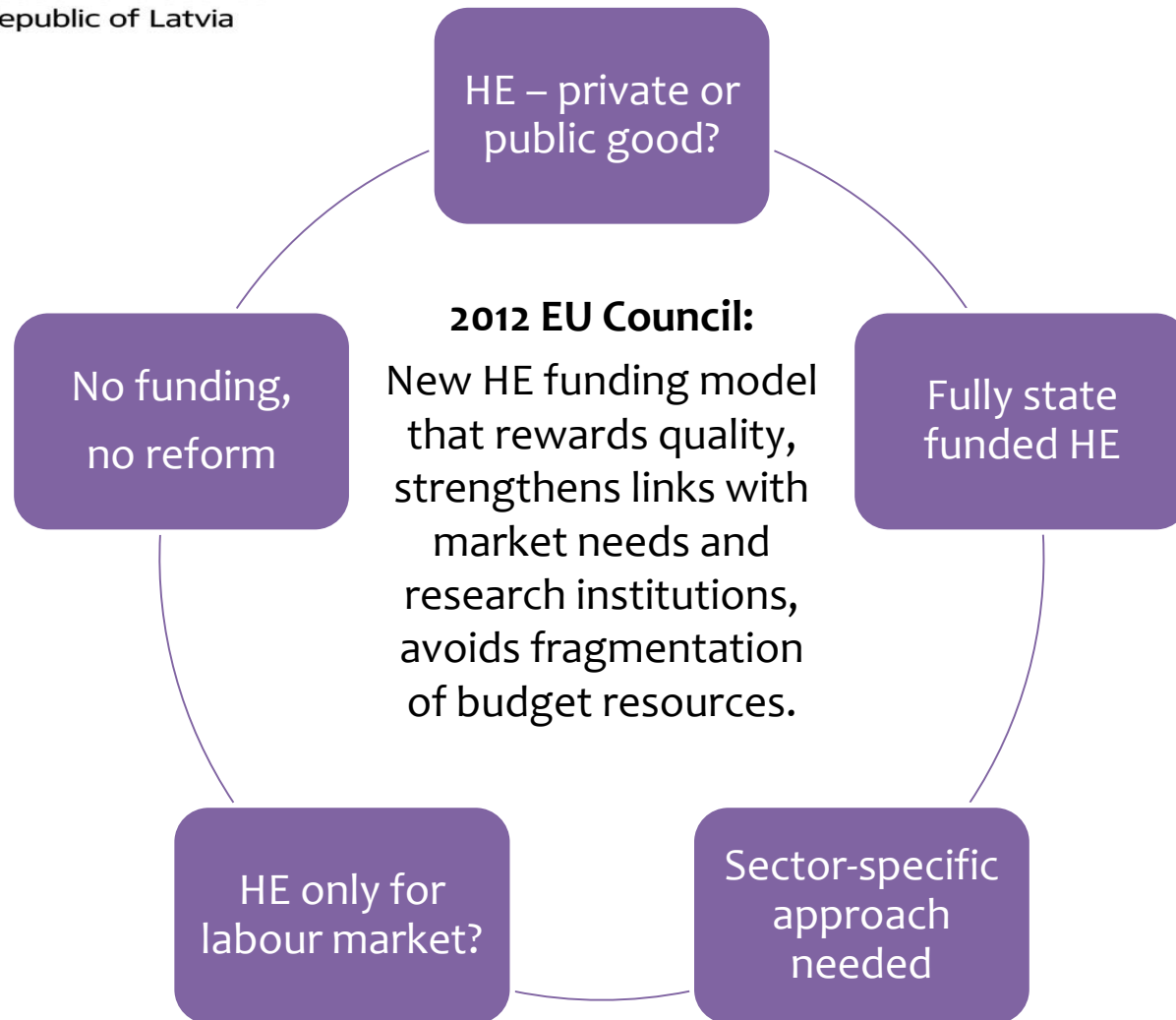
HE Council
proposal for
the number of
state funded
study places

MoES decision
and allocation
of funding

Funding for
study places
allocated to
HEIs at the
beginning of
calendar year



Context for a HE financing reform



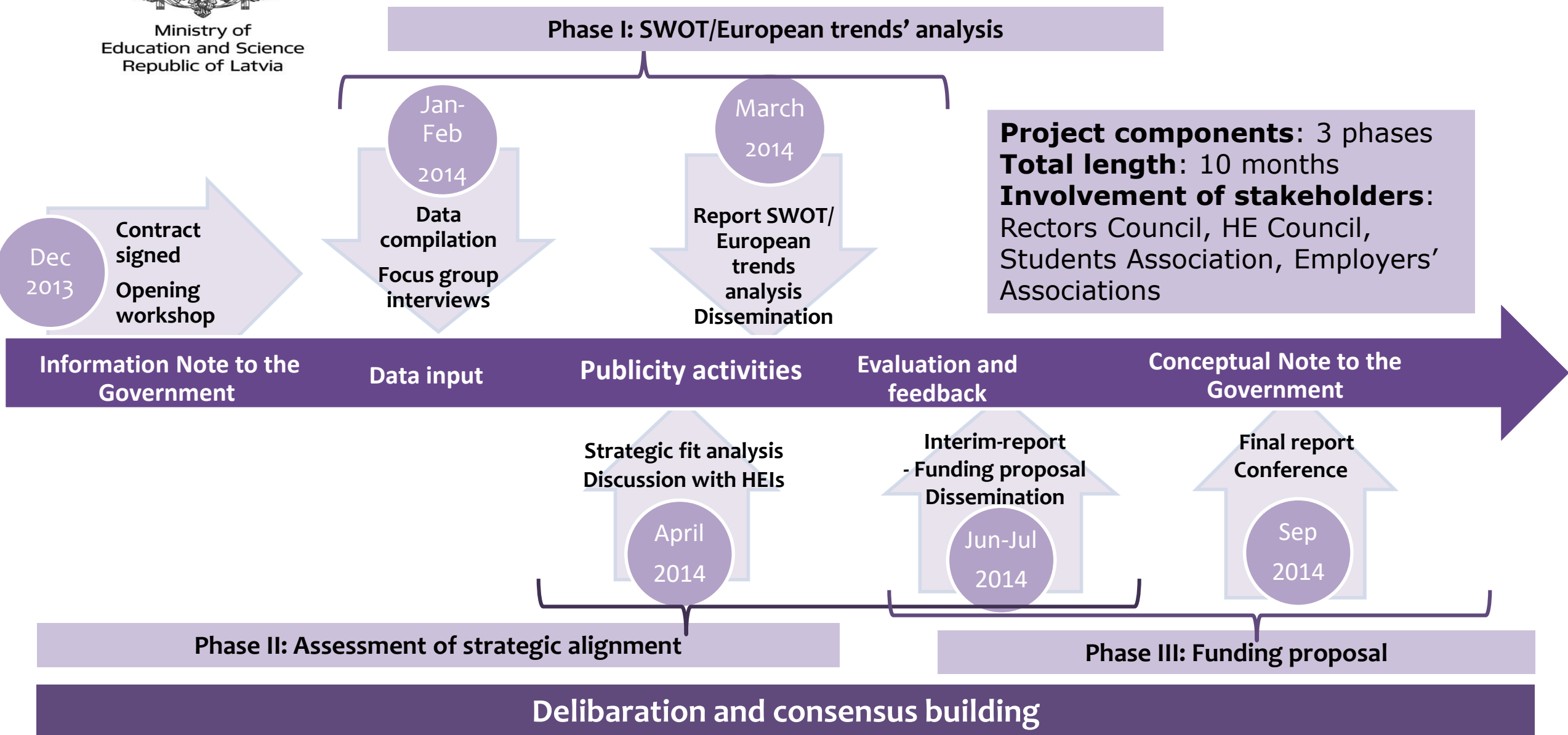
In 2013 – MoES engagement with World Bank:

- Independent, unbiased expertise
- International perspective and comparison
- Hands-on approach, implementation experience



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Timeline of model design (2013-2014)





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Main findings (2013–2014): challenges of Latvia's HE financing system

Core findings:

- Structural underfunding of Latvian HE system leads to **performance constrains** and **quality problems**;
- The model is **one-dimensional and static**;
- **High reliance on tuition revenues** (education) and **EU Structural Funds** (research) diminishes financial viability of HEIs;
- The model **lacks integration of teaching and research**;
- No incentives to generate income from contract R&D and to engage with industry and society



New HE funding model

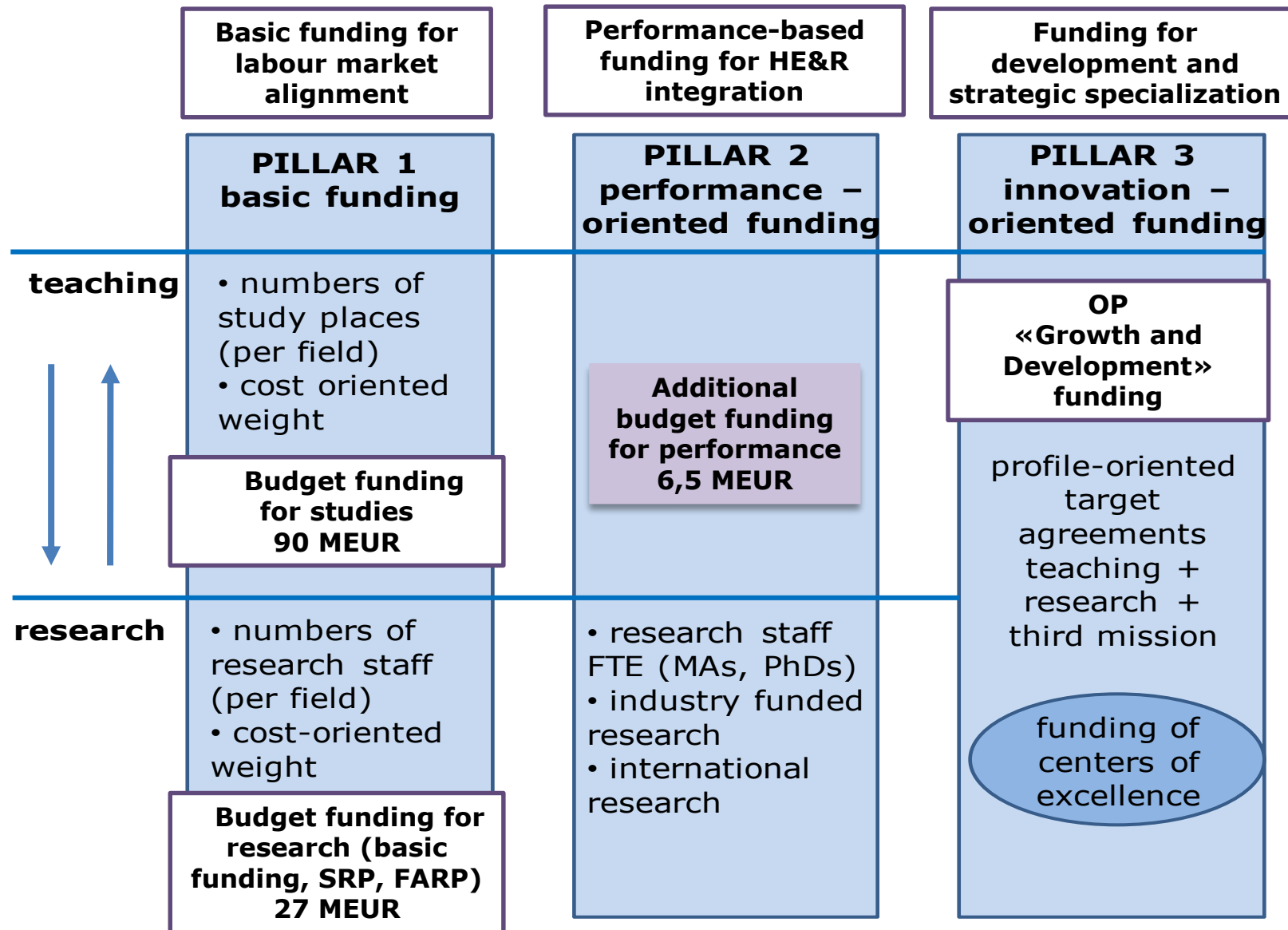
Main changes:

Integration between research and study process

Quality of research in HEI's
Student integration in research projects

Performance incentives

To perform (II pillar)
To modernize (III pillar)





2nd pillar: incentives for higher education and research integration

Performance criteria according to policy priorities:

2nd pillar funding FORMULA:

$$\begin{aligned} F_{2z} &= F_{zda} \\ &\times \left(0,3 \times \left(\frac{P_z}{\sum P_z} \right) + 0,25 \times \left(\frac{S_z}{\sum S_z} \right) + 0,25 \right. \\ &\times \left. \left(\frac{L_z}{\sum L_z} \right) + 0,1 \times \left(\frac{R_z}{\sum R_z} \right) + 0,1 \times \left(\frac{M_z}{\sum M_z} \right) \right) \end{aligned}$$

Building HR in research and technology development

- MA students, PhD students, «young» scientists engaged in research (**P-0.3**)

International competitiveness of research

- International funding for research and development projects (Horizon 2020 etc.) (**S-0,25**)

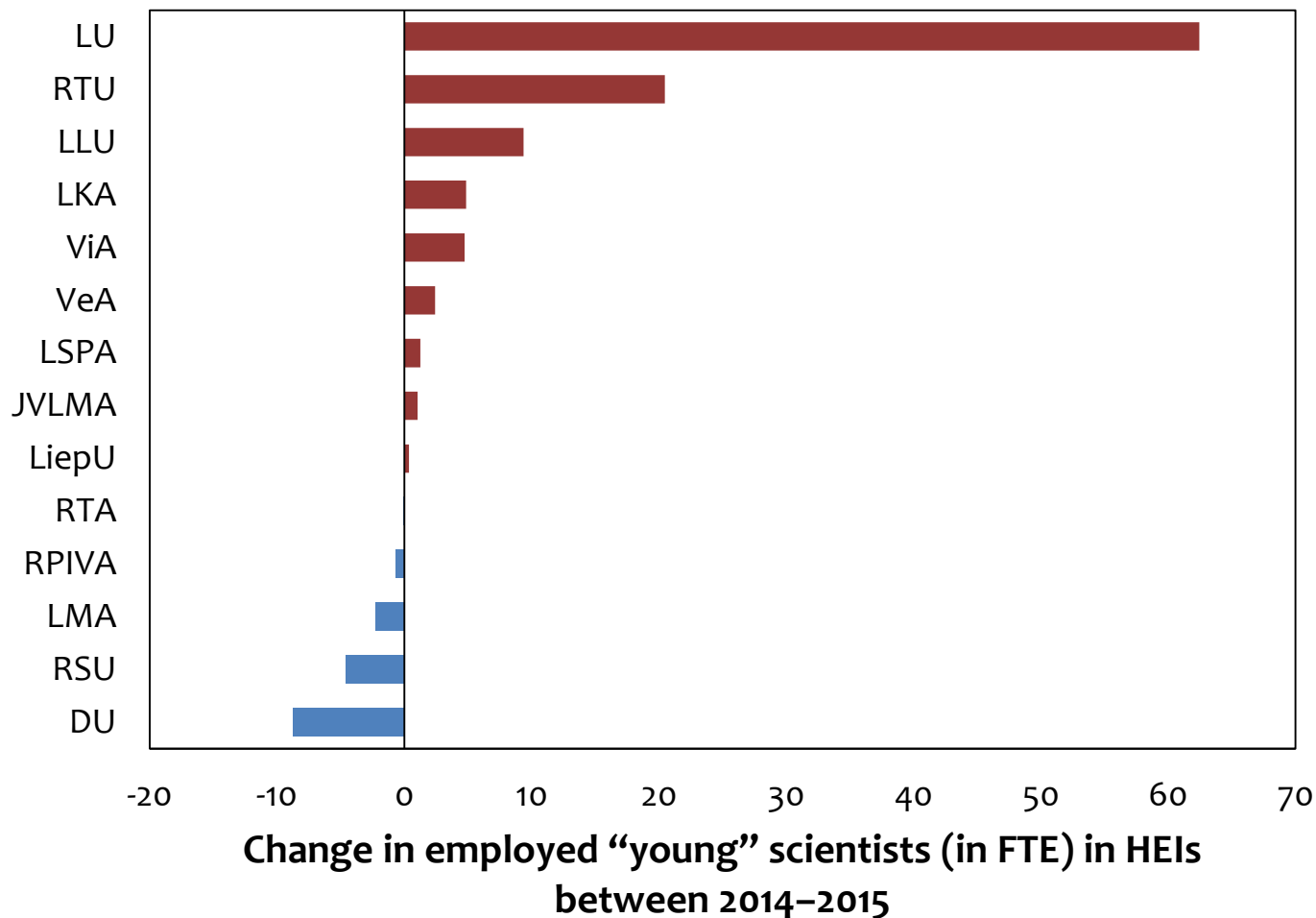
Industry relevance of research

- R&D contract funding by public and commercial entities (**L-0.25**)
- Funding by local governments for regional research projects (**R-0.1**)
- Funding for creative and artistic projects (**M-0.1**)



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MA students, PhD students and young scientists engaged in research in HEIs in full time equivalent (FTE)



Number of employed “young” scientists (FTE) increased significantly:

2014	2015	2016
306,6	397,2	390,4

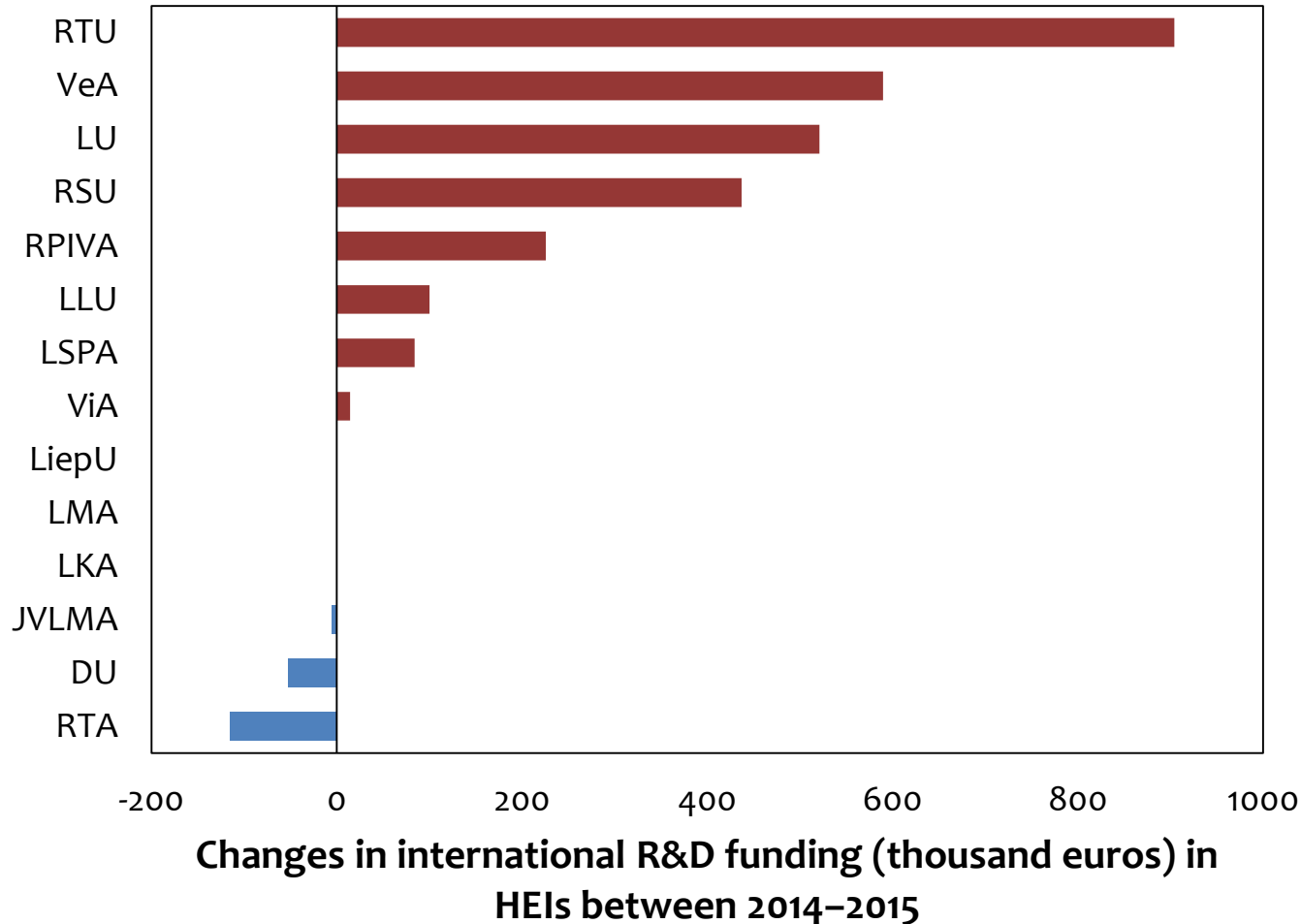
Causes:

- ✓ Consolidation of research sector (for the largest universities)
- ✓ Implementation of the performance based funding model at institutional level



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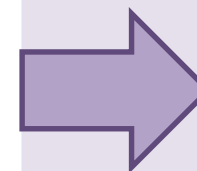
Amount of international R&D funding in HEIs



Amount of international R&D funding also increased significantly:

2014	2015	2016
5,9 MEUR	8,6 MEUR	6,7 MEUR

- Consolidation of research sector played a part in the increase in 2015.
- Decrease in 2016 due to disruption of SF funds

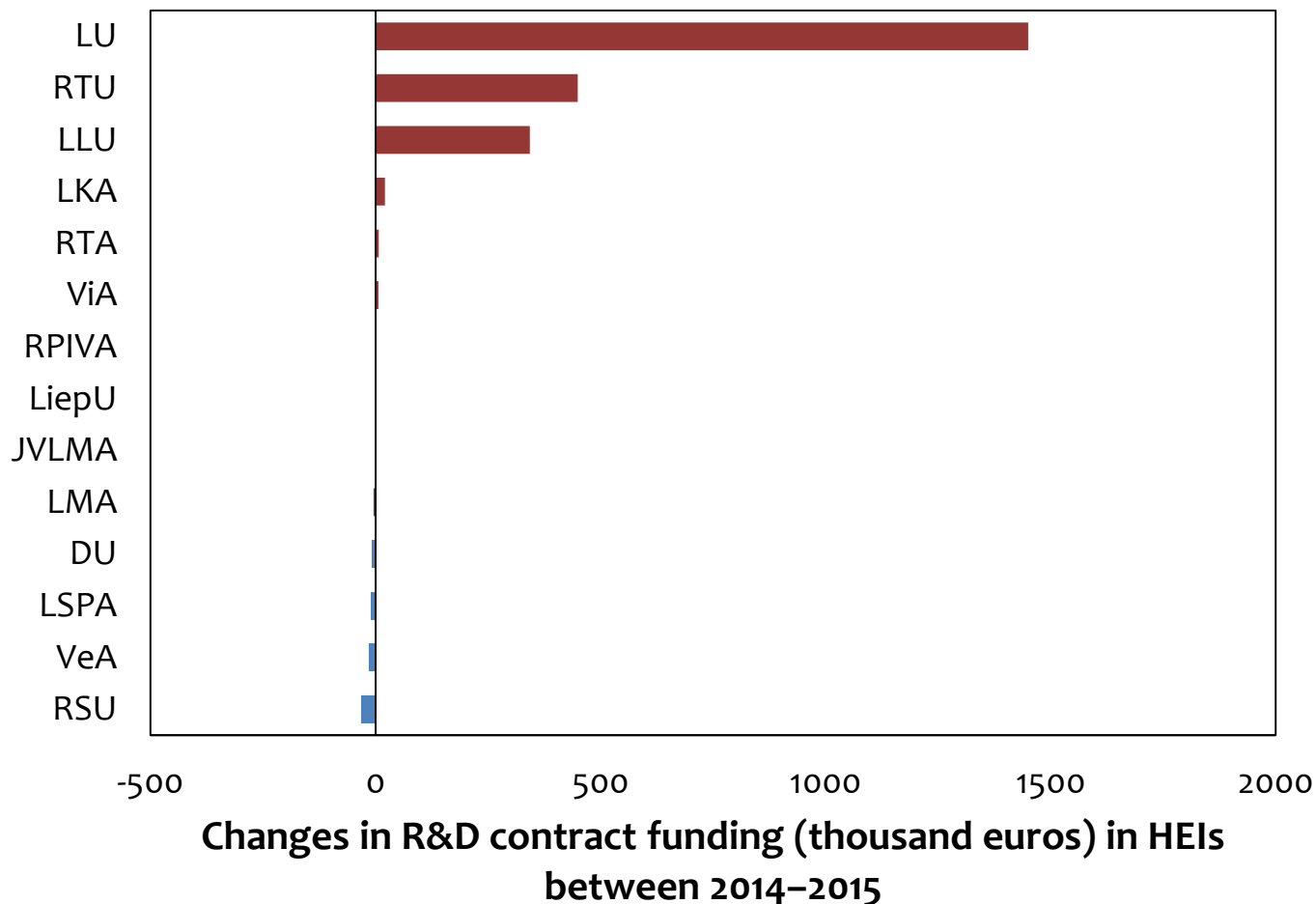


The overall impact that the new funding model has on this criteria is too early to tell.



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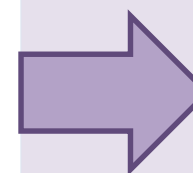
Amount of R&D contract funding in HEIs



Amount of R&D contract funding increased significantly:

2014	2015	2016
2,9 MEUR	5,1 MEUR	3,1 MEUR

➤ Consolidation of research sector is directly responsible for the increase in 2015.

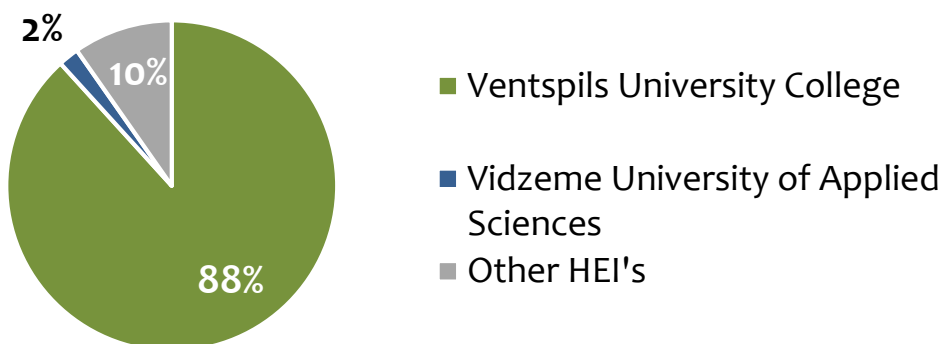


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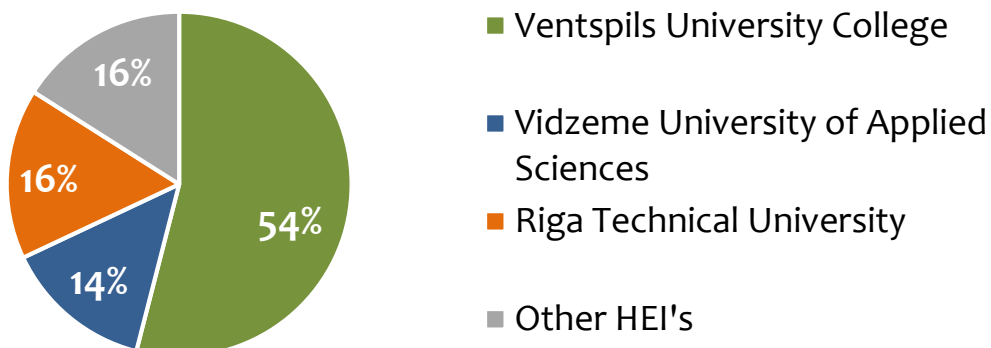


Amount of R&D funding or subsidies from local municipalities in HEIs

Amount of attracted R&D funding from local municipalities in 2014



Amount of attracted R & D funding from local municipalities in 2016



Amount of attracted R&D funding or subsidies from local municipalities overall is relatively stable:

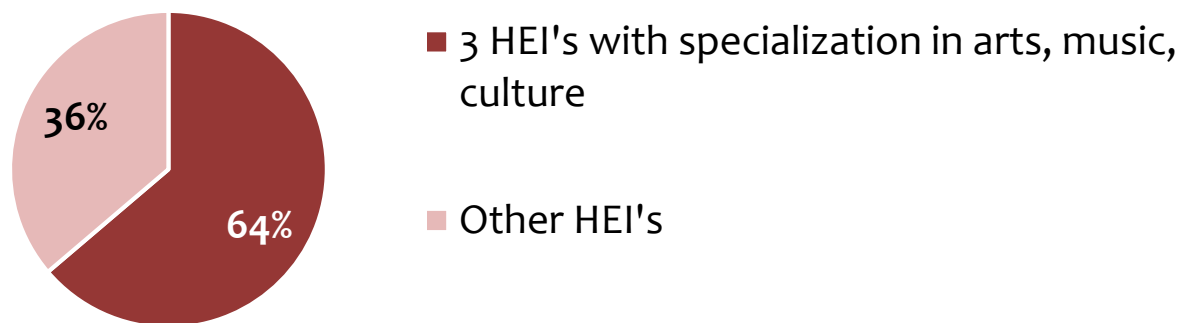
2014	2015	2016
1,1 MEUR	1,2 MEUR	0,9 MEUR

- Previously only one local municipality was meaningfully investing in R&D.
- The impact of the new funding model can be seen by a large increase in local municipality R&D funding in **Riga Technical University and Vidzeme University of Applied Sciences.**

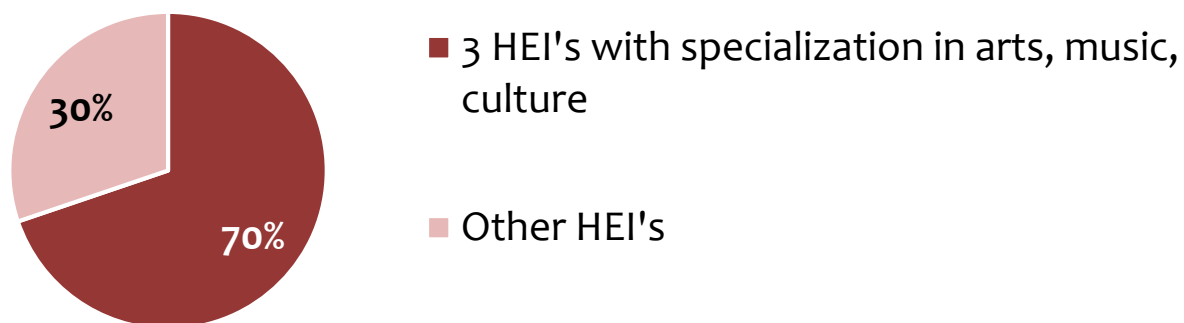


Amount of funding for creative and artistic projects in HEIs

Amount of attracted funding for creative and artistic projects in 2015



Amount of attracted funding for creative and artistic projects in 2014



Amount of attracted R&D funding for creative and artistic projects in HEIs is relatively stable:

2014	2015	2016
0,6 MEUR	0,5 MEUR	0,6 MEUR

- Most of the funding for these projects are in the 3 HEI's who specialize in art, music and culture
- Some creative projects are also done in other HEI's (LU, RTU, RSU)



Revision of the 1st and 2nd pillar

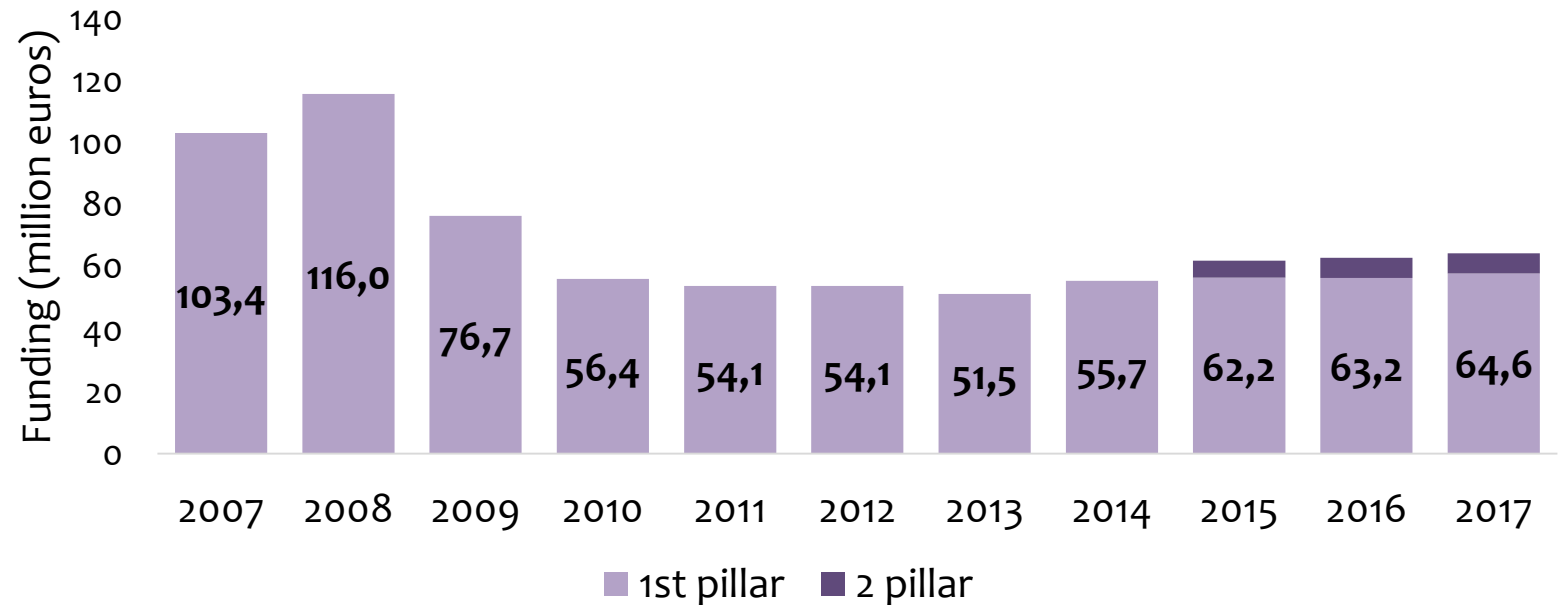
In 2009 MoES reduced:

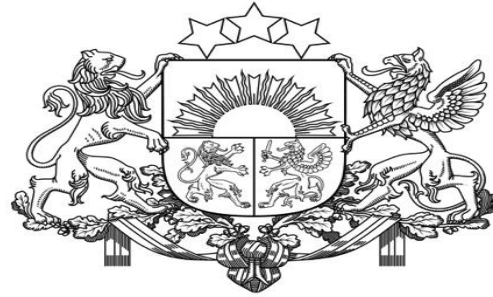
- 1) Basic cost of a study place from 1800 EUR to 1333 EUR, the number of study places remained the same;
- 2) Total funding from 116 MEUR to 54 MEUR (in 2011)

Changes in progress:

- New regulation to introduce the estimated basic study cost – **2000 euros**.
- The proposed changes will gradually return basic funding to **pre-2009 levels**.
- In order to fully implement these changes **additional funding is needed**.
- **Additional 2nd pillar component** (that supports teacher preparation)

MoES funding for 1st and 2nd pillar





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Thank you for your attention!