



World Bank Proposes a New Higher Education Financing Model for Latvia

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The World Bank presented its Higher Education Financing in Latvia Final Report today at a conference organized by the Ministry of Education and Science in Latvia and the State Education Development Agency. In the report, the Bank proposes a new - more performance-oriented - higher education financing model for Latvia. The report, the final one of three delivered under the World Bank Reimbursable Advisory Service on Higher Education Financing in Latvia between December 2013 and September 2014, takes into account jointly developed criteria, good international practice, and stakeholder consultations. The first report developed under the project was an analysis of the strengths and weaknesses of Latvia's current approach to higher education financing, based on international good practice. The second report focused on how well the current funding model aligns with the policy objectives specified by the Ministry of Education and Science. The final report, presented today, builds upon the previous two by exploring the options for the way forward. "Higher education, as a significant driver of national economic competitiveness, is an increasingly important topic on national policy agendas for many countries. The main aim of the project has been to bring to the table international expertise and knowledge from other countries and regions to propose an effective way to make the Latvian higher education system more performance-oriented," said Marina Wes, World Bank Country Manager for Poland and the Baltic Countries. The reports find that the current education system has been largely underfunded in comparison to other European countries, as well as vis-à-vis the Latvian Governments objectives. In addition, contrary to many other European systems, Latvia's system does not offer significant incentives for greater performance. The current funding model appears as a largely input-based "one-pillar model, which does not represent the needed balance between stability, performance, and innovation orientation." "Our country is constantly moving towards state-funded higher education as common societal benefit. We are doing our best to increase the general funding for tertiary education developing the new model, taking into account the research performance and innovation capacity of the higher education establishment besides the number of the study places." - said Ina Druviete, Minister of Higher Education and Science in Latvia. The World Bank report proposes a three-pillar funding model, where stable funding is combined with performance-oriented components allocated via formula funding and performance agreements. The first pillar on continuity would include a modified study place model, as its input-oriented approach remains an important element of the state funding system. The second performance-oriented pillar contains indicators derived from national strategies, and is of general relevance for all Higher Education Institutions. Part of the allocation under the second pillar is reserved for institutional performance indicators that are university-specific and are related to the profile and strategic development of the institution to foster institutional diversity. The third innovation-oriented pillar includes funding of innovations in line with the profiles of universities and of research centers of excellence, taking into account research evaluation outcomes and a national strategy for research priorities. In the proposed model, stable funding is combined with a performance-oriented component, using a formula with performance indicators, and an innovation-oriented component. The performance component rewards past performance (ex-post funding), whereas the innovation-oriented component provides financial support for the attainment of future objectives determined by a negotiation between individual universities and the ministry. The World Bank
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