

## Chapter 5

### Tertiary education in Latvia

*This chapter covers tertiary education and the key policy issues Latvia faces. Latvia's tertiary education system expanded rapidly after independence, but the country is now faced with a system whose capacity is not aligned with demographic decline, fiscal reality and labour-market needs. The government funds a certain number of tuition-free study places, but the funding system does not serve wider national priorities. Staff salaries are low and are based on teaching loads and do not account for research. Quality assurance has so far not met international standards.*

*Latvia should develop the new funding model recommended by the World Bank and continue to focus on improving the quality of tertiary education. This includes developing a robust quality assurance framework. Latvia should further continue its efforts to realign system capacity with demographic decline, fiscal reality and labour-market needs. Finally, it should strengthen leadership capacity at both national and institutional levels.*

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

## Introduction

A focus on human resources and quality of life has been a cornerstone of Latvia's development policy since the Saeima, Latvia's parliament, adopted the "people first" growth model in 2006 (Republic of Latvia, 2006). Latvia's tertiary education system has a central role in realising the goals of increasing its global competitiveness and long-term sustainability. In 2013, 31% of 25-64 year-olds had attained a tertiary education, which is only slightly below the OECD average of 32.6% (OECD, 2014a). However, Latvia's younger citizens are considerably better educated than older age groups, above the OECD average, suggesting that the gap in tertiary education attainment is likely to narrow in the coming years.

As Latvia emerges from economic crisis, it faces major challenges in realigning its tertiary education and research institutions with its national priorities. These include declining enrolment, severe underfunding, an ageing academic and research workforce, and widely dispersed and uncoordinated institutional capacity. In addition, its network of research institutes functions somewhat separately from the universities, a legacy of Soviet times, although the trend has been to incorporate these institutes into universities and to develop an integrated national system of tertiary education, science and innovation.

The country has completed a thorough assessment of the challenges it faces and started several promising initiatives to strengthen quality assurance, improve transparency, reform finance, and strengthen science and research capacity. The aim is to become a more integral part of European tertiary education and global knowledge networks, increasing the mobility of students as well as academic and research staff, and attracting foreign students and researchers. Maintaining the momentum of these reforms will be critical to the future of the country.

This chapter outlines the context and main features of the tertiary education system. It describes the major policy issues and current initiatives before concluding with some recommendations for the Latvian government to consider.

## Context and main features

### *Governance and financing*

The legal framework for tertiary education has evolved since independence in 1991. The 1991 Law on Education introduced tuition fees in tertiary education for the first time and initiated the move from a fully state-regulated and state-funded tertiary education system towards one with more autonomous institutions, both state and private, and funding from diversified sources.

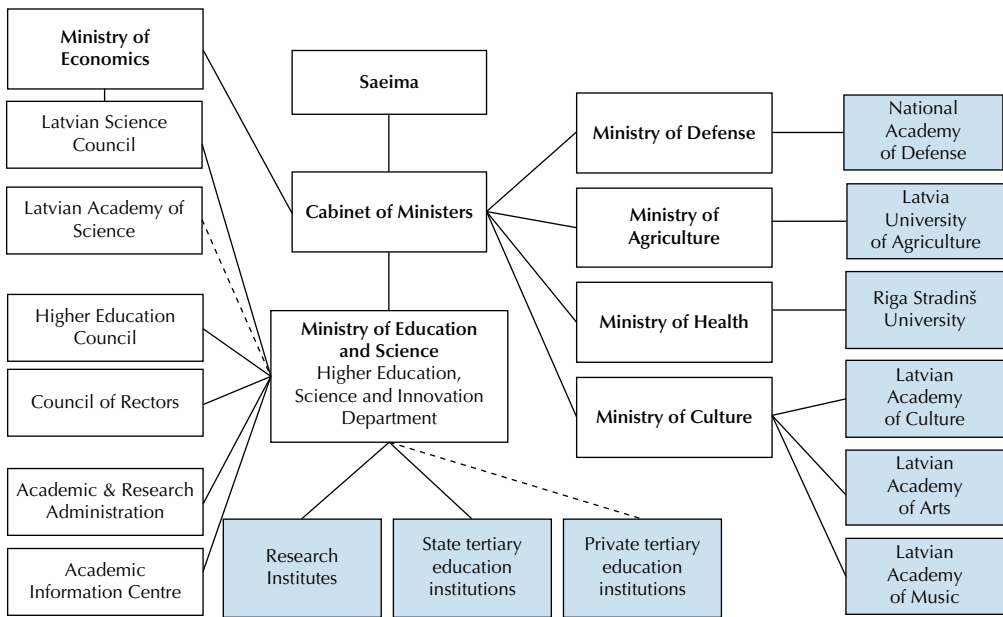
In 1995, the Saeima passed the Law on Higher Education Institutions, which established the current structure in tertiary education and set the framework for institutional autonomy. The 1995 law regulates the opening, closing and reorganisation of institutions and institutional governance. It also establishes the principle of academic freedom, the rights and duties of academic personnel and students, the procedure for staff selection, and modes for academic degrees and professional qualifications. It determines the basic requirements for study programmes, the financing of studies, and the assessment and accreditation of study programmes and institutions.

In 2011, amendments to the Law on Higher Education Institutions further enhanced the autonomy of state tertiary education institutions, by granting most of them (except the Latvian National Defence Academy) a new legal status of “derived public persons”, comparable to that of municipalities. State-founded colleges remain under more direct state supervision by the Ministry of Education and Science (MoES) or other ministries, as described below. Private institutions (institutions founded by private persons), whether tertiary education institutions or colleges, are commercial companies or foundations. These institutions operate in accordance with the Commercial Law or the Associations and Foundations Law where these laws do not conflict with the Law on Higher Education Institutions.

Public tertiary institutions in Latvia have a higher level of autonomy than in many EU countries (Estermann, Nokkala and Steinel, 2011). Institutions are able to determine their internal structure, develop and adopt their own internal codes of conduct and procedures, establish academic programmes, determine the levels of pay for academic staff above government-established minima, and set tuition-fee levels. They are autonomous in regard to organisational procedure, implementation of the study process, internal rules and regulations, hiring and firing of academic and technical staff, and distribution of allocated funding. The main administrative bodies that represent and manage the work of the tertiary education establishment – Constitutional Meeting, Senate and the Rector – are elected in the order determined in the statutes of the tertiary education institution. The Cabinet of Ministers confirms the appointment of rectors of tertiary education institutions (MoES, 2015a).

Responsibility for tertiary education in Latvia is shared among a complex array of entities (Figure 5.1). The Cabinet of Ministers, including the Prime Minister and ministers, is the principal executive body of the government. In accordance with the Constitution (*Satversme*), and laws enacted by the Saeima, the Cabinet of Ministers approves the regulations and other actions necessary for policy implementation. The Minister of Education and Science has the central responsibility, within regulations approved by the Cabinet of Ministers, for the development and implementation of state policy.

Figure 5.1. **Principal entities responsible for tertiary education, science and innovation in Latvia**



The pre-1991 pattern, in which tertiary education institutions were linked to different sections of the command economy, is still reflected in responsibility for their oversight, which is distributed across seven ministries. MoES has responsibility for the majority of institutions and three-quarters of students. Within MoES, a department has specific responsibility for tertiary education, science and innovation.

### *Financing tertiary education*

Funding for the Latvian tertiary education system comes from both public and private sources. The central government funds tertiary education through the state budget and EU structural funds. Other sources of funding are student tuition fees and funds generated from other activities such as scientific work not financed from the state budget, or commissions by companies. In 2012 the total funding for tertiary education in Latvia amounted to EUR 311.2 million, which was 1.4% of GDP. As Table 5.1 shows, 36% of this was from the government budget, 23% from student tuition fees, 21% from EU structural funds and 20% from revenue generated by tertiary education institutions through other activities (World Bank, 2014a).

Table 5.1. Sources of finance for tertiary education in Latvia (2012)

		EUR million	Share of total revenue	Share of category	Share of GDP
1	Total revenue of tertiary education institutions and colleges	311.2	100%		1.4%
	Public universities and colleges		88%		
	Private universities and colleges		12%		
2	Government funding	110.6	36%	100%	0.5%
	Subsidy from the general revenue for universities and colleges, including 15% co-financing for EU structural funds	95.9	31%	87%	
	National funding for science, including 15% co-financing for EU structural funds	14.7	5%	13%	
3	Private funding	72.8	23%	100%	0.3%
	Revenue from tuition fees in state (public) universities and colleges	43.4	14%	60%	
	Revenue from tuition fees in private universities and colleges	29.4	9%	40%	
4	Other funds	127.8	41%	100%	0.6%
	International funding for science and studies including 85% co-financing from EU structural funding	64.5	21%	50%	
	Revenue from scientific work not financed from the state budget or international financing	12.5	4%	10%	
	Other revenue of universities and colleges	50.8	16%	40%	

Source: World Bank (2014a), *Higher Education Financing in Latvia: Analysis of Strengths and Weaknesses*, World Bank Reimbursable Advisory Service on Higher Education Financing in Latvia, World Bank, [http://viaa.gov.lv/files/news/24067/lv\\_hef\\_output\\_1\\_final\\_18mar14.pdf](http://viaa.gov.lv/files/news/24067/lv_hef_output_1_final_18mar14.pdf).

These overall figures hide significant differences between sectors and individual institutions (World Bank, 2014a; Civitta, 2014). For example, although state funding for teaching provides 33% of institutional revenue on average, for one institution it is only 3% of revenue and for another 18%, while three institutions receive more than 70% of their revenue from this source. Also, while on average 17% of state universities' revenue comes from other resources, six institutions generate less than 5% of their revenue from such sources while for two universities it is more than 30%.

Public funding to tertiary education institutions consists of a subsidy for education (87%) distributed on the basis of the number of student places, which are almost exclusively for full-time programmes, and a subsidy for research (13%) (Table 5.1). Private sources, i.e. households, are another considerable source of funding with 23% of expenditure on tertiary education in Latvia coming from private sources in 2012.

Latvia has a dual system of student financing. Students with the best academic performance and examination results are admitted to study free of charge on the basis of open competition, while others have to pay tuition fees. Students who are admitted to free study places also qualify for government-funded monthly stipends which are awarded on a competitive basis to the highest-achieving students in the programme. Each year MoES sets the number of free study places at individual tertiary education institutions and within the various fields of study following a consultative process involving multiple stakeholders. These include the 12 sector committees of the Latvian Employers' Confederation, other professional organisations, ministries and the Higher Education Council. The distribution of free study places across study areas takes into account tertiary education institutions' past performance on a number of indicators, including the actual number of state-financed students, graduates and dropouts. It also takes into account labour-market forecasts by the Ministry of Economics as well as the total public funds available for the year. MoES controls how many study places should be financed by the state for the tertiary education institutions it supervises, as is it involved in the process of determining the number of study places in tertiary education institutions supervised by other ministries. As funding for these places comes from their budget, MoES essentially agrees to their recommendations on the number of places. Co-operation between MoES and other ministries in terms of planning study places will be strengthened from 2016 by introducing trilateral agreements between MoES, the other ministry concerned and the respective tertiary education institution.

Research funding is mostly awarded on the basis of research output and competitions. International funding for education and research, including EU structural funds, comprised 21% of the total tertiary education budget in 2013/14. Since 2007 the European Social Fund and the European Regional Development Funds have been a major source of support for reform and innovation, providing a total of more than EUR 500 million.

In 2013/14 73% of students studied at public tertiary education institutions, including colleges (Central Statistical Bureau, 2015a). Of the 65 410 students enrolled in public tertiary education sector, 47% paid tuition fees. These fees vary considerably depending on the institution and study programme. Tuition fees at public institutions of tertiary education in Latvia in 2013/14 ranged

from EUR 882 to EUR 5 208 per academic year for bachelor's degree students, EUR 384 to EUR 15 000 for master's degree students, and EUR 1 067 to EUR 9 135 for doctoral programmes (MoES, 2014b; World Bank, 2014a).

Under the current conditions, sources of student financial assistance are especially important from an equity perspective. It is likely that the system of free study places for some students, with its heavy emphasis on merit-based selection, limits the chances of pursuing a tertiary degree for students from disadvantaged backgrounds (World Bank, 2014a).

Student financial aid in Latvia is provided in the form of direct and indirect public subsidies, and from private resources. These include state-funded study places, loans, scholarships (i.e. the free study places and stipends), and income tax rebates for educational expenditure. Government-subsidised student loans are available to all Latvian residents who pursue a tertiary education and are able to meet co-signatory loan requirements. Other loan schemes are provided by the main commercial banks who offer loans at commercial rates. In addition foundations offer philanthropic support and some municipalities provide financial support through funding provided by local businesses, philanthropists and the municipal budget.

The total level of financial assistance to Latvian students as a percentage of total public expenditure on tertiary-level education has recovered in recent years after falling during the economic crisis. In 2011, it amounted to 14% of total public expenditure on tertiary education, after recovering from 5% in 2007. This level of support is higher than its neighbours Estonia (9%) and Lithuania (10%) but is significantly lower than the EU28 average of 20% (Eurostat, 2014).

In 2011 Latvia's public expenditure on tertiary education amounted to 1% of GDP which is considerably lower than the OECD and EU21 averages (both 1.4%). Latvia also spends considerably less per student than most OECD countries – USD 7 552 per student (including research and development activities) compared with the OECD average of USD 13 958 (OECD, 2014a). Low salaries for academic staff in Latvia partially explain this comparatively low expenditure.

The same World Bank report also noted a number of other significant challenges facing the tertiary funding system and proposed a new “three-pillar” funding model that responds to these concerns (see below). The Latvian government has recently (June 2015) endorsed this model for development and implementation. In July 2015 a regulation was also passed that introduced additional public funding criteria based on the performance of tertiary education institutions in the realm of renewal of human resources, industry relevance and international competitiveness of research.

### ***Organisation and size of the network of tertiary education institutions***

As Latvia regained independence the number of tertiary-level institutions expanded rapidly. They increased from 12, 10 of which were public, in 1990/91 to 35 by the end of the 1990s. Much of the initial expansion was due to privately funded institutions in Riga but three public regional tertiary education institutions were also established during this period in Rezekne (1993), Valmiera (1996), and Ventspils (1997).

There are now 60 tertiary-level institutions and colleges in Latvia. These are classified into universities (*universitāte*), offering both academic and professional tertiary programmes; other tertiary education institutions or academia (*augsskola* or *akadēmija*); and colleges (*koledža*) offering professional tertiary programmes. The degree structure follows the three-cycle pattern of the Bologna Process: bachelor's (undergraduate), master's (graduate) and doctoral-level studies.

All six of the universities are public, but the other institutions are public or private. To be designated as a university, at least 65% of an institution's academic staff must have a doctorate and it must be active in research. In academies at least 50% of academic staff must have doctorates and in other tertiary education institutions the requirement is at least 40% (Eurypedia, 2015; MoES, 2015a).

Colleges can either be free-standing independent institutions or units within tertiary education institutions. For example, the University of Latvia Riga College of Medicine is a part of the University of Latvia. In a period of declining enrolments and severe funding constraints, the trend has been for free-standing colleges to become affiliated with, if not consolidated with, tertiary education institutions.

### ***Attainment, participation and graduation***

As mentioned, 31% of 25-64 year-olds had a tertiary degree in 2013, only slightly below the OECD average. Like many OECD countries there are considerable differences between the attainment rates of the younger and older population (Figure 5.2). The difference is larger than in many OECD countries suggesting that Latvia could be closing the gap in attainment with the OECD in the coming years.

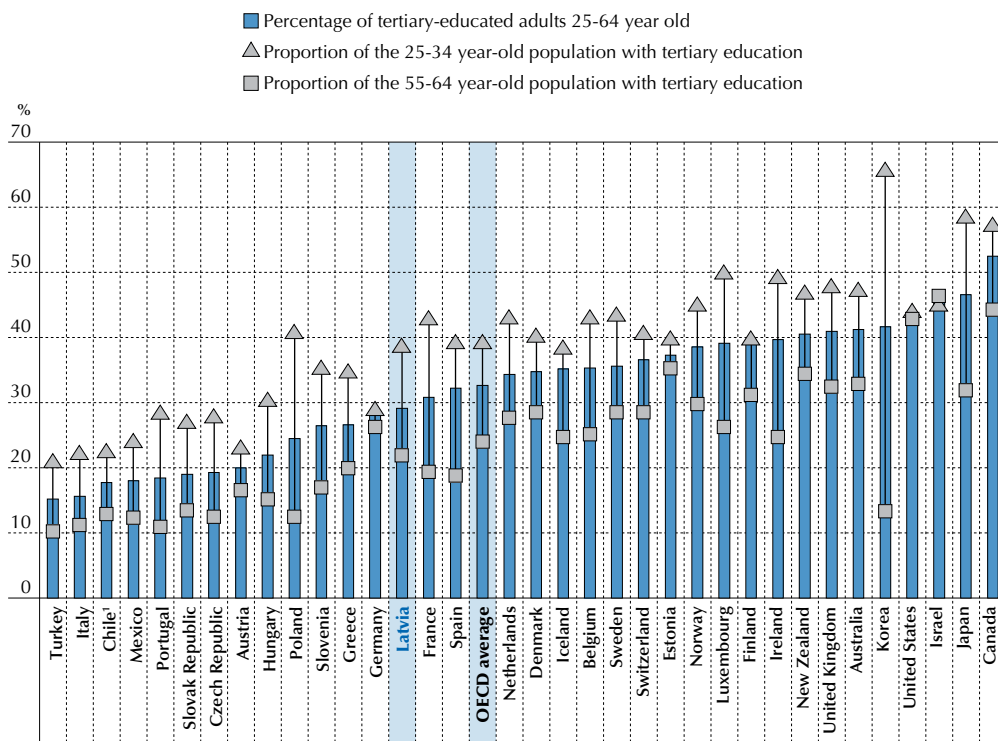
The proportion of the Latvian population aged 30-34 with tertiary-level attainment has increased steadily over the past decade. By 2013 it had already surpassed the 40% target set by the Latvian parliament in 2010 (Saeima of the Republic of Latvia, 2010). It is estimated that 58% of young adults in OECD countries will enter academic tertiary programmes during



their lifetime if current patterns of entry continue. In Latvia, 85% of young adults are expected to enter an academic tertiary programme (OECD, 2014a) (Figure 5.3).

Figure 5.2. **Tertiary attainment of population, by age group (2012)**

Percentage of tertiary-educated adults 2012, OECD and partner countries



Note:

1. Year of reference 2011.

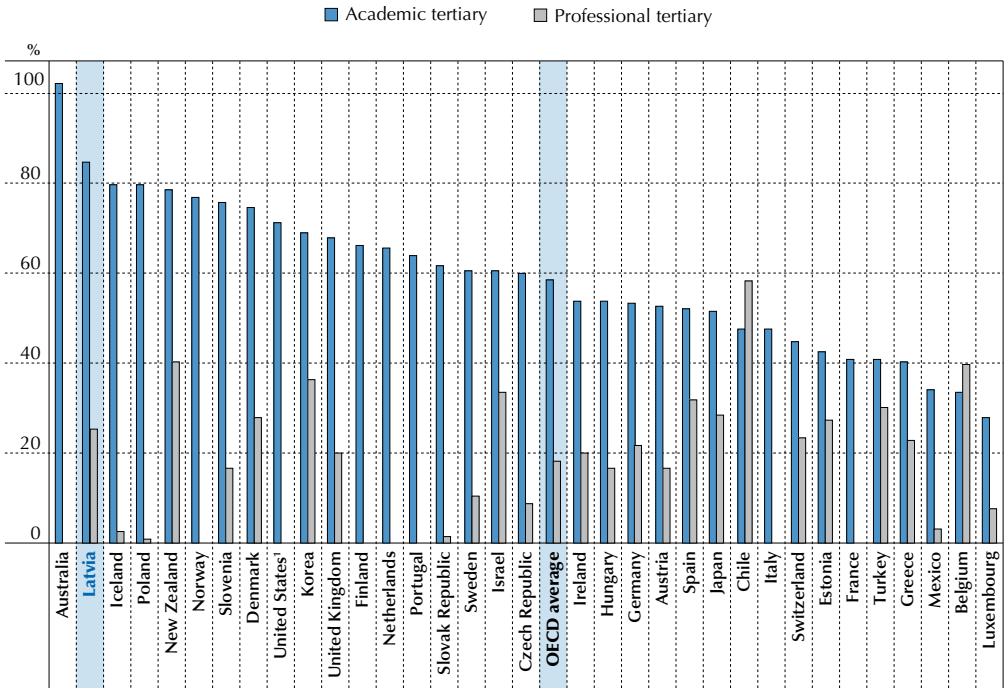
Countries are ranked in ascending order of the percentage of 25-64 year-olds who have attained tertiary education in 2012 (or latest available year).

Source: OECD (2014a), *Education at a Glance 2014: OECD Indicators*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eag-2014-en>.

Among OECD countries the proportion of students entering professional tertiary programmes is generally smaller, mainly because these programmes are less developed in most OECD countries. Proportions range from less than 5% in Iceland, Mexico, Poland and the Slovak Republic, to more than 35% in Belgium, Korea and New Zealand, and more than 50% in Chile. In Latvia

about a quarter of young adults enter such tertiary-type B programmes. At the same time, Latvia has a lower rate of entry into advanced tertiary education (2.1% in 2012) than the OECD average (2.6%) (OECD, 2014a).

Figure 5.3. Entry rates to tertiary education (2012)



Note:

1. The entry rates for academic tertiary programmes include the entry rates for professional tertiary programmes.

Countries are ranked in descending order of entry rates for tertiary-type A education in 2012.

Source: OECD (2014a), *Education at a Glance 2014: OECD Indicators*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eag-2014-en>.

### Participation

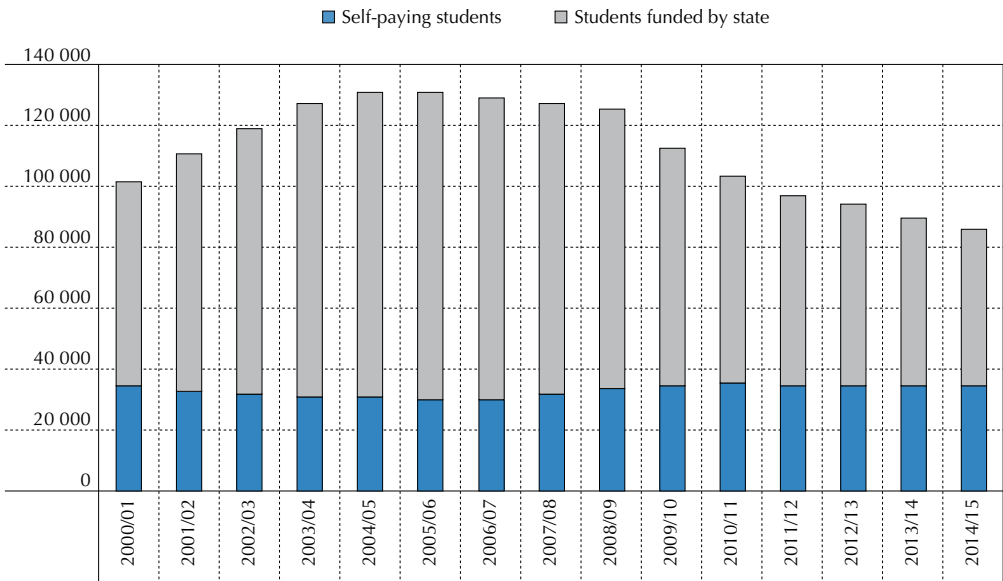
The number of students in Latvia has fallen for several years in a row. In 2013/14, there were 89 671 tertiary students, which was 5% lower than in the previous academic year. Overall, the number of students has fallen by 32% from its peak in the academic year 2005/06. As mentioned in Chapter 1, demographic factors and the intense emigration fuelled by the economic crisis in 2008-10 reduced the numbers of those who could afford to pay for tertiary education studies.

In the academic year 2013/14, 34 546 students, or 39% of the total number of students studying, were funded out of the state budget. The number of subsidised places has thus remained constant, while the number of self-funding students has fallen from 101 000 to 51 000 between 2005/06 and 2013/14 (Figure 5.4).

Although the total number of students has decreased, the number of students in state-funded study positions is intended to grow by 1-2% per year. About 70% of the state-funded study places are in fields reflecting national priorities, based on medium and long-term labour market forecasts. These are high value added and high-cost areas: natural sciences, engineering, manufacturing, building/construction, mathematics, IT and health care, and masters' and doctoral level studies which are important for preparing new teaching staff and scientists (MoES, 2014b, 2015b).

Figure 5.4. **The decline in student enrolment has mostly been among self-paying students**

Student enrolment, by scholarship and self-paying, relative to youth cohort size

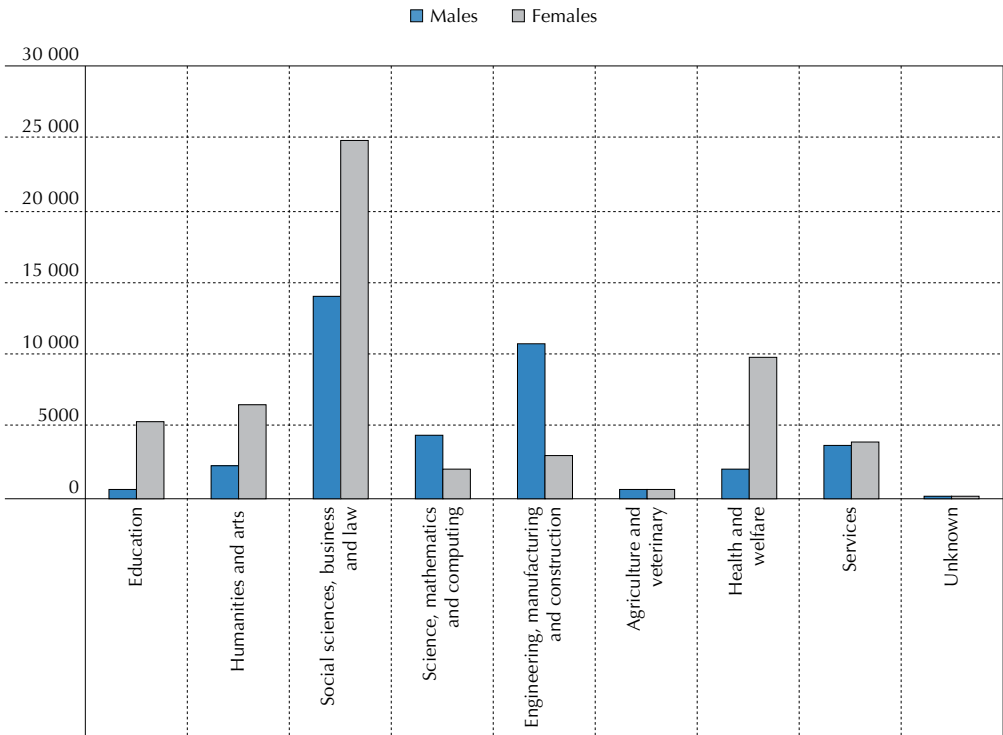


Source: Central Statistical Bureau of Latvia (2015b), “IZG26. Higher education institutions: Studies funded by state budget / for a fee”, *Statistics Database*, Central Statistical Bureau of Latvia, [http://data.csb.gov.lv/pxweb/en/Sociala/Sociala\\_\\_ikgad\\_izgl/IZ0260.px/?rxid=a79839fe-11ba-4ecd-8cc3-4035692c5fc8](http://data.csb.gov.lv/pxweb/en/Sociala/Sociala__ikgad_izgl/IZ0260.px/?rxid=a79839fe-11ba-4ecd-8cc3-4035692c5fc8) (accessed 16 June 2015).

Figure 5.5 shows that significantly more women than men enrol in the fields of education; humanities and arts; health and welfare; and social sciences, business and law than men. In contrast low proportions of women are enrolled in science, mathematics and computing; and engineering, manufacturing and construction. Latvia has set itself the target of increasing the proportion of science, technology, engineering and mathematics (STEM) graduates from the base level of 19% in 2013 to 25% in 2017 and 27% by 2020 (MoES, 2014a).

In addition, in 2012, among students in tertiary-type B programmes, significantly fewer (51%) were studying full time than on average across OECD countries (74%). Part of the explanation for these differences may lie in the fact that state budget places are awarded only to full-time students, with most part-time students paying the full tuition fee themselves.

Figure 5.5. Enrolment of male and female students in tertiary education, by field of study (2013)



Source: Eurostat (2015a), “Students enrolled in tertiary education by education level, programme orientation, sex and field of education”, *Eurostat database*, Eurostat, [http://ec.europa.eu/eurostat/web/products-datasets/-/educ\\_uoe\\_enrt03](http://ec.europa.eu/eurostat/web/products-datasets/-/educ_uoe_enrt03) (accessed 8 June, 2015).

There are also significant gender differences between Latvia and OECD countries in the proportion of students studying full- and part-time in tertiary-type B programmes. In 2012 48% of women and 52% of men in tertiary-type B programmes in Latvia studied part-time, compared with 26% for both women and men in OECD countries.

The differences are less marked when looking at tertiary-type A and advanced research programmes. In 2012, 22% of Latvian students studied part-time in such programmes, compared with the OECD average of 21%. This represented 23% of female students and 22% of male ones in Latvia, against 22% and 20% respectively in OECD countries on average (OECD, 2014a; MoES, 2015b).

### *Graduation rates*

Based on current patterns of graduation, on average across OECD countries with comparable data for 2012, 39% of young people will graduate for the first time from tertiary-type A programmes during their lifetime. Latvia is above the OECD, average with a graduation rate of 43% overall; 59% for women and 28% for men. This gender difference is considerably larger than in many OECD countries (the OECD average rates were 47% for women and 31% for men).

For tertiary-type B programmes, Latvia's graduation rate of 12% is comparable to the 11% average of OECD countries with data available. Again the graduation rate for women (15%) is higher than for men (8%). Latvia's graduation rate from advanced tertiary programmes is 1.2%, considerably lower than the OECD average of 1.6% and well behind countries like Finland (2.8%), Sweden (2.8%) and Switzerland (3.3%) (OECD, 2014a).

### *Academic staff*

In Latvia, academic staff, like other teachers, do not have civil servant status. Their terms and conditions are defined within the law by individual contract and any collective agreements which may apply. Employment contracts are signed by the Rector of the institution, normally for six years but they may be longer (Eurypedia, 2015; MoES, 2015a). Academic staff are appointed on the basis of their education and experience and a doctoral or master's degree is normally a prerequisite for an academic career. The following education is required for the following posts:

- professor: doctoral degree and at least three years of experience as associate professor
- associate professor: doctoral degree
- assistant professor (docent): doctoral degree

- lecturer: doctoral or master's degree
- assistant: doctoral or master's degree.

Prospective lecturers in tertiary education institutions follow further training in their subject field after obtaining their first tertiary education qualification. They usually have to obtain a master's degree, followed by a doctorate (3 to 5 years) in the area they are teaching and researching. For professional programmes, because of the need for practical skills and knowledge, the position of docent, lecturer and assistant can be taken by staff with tertiary education but without an academic degree (bachelor's) as long as they have sufficient practical experience in the work related to the subject being taught (Eurypedia, 2015; MoES, 2015a). Academic staff must undergo 160 hours of professional development activities within their first 6 years.

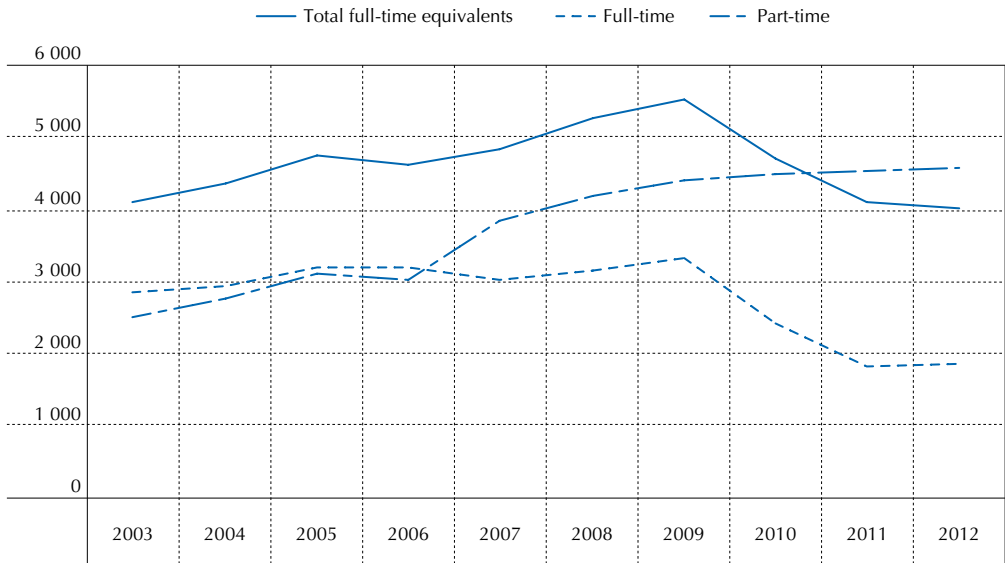
Latvia aims to increase the proportion of academic staff with doctoral degrees from 54% in 2012 to 60% in 2017 and 65% in 2020 (not including colleges) and has made this a priority for European Social Fund (ESF) investment. Between 2007 and 2013 ESF funding has supported 23 master's degree scholarship projects and 28 doctoral degree scholarship projects, as well as supporting young researchers by paying their salaries in projects that have received funding on a competitive basis (World Bank, 2014a; SEDA, n.d.). Some progress has been made since 2012; in 2014/15 58% of staff had a doctoral degree.

A dramatic change has taken place in the working patterns of academic staff since 2007 (Figure 5.6). Up to 2006 the greater proportion of academic staff worked full time but in 2007 part-time staff started outnumbering full-time staff. Figure 5.6 shows the impact of the economic crisis on the number of full-time academic staff which has fallen rapidly since 2009; by 2012 Latvia had fewer than 1 900 full-time staff left. These changes reflect decisions taken in response to severe budget constraints worsened by the decline in student enrolments, which meant less revenue from student fees.

As with other levels of education, a challenge for Latvia in the coming years is the ageing tertiary education workforce. At the tertiary level, 50% of academic staff were 50 years or older in 2013 and the proportion of staff between the ages of 30 and 49 fell slightly to 45%. In recognition of the situation, Latvia has set a target to increase the proportion of academic staff between the ages of 30 and 49 from 45% in 2013 to 50% in 2017 and 55% in 2020 (MoES, 2014a).

Attracting young academic talent to the profession has been a challenge, partly due to low salaries and heavy workloads. MoES has recognised the situation and has initiated a number of reforms that aim to make an academic career a more attractive option. These include plans to raise salaries and to implement of a new tertiary education funding model which will have an indirect, positive impact on institutional salary policy.

Figure 5.6. Numbers of academic staff, full-time and part-time (2003-12)



Source: Eurostat (2015b), “Teachers (ISCED 0-4) and academic staff (ISCED 5-6) by employment status (full-time, part-time, full-time equivalence) and sex”, *Eurostat database*, Eurostat, [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=educ\\_perslt&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=educ_perslt&lang=en) (accessed 8 June, 2015).

### *Internationalisation of academic staff*

Economies cannot effectively participate in global markets if their universities remain national. The internationalisation of universities has therefore become a deliberate policy in countries all over the world. The obvious result of these changes include not just the growing mobility of students, but also of academic staff (OECD, 2009; Knight, 2004; Svetlika and Lalić, 2014). The Law on Institutions of Higher Education requires that at least 5% of staff should be international professors, associate professors or lecturers. According to MoES, in 2013/14 an average of 4.8% of academic staff were in this group (MoES, 2014c). The government aims to increase this proportion and has set a target of 5% for 2017 and 7% for 2020 (MoES, 2014a). Plans also call for increases in opportunities for international professional development and exchanges for academic staff at Latvian institutions.

Language policies currently require that foreign academic staff (excluding visiting lecturers or professors) develop proficiency in Latvian and limit instruction in other EU languages. A regulation has been introduced to increase the use of EU and other languages at public tertiary education

institutions. To attract academic staff from abroad (EU and non-EU countries), the intent is to amend regulations to enable and increase the use of EU and other languages at public tertiary education institutions, ease requirements concerning Latvian language competence, and simplify visa and residence permit procedures.

### ***Quality assurance***

Over the past two decades, Latvia has put in great efforts to strengthen the quality assurance of its tertiary education system. Latvia ratified the Lisbon Convention in 1997 and was one of the signatories to the Bologna Declaration in 1999. This engagement in the Bologna Process and the development of the European Higher Education Area committed the country to the creation of an external quality assurance system in accordance with the standards and guidelines of the European Quality Assurance Register for Higher Education (EQAR).

Prior to changes implemented in 2013, there were three main elements to the quality assurance processes: 1) MoES licensed study programmes for three years, within which time the tertiary education institution had to seek accreditation of the programme; 2) the Latvian Higher Education Programme Accreditation Commission (AIKNC) accredited study programmes; and 3) the Higher Education Council accredited tertiary education institutions.

The AIKNC, which operated from 1996 to 2012, was a non-profit organisation with tertiary education institutional representation and other tertiary education stakeholders. The AIKNC was funded primarily by the tertiary education institutions undergoing accreditation, but it also carried out tasks under contract by MoES (MoES, 2014c). In 2010 an international assessment concluded that AIKNC was in full compliance with only two of the eight criteria set up by the EQAR. Its deficiencies included gaps in the expert selection procedure, potential conflicts of interest, and insufficient financial and human resources.

The foundation for a new external quality assurance model for tertiary education was enacted through amendments to the Law on Higher Education Institutions in 2011 and was adopted by the Cabinet of Ministers at the end of 2012. Under this new model, the transition from the accreditation of student programmes to accreditation of study directions (subject areas) encompassing a range of study programmes has been introduced. At the same time, the licensing process was merged with the accreditation process for study directions.

In early 2013, responsibility for the accreditation of study directions was assigned to MoES and the AIKNC was disbanded. The new regulations incorporate quality standards consistent with European Standards and Guidelines for Quality Assurance. They define clear evaluation criteria



as well as the rights and responsibilities of the parties involved in the accreditation process. Between May 2013 and March 2014, 247 study directions were considered for accreditation: 218 were accredited for 6 years, 27 for 2 years and 2 were rejected.

Meanwhile, efforts to strengthen the quality assurance system continue. In 2015 regulation was passed transferring the function of accreditation and licensing to the Academic Information Centre (AIC) on the basis of which an independent external quality assurance and evaluation entity will be established and registered in EQAR by 2018.

### *Science*

From a national policy perspective, tertiary education and research in Latvia are governed by separate laws. The Law on Scientific Activity pertains to research and scientific activity, part of which takes place in research institutions distinct from tertiary education institutions. The Law on Scientific Activity also stipulates that it is the duty of tertiary education institutions to perform research activities.

Apart from responsibility for education, MoES also has the central responsibility for the development and implementation of state policy in the area of science and research. The principal unit within MoES responsible for this area is the Department of Higher Education, Science and Innovation. Several other entities play important roles:

- The Latvian Science Council plays a role as a semi-governmental decision-making and expert body. In close co-ordination with MoES, it prepares the draft science budget, makes conceptual proposals for science and technology policy in Latvia and defines priorities for the development of science and research areas. The council is a collegial body of researchers, which works through its expert commissions with responsibilities for advancement, evaluation, financing and co-ordination of scientific research in Latvia.
- The Latvian Academy of Sciences facilitates research in basic and applied sciences, participates in the establishment of the Latvian science policy and advises the government on scientific issues. Members of the Academy are elected prominent scientists.
- The Ministry of Economics co-ordinates economic development policies and has the overall responsibility for elaboration and implementation of innovation policy. Its Innovation Division, hosted in the Industrial Department, is responsible for the elaboration, co-ordination and implementation of legislation, policy documents/programmes/projects, funding system, and co-operation with other related governmental and non-governmental actors in the field of innovation-oriented policies.

- The Latvian Investment and Development Agency aims to promote business development by facilitating more foreign investment, while also increasing the competitiveness of Latvian entrepreneurs in both domestic and foreign markets. It is responsible for the administration of state support programmes, attracting EU structural funds, and implementing a range of research and innovation policy measures.
- The State Education Development Agency ensures co-operation with foreign institutions and units of international organisations in scholarship programmes offered by foreign and international organisations in the field of education and science policy; ensures implementation of international cooperation projects and EU policy initiatives in Latvia in the field of education and science policy; and ensures engagement, selection of and financing for foreign nationals and residents of Latvia for studies, research and participation in international summer schools in tertiary education and science institutions within the framework of international agreements in the sector. In addition it provides the National Contact Point functions for the EU Framework Programme HORIZON 2020 and ensures Latvia's participation in EU joint programmes and joint technology initiatives.

In 2014 there were 91 registered scientific institutions including 46 state-founded institutions (MoES, 2014c). Ten of these were public tertiary education institutions and four were units in tertiary education institutions. Many of the other independent research institutions have historic ties with tertiary education institutions and collaborate with them on various levels (World Bank, 2014a).

Under the Law on Scientific Activity, to be eligible for public funding, a scientific institution – whether a research institute, university, corporation or other body engaged in research and development – must be registered with the State Education Quality Service. To found an institution and receive public funding, it must have at least five people with a doctoral degree working full time in a research function.

There are two main sources of public funding for science in Latvia: the national budget and European Structural Funds. In 2012 state science funding constituted almost EUR 14.7 million, while the EU contribution was EUR 64.5 million. State budget financing is intended to provide base funding for research activities at public tertiary education institutions and public research institutions, as well as to support basic and applied research. Additional funding for research can be generated through competitive research grants and collaboration with enterprises. Funding for doctoral study programmes, calculated according to the general procedure of state funding for study places, is also considered part of science funding at tertiary education institutions (World Bank, 2014a).

Funding from the state budget is only available to state-established scientific institutions listed in the Registry of Scientific Institutions. In 2013, all public tertiary education institutions (with the exception of the National Defence Academy) were represented in the registry either in their own right or through an institution affiliated to some degree with them (World Bank, 2014a). The registry also lists privately founded scientific institutions.

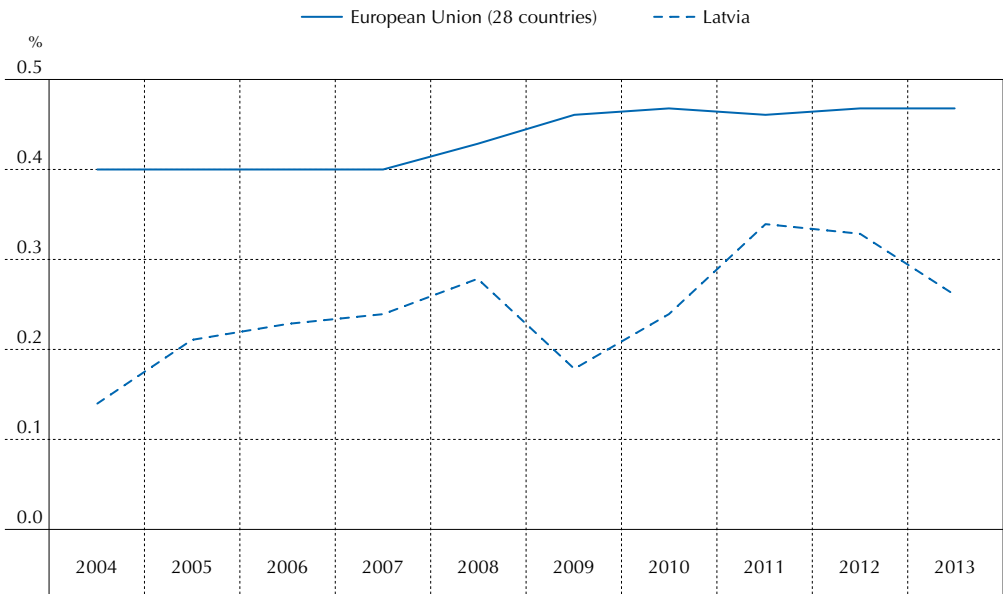
Public funding for research is also available on a competitive basis from the State Research Programme, the Commercially Oriented Research Programme, and the Fundamental and Applied Research Programme. Funding from these sources is available to all institutions registered in the Registry of Scientific Institutions, including privately founded ones. The amount of public funding available is determined by the general availability of resources in public budget (World Bank, 2014a).

The decrease in the state allocation to tertiary education in the past years has correlated with a decrease in the research expenditure of tertiary education institutions (MoES, 2014a). From 2009 to 2013, EU structural funds became the main source of funding for scientific activities at tertiary education institutions. While public base funding for science might be considered insufficient, this issue seems unlikely to be addressed as long as project-contingent science funding is the primary form of financial support for research (World Bank, 2014a).

Research funding from EU structural funds is available for developing scientific infrastructure as well as increasing human resource capacity in research. As mentioned above, the ESF has been used to build Latvia's research capacity by funding scholarships for master's and doctoral students as well as paying young researchers' wages on funded projects (World Bank, 2014a).

The EU has set a target to have 3% of the EU's GDP invested in research and development (R&D) by 2020 (European Commission, 2010). Latvia's national target is less ambitious at 1.5% but it is a long way from meeting it. In 2013, expenditure on R&D was just 0.6% of GDP (OECD, 2014a). While funding as a share of GDP is increasing in many EU countries, the most recent data from Latvia show a decrease (Figure 5.7). Expenditure in R&D in tertiary education stood at 0.24% of GDP in 2007 and then increased to 0.34% after the crisis in 2011 but since 2011 funding has not kept pace with increases in GDP. In fact the share of R&D in tertiary education has returned to the pre-crisis level of 0.24% in 2013 while the EU and OECD averages were almost twice as high, at 0.47% and 0.46% (in 2011) respectively. The low expenditure on R&D and relatively large network of research institutions means that funds for R&D in Latvia are spread thinly.

Figure 5.7. **Expenditure on R&D in tertiary education as a percentage of GDP (2004-13)**



Source: Eurostat (2015c), “Total intramural R&D expenditure (GERD) by sectors of performance”, *Eurostat database*, Eurostat, [http://ec.europa.eu/eurostat/en/web/products-datasets/-/RD\\_E\\_GERDTOT](http://ec.europa.eu/eurostat/en/web/products-datasets/-/RD_E_GERDTOT) (accessed 8 June 2015).

## Key policy issues

### Policy issue 1: System capacity is not aligned with demographic decline, fiscal reality and labour market needs

As well as their implications for economic development and the sustainability of social security systems, demographic trends naturally have an impact on education and training, including tertiary education. The impact of demographic changes on enrolment in education tends to become an issue at times of marked increases or decreases in the relevant age cohort (OECD, 2008a). Increased participation rates across the EU in the last decade have masked the impact of declining younger age cohorts on tertiary education institutions as student numbers have continued to increase. Current projections show a significant decline in the typical age cohort for tertiary education students (20-24 years) over the next 40 years in a majority of EU member states (Kwiek, 2013).

Latvia is at the forefront of this development, as the natural decline in its potential student body has been aggravated by two decades of emigration. Latvia therefore faces a major challenge in aligning the overall capacity of its tertiary education system – institutions, study programmes and human resources – with demographic decline, fiscal reality and the changing demands of the labour market.

Latvia should continue its various initiatives to rationalise institutions and study programmes including through consolidation and promoting collaboration. It should carefully monitor the progress of these efforts. In case progress is too slow and/or insufficient to achieve the systemic realignment of the system's capacity Latvia could consider developing a national framework for the future size and shape of its tertiary education system to provide high-level guidance for further rationalisation of the system.

### ***Student population decline has had little impact on institutions and study programmes***

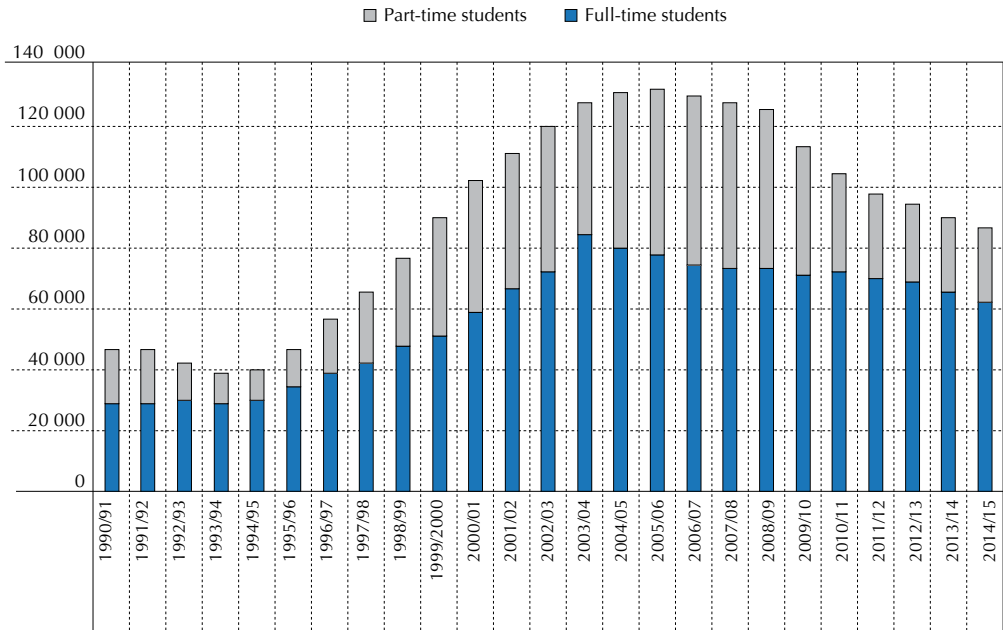
Demography has become a subject of concern in a growing number of countries. The population of some OECD countries is rapidly ageing, especially in Japan, Korea and Southern and Eastern Europe (OECD, 2008a). As discussed in Chapter 1, the combination of two decades of low fertility rates and emigration means Latvia has lost significant numbers of its population in the prime age groups for tertiary education (Hazans, 2013; Lulle, 2013).

Overall, student numbers increased steadily through the 1990s until 2004/05 but have been declining steadily since then (Figure 5.8). Both full-time and part-time enrolments are decreasing but the proportion of part-time students declined especially sharply during the economic crisis, leading to a change in the balance between full-time and part-time students.

Enrolment at state tertiary education institutions has declined by 25%, from 89 644 students in 2004/05 to 56 723 ten years later. The decrease in enrolments has been even sharper in private tertiary education institutions which saw a fall of 45% over the same period, from 32 315 to 17 223 students. Enrolments at state colleges have increased by 47% from 4 571 to 6 733 students and at private colleges by 25% from 4 176 to 5 202.

Following these patterns, the proportion of students in the population as a whole showed a dramatic increase until the mid-2000s and a decline since then. The decline in total student numbers has been steeper than the decline in new entrants, suggesting that in recent years, the number of students leaving before completing a degree may be increasing.

Figure 5.8. Student enrolment in tertiary education (1990/91-2014/15)



Source: Central Statistical Bureau of Latvia (2015c), “IZG24. Higher education institutions and colleges (beginning of the school year)”, *Statistics Database*, Central Statistical Bureau of Latvia, [http://data.csb.gov.lv/pxweb/en/Sociala/Sociala\\_\\_ikgad\\_izgl/IZ0240.px/?rxid=a79839fe-11ba-4ecd-8cc3-4035692c5fc8](http://data.csb.gov.lv/pxweb/en/Sociala/Sociala__ikgad_izgl/IZ0240.px/?rxid=a79839fe-11ba-4ecd-8cc3-4035692c5fc8) (accessed 16 June 2015).

There are clear differences between regions in enrolment rates. The Riga region has the highest percentage of students enrolled, reflecting the number and range of institutions there. An analysis of enrolments revealed significant year-on-year variations in some regions which may suggest anomalies in reporting of enrolment by students’ residence. Nevertheless, a part of the explanation is likely to be due to differences in socio-economic conditions and students’ performance in the national examinations that determine eligibility for places.

Although enrolments have declined sharply, the number of institutions and study programmes has remained relatively constant during the last decade, resulting in a much lower average number of students at each institution (Table 5.2). Changes have occurred in the distribution of enrolments and graduates among fields of study but these have been relatively minor in comparison to the decline in overall enrolments.

Table 5.2. **Number of institutions by legal status and number of study programmes (2004/05-2014/15)**

	2004/05	2009/10	2013/14	2014/15
<b>Total number of institutions of tertiary education</b>	<b>56</b>	<b>61</b>	<b>61</b>	<b>60</b>
State institutions of tertiary education	20	19	17	17
Private institutions of tertiary education	16	15	19	18
State colleges	16	18	17	17
Private colleges	4	8	8	8
Total number of accredited study programmes		920	901	936

Source: Central Statistical Bureau of Latvia (2015d), “IZG25. Higher education institutions by legal status”, *Statistics Database*, Central Statistical Bureau of Latvia, [http://data.csb.gov.lv/pxweb/en/Sociala/Sociala\\_ikgad\\_izgl/IZ0250.px/?rxid=a79839fe-11ba-4ecd-8cc3-4035692c5fc8](http://data.csb.gov.lv/pxweb/en/Sociala/Sociala_ikgad_izgl/IZ0250.px/?rxid=a79839fe-11ba-4ecd-8cc3-4035692c5fc8) (accessed 16 June 2015).

In the period from 2001/02 to 2004/05 Latvia developed separate professional tertiary education programmes for the first time. Initially students in three-year professional training programmes at technical schools started their first-level higher professional education in new experimental project-method based programmes. Vocational schools providing first-level professional tertiary education started being counted as tertiary education institutions and colleges in 2003/04. This change resulted in an increase in the number of tertiary-level colleges. This change is reflected in the increase in the number of institutions from 2004/05 to 2009/10.

Improving the alignment of capacity with the realities of enrolment and national goals is a central theme of the Education Development Guidelines 2014-2020. The guidelines call for higher quality and more efficient use of resources. Planned and initiated actions include concentrating the resources for tertiary education institutions through increased collaboration among institutions; joint study programmes and, in some cases, consolidation of study programmes within and across institutions; and various policies and changes in national laws that are aimed to integrate the education system and industry as well as consolidate the research and teaching of the education system (MoES, 2014a).

### ***Growing numbers of international students, but more Latvians studying abroad***

The number of students enrolled in tertiary education outside their country of citizenship has sharply increased over the last decades, from 1.3 million in 1990 to nearly 4.3 million in 2011, an average annual growth rate of almost 6% (OECD, 2013). This reflects the expansion of tertiary education systems worldwide and the globalisation of economies and societies.

As countries increasingly benefit from student mobility, the competition to attract and retain students has diversified the map of destinations over the past decade. Latvia has joined this competition and has set the objective of raising the proportion of foreign students in Latvian tertiary education institutions to 6% in 2017 and 8% in 2020 (MoES, 2014a). Latvia has made good progress in recent years and has already reached the 2017 target. In 2014/15, 6.2% of the tertiary student population (5 293 students) consisted of foreign students, which represents an increase of more than 4% over 4 years.

Plans to continue and possibly strengthen this trend and increase the attractiveness of tertiary education in Latvia include the reform of the quality assurance system. Other plans include increasing the number of scholarships for foreign students (MoES, 2014a).

Nevertheless, a considerable challenge for Latvia is that outward mobility continues to considerably exceed inward mobility. In 2012, 6 632 Latvians pursued their tertiary studies abroad while the country hosted 2 757 foreign students and 736 exchange students. One positive sign is that the number of inbound students from within Europe is increasing. Also, while data are not available on the educational backgrounds of young Latvians returning to the country, anecdotal evidence suggests that many of them are returning with tertiary qualifications earned abroad. In this respect, the outflow of students may in the long run contribute to increasing the country's human resource capacity if these students can be encouraged to return and provided there are jobs available.

### ***Insufficient alignment with labour market demands***

Medium and long-term labour market forecasts for Latvia have stressed the need for more graduates of professional tertiary programmes and in science, technology, engineering and mathematics and the health professions. Recent trends show a gradual realignment in this direction but Latvia still faces a major challenge in adjusting capacity to meet future needs.

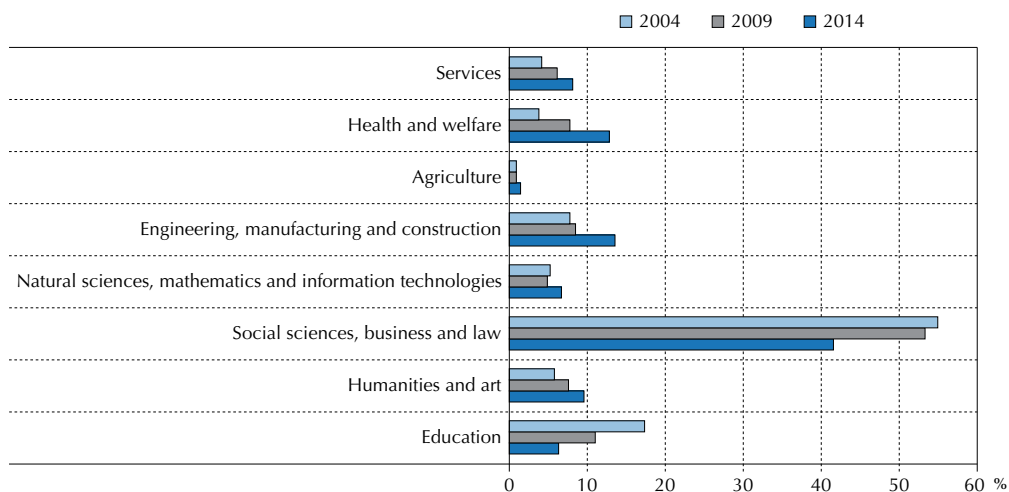
In 2013/14, tertiary education institutions and colleges in Latvia offered 901 study programmes in 29 accredited study directions within 8 thematic fields. The largest share of study programmes was in the field of social sciences, business and law. The shares of graduates in each study area reflect the number of study programmes in each field.



Figure 5.9 shows the changes that have occurred in the percentages of graduates in each thematic field in recent years. The most pronounced change is in the declining share of graduates in social sciences, business and law. This is partially the result of fewer free study places being offered in these subjects in recent years.

In line with government priorities, Latvia has seen small increases in the percentages of graduates in STEM-related fields during the last decade. The increased number of free study places in these fields has played its part in this development. The Latvian government however recognises further efforts are needed if Latvia is to achieve its target of 25% in 2017 and 27% by 2020, and ensure the supply of graduates is better aligned with the demands of the labour market. It is making a concerted effort to concentrate free study places in priority areas for Latvia's economy, especially in STEM fields (MoES, 2014a, 2015b). The government aims to increase the proportion of state-funded study positions in STEM fields from 44% in the base year of 2013 to 50% in 2017 and 55% in 2020 (MoES, 2014a) which we agree is an important policy to further match the supply of graduates with labour market needs.

Figure 5.9. Percentage of graduates, by field of study (2004, 2009 and 2014)



Source: Central Statistical Bureau of Latvia (2015e), “IZG29. Graduates with degree or qualification in higher education institutions and colleges by education thematic groups”, *Statistics Database*, Central Statistical Bureau of Latvia, [http://data.csb.gov.lv/pxweb/en/Sociala/Sociala\\_\\_ikgad\\_\\_izgl/IZ0290.px/?rxid=a79839fe-11ba-4ecd-8cc3-4035692c5fc8](http://data.csb.gov.lv/pxweb/en/Sociala/Sociala__ikgad__izgl/IZ0290.px/?rxid=a79839fe-11ba-4ecd-8cc3-4035692c5fc8) (accessed 16 June 2015).

In support of these goals, Latvia could consider increasing its efforts to encourage more women to choose STEM fields of study. As in many OECD countries, very few women choose to study STEM subjects in Latvia. Box 5.1 outlines just two examples of the many initiatives taken across OECD countries to tackle this that Latvia could look to for guidance.

As noted earlier, Latvia has a diverse tertiary education sector with a considerable number of private institutions and colleges supplementing the country's public tertiary education infrastructure. Nevertheless, one concern is the high concentration of private-sector capacity in study fields that are not considered national priorities. Enrolments in private institutions are concentrated in the fields of social sciences, business and law. In 2013 private tertiary education institutions and colleges offered 124 of the total 310 study programmes in social sciences, business and law in Latvia, enrolling 47% of the students in this field. They offer few programmes in engineering and manufacturing.

This suggests that state financing and regulatory policies could offer more incentives to the private sector to respond to national priorities. It also raises questions about the sustainability and capacity of small private institutions that depend largely on revenue from tuition fees.

#### Box 5.1. Promoting females in STEM-related fields of study, examples from Finland and Australia

**Finland** – A group of women and the Federation of Finnish Technology Industries launched an initiative for a technology forum to get more women into the field. The Women In Tech 2013 forum was organised for the first time on 15 October 2013 to bring together men and women with a keen interest in the future of technology and in encouraging and supporting young women to begin and develop their careers in the technology sector. Over 500 university students, university teachers, researchers and company members gathered to the forum to discuss how women could have a larger role in creating success stories in business and technology. Top speakers – women and men working in the corporate world and universities – shared their experiences as leading, visionary experts in the industry.

The Women in Tech 2013 forum was organised by the Federation of Finnish Technology Industries together with significant technology industry companies (Ensto Oy, KONE Oyj, NOKIA Oyj, Microsoft Oy, Wärtsilä Oyj, Outotec Oyj, Tieto Oyj), universities, female student unions and other stakeholders. The next forum will be in 2015. Meanwhile, other Women in Tech activities are ongoing, for example upper secondary school visits by female students and young professionals. More information at the Women in Tech website: [www.mytech.fi/women-in-tech](http://www.mytech.fi/women-in-tech).

### Box 5.1. Promoting females in STEM-related fields of study, examples from Finland and Australia (*continued*)

**Australia**, Royal Melbourne Institute of Technology (RMIT) – Over the last two years there have been two initiatives to promote enrolments of girls in STEM programmes, supported by the RMIT’s College of Science, Engineering and Health (SEH). The college supported a research project titled Gender-Based Discipline Choices in Science and Engineering in conjunction with the Engineering Information Foundation, NY, USA during 2012-13. The project investigated what influences male and female undergraduates in their choice of engineering or science. It explored the idea that STEM programme marketing might be more effective if it equally addressed the different interests of boys and girls. The influence of family and media varied significantly with gender. In particular, girls were more strongly influenced by their family, boys were more influenced by engineering in the media. The project developed hands-on marketing activities with broad appeal to engage boys (smash and crash, science in the media, mastery appeal) and girls (group work, discussion on how STEM helps society, applications related to the human body).

SEH formed a Women in STEM Programmes Working Group that reported to the Academic Development Committee, chaired by Associate Professor Margaret Jollands. Each STEM school nominated a member to the group. A girls-only Power of Engineering programme was run for Year 10 students, and a Girls in Engineering session was run at an RMIT open day. The group assessed STEM marketing initiatives worldwide. The most successful Women in Engineering programmes are characterised by “adapting” – systemic transformation of the institution – and the least successful characterised by “adopting” – focusing on helping female students to cope e.g. study support, peer mentoring, common rooms. The group now advocates a more inclusive approach, with a focus on inclusive teaching in STEM programmes. It has requested a more inclusive name.

*Source:* OECD (2014b), *Fostering Equity in Higher Education Compendium of Practical Case Studies – Promoting Female Participation in STEM*, OECD Higher Education Programme, OECD Publishing, Paris, [www.oecd.org/edu/imhe/Promoting-female-participation-in-STEM.pdf](http://www.oecd.org/edu/imhe/Promoting-female-participation-in-STEM.pdf).

## Policy issue 2: Inadequate tertiary education funding

Tertiary education is a significant driver of national economic competitiveness in an increasingly knowledge-driven global economy. As such, it is an increasingly important topic on national policy agendas for many countries. Alongside this increased policy focus, many tertiary education systems face serious challenges in maintaining their quality and relevance, increasing their efficiency, and securing equity in the area of tertiary education. New tertiary education financing models are being developed in many European countries in response to these challenges (World Bank, 2014b; OECD, 2008a).

For much the same reasons, calls for the reform of the tertiary education financing model have been growing louder in Latvia. In 2014 Latvia concluded an extensive assessment of the tertiary education financing system led by the World Bank which revealed a number of significant challenges, detailed below. Reform of the system for financing tertiary education is now one of the central priorities of the government of Latvia, and the World Bank study and its recommendations form the basis of the government's priorities for tertiary education reform in 2015 and beyond. The World Bank proposed a “three-pillar funding model” which is likely to increase the quality, internationalisation and labour market relevance of tertiary education, improve access and concentrate resources (efficiency). A positive development therefore is that the model was endorsed by parliament in June 2015 and its implementation was set in motion directly afterwards.

### *Challenges of the tertiary education funding system*

Among the problems identified by the World Bank study was the significant underfunding of the tertiary education system in comparison to most other EU countries. In addition, neither the system of funding through free study places, nor the research funding model create meaningful or appropriate incentives for tertiary education institutions to improve teaching, productivity or internationalisation. They are static and “one-dimensional”, merely input-based, lacking two important pillars of funding: performance-oriented funding and innovation-oriented funding.

The model also hinders institutions' efforts to align teaching and research. This finding resonates with one of the key messages the review team heard during meetings with academic staff. They repeatedly shared their concerns about low salaries and high workloads that limit time for research. In response, the new funding model aims to support the alignment of teaching and research.

On academic salaries, the senates of tertiary education institutions determine the principles and rates of pay for their institution, although they may not be less than the minima determined by Cabinet of Ministers' regulation. The government has recognised the need to address low salaries by increasing the minimum wage rate of academic personnel and making other reforms to the wage system. The minimum wage for academic staff is planned to rise from 1.5 times the average wage in the country in the base year of 2012 to 2.5 times the average wage in 2017 and 2.8 times in 2020 (MoES, 2014a, 2014c).

On workloads, both workloads and salaries for academic staff are based on teaching loads. A full-time teaching load is 1 000 hours per year. It is assumed that staff will pursue research within the teaching workload but this is considered a challenge by many academic staff. If an academic staff member is undertaking externally funded research such as an EU project,

tertiary education institutions have the flexibility to reduce teaching loads to allow time for research. However, they cannot do this for academic staff members without externally funded research projects. As a result, these staff may simply not have the time and/or financial means to conduct research.

In addition, the current funding model is administratively burdensome and lacks incentives for institutions to diversify, consolidate or collaborate. These incentives are particularly relevant considering the relatively large and unsustainable network of tertiary education institutions and research institutions.

As mentioned earlier, there are great variations in the pattern of funding between institutions. Private colleges and universities are highly dependent on revenue from tuition fees. The funding patterns for public universities vary according to mission (whether they are research-intensive institutions or primarily teaching institutions), the alignment of their study programmes with national priorities, their ability to compete for international funding, and the extent to which they are able to generate revenue from alternative sources.

Revenue diversification can have a great impact on institutional sustainability. Institutions that depend highly on tuition fee revenue are more at risk from changes in student enrolment. Those that depend primarily on state funding are more at risk from cuts in state funding in periods of economic crisis. The data suggest that some institutions with limited diversity in funding sources are indeed more vulnerable than others to these risks (World Bank, 2014a).

Moreover Latvian tertiary education institutions do not seem to fully use the financial autonomy they have, and their autonomy is not accompanied by sufficient accountability towards external stakeholders (both public and private). Tertiary education institutions are currently not required to publicly account for their balance sheets. Although useful information about general trends in revenue for the tertiary education sector is available in the annual MoES statistical report (MoES 2014a) “the availability of more detailed data on the tertiary education institutions’ revenue streams both in private and public sector is limited” (World Bank, 2014a). Information about public institutions’ funding is more readily available but the World Bank cites a report that when the consolidated budget reports of public tertiary education institutions are examined, there are concerns about the accuracy of the data, for instance due to under-reported transfers between institutions of tertiary education (Civitta, 2014).

### ***Proposed “three pillar” funding model***

The World Bank therefore proposed a “three-pillar” funding model designed to provide a balance between stability, performance and innovation. In this model, stable funding is combined with a performance-oriented component based on performance indicators, and an innovation-oriented component allocated via performance agreements.

- For continuity, the first pillar would mainly consist of a modified version of the study-place model, as its input-oriented approach remains an important element of the state-funding system. It would also include a per capita funding component based on the number of professors or academic staff, to enhance the funding available for basic research and to further align teaching and research funding.
- The performance-oriented pillar would be based on a small number of indicators derived from national strategies and of general relevance for all tertiary education institutions. Part of the allocation would be based on institution-specific indicators related to their profile and strategic development and reflected in the performance agreement.
- The innovation-oriented pillar would provide funding for activities that contribute to targets set in a university target or performance agreement. This pillar also contains funding for research centres of excellence, accounting for research evaluation outcomes and a national strategy for research priorities. The targets incorporate national priorities, and operationalise university profiles and strategies.

While the performance-oriented (Pillar 2) component of the performance agreement is focused on selecting a few relevant indicators specific to the institution's mission, the third pillar should assess more broadly how the institution will contribute strategically to Latvia's tertiary education vision, mission and objectives. As well as teaching and research, these should also extend to all kinds of "third mission" activities like technology transfer and innovation, continuing education, and social engagement (European Commission, 2008).

The second pillar partly rewards and sanctions past performance, whereas the innovation-oriented component provides financial support for future objectives negotiated between individual universities and the ministry (taking into account state goals and institutional profiles). To complement the three-pillar model, the report also addresses the issue of cost-sharing and emphasises that means-tested or need-based financial support can widen access and address equity concerns. Table 5.3 illustrates the main features of the three-pillar model recommended by the World Bank.

Through the World Bank study, Latvia has recently completed a thorough review of the tertiary education financing with extensive engagement of stakeholders from throughout the tertiary education system and civil society. The study is an excellent example of Latvia's use of the independent assessments by international organisations and experts to help frame policy issues and leverage essential reforms. The recommendations

from this process are fully consistent within international best practices and it is very positive that the Cabinet of Ministers has recently endorsed the new funding model. The challenge for Latvia now is to fully design and implement it.

Table 5.3. **Three-pillar model for new financing system**

	Pillar 1: Basic funding	Pillar 2: Performance-oriented funding	Pillar 3: Innovation-oriented funding
Teaching	<ul style="list-style-type: none"> <li>• Number of study places per field</li> <li>• Cost-oriented weight</li> </ul>	<ul style="list-style-type: none"> <li>• Number of graduates</li> <li>• Number of incoming and outgoing students</li> </ul> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Institutional indicators</div>	Profile-oriented target agreements teaching + research + third mission
Research	<ul style="list-style-type: none"> <li>• Number of professors/ academic staff</li> <li>• Cost-oriented weight</li> </ul>	<ul style="list-style-type: none"> <li>• Bibliometric indicator</li> <li>• Third-party funds</li> <li>• Number of PhDs</li> </ul> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Institutional indicators</div>	Funding of centres of excellence

Source: World Bank (2014c), *Higher Education Financing in Latvia: Final Report*, World Bank Reimbursable Advisory Service on Higher Education Financing in Latvia, World Bank, [http://viaa.gov.lv/files/news/24134/lv\\_hef\\_r3vsub\\_190922014\\_c\\_final.pdf](http://viaa.gov.lv/files/news/24134/lv_hef_r3vsub_190922014_c_final.pdf).

In June 2015 the Cabinet of Ministers endorsed the proposal of MoES to implement the three-pillar funding model. With the support of the tertiary education institutions the second pillar financing was launched in July 2015. The Cabinet passed the regulation by which additional performance-based indicators were introduced in the tertiary education funding system. These indicators will reflect the performance of tertiary education institutions in the area of research and innovation. The funding allocated specifically for the second pillar constitutes EUR 5 million for 2015, EUR 6.5 million in 2016 and EUR 6.5 million in 2017.

### Policy issue 3: Concerns about the quality of tertiary education and science

External quality assurance systems are now almost universal across the world, and it is remarkably easy to forget how recent most of the systems and the agencies that operate them are (OECD, 2009). Since Latvia regained independence in 1991 it has aimed to strengthen its tertiary education external quality assurance system but progress has been slow and a recent review found significant challenges to the current system. These include a

lack of efficiency and transparency and a fragmented legal framework. Latvia also lacked a single external quality assurance body with stable funding and adequate administrative capacity.

Establishing an external quality assurance system that meets international standards must therefore be one of the highest priorities for Latvia. A positive development therefore is the founding of the AIC in July 2015 in accordance with the EU standards and regulations. In addition, the planned establishment of the Higher Education Quality Assurance Agency, scheduled to enter the European Quality Assurance Register (EQAR) no later than 2018, is an essential step towards promoting Latvian tertiary education quality, visibility and international recognition.

### ***Weak tertiary education quality assurance system***

As noted, Latvia has been pursuing a number of initiatives to strengthen the tertiary education quality assurance system in compliance with the requirements for registration with the EQAR. The country has made good use of international reviews to document the need for the improvement of study programmes. Efforts have been made to identify low-quality study programmes and to use the allocation of state-funded study places as an incentive for institutions to change.

In spite of these recent changes, Latvia recognises the need for further action to develop a quality assurance system that meets the requirements of the EQAR. In November 2014 the Cabinet of Ministers adopted a Concept for the Latvian Higher Education External Quality Assurance System Development (Cabinet of Ministers, 2014). The concept includes a review of the current situation of tertiary education quality assurance in Europe, identifies problems with the current Latvian tertiary education quality evaluation system, examines possible options for a tertiary education quality assurance agency, and recommends the transfer of accreditation and licensing functions to the AIC.

Among the challenges of the current Latvian system identified as the rationale for a strengthened external quality assurance capacity were:

- Efficiency: the lack of a common vision for the university or course of study, quality assurance processes that are in isolation from one another and the lack of a clear quality assurance procedure focused on continuous quality improvement.
- Transparency: the lack of a single, clear and transparent procedure. Licensing and accreditation procedures take place at different times using different procedures that are not comprehensible and transparent to the public.



- Normative and methodological burden: the legal framework is fragmented and rules laid down in various laws, and regulations are not always well co-ordinated.
- Governance: the lack of a common control process. The accreditation and licensing processes need to be reasonable, independent, credible and efficient and to also ensure the quality dimension of the base.
- Monitoring: quality assurance is a dynamic rather than a static process. It should be continuous and not “once in a lifetime”.
- Systemic and sustainable action: in the absence of a single external quality assurance body with stable funding and adequate administrative capacity, it is difficult to manage an external quality assurance system and to use resources efficiently.

The Cabinet of Ministers adopted the recommendation to transfer accreditation and licensing functions to the AIC. The aim is to improve the external quality assurance system to operate in conformity with the European quality standards and guidelines and promote the quality, visibility and international recognition of Latvia’s tertiary education. The plan is that the National Higher Education Quality Assurance Agency (the transformed AIC) will be set up at the end of 2015 or beginning of 2016 with funding for the state budget. The ESF is to support the initial operations of the quality support services and help strengthen capacity with the aim of gaining entrance to the EQAR by no later than 2018 (MoES, 2014a).

We agree that establishing a quality assurance system that meets international standards must be one of the highest priorities for Latvia. The lack of a system that is fully compliant with EQAR registration undermines Latvia’s ability to achieve its goals for the tertiary education system.

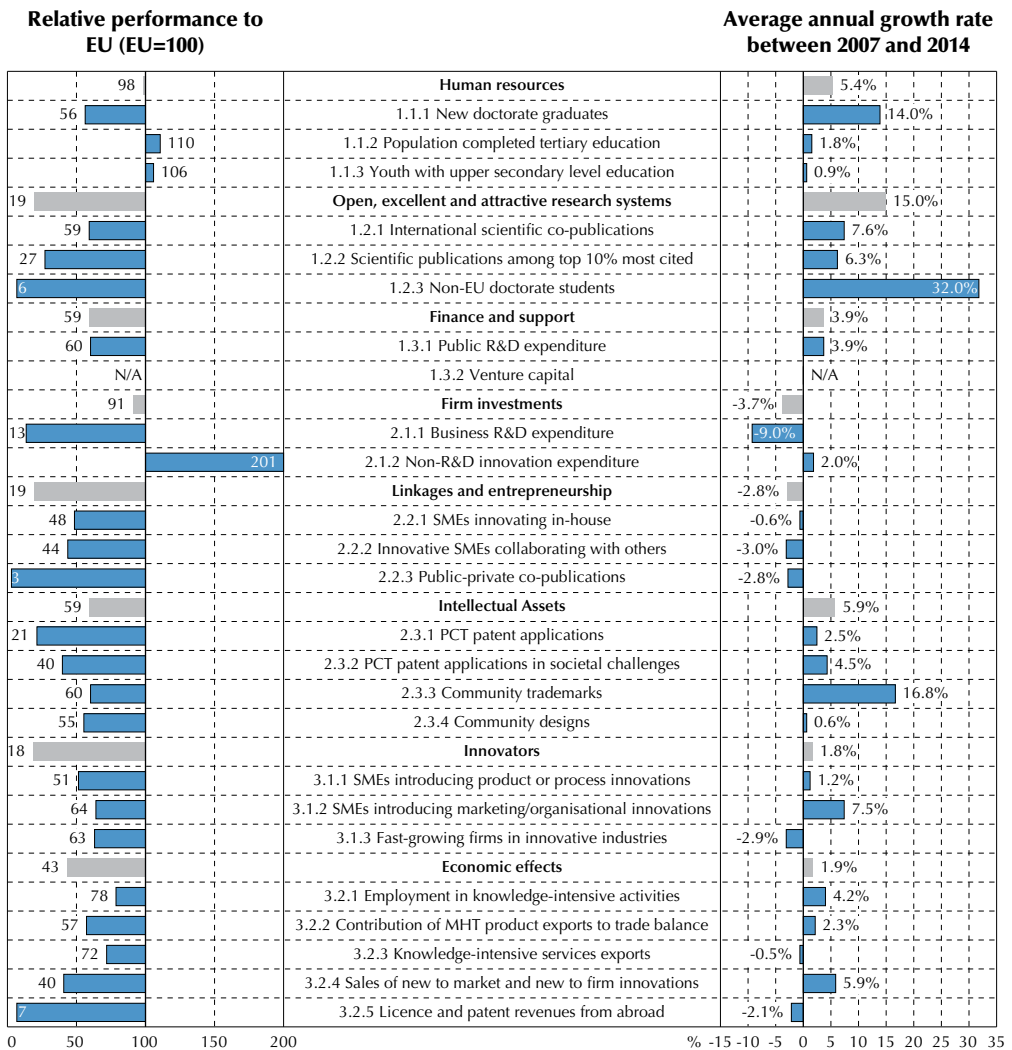
However Latvia has been making incremental efforts to address quality assurance issues for more than a decade and, unfortunately, resistance within tertiary education has blocked the reforms. Further delay is likely to have serious consequences, including for Latvia’s relationship with the EU and its ability to compete for students and academic staff in the European tertiary education area and beyond.

***Despite some progress, scope for further strengthening science and innovation remains***

Latvia is firmly committed to improving the quality and performance of science and innovation as the key to the country’s future global competitiveness, but faces a number of challenges. The 2015 Innovation Union Scoreboard considers Latvia a “modest innovator” (European Commission, 2015b; Figure 5.10). Latvia performs well below the EU average for most dimensions,

particularly for open, excellent and attractive research systems; linkages; and entrepreneurship and innovators. Its worst-performing indicators, relative to the EU, are public-private co-publications, non-EU doctoral students and license and patent revenues from abroad.

Figure 5.10. Innovation Index (2014)



Source: European Commission (2015b), *Innovation Union Scoreboard 2015*, European Commission, Brussels, [http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards/files/ius-2015\\_en.pdf](http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards/files/ius-2015_en.pdf).

Latvia's relative strengths are in non-R&D innovation expenditures, population with completed tertiary education and youth with upper secondary level education. Although Latvia performs below the EU average for almost all indicators, its performance is improving for about two-thirds of the indicators. Latvia was ranked the first among EU countries in its rate of improvement over the eight-year period of 2007-14 (European Commission, 2015b).

The findings of the Innovation Index confront issues with Latvia's research system, particularly its openness, quality (excellence) and attractiveness. These data corroborate earlier concerns about the quality and relevance of research in Latvia (e.g. Allik, 2003; Dombrovsky, 2009).

In recognition of the situation MoES conducted an evaluation of Latvian science in 2013. Carried out in collaboration with the Nordic Council of Ministers, it involved self-evaluation reports by scientific institutions and departments of tertiary education institutions and reviews by international expert panels organised by major sectors. Expert panels provided overall assessments of institutions according to a five-point scale: with 5 being the highest ("A powerful international player, leader in its field showing excellent performance") and 1 being the lowest ("A weak local player"). Of the scientific institutes and tertiary education institution departments evaluated, 15 were rated 4 or 5; 33 were rated 3; 77 were rated 2; and 22 were rated 1. Within the various discipline groups the experts concluded that:

- Mathematics and physical science is relatively strong and well formed, although with variable quality.
- Social sciences is much less developed, due to having only two decades of development.
- Life sciences research is mainly at the national level, but there are a few highly evaluated institutions that can operate internationally.
- As in many countries humanities is highly fragmented and focuses on national issues.
- Engineering is also surprisingly fragmented and despite some areas of high quality is largely irrelevant to the international level.
- Agricultural sciences research also focuses on national needs and requires a more international outlook (Technopolis Group, 2014).

Among the issues identified by the experts were the low absolute level of science funding and an over-reliance on temporary EU structural funds which raises questions about the sustainability of the system. They noted fragmentation of the system and concurred with the World Bank study (2014a) on the need for greater integration of education and research. Another serious challenge is the age distribution among researchers, with few young

and many older scholars. With the exception of social sciences, many leading scholars are well above retirement age. The experts noted the new generation of researchers and PhD students will need support to stay in the field.

The experts made a number of recommendations which was endorsed by the government in the document “Implementation of Structural Reforms of the Science System of Latvia by July 1, 2015”, endorsed by the Cabinet of Ministers on 19 August 2014 (Cabinet of Ministers, 2014). The principles underlying the proposed reforms emphasise:

- respecting the autonomy of the research institutes
- encouraging self-initiated reforms (in contrast to top-down mandated changes) including potential collaboration, consolidation and merger, making regulatory changes to facilitate change
- using both the state budget and European structural funds to target funds to invest in competitive research institutions and to facilitate change
- aligning state and European funding with the “Smart Specialisation” strategy—a strategy to focus on selected competitive sectors of the Latvian economy with funding used to support excellence, facilitate consolidation, and increase full-time employment (FTE) workloads for scientists/researchers.

The main reform measures include the increase of base funding by 10% for “competitive” research institutes (those ranked 4 and 5) beginning in 2015 and universities as “knowledge centres. On the other hand no state funding will be provided to science institutions ranked 1 and 2 except those that took action to merge or consolidate. These are important measures to consolidate the fragmented science network, while aiming to further promote excellence in science in Latvia.

In addition Latvia aims to increase the workload allowances (FTE) for research supported by external funding beginning in 2016. This is to promote the involvement of scholars in externally funded research, including from private sources where there is much scope for improvement. Co-operation between businesses and academia has been very limited to date in Latvia (European Commission, 2015a; World Bank, 2014a).

As a further action the Cabinet of Ministers in October 2014 endorsed a policy, “Implementation of the Guidelines for Science, Technology Development and Innovation 2014-2020”, which includes the outline of “Monitoring System for Smart Specialisation”. Actions to be taken include:

- Establish a monitoring system within the framework of the European Innovation Scoreboard with three levels of indicators: European, national, and programme level.

- Link the monitoring system to accountability for research institutions.
- Support the introduction of results/outcomes-based governance of research institutions.
- Name 15 recipients: 11 research institutes (all legal entities, including 2 universities) with scores of 4 and 5, and 4 remaining universities.
- Target funding for excellence and consolidation as well as increasing the workload allowance (FTE) for researchers/scientists to reflect external funding.
- Align all policy instruments to the Smart Specialisation strategy.

We agree these are important measures to consolidate Latvia's fragmented research system and, ultimately, potentially also improve the competitiveness of the country's economy. As with the proposed reforms of the tertiary education funding model, these reforms related to science are critical to the country's future. The country has however moved more slowly than some of the other countries from the former Soviet Union to a more integrated system of tertiary education and research. The actions adopted by the government are important steps forward, but the challenge will be to sustain the momentum and ensure their implementation. Much will depend on the leadership at the national and institutional levels if these reforms are to be successful.

#### **Policy issue 4: Underdeveloped capacity for leadership and sustained implementation**

Many OECD countries have undergone profound changes in the way they govern their tertiary education system with greater institutional autonomy, a move towards market type-mechanisms and performance-based financing models being among their key features (OECD, 2008b, 2009; World Bank, 2014a). These developments require fundamental changes in leadership capacity at both the national and institutional levels.

The review however found that the capacity to lead and implement the desired changes at the national level is limited. Challenges include capacity within MoES, whose staff are few; a fragmented governance structure involving seven ministries; and limited capacity for policy analysis and monitoring. MoES should therefore invest in strengthening its own capacity, including ensuring the quality of data monitoring and reporting systems. Latvia should also consider consolidating responsibility for the funding and operation of all tertiary education institutions within MoES. It should also ensure consistent high-level representation of issues related to tertiary education, science and innovation at the level of the Cabinet of Ministers, to ensure co-ordination across the government, especially with the nation's strategies related to economic development.

At the institutional level, institutional autonomy needs to be better matched with public accountability. The limited inclusion of external representatives in institutional strategic planning and management should be resolved, and institutional leaders should pay more attention to building the capacity of the academic and other staff on which the success of reform depends. Proper human resource management should be a priority for institutional leaders.

### ***The need to strengthen strategic leadership capacity at the national level***

The World Bank (SABER, 2012) and the OECD (2008b) both agree that moves from government control to “steering at a distance” and performance-based funding models will require fundamental changes in the capacity for leadership at both the national and institutional levels. Box 5.2 summaries several of the best practices in system steering identified by the OECD (2008b) Thematic Review of Tertiary Education.

Countries vary in the way they organise their national-level structures for tertiary education to reflect the characteristics outlined by the 2008 OECD Thematic Review and the World Bank. Some countries carry out these functions within the framework of a ministry which also has responsibility for all levels of education. Other countries have established independent, or “buffer”, bodies that are responsible for advising the government on tertiary education policy, allocating resources between institutions, implementing government initiatives and holding institutions accountable for performance. Such bodies also ensure that there is no direct political control of individual institutions (Eurydice, 2008; OECD, 2008a). Whatever the specific structure it is important to have a focal point at the national level charged with responsibility for leading and sustaining tertiary education reform.

The Higher Education Authority of Ireland is one example of an independent body. In contrast to earlier buffer bodies composed primarily of institutional representatives, the authority is composed of distinguished leaders who do not currently have official roles in governing or leading institutions. It also includes international experts.

Latvia’s national strategies, structure and finance policy already exhibit many of the characteristics of best practice as outlined by the OECD (Box 5.2). Latvia’s key strategy and planning documents reflect progressive thinking on the central role of globally competitive, locally engaged tertiary education institutions in the nation’s capacity for innovation and economic competitiveness (see Figure 5.11). And they exhibit thorough analysis and understanding of the demographic, economic, cultural and institutional challenges facing Latvia.

In addition, the government engages a broad range of stakeholders in the policy-development process to support this work, which is important for developing a broad consensus on goals, challenges and the reforms needed. For example, the Rectors' Council provides a means for institutional leaders to participate in the formulation of national policy.

### Box 5.2. Points for future policy development in tertiary education

Develop a coherent strategic vision for tertiary education:

- Undertake a systematic national strategic review of tertiary education and produce a clear statement of its strategic aims.
- Communicate a vision for tertiary education clearly and effectively so that all relevant parties see the role that they should play within the broader policy framework.
- Draw on a comprehensive advisory body to establish strategic aims for tertiary education.
- Create a body, e.g. a National Council or Forum of Tertiary Education, to assist in integrating strategic leadership, policy planning and co-ordination among the main actors.
- Strengthen this body by inviting international experts to provide a wider perspective on problems faced in tertiary education and examine ways of addressing them.

Establish sound instruments for steering tertiary education:

- Ensure that the capabilities of tertiary education authorities keep pace with changing responsibilities.
- Strengthen tertiary education authorities' capacities in data collection and analysis, policy experimentation and policy analysis.
- Reinforce the steering capacity of tertiary education authorities through the development and administration of financing instruments and the review and monitoring of outcomes.
- Develop steering instruments to establish a balance between institutional autonomy and public accountability. These could be through performance contracts, performance-related funding or targeted funding. Avoid detailed annual reporting requirements in favour of tailor-made strategic forms of accountability.
- Use institutional competition and student choice to help improve quality and efficiency and to achieve stronger performance from the tertiary system.

Source: OECD (2008b), *Tertiary Education for the Knowledge Society, Volume I, Special Features, Governance, Funding, Quality*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264046535-en>.

Latvia has several other essential strengths when considering the strategic leadership of the sector. These include a commitment to develop a more integrated system encompassing tertiary education as well as science and innovation. The proposed reforms in tertiary education financing, quality assurance and science are consistent with best practices within EU and OECD countries, and – if successful – will help ensure the quality and integration of Latvia's tertiary education and science systems.

At the same time, at the national level Latvia has seen frequent changes in governments and Ministers of Education and Science in recent years. Although policies established by the Cabinet of Ministers provide a foundation for consistency over time, frequent changes in government have made it difficult for Latvia to sustain the urgency and momentum of reform. A complicating factor is Latvia's highly fragmented national leadership structure with responsibility for policy development and implementation split between multiple ministries and entities which may have complicated reform efforts (see Figure 5.11).

In addition, the political climate for change in tertiary education funding is difficult as positions are polarised and there is a tendency to reallocate funding only within the overall education budget (World Bank, 2014a).

Latvia also relies heavily on participatory decision making and voluntary co-ordination by engaging multiple stakeholders in important policy decisions. Though such an approach can be useful for reaching consensus and ownership of reforms, critical decisions on matters such as the consolidation of institutions and study programmes, or new financing models, can be blocked by lack of consensus or special interests. This has happened more than once in the past.

Though Latvia benefits from a highly competent leadership team at MoES responsible for developing and implementing policy for tertiary education, science and innovation as is reflected in the scope and quality of its strategy documents, the team is also relatively small considering the ambitious reforms Latvia has embarked on. Reductions in staffing of MoES during the economic crisis have impacted on its capacity. Furthermore, as recognised by MoES (2014a) itself, its data information systems to support policy development and monitor progress are underdeveloped.

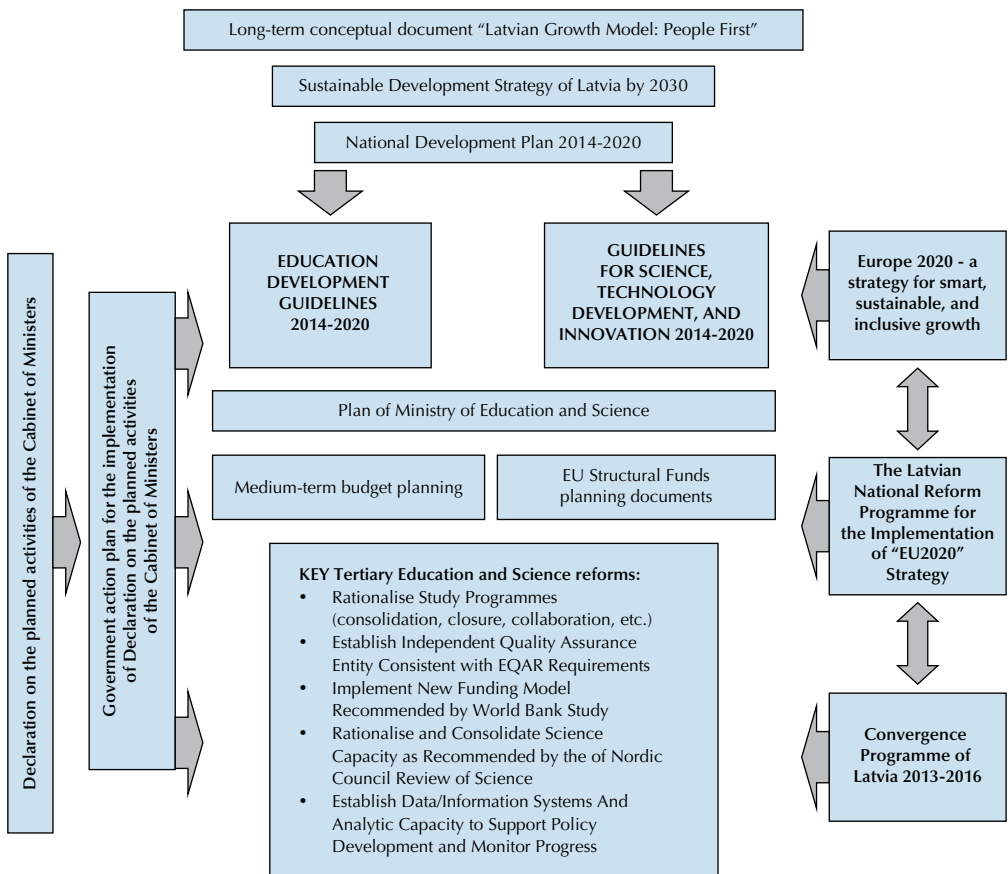
### ***Scope for strengthening institutional leadership capacity and public accountability***

The high degree of institutional autonomy and diverse revenue sources of Latvia's institutions potentially provide institutional leaders with the authority and flexibility to make strategic decisions regarding the internal directions of their institutions. Not all institutional leaders seem to seize this



opportunity to the full, however. For example, as discussed, some tertiary education institutions have remained highly dependent on state funding rather than diversifying their resource base. The recent World Bank study also found that there is a lack of clarity over the exact limits of their financial autonomy (World Bank, 2014a). This is an issue that should not be overlooked when designing and implementing the new financing model as the success of this reform will, among others, depend on the capacity of institutional leaders to implement the new model.

Figure 5.11. **Latvia’s planning framework for tertiary education and science reform**



Source: Liepina, S. (2014), “Strategic and policy objectives in Latvia higher education: Context for higher education funding reform”, Presentation by Sanada Liepina State Secretary MoES for World Bank Higher Education Funding Assessment Stakeholder meeting on initial findings, 12 March 2014.

Furthermore, although Latvian tertiary education institutions have more autonomy than institutions in many other countries, they retain a highly traditional collegial form of governance. In contrast with trends across OECD and EU countries, there is limited involvement of external stakeholders in institutional strategic leadership and management. In contrast, in Denmark more than half the members of an academic senate will come from outside the university, for example from the business sector.

International practice shows us that as countries have redefined the role of the national government, they have also strengthened the management capacity of autonomous institutions (OECD, 2008a). Some countries have moved away from traditional collegial models of institutional governance through senates or similar bodies composed entirely of internal stakeholders (primarily academic staff and students), while others include external stakeholders in the strategic decision-making process. Some countries have adopted dual models in which a council or board of trustees composed of a majority of external stakeholders is responsible for long-term and strategic planning, determining the institutional orientation, and strategic decisions on finance, while senates remain responsible primarily for internal academic policy. In other countries, one body retains both these tasks but increasingly include some external representation (OECD, 2008a; Eurydice, 2008).

The experience of OECD countries is that including an external perspective in institutional governance can strengthen public accountability and the institution's ability to make strategic decisions and bring about needed internal reforms (OECD, 2008a). Some small countries have found it difficult to identify external representatives from a relatively small pool of candidates and especially to identify individuals who do not have potential conflicts of interest. An alternative may be to include prominent international leaders from the country's diaspora in the external representation on university boards.

In addition, the great autonomy Latvian tertiary education institutions enjoy is not sufficiently matched with public accountability. As noted by the World Bank (2014a) "the freedom to make their own decisions enable tertiary education institutes to behave as competitive organisations. However, the rules of the game must be transparent and the system needs to be guided by some national strategies or priorities in order to generate a more effective tertiary education system as a whole". As mentioned above, tertiary education institutions are not currently required to publicly account for their balance sheets. Therefore there is no accurate information on revenue streams and how funds are spent – and importantly whether they are in accordance with Latvia's national strategies and priorities.

This does not help improve the co-operation between businesses and academia or leverage private investment. Co-operation between businesses and academia remains very limited to date (European Commission, 2015a).

Changing this situation will, among other things, require an accurate insight into the quality and relevance of the science base.

Furthermore, the pace and scale of the reforms underway are in a sense unprecedented in Latvia. Though tertiary education finance, quality assurance and the integration of tertiary education and science systems are rightfully at the top of the reform agenda, tertiary education institutions are also “people enterprises” (Knight, 2012). The quality of the people working in these institutions, the way they work with and learn from each other, and are able to respond to and take forward the desired reforms will mean the difference between institutional success and failure (Gordon and Whitchurch, 2007). Developing the proper management of human resources is therefore essential for Latvia.

As discussed above, there are important national-level policy initiatives already underway to raise academic salaries, increase the number of students and potentially future academic staff with doctoral degrees, and attract academics from abroad. These are important measures, especially in light of the ageing academic workforce. MoES should carefully monitor the human resource development in the sector and be ready to take further action if needed. Although this needs further investigation, the Review team formed the impression that human resource management and staff development is quite underdeveloped. For example staff appraisals are seemingly mostly seen as administrative exercises that take place only once every six years when it is time to decide whether or not to extend staff contracts, rather than being conducted on a regular basis and as a means to identify the needs and interest of staff for further professional development and growth.

## Recommendations

### ***Recommendation 1: Move forward with the implementation of the three-pillar financing model***

A recent assessment by the World Bank revealed a number of challenges of Latvia’s tertiary financing model. In response a “three-pillar” tertiary education financing model was proposed. Latvia should carry out its intention to move ahead with the development and implementation of the new financing model.

The pace of implementation will depend on state budgetary commitments. The government has indicated it will increase investments and expenditure on tertiary education. If these additional funds materialise they will provide the opportunity to develop new funding instruments that can be developed with “new money” flowing into the system. Latvia should also ensure that the money freed up by the projected decline in student numbers is used to intensify

and improve the quality of teaching and research. The new model should also be more equitable, moving away from the purely merit-based selection system, and ensuring that promising disadvantaged students who for various reasons are not at the top of the class have access to free study places.

Furthermore, in response to the downward trend of part-time students – which stands at odds with Latvia’s lifelong learning ambitions (see Chapter 4), the government should promote part-time study with financial assistance and incentives for employers to invest in the professional development of their employees, which may include part-time university level studies.

Lastly, the new model should be supported by policies and regulations that ensure greater transparency and accountability towards external stakeholders (both public and private) in the way tertiary education is funded and linked to the quality of education and research, and how these relate to developments in larger society. This will help increase the willingness of stakeholders to invest in tertiary education, so that the envisaged added value of tertiary education and research will not just be realised but also demonstrated.

### ***Recommendation 2: Continue improving the quality of tertiary education and science***

The review team agrees with the government that establishing an external quality assurance system that meets international standards must be one of the highest priorities for Latvia. The planned establishment of the Higher Education Quality Assurance Agency (the transformed AIC) and its scheduled entrance to the European Quality Assurance Register no later than 2018 are essential steps towards promoting tertiary education quality, visibility and international recognition. With EU funding guaranteed to support this process, success will depend on the leadership of the government and within the Higher Education Quality Assurance Agency to drive through the necessary reform measures.

The parallel introduction of the new tertiary education financing model will act as a powerful instrument that the government should use to offer incentives for the desired improvements in the quality, labour market relevance and internationalisation of education.

We further fully support the recent measures to concentrate government funding for research on those institutes or departments that have been assessed as strong local players, strong international players or excellent international players. The decision to stop funding satisfactory or weak local players will help consolidate the fragmented science network, while aiming to further promote excellence in science. In addition Latvia should move ahead with the implementation of the “Monitoring System for Smart

Specialisation” which includes important measures for consolidating and further concentrating Latvia’s fragmented research system and ultimately contributing to improving the competitiveness of its economy.

***Recommendation 3: Continue efforts to realign system capacity with demographic decline, fiscal reality and labour market needs***

Latvia should continue its various reform initiatives that support the rationalisation of the tertiary education system through consolidation of institutions and study programmes, promotion of collaborations, etc. The progress of these efforts should be carefully monitored. In case progress towards a sustainable tertiary education system is found to be too slow and/or insufficient, Latvia should consider developing a national framework for the future size and shape of its tertiary education system that is to provide guidance for further rationalisation. Latvia may need to consider further consolidation – if not closure – of institutions. If it relies primarily on the initiative of individual institutions to undertake these changes, there is no guarantee that the resulting configuration of institutions will be in the best interests of the country.

A national framework could set forth criteria for consolidation and reconfiguration, including such questions as:

- geographic distribution
- profile or mission: strengthening capacity at the professional tertiary level, concentrating capacity for globally competitive research and doctoral (science degrees), maintaining mission differentiation
- collaboration and alliances: joint study programmes, joint appointments of academic and research staff, mobility of students between and among institutions
- shared services: sharing non-academic support services related to financial and management functions and human resources.

***Recommendation 4: Strengthen the capacity for strategic leadership and management***

Latvia has embarked on several ambitious reforms. Their success will depend on the national-level capacity to lead and sustain change and on the strategic leadership and management capacity at the institutional level to implement the desired changes. Whatever reform and policy initiatives follow should reinforce the current policy direction to integrate policy related to tertiary education, science and innovation. Finance policy plays an important role in this. Pillars II and III of the new tertiary education financing model, as well as EU structural funds should be used to leverage change.

MoES may also need to reconsider its own capacity to lead and implement these far-reaching reforms. Although we recognise the high-level capacity of some of its staff leading these reforms, their numbers are few. Strengthening MoES's capacity for policy analysis and development, and monitoring progress towards national objectives is a precondition for success. This includes ensuring the quality of data monitoring and reporting systems.

In addition Latvia should reconsider how tertiary education and science are governed at the national level. First, Latvia should consider consolidating responsibility for the funding and operation of all tertiary education institutions (with the exception of those institutions related to national defence and security) within MoES. It should be possible to continue the relationships some institutions need (e.g. health, agriculture, and the academies for arts, culture and music) to determine the number of state budget places, provide opportunities for work-based learning/clinical experience, or support research without maintaining the current fragmented approach to overseeing and funding institutions.

Latvia should also ensure consistent high-level representation of issues related to tertiary education, science and innovation at the level of the Cabinet of Ministers to ensure co-ordination across the government, especially with the nation's strategies related to economic development.

At the institutional level, institutional autonomy needs to be better matched with public accountability. Publicly accountability for their balance sheets is a case in point. Latvia should also consider the inclusion of external representatives in institutional strategic planning and management. To expand the pool of potential external stakeholders, international representatives could be included, for example internationally recognised academicians or researchers or civic leaders from the Latvian diaspora.

Lastly, institutional leaders should not overlook the capacity of the people on which the success of reform depends. Developing the proper human resource management should be a priority and not limited to attracting talented academics from abroad.

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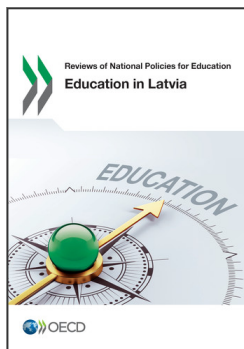


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