

The Funding of Higher Education in Argentina

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The funding of Argentine higher education has been changing since the mid-1980s. Important changes have occurred both in funding sources and in the way public resources are allocated to the national universities.

The new funding mechanisms were introduced into a higher education context with the following key elements:

- The slight increase in the public funding had not kept up with the significant expansion in student enrollments. However, due to political and social pressures, public universities continued their open-admissions policies. Expenditure per student at the national universities is slightly over \$2,000, and higher education public funding represents 0.5 percent of GNP.
- Ups and downs in public expenditure from the 1970s to the 1990s, linked to the overall economic situation, made it difficult to carry out long-term institutional planning. Existing funding was almost exclusively allocated to covering teaching and administrative salaries.
- The national universities receive their public funds through a mechanism based on the institution's previous allocation and lobbying activity in Congress.
- The national universities depend exclusively on public funds for income.
- Inadequate financial resources exist for funding research projects, scholarships, equipment, library facilities, and laboratory materials. Public expenditures in R&D amount to barely 0.3 percent of GNP.
- Student dropout levels are high, as is the number of students taking more than the average number of years to obtain their degrees.

Private Funding and Changes in the Allocation of Public Resources

Public universities are now trying to diversify their sources of income mainly through contracts with commercial organizations, employers, and others as well as by charging fees to graduate students. Still more controversial is the issue of charging tuition for undergraduate programs, concerning which strong political opposition prevails.

The government is also trying to increase the role of private financing by encouraging the creation of private institutions. The number of private universities increased from 23 in 1987 to 46 10 years later. As in many Latin American countries, two factors explain the policy of permissive authorization of private institutions in Argentina. The first is the understanding that the private sector can relieve the government of some of the cost burden. The second is the belief that competition for students and teachers will encourage greater efficiency and quality within higher education institutions.

The most relevant recent trends in the funding of national universities reveal new patterns in the allocation of public funds:

- Greater institutional autonomy is promoted by allocating block grants to universities and allowing them to negotiate their pay scales within limits established by the government. This second policy has not been implemented yet due to the many political difficulties in negotiating wages in a context of stringent funding.
- An increased proportion of public funding is to be allocated by contracts on a competitive basis.
- Formula funding has been introduced to provide an incentive system for the universities. The government is turning to financial incentives as a more effective way of influencing national universities than administrative controls alone, particularly given the high degree of autonomy these institutions enjoy.

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Although these funding patterns are still evolving, it is possible to foresee some implications of their implementation. Governments and national universities face three major problems: First to fulfill the objective of guaranteeing more choice and competition in the increasingly diverse higher education system; second, to ensure the availability of sufficient and sound information about university performance to decide on the allocation of resources; and the third to promote the

managerial capacity of universities to take financial decisions and to cope with the new structure of incentives posed by the market and the government. What follows is a brief discussion of these key issues.

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Choices and Competition

Both objectives of a diversified higher education system—greater choice and healthy competition—can only be achieved if government intervention can resolve two failures in the higher education market: the lack of information about the quality of the programs offered and the need for financial help to encourage students from lower-income sectors to access and complete higher education studies. These goals are difficult to accomplish in a macroeconomic context of budgetary restrictions. Evaluation and accreditation programs are costly, both in terms of human and financial resources. Given the work to be accomplished toward these goals and the scarcity of resources, there may not be enough “transparency” in the present heterogeneous higher education institutional market. In the same way, although public financial support to students in the form of scholarships and loan schemes were introduced in recent years, the amount of this aid is still far too low to guarantee equal opportunity.

Incentive Systems Without Sound Information

Recent reforms in funding mechanisms rest on the assumption that the signals conveyed by the formula reflect an efficient allocation of government resources and priorities. Likewise, contract schemes would imply that the best bid has been tendered and selected and that the government can control whether the funds provided are spent in the agreed upon manner. In fact, there are big problems, caused by imperfect information. The government does not have enough reliable information about university operations to allocate funds through inputs or performance indicators or to control ex post the fulfillment of contract goals. The use of performance indicators in a context without reliable information could produce undesired consequences. In the case of input indicators, universities could broaden the definition of “student” to increase enrollment figures. If an output indicator like the noncompletion rate is introduced

without controlling the quality of graduates, universities may lower their evaluation requirements in order to improve their position.

Autonomy under Conditions of Scarce Funding

Finally, although universities will receive information (through market or government signals) on how to improve their efficiency and quality, they may fail to make use of it in a way that would contribute to these goals. Why might this happen? First, national universities cannot respond to these signals. Although, in principle, they enjoy institutional autonomy, they are not yet able to determine their human resources policy. The present regulatory framework allows them to do so, but it is quite difficult for universities to enact changes without the financial resources needed to negotiate new wage scales and labor conditions. Second, it is not easy to obtain a perfect alignment of the objectives of academic authorities and other constituencies within the university. It is almost impossible to manage an institution if the decision makers do not wield enough power and human and financial resources to do so. Third, the authority structure of national universities makes it difficult for them to respond quickly and flexibly to changing market conditions. So, most decisions concerning the sale of services and graduate programs are made through new and ad hoc structures created to bypass formal traditional ones. For example, to manage contracts between public universities and the business sector, universities set up foundations (non-governmental organizations)—to gain more flexibility. In another example, graduate programs are administered mainly by their directors, who can determine curriculum and teaching staff salaries (which depend on revenues obtained through tuition and fees). In both cases, the decisions concerning outside contracts and management of graduate programs are formally approved by the institution’s authorities, often ex post facto.

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