

Public Funding of Latin American Universities: New Ideas

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Most Latin American governments transfer funds to public universities based on the amounts these institutions had received the preceding year; or, they increase the level of support according to the evolution of the macroeconomic indicators. Between 80 percent and 90 percent of these public university budgets are devoted to financing current and retired faculty members, strongly reducing the resources for other operating costs and capital expenditures. Since governments do not usually employ internally objective criteria to distribute the funds, this mechanism is usually called “negotiated funding.”

Although negotiated funding is the common procedure to transfer funds from governments to public universities, since the 1990s new mechanisms—mirror images of the existing allocation procedures in many industrialized countries—have been introduced in Latin America. The public-policy rationale to apply these mechanisms has addressed both to improve organizational efficiency by increasing the role of economic incentives and to strengthen accountability in the distribution of resources in public universities. At the end of the day, the goal concerns encouraging autonomous public universities to promote organizational change in the direction of public-policy design.

FORMULA FUNDING AND SPECIAL PROGRAMS

Governments in some countries—like Argentina, Brazil, Chile, Mexico, and Venezuela—allocate a small proportion of the total budget (about 5% or less) to public universities through formula funding or programs meeting specific goals.

Formula funding is based on input (e.g., the number of full-time students, faculty, staff, infrastructure in undergraduate and graduate courses, and fields) and performance indicators (e.g., faculty with postgraduate degrees, student dropout, and the quality of postgraduate programs).

Regarding special programs, a government agency invites universities to bid for funds for explicit activities, or the government sets the conditions and any university meeting the requirements will have access to these funds. In both cases, the government acts as a funding body without administering the resources, but it ensures that the institutions comply with the agreements. Public funds should generally be supplemented

by counterparts from the beneficiary institutions. Many examples exist of these programs in Latin America (e.g., in Argentina, the Fund for the Improvement of Quality in Universities and the Incentive Program for Research-Teachers; in Brazil, the Program for Restructuring and Expansion of Federal Universities; in Chile, the Program for the Quality and Equity Improvement of Higher Education; in Mexico, the Fund for the Modernization of Higher Education and the Program for Encouraging Teaching Excellence).

The practice of financial agencies inviting universities and faculty to tender for funds to carry out research activities has also gained ground in the last decade. Research-funding agencies created instruments to promote research activities in the public and private sectors. Unlike what had happened in the allocation of public funds to improve teaching activities—usually reserved for public universities (with the exception of Chile)—private universities can participate in the tender for research funds. The national research agencies also specify national priorities to make R&D activities more relevant to human and economic development. Under these tender arrangements, the governments normally retain the right to monitor how funds are used. Some countries—like Argentina, Brazil, Chile, Colombia, and Mexico—have launched a number of programs promoting private sector R&D activities, as well.

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THE GOVERNMENT-UNIVERSITY INTERFACE

In 2005, Argentina's Ministry of Education launched a new *modus operandi* to allocate public funds to national universities: the contract-program policy. The purpose is to allocate funds to improve teaching quality, based on an institutional or strategic plan defined by each university. This plan is expected to address the main weaknesses detected during the external assessment that was coordinated by the National Committee for University Assessment and Accrediting (CONEAU). The two most important antecedents, the French and the Catalan cases, serve as the bases of a pilot experience for medium-term (three-year) contracts at three public universities.

With the objective to align the university's institutional missions with national and regional priorities, Chile has also launched “performance contracts” as a pilot experience within the general program called “MECESUP 2.” The allocation of funds to some public universities as pilot cases, via these three-year contracts, is subject to accountability mechanisms to assure the fulfillment of objectives reflected in performance

indicators.

Within the same logic, the Argentine Ministry of Education also created a program to align the government's and public universities' objectives to improve the quality, efficiency, and relevance of those programs in regulated professions (such as medicine, engineering, pharmacy, and so on). For example, the Program for the Improvement of Teaching Engineering Programs follows the same pattern as the contract program, but in this case the three-year contract is signed with a school (*Facultad*) within a university and is based on its strategic plan and the results of the accreditation process CONEAU carried out. The program requires that the institutions report their performance in meeting the agreement's goals every year. The final accountability will be judged when these schools are to be accredited by CONEAU once more, and they can demonstrate that they have tackled their weaknesses by implementing a strategic quality-improvement plan.

The contract-program experience, both at the institutional and school levels, is still fairly new in Latin American higher education. It is a promising strategy to promote change in autonomous universities, taking into account the results of assessment and accrediting procedures, and making the funds available based on their having fulfilled the contractual terms (objectives, expected main results, and indicators).

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PROBLEMS

Although several Latin American countries introduced new mechanisms to finance the higher education system in the last two decades, the proportion of funds allocated through these mechanisms is still very low. Moreover, to be effective they should deal with some obstacles in their design and implementation. From our point of view, these obstacles have to do with both organizational and technical factors.

Regarding organizational factors, the mechanisms do not always consider the complexity of autonomous public universities. One point, overlooked in the process of mechanism design, is that many relevant decisions—especially those affecting the quality of teaching and research—rest on the faculty and not on the university governance. However, the mechanisms are designed to provide signals and incentives to the university executive and collegial governments—and not to the faculty. Unless this approach is taken into account when designing policies and incentive mechanisms, it will not be possible to align the faculty's behavior with the institutional objectives. At most Latin American public universities, no explicit faculty management policy exists to align faculty objec-

tives with those of the university organization.

Finally, the trend toward linking the results of assessment and accrediting procedures, on the one side, and the financing of higher education through three-year contracts between the government and a particular university or school, on the other, looks like a promising strategy to promote change at autonomous universities. However, the lessons from the European cases suggest that the success of this mechanism depends on whether: (1) the governments fulfill the commitments in terms of the amount and schedule to deliver the funds, (2) the amount of resources allocated through contracts is large enough to carry innovative and enduring organizational changes, and (3) governments develop institutional capacity to follow up the contracts. Unfortunately, none of these conditions are easy to meet in Latin American countries. Macroeconomic instability affects the ability of government to deliver funds; the quantities of funds are usually small because the bulk of the resources targets faculty and administrative staff remunerations. Finally, public bureaucracies, overall, are not trained or strong enough to enforce the contracts. ■

Student Quotas in Brazil: The Policy Debate

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The Brazilian Congress is discussing a bill requiring federal higher education institutions to introduce a 50 percent quota for poor, nonwhite applicants who are public-school graduates. The bill addresses that these students lack the opportunity to attend the best secondary schools, which are mostly private, and are in disadvantage regarding the entrance examinations of the best public universities in the country. This bill does not represent the first project for social inclusion in higher education in Brazil. For some years, private higher education institutions can obtain a tax relief if they admit a certain number of students who pay no tuition or pay half the tuition rate. Many public universities have also created their own affirmative programs.

In 2009, there are about 5.8 million students in higher education in Brazil, 75 percent in private institutions. These student numbers form about 13 percent of the 18–24 age group—the net enrollment rate—(data provided by the National Household Survey of 2007). One of the main reasons for the low net enrollment is that 40 percent of the people in that age bracket have not completed secondary education. The quality of secondary schools, particularly in the public sector, is very low, and many applicants cannot pass the entrance examinations for the programs of their choice. About half the students