

# Performance-based funding of Ukrainian universities: recap of implementation and in-crisis reformulation

Sense & sustainability: future paths for university finances  
EUA Funding Forum, 4 October 2024

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# Public funding of higher education in Ukraine

## HEIs network

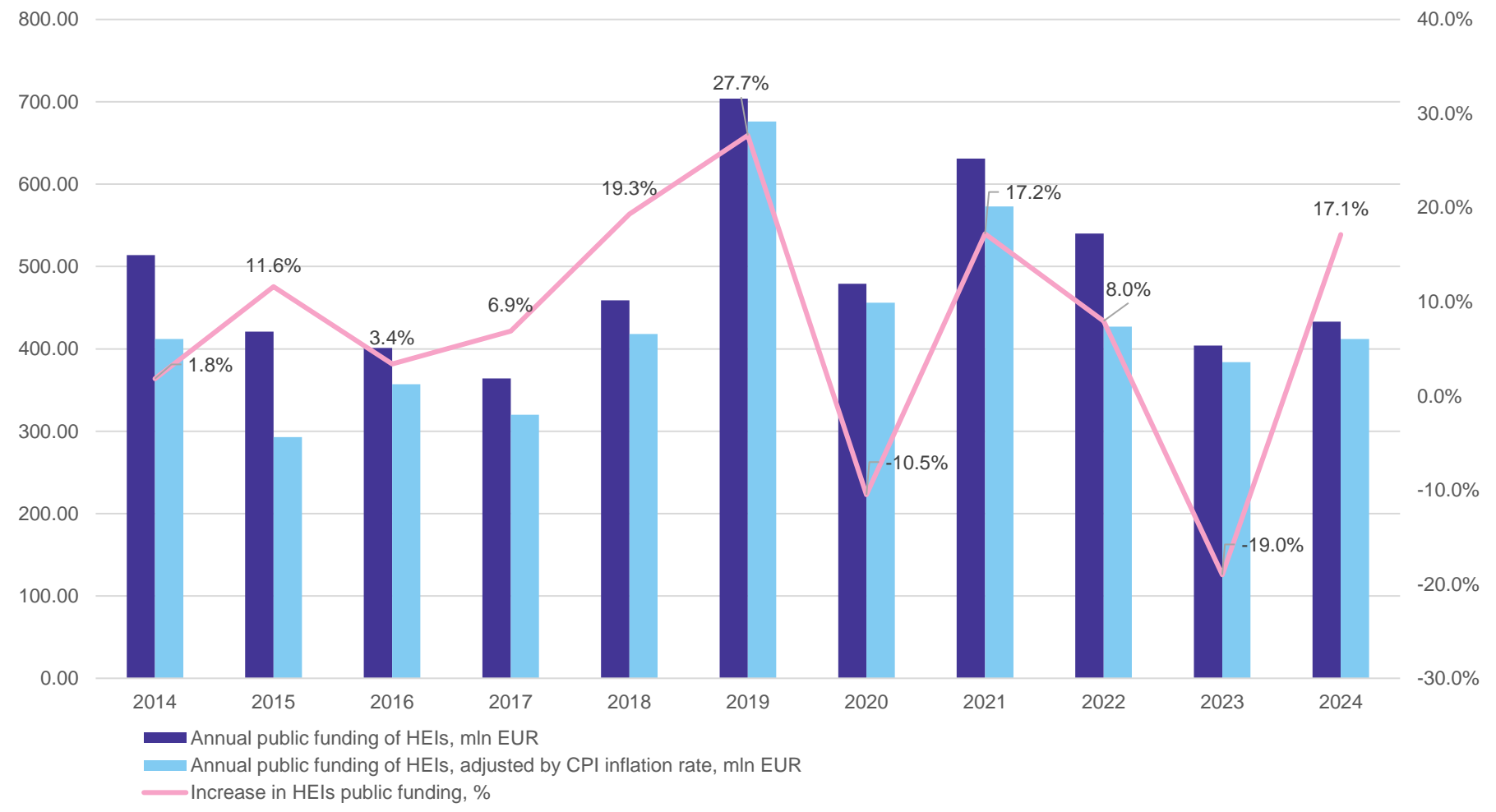
- 314 HEIs, of which 217 public HEIs and 97 private HEIs
- 134 public HEIs funded by MoES (PBF recipients)

## Key system features

- *Low financial autonomy*: public HEIs as budget institutions cannot flexibly dispose of their property, use their revenues without the State Treasury authorization, set up institutional endowments, or establish a pay grade for staff.
- *Historical line-item budgeting*: state-subsidized students as the only public funding incentive.
- *Slicing of public funding*: maintaining the HEIs' network, not funding quality services.
- *Insufficient transparency of public funding allocation*: non-disclosed until 2020.



# Tendencies before and during the Russian war



Source: The State Budgets of Ukraine; National Bank of Ukraine currency exchange rate.  
Note: Higher education expenditures are calculated as operational expenditures allocated by MoES from the general state fund.

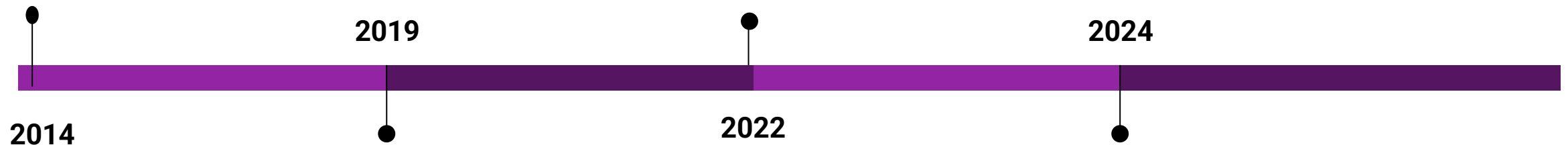
# PBF formula implementation timeline

## Law of Ukraine ‘On Higher Education’

Multi-year stakeholder engagement on the need and rationale of the PBF policy for Ukrainian HEIs. Attention on (1) fair and achievable incentives, (2) valid, transparent and credible data source, and (3) smooth transition towards PBF.

## PBF suspension after the full-scale Russian war on Ukraine

Step back to historic funding proportionate to the number of enrolled state-subsidized students. Public funding allocations per HEIs are not disclosed during 2022-2023.



### Resolution on the PBF launch

The PBF policy goals: equal and well-known ‘rules of the game’ for all HEIs with financial incentives for capable and effective HEIs to receive more public funding. Implementation during two consecutive fiscal years of 2020-2021.

### Resuming the PBF policy during the ongoing war crisis

Update of the PBF Resolution to account for the in-war mode of operation of the HEIs. Reasonable amendments of the PBF coefficients and priority fields of study.

# PBF formula design: key pillars

## PILLAR 1. BASIC FUNDING

'Safety net' to safeguard HEIs with being allocated a certain share of their previous year's public funding

## PILLAR 2. PERFORMANCE-BASED FUNDING

Steers performance orientation of HEIs towards the criteria defined by MOES

## PILLAR 3. RESERVE FUNDING

Supplemental allocations for underperforming HEIs & 'emergency' funding for unforeseen expenditures

### Input indicators:

- Number of state-subsidized students
- Scale of activity
- Regional support

### Output indicators:

- Research activity
- International recognition
- Graduate employment

### Correcting indexes/coefficients:

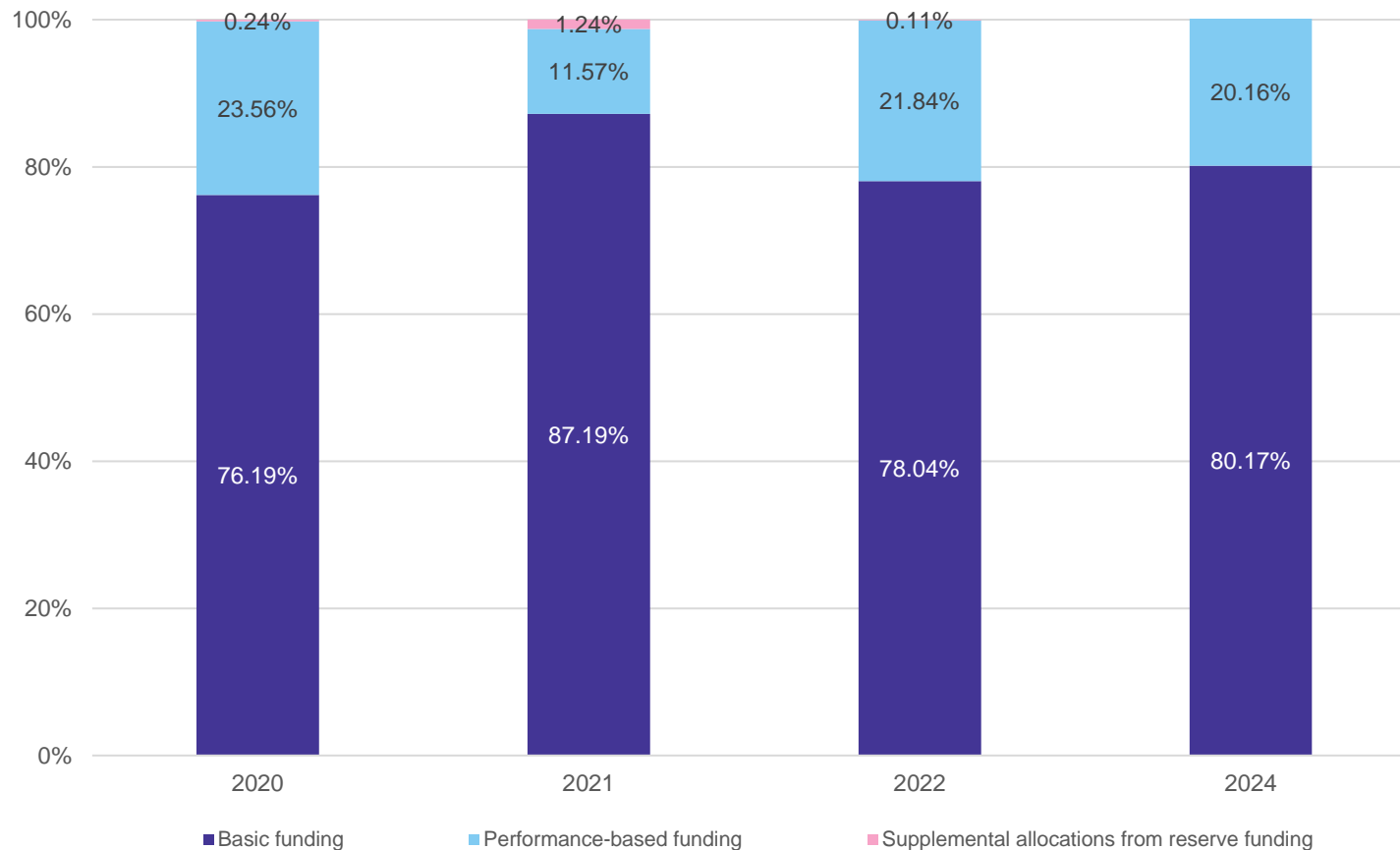
- Level of HE (short-cycle/BA/MA/PhD/Post-doc)
- Mode of study (full/part-time)
- Field of study and specialty

# PBF formula design: design changes

Indicator/Area	2020	2021	2024
<b>Scale of activity</b>	Higher coefficients for larger institutions (mergers incentives)	No change	Tailored provisions for mergers (donor HEIs and acceptor HEIs)
<b>Regional support</b>	Focus on regions which are non-traditional student destinations	No change	Increased coefficients for frontier regions
<b>Research activity</b>	Amount of third-party research funding proportionate to research FTE	No change	Reference periods with better outcomes for HEIs (either 2019-2021 or 2020-2022)
<b>International recognition</b>	Position in QS World University Rankings, The Times Higher Education World University Rankings, and Academic Ranking of World Universities - World Top 500 Universities	No change	New measure for Erasmus+ Key Action 2 and 3 projects partners and/or grantholders
<b>Graduate employment</b>	Inactive indicator due to lack of data	Graduate Tracking System launched	No change
<b>Support coefficients</b>	Focus on STEM, Architecture and construction, Medicine, Transport	Increased coefficients for Education, Humanities and Social Sciences	Higher indexes for Master and PhD studies
<b>Reserve funding</b>	Unexpected expenditures and partial salary reimbursement for several national universities	Addition of fuel for air and sea vessels training for 2 institutions	Addition of state-funded places in private HEIs and 1 rehabilitation institution

# PBF formula allocations: system view

Structure of MOES public expenditures for HEIs distributed via the PBF formula



**State-subsidized student numbers remain to be multiple constituents of the PBF formula ...**

(1) the base for calculating basic funding,  
(2) a stand-alone input indicator, and  
(3) the base for calculating the output indicator of HEIs' scale of activity, thus

**... leading to the double jeopardy problem (OECD, 2020)**

Source: MoES public financial reports and decrees.

Note: Structure of public expenditures allocated via the PBF formula varies across individual HEIs.

# PBF formula allocations: institutional view

## 2020

- Balanced shares of 'winners' (41%) and 'losers' (37%);
- Rise in funding of chronically underfunded HEIs, coupled with decrease in funds for overfinanced and/or low-performing HEIs.

## 2021

- 'Achieving justice': ratio between 'winners' and 'losers' fluctuated from 1:1 to 6:1;
- Information asymmetry by the MOES principal alongside losing HEI agents' attempt to adapt the PBF policy in their own interests.

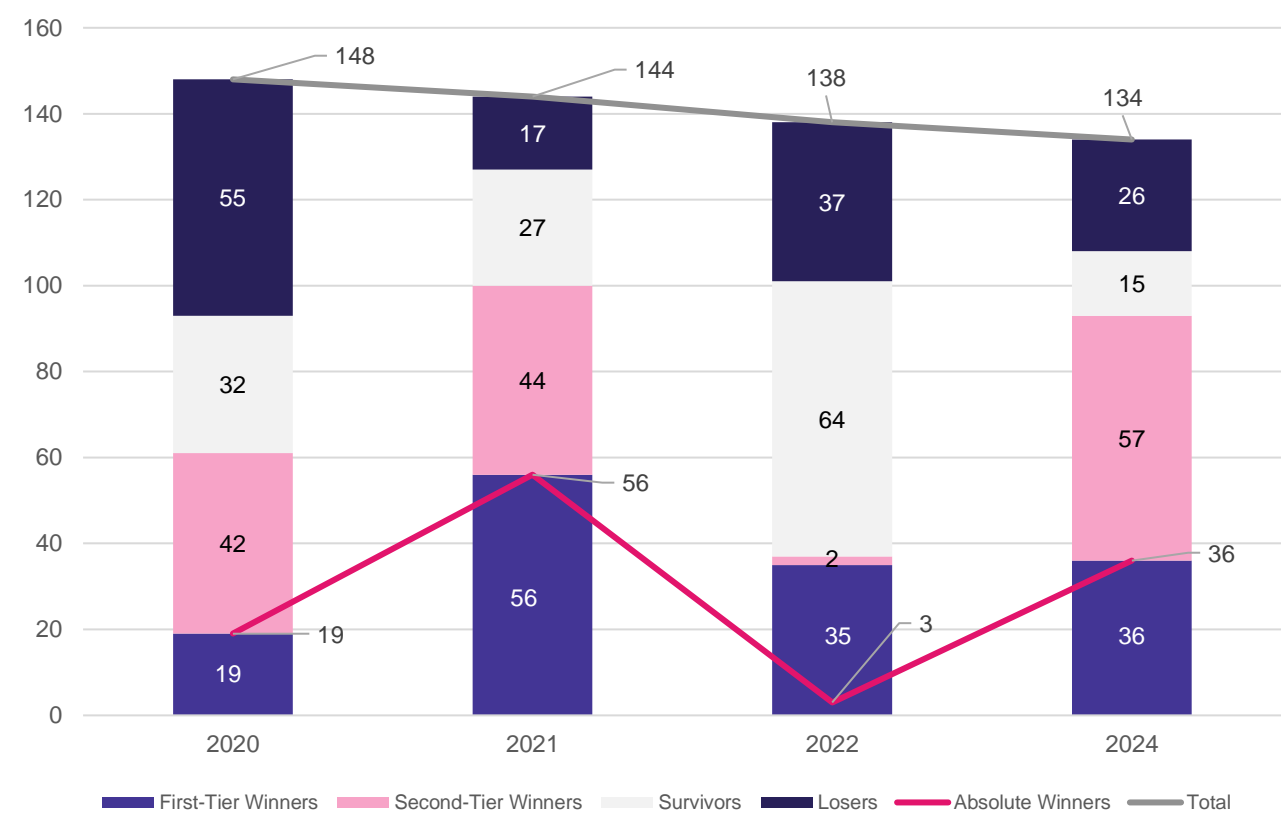
## 2022

- Uncommitted expenditures due to the PBF policy suspension in March 2022;
- War-induced inflation decreased the purchasing power: few absolute 'winners' and most HEIs hang in as 'survivors'

## 2024

- 'Survivors' cluster shrunk by 76% due to increasing the share of second-tier 'winners';
- Absolute 'winners' bounced back as grounded in the current inflation projections.

Dynamics of public funding allocation across Ukrainian HEIs



Legend

Absolute Winners: HEIs that increased their annual public funding by at least M 0,5 EUR and their increase is above annual inflation rate  
 First-Tier Winners: HEIs that increased their annual public funding by at least M 0,5 EUR  
 Second-Tier Winners: HEIs that experienced increase in funding compared to the previous year above annual inflation rate  
 Survivors: HEIs that experienced increase in funding compared to the previous year below annual inflation rate  
 Losers: HEIs that experienced decrease in funding compared to the previous year below annual inflation rate

Source: MoES public financial reports and decrees.  
 Note: Public funding is adjusted by CPI inflation rate.



# PBF policy benchmarked & further research

PBF policy recommendation	Level of implementation		
	Low	Moderate	High
Regular stakeholder engagement		X	
Addressing institutional diversity			X
Sound, reliable and balanced choice of indicators		X	
Goal clarity	X		
Smooth transition to new funding arrangement		X	
Balance between PBF and core funding			X

### Public responsibility for and of higher education

Suprun, K., & Kivistö, J. (forthcoming). The Future of Fundamental Values in the EHEA: the Russian War on Ukraine and Re-Thinking Safeguards Against Non-Democracies. In: Curaj, A., Pricopie, R., Hâj M. C. (Eds.): *European Higher Education Area 2030: Bridging Realities for Tomorrow's Higher Education*. Springer Nature.

### Impact of the PBF formula policy on the planned or realised changes in HEIs' internal funding practices

### Viability and modalities of PBF policies in post/ in-crisis Ukrainian higher education

# PBF policy in Ukraine: key takeaways

- The PBF policy implementation followed comprehensive stakeholder discussions aimed at increasing ‘institutional buy-in’ and facilitating co-creation practices.
- Prime value of the PBF policy consists in fixing the distorted incentives structures of the higher education system and ensuring transparency of budget allocations.
- The enacted PBF formula purports ‘zero-sum game’, slicing and re-distributing available public funding, instead of advocating for its increase.
- Funding excellence, innovation, and institutional strategic profiling is still largely missing from the PBF formula objectives and design.
- The revived PBF policy during the full-scale Russian war on Ukraine effectively marks the unique case of competitive public funding allocation practices in times of large-scale crisis.

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