






Weekly Briefing

Hungary Social briefing:
Tertiary Education and Research in Hungary- Still the Main
Challenge
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Teritary Education and Research in Hungary- Still the Main Challenge

This briefing looks at the main challenges the Hungarian education system and policies are facing for the time being. There are three apropos to the topic of the briefing, firstly, the OECD just released its annual report on the state of the education in the OECD countries; secondly, it became public last week, that the Hungarian government intends to reorganize and reshape the legal and financial framework of how the Budapest Corvinus University is functioning with the aim to strengthen the international competitiveness of the university and thirdly over the last months a public debate has started to evolve around the government's plans to modernize and reshape the landscape of academic research institutes affiliated to the Hungarian Academy of Sciences. This briefing raises the basic question how the education, in particular upper education policies are to be reformed and how they are better linked with the economic policies of the country.

On 10th September, 2018, the minister for prime ministership, Mr. Gergely announced in a press conference, that a state-owned public foundation will be established as owner and 'maintainer' of the Budapest Corvinus University and the foundation will operate the university from the July 1st of 2019. The following details linked to the transformation process of the university are already known to the public:

— The Ministry for Innovation and Technology will be the responsible body for making the necessary arrangements regarding the transformation of the Budapest Corvinus University;

— The responsibility of running the foundation will be also transferred to the Ministry for Innovation and Technology;

— Substantial sums will be also allocated to the public foundation, and the allotted financial means can be only used for the institution's maintenance, development and operation;

— The main goal of the transformation is to give more financial and academic freedom to the university, which would help the institution to be ranked in the top 200 universities in the world and at the same time, the university could also improve its European competitiveness, as it was underlined in the press conference.

— The minister also emphasized that along with the university's transformation the so-called 'Corvinus stipendium program' will be established to support talented students and those in need of substantial financial support during their studies. According to the plans, this program will create similar financial conditions as the students are having in the current system when being financed by the state. The minister underlined the program will ensure that ratios between students paying their tuition fees and those receiving support, won't change in an unfavorable direction.

— In the press conference, it was also stressed that the university will receive two tranches of stock market papers and the returns on those stocks will ensure the maintenance of the university. The value and the origin of the stock tranches were not named in the press conference. However, OTP and

MOL were identified by some news portals as firms investing in the university, but it must be underlined that this information was not confirmed by other official sources yet.

In our opinion, the case of the Budapest Corvinus University might be a model to be used for other cases as well, hence it is telling about the possible direction of the Hungarian upper education reform and it would not come as a surprise if other universities later would have to follow the same path. It is obvious that this model cannot be applied in every case, in particular in the case of small specialized colleges, but it is very likely that this framework or model can be efficiently used in the case of larger Hungarian universities, while in other cases, other solutions must be found.

By and large, we think reshaping the legal and financial frameworks of Hungarian universities can help attract more capital in the upper education system and it can improve the international competitiveness of the Hungarian universities. The efforts to link the Hungarian education system, not only the tertiary education system stronger to the labor market have become clear the last year. More maneuvering room in the upper education system is needed, international comparisons confirmed that academic and financing freedom are smaller in the Hungarian case than in other European countries. It must be also underlined that the Hungarian system by dividing the university’s management between the academia (on the top of it, the rector) and the financial management (led by the chancellor) was a necessary reaction to the period, when upper education expenditures seemed to be uncontrollable and at the same time they also reduced the speed of adjustment to the ever changing conditions in the Hungarian upper education system.

Nowadays, the upper education expenditures are below the OECD average which means there might be less incentives for direct intervention in daily activities of the institutions in some cases, however the need for maneuvering room has been growing. In 2017 Hungary had one of the lowest levels of upper education expenditures as a percentage of its GDP among OECD countries at 0.9 percent. Expenditures per student in the tertiary education was 8.700 USD in 2017, which is just above the average of OECD countries, and the EU23 countries, the later figures were around 15.600 USD (PPS) in the same year. It is worth underlining that values reported here were converted using purchasing power parities, in other words, they also express differences in price levels, thus the differences in expenditures are significant. (These data were published by the OECD in its report “Education at a Glance in 2018” on 11 September 2018. See other important figures in the table!)

Table 1 Data on tertiary education			
Share by foreign students by educational level			
	Hungary	OECD average	EU 23 average
Bachelor	7 %	4 %	6 %
Master	16 %	12 %	13 %
Doctoral studies	12 %	26 %	23 %
All tertiary levels of	9 %	6 %	9 %

education			
Source: OECD, Education at a Glance in 2018, Country notes: Hungary p. 6. https://read.oecd-ilibrary.org/education/education-at-a-glance-2018/hungary_eag-2018-49-en#page5			

The same goal of restructuring and modernization can be also shown in the transformation plans of research institutes affiliated to the Hungarian Academy of Sciences (HAS). Until now, there is no clear information given to the public how the transformation will take place but it is very clear that the government’s intention to earmark the research funds more directly and set the main research goals of the research institutes. This intention of the government has already sparked public debates. Critics are worried the academic freedom will be hurt this way.

The main reason for the reforms is to enhance the international competitiveness of the sector and improve cooperation with universities. The HAS is very interested to preserve the status-quo since the current legal and institutional frameworks do not push the research institutes hard and incentives to enhanced performance and more cooperation with economic players are absent in this system for the time being. Obviously, this statement doesn’t apply to every research institute equally, since research institutes focusing on natural sciences are more pressed and more used to receive feedback from the society, the government and the enterprises.

The minister for innovation and technology, Mr. Palkovics emphasized at the opening ceremony of the University of Debrecen two weeks ago that Hungary needs a new structure, regulatory framework and financing model that can boost the country’s innovation and research activities more efficiently. He added that is one of the reasons why it seems to be worth reconsidering the role of academic research institutes is that Hungary spent a lot on research and education in the last years, still these efforts didn’t yield the expected results. He said, “Synergies must be established between research institutes and universities strengthening both players.” Although there are links between the two sets of institutes, the ‘maintainers’ (‘owners’) are different which leads to depletion of the financial resources. Based on articles covered by news portals, the Institute of Economics Center for Economic and Regional Studies of the Hungarian Academy of Social Sciences has been explicitly mentioned by the minister as a clear example for bad performing research institutes during the negotiations with the Hungarian Academy of Sciences. (This information was not confirmed by official sources.)

As we can clearly see, efforts to reform the research institutes of Hungary Academy of Social Sciences and reshape the legal and financial framework of the Budapest Corvinus (and probably other universities as well) are strongly linked to each other and they aim to improve the output of both universities and research institutes and strengthen the cooperation between them.

To sum it up, it can be argued that in both case the need for closing the gap between the international market and the public institution (albeit a research institute or a university) has become stronger and stronger; and the government, in particular the Ministry for Innovation and Technology

intends to play a stronger role in the field by linking the players close to each other and giving them more direct incentives as for research topics.