

INTERNAL FUNDING AND GOVERNANCE: RECOMMENDATIONS



Riga, 14 June 2017

About recommendations

- Based on requirements for "good internal funding models" and "good internal governance arrangements", the current situation of internal funding and governance of Latvian HEIs was assessed in detail in the report "Internal Funding and Governance in Latvian Higher Education Institutions: Status Quo Report" (2017)
- Based on this assessment, the World Bank team offered recommendations for the Latvian HEIs and government policies as follows:
 - Funding: 22 recommendations for HEIs, 7 for government policies
 - Governance: 14 recommendations for HEIs, 9 for government policies
- In addition, the team identified potential options for the use of ESF funding and specific objectives that could be covered by ESF-funded programs (ESF1-8)



Requirements for good internal funding models and governance arrangements

Internal Funding

- A. Strategic orientation
- B. Incentive orientation
- C. Sustainability and balance
- D. Transparency and fairness
- E. Level of autonomy and flexibility
- F. Link to governance and management; practical feasibility

Internal Governance

- A. Strategic development and governance
- B. Autonomy and accountability
- C. Good governance 1: cooperation and participation
- D. Good governance 2: differentiation of functions and distribution of powers



Internal funding



Strategic orientation

- Anticipate and adapt to changes in external funding and translate these into a internal funding model which corresponds institutional profile.
- **Develop internal model and strategy** hand-in-hand, seek opportunities and incentives for generating more funds for the institution. (→ F1, F2, F3, F4)

Incentive orientation

- Reinforce performance orientation in internal models by balancing incentives related to all three core missions, not only research. At the same time, support innovative study programmes and experiment third pillar elements to trigger innovations and change.
- Strike a balance between rewarding individuals and groups or units (→ F5, F6, F7, F8, F10, F11)

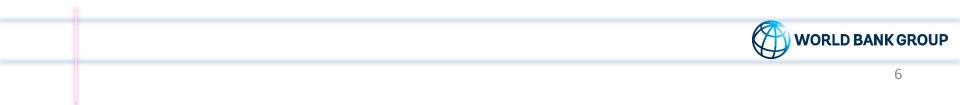


Sustainability and balance

- Use the structure of three pillar model as an overall framework in developing internal funding models while using internal formula funding and target agreements where applicable.
- Prioritise the internal use of research funding, accumulate and use central funds effectively. (→ F9, F11, F12, F13, F14)

Transparency and fairness

Increase the level of internal transparency of the model by communicating the model and its outcomes to institutional members. At the same time, make sure that number and weighting of the indicators used in the formula are considered appropriately.
(→ F15, F16)



Autonomy and flexibility

 Gradually increase the level of financial and operational autonomy of basic units (especially in larger institutions). (→ F17, F18)

Practical feasibility

 Develop funding models based on assessments, monitoring, sharing information, and training. (→ F19, F20, F21, F22)



- Increase the usability and effectiveness of the state funding model by sorting funding streams and mechanisms to the appropriate pillars and at the same time ensure that HEIs know the plan and schedule of implementing additional components of the three pillar model. (P4, P7)
- Support innovative new programs under the first pillar and extend the performance orientation under the second pillar to teaching and learning. (P1, P2)



- Promote the **integration of all core missions** into institutioninternal funding models in staff structures and categories. (P5)
- Introduce coherent data requirements. (P6)
- Clearly show how the deployment of **ESF funding** contributes to **strategic targets** and **sustainable actions**. (P3)



Internal governance



Strategic development

 Formulate, communicate, implement and monitor in a transparent way SMART institutional strategies that enhance institutional profiling based on strengths and niches (→ G1, G2, G3, G4, ...)

Autonomy and accountability

Further develop internal quality and accountability processes and procedures, including annual reports and improvement plans for study programs, departments and individual staff (light touch). These need to be arranged by persons/units with a mandate and responsibility to do so (→ G5, G6)



Good governance: cooperation & participation

- Empower and inform managers, academics, students and external stakeholders by formulating clear roles, responsibilities, rights and expectations regarding their involvement in internal governance (→ G11, G12, G13)
- Stimulate collaboration between academics, departments and institutions to boost innovation, focus, mass and a stronger link between teaching and research (→ G8, G9)



Good governance: distribution of functions & power

- Develop simple and transparent decentralised governance structures with more decision-making powers for management positions, while securing top-down and bottom-up processes and sufficient academic self-governance (→ G7, G10, G11)
- Actively stimulate administration and management development skills among talented staff who can take managerial responsibilities and can contribute to change (→G14)



- Implement and actively communicate the national strategy involving all relevant stakeholders (P9, P14)
- Stimulate higher education institutions to develop SMART strategic plans (P8)
- Monitor the implementation of the national strategy, e.g. progress against key performance indicators (P10)
- Stimulate **excellent research** and the integration of teaching and research (P11)



- Promote a **quality culture** in HEIs, e.g. through the use of annual improvement plans (P12)
- Facilitate transparent governance structures within HEIs with a stronger focus on decentralization and reducing powers of collegial bodies (P13)
- Actively develop management and administration skills among staff (P15)
- **Preserve autonomy of HEIs**, e.g. by a stronger focus on outputs than on inputs (P16)



Options for the Use of European Structural Funds (ESF)



Options for ESF use: Basic considerations

• ESF funding can happen in various ways, but a **close link to the thirdpillar** of the new model appears best suited to create consistency in funding incentives, to support innovation and achieve strategic objectives (e.g. through performance agreements) (ESF1, ESF2)



Options for ESF use: Specific considerations

- Develop and implement a national and institutional HE Management Information System (MIS) e.g. to track progress against strategic objectives (ESF3)
- Facilitate higher education **management competences**, e.g by establishing a training program and/or center (P15, ESF4)
- Co-fund innovation projects (for new study programs, young researchers and innovative (risky) research) initiated by HEIs or functional reviews to implement new governance and quality assurance structures and processes (ESF5, ESF6, ESF7)
- Stimulate excellence through collaboration projects between academic groups and/or institutions (ESF8)



Thank you!

