

INTERNAL FUNDING AND GOVERNANCE: RECOMMENDATIONS



WORLD BANK GROUP

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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

Key recommendations for HEIs

Strategic orientation

- **Anticipate and adapt to changes in external funding** and translate these into an internal funding model which corresponds to the 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)

Key recommendations for HEIs

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)

Key recommendations for HEIs

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)

Key recommendations for government

- 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)

Key recommendations for government

- Promote the **integration of all core missions** into institution-internal 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

Key recommendations for HEIs

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)

Key recommendations for HEIs

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](#))

Key recommendations for HEIs

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](#))

Key recommendations for government

- **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)

Key recommendations for government

- 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 third-pillar** 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!