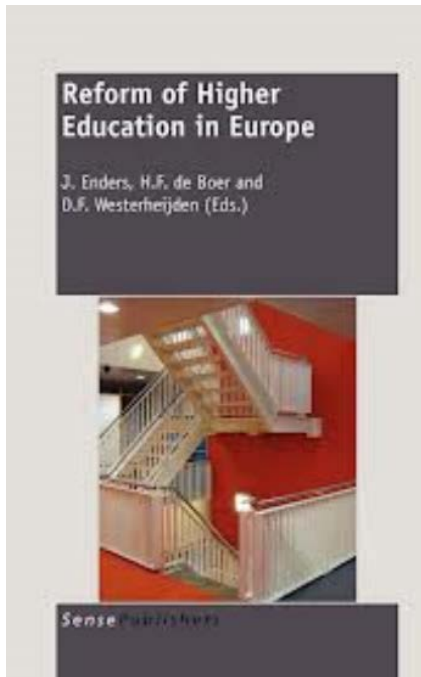


Performance Agreements: Promises and pitfalls

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Background



‘Prestatieafspraken leiden tot meer bureaucratie’

DOOR DIRK WOLTHEKKER

geen reacties 

ORGANISATIE 26 september 2012 10:56 | De prestatieafspraken om de kwaliteit van onderwijs en onderzoek te verbeteren, leiden tot meer bureaucratie. Dat stellen betrokkenen naar aanleiding van de adviezen van de reviewcommissie hoger onderwijs en onderzoek ten aanzien van de door instellingen ingediende prestatieafspraken.

Om de kwaliteit van het hoger onderwijs op te krikken, heeft staatssecretaris Zijlstra (OCW) extra budget vrijgemaakt dat oploopt tot 325 miljoen euro in 2016. Dit is in totaal zeven procent van de onderwijsbekostiging. Verdeling van dit budget gebeurt aan de hand van de prestatieafspraken. ‘Maar hoe die verdeling precies zal worden gemaakt is nog onduidelijk,’ zegt COR-voorzitter Radboud Winkels in een reactie op de adviezen van de commissie. ‘Wie de gemaakte afspraken haalt krijgt extra geld, maar het kan ook nog zijn dat de staatssecretaris kiest voor een “scheve verdeling”, waarbij plannen die als “excellent” zijn beoordeeld, zoals die van de Universiteit Utrecht, meer geld krijgen dan universiteiten die dat predicaat niet kregen.’

Bureaucratie

Macro-econoom Roel Beetsma liet gisteren via *BNR* al weten het hele idee van de prestatieafspraken te betwijfelen. ‘De afspraken sluiten aan bij het [topsectorenbeleid](#) van de Rijksoverheid, maar ik had liever gezien dat de marktsector dat beleid had geformuleerd. Daarbij, kwaliteit is natuurlijk prima, maar hoe meet je dat?’

NRW Universities Refuse to Sign Target Agreements

13/12/2013

The mission of universities actively to fulfill societal obligations in an economically responsible way demands that they do not take any incalculable financial risks.

In its draft of the University Act, the government of the Federal State of NRW, however, has significantly modified the framework conditions for universities. At this stage, the details of the new regulations and their consequences are not at all clear. Due to this uncertainty, the NRW universities are not in a position to sign the target agreements for 2014/15 between the federal state and the universities. To do so would mean to agree to “fly blind.” Yesterday, the universities’ decision was communicated in writing to the NRW Minister of Science and Research, Svenja Schulze.

As a rule, the target agreements between the federal state and the universities are negotiated and signed every two years. They define activities and goals in the areas of research, teaching, equal opportunities, internationalization, research transfer, and diversity, among others. The signing of the new target agreements is scheduled to take place at the end of 2013.

In parallel to the target agreement negotiations, the NRW government has presented its draft of a new University Act whose coming into effect would fundamentally change the higher education and research landscape in North Rhine-Westphalia. The new Act would allow the federal state to introduce regulations and intervene in the autonomy of the universities on several levels. For this reason, at present, the universities do not know the specifics of the legal and

Performance contracts

Salmi and Hauptmann (2006):

- performance contracts typically are not legally enforceable documents. Instead, they are more often non-binding regulatory agreements negotiated between governments or buffer bodies and tertiary education institutions which can take a number of forms. The agreements may be with entire systems of institutions or individual institutions. All or a portion of funding may be based on whether institutions meet the requirements in the contracts. The agreements can be prospectively funded or reviewed and acted upon retrospectively. In some instances, such contracts can be viewed as a punitive instrument rather than as incentives, as failure to meet goals may result in reduced funding. (p. 17).

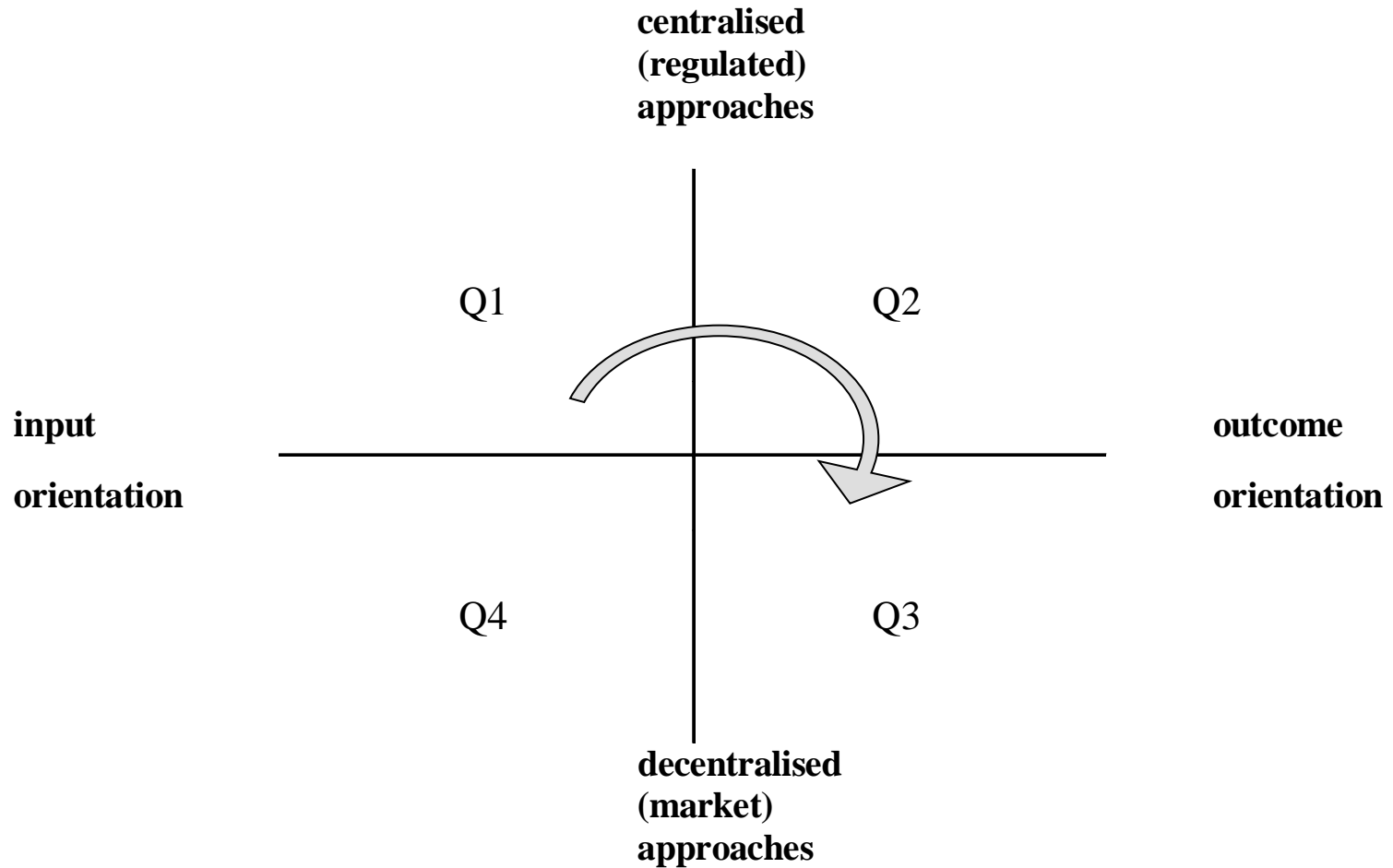


Performance Agreements: A new trend?

- Australia: Mission-based compacts (2011)
- Germany: Ziel- und Leistungsvereinbarungen (2006)
- Hong Kong: Performance and Role-related Funding Scheme (2005)
- Ireland: Structural system change (2012); Institutional Profiles
- Denmark: 3rd gen. University Development Contracts (2007)
- Finland: Performance contracts (2010)
- Netherlands: Performance Contracts (2012)
- Austria: *Leistungsvereinbarungen* (?)



Trends in funding mechanisms



In which governance paradigm do PAs fit?

	Traditional public administration	New public management	Managing for Public Value
Context	Stable	Competitive	Continuously changing
Population	Homogeneous	Atomised	Diverse
Needs/problems	Straightforward, defined by professionals	Wants, expressed through the market	Complex, volatile and prone to risk
Strategy	State- and producer-centred	Market- and consumer-centred	Shaped by civil society
Governance through ...	Hierarchies	Markets	Networks and partnerships
Actors	Public servants	Purchasers and providers, clients and contractors	Coalition of partners
Keywords	Rules, hierarchies	Price, performance	Trust, contract, interdependence

UNIVERSITY BUDGET



Core/Institutional funding

(1st stream)

Part, to guarantee stability & autonomy (mostly incremental / historical)

Formula-based part (variable funding): input and performance (ex post) oriented

Fixed part reduced

Performance-orientation (ex-post + future) increased

Basic funds (fixed + formula)

Contract: agreement on Performance (ex ante)

Performance-oriented formula (ex post rewards)



Project funds

(2nd / 3rd stream)

Competitive funds (awarded by research councils, foundations, charities, clients, etc and assessed by peers)

Emphasising innovation, strategic priorities, Centres of Excellence

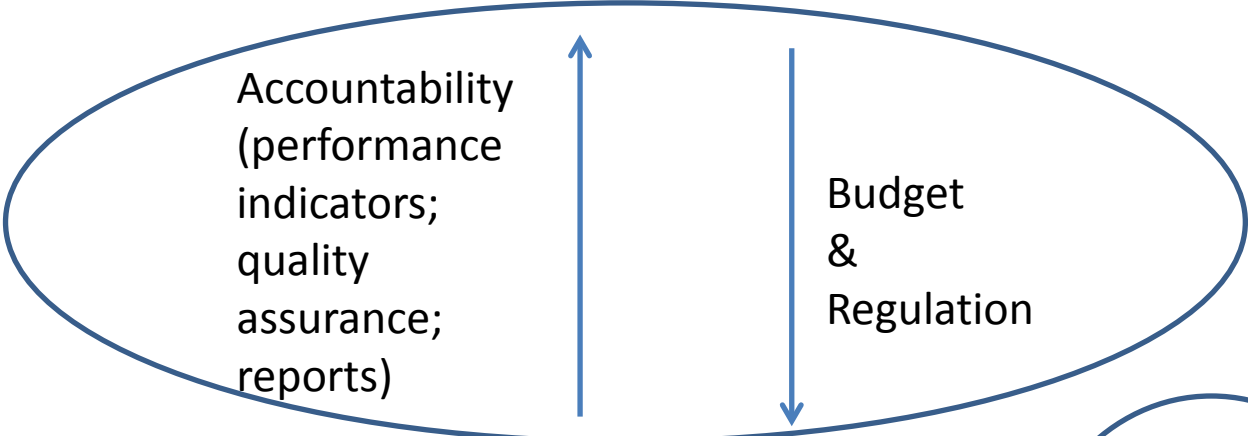
Project funds: flexibility to respond quickly to emerging priorities



Funding of HE: three ingredients

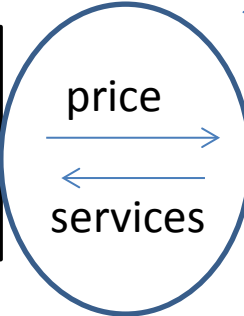
1. stable, core institutional funding ensuring scientific autonomy and a broad coverage of disciplines;
2. a competitive element, providing *ex post* rewards for good teaching and research performance and *ex ante* budgets based on agreed objectives; and
3. an ‘innovation’-oriented component, to pre-finance new cutting-edge and/or explorative research developments and innovative degree programmes;
 - for example, the competitive *ex ante* funding of research in priority areas of strategic importance for economy and society (project funds)

State (Principal)

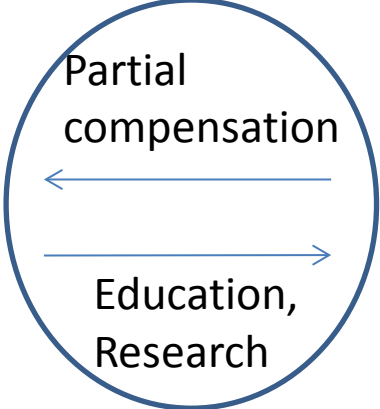
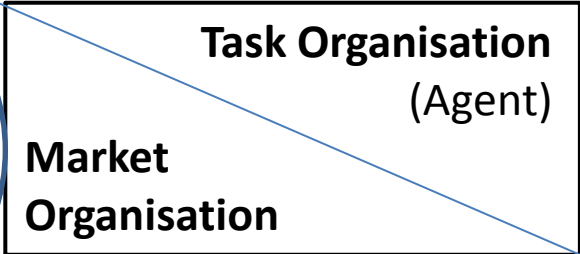


Covered, partly,
by contract:
“Performance
Agreement”

Clients



Driven by
market forces



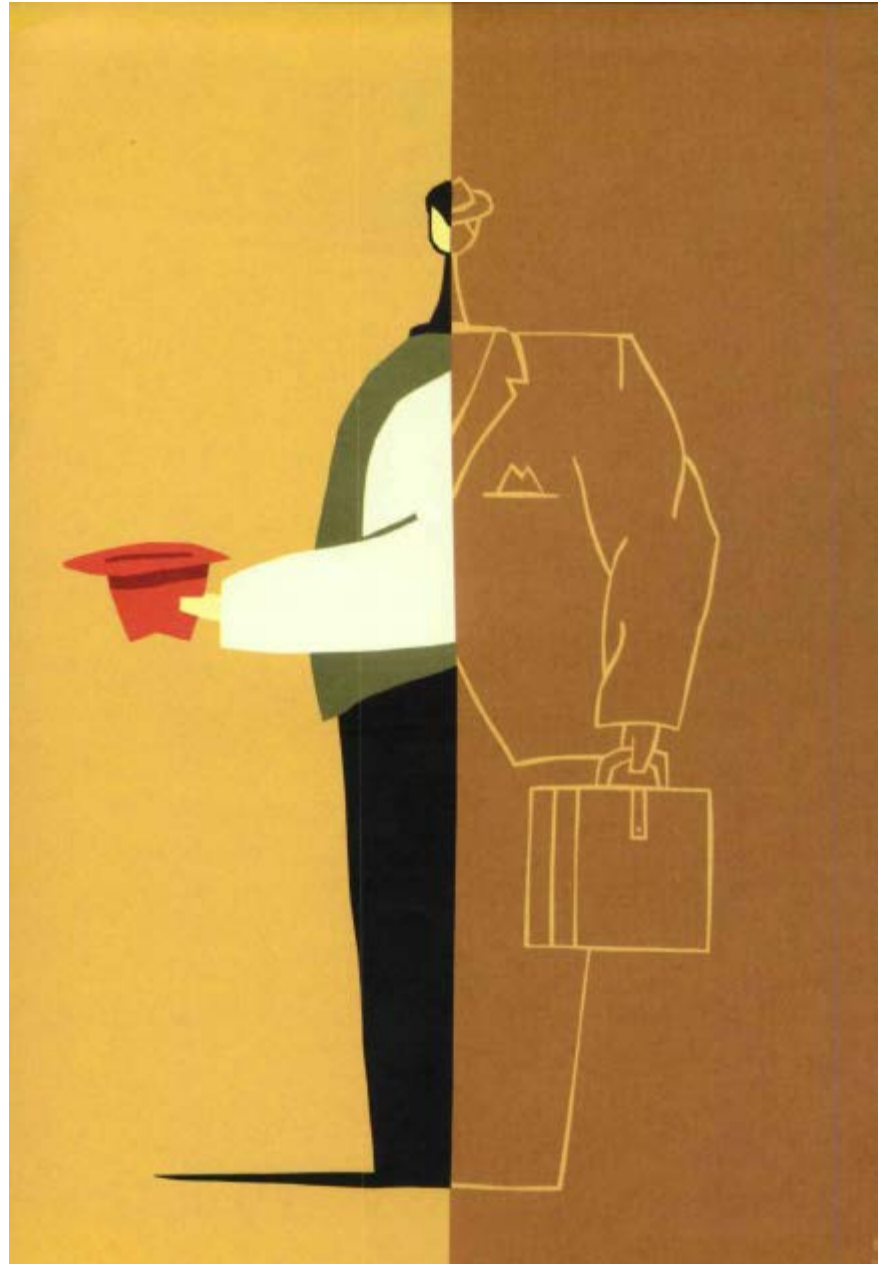
Driven by
regulation &
quasi market
forces

**Students &
Research
Councils**

Universities: ENTERPRISING NONPROFITS

Balancing missions:

- 'Mission-centred and market-smart' (Massy, 2009)
- Part church, part car dealer (Gordon Winston, 1997)
- Objective: create 'value', subject to financial constraints
- Value: new knowledge, prestige, entrepreneurial graduates & scientists, ...



Hybridity : challenges and tensions

- How do different universities combine ‘mission’ and ‘market’? (and prevent univ. from ‘falling apart’)
 - Different institutional logics
 - Dutch performance contract deals with both, simultaneously
- Decentralisation (centre - departments): decentralising most expenditure decisions, devolving some revenue streams
- Cross-subsidies

Performance agreements

Large variety

Agreements between gov't/ministry/state and HE institution

- Replacing state-wide pacts (*Hochschulpakte; framework agreements*) between a state government and all higher education institutions
- Agreements (Performance Agreement, *Zielvereinbarungen*) between a state government and a particular university
- Competitive proposals against pre-defined objectives and outcomes in identified areas of national priority

Or between:

- university president and faculty (dean)
- dean and professors
- Professor and PhD student
- ...


Performance Agreements: Why?

- Desire to increase university performance (in T & R & ...)
 - Promises on future performance => money in advance (multi-period)
- Enhance transparency & accountability w.r.t. performance
- Allow room for diversification of institutional missions
 - Acknowledge individual university's context & character
 - Link to university's strategic plan and initiative
- Emphasising national strategic priorities
 - Future-/innovation-oriented (provide longer planning horizon)
 - Ensure increasing contribution of universities to societal needs
 - E.g. Create critical mass and specialisation / profiling



- Increase public trust & partnership, through dialogue/ bilateral negotiation
- Legitimization for funding

Performance Agreements: Contents

- Contributions from two sides (state: budget; HEI: performance) to realising common goals
 - University specifies objectives and its contribution (in terms of performance) to national strategic goals
 - Quality/quantity of T & R
 - Link to University profile (priorities)
 - Milestones, performance measurement (verifiable indicators)
 - The contract (in the Dutch case) may cover the mission as well as the market activities of HEI
- 
- Performance-oriented (not stressing inputs, activities)

Performance Agreements: Design

- Protocol, Guidelines/Format for documents, Duties
- Multi-period horizon (allowing financial stability): 2-5 years
- Timeline for process (from kick-off to signing/execution of contract and evaluation of PA)
- Bottom-up proposal by HEI, based on state guidelines
- Criteria (for judgement of proposal and final assessment)
- Specification of financial mechanisms: rewards, sanctions for (non-) goal attainment
- Reporting (incl. indicators): frequency and intensity



- Transparency (about process, design, potential consequences of PA)
- Public character of contract (published document)


Performance agreements...

- Require complex design questions, due to often qualitative character of objectives (unless one resorts to formulas)
- Require time for dialogue (preferably mediated through independent commission)
- Goals and their realisation difficult to measure and quantify through performance indicators



- Substantial transaction costs and controlling mechanisms

Pitfalls of Performance Agreements

- List of suggested national/central goals may be overly long and prescriptive, with multiple goals (that may be conflicting)
 - HEI tempted to list all kinds of initiatives
 - No priorities set by HEI => mission overload
 - Policy-makers wish to see activities and inputs, but should stress outputs and performance
 - Environment may change after signing (ruling coalition, economic climate, technology & discipl. fields)
 - Creates inflexibility
- 
- HEI has to prioritise => strategic profile
 - Reflect on objectives (in-period) and discuss w experts



Reflections on Performance Agreements (PA)

- Challenge: Balance PA with other funding components
- PA can compensate simplicity and ex-post character of formula funding
- PA to give state-HE dialogue a formal structure
- Primarily an accountability instrument, to legitimize basic funding, to create/restore public trust in HE
- May create extra accountability burden
- Lack of adequate performance indicators addressed by referring to activity / input indicators (dangerous!)
- Non-realisation of contract goals: who's to blame?



Dutch Performance Agreements

- An innovative approach ('making a difference': It pays to be different!), but still an experiment
- More direction by ministry (but still: bottom-up)
- A wake-up call
 - HEIs are committing themselves and are accountable for teaching quality
- Political process
 - multiple stakeholders, multiple funding streams
 - compromises
- Monitoring is required
 - “In God we trust. All others must bring data!”
- Conflict: Institutional-level versus system-level goals
- Danger: bureaucracy



Research questions on success of PA

- An overload of pre-defined national objectives that are specified in detail in PA:
 - ignores the trade-offs between goals (dilemmas)
 - risk of returning to top-down steering
 - reduces institutional autonomy and frustrates dialogue
 - conflicts with other national monitoring efforts & agencies
- The problem of assessing & measuring performance
 - risk of returning to input & activity measures
 - debates on what causes (under-)performance
- The longer time horizons of PA
 - Risk of introducing rigidities in HEI
- Less detailed PA work best
 - Use project funds (2nd/3rd stream funds) for specific, targeted goals