

## STRATEGY

### financial autonomy of higher educational institutions of the Kyrgyz Republic for 2024-2030

#### 1. Basic concepts

1. The Strategy uses the following terms and their corresponding definitions:

1) **autonomy** - the right of an educational organization to independently carry out educational, administrative and financial-economic activities, make management decisions, including on issues of human resource and asset management, manage budgetary and extra-budgetary funds for the maintenance and development of educational and other activities in accordance with the Law “On Education” and the charter of the educational organization;

2) **academy** – a university that:

- implements educational programs of higher and postgraduate education in branches of scientific activity;

- carries out fundamental and applied research in branches of science or culture;

- carries out training, retraining of specialists, advanced training of workers with higher education, as well as training of scientific and scientific-pedagogical personnel;

- is a scientific and scientific-methodological center in its fields of activity;

3) **voucher financing mechanism** - a method of state financing in which budget funds provided for in the republican budget follow students to educational organizations regardless of their form of ownership;

4) **higher professional education** – a level of education aimed at training and retraining bachelors, specialists and masters according to relevant educational programs and standards;

5) **state educational grant** - funds from the republican budget provided to a student (grantee) for training in an educational organization of secondary and higher vocational education of the Kyrgyz Republic, regardless of the form of ownership, in specialties, the list of which is approved by the Cabinet of Ministers;

6) **institute** – a university or a structural unit of a university, academy, which:

- implements educational programs of higher education and postgraduate education;

- carries out training, retraining of specialists, advanced training of workers with higher education, training of scientific and scientific-pedagogical personnel for a certain area of professional activity;

- carries out scientific research of both fundamental and applied nature in certain profiles;

7) **model of financial autonomy of universities** - an enlarged representation of the processes of financial activity of a university in conditions of autonomy with effective financial management procedures, the implementation of which leads to increased efficiency, competitiveness and satisfaction of the needs in financial matters of the main participants in the educational process;

8) **paid educational activity** - an educational service provided in a state, municipal and private educational organization on a paid basis;

9) **postgraduate professional education** - a level of education that involves the development of training programs for scientific and scientific-pedagogical personnel for the academic degree of candidate and doctor of science, doctor of philosophy (PhD) / doctor in the field;

10) **social educational loan** - a preferential loan subsidized by the Cabinet of Ministers to pay for training in educational organizations of the Kyrgyz Republic;

11) **specialized university** (conservatory, higher military school, etc.) – a narrow-profile university that:

- implements educational programs of higher education and postgraduate professional education;

- carries out training, retraining and advanced training of workers with higher education, scientific and scientific-pedagogical personnel for a certain area of professional activity;

- carries out applied scientific research;

12) **university** – a higher educational institution that:

- implements educational programs of higher and postgraduate education in a wide range of areas (specialties) of training;

- carries out fundamental and applied research on a wide range of sciences;

- carries out training, retraining of specialists, advanced training of workers with higher education, as well as training of scientific and scientific-pedagogical workers (candidates, doctors of science, doctors of philosophy (PhD) / doctors in the field);

- is a scientific and scientific-methodological center for a specific profile of activity.

13) **financial autonomy** – the right of an educational organization to independently carry out financial and economic activities.

## **1. Introduction**

Education is a priority strategic direction of state policy of the Kyrgyz Republic. The education system of the Kyrgyz Republic is going through significant and multidirectional transformations: changes are being made to the content, structure and forms of education, processes are being developed to ensure the quality of education. A new Law of the Kyrgyz Republic dated August 11, 2023 No. 179 “On Education” was adopted, which for the first time enshrined the concept of autonomy as the right of an educational organization to independently carry out educational, administrative and financial-economic activities, make management decisions, including on issues of human resource management and assets, manage budgetary and extra-budgetary funds for the maintenance and development of educational, scientific and other activities in accordance with the Law “On Education” and the charter of the educational organization.

The autonomy of educational organizations is one of the main principles of state policy in the field of education.

According to Article 13 of the Law “On Education”, the powers of the Ministry of Education and Science of the Kyrgyz Republic on issues of financing education include:

- development of a procedure for financing educational organizations;
- organizing an independent assessment of the effectiveness of financing and management of the education system;
- promoting the development of exports of educational services, as well as attracting investments in the field of education.

Also, according to Article 32 of this law, higher professional education includes the preparation and retraining of bachelors, specialists and masters in order to meet the needs of the individual in deepening and expanding education.

In the Kyrgyz Republic there are the following types of educational organizations providing higher professional and postgraduate education: universities, institutes, academies, specialized universities.

According to the National Statistical Committee of the Kyrgyz Republic, as of 2022, the number of educational organizations of higher professional education is 61, including public universities - 43, private universities - 18. Over the past 5 years, the number of universities has increased from 51 to 61 due to the opening of private universities.

In 2022, by Decree of the President of the Kyrgyz Republic dated July 18, 2022, DP No. 243 “On measures to increase the potential and competitiveness of educational organizations of higher professional education of the Kyrgyz Republic,” the following state universities of the Kyrgyz Republic were reorganized:

— Kyrgyz Economic University named after M. Ryskulbekov by joining the Academy of Business and Social Development and giving it the status of a research university;

— Kyrgyz National University named after J. Balasagyn by merging with it the Kyrgyz State Law University;

— Osh State University by merging with it the Osh State Law Institute;

— Kyrgyz State Technical University named after I. Razzakov by joining it with the Kyrgyz State University of Construction, Transport and Architecture named after N. Isanov, Kyrgyz State University of Geology, Mining and Natural Resources Development named after Academician U. Asanaliev.

Thus, the number of state universities was reduced to 39.

The same Decree gave a special status, providing for the provision of broad organizational, financial and academic autonomy, to the following 5 universities:

— Kyrgyz National University named after J. Balasagyn;

— Kyrgyz State Technical University named after I. Razzakov;

— Kyrgyz National Agrarian University named after K.I. Scriabin;

— Kyrgyz State Medical Academy named after I.K. Akhunbaeva;

— Osh State University.

According to the National Statistical Committee of the Kyrgyz Republic for 2022, 17 universities are located in the regions of the republic, 44 in Bishkek. The number of people enrolled in universities of the Kyrgyz Republic in 2022, according

to the National Statistical Committee of the Kyrgyz Republic, is only 38.8 thousand people, including 34.1 thousand people in public universities, 5.3 thousand people in private universities. The graduation rate of students in 2022 is only 35.1 thousand people, including 29.8 thousand people in state universities, 5.3 thousand people in private universities.

25 state universities are directly subordinate to the Ministry of Education and Science of the Kyrgyz Republic and another 8 are subordinate to relevant ministries. Medical higher education institutions are successfully functioning in the republic, admitting only foreign citizens (India, Pakistan, Bangladesh, Nepal) with English as the language of instruction.

In terms of departmental affiliation, state universities are subordinate to the Ministry of Education and Science of the Kyrgyz Republic, the Ministry of Health of the Kyrgyz Republic, the Ministry of Internal Affairs of the Kyrgyz Republic, the Ministry of Foreign Affairs of the Kyrgyz Republic, the Ministry of Defense of the Kyrgyz Republic, the Ministry of Transport and Roads of the Kyrgyz Republic, etc.

The following interstate universities operate in the republic: Kyrgyz-Russian Slavic University named after the first President of the Russian Federation B.N. Yeltsin, Kyrgyz-Uzbek International University named after B. Sydykov, Kyrgyz-Turkish Manas University.

Private universities include: UNPC International University of Kyrgyzstan, Asian Medical Institute named after S. Tentishev, Kyrgyz-Russian Academy of Education, Scientific Research Medical and Social Institute, Eastern University named after Mahmud Kashgari-Barskani, Ala-Too International University, etc.

Paid educational activities are carried out in almost all universities, with the exception of two: The Kyrgyz-Turkish University "Manas" and the Eastern University named after Mahmud Kashgari-Barskani.

In addition, in the Kyrgyz Republic there are universities with public-private ownership: The International University of Kyrgyzstan and the Kyrgyz Economic University named after Ryskulbekov without government funding.

According to the National Statistical Committee of the Kyrgyz Republic for 2022, state expenditures on education in 2022 amounted to 9,635.3 million soms.

## **2. Goal, objectives and basic principles of the Strategy for Financial Autonomy of Universities of the Kyrgyz Republic**

**The purpose** of this Strategy (hereinafter referred to as the Strategy) is to form a state system and policy for the introduction, implementation and development of financial autonomy of universities, aimed at guaranteeing their interests and helping to ensure sustainable socio-economic development of the Kyrgyz Republic.

### **Objectives of the Strategy:**

1) formation of the basis for a unified system and policy for the financial autonomy of universities of the Kyrgyz Republic;

2) the formation of a unified conceptual and methodological apparatus in the field of financial autonomy of universities of the Kyrgyz Republic;

3) formation of a regulatory legal framework for the introduction, implementation and development of financial autonomy of universities;

4) modernization of the current system of financing universities of the Kyrgyz Republic;

5) increasing the level of human resources for the financial autonomy of universities of the Kyrgyz Republic.

**Basic principles of the Strategy:**

1) legality;

2) transparency;

3) equality of rights of the parties;

4) publicity.

**3. Analysis of the situation on financial activity and financial autonomy in universities of the Kyrgyz Republic**

State universities are financed from the republican budget through the Ministry of Education and Science of the Kyrgyz Republic, the Ministry of Health of the Kyrgyz Republic, the Ministry of Culture, Information and Tourism of the Kyrgyz Republic, the Ministry of Transport and Roads of the Kyrgyz Republic, the Ministry of Internal Affairs of the Kyrgyz Republic, the Ministry of Foreign Affairs of the Kyrgyz Republic and the Office of the President of the Kyrgyz Republic.

Financing of public universities is carried out on the basis of standard standards per student, based on the principle of a consistent increase in actual expenses per student.

Currently, the funding standard per student (basic level of state educational grant) of state universities is in accordance with the Decree of the Government of the Kyrgyz Republic “On the Procedure for financing organizations of higher professional education of the Kyrgyz Republic from the republican budget based on the size of the state educational grant” dated July 1, 2016 No. 370 is 26,360 soms per year.

The same resolution established correction coefficients to the basic level of the state educational grant for groups of areas of training (specialties).

Along with funds from the budget, the sources of funding for the university are:

— funds of individuals and legal entities, foreign states and citizens acting as founders;

— the university’s own funds, including foreign currency, from advisory, research, publishing, production and other income-generating activities not prohibited by the legislation of the Kyrgyz Republic, as well as from extra-budgetary educational activities for all types of basic and additional educational programs, including including within the requirements of state educational standards;

— voluntarily contributed funds from individuals and legal entities, voluntary donations and targeted contributions from other individuals and legal entities, including foreign ones;

— loans;

- other sources that do not contradict the legislation of the Kyrgyz Republic.

The main source of financing for public universities, along with budgetary funds, are funds from paid educational activities, which account for more than 80% of the total expenses of universities.

The determining source of funding for private universities is funds from paid educational activities, as well as funds from the founders.

The funding standards for private universities cannot be lower than the funding standards for state educational organizations.

Attracting additional sources does not entail a reduction in standards or absolute amounts of funding from the state budget.

The use by educational organizations of various methods of the educational process and educational technologies, including distance learning technologies, in the implementation of educational programs, does not entail an increase in their funding standards.

Funds allocated to an educational organization from the state budget are controlled by the treasury. All other funds earned by the educational organization are also controlled by the treasury, boards of trustees of universities and public institutions.

A general analysis of the survey results on the state of financial activities of 15 universities of the Kyrgyz Republic that participated in it in 2023 showed that:

1. The main source of income for universities is contract funds from students, which is also confirmed by the number of contract students (87.2%) participating in the survey. Most of the additional sources of income come from international grants and sponsorships.

2. The priority of expenses in most universities is determined by the Board of Trustees and the Academic Council of universities, as well as the rector. Most universities (more than 85%) have Boards of Trustees, and on average 69% of respondents consider their activities effective. In addition to the Board of Trustees, universities have the following conciliation bodies for financial activities: Academic Council, Finance Committee, Rector's Councils, Board of Directors, Council of Founders and Supervisory Board. Three universities do not have such bodies.

Transparency of financial activities is ensured through public hearings. At the same time, students noted that most of them are not informed and do not know about the procedures for distributing financial resources of the university, or confirmed the absence of public hearings.

3. The majority of respondents are satisfied with the equipment of the university (72%). At the same time, according to students, the university's finances should be focused, first of all, on the social infrastructure of the university (dormitory, co-working areas, recreation areas, food outlets, etc.), and teachers believe - on their wages. At the same time, the majority of financial managers (48.1%) noted that more than 70% of expenses are allocated to wages, and the development of university infrastructure is mainly allocated in the range from 10% to 20%, there are universities (31, 5%), directing more than 20% of expenses for these purposes. But,

nevertheless, 68% of universities covered by the survey allocate funds to provide various benefits (orphans, half-orphans, people with disabilities, excellent students, athletes, winners of Olympiads and competitions, children of participants in the war in Afghanistan, etc.).

A general analysis of the survey results on respondents' awareness of financial autonomy showed that:

1. On average, 76% of respondents consider it necessary to introduce financial autonomy for universities.

2. The main risks for financial autonomy are considered to be a lack of personnel with experience and knowledge of international financial reporting standards, international auditing standards, ineffective use of financial resources and lack of understanding of modern financial management tools for analyzing and optimizing the production process, organizational structure and procurement policy.

3. Respondents consider freedom of action in financial planning, independence in determining funding priorities, and a reduction in inspection bodies to be positive aspects of financial autonomy.

In public universities, the bulk of the sources of income are not budget funds, but funds received in the form of tuition fees or contract funds, and the majority of additional sources are international grants and sponsorship funds. At the same time, transparency of the financial activities of universities for students is not sufficiently ensured.

When developing a model of financial autonomy and its implementation in universities of the Kyrgyz Republic, it is necessary to pay attention to strengthening the issues of attracting personnel with experience and knowledge of international financial reporting standards, international auditing standards, the efficiency of using financial resources and training managers for the implementation of modern financial management in the analysis and optimization of the production process, organizational structure and procurement policy.

#### **4. Vision, goals and stages of development and implementation of financial autonomy in universities of the Kyrgyz Republic**

**Vision:** universities of the Kyrgyz Republic will have full financial autonomy by 2030, the implementation of which will increase their academic and financial potential.

**The purpose of financial autonomy of universities:** granting the right to universities to independently carry out financial and economic activities in terms of effectively attracting and using financial resources, self-regulation and self-financing of universities, in order to improve external and internal infrastructure, attract highly qualified personnel, and enter international university rankings.

In conditions of financial autonomy, state control over the financial activities of a university is exercised only in terms of state budget funds. Approximately 10-20% of the financial resources of universities are controlled by the state, and 80-90% are controlled by the university independently through the Board of Trustees and other internal supervisory bodies.

### **Ways to introduce financial autonomy of universities:**

- 1) diversification of income sources, which leads to a reduction in the risk of excessive dependence and increases autonomy;
- 2) entrepreneurship and strategic partnerships that promote innovative practices and technology transfer agreements;
- 3) accountability and transparency, which increases trust and develops relationships with society;
- 4) efficient allocation of resources, since higher efficiency allows for lower tuition fees and greater flexibility in management.

The main tools for introducing and implementing financial autonomy in universities of the Kyrgyz Republic will be **a model of financial autonomy for universities** with different types of ownership.

The model of financial autonomy of universities of the Kyrgyz Republic will contain:

- 1) types of universities by form of ownership and all interested parties in the effectiveness of the financial autonomy of the university;
- 2) various sources of funding for universities, including the state budget with voucher funding;
- 4) types of regulations governing the processes of financial autonomy;
- 5) mechanisms to ensure transparency in the implementation of financial processes and procedures, incl. procurement procedures;
- 6) mechanisms for improving the university's personnel policy;
- 7) financial management processes, containing key actions that influence increasing the financial potential of universities:
  - financial planning actions that allow timely response to internal and external environments;
  - mechanisms for distribution of income and expenses;
  - monitoring and audit mechanisms with subsequent analysis and adjustment of financial processes and procedures;
  - measures to improve financial performance in autonomy.

The developed model will have a recommendatory nature and can be adapted by each university in accordance with its mission and objectives.

To achieve the goals of financial autonomy of universities, it is necessary to implement measures in the following stages:

#### **Preparatory stage. Development of a policy on financial autonomy of universities in the Kyrgyz Republic.**

1. Analysis of the situation regarding the financial autonomy of universities in the Kyrgyz Republic, as well as the study of international experience;
2. Determining the list of regulatory legal acts to which changes and additions need to be made;
3. Development of new regulations on the financial autonomy of universities of the Kyrgyz Republic, incl. for universities with mixed ownership;

#### **Main stage. Development of a model of financial autonomy and its implementation in universities of the Kyrgyz Republic.**



1. Development of a conceptual scheme for a model of financial autonomy of universities in the Kyrgyz Republic;
2. Piloting a model of financial autonomy of universities in the Kyrgyz Republic and increasing the potential of employees in pilot universities;
3. Development of a methodological manual for the practical application of the model of financial autonomy of universities;
4. Training and consulting for stakeholders, which are implemented at the Skills Development Center at the Kyrgyz State Technical University named after I. Razzakov.

**The final stage. Promoting a model of financial autonomy for universities in the Kyrgyz Republic.**

1. Informing universities of the Kyrgyz Republic about the model of financial autonomy and disseminating teaching materials and experience;
2. Promoting the practice of introducing and applying models of financial autonomy of universities in the Kyrgyz Republic.

Details of the stages and timing of release are given in the Roadmap for the release of the Strategy for Financial Autonomy of Universities of the Kyrgyz Republic for 2024-2030 (Appendix).

**1. Expected results, prerequisites and risks of implementing the Strategy**

The adoption and timely implementation of the provisions of this Strategy will further **allow**:

- create conditions for the development of work plans for authorized government bodies of the Kyrgyz Republic, universities and other interested parties;
- create a platform for information and resource support and interaction among all interested parties in the development of financial autonomy of universities;
- create a unified conceptual apparatus and legal framework that defines the norms and rules for the introduction, implementation and development of the process of financial autonomy of universities, as well as the regulatory activities of participating government bodies;
- form and launch, in collaboration with regional and international partners, in professional training and advanced training of participants in the process of introduction, implementation and development of financial autonomy of universities.

**Prerequisites for successful implementation of the Strategy:**

- a) availability of support from government authorities in matters of introduction, implementation and development of financial autonomy of universities;
- b) the readiness of universities of the Kyrgyz Republic to introduce the principles and processes of financial autonomy into their activities;
- c) the interest of international partners and international organizations in assisting the introduction, implementation and development of financial autonomy of universities in the Kyrgyz Republic.

Along with the above prerequisites, in the process of implementing the Strategy there may be the following **risks**:

- deviation from the established directions of activity for the implementation of the Strategy;
- lack of understanding of the significance of the ongoing reforms and, accordingly, delay in the adoption of certain initiatives and decisions, and possibly their deliberate blocking by government bodies;
- shortage of professional personnel with high-quality knowledge and experience in the financial autonomy of universities;
- limited or untimely financing of projects related to the implementation of the Strategy.

## **2. Monitoring the implementation of the Strategy**

Monitoring and evaluation of the Strategy implementation process will be carried out annually by the state authorized body in the field of education. This will allow us to proactively eliminate possible deviations from the goals and objectives of the Strategy and make the necessary adjustments to action plans.

## **3. Financial and other resources for the implementation of the Strategy**

For the implementation of the Strategy in 2024-2025, funds allocated by the international project Erasmus+ will be allocated within the limits of the funds provided for the relevant stages of implementation, implementation and development of financial autonomy of universities, and in the future it is possible to attract funds from other sources that do not contradict the legislation of the Kyrgyz Republic.