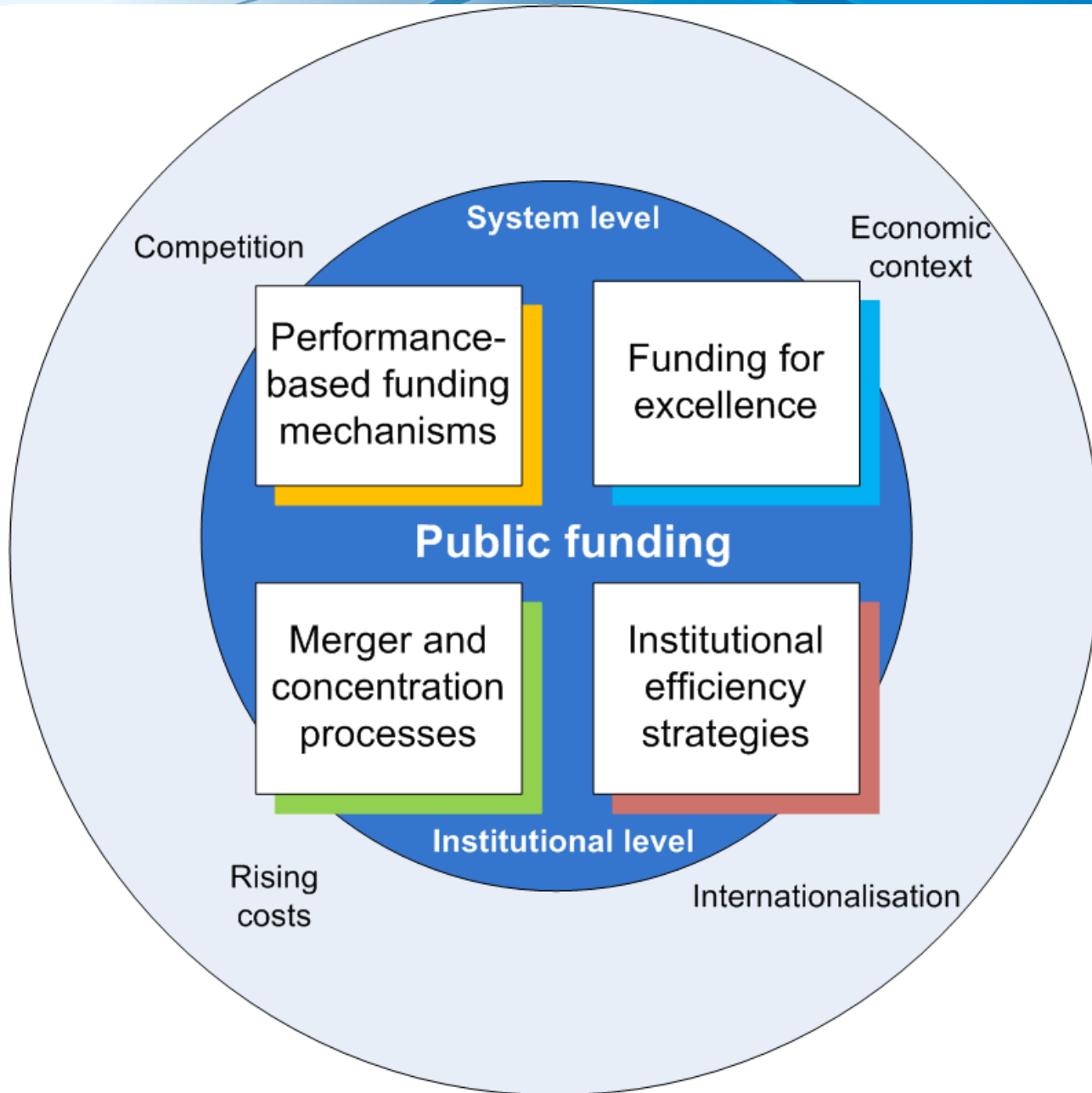


Designing Strategies for Efficient Funding of Universities

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2nd EUA Funding Forum
University of Bergamo, Italy
9 October 2014



DEFINE PROJECT STRUCTURE

CONSORTIUM: EUA – CIPES – OXFORD – CBS – AALTO – FAU

ANNUAL PUBLIC FUNDING OBSERVATORY

PERFORMANCE-BASED FUNDING

MERGERS AND CONCENTRATION PROCESSES

FUNDING FOR EXCELLENCE

EUROPEAN MAPPING EXERCISE

COUNTRY PROFILES

INSTITUTIONAL EFFICIENCY STRATEGIES

CASE STUDY

CASE STUDY

CASE STUDY

FOCUS GROUP 1

FOCUS GROUP 2

FOCUS GROUP 3

2ND FUNDING FORUM

THEMATIC REPORT

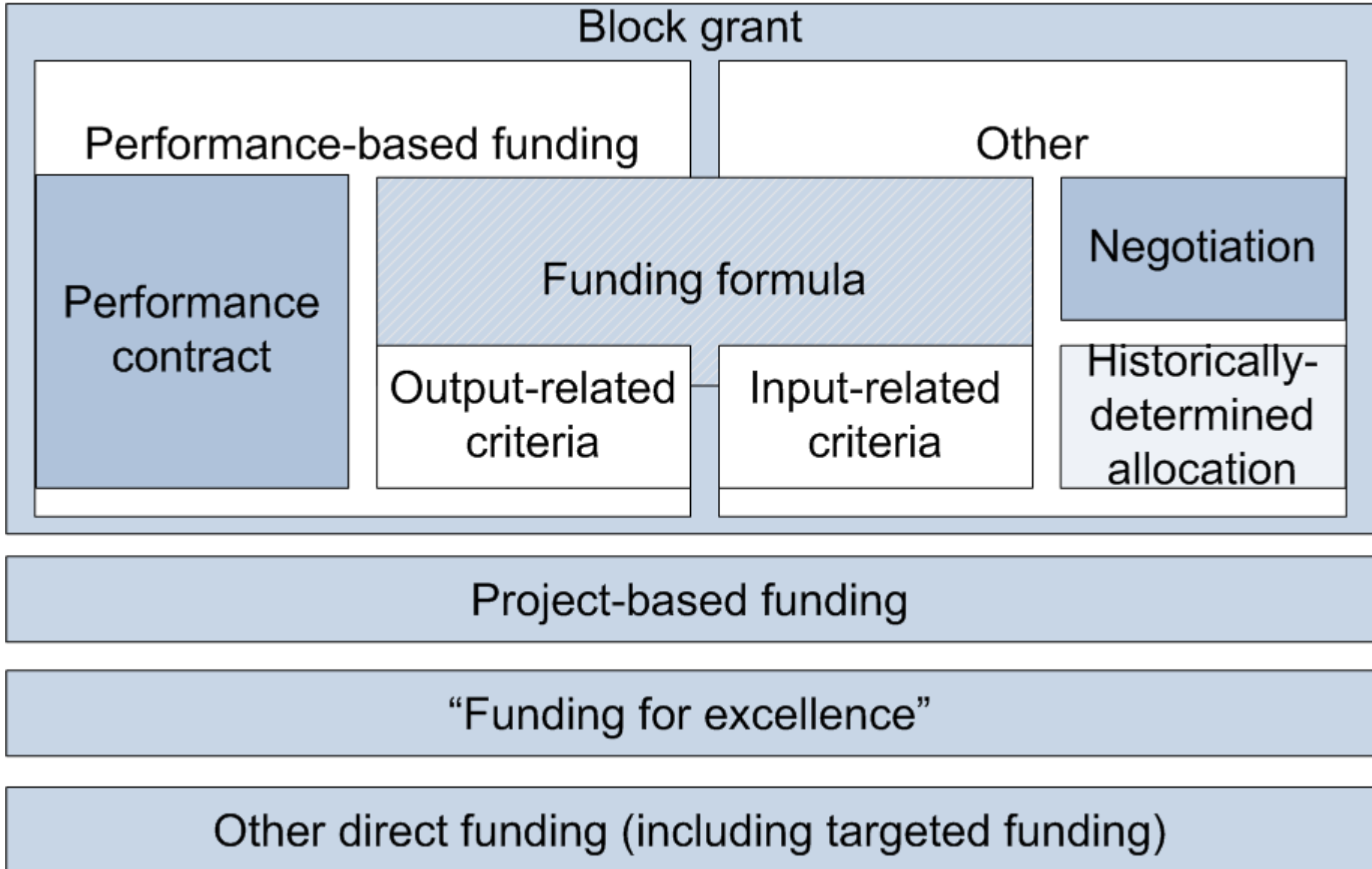
THEMATIC REPORT

THEMATIC REPORT

COMPARISON WITH HEALTHCARE SECTOR

FINAL PROJECT PUBLICATION & PRACTICAL TOOLS (FUNDING PLATFORM)

Public funding modalities



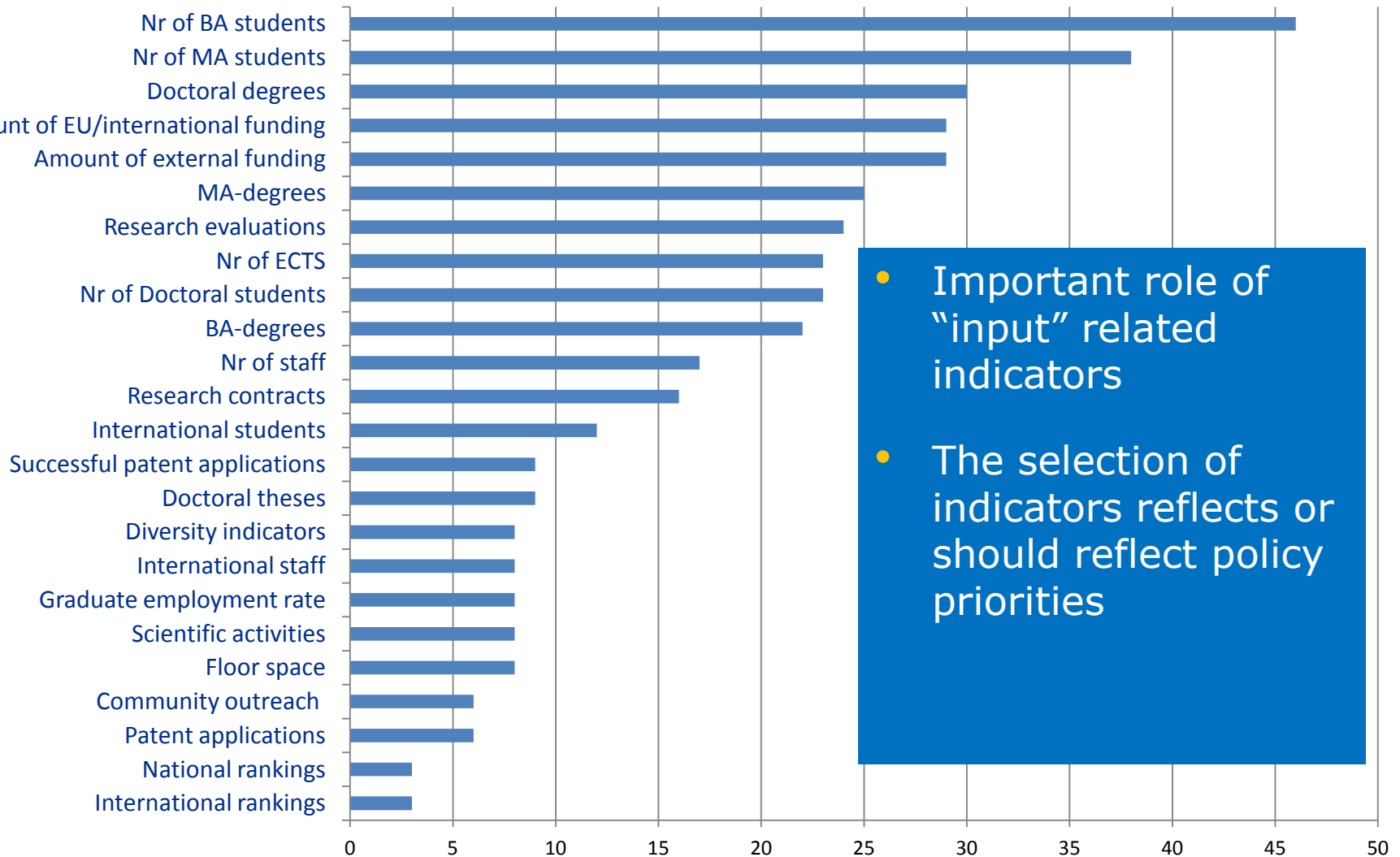
Understanding Performance-based funding

- Different understandings across Europe
- DEFINE focuses on the following:

Two modes

- **“Output-related” indicators in funding formula:** e.g. degrees awarded, research contracts obtained etc.
- **Performance/development contracts, target agreements** between universities and public authorities

The importance of indicators in funding formula



- Important role of "input" related indicators
- The selection of indicators reflects or should reflect policy priorities

Introduction & evolution of funding formula

- Often introduced in the **1990s** and in **the 2000s**, usually with revisions and adaptations since then
- May concern **only** the allocation of **teaching** funding
- **Considerable disparity** as to:
 - ✓ the share of public funding allocated via the formula
 - ✓ the weight of output criteria
- **Caps / scaling factors** are often used (to keep in check growth of student numbers/credits awarded)
- **Thresholds/adjustments/moderating mechanisms**: especially at introduction stage to avoid creating losses
- A few systems introduced funding **cuts** within the formula (value of indicators)

Some risks linked to performance-based formula

Formula characteristic	Risk
Study completion criteria	Decrease in quality and standards to speed up completion
Contract research criteria	Favouring of applied research to the detriment of high-risk & blue sky research
Bibliometric criteria	Disadvantage for humanities; decrease in research quality due to slicing of papers; favouring of research/publishing over teaching
Model with few indicators applied to allocate main share of public funding to all HEIs	Specialisation and convergence of HEIs towards political priority areas + reduction of diversity in the system; strong steering effect might interfere with institutional autonomy

Performance contracts

Impact on funding

- **Different types** of contracts and levels of significance (share of overall public funding) introduced in the last decade
- **Often limited impact** on funding
- **Clear impact** on future funding allocation in few systems

However:

- Complementarity with **funding formula** → reinforcing/mitigating effects
- Potential high impact on **governance & internal management**

How performance-based is your funding system?

	Funding formula		Performance contract	
	Primarily input-oriented	Primarily output-oriented	With impact on university funding	With no significant impact on university funding
Main mechanism	BB, BE-fr, CZ, HE, HU, IE, IS, LV, NL, PT, RO, SE ²	BE-fl, DK, England, EE ¹ , FI, NO	AT	N.A.
Minor mechanism	PL	FR, IT, NRW, SE ³	FR, HE, IE ¹ , NL, PT	BB, DK, IS, LV, NRW

¹ in transition

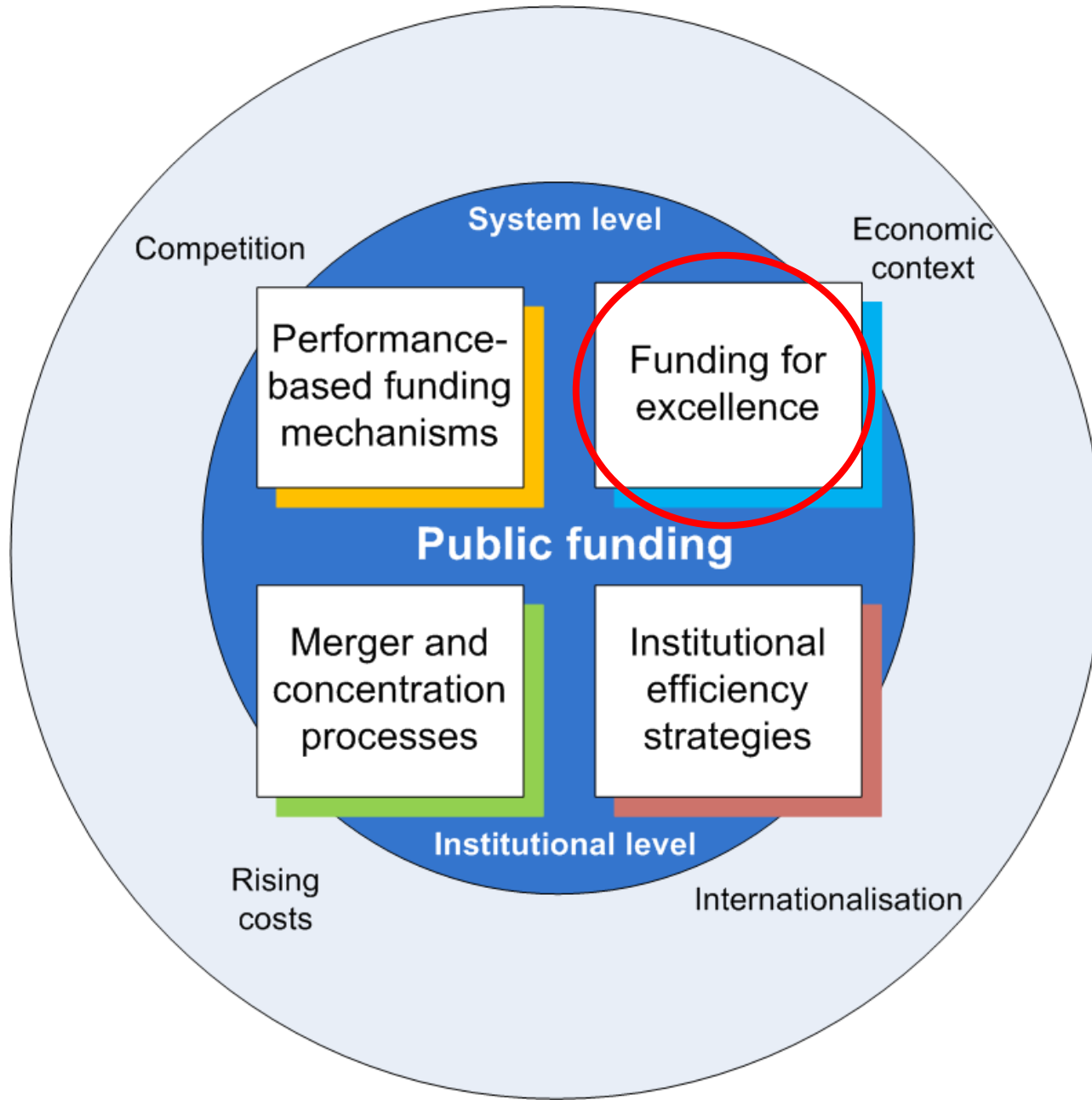
² Teaching funding only ³ Research funding only

Key messages for policy makers

- Be **clear** about the aims and **purpose** of the measure (redistribution or steering; main or additional funding mechanism)
- Evaluate which **aims** can be best achieved through which **measure** (input/output indicators; performance contract)
- Consult with the sector on the choice of **indicators / objectives**
- **Minimise administrative effort** for the measurement and generation/collection of data
- Watch out for **conflicting goals** and indicator
- **Avoid indicators** on which **HEIs have little influence** (e.g. graduate employment rate)
- Evaluate possible **unintended effects** and impact

Key messages for universities

- Get involved in the design of the scheme and coordinate among HEIs to voice opinion (→ NRC)
- Identify your priorities & develop an institutional strategy
- Establish strong internal QA mechanisms and foster quality culture
- Set up internal funding allocation schemes based on institutional priorities (may differ from the external one)
- If applicable, try to align the performance contract with your institutional priorities



Funding for excellence: objectives

“Funding for Excellence” primarily aims at improving the visibility and competitiveness of the system in an international context

Objectives

Enhancing the competitiveness of the system’s research landscape in the context of international competition

Restructure the HE/research landscape

International visibility of the research system

Improvement of the system and related quality objectives

Internationalisation

Improvement of the HEIs’ positions in international rankings

Types of mechanisms to fund excellence

Mechanism	Country
Strategic restructuring	DE; FR
Centres of excellence	FI; NO; PL; SE
Embedded in core funding	UK
Included in regular competitive funding	DK; NL
New institutions	AT; FI
Infrastructure	ES

“Size” of excellence funding

Country	Funding	Timeframe
DE	<3 billion €	5 years
FR	>7 billion € in capital grants	For development over 10 years
AT	Ca. 1 billion € federal funding to Institute of Science and Technology	Over 10 years
FI	Ca. 500 million € commitment to Aalto University	Over 5 years
BE	Ca. 300 million €	Over 10 years
SE	Ca. 200 million	Over 10 years
NL	120 million €	In 2013 (no timeframe info)
PL	73 million €	Distributed in 2013 for 5 years project funding
CZ	<20 million € in one round	For 5 years project funding

System level impact

Excellence schemes may have the following effects:

- **Restructuring effects** of large excellence schemes
→ reputational, financial and qualitative differentiation among HEIs
- **Regional inequalities** (DE, FR)
- **Convergence effect:** development towards one model of HEI vs. **specialisation in “niches”**

Areas of impact at institutional level

- Research capacity
- (Research) Administration/Management
- Internal funding allocation
- Institutional reputation
- Institutional attractiveness towards staff and students
- Recruitment of staff
- Collaboration with external partners
- Interdisciplinarity
- Other areas, if specifically targeted in the funding scheme



Need to be considered when designing the scheme

Key messages - policy makers

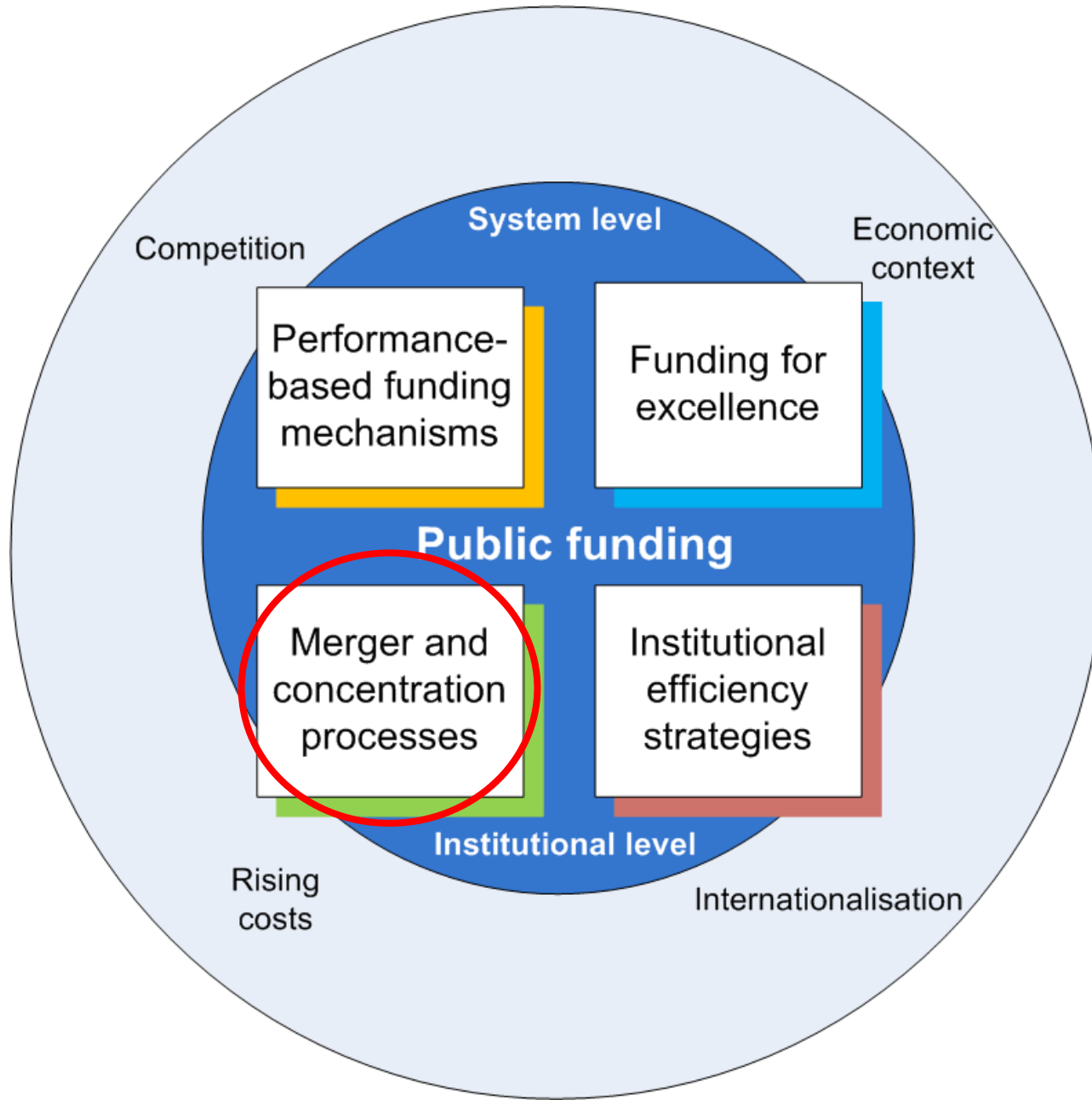
Policy makers should consider:

- ... the potential **systemic as well as institutional impact** when designing the scheme
- ... excellence schemes as **additional funding**
- ... seeking **synergies** with other funding mechanisms
- ... the need for **flexibility** to pursue scientific goals
- ... mechanisms to better take account of **interdisciplinary applications**
- ... an **exit strategy** for the end of the scheme

Key messages - university leaders

University leaders should consider:

- ... **administrative costs** and assess them against expected gains
- ...potential **unintended effects** at institutional level & the **possibilities to mitigate** those:
 - ✓ Institutional strategy to assess priorities
 - ✓ Internal redirection of resources
 - ✓ Internal excellence scheme with criteria according to own priorities
- ...establishing an **exit strategy** for the institution when excellence funding comes to an end



Types of merger & concentration processes

- **By depth of integration:**

- **Mergers:**

- Large-scale, high profile mergers
- Absolutions of small institutions

- **Clustering:**

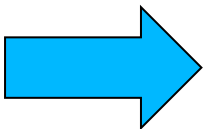
- Around 'hub' universities
- Of complementary institutions

- **Other types of concentration processes:**

- Alliances, consortia, strategic partnerships...

Expected benefits of mergers

- Enhanced national and international profile / attractiveness
- Expanded opportunities for teaching and research cooperation
- Stronger negotiating position with authorities / partners
- **Economies of scale**
 - ✓ More public funding
 - ✓ Rationalisation of academic course offer
 - ✓ Potential to enhance research income
 - ✓ Staffing efficiencies (long term)

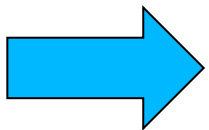


Not always achieved and difficult to plan

Financial aspects of mergers

Difficulty to calculate costs due to:

- Breadth of effects
- Timescale
- Unexpected challenges in merging process (financial, managerial, HR etc.)
- Association of costs to the merger process
- Too short a time span to evaluate full economic impact



A cost analysis is rarely ever undertaken, neither before nor after a merger

Mergers & concentration processes from a systemic perspective

Mergers / clustering

Motivated by / in line with system restructuring

No link with system restructuring

No significant concentration process

BE-fl, BE-fr, DK, FI, FR, IE, Wales

EE, SE, England

AT, CH, CZ, DE, ES, IT, TR

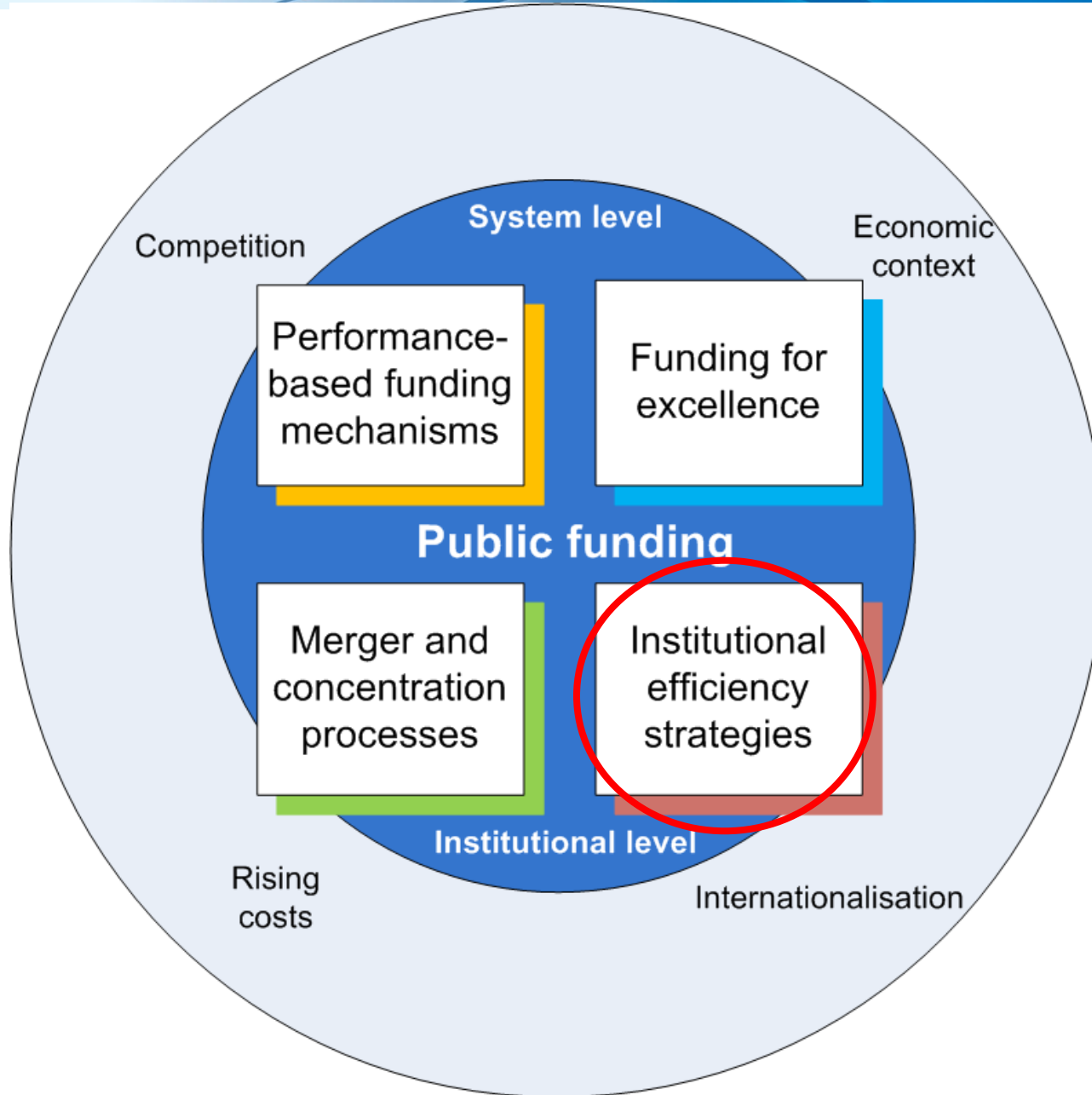
Key messages - system level

Need for:

- **institutional autonomy**
- an **enabling regulatory framework**
- **financial support** for universities that wish to merge / cooperate more closely in some areas

Key messages - institutional level

- Put forward the **academic purpose** motivating the merger (financial reasons should not be the main driver)
- Evaluate **implementation costs**
- Examine **alternative concentration / collaboration processes** and consider the possible result in relation to costs
- Commit the **leadership** and adopt a **management plan**
- Develop an internal and external **communication strategy** and foster **transparency** to keep all staff on board



Other ways to increase efficiency

- Several measures in place at institutional level in all systems, but not necessarily **framed** as efficiency measures (except for UK)
- Often linked to **collaboration among HEIs** in various fields of activity and management
- Some case studies exist, but no comprehensive mapping at European level

Types of efficiency measures

Collaboration between HEIs and/or with other bodies:

- Shared services
- Joint procurement
- Asset sharing
- Estates management



- Process improvement
- Changes to teaching and academic practice



- Restructuring
- Organisational and workforce changes
- Financial management/Full costing



Ways to pro-actively increase efficiency at institutional level

Key messages - system level

- **Need for institutional autonomy** to enable HEIs to implement operational efficiency measures
- **Need for support** by public authorities, funders
- Policies fostering **competition** among HEIs can **undermine** collaboration
- Need for **consultation with the sector**
- Need to respect **institutional diversity**

Key messages - institutional level

- Need for **strong management and leadership**: notably in decentralised institutions
- Need for **mutual trust** among collaborating HEIs and other partners
- Need for **pro-active engagement** and collaboration among HEIs to foster ownership

EFFICIENT PUBLIC FUNDING MODELS NEED.....
... sufficient and sustainable core funding

... a long-term perspective when designing funding models taking into account a **suitable funding mix**

... a holistic view and consideration of potential **unintended effects** at system as well as institutional level

... an evaluation of the funding context and regular monitoring

... continuous consultation with the sector

... need to be transparent and understandable for all actors

EFFICIENT PUBLIC FUNDING MODELS NEED.....

... to enable universities to develop **their own strategies** to deal with changes in funding → **autonomy**

... incentives and support to stimulate **efficiencies at institutional level**

... to keep **admin procedures** as **simple** as possible and **consider** the **implementation costs**

... **evaluation** of effects and costs (including administrative costs) with an **impact assessment** at system and institutional level

... **adaptation** in a balanced way

Next steps in the DEFINE project

1. Public Funding Observatory Edition 2014 – released tomorrow!
2. Thematic Reports (winter 2014/2015)
3. Merger Tool
4. Funding Platform
5. Country Profiles
6. Final Publication (spring 2015)

Thank you and
enjoy the
conference!

EUA FUNDING FORUM

9-10 October 2014, Bergamo, Italy

Strategies for sustainable funding of universities



For a more detailed analysis: DEFINE final report, spring 2015
www.eua.be/define