Designing strategies for efficient funding of higher education in Europe

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Introduction

Traditional funding patterns for higher education and research are changing across Europe, as a response to societal and economic developments. In a context of enhanced competition for public resources, funding efficiency in large sectors such as higher education, in which Europe relies heavily on public support, is becoming a more pressing objective.

Public authorities are eager to get more for the money invested in universities. Since 2008, the economic situation of many European countries has significantly deteriorated, and authorities are often expecting more outputs with less money. Apart from steering universities through funding modalities, many systems engage in some degree of restructuring the higher education system in order to rationalise costs, increase visibility and altogether boost international competition.

The present analysis is part of EUA’s ongoing DEFINE project on funding efficiency in higher education, which seeks to provide data and recommendations supporting the development of strategies to increase the efficiency of funding. It will contribute to the improved design and implementation of higher education funding policy and thereby to enhanced funding efficiency in the sector. The project findings will feed into higher education funding policy development at national and European level and support universities in responding to these changes.

The study in particular examines the interplay between pressure and influence coming from the system level (mainly via public authorities) and action taken at institutional level in relation to public funding modalities, restructuring and efficiency measures.

Evidence shows that the relative influence of these two levels differs according to the measure considered. While calibrating funding mechanisms is a tool in the hands of public authorities, merger and concentration processes can equally be driven by the universities themselves. The implementation of efficiency measures can be the outcome of both internal drivers (at institutional level) and external drivers.

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Figure 1 Interaction between system and institutional levels

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1 The DEFINE project is run by EUA in collaboration with CIPES, the Centre for Research in Higher Education Policies (PT), and the Universities of Oxford (UK), Aalto (FI) and Erlangen-Nuremberg (DE), and the Copenhagen Business School (DK). It is co-funded by the European Union under the Lifelong Learning Programme.
Methodology

The present analysis is based on several rounds of consultation with 24 national rector’s conferences over 2012-2013. The main element of this consultation, which provides the basis for this report, is a questionnaire for which 22 countries\(^2\) provided data. The aim of the questionnaire was to find out more about the use made of the following three funding efficiency measures in the different higher education systems in Europe: performance-based mechanisms, institutional mergers and excellence schemes. The responses of the national rector’s conferences have been analysed and will form the basis for follow-up interviews in 2014.

### Countries included in the analysis

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*Greece and the United Kingdom could not, at the time of writing, respond to the above-mentioned questionnaire (these countries, however, provided data in the first consultation round). The analysis will be further enriched with their data as well as that of other systems, including Switzerland, throughout the lifetime of the DEFINE project.

The EUA-HUMANE joint seminar, organised at the University of Aveiro from 22 to 23 November 2013, has also provided further input. The seminar gathered about 60 university leaders and senior managers from 18 European countries.

This first report presents an overview of the main preliminary findings on the following aspects:

- Income structure of universities and public funding modalities;
- Merger and concentration processes in the higher education sector;
- Excellence schemes;
- Efficiency measures at institutional level.

The second phase of the DEFINE project, in 2014, will focus on qualitative data collection via the organisation of thematic focus groups, gathering university practitioners with experience in the topics listed above. Thematic reports will be made available in conjunction with these events. Findings will be summarised and presented at EUA’s second University Funding Forum (Autumn 2014). Further information on the DEFINE project is available on EUA’s website: [www.eua.be/define](http://www.eua.be/define)

\(^2\) 22 countries representing 23 systems – both Belgian systems (Flemish and French-speaking communities) are included in the analysis. The German Rectors’ Conference (HRK) provided country-wide average data.
Glossary

**Additional income/funding streams:** all sources other than direct national/regional public funding and student financial contributions are considered in this report as “additional funding streams” or “additional income sources”. It includes income generated from contracts with the private sector (both research contracts and education-related activities), philanthropic funding, income generated by the provision of services (consultancy, rental of facilities, residences, catering, libraries, museums...) and income through financial activities. It also considers efficiency measures.

**Block grant:** financial grants meant to cover several categories of expenditure such as teaching, ongoing operational costs and/or research. Universities are responsible for dividing and distributing such funding internally according to their needs (the flexibility may be curtailed by minor restrictions).

**Co-funding:** funding for which the main funder requires the beneficiary institution to raise a proportional amount of the full cost of the activity or project being funded, from its own budget or another public or private source.

**Competitive funding:** funds allocated to institutions through competitions following applications (proposals) submitted to a competitive selection process. These funds are usually attached to a project or are targeted towards the achievement of specific objectives or priorities defined by the funder.

**Full costing:** the term “full costing” refers to the ability to identify and calculate all direct and indirect costs of an institution’s activities including projects.

**Funding formula:** algorithm based on standard criteria to calculate the size of public grants to higher education institutions for teaching and/or ongoing operational activity and, in certain cases, research. Criteria include input components and/or performance indicators.

**Income diversification:** generation of additional income (through new or existing funding sources) that contributes to balancing the income structure of the institution.

**Indirect costs:** costs that have been incurred for activities, but which cannot be identified and charged directly to each individual activity. A similar term is “overhead”.

**Philanthropic funding:** funding obtained from foundations, corporate donors, or individuals acting independently from government and for the public benefit by supporting the university’s activities through grants or non-financial means (donation of land, buildings…) or by operating their own programmes.

**Project-based funding:** universities apply for funds and the application is estimated on the basis of meeting the set of criteria and/or on the basis of competition between other institutions.

**Student financial contributions:** a generic term including both “tuition fees” as annual contributions paid by students to cover all or part of tuition costs in higher education; and “administrative fees”, as contributions of students to different administrative costs (entrance fees, registration fees, certification fees).

**Targeted funding:** funding earmarked for the achievement of specific goals set by the public authorities. It may be allocated through competition or directly attributed to the university. Co-funding requirements may apply.
1. Funding of higher education institutions

The European University Association’s work on the financial sustainability of universities has previously focused on the opportunities and challenges associated with the attraction of diverse income sources and the development of adequate financial management tools (such as full costing). EUA has also set up the EUA Public Funding Observatory to monitor the development of public funding trends throughout Europe. This report, in turn, primarily addresses evolutions in the ways public funding is delivered to universities and how public authorities seek to calibrate these modalities to improve funding efficiency in the system. Early observations show that, while some funding tools are widely used in the countries considered in the analysis, they tend to cover different realities, thus making comparisons challenging. “Performance-based funding” is a notable example in this regard. European countries use performance-related elements in their funding systems via different mechanisms, mainly through funding formulae or via so-called “performance contracts”.

1.1. Income structures

Public authorities continue to be the primary funder of Europe’s universities

In the countries for which system averages are available, public funding represents between 50% and 90% of the universities’ income structures. There have often been significant changes in the modalities through which public funding is delivered (see below). In addition, one should bear in mind the important cuts made in the budgets for higher education and research in a number of countries over the period 2008-2012 and ongoing in 2013, which are described in EUA’s Public Funding Observatory. In 2012, 13 countries had lower public funding available to higher education institutions than in 2008 (taking inflation into account). Given the importance of this funding source for universities, changes in both the nature and overall amount potentially have the greatest effect on universities’ long-term financial sustainability.

European countries fall into two groups when considering tuition fees as an income source

Tuition fees represent typically around 5% or less of the universities’ income in the Nordic countries (Iceland, Norway, Sweden, Finland, Denmark), as well as in Austria, Belgium (both systems), the Czech Republic, France and Germany. Estonia is in the process of reforming its system and has essentially abolished tuition fees as of the academic year 2013/2014 for students completing the curriculum requirements (i.e., earning 30 ECTS credits per semester).

A second group, where tuition fees typically represent around 10% or more of the universities’ average income, and as such constitute the most important income source after public funding, includes Hungary, Ireland, Italy, the Netherlands, Latvia, Poland, Slovakia and Spain, as well as the United Kingdom. Because of the relative importance of tuition fees in the average income structure of universities in these systems, variations of that income source can significantly affect the financial structure of universities. It is also important to note that effects can be immediately felt by institutions, as increases, decreases or even
abolition of this income source may be decided externally (by public authorities) in a number of countries.

**Other income sources are becoming an important strategic asset for universities**

In a context of increased pressure on public funding, generating additional income from other sources is perceived by universities as more and more necessary for their long-term financial sustainability. Here we consider income generated by research contracts and provision of services (such as renting of facilities, catering services, consultancy, etc.), philanthropic funding, and when possible, European funding. It should be noted that European funds are not always identifiable in the universities’ income structure; this may be for instance the case of structural funds, which are delivered by the national or regional authorities, and may be thus labelled as national/regional funds. Overall, these types of additional income sources exceed 10% of the average universities’ income in most systems. A worrying trend though is that in some countries, national authorities tend to perceive European funds as a mechanism to compensate decreases in national public funding for the sector. This is problematic, not only because of the significant amount of co-funding required, but also because European funds are allocated on a competitive basis – success in the competition requires institutional capacities and resources that in turn depend on financial means.

1.2. Public funding modalities

**Public funding comes in many forms**

In most systems public authorities distribute funding to universities through block grants, a welcome evolution from the tight line-item budget system, whereby the funder pre-allocates funding to certain cost items or activities. The overall amount of the block grant may be determined in different ways though, through negotiation, on a historical basis, or via a funding formula. Often these elements are combined, meaning a part of the block grant is negotiated, another part might be determined on a historical basis and again another part via a funding formula. The importance of these different elements in determining the overall amount of the block grant varies across the systems.

Public funding is also delivered increasingly through competition, notably for research. Finally, other direct funding mechanisms also exist, such as targeted/earmarked funding for specific purposes, which may be allocated on a competitive basis, such as the Strategic Innovation Funding in Ireland, established as a mechanism for institutional restructuring and modernisation. Such funding may also be allocated directly to institutions (non-competitive): this is the case for the Higher Education Innovation Funding scheme in the United Kingdom, which focuses on knowledge exchange, or the “Successful Bachelor degrees” plan in France, which funds concrete measures aiming at improving the overall success rate in Bachelor degrees (e.g. individual supervision, new teaching methods).
**European countries use a great variety of funding models**

Although formula-based block grants are the main way of delivering public funding in at least eight systems (where it concerns more than 50% of the public funding), negotiated block grants remain the most important mechanism in countries such as Austria, Germany or Spain. Most countries, however, have a mix of different allocation modalities and a first analysis shows a great diversity between countries.

In countries where funds for teaching and for research can be differentiated, formula-based funding appears to be the principal way of funding teaching, while for research activities universities receive their funds essentially through formula-based funding and competitive funding.

1.3. Performance-based funding

**Performance-based funding is a concept that is understood differently**

Performance-based funding is understood very differently across Europe. In many cases it is associated with formula-based funding, often without taking into account the “input” or “output” related nature of the criteria used in the formula. Competitive funding is also quite often associated with performance-based funding. A majority of systems consider their funding allocation mechanisms at least partially performance-based for teaching (via graduate-related criteria), with the most extensive case being Denmark (through its taximeter system to allocate funds for teaching), and partially or mainly performance-based for research, where indicators related to publications and external research funding are normally taken into account.

Performance contracts, whereby certain goals are agreed between the funder and universities are also associated with performance-based funding, although they do not always have a direct impact on funding.

**Input criteria top funding formulae, output criteria gain ground**

Where funding formulae are used to calculate the block grants received by universities, they are largely dominated by input-oriented indicators, namely student numbers (at Bachelor level, then at Master level). The corresponding output-oriented indicators (number of Bachelor and Master degrees), are used less frequently/have less weight. It is interesting to note the importance of some output-oriented criteria, which are usually linked to research output: doctoral degrees, international/European funding and external funding are considered the most important criteria, followed by teaching-related output criteria of Master and Bachelor degrees and ECTS points. Other commonly used output indicators are research evaluations and research contracts.
Policy priorities find their way into funding formulae

Current important policy priorities like internationalisation and mobility aspects are also present in funding formulae in several systems. Universities in some systems are for example rewarded for their internationalisation strategies. Amongst the most commonly used indicators in this regard are international funding, as described above, the number of international students and, to a lesser extent, the number of international staff. Denmark for instance uses an “internationalisation taximeter”, granting the Danish universities a fixed amount per outgoing and incoming student. Finland takes account of the universities’ international teaching and research personnel in its funding model, and all internationalisation-related criteria (including competitive international research funding) count for 9% of the public funding.

Criteria linked with external funding should be used with caution

External funding, which may be acquired through research contracts with private partners, EU funds, or other types of competitive funding or philanthropic sources, appears as quite a frequent indicator included in the funding formula, which in turns sets the value of the core funding that the university receives. Creating a direct link between external funding and core
funding may be used as an incentive for universities to actively develop partnerships, and strengthen income diversification strategies. However, if this incentive is used, it needs to take account of the fact that external funding often only offers partial coverage of costs. Universities then need to bridge the gap with their core resources. For it to be a sustainable mechanism, an increase in external funding obtained by the university needs to be coupled with a growth of the formula-based block grant to cover the co-funding. Reduced core resources will create additional barriers for universities to successfully obtain external funding because of a lesser capacity to bridge the associated funding gap.

**Universities do not have the capacity to directly influence their “score” for certain criteria**

This is especially the case when criteria related to graduate employability are used (for example in Finland or Italy), and the quality of the teaching provided at the institution is only one of the determining factors. The institutional influence on student numbers may be limited by central regulation in some systems; legal provisions may also for instance hinder the capacity to attract international staff. More broadly, external factors such as the system-level regulatory frameworks, the general economic context, and the local environment or community in which the university develops its activities may have a stronger influence on the university’s score for some criteria than the university itself.

**Public authorities and universities enter into objective-setting contracts**

So-called “performance contracts”, whereby certain goals are agreed between public authorities and universities, are a common feature found in 15 of the systems considered in the study.

![Figure 3](image-url) Use of performance agreements in Europe

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These contracts have a clear impact on funding allocation for instance in Austria and in the Netherlands; elsewhere, however, direct consequences on funding appear limited. This is not to say that these contracts do not have an influence on other aspects, such as the university’s institutional strategy. The selection of objectives may be done in collaboration between the public authority and the individual university to foster institutional profiling.
2. Restructuring the higher education landscape

In many European countries, intense pressure is exerted on the higher education system to adapt to evolving economic and societal demands as well as to the “culture of excellence” necessary to operate in an increasingly internationally competitive field. Policy responses to these challenges take many forms; among the most visible, system-engineering ones, are concentration processes such as mergers. Another is institutional profiling, as it is increasingly acknowledged that some degree of differentiation among institutions is beneficial to the system. Some countries have made extra financial resources available to foster the emergence of excellence “hubs” with a view to enable these entities (whether institutions, clusters of institutions, or clusters of sub-institutional entities) to compete internationally. These processes are also driven by the objective of – and have consequences on – cost efficiency (economies of scale), and contribute to re-shaping higher education landscapes.

2.1. Mergers and concentration measures

University mergers are on the agenda of most countries

In almost all higher education systems included in the analysis, public authorities and/or universities are considering or taking steps towards merger processes. The extent and nature of these merger processes varies across Europe, with the deepest restructuring taking place in Denmark, Estonia, Finland and Latvia. In Flanders (BE), a large comprehensive concentration process resulted in the creation of “university associations”. Countries where mergers are not at least part of the main discussions in higher education are the exception – such as the currently expanding higher education system in Turkey.

Universities are often driving the process in collaboration with the public authorities

Cases where the merger processes are led primarily by the authorities, without a strong involvement of the sector, are few – it mostly reflects the recent situation in Latvia. Elsewhere, it is difficult to assess which of the partners, the universities or the public authorities, are in the driving seat. This varies also within systems and sometimes depends on the stage of the process (initiative – planning – implementation).

Public universities absorb other higher education institutions

The “rationalisation” of the higher education landscape often leads large public universities to absorb other higher education institutions – especially public, non-university institutions. This is notably the case in Flanders (BE), Denmark, Estonia, Latvia and Norway. Mergers involving exclusively public universities may be found in the French-speaking Community of Belgium, in Germany, Finland, France, Hungary, Poland and Sweden. Mergers of private institutions with public universities happen essentially in Belgium and in Estonia. Finally, cases of mergers involving research institutions and public higher education institutions are only reported in Denmark, with a single case in Germany and in Norway.
The prospect of economic gains is one of the main drivers of the merger process

Although motivations to merge institutions are many, rationalising funding allocation and making economic gains are often important drivers. The willingness to reinforce the visibility and consolidate the (international) position of the institution(s) also drives merging processes, along with an intention to enhance quality and reduce fragmentation in the system.

Financial aspects matter in the decision of universities to enter into other types of collaboration

In most systems, universities enter into collaboration and partnerships, in a more or less systematic way. Specific types of collaboration are considered here; university consortia, joint degrees, joint research and broader strategic partnerships. While the primary purpose of these collaborations is, rightly, related to the core missions of the universities (research for all these measures, and teaching as a main purpose for joint degrees), financial aspects appear to be an important consideration in all types of collaboration. Internationalisation comes ahead of financial reasons in the sphere of joint research.

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2.2. Funding for excellence

Public funding largely refers to “excellence” in Europe, but few large-scale, dedicated schemes support this

While it is common for the notion of “excellence” to be integrated in research funding, notably through competitive funding mechanisms, it is less often attached to broad restructuring processes. In this regard, Germany’s “Excellence Initiative” offers a benchmark against which other schemes can be compared. The French “Investment for the Future” scheme is partly modelled on the German example. Both initiatives are supported by large funds (4.6 billion euro in Germany, 3.5 billion euro in France) over a defined period (10 years in Germany). These schemes are multifold and reward not only research clusters but also institutional strategies; in Germany the scheme also funds the establishment of doctoral schools. Elsewhere, schemes are significantly smaller and typically address sub-institutional entities, such as laboratories, and usually require them to cluster or establish consortia.
“Excellence schemes” tend to focus on research and primarily aim at improving visibility and competitiveness of the system in an international context

Excellence in teaching is an objective addressed less often than excellence in research, where the perception of international competition is perhaps more acute. Beyond this, some countries make use of such schemes to foster system restructuring, notably through funding concentration. This is at least part of the rationale in the Scandinavian countries or in the Netherlands.

Successful universities benefit from better visibility and attractiveness but face financial and administrative burdens

Success in “excellence schemes” improves the university’s capacity to attract international staff and external funding and supports a certain degree of expansion of activities, while contributing to medium to long-term planning. Successful universities also find themselves in a better position to enter in (international) partnerships with other non-university partners. However, a commonly found drawback is the insufficient coverage of the indirect costs linked to the newly funded activities, which may trigger internal funding reallocation detrimental to other activities not labelled as “excellent”. Another challenge associated with successful bids relates to excessive administrative work which consumes time otherwise dedicated to research.

Restructuring effects of large “excellence schemes” may widen the reputational and qualitative gap among universities in a system

Unsuccessful universities may face a brain drain phenomenon, both in terms of staff and students. The development of the activities and competitiveness of these universities may also be hindered by the absence of additional funding made available to other players. A reputational, qualitative and financial gap may therefore grow as a (possibly politically intended) result among universities, creating a vertical differentiation in the system.
3. Efficiency measures

The preliminary findings suggest as well that the universities themselves contribute to shaping their environment, not only by adapting institutional behaviour to respond to the external pressures and incentive mechanisms set at system level, but also by actively seeking to improve efficiency at institutional level. Achieving efficiencies is indeed a topic high on the agenda in most higher education systems in Europe; by being proactive and embedding these aspects in their institutional strategies, universities can contribute to shaping action in this area. Cooperation among universities may help to drive costs down. Internally, universities are increasingly looking at process improvement, teaching practices, workforce changes, in order to improve efficiency and deliver “better value for money”. The overall picture reveals a very significantly diverse landscape in this regard.

**Regulatory frameworks strongly determine the capacity to implement efficiency measures**

In systems where universities do not benefit from significant autonomy, implementing efficiency measures may be more difficult, whether within the institution or through cooperation mechanisms. This is relevant for all dimensions of autonomy; organisational autonomy is necessary to create legal entities as appropriate or adapt academic structures in ways to foster synergies and lead to efficiencies. Financial autonomy is a prerequisite for efficient estate management (enabling the university to own its buildings). Academic autonomy makes it possible to combine or create new programmes in a sustainable way. Finally, autonomy in staffing matters allows the university to decide on positions and salaries. It is also worth noting that political objectives for the sector may be conflicting; when the funding model seeks to foster competition among institutions, it may hinder opportunities to collaborate.

**The degree to which a university is (de)centralised shapes the opportunities for creating efficiencies**

Highly decentralised structures, where faculties benefit from significant autonomy from the central university management, face a bigger challenge in terms of cost efficiency, as the steering capacity of the central university management is limited. In such cases, there is, however, scope for action at the level of streamlining processes across sub-institutional units. There is also a case for sharing infrastructures, including IT services, as well as launching a common procurement process at the level of the institution. Centralised institutions have most of these elements dealt with by the central university management and can therefore save costs through economies of scale.

**Collaboration in the sector is sometimes driven by external pressures or incentives**

Situations vary in Europe; sector collaboration may be the initiative of the universities themselves, or the impulse may be given by the public authorities. Institutions work together to secure additional money from specific funding schemes or to obtain large research infrastructures. Sector-level procurement is also a mechanism used in certain countries, notably in the case of large projects. This type of collaboration raises specific challenges, however, in particular in relation to the capacity to agree on the specific terms of reference. In some countries, dedicated agencies are set up for that purpose exclusively, although institutions are not obliged to use their services. This is important as regards the possible
tension between achieving economies of scale on the one hand, and preserving some flexibility in the system on the other hand. Collaborative contracting with external providers seems most widespread in the area of maintenance services (IT services, security, catering); it seems there is ground for further collaboration in other fields.

Success factors: mutual trust, leadership commitment and cost transparency

Internal pricing of resources may help to create awareness among users in the university as well as among external partners; this contributes to overcoming the “low cost” culture around university research, as well as to generating the necessary data to proceed to benchmarking across the sector.

The university leadership should be fully committed to the process and engage in effective communication with the university community to foster mutual trust. The timeframe and actions to be taken should be clear for all parties involved. It is also important that, when outsourcing services, all users can be assured that quality will be equal or superior to services previously provided.
4. Key messages

Funding modalities
- Public authorities, as the universities’ first and main funder, have a special responsibility in ensuring that their higher education system is financially sustainable over the long term. This includes providing a stable regulatory and financial framework for universities to fulfil their missions. It also means taking into consideration the possible long-term impact on universities of changes brought to funding modalities.
- Diversifying income sources is a way for universities to mitigate risks but this cannot replace nor compensate for declining public funding.
- Targeted funding mechanisms should not determine significant parts of the public funding received by universities; it should be preferably used for additional funding made available to institutions.
- Simplification should be a guiding principle for public funding mechanisms. The overall objective should be to strike the right balance between accountability and institutional autonomy and thus keep reporting duties to the necessary minimum in order not to create additional layers of bureaucracy taking up resources from universities.

Performance-based funding
- The inclusion of a “performance” dimension in funding formulae should be done and designed in full consultation with the sector to ensure the fitness for purpose of the selected criteria.
- The development of performance agreements with specific targets should be a joint process between universities and public authorities. This also applies to the selection of criteria used to measure the progress towards such targets, in order to ensure coherence with the university’s strategy and institutional profile.
- Public authorities are responsible for designing the “public funding mix” suitable for their system; however, a guiding principle should be simplification, in order to avoid overly burdensome and costly processes.
- Limiting the number of indicators may enable universities to focus and deliver better results.
- Attention should be paid to the challenges linked to the measurement of the indicators and the related need for generation of data.
- The extent to which it is in the universities’ capacity to act upon the selected criteria is an important matter to consider, in order to create the appropriate incentives. Where it appears that the universities’ influence is limited, a performance agreement without direct impact on funding might be more appropriate.
- Monitoring processes should be set up in order to fully assess the impact of the funding mechanisms on institutions, including possible unintended consequences and provide the possibility for adaptation.
Mergers and concentration measures
- Mergers are only one of the concentration and collaboration phenomena occurring in higher education. There is a whole range of concentration measures currently being experimented in Europe, including university consortia and strategic partnerships.
- Both mergers and concentration measures can be highly complex processes for which institutions need to receive adequate support.
- Public authorities tend to engineer such processes with a view to restructuring the higher education landscape.
- Although financial reasons are among the important drivers of concentration processes, they should not be the only motivation for such processes. Universities’ strategic objectives linked to their core activities should be the main focus of collaboration and concentration measures.

Excellence schemes
- Large-scale, system-shaping initiatives focusing on excellence remain the exception, although when resources are available, public authorities quite commonly set up funding schemes fostering the emergence of specific “excellence” clusters.
- When designing these schemes attention should be paid to the overall funding flows and the potential restructuring effects on the system.

Efficiency measures
- The capacity of universities to act strategically to increase cost efficiency depends at least partly on their degree of institutional autonomy and on their organisational structure.
- Policies aiming at enhancing competition in the sector can undermine collaboration processes seeking to achieve efficiencies.
- Economies of scale created by sector-level approaches should be balanced against the need for keeping a certain amount of flexibility in the system.
- Cost transparency helps to create awareness around the use of resources in the institution and helps to generate data for benchmarking in the sector.

Public authorities have many steering levers at their disposal to shape their higher education systems. It should, however, be kept in mind that measures such as performance-based funding, mergers and concentration measures as well as excellence schemes can also have unintended consequences at system as well as institutional level. In the coming months, EUA will release specific reports dedicated to each of the measures considered in the study and further explore their impact on higher education institutions.
EUA reports on university financial sustainability

EUA Public Funding Observatory annual reports and online tool:

Financially sustainable universities series:

- Towards full costing in European universities
  www.eua.be/Libraries/Publications_homepage_list/Financially_Sustainable_Universities_1.sflb.ashx

- European universities diversifying income streams
  www.eua.be/Libraries/Publications_homepage_list/Financially_Sustainable_Universities_II_-_European_universities_diversifying_income_streams.sflb.ashx

- Full costing: progress and practice
  www.eua.be/Libraries/Publications_homepage_list/Full_Costing_Progress_and_Practice_web.sflb.ashx
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