

European Universities Diversifying Income Streams

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Financial Sustainability

Identifying costs of all activities and projects

- "Towards full costing.."
- EUIMA - Full Costing

Diversification of income streams

- "EUDIS"

Sufficient and sustainable public funding

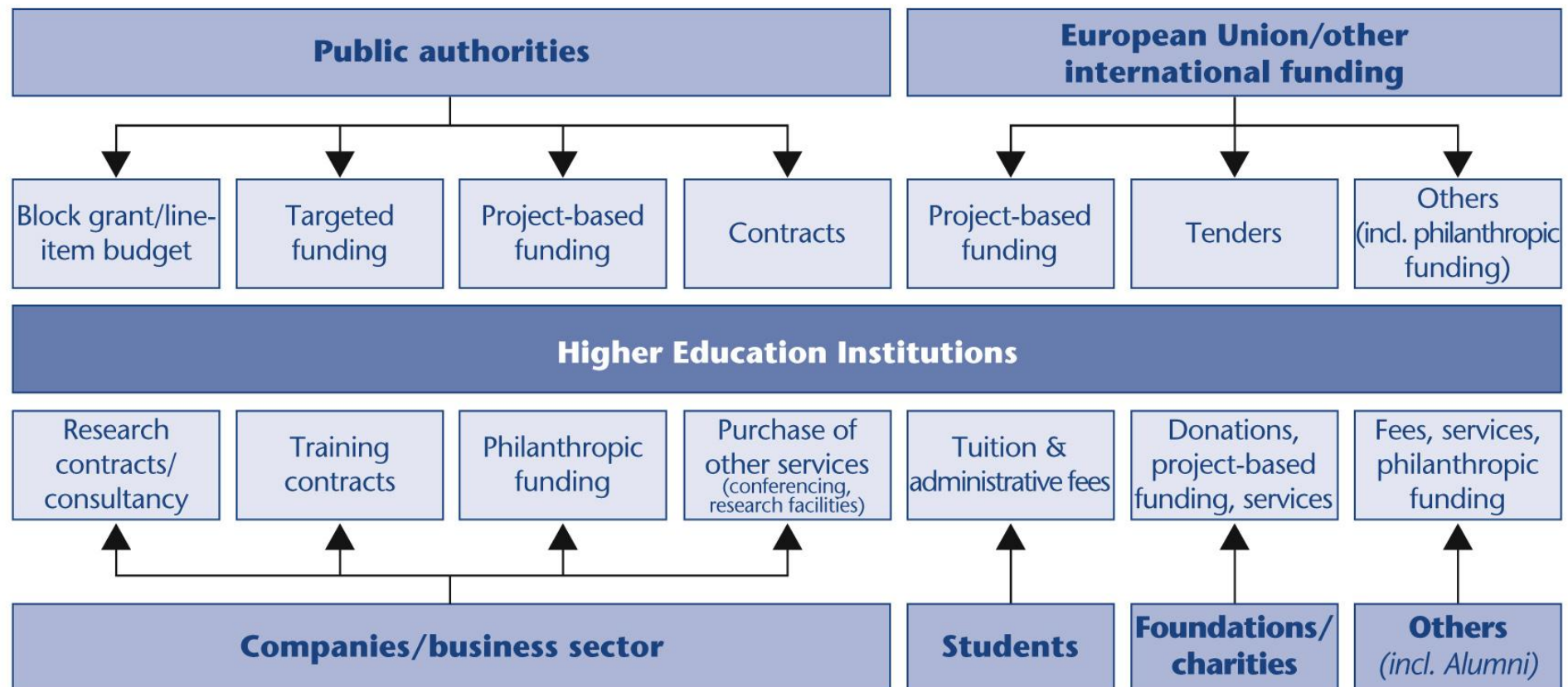
- Monitoring of the crisis

Universities
Funders
Public authorities

Income diversification

- Generation of additional income (through new or existing funding sources) that contributes to balancing the income structure of the

Income sources and funding modalities

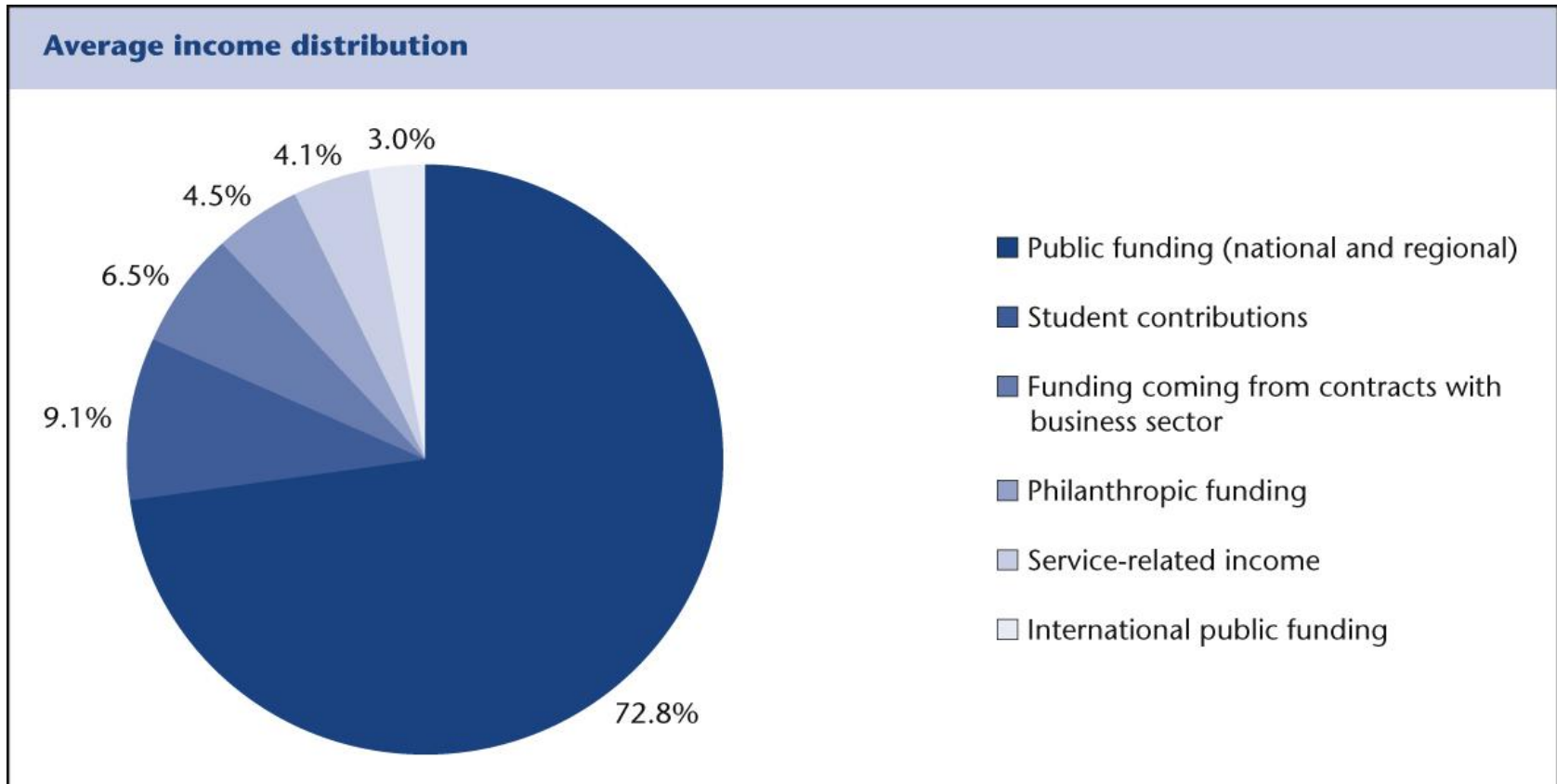


What drives institutions to diversify?

- General economic context
- Risk management and dependency on state funding
- Globalisation and Internationalisation
- Mission expansion
- Need for flexibility and “unconstrained” money
- Enhancing competitiveness

State of play

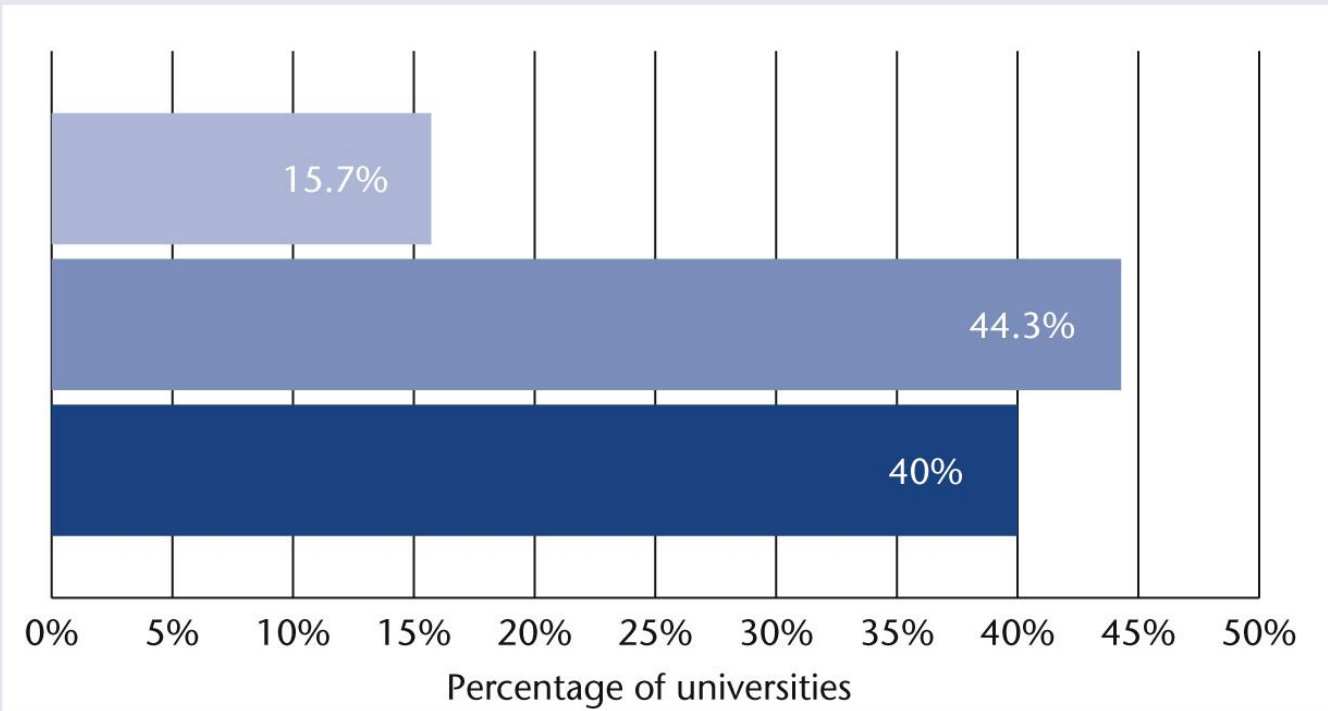
- On average, almost $\frac{3}{4}$ of universities' funding comes from public funding sources



Public funding trends and impacts

- Block grants and formula funding
 - Growing importance of output criteria
=> influences university's strategic choices
- Competitive funding
 - Increasingly relevant for universities
=> Requires universities to invest in their research support capacities
- Targeted funding
 - Authorities tend to cut in block grants and re-introduce targeted funding geared towards the achievement of specific objectives
=> restricts autonomy

Share of additional income sources over total income



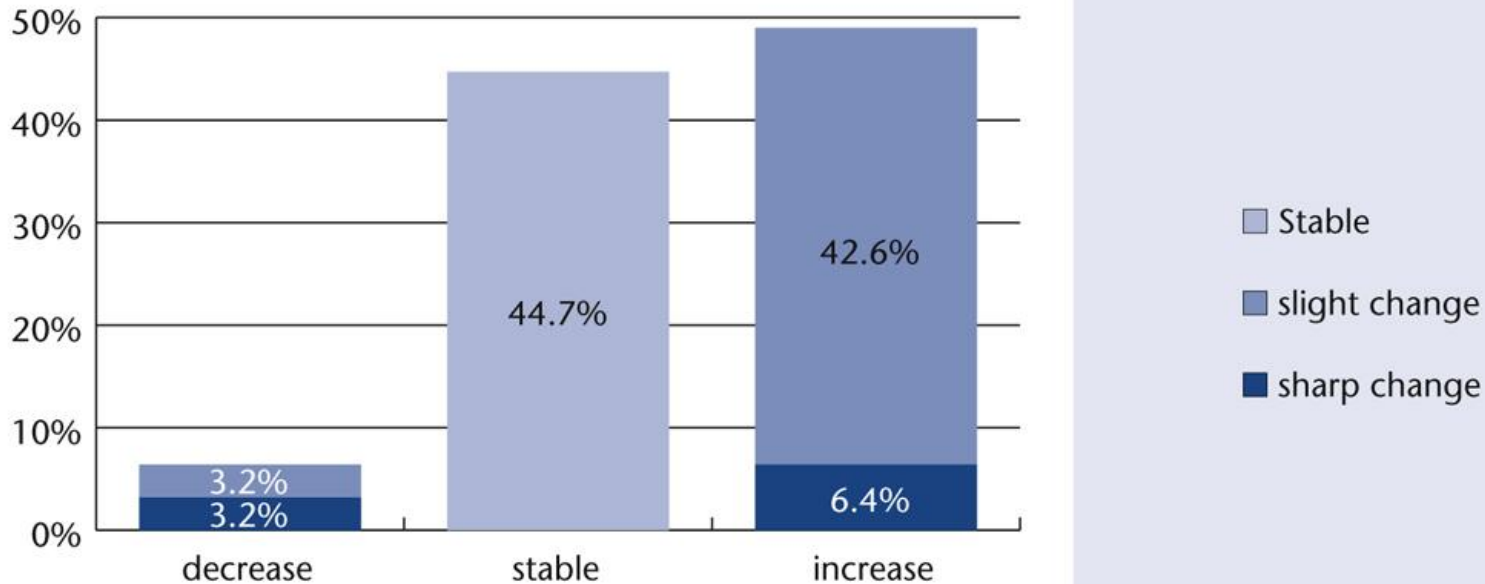
- Additional sources representing over 20% of total income
- Additional sources representing between 10% and 20% of total income
- Additional sources representing 10% or less of total income

Additional income streams

- **Contracts with the private sector: 5-7% on average but wide range (up to 25%)**
- **Philanthropic funding: 3-4% - importance of competitive funding from foundations**
- **Income-generating services: 4% - UK leader – facilities & catering; consultancy highest sources**
- **International public funding (mostly EU)**
- **Financial activities**

Funding challenge 1: Complex financial management

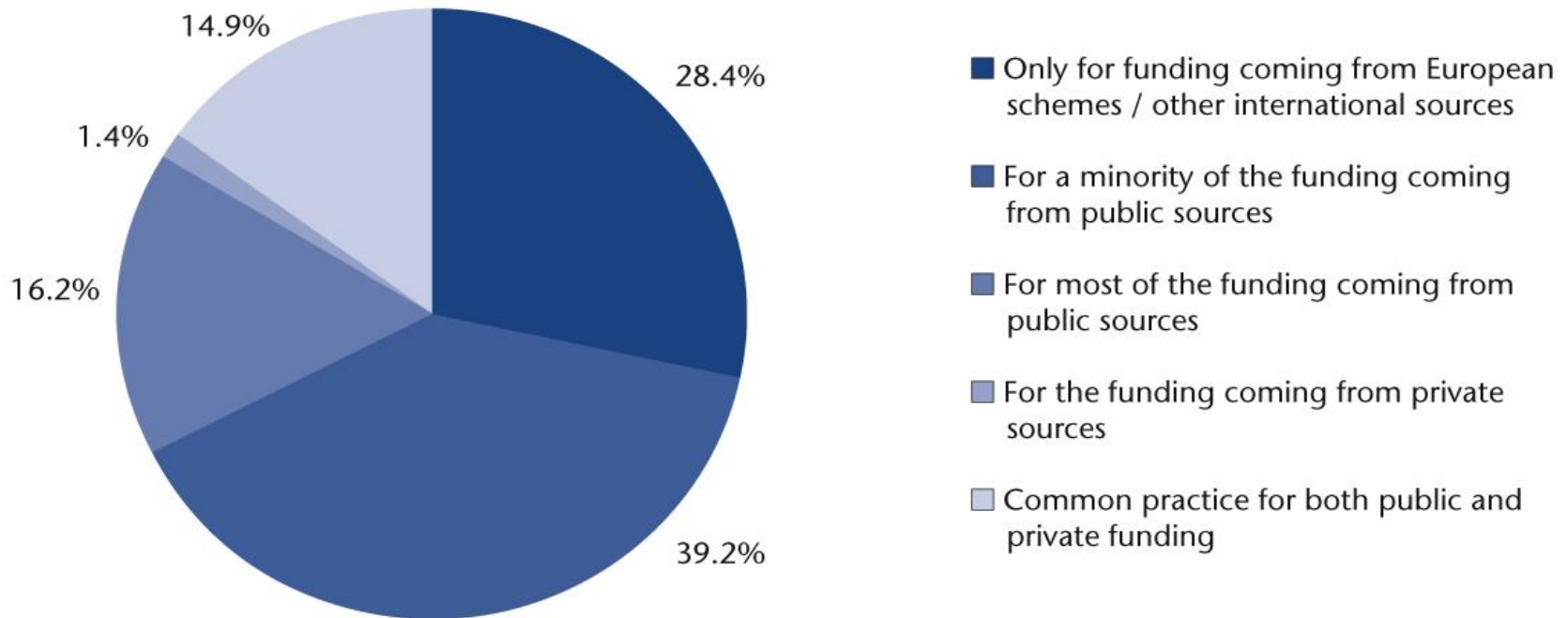
Expected evolution of number of income sources



- Some universities have more than a 100 funding sources!
- Different accountability regimes – high costs of compliance!

Funding challenge 2: Increasing co-funding

Frequency of co-funding requirements

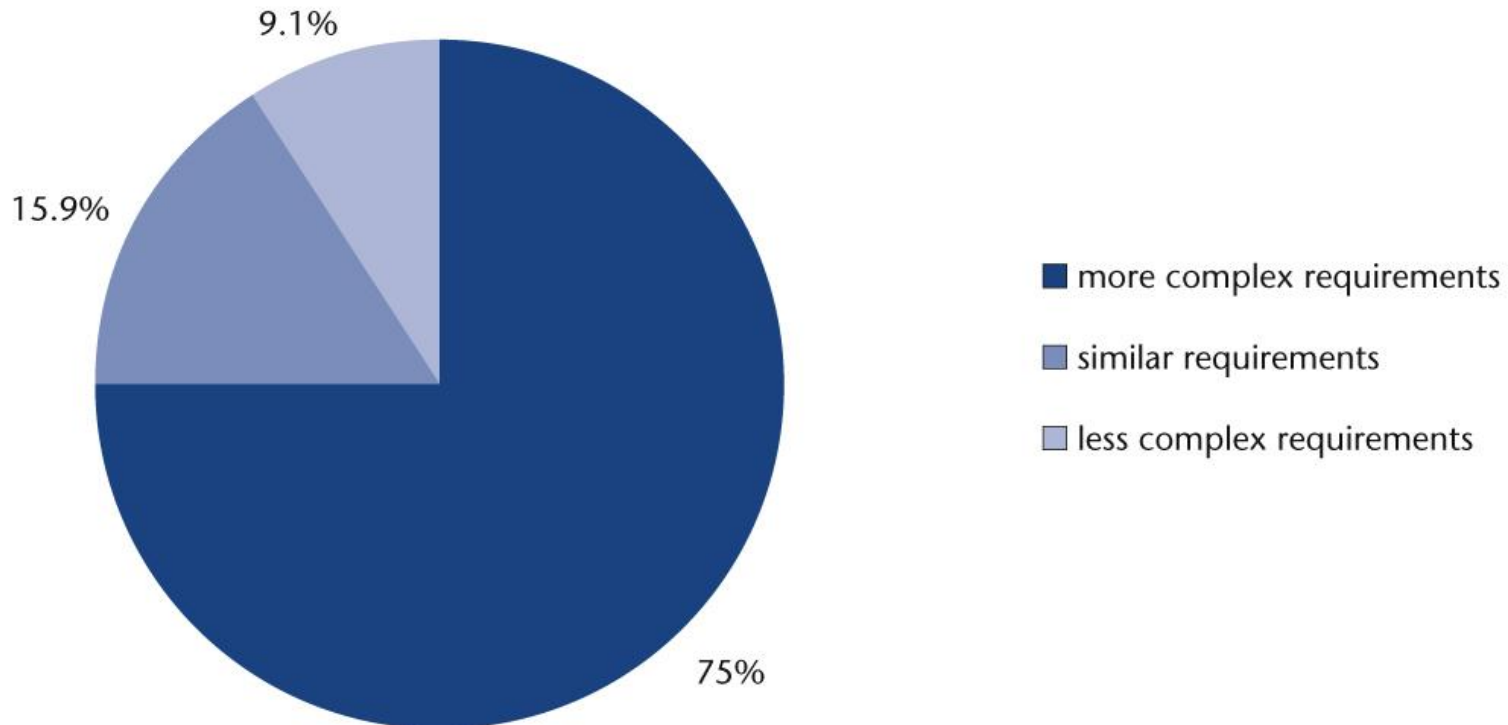


- Do not cover the full costs of an activity
- Widens the FUNDING GAP

Funding challenge 3: European funding schemes: co-funding and complexity

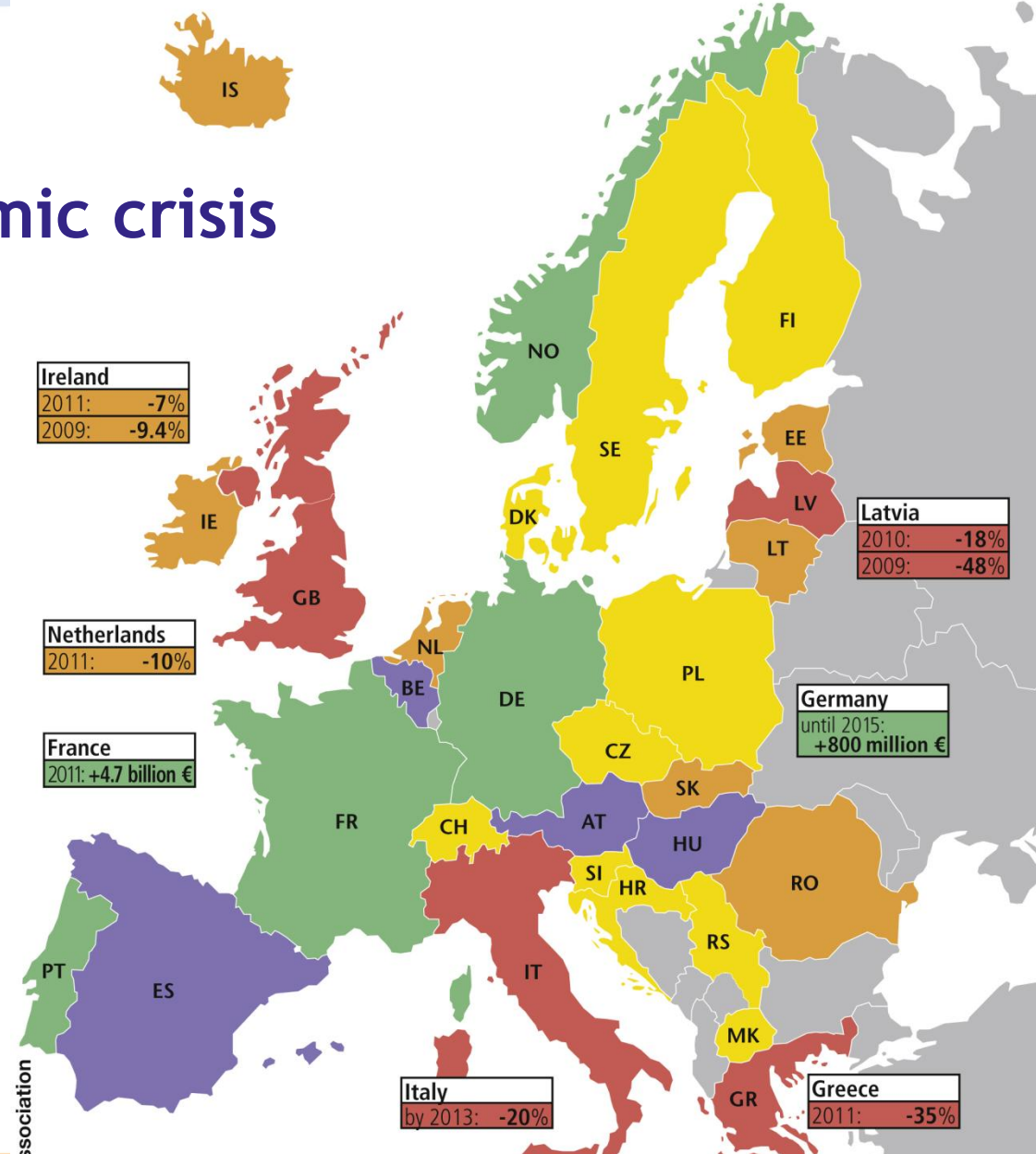
Perceived complexity of European funding schemes

**In comparison to national/regional funding programmes,
European funding schemes have:**



Funding challenge 4: Impact of the economic crisis

- Major cuts (>10%)
- Substantial cuts (5-10%)
- Indirect/moderate cuts (<5%)
- Previous commitments discarded
- Commitments upheld/increased funding
- No information available

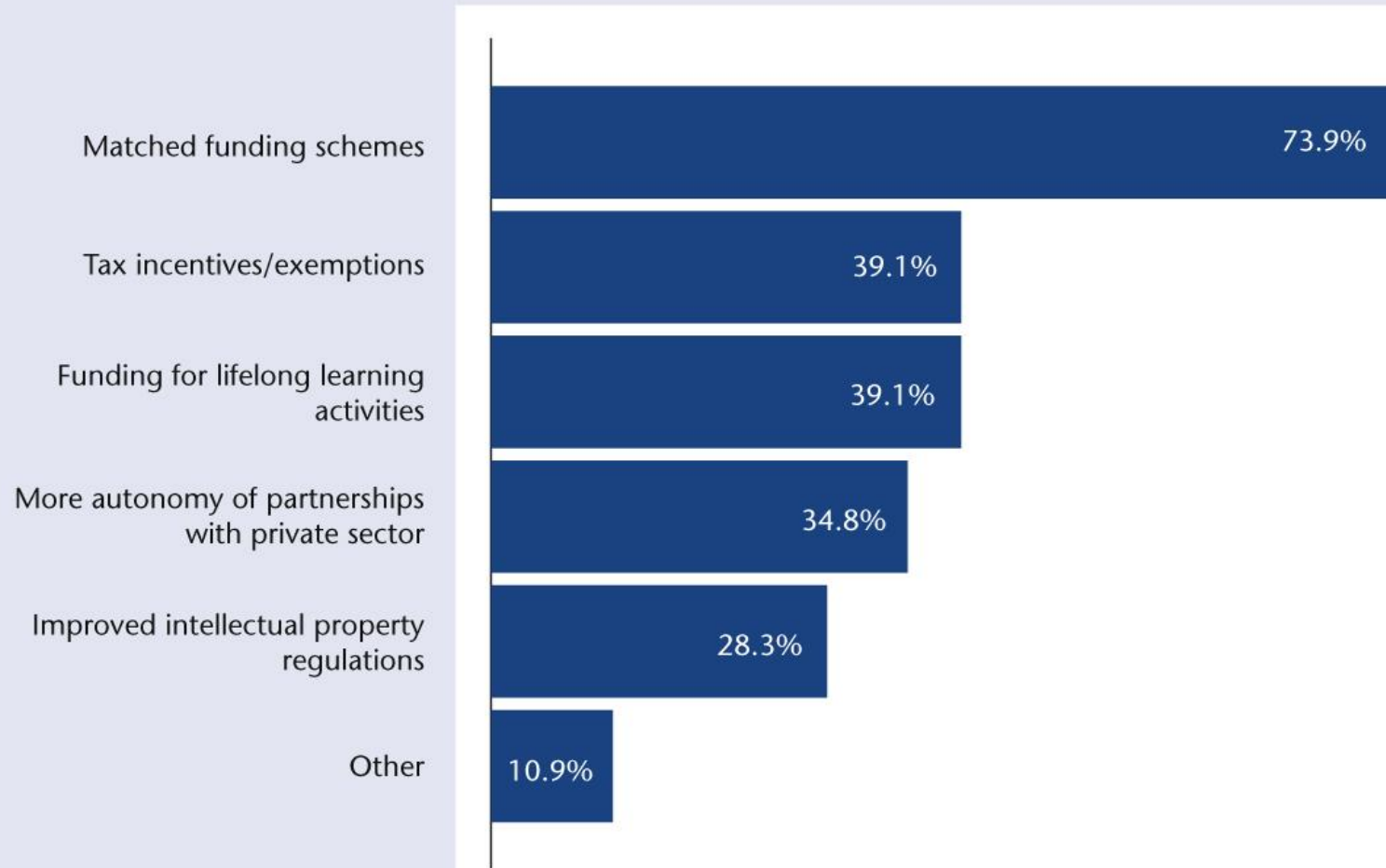


**How to improve the situation and foster
diversification?**

Autonomy as a pre-requisite

- A diversified funding base enhances autonomy (reduced dependency towards one funder)
- Positive correlation between autonomy and diversification:
 - Financial autonomy is key to allow university to develop partnerships, borrow money, keep surpluses
 - Staffing autonomy is key to recruit the adequate staff profiles
- BUT: Holistic reforms needed, accompanied with appropriate support for skills and structure development

Measures needed to foster income diversification (perceptions)



What can authorities do?

- **Implement smart funding incentives:**
 - ✓ Matched funding schemes: instrument with much potential, under-used in Europe
- **Improve funding modalities:**
 - ✓ Simplification of funding schemes
 - ✓ Funding on a full cost basis
- **Support the development of full costing in universities**
- **Improve framework conditions – autonomy and governance reforms**
- **Support leadership development and professionalisation of management**

What can universities do?

1. Integrate income diversification in the overall strategy
2. Identify the strengths & specificities of the university to develop a branding strategy
3. Analyse perspectives for income generation of your activities
4. Invest in people, leadership and management
5. Communicate (internally and externally)
6. Change structures and organisation
7. Provide internal incentives

Some aspects to keep in mind

1. Additional funding cannot replace sufficient public funding
2. To foster diversification, upfront investments are necessary
3. All actors need to work together!