



Attention: Education correspondents

For Immediate Release

1 July 2015

### [EUA report reveals performance-based funding of universities is not a magic formula](#)

The European University Association (EUA) has today (1 July 2015) released a [new report](#) which maps the use of performance-based funding of universities across Europe and analyses the impact this has on university management, teaching and research as well as the higher education system as a whole.

The report gives an overview of performance-based elements in public funding for universities in 28 systems across Europe and focuses in particular on funding formulae with output indicators (such as the number of graduates) and performance contracts. It combines in a unique way system level data with case studies and assesses the opportunities, risks and limits of performance-based funding.

The analysis reveals that the expectations towards performance-based funding are often too high.

It can help increase the transparency of funding allocation and the accountability of public spending as it links funding to measurable indicators and achievements. It might also support profiling and strategic positioning of universities, notably when it comes in the form of a performance contract between the public authority and individual higher education institutions. A pre-requisite for this is that procedures and goals are clear and not too complex and that universities are an equal partner of the ministry, so that a real dialogue can take place.

However, the effects of performance-based funding are hard to control and are highly dependent on other factors such as the regulatory framework, the overall funding system and the share of funding allocated based on performance as well as the institutional profile, income structure and internal management and governance. It bears the risks of a decrease in quality of teaching and research when it incentivises institutions to lower their standards to speed up graduation or fosters slicing of papers and name dropping to increase the number of publications and citations.

Therefore performance-based funding has to be used with caution and considered in the wider context.

The report outlines strategies for managing performance-based funding in order to reap its benefits and mitigate the risks. These include:

- Ensuring transparency of the funding system;
- Keeping the share of performance-based funding limited;
- Providing performance-based funding in form of additional funds, not slicing parts of core funding;
- Taking account of the costs of universities' activities in the funding scheme;
- Catering to the needs of different institutional profiles;
- Strengthening quality assurance;

- Ensuring institutional autonomy as a pre-requisite;
- Developing a strategic approach towards internal funding allocation at institutional level.

**Thomas Estermann, Director of Governance and Funding at EUA said:**

“The analysis shows that **performance-based funding is not a magic formula**. Policy makers have to think in a holistic way about reforms of the higher education system. Funding is just one tool that has to be combined with other measures to ensure the sustainability of the system and high quality of education and research.

“With this report EUA provides key recommendations to policy makers and public funders for the design and implementation of sustainable and efficient university funding systems. It also supports university leaders and managers in their strategic planning and internal funding allocation at institutional level and offers advice and good practice examples from across Europe.”

**ENDS**

**Notes:**

1. Performance-based funding is understood here as funding allocated based on indicators measuring the output (at different stages) of the process of learning and teaching, research or interaction with external stakeholders (e.g. number of graduates, number of citations, amount of external funding obtained etc.).
2. “[Performance-based Funding of Universities in Europe](#)” is the third thematic report published by EUA as part of the DEFINE project. DEFINE explores strategies for efficient funding of universities in Europe, looking in particular at excellence initiatives, university mergers and performance-based funding mechanisms. A first report on funding for excellence was released in December 2014 and a second one on university mergers in April 2015.

The DEFINE project is co-funded by the European Union under the Lifelong Learning Programme (2012-2015).

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*The European University Association, as the representative organisation of both the European universities and the national rectors' conferences, is the main voice of the higher education community in Europe. EUA's mission is to promote the development of a coherent system of European higher education and research.*