Press release: 22 February 2011

New EUA report outlines steps to ensure financial sustainability of European higher education

The European University Association (EUA) today (22nd February) publishes a comprehensive new report on the financial sustainability of European universities.

This is a crucial issue for Europe's 5,000 plus universities. As the number of university students continues to rise across Europe, and the economic downturn has led to cuts in public funding in many countries, higher education systems are faced with the challenge of creating sustainable funding models to secure the future of university education.

This report underlines that universities need both sufficient resources, and a long-term planning horizon to invest in their future academic and research activities, and thus to continue fulfilling their role in society. EUA believes that future financial sustainability depends on reliable, sufficient public funding, and on the autonomy and support necessary to explore successfully complementary funding options.

The report "Financially Sustainable Universities II: European Universities Diversifying Income Sources" will be launched today (Tuesday 22 February) at a reception in Brussels. It is the outcome of a two-year EC-supported project (European Universities Diversifying Income Streams - EUDIS). Its findings are based on an online survey completed by more than 150 universities across 27 countries, by site visits and by workshops involving a wide range of institutions.

The report gives a detailed description of how European universities are currently financed, and looks into the sector's expectations for future evolutions. It also analyses the many different barriers currently preventing universities from pursuing additional income streams (considering internal challenges and external regulatory barriers) and the possible drivers for stimulating 'income diversification'. Importantly, the study reveals that additional funding sources cannot replace sufficient public funding. It concludes with a series of recommendations for creating more sustainable funding models for the future.

These are some of the main conclusions and recommendations from the report:

Status of income distribution in European universities

- Public funding is the most important source of income for European universities, accounting for 73% of budgets on average. However, universities are already diversifying their income structure significantly. The majority of the studied universities receive at least 10% of their income from additional sources (excluding tuition fees).
- The most relevant additional sources include business contracts (6.5%), philanthropic funding (4.5%), service-related income (4%), and international public funding (3%). Student financial contributions/tuition fees vary widely in Europe, but on average they contribute 9 % to university income. In some countries fees represent a significant source of income.

Universities' future expectations on sources of funding

- Concerns regarding public funding for teaching. 53% of those surveyed expect this to fall, while only 30% believe it will remain stable.
- Uncertainties regarding public funding for research. 41% believe it will remain stable while nearly one third (30%) expect state funding for research to fall.
- Nearly half expect additional sources of funding (non-public funding) to increase.

The role of public authorities and barriers to fostering income diversification

- Regulatory barriers: 61% of those surveyed cited regulatory barriers (such as lack of autonomy) as preventing them from exploiting potential for income diversification. Universities' ability to generate additional income relates to the degree of autonomy granted

by the public authorities. Universities that can enter into partnerships with private partners, or have the ability to create for-profit entities, or that can borrow/raise money on the financial markets, will be more successful in pursuing additional funding.

- Funding modalities and excessive administrative burden. Universities report excessive complexity of rules and reporting obligations, which leads to high costs of compliance. In particular European funding schemes are considered by 75% of surveyed universities as more complex than national funding schemes.
- The threat posed by co-funding mechanisms. 86% of universities reported that co-funding applied to some at least part of their programmes financed by public funders. Universities must divert resources from core budgets to supplement this funding, which does not cover the full costs of an activity. This high percentage also shows that this risk to the financial sustainability of Europe's higher education system is underestimated by funders and public authorities and needs to be tackled urgently.
- Setting the right incentives. The study shows a lack of support from public authorities in terms of setting incentives for universities (such as tax incentives, matched funding schemes, improved intellectual property regulations, autonomy etc).
- Support for leadership and professional staff development is one of the key success factors to build up the capacities and expertise required to develop additional funding streams (enhanced research administration, fundraising and communication, etc).

Universities as an active player in income diversification:

- Universities are actively diversifying income streams (also as a way of spreading risk and gaining flexibility in the context of the economic crisis). The majority of universities now generate more than 10% of income from additional funding streams (excluding tuition fees).
- Universities generally perceive commercialisation of research (through spin-offs) as an additional income stream (70%). Reaching out to new student groups is also considered as a potential source of income (66%).

Internal barriers within universities:

- University leaders highlighted that internal barriers within institutions were as problematic as external constraints in the development of income diversification. The most frequently cited barriers were: lack of information/awareness among academics (80%), the concern that academics may be diverted from their core mission (73%), lack of suitable internal structure (68%), negative attitudes towards income diversification (67%) and lack of managerial expertise (67%).
- Lack of dedicated structures for fundraising. 31% of respondents said their institution had no dedicated structure for fundraising, with a further 38% having five or less dedicated staff.

Project recommendations:

Governments and public authorities should

- Invest in higher education and leadership training: providing sufficient and reliable public funding (aiming at achieving the 3% GDP target of investment in Higher Education). Invest in leadership development training for higher education leaders and managers.
- Introduce the right framework conditions: by increasing institutional autonomy in particular in financial aspects, human resource management and capacity to design governance structures; and by establishing funding incentives to engage in partnerships and foster donations from the private sector, such as matched funding schemes.
- Simplify and streamline rules across the different funding entities and reduce the administrative burden for universities.

University leaders should

- Integrate income diversification into institutional strategy**;** apply a proactive approach that engages the academic community.
- Invest in the development of human capital to improve income diversification.
- Incentivise faculties & staff to take an active part in income diversification.
- Develop professional stakeholder management.

Ends:

A copy of the report is available on request.

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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.