

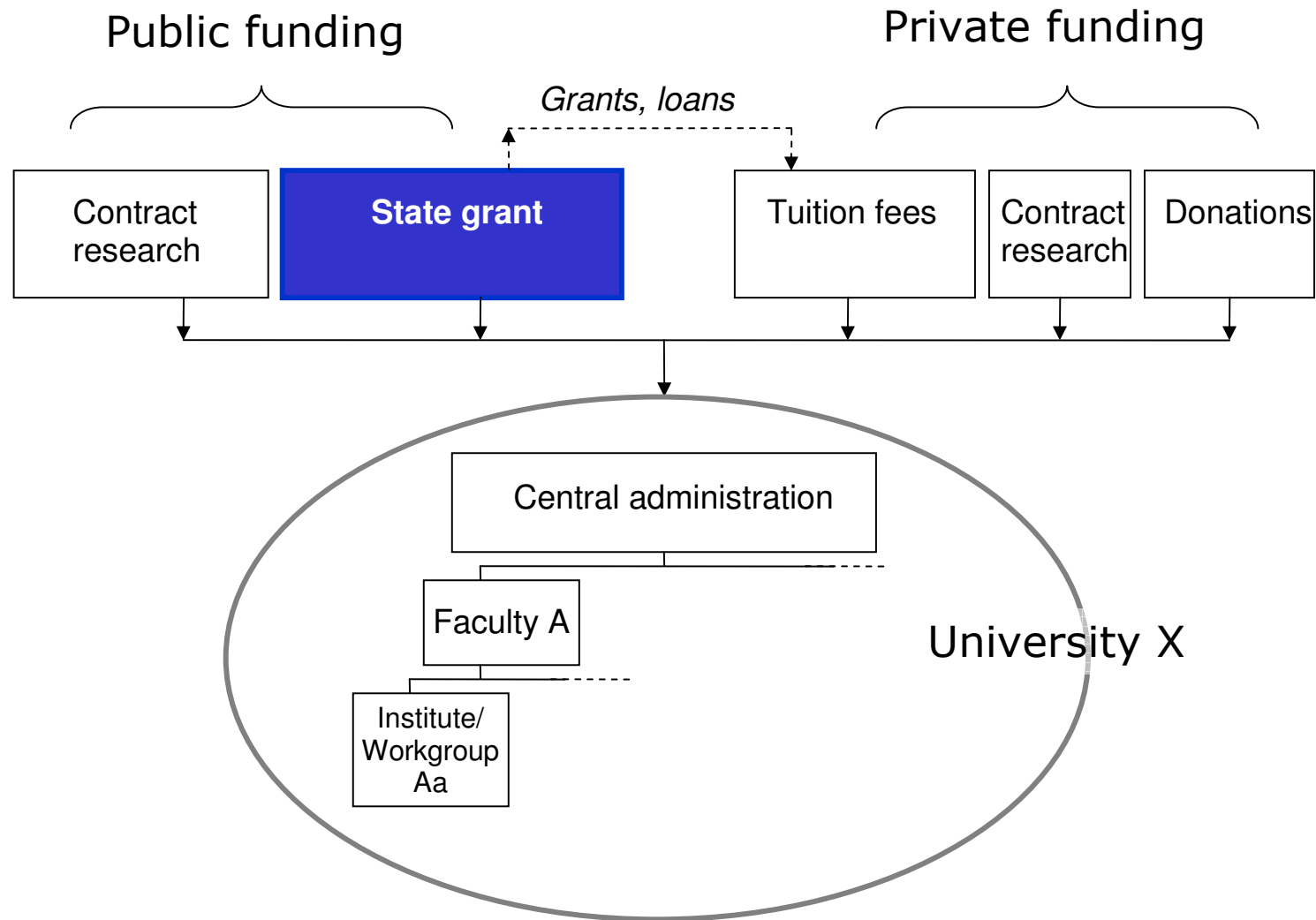
Methods of funding allocation between State and institutions of higher education → the case of

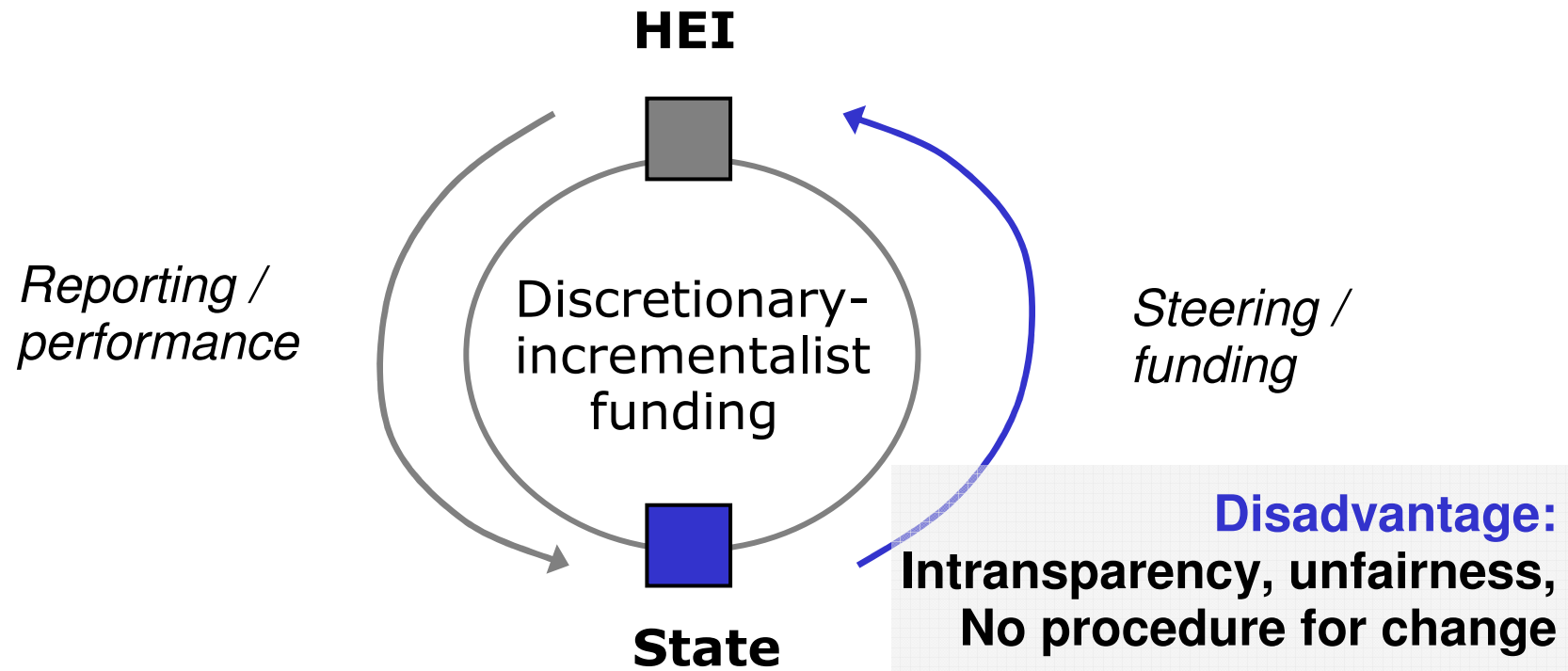
Presentation for the
National Education Council
Lisbon, Portugal

Overview

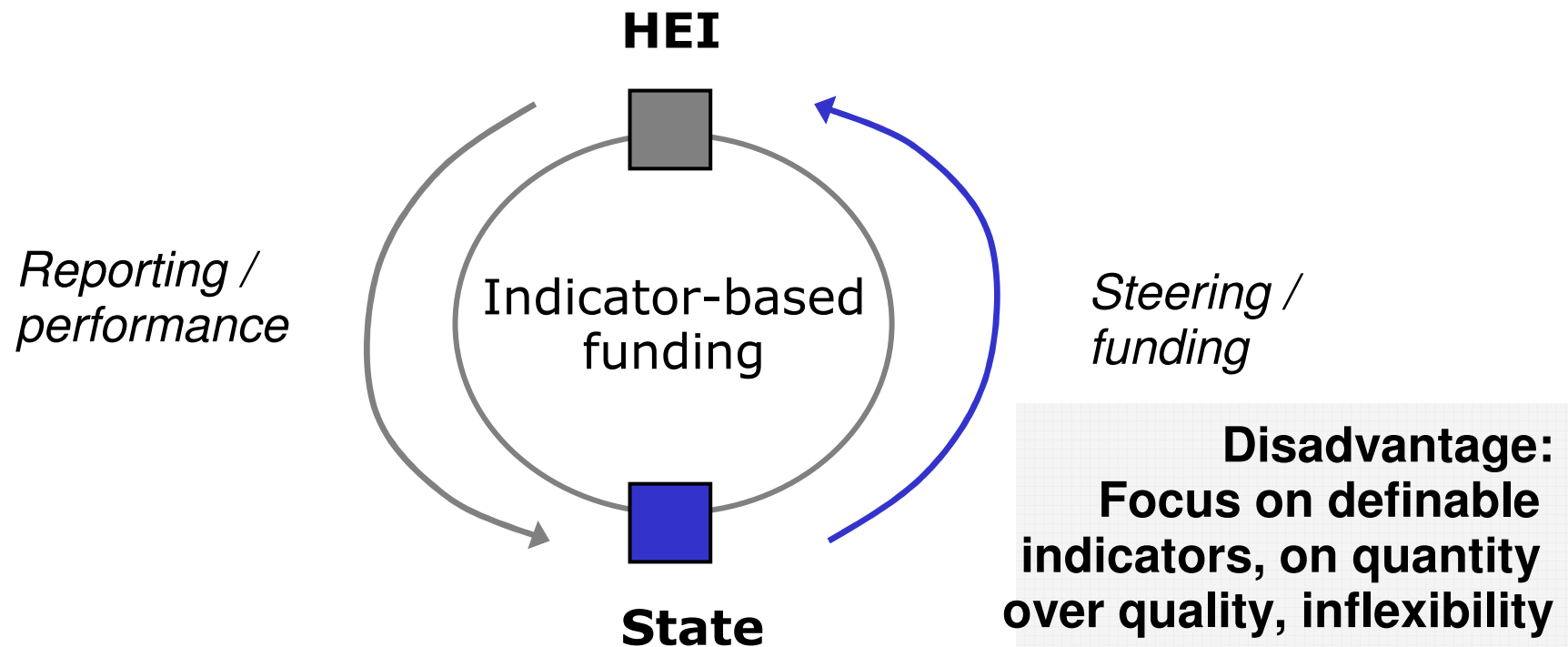
1. An overview of HE funding
2. Different types of institutional funding
 - Discretionary-incrementalist funding
 - Indicator-based funding
 - Contract-based funding
3. HE instruments in systems of governance and steering
4. Overview Germany
5. Example: Bremen, Hamburg, Hessen, Bavarian

Main elements of higher education funding

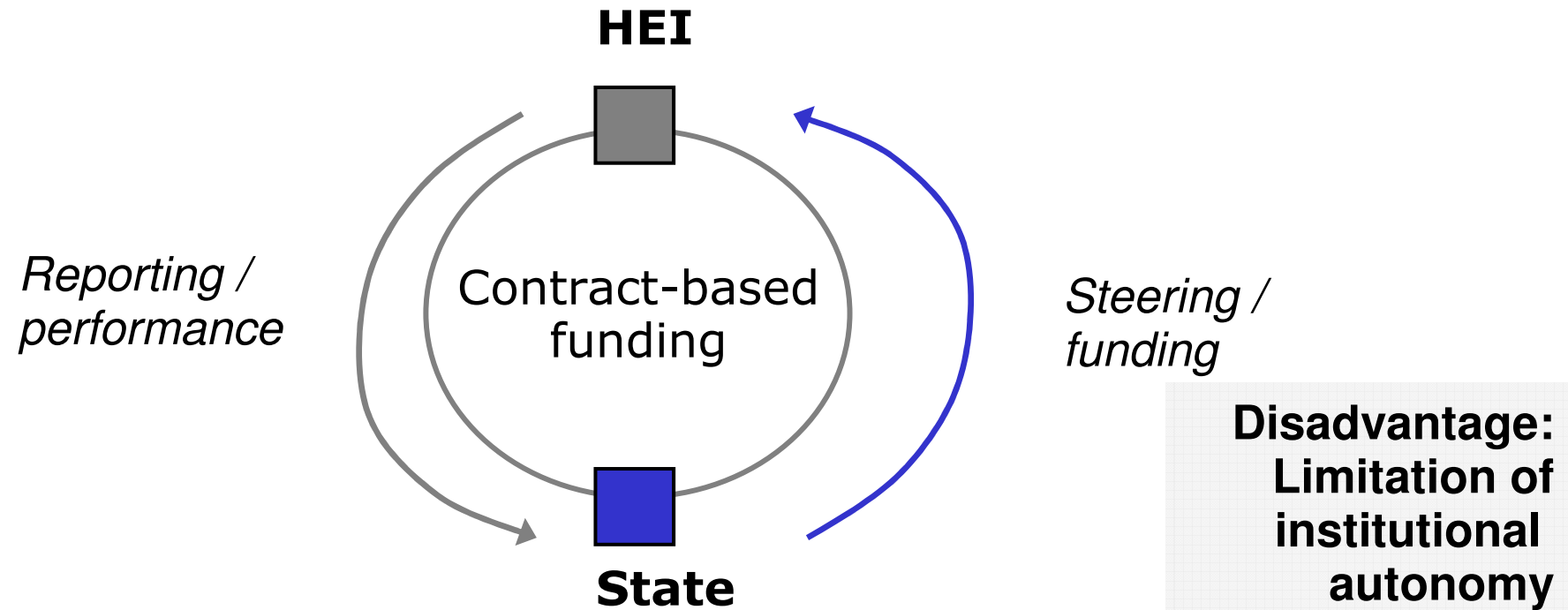




Guiding question	Basis of decision	Goal(s) of funding	Possible instruments
What does the university need to function?	Past costs	Maintenance of status quo	Incremental funding; detailed costing initiatives



Guiding question	Basis of decision	Goal(s) of funding	Possible instruments
What has the university achieved?	Past performance	Fairness according to performance; competition	Formula-funding according to performance-based indicators, (tuition fees)



Guiding question	Basis of decision	Goal(s) of funding	Possible instruments
What should the university achieve in the future?	Agreement on future performance	Institutional steering, pump-priming; special initiatives; (competition)	Funding according to goal-based agreements; project-based funding

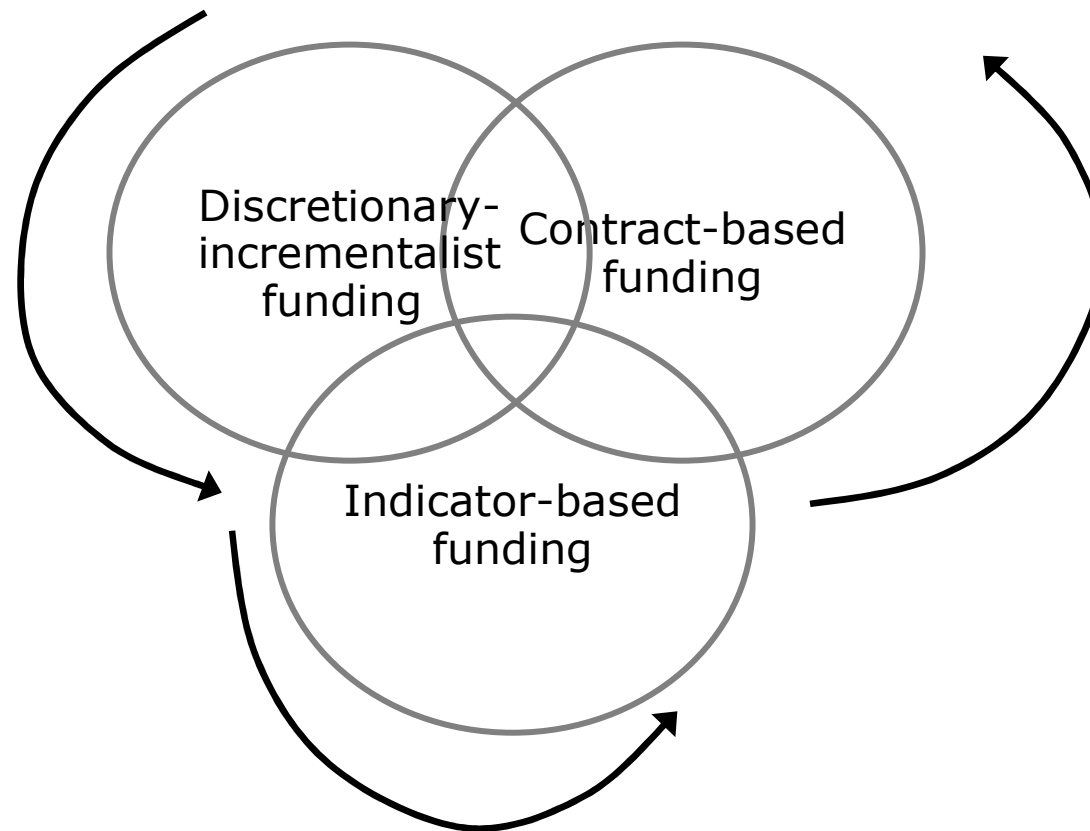
Issues affecting implementation

Steering and funding approaches:

- Performance-orientation vs. stability of funding
- Competition vs. institutional planning
- Transparency vs. flexibility

Landscape conditions:

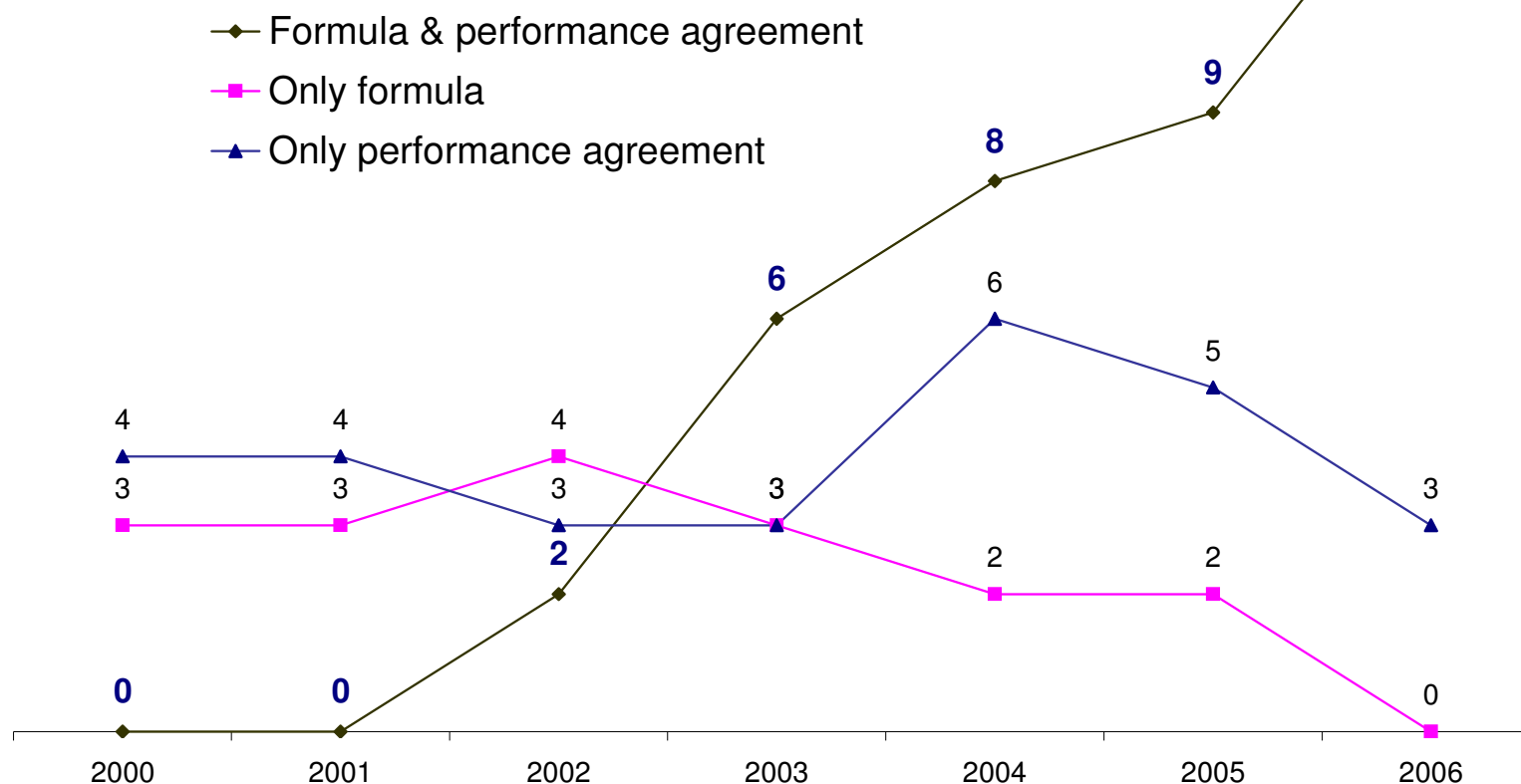
- Institutional differentiation
- Size of higher education sector(s)
- Importance of state grant
- Reform path



Overlaps in steering and reporting information
used for each funding component
= Challenge for HE governance

Steering and funding in Germany: Trends towards an instrument mix

The number of Länder using formula-funding and/or performance agreements 2000-2006:



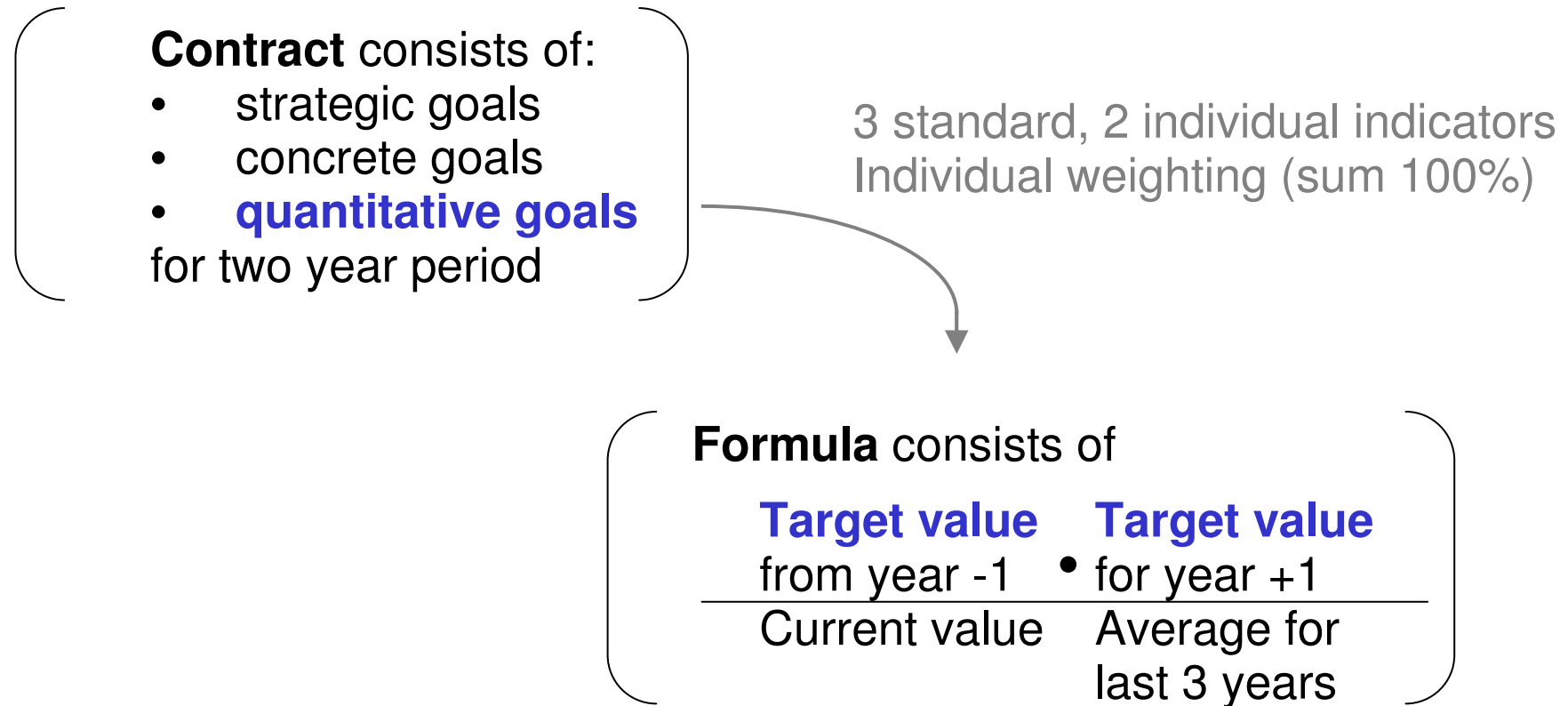
Overview of separate models of indicator-based funding I

	Hesse	Bavaria	Bremen	Hamburg
No. of public HEIs: unis / polys	5 / 5	9 / 17	1 / 2	2 / 1
Share of grant	95% (on hold)	1.5%	10%	85%
Basis of competition	Comparison between all HEIs	Comparison by type: betw. unis and betw. polys	Performance improvement	Performance improvement
Architecture of grant (share of grant)	Basic grant (84%) +incentive grant (16%)	Incentive grant (1.5%)	Incentive grant (5%+5%)	Basic grant (85%) +incentive grant (13%)
Indicators in incentive grant (no.)	Standard set (price model) (14)	Standard set (9)	Individual set (5)	Individual set (4-5)

Overview of separate models of indicator-based funding II

	Hesse	Bavaria	Bremen	Hamburg
Steering context: Function of contract agreements	Agreement on number of students. Innovation	Profile building	Profile building	Agreement on number of graduates. Innovation
Reform path & experience	On hold due to problems with price model. Transparency questioned	Formula funding stable, contract main vehicle for policy	Formula funding reviewed and increased from 5% to 10%, values based on contract	Formula funding increased from 5% to 85%, contract supported by formula

Overview of nexus between contract and formula in Bremen



Indicators used in the Bremen formula

Teaching

- Share of students within the prescribed study duration to all students [S]
- No. of graduates to academic personnel [S]
- No. of graduates to no. of previous new entrants (e.g. t-3,5 yrs.)

Research

- No. of PhD-graduates to no. of professors
- Third-party funding to no. of professors [S]
- Proportion of third-party funding to total income

Internationalisation

- Share of foreign students to total no. of students*
- Share of students* in courses with foreign study periods

*within prescribed study duration

Rules for individual indicators

- Maximum weighting of individual indicators is 15%
- Individual indicators are valid for 6 years (2 contract periods)

Some considerations for HE funding

- Components: past cost, (past) performance, strategic development
- Transparency of procedures and results
- Fairness of competition (“level playing field”)
- Indicators should be clearly understood
- Regular review of operation and effects
- Information cycle should complement funding system