

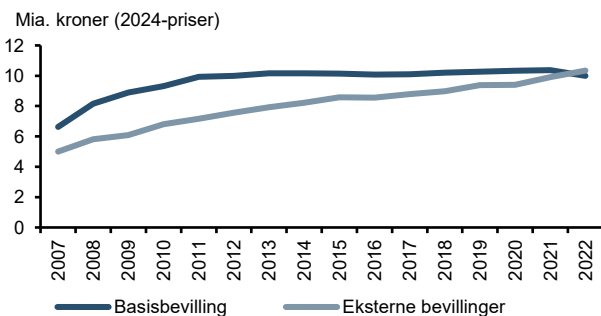
Political capacity and responsibility for ensuring the financial stability of universities

In the report *Universiteter for fremtiden DFIR* concludes that the financial robustness of universities is challenged, partly due to the shift in the balance between basic funds and external funds. The financial robustness of universities is a prerequisite for the institutions' long-term employment policy and talent development across areas and tasks. Universities must fulfill many different societal roles in terms of education, research, innovation, and dissemination. This requires a multifaceted approach to talent, ensuring that recruitment is not limited to researchers who excel at securing external research funding. Danish Universities and six private foundations have taken responsibility with an agreement on financing indirect costs, which, according to the parties, will release approximately 750 million DKK in 2024 for the universities' own disposal. However, there is still a need for the political system to take responsibility for ensuring the balance between basic funds and external funds. DFIR estimates that the research reserve will amount to 5 to 6 bn. DKK in 2025. This presents an obvious opportunity to increase the basic funds for universities, thereby providing university management with better conditions for a long-term employment policy.

Research Funding for Danish Universities

Danish universities' research is funded through both basic funds, which the universities can allocate at their discretion, and external funds granted for specific activities. Basic funds are distributed through the Finance Act and have remained approximately 10 bn. DKK in constant prices each year since 2011, as shown in Figure 1.

Figure 1: Basic and external funds for research, 2007-2022, billion DKK in 2024 prices.



Source: Statistics from Danish universities and own calculation

Basic funds provide universities with financial independence and stability, enabling a long-term employment policy and funding for research ideas not yet mature

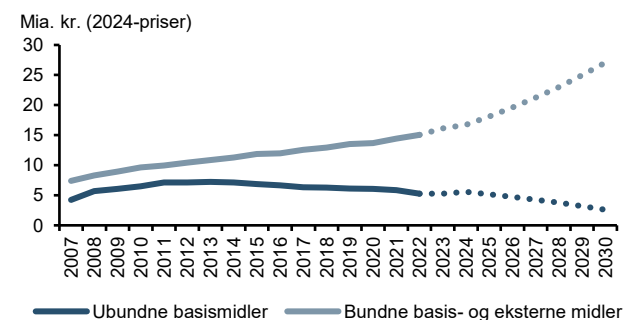
enough to obtain external funding. This ensures talent development, research diversity, and innovation. It has also been noted that basic funds are used to finance parts of the universities' research-based education.¹

External funds are secured by university researchers from public and private foundations, the EU, and other international sources. The acquisition of external funds has continuously increased by about 5% per year since 2007. In 2022, universities secured 10 bn. DKK in external funds, as shown in Figure 1. If this trend continues, external funds will amount to around 19 bn. DKK by 2030.

Binding of Basic Funds by External Funds

When universities receive funds from external sources, they co-finance part of the indirect costs of externally funded research projects. This includes expenses for administration, laboratories, and rent. It is challenging to determine the universities' indirect costs as there are significant differences across research areas and individual projects. In the calculations below, it is estimated that indirect costs constitute 70% of direct costs. Based on this estimate, approximately 4.4 bn. DKK of basic funds were bound by indirect costs in 2022. Thus, the unbound basic funds remaining after the universities' co-financing amounted to approximately 5.3 bn. DKK, as shown in Figure 2.

Figure 2: Unbound and bound research funds after co-financing of indirect costs, 2007-2030, billion DKK in 2024 prices.



Source: Statistics from Danish universities and own calculations.

It is positive that Danish Universities and six private foundations have reached an agreement, which, according to the parties, reallocates approximately 750 million DKK from project funds to cover indirect costs in 2024. This amount will increase with more external funding from the foundations. However, DFIR's calculations show that the financial robustness of universities will still be challenged if the total acquisition of external funds by universities

continues to increase as it has until 2030. In that case, the universities' co-financing will amount to approximately 7.7 bn. DKK in 2030, and if the level of basic funds is maintained, the unbound basic funds will amount to approximately 2.6 bn. DKK, as shown in Figure 2.

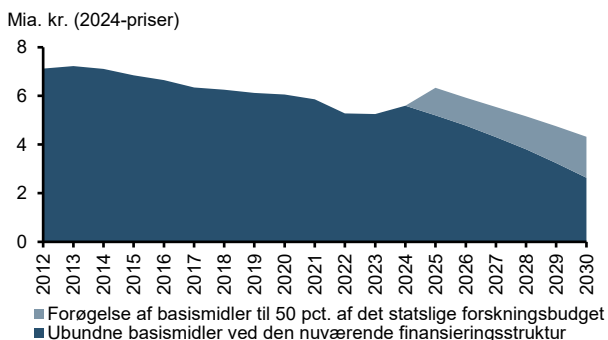
New Allocation of the State Research Budget

Since the Globalisation Agreement in 2006, it has been a political objective that the public research budget should constitute 1% of GDP. Based on the GDP forecast for 2025 and beyond, DFIR estimates that the public research budget will be 30.4 bn. DKK in 2025 and rise to 31.8 bn. DKK in 2030.

Today, Denmark's 1% target is met by adjusting the one-year research reserve, which is part of the state research budget. If this practice continues, the research reserve will be 5 to 6 bn. DKK in 2025 and rise to about 7 bn. DKK in 2030. Thus, the research reserve will constitute about 30% of the state research budget. Basic funds, as part of the Finance Act and, unlike the research reserve, with a three-year budget horizon, will constitute about 40% of the state research budget in 2030 if maintained at the current level. This is a decrease of about 10 percentage points since 2012.

The research reserve is currently mainly distributed as themed funds, most of which are allocated by established foundations and programs such as the Innovation Fund, the Danish Independent Research Fund, Development and Demonstration Programs, the Growth Fund, and the Foundation for Entrepreneurship, among others. The distribution of the research reserve thus contributes to increasing the share of external and thematic instruments relative to basic funds. In recent years, political micromanagement has also increased, involving smaller pools of project funds allocated via other authorities or directly to research environments. These amount to approximately 840 million DKK in the 2024 research reserve.

Figure 3: Unbound basic funds after co-financing of indirect costs, including an increase in basic funds to 50% of the state research budget 2012-2030, billion DKK in 2024 prices.



Source: Statistics from Danish universities, the Ministry of Higher Education and Science, the Ministry of Finance, and own calculations.

DFiR proposes a new prioritization of the expected growth in the state research budget towards 2030 to improve the financial robustness of universities. If the basic grant in the Finance Act is gradually increased to constitute about 50% of the state research budget as in 2012,

the unbound basic funds will amount to approximately 4.3 bn. DKK in 2030, as shown in Figure 3. Thus, most of the future growth in the state research budget would be allocated through the basic grant in the Finance Act, while there would be about 4 to 5 bn. DKK for political priorities in the research reserve.

Responsible Management at Universities

Enhancing the financial robustness of universities should be accompanied by a discussion of the purpose of the basic grant. In DFIR's view, two purposes should be kept in mind. First, the funds can ensure reasonable conditions for free research, including providing tenured researchers with access to resources so that research ideas can be developed and tested without the need for external funding. This can reduce the time researchers spend on application processes in the competition for external funds. Second, the funds can contribute to a multifaceted employment policy with the recruitment and retention of staff whose key competencies are teaching, innovation collaboration, or research dissemination. This is crucial for universities to fulfill a wide range of societal tasks in the future.

Finally, it should be noted that other public research institutions face similar challenges. DFIR finds that university colleges covered about 10% of the indirect costs of externally funded research projects, compared to universities, which are estimated to cover almost 25%.

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Noter

¹ DFIR (2023): [Universiteter for fremtiden](#)

² This is based on Deloitte's assessment of universities' derived research costs distributed per scientific research man-year, according to Universities Denmark (2023): [Teknisk udmøntning af aftale om fælles finansieringsmodel](#), and Universities Denmark's data on the sector's personnel consumption, according to [Danske Universiteters statistiske beredskab](#). It also aligns with the sector's own estimates, according to Altinget (2021): [KU: Universiteter og fonde skal dele forskningsprojekters følgeudgifter mere ligeligt](#)

³ However, the Novo Nordisk Foundation has announced that in the future, they will invest a larger portion of the expected increased grant amount abroad, according to Berlingske (2024): [Rebien træffer historisk beslutning – Novo Nordisk Fonden vokser ud af Danmark sammen med Novo Nordisk](#)

⁴ Økonomiministeriet (2024): [Økonomisk Redegørelse](#) og Finansministeriet (2023): [2030-planforløb: Grundlag for udgiftslofter 2027](#)

⁵ DEA (2024): [Forskningsreservens størrelse og struktur over tid](#) og Videnskaberne Selskab (2024): [Dansk Strategisk Forskning – nu og i fremtiden](#).

⁶ DFIR (2023): [DFiRbrief #43](#)

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