Block funding

Block funding which is targeted at research universities and public research institutions (PRIs), rather than at individual researchers and research groups plays a key role in supporting research system: it provides research organisations with stable funding and a certain degree of autonomy. Approaches for calculating the allocation of block funding (e.g. input-oriented vs. output-oriented funding) differ between OECD countries. Factors that should be considered when implementing block funding include the scope and scale of public research, the burden of accountability, and the balance in public sector research funding regimes.

What is block funding?

Block funding is a traditional funding instrument for public research. It is targeted at research universities and public research institutions (PRIs), rather than at individual researchers and research groups, which are given public funds according to various criteria (e.g. formulae, performance indicators, or budget negotiations) to fulfil their research and teaching missions. Block funding provides these organisations with stable funding and a certain degree of autonomy in the selection of their research.

Block funding typically covers the salaries of many research and support staff in research universities and PRIs and contributes substantially to the costs of operating and maintaining much of the hard infrastructure needed to perform research, including laboratories and libraries. It also provides research universities and PRIs with a certain degree of freedom to support chosen research areas according to their strategic priorities and particular research strengths and focus. This type of funding contributes most to supporting the scientific research but it also influences the pace and direction of technological development in those research institutes where this is a major objective.

How does block funding influence research systems?

Block funding is used to support the necessary conditions for a healthy research system. It provides much-needed stability in funding that allows research organisations to invest in research equipment and buildings, to provide researchers and support staff with open-ended employment contracts, and to undertake lines of research over the medium-to-longer term that might also be more curiosity-driven. Competitive R&D project grants, by contrast, cover only some of the overhead cost of performing research, are of relatively short duration (typically 1-3 years) and are often short-term and oriented toward problem solving. Block funding also provides public research with a degree of autonomy, a central pillar of the scientific community's "contract" with society.

OECD countries use different approaches (e.g. formulae, performance indicators, or budget negotiations) for calculating the allocation of block funding. In recent years, there has been a tendency for countries to move from input-oriented to more output-oriented funding as demonstrated in the following:

- Input-oriented funding typically aims to ensure that public sector research has sufficient financial resources to fulfil its research mission. Allocation is often based on formulae that take into account the volume (e.g. the number of research-active staff employed by the organisation) and cost (e.g. variable according to scientific disciplines) of research.
- By contrast, output-oriented funding aims to introduce performance considerations (e.g. quality and impact of research performed by organisations) into the allocation calculation. It seeks to recast the science community's contract with society by making a more explicit link between scientific autonomy and accountability for the money spent.

What factors should be considered when implementing block funding?

The following factors should be considered when implementing block funding:

- **Scope and scale of public research.** Research systems have continued to grow in most OECD countries – in terms of the number of researchers employed and the amounts of money spent. In the context of public budgetary constraints, there is likely to be pressure on block funding, together with calls for greater accountability on its allocation.
- **Burden of accountability.** While organisations receiving block funding do not have to account in detail for their expenditures, they are increasingly expected to be accountable for the performance of their research. How this is done in practice varies among countries and can be quite burdensome on researchers, research universities and PRIs, as well as on research funding organisations themselves.
- **Balance in public sector research funding regimes.** If block funding is too generous, those who perform research have few incentives to apply for competitive R&D project grants or to engage in R&D collaboration with industry. Moreover, the relative autonomy provided to research performing organizations by block funding leaves little room for policy-making organizations and public research funding organisations to effectively orient public sector research towards certain public policy priorities. For these reasons, this sort of funding needs to be appropriately balanced with the need for research performers to apply for competitive R&D project grants.

Block funding is closely related to other core policy instruments involving funding, including competitive R&D project grants, support for R&D infrastructures, PhD studentships and post-doctoral fellowships.

References

- HEFCE (Higher Education Funding Council for England)(2010), Guide to Funding: How HEFCE Allocates Its Funds, Higher Education Funding Council for England, Bristol, UK.

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