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Abstract

The main goal of the paper is to explore—both theoretically and empirically—the implications of project-based research funding for budgeting and financial management at public universities. The theoretical contribution of the paper is to provide a synthesized discussion of the possible impacts of project-based funding on university financial management and budgeting. In the empirical part of the study, the cases of the two largest public universities in Estonia are used to uncover whether and in what form the effects outlined in the theoretical discussion have emerged. The study concludes that project-based funding of research gives rise to the following challenges: fluctuating revenues, fragmented revenue sources, high transaction costs, coordination problems, high complexity in managing the finances, difficulties in securing cash flows, and problems in covering indirect costs. The Estonian experience also indicates that extreme reliance on project-based funding of research—when combined with certain features of funding instruments and weak steering capacities of the central administration—can lead to a paradoxical situation: the more successful the research

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groups are in obtaining project-based funding from diverse sources, the more strained becomes the budget of the university as a whole. (HRK / Abstract übernommen) Raudla, Ringa, E-Mail:

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