



Fraunhofer model of performance-based basic funding

Vision and Aims	<p>In research practice, the obligation to valorise knowledge is often perceived as unloved ballast that is only addressed in the final phase of a project with then scarce resources. The Fraunhofer model of performance-based basic funding creates a steering mechanism to:</p> <ul style="list-style-type: none"> • Align research to application • Reward successful transfer • Strengthen strategic focus on application possibilities and future needs in all organizational units.
Target Audience	<p>Industry/SMEs</p>
Key Features	<p>The Fraunhofer-Gesellschaft is the world's leading applied research organisation. With its focus on developing key technologies that are vital for the future and enabling the commercial exploitation of this work by business and industry, Fraunhofer plays a central role in the innovation process. It is an innovator and catalyst for groundbreaking developments and a model of scientific excellence. By generating inspirational ideas and spearheading sustainable scientific and technological solutions, Fraunhofer provides science and industry with a vital base and helps shape society now and in the future.</p> <p>At the heart of Fraunhofer's success is the so-called Fraunhofer model of performance-based basic funding. Developed in the early 1970s and approved by cabinet resolution in 1973, it lays the foundation for a permanent and consistent market orientation of research and development work. Not only is the basic funding of the organisation by the federal government and state governments essentially linked to success, but so is the internal distribution mechanism among the individual Fraunhofer Institutes.</p> <p>A large proportion of the base funding is allocated directly to the Fraunhofer Institutes on the basis of a distribution key that is fed by performance-related indicators. The most important indicator is the institute's economic return, i.e. the direct contracts awarded by companies. This mechanism promotes a constant orientation of the institutes to the needs of (potential) clients, who then use the research results - mostly technologies or technology-related knowhow - outside the sphere of science. Even the development of new competencies within the Fraunhofer Institutes - which is financed from the basic funding distributed to</p>

	<p>them and continued through the acquisition of public projects - always keeps future application scenarios in mind, so that the institute can again successfully acquire contract projects.</p> <p>The Fraunhofer model, supplemented by internal funding programmes aimed at synergetic development of new research fields by several institutes, has proven itself profoundly since its introduction. With its help, Fraunhofer has become an international benchmark that has demonstrably improved the competitive position of individual clients as well as German and European industry as a whole, contributed significantly to the establishment of important lines of technology - for example in the fields of renewable energies, lasers in production or the materials sciences - and whose economic effect even leads to many times more additional tax revenue than the public sector spends on institutional funding and project funds.</p> <p>Founded in 1949, the organization currently operates 75 institutes and research institutions in Germany. Around 29,000 employees, most of them qualified scientists or engineers, work with an annual research budget of 2.8 billion euros. Of this sum, 2.4 billion euros is generated through contract research. Around two thirds of Fraunhofer's contract research revenue is derived from contracts with industry and from publicly funded research projects. The German federal and state governments contribute around one third in form of base funding, enabling the institutes to develop solutions to problems that will be of crucial importance to industry and society in a few years' time.</p>
<p>Achievements & Learnings</p>	<p>The impact of applied research goes far beyond the direct benefit to clients: Fraunhofer institutes strengthen the performance of companies, improve the acceptance of modern technology in society, and provide training and further education for the urgently needed next generation of scientists and engineers. Over the years, Fraunhofer has also carefully adapted its internal distribution algorithm to take account of the increasingly broad requirements for successful transfer. In 2020, for example, a separate factor was introduced to incentivize institutes more strongly for the successful creation of spin-offs.</p> <p>To date, the Fraunhofer model has proven effective. In 2019, for example, it enabled a volume of direct commissioned contract research for companies of €724 million, representing nearly one-third of the operating budget financing.</p>
<p>Launch Date [& Duration]</p>	<p>Since 1973</p>
<p>Further Information</p>	<p>Profile / Structure (fraunhofer.de)</p>
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