

# Funding Policy

## Public Sector Higher Education Institutions of Pakistan

### 1. Funding Mandate:

The Presidential Ordinance No. LI of 2002, under section 10(g) and (h) requires the Commission to submit to the Federal Government the financial requirements for recurring and development needs of public sector higher education institutions in Pakistan and approve funds for these institutions out of bulk grants received from the federal government each year. The Commission's funding mandate as laid down in the said Ordinance is reproduced as under:

*Section 10 (g): Submit to the Federal Government the recurring and development budgets for public sector Institutions and allocate funds to public sector Institution out of bulk financial provision received from the government and other resources on performance and need basis.*

*Section 10 (h): Review and examine the financial requirements of public sector Institutions: approve and provide funds to these Institutions on the basis of annual recurring needs as well as for development projects and research based on specific proposals and performance and while approving funds for a public sector Institution the Commission shall ensure that a significant proportion of the resources of the Institution are allocated to research support and libraries.*

### 2. Funding Principles:

HEC started formula based funding from 2003-04 and is continuously refining it. The funding to higher education institutions is based on following general principles:

- a) **Transparency:** The funding method should be based on formulae and available at HEC website. The data provided by the HEIs must be transparent and auditable.
- b) **Fairness:** Similar academic activities should be funded at similar rates. Any difference in funding among HEIs must be justifiable and subject to challenge

- c) **Facilitation:** The funding method should not impose restrictions and allow HEI to utilize funds to improve the efficiency, quality education, service, and cost-effective management of resources for achieving laid objectives.
- d) **Predictability** Medium – term funding framework is used to give predictability about resource availability in future, so that HEIs may develop an appropriate expenditure plan for the future.

### 3. **Funding Objectives:**

Keeping in view the following core strategic objectives, funds are provided to HEIs to:

- Support teaching and learning
- Improve quality of teaching and research
- Support research and innovation
- Prioritize relevance to national needs and requirements
- Enhance equitable access for students
- Strengthening governance and management.

### 4. **Eligibility Criteria for Funding**

- All public sector Universities / Degree Awarding Institutions are eligible.
- Centers / Chairs / Institutions established by the Federal Government are eligible.
- Funding will be available only for degree programs.
- Funds for specific research activities will be provided by the R&D Division of HEC.
- Infrastructure / Equipment etc will be funded through development projects.
- Each University / Institution will prepare a Business Plan with quantifiable targets. Universities will have to provide authenticated data for funding which will be subject to scrutiny / verification.
- HEIs will ensure quality of higher education as per yardsticks laid down by HEC and enhance graduate employability.

- HEIs will publish Annual Financial Statements along with disclosure as per International Accounting Standards (IAS) and display it on the university's website.
- HEIs will have effective internal control system in place.

## 5. Funding Framework and Mechanism for allocation of recurring funds:

HEC receives bulk provision of funds from the Federal Government and may divide the funds in four main categories. Tentative breakup ratio's are as follows:

	<b>Target</b>
A) Universities and Degree Awarding Institutions	<b>70%</b>
B) Centre of Excellences / Chairs / Others	<b>10%</b>
C) Promotion of Research Activities by HEC	<b>10%</b>
D) HEC- Universities Programmes	<b>10%</b>

The basic framework for streamlining HEC recurring funding to universities and institutions of higher learning should be (i) Base Grant (ii) Need Grants, and (iii) Performance Grants. The total annual recurring grant from HEC to universities / degree awarding institutions may be distributed as under:

<b>Base Grant</b>	<b>Need Grant</b>	<b>Performance Grant</b>
<b>65%</b>	<b>20%</b>	<b>15%</b>

### 5.1. Base Grant

a. It will take into account:-

- Type of students (Arts / Humanities / Social Science, Sciences / Agriculture, Medical / Engineering / Veterinary)
- Level of students (Undergraduate, MS / M. Phil, PhD).
- Provincial Grant will be treated similar to Federal Grant and tuition fees may also be taken into consideration for allocation purposes.
- Distribution will be made on resources per prorata enrolment basis.

b. Weightings for undergraduate and graduate/postgraduate studies in major categories of enrollment will be used for allocation of recurring grant to universities as given in the following table:

	<b>Arts / Social Sc. / Humanities</b>	<b>Sciences / Agriculture</b>	<b>Engineering / Medical / Veterinary</b>
<b>Overall Weightings</b>	<b>1</b>	<b>2</b>	<b>3</b>
<b>Level-wise Weightings</b>			
Undergraduate	<b>1</b>	<b>2</b>	<b>3</b>
MS / M Phil Studies	<b>1.5</b>	<b>3</b>	<b>4.5</b>
PhD Studies	<b>3</b>	<b>6</b>	<b>9</b>

c. Existing weightings being used in funding formulae (1: 2: 3 for AHSS, Science / Agriculture, and Medical /Engineering) will be revisited and refined to a more sophisticated level for various types of programs/degrees discipline-wise.

d. HEC may pick-up 20% to 80% of efficient level essential expenditures of universities for Base Grant. It may be determined basing efficient ratios of Faculty to Student and Faculty to Staff and following ratios for different categories of enrollment as given below:

<b>Enrollment Category</b>	<b>Faculty : Student</b>	<b>Faculty : Staff</b>
Arts/Humanities / Social Sciences	1 : 30	1 : 1.5
Basic, Natural, etc Sciences / Agriculture	1 : 25	1 : 1.5
Engineering & Medical	1 : 18	1 : 1.5

e. Universities having market based fee structure and / or able to generate income to cover major portion of their recurring expenditures may only be provided the Performance Grants and Need Grants.

f. Students admitted on Self-Finance basis will not be counted for funding purposes.

## 5.2. Need Grant

a. It is proposed that following factors will be considered for Need Grant:

S. No.	Parameters	Target %age
I.	Impact of completed development projects	8%
II.	Implementation of New initiatives	4%
III.	Regional / Location backwardness	5%
IV.	Income disparity compensation (Need based scholarships)	3%

b. Coefficient of locality / remoteness (with reference to 5.2 a. III) given below are proposed to be used for compensation for Regional / Location backwardness:

Category	Cities	Coefficient
<b>W</b>	Islamabad, Lahore, Karachi, Rawalpindi, Faisalabad, Peshawar, and Karachi	<b>0</b>
<b>X</b>	Quetta, Multan, Sukkur, Gujrat, Jamshoro, Sargodha, and Taxila.	<b>1</b>
<b>Y</b>	D.I. Khan, Mardan, Mansehra, Bahawalpur, Muzaffarbad, Mirpur, Nawabshah, Khairpur, Tandojam,	<b>1.5</b>
<b>Z</b>	Khuzdar, Malakand, Lasbella, Gilgit, Bannu, Kohat, Uthal	<b>2</b>

## 5.3. Performance Grant

The following parameters are proposed for the Performance Grant:

S. No.	Parameters	Target %age
I.	PhD faculty	8%
II.	Research Programs, Research Publication/ Output.	2%
III.	Competitive Research Grants Obtained	2%
IV.	Quality Enhancement Cell/Regulatory Body Reports/ Accreditation Council	1%
V.	Compliance with Commission's policies	1%
VI.	Evaluations by professional bodies at national/ international	1%

## **6. Funding Agreement**

All Higher Education Institutions will have to sign an agreement with HEC for obtaining annual recurring grant and prepare a Quantifiable Performance Matrix (QPM)) on the following broad lines every year:

- i) Quality of teaching, research and other learning activities will be enhanced as per laid down policies by HEC.
- ii) Specified and agreed targets will be achieved.
- iii) Students from poor families and remote areas will be supported / retained (need based scholarships).
- iv) The data provided by the HEIs should be correct and available for Audit / Verification.
- v) Expenditures will be incurred after completing all codal formalities as per laid down procedure by Universities.
- vi) All the dealings of universities are fair and transparent.
- vii) If there is any violation, HEC may adjust / deduct the grant of the activities for which targets have not been achieved. In case of gross violation, penalty may also be imposed.

## **7. Allocation of funds for Centers / Chairs / Other Institutions**

The Government of Pakistan has established Centres of Excellences, Area Study Centres, Pakistan Study Centres and Chairs, etc for specific purposes. There is a need to improve their working and enhance impact of these centers especially in research at national and international levels, benefiting our national economy, for which they have to identify their objectives / outcomes for allocation of recurring grant. These institutions would be sensitized to enhance their strategic objectives. The funding of centers will be based on:

- a. Number of students (enrollment) on pro-rata basis,
- b. Research work being carried out, and
- c. Number of papers published during the previous year as per HEC policy.
- d. Considering their own income and %age of govt. funding to recurring expenditures, etc.

The funds may be reduced for all those Centres who do not meet the above mentioned criteria. The work of these centers would be assessed and funded based on the recommendations of Academic Division, HEC.

Eligibility criteria for such institutions would as under:

- a. Institutes and Centers doing good work may be supported.
- b. Institutions which are established in a university without the consent of HEC may not be funded.
- c. For constituent colleges and other Centers established through the development projects which are not separate entities, the recurring budget may be merged in University's recurring budget.

## **8. Funding for HEC Research Projects in HEIs**

Research is essential for the creation of knowledge and its application to obtain maximum benefits particularly for the national economy and society. HEC strategy for funding of research will be:

- i) The universities will facilitate research activities and provide infrastructure such as library, laboratories, and other resources. HEC will provide funds for its sponsored research and cost of training new researchers.
- ii) Universities will enhance prerequisites for professional researchers' careers and promote equal opportunities.
- iii) Foreign students and researchers may be enrolled at PhD level and involved in research by providing scholarships. HEC will support such initiatives.
- iv) HEC will support selective research projects which may contribute to social, economic, clinical and technological needs of the country.
- v) HEC will also fund the quality research projects which contribute towards sustainable development of the country.
- vi) The research funds will be distributed on the recommendations of R&D Division of HEC, and quality of research will be assessed periodically.

## **9. Funding for HEC Programs**

**A.** Higher Education Commission has introduced the cross-sector activities to develop and strengthen tertiary education under the head “Inter University Academic Activities (IUAA)” which includes Seminars & Conferences, Travel Grants, Sports, Long Term/ Short Term Faculty Development Program, Accreditation Councils, Debating Contests and Curriculum Revision etc.

**B.** Higher Education Commission (HEC) has also created the budget head “HEC-Universities Programs” to meet the urgent and emergent needs of the Universities / Institutes / Centers. Funds under the said Budget Head shall be used for achieving HEC objectives:

- To comply with the Presidents and Prime Minister’s directives for provision of additional grant to the HEIs.
- To meet the emergent needs of HEIs which are fully justified and based on relevant data.
- To bridge the unforeseen budgetary deficit / short fall of the recurring budget of the HEIs subject to full justification and availability of funds.
- To allocate funds to newly established Universities / Centers / Institutes.

## **10. Annual Budgetary Cycle:**

The funding is formula based and depends on enrollment/other data provided by the Higher Educating Institutions. Therefore, HEIs need to stream-line their systems, regulate admission and examinations schedules to correspond with the annual budgetary cycle, and to meet deadlines given below;

November – December

- HEC will ask the universities for budget proposals and data from HEI’s.

January – February

- HEC will analyze the proposals and determine the weightings of universities under the heads: Base grant, Need grant, and Performance grant.



March – April

- HEC will verify the data provided by the HEI's, process it and submit NIS to the Government.

May – June

- Allocate the funds and communicate to universities after announcement of budget.

June – July

- HEI will get their budget estimates approved from their respective Finance Planning Committees and Syndicate/BOG.