



Higher Education Commission

FRAMEWORK FOR FINANCIAL AUTONOMY OF PUBLIC SECTOR UNIVERSITIES

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Executive Summary

To address challenges in higher education in the country, the Government of Pakistan established Higher Education Commission (HEC) as a body corporate in 2002 with the declared intention of reforming and expanding the higher education sector and to make Higher Education Institutes (HEIs) more relevant to the need of the 21st century. There have been substantial improvements, however, the total allocation of public funds to the higher education sector in Pakistan remains low by international standards and is highly vulnerable to the overall fiscal situation due to competing demands on the national exchequer. It is, therefore, critical that steps are taken to enhance the financial autonomy of public sector universities through good governance, better financial management and revenue enhancement from nontraditional sources other than government grants and students' fee. The "Higher Education Development in Pakistan Project (HEDP) financed by the World Bank aims to support the HEC Vision 2025. The Development Objective(s) of the HEDP project include strengthening the governance in the higher education sector that include supporting the financial autonomy of universities.

Accordingly, a **framework** for financial autonomy and improvement in the governance of the public sector universities has been developed that would encompass the following areas.

The roadmap for financial autonomy is given in sequential manner. A review of the existing legal and statutory structure of universities as contained in the Acts, Ordinances, Statutes, and Financial Rules, etc. with the objective of harmonizing them with the stipulations of the framework. The recommendations coming out of the review will be implemented with the help of a suitable firm engaged for this purpose.

A detailed analysis will be conducted to mitigate the risk of HEIs property from the unauthorized grabbing by land mafia.

The funds will be generated through applying the physical, financial, and intellectual assets of the universities and will be utilized for educational purposes. A strategy for revenue enhancement has also been framed that includes potential avenues for fund generation.

A capacity building strategy has also been devised for developing understanding and facilitate implementing the framework, better financial management, guidelines for endowment funds, internal and external audit, and allied matters. Initially HEDP will also provide financial support to participating universities to assist them in the implementation of the framework.

It is hoped that this framework will initiate the ball rolling that would go a long way in improving the capability of public sector universities in achieving the goal of financial autonomy. It is a paradigm shift that requires the wholehearted support of all stake holder to make a successful change, rather a **big change**.

1. Chapter 1

1.1. Background

To address challenges in higher education in the country, the Government of Pakistan established Higher Education Commission (HEC) as a body corporate in 2002 with the declared intention of reforming and expanding the higher education sector and to make Higher Education Institutes (HEIs) more relevant to the need of the 21st century. The purpose of the Government's higher education reform program as outlined in the HEC VISION 20-25 is to enhance the capacity of Pakistani institutions of higher learning to produce high quality graduates, support innovation, and improve the overall governance and management of the higher education sector. The HEC Ordinance under section 10 "Powers and functions of the Commission" item "J" stipulates that the Commission shall advise Institutions in raising funds from sources other than the Government.

The "Higher Education Development in Pakistan (HEDP) Project financed by the World Bank aims to support the HEC Vision 20-25. The Development Objective(s) of the project incorporate strengthening the governance in the higher education sector including supporting the financial autonomy of universities.

Despite substantial improvements since 2002, the total allocation of public funds to the higher education sector in Pakistan remains low by international standards and is highly vulnerable to the overall fiscal situation of the country due to competing demands on the national exchequer. It is, therefore, critical that steps are taken in the direction of financial autonomy of the public sector universities through revenue enhancement and fund generation.

1.2. Objectives

For the financial autonomy of the public sector universities the first and foremost thing is to improve its governance, financial management and accountability. The sustainability of public expenditure on higher education is one of the core objectives of HEDP. The traditional financial sources of universities include government grants, tuition fees, research grants primarily from the government, and examination & affiliation fee, and allied income. There is a dire need to improve universities financial autonomy, financial management and improved governance structure of the higher education institutions by broadening the resource avenues, as well as, by using the latest technology.

1.3. Roadmap & Scope

The framework for revenue enhancement will serve as a powerful tool to achieve the objectives stated above through utilizing all available human, financial and physical resources, and avenues of the public sector universities. It has the following distinct phases.

- (i) To draft a Framework for financial autonomy through good governance, financial management, fundraising strategy including a capacity building strategy for the public sector universities.
 - (ii) To draft a Memorandum of Understanding (MOU) to be signed between HEC and participating universities for implementing the framework.
 - (iii) Consultations with the universities on draft framework and MOU through emails and/or meetings -physically or online sessions.
 - (iv) In the light of consultations with universities, presenting the revised drafts to the relevant “committee for financial autonomy” for endorsement.
 - (v) Obtaining approval from HEC competent authority to develop and adopt the framework.
 - (vi) Signing MOUs with participating universities.
 - (vii) Initiating capacity building/trainings/workshops for the relevant nominees of the universities
 - (viii) Determining amount of funds to be transferred to participating universities based on budget availability/ estimates of requirements by participating universities for implementing the revenue enhancement framework.
 - (ix) In the meanwhile, completing the process of hiring a firm to further develop, Improve and assist in implementing the framework for financial autonomy and expand capacity of the public sector universities.
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2. Chapter 2

2.1. The Framework

The framework for financial autonomy and revenue enhancement sets out the principles and responsibilities of public sector universities regarding improvement in governance, more financial autonomy, and healthier financial management capacity. It needs to change and adapt some of its regulations and practices for financial autonomy. It also needs to review the rules under which public universities can hold assets, raise revenues, and utilize revenues, as well as its audit processes. For better financial management of public universities, resource mobilization strategies are needed to increase the funds at the disposal of public universities. Annual targets for resource mobilization must be defined.

2.2 Improvement in the Governance of Public Sector University

A. Improving all the four essential pillars of university

a) Law (s) and By laws

- (i) Act or Ordinance
- (ii) Statutes
- (iii) Regulations
- (i) Rules including Rules of Business and any other

b) Authorities of the University

I. established Under the Act,-

- (i) The Senate
- (ii) The Syndicate
- (iii) The Academic Council

II. Authorities to be established by the Statutes-

- (i) Boards of Faculties
- (ii) Boards of Studies
- (iii) Selection Board
- (iv) Advance Studies and Research Board
- (v) Finance and Planning Committee
- (vi) Affiliation Committee
- (vii) Discipline Committee for Students
- (viii) Such other authorities as may be prescribed.

c) The Officers of the University

- (i) The Chancellor
 - (ii) The Pro-Chancellor
 - (iii) The Vice-Chancellor
 - (iv) The Deans
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- (v) The Directors
- (vi) The Chairpersons
- (vii) The Registrar
- (viii) The Treasurer
- (ix) The Controller of Examinations
- (x) The Provost
- (xi) The Principal of constituent colleges
- (xii) The Librarian; and
- (xiii) Such other persons as may be prescribed to be officers of the University.

d) Finances:

- (i) Financial sustainability and financial autonomy
- (ii) The university Fund
- (iii) Employees Fund
- (iv) Students related Funds
- (v) Liabilities such as securities Retention monies etc.

B. Recommend vital reforms in the administration of the public sector universities

- a) Review and advise changes in the current policy of political appointments to merit-based selection and appointment of the Vice Chancellor being the Chief Executive and Principal Accounting officer of the University.
 - b) Prescribe criteria and prerequisites for upgradation of colleges/campuses to university, establishment of new university as well as establishment of new campuses of universities prior to announcement by the federal and provincial governments.
 - c) Compulsory consent of HEC to be obtained through the Chancellors for upgradation of colleges and campuses, new universities, or conversion of sub campus/colleges into university.
 - d) Recommendations to eliminate political influence in the BOGs, Syndicates, and other statutory bodies of the public sector universities.
 - e) Carry out legislation to permanently discontinue the practice of running the university affairs based on additional charge to faculty instead of hiring dedicated professional on crucial positions such as Treasurers, Registrars and Controllers.
 - f) Develop Key Performance Indicators (KPOIs) for university administration such as VCs, treasurers, Registrars and Controllers with reporting lines and frequency of periodic reporting.
 - g) Recommendations to gradually implement automation through Enterprise Resource Planning (ERP), Campus Management/Student Life Cycle, Learning Management System (LMS) and other initiatives with timelines and resources required.
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2.3. Legal, Rules and Procedural

- b. Review of existing legal, statutory, and financial documents containing rules & regulation with a view to enhance financial autonomy and fund generation by using physical, financial, and intellectual assets of the public sector universities/institutions, as given in the:
 - i. Charters/Ordinances,
 - ii. Statutes
 - iii. Financial Rules.
 - iv. Other regulations
- c. Review of existing laws, rules, and regulations under which public universities can
 - i. hold assets
 - ii. raise revenues from the assets
 - iii. utilize revenues
- d. Recommend the required amendments, provide complete roadmap, and deliver duly amended/approved by relevant fora , if any, in the statutory texts of the documents listed at item (b) above to enable the public sector universities to utilize its assets for fund generation through any/all the following modes:
 - (ii) Public private Partnerships as given in PPP Act 2016, as amended.
 - (iii) Incorporation of Not-for-Profit Companies by universities under section 42 of SECP Act 2017, as an association with the object to generate revenues using university assets for utilization in education and research activities
 - (iv) Where considered appropriate, creation of (Private) limited companies by universities with the sole object of fund raising for the universities with clear targets, within the legal framework applicable to public universities within Pakistan.
 - (v) Other organizations/legal entities for to conduct activities needed for fund generation from unconventional sources.

2.3.1 Mitigation of risk of un-authorized occupiers & Land Mafia

- a) Prepare list of university physical assets such as property and land which are not under the physical control of the university
- b) Prepare detailed action plan to swiftly arrange release of university assets/land arrogated by un-authorized occupiers and land mafia, through legal and administrative actions.
- c) Implement the action plan with timelines in collaboration of stake holders.
- d) Complete evaluation of risks of university's existing and future physical assets from seizure by any person or group – tenants, partners under PPP mode or other entities.

- e) Propose all remedies available to university to mitigate the risk of its properties and projects from arrogation that are created under PPP or other mode.

Chapter 3. Revenue Enhancement and Fund Generation

3.1. Income from Physical Assets

The physical assets of the universities shall be used to generate income particularly rental income from the existing as well as purpose built commercial and residential buildings using the prime land of the university.

A. Conduct a survey of university physical assets to evaluate potential of rental income

- a. Conduct a base line survey and collect data of the existing property of university already on rent with a view to assess the market value of rental income viz a viz actual rent being charged and to take swift action through the committee for enhancement of rent or legal action for eviction of the property from the current occupiers with best available legal team and timelines.
- b. Income from existing assets by renting
 - i. Rooms/blocks to private educational institutes, evening coaching & tuition centers
 - ii. Halls
 - iii. Sports facilities
 - iv. Parking facilities
 - v. Agriculture land
 - vi. Cattle and poultry farms
 - vii. Other avenues specific to the university
- c. Commercial use of high-tech labs and provide sample testing services at economical rates.
- d. Commercial use of medical facilities by relevant institutions for Diagnostic and Research Lab, Forensic Labs, Radiology services. Moreover, health care services by university owned hospitals, Trauma Centers, Vaccine production facilities for specialized medicines.

B. Projects for future income

- i. Purpose built Commercial and residential buildings
 - ii. Other avenues specific to each university
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3.2. Income from Financial Assets

- a. Donations from Alumni
 - i. Create a cell in the finance department or a back office
 - ii. Keep up-to-date record of alumni
 - iii. Engage alumni through emails or social medial groups
 - iv. Keep track of alumni
 - v. Arrange regular annual get-togethers
 - vi. Obtain donations from Alumni
 - b. Evaluate, analyse, and guide for implementation the proposal for establishment of “Public Sector Universities Endowment Fund” (PSUEF) for support to recurring expenditure, at federal or provincial level with proportionate contributions by the federal government, provincial governments, and universities.
 - c. Creation of appropriate endowments by the universities for pension or other objectives.
 - d. Establishment of appropriate “University Investment Committee” with ToRs and meeting calendar, for profitable investment of temporary idle funds in risk free securities.
 - e. Fee and other dues to be collected through banking channels
 - f. A cost benefit analysis and per student cost be carried out for each discipline/department/sub-campus to create a realization how much funds are being utilized for each department listing the highest losses first.
 - g. Cost effective measures including closure of sub-campuses based on enrolments, feeding institutions in the area and existing campuses of the universities.
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3.3 *Income from Intellectual Assets*

- a. Commercial research
 - i. Developing of a culture of commercial research projects in public sector universities for business, industry, and other organizations
 - ii. Measures to be taken to build confidence of business and industry
 - iii. Capacity building of researchers for commercial research
 - iv. Incentivize commercial research by enhancing percentage share of researcher but at the same time ensure that university gets its due share for the use of university properties and facilities (overhead). Suggested benchmark share of university is 50%.
 - v. Develop SOPs and take appropriate actions for private research using university facilities.
 - vi. Resolve the Issue, if any, of equivalence of impact factor for commercial research
 - vii. develop and strengthen the links between the industry and academia. The Universities based in industrial cities need to make efforts to bring academia and industry on the same page with an assurance to provide technical and problem-solving facilities.
 - viii. Encourage the students to explore the market needs and go for the solutions in form of their academic projects.
 - ix. Revitalize ORIC and BIC for commercial activities.
 - x. Recommendations for other measures and incentives to promote culture of Commercial research in public sector universities
- b. Patents, copy rights and other intellectual assets
- c. On-Line & Distance Learning (ODL) Program.
 - i. As per HEC ODL Policy (**Annex I**), distance learning programs to be initiated
 - ii. Learning Management System (LMS) to be installed through HEC or university own resources
 - iii. The distance learning programs to be widely publicized.
- d. Consider establishment of centers abroad especially Middle East, Saudi Arabia to facilitate Pakistani community working abroad with appropriate fee structure to generate income.
- e. Centers for Foreign Languages with courses related to important world languages like Chinese, English, Arabic, , Turkish, French, Spanish and German.
- f. Conduct survey, research, statistical data analysis, feasibility studies or designing the frameworks for business and industry on commercial basis.
- g. Subject and Recruitment Testing Services
 - i. For employment in business and industry
 - ii. For admissions in educational institutions
 - iii. Any other
- h. Paid Short courses and life skills trainings in:
 - i. IT, Management, Leadership, Time Management, parenting, health nutrition, job interview and allied skills
 - ii. teacher training programs, certificate courses, conferences, diplomas,
 - iii. online courses, short summer courses, others.
- i. Department of Business Administration be used to offer paid entrepreneurial courses.

- j. Consult with provincial governments for paid training of local bodies members.
 - k. Paid psychological services i.e., psychological assessment, therapeutic services, counselling services
 - l. Establishment of Arts Gallery.
 - m. Any other service such as Information Technology, legal, and other charged services
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Chapter 4. Financial Management

4.1. Financial Rules

Every university must have up-to-date financial rules that encompass all areas pertaining to finance, budget, accounting, reporting and audit of the funds of the university provided by all sources. The minimum scope of financial rules must contain:

- a. Financial Organization such as treasurer department, Budget department, audit department with their functions
 - b. Defined Role, financial powers, and sanctioning authority of
 - i. Vice Chancellor/Rector
 - ii. Treasurer/Director Finance with well-defined qualifications and its implementation in letter and spirit. University must **discourage and discontinue** the culture of additional charge to faculty members
 - iii. Finance & Planning/Budget Committees
 - iv. Syndicate
 - v. Senate/BOG by whatever name called
 - vi. Registrar
 - vii. Dean, Head of Departments
 - viii. Duly notified Committee(s)
 - c. Levels of financial powers, authority, responsibility, and sanctioning
 - d. Delegation of financial powers
 - e. All heads of university income(s)
 - i. Details of Recurring Grant and Development Grant received from Federal (HEC) and Provincial Governments
 - ii. Donations
 - iii. Loans, credits, and bridge financing
 - f. University Fund, Endowment Funds, Research Fund, and other specific funds
 - a.
 - g. Procurement manual/procedure, procurement & inspection committees, stores, receipts, and issues
 - h. Assets
 - i. custodiam,
 - ii. recording and Bar-codes
 - iii. periodical verification through committee
 - iv. Sale, disposal and write off assets
 - i. Accounting records and books of account
 - j. Chart of Accounts (CoA)
 - k. Recording of transactions, receipts, payments, and reconciliation
 - l. Development projects
 - m. Aasan Assignment Account
 - n. Banking and reconciliation procedure
 - o. Compilation, control, and format of university budget
 - p. Double entry accounting system
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- q. Payroll and its format
 - r. Workflow
 - s. Automation
 - t. Petty cash/Imprest/contingencies for various purposes
 - u. Advances and adjustment
 - v. Campuses and sub-campuses financial management and accounting
 - w. Any other relevant item
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4..2. Policy Guidelines for Endowment Fund(s)

Universities shall create appropriate endowment fund(s) and augment the existing endowments for meeting its various expenditures/functions in line with endowment fund rules. The Endowment Fund Rules may have the following minimum segments:

- a) Aims & objectives of Endowment Fund
- b) Endowment Fund effective date
- c) Seed Money for endowment fund
- d) Contributions from such as
 - i. University.
 - ii. Federal and Provincial governments.
 - iii. Donations/Contributions
 - iv. From other sources, national or international
 - v. Income generated by the investment of the Endowment fund
 - vi. Any other source
- e) Board of Trustees. Members such as
 - i. The Vice Chancellor
 - ii. A person with financial background to be nominated by the University
 - iii. Treasurer/Director Finance and any other nominees of the University
 - iv. nominee(s) of donors
 - v. Nominees from federal or provincial government
- f) Chairman Board of Trustees.
- g) Rules for Appointment and Discharge of Members
- h) Responsibilities & Powers of the Board of Trustees
- i) Policy for investment of the endowment fund
- j) Meeting of Board of Trustees
- k) Indemnification of Board of Trustees
- l) Account And Audit of The Endowment Fund
- m) Remuneration and Expenses of Board of Trustees.
- n) Life of the Endowment Fund. Perpetual or fixed term
- o) Delegation of powers
- p)** Formation of Committees
- q)** Relaxation of the Endowment Fund Rules.

4.3. University Development/Revenue Enhancement Offices

- a. Universities will establish a Revenue Enhancement or fundraising office/ section at universities for income generating activities through non-traditional sources.
 - b. A suitable "Committee" will be notified to oversee the assignment, list priority areas and to examine, analyze and recommend the (investment) proposals or projects for revenue generation.
 - c. Not less than two employees will be hired/dedicatedly deputed to this Office The proposed Development Office to work as a secretariate of the "Committee" to be constituted for this purpose by the university.
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- d. Proper office space, required furniture, laptops/computers, network, and other facilities will be provided.
- e. This Office will preferably be under the Treasurer/director Finance of the university.
- f. VC/Rector shall issue a notification to this effect.

4.4. Economy, efficiency, and effectiveness (3E's)

- a. Economy — Getting the right inputs at the lowest cost without compromising on quality (or getting a good deal).
 - b. Efficiency — Getting the most from the inputs (or getting lot more from the efforts).
 - c. Effectiveness — Getting the expected results from the outputs (or doing the right things).
 - d. Cost-benefit analysis of departments including ORIC and BIC
 - e. Cost reduction on non-essential items of expenditure especially identifying problem areas within the universities.
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Chapter 5. Audit

5.1. Internal Audit

Every university must have an internal audit department with qualified and adequate resources. Internal audit function should be independent. In addition to transactions audit, it may conduct the periodic audit. The role, organization structure and line of reporting of internal audit should be defined. It must clearly define the role of “Resident Auditor” if any. The Internal auditor should report to those charged with governance or those that are not involved in managing daily operations of the university. Internal auditor administratively reports to VC/ Rector of the university.

a) Scope of Work:

Internal Auditor shall vet all the financial transactions, procurements and contracts, new inductions and salary fixation, pension, as well as the internal controls of the university. Check compliances with rules and regulations applicable to the university. Internal audit shall perform the review of the following areas during the financial year:

- (i) Finance & Accounting - Payments, Advances, pre-audit of all transactions and Income, tax deductions.
- (ii) HR & Payroll Processing- Service and hiring rules, retirement, pension and severance during service rules, Tenure Track Rules, applicable leaves, personal files review , Payroll Processing
- (iii) Procurements- ToRs, advertisement, procurement methods, comparative statement, procurement planning, contracts and agreements, pre-qualification criteria, performance appraisal of vendors and allied matters.
- (iv) Internal Controls – Review the overall internal control environment including controls of ERP or other automation systems. Staff cars rules, TA DA Rules, Asset Register, Stock Register, Physical/Annual Stock taking and all rules and regulations.
- (v) Focal point for external audit by the federal, provincial or district auditors.
- (vi) Audit Plan for periodic audit if conducted: Internal auditor shall prepare the audit plan at the start of year covering the timelines for internal audit of the processes. The plan shall be approved by the management.

b) Deliverables:

- (i) Vetting of all transactions and pinpointing the deficiencies to be removed.
 - (ii) Clearing all documents and transactions when in order.
 - (iii) Passing the vouchers for payment.
 - (iv) Where periodic audit is adopted, a comprehensive report to the university management highlighting the internal control weakness and non-compliances. The findings in the report shall be discussed with the concerned process owner and action plan shall be designed to resolve the issues and findings. Auditor shall check the status of findings in the next audit and update the report accordingly.
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5.2. External Audit

5.2.1 By Government Auditors

The Accounts of the University shall be audited once a year in conformity with the statutes/Rules of the University, by Government Auditors appointed by the Director General, Audit.

The Internal audit shall coordinate and shall be the focal point to provide required record to the Government auditors.

The observations of Government Auditors, together with such annotations as the Treasurer/relevant department may make shall be presented to the Departmental Accounts Committee (DAC)

Minutes of the DAC may be placed to the Syndicate for further instructions.

The final status of audit shall be placed before the Senate.

5.2.2. By Chartered Accountant firm

In addition to statutory audit by the Government Auditors, the university may opt to get its Annual Financial Statement (AFS) by a chartered accountant firm hired through applicable procurement rules.

Chapter 6. Strategy to Increase the Funds Generation by Public Sector Universities

6.1. Revenue Enhancement Strategy

The fund generation capability of the public sector universities from non-traditional sources will be increased gradually and in phases:

- a. First Phase
 - i. Development of the framework for fund raising and revenue enhancement in consultation with universities
 - ii. Adoption by HEC
 - iii. Participating universities and HEC to sign Memorandum of Understanding (MOU) **Annex III**
 - iv. HEC to transfer funds based on availability and approval by competent authority, as well as initial requirements of the participating universities
 - v. Initiation of capacity building

- b. Second Phase Implementation

HEC/HEDP is hiring a firm for improvement of the framework and to assist universities in implementation with the following TORs:

- i. Analyze and recommend the forums that are competent to enact the recommended amendments in university acts, statutes, rules, and procedures to remove hurdles enabling public sector universities to raise revenue through non-traditional sources as given in the framework.
 - ii. Develop stepwise actions with suggested time frame for achieving the recommended amendments in the above legal documents.
 - iii. Assist the federal and provincial governments, Higher Education Commission, policy makers, and the public sector universities in the enactment of the required amendments.
 - iv. Facilitate the universities and other stakeholder organizations to implement the framework for improving fund generation.
 - v. Support establishment of University Development Offices, fundraising structure at universities for income generating activities through non-traditional sources.
 - vi. Support the participating universities for Commercialization of their assets, Products & Services
 - vii. Help develop Business Plans for select universities to implement the financial management and financial autonomy framework
 - viii. Provide documented evidence for the launch of the framework in a minimum of 50 public sector universities for sustainable fund generation from non-traditional sources.
 - ix. HEC has a detailed Revenue Enhancement Strategy (**Annex II**) that will be improved by developing medium to long term Resource Mobilization Strategies (5-10 years) to increase the funds at public universities through non-traditional sources including commercial research.
 - x. Analyze the gaps in the financial management in universities and recommendations for improving the overall financial management and third party Chartered Accountant compliant status.
 - xi. Develop guidelines for use of the generated funds such that they are utilized for improving teaching and learning quality, service quality, research, well-being of students and faculty/staff.
 - xii. Bench mark the improved framework against international best practices.
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- xiii. Provide detailed estimation for minimum additional funding required by participating universities for establishment and proper functioning of University Development offices to initiate implementation of the framework.
- xiv. Improve the capacity building strategy for university revenue generation and financial management.
- xv. Assist HEC in conducting capacity building and trainings of the relevant top management and the treasury and audit departments of public sector universities.

Detailed Revenue Enhancement Strategy duly approved by the Secretary, M/o Federal Education & Professional Training and vetted by the Prime Minister Office; is attached as **ANNEX II**

6.2. Key Performance Indicators (KPIs)

- a) Memorandum of Understanding (MoU) has been signed with the participating university.
 - b) Establishment of University Development Offices
 - i. The Vice Chancellor/Rector/management of participating university has notified the establishment of a University Development Offices (UDO), for income generating activities through non-traditional sources.
 - ii. At least two employees have been posted/hired for the UDO- one officer not below BPS 17 or equivalent and one staff not below BPS 14 or equivalent within the Finance/Treasury Department with carrier progression path and reporting lines.
 - iii. HEC transfer funds to the participating universities in phases based on availability of funds.
 - iv. Capacity building program is operational
 - c) Hiring of a firm to:
 - i. Further improve the framework
 - ii. Assist universities to implement it
 - iii. Recommend. develop and assist in carrying out amendments in the existing laws and statutes to align them with the stipulations of the framework
 - d) Annual Targets
 - i. A baseline actual data has been collected with achieved amounts and shared with HEC.
 - ii. Participating university has set an annual target for revenue enhancement and fund generation from non-traditional sources based on but not limited to the options given in the framework.
 - iii. The annual increase in the target to achieve revenue enhancement in subsequent years has been set by participating university based on its own conditions and opportunities.
 - iv. A minimum incremental target of not less than 5 % has been achieved and reported to HEC in subsequent years after implementation of the framework.
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Chapter 7 Capacity building strategy

The scope of capacity building strategy encompasses focused capacity building of around 120 public sector universities and institutes, as well as HEC relevant employees to support implementation of the framework for financial autonomy, revenue enhancement and fund generation in the following thematic areas:

7.1. Improvement in the Governance of Public Sector Universities

Introduction to the Framework for financial autonomy

Four Pillars of Governance

Improvement in the governance system in the higher Education (HE) sector

Existing Laws, Acts, Ordinances and Statues

Amendments required for Improved financial autonomy

Revenue enhancement and fund generation from physical, financial, and intellectual assets of the universities.

7.2. Financial management

- Financial Rules
- Budgeting & Controlling Strengthening institutional budget preparation and implementation
- Understanding budgetary and Monetary policies,
- Areas concerning economic, efficient and effective utilization of funds
- Adoption of New Accounting Model (NAM)/IPSAS and New Chart of Accounts,
- Introduction to ERP and SAP
- Accounting Policies and Procedures, Financial Reporting (in-year and annual)

7.3. Audit

- Internal Controls and Effectiveness of internal audit
- External Audit by Auditor General Office
- Audit by Chartered Accountant Firm
- Internal Financial Reporting Standards
- Value addition by audit in areas concerning economic & efficient and effective utilization of funds

7.4. Taxation

- Overview of Income Tax Ordinance
 - Structure of FBR
 - Appellate Forums
 - Tax Exemption to public sector universities
 - Obtaining Exemption Certificate for the universities
-

- Income Tax Returns
- Notices , Responses, Appeals
- Withholding Tax Regime
- implications of withholding tax on Bank's profit
- Preparation and on-line submission of Tax Returns for withholding taxes
- Retainership Consultancy as advised by HEC

7.5. Methodology for capacity Building

A 3–4-day training to the nominees of public sector universities will be held in batches of 30 participants each. Around 10-20 cohorts will be trained. To concentrate on trainings, the nominees will have to come out of their daily routine. Therefore, training is proposed to be imparted in suitable location in all the federating units. HEC Regional centers, as well as selected universities will be the venue of the trainings who could provide boarding and lodging as well as hall facilities. In addition, suitable hotels in other areas where accommodation and auditorium facilities are available to conduct such training. Its methodology would include the following features:

- Pre-training tests
 - Lectures by the trainer using audio visual equipment,
 - Case studies and case scenarios
 - Focus Groups discussions
 - Group work and practical sessions during the training period
 - Post training tests and learning gaps.
 - Assessment of trainings by the participants
 - Certificate distribution to the participants
-

ANNEXURES

Annexure- I

Online and Distance Learning (ODL) Policy

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Online and Distance Learning (ODL) Policy

This policy sets minimum quality standards under which universities, other than those that specialize in distance education, would be allowed to offer education through online and distance learning modes. The ultimate objective is to protect the interest of students, while providing them with an opportunity to access affordable educational resources.

Clarification: This policy does not obligate every university to provide online and distance education but provides the policy framework for those universities wanting to use those modes in addition to their offerings in the traditional in-person mode.

DEFINITIONS: In this document, unless there is something repugnant to the context, the following terms shall have the appended meanings.

- 1.1. Asynchronous Learning:** Learning that does not require real-time interaction and is based on content made available online for students to access when it best suits their schedules, although assignments may still have to be submitted according to set deadlines. *See also Synchronous Learning.*
- 1.2. Blended Learning:** A combination of online with in-person teaching, i.e., involving some regular in-person interaction between students and teachers, while allowing for the use of online materials or online learning strategies.
- 1.3. Distance Learning:** Delivery of instruction by someone geographically removed from the learner, i.e., without requiring physical proximity between teachers and students, including through written materials or electronic communication regardless of whether it is shared by ordinary mail or information and communication technologies (ICTs).
- 1.4. e-Learning:** *See Online Learning.*
- 1.5. Flipped Classroom:** A type of blended learning where students are introduced to content at home (e.g., through electronically recorded lectures circulated in advance) and practice working through it at school. That is, a reversal of the normal practice of introducing new content at school and assigning homework or projects to be completed at home.
- 1.6. Hybrid Learning:** A situation where some students attend class in person while others join virtually.
- 1.7. In-person Teaching:** Traditional teaching system involving direct, face-to-face interaction between the teacher and the student.
- 1.8. Learning Management System (LMS):** Software designed to distribute and manage the delivery of educational content, handle course registration and course administration, and tracking and reporting on progress.
- 1.9. Massive Open Online Course (MOOC):** A structured online course or curriculum unit aimed at unlimited participation and open access via the Web.

- 1.10. **MOOCs Providers:** Platforms that offer access to MOOCs, such as Coursera, EdX, Khan Academy, and others.
 - 1.11. **NAHE:** National Academy of Higher Education, HEC.
 - 1.12. **OAC:** The ODL Academic Committee established by the *OMO* (See 2.14 below).
 - 1.13. **ODLD:** The Online and Distance Learning Division, HEC.
 - 1.14. **OMO:** The ODL Management Office, established at each participating university per paragraph 7 below.
 - 1.15. **Online Education:** *See Online Learning.*
 - 1.16. **Online Learning** (also called *eLearning* or *Online Education*): A form of distance learning using digital materials and electronic communication methods, deployed independently or in combination with traditional in-person instruction.
 - 1.17. **Open Educational Resources (OERs):** Teaching, learning, and research resources that are in the public domain or have been released under an open license. That is, an intellectual property license that permits free use and re-purposing by others and are available for use at any time without any time restrictions. These may include full courses, modules, textbooks, streaming videos, tests, software, and any other tools, materials, or techniques used to support access to knowledge.
 - 1.18. **Synchronous learning:** Distance learning that happens in real time, often with a set class schedule and required login times. (*See also asynchronous learning*).
 - 1.19. **University:** All degree awarding institutions regardless of whether they are called universities, institutes, or by other names.
2. **OBJECTIVES:** In keeping with the ultimate goal of enhancing access of students to new learning opportunities while protecting their interests, the policy seeks to incentivize universities to introduce continuous improvements in the quality of such education. In particular, the policy has the following objectives:
- 2.1. **Standards:** Establish minimum standards, aligned with existing or improved standards, which must be met by a university before offering online and distance learning courses or programmes.
 - 2.2. **Quality Enhancement:** Improve the quality of online and distance learning provided by universities, move towards international best practices in this domain and aim to improve upon them, and narrow the perceived quality gap between distance education and in-person education.
 - 2.3. **Expansion of Access:** Expand access of students to universities, by allowing the latter to supplement conventional teaching methods with lower-cost ODL options.
 - 2.4. **Facilitation of Lifelong Learning:** Promote lifelong learning and continuing education by expanding the options available for in-career professionals.

3. **SCOPE:** This policy lies within the ambit of HEC policies, especially those pertaining to standards and quality of education. Nothing that is stated here is to be read as restricting, interfering with, or reducing the scope of other HEC policies. It shall apply to all universities in Pakistan offering or planning to offer online and distance education.

4. **ELIGIBILITY CONDITIONS:** A university that intends to provide online and distance education shall have to demonstrate its readiness for offering such programmes. Specifically, University's will have to provide the following evidence:
 - 4.1. **OMO and OAC:** The University has notified and established the OMO and the ODL Academic Committee (OAC) in accordance with *Paragraph 7 below*.
 - 4.2. **ODL Policy:** The relevant statutory bodies have approved the University's ODL Policy (*See paragraph 6 below*).
 - 4.3. **LMS:** The University has established and operationalized the LMS.
 - 4.4. **Courses:** All courses to be offered through online and distance education are also being offered as regular courses and have been reviewed for ODL delivery by the OMO/OAC and approved by the relevant university bodies. That is, there will be no distinction between courses offered through the ODL mode and those offered through traditional face-to-face mode.
 - 4.5. **Faculty:** Faculty members assigned to teach ODL courses by a department will be subject to oversight by the OMO.
 - 4.6. **Technology:** The University has deployed the necessary infrastructure and software.
 - 4.7. **Examinations:** The University has arrangements to assess and evaluate students.
 - 4.8. **Library:** The University's library can provide online access to prescribed course materials.
 - 4.9. **Laboratory:** The University has made arrangements for supervised laboratory experience where needed.
 - 4.10. **Student Support:** The University has arranged support to students in accessing online and distance education.

5. **UNIVERSITY ODL POLICY:** A university that intends to provide online and distance education shall develop its own ODL policy and get it ratified by the relevant university bodies like the Syndicate and/or Senate. The policy should cover all items listed in Paragraph 5 above, and be consistent with HEC's policies, guidelines, and regulations, especially this policy, as well as the broader vision and mission of the university.

6. **ODL MANAGEMENT OFFICE (OMO):** A university that intends to provide online and distance education shall establish a dedicated office, to be called the ODL Management Office (OMO), to undertake all responsibilities for matters pertaining to ODL education.

The OMO shall have the following structure and functions:

6.1. Structure:

6.1.1. The OMO shall be headed by a Dean and supported by additional staff as may be required.

6.1.2. The OMO shall report to the head of the University.

6.2. **Functions:** The OMO shall be responsible for the following:

6.2.1. **Establishment of ODL Academic Committee (OAC):** With approval of the head of the University, notify and establish the OAC and serve as its secretariat.

6.2.1.1. Composition of OAC:

The head of the University shall be the Chair of OAC.

The head of the OMO shall be the Secretary of OAC. Other members of the OAC shall include:

- All Deans
- At least 2 Professors, to be appointed by the OAC Chair.
- At least 2 HODs, to be appointed by the OAC Chair
- At least 1 senior administration/management officer of the university, to be appointed by the OAC Chair.

6.2.1.2. Powers of OAC:

Besides infrastructural administrative matters, the OAC will have oversight over matters pertaining to academics and faculty teaching on the ODL mode as mentioned in the following sections.

6.2.2. **University ODL Policy:** Develop and obtain approval of the University's ODL Policy (*see Paragraph 6 above*) and ensure its implementation.

6.2.3. **Regulations and Procedures:** Frame any specific regulations or procedures required for effective delivery of online and distance education and submit them for approval to the relevant university body.

6.2.4. **Integration:** Ensure the alignment of online and distance education policies and procedures with mainstream academic and governance bodies of the university.

6.2.5. **Course Approval:** Review and provide oversight to all proposed online and distance education courses. Provided that no course shall be offered through online and distance mode unless it has been approved by the academic bodies of the university. That is, the ODL courses shall be approved by the Board of Studies, Board of Faculty, Academic Council, and Senate/Syndicate/BOG (or equivalent bodies, howsoever they are named).

6.2.6. **Capacity Building:** Approve training programmes and arrange the provision of training and continued professional development of faculty members, course organizers, and academic departments for designing and developing ODL courses, and effective delivery of online and distance content.

- 6.2.7. Infrastructure:** Obtain, manage, and supervise all technological and physical infrastructure needed to deliver good quality online and distance education, including LMSs, Digital Library, Digital Labs, virtual meeting software, and others.
- 6.2.8. Technical Services:** The Information Technology (IT) section of the university shall provide all necessary services as required by the OMO.
- 6.2.9. Online Library:** Ensure and certify the availability of library resources (*See Paragraph 13 below*).
- 6.2.10. Student Support:** Assess student needs in regard to accessing online and distance learning and arrange necessary institutional and financial support (*See Paragraph 15 below*).
- 6.2.11. Annual Report:** Prepare an annual report on the academic performance of the institution in the domain of online and distance education.
- 6.2.12. Review:** Undertake a review every three (3) years of the operation of the policy, and introduce any amendments that may be needed to enhance quality and effectiveness; and
- 6.2.13.** Perform such other functions as may be prescribed.
- 7. ODL COURSES:**
- 7.1.** In developing the courses, the OAC shall ensure that the syllabuses, including learning materials, are designed, and developed in accordance with HEC guidelines and international best practices.
- 7.2.** Every course that is to be offered through online and distance education mode shall be authorized specifically and individually by the Academic Council
- 7.3.** All approved courses shall be uploaded in a timely manner to the LMS before the commencement of teaching.
- 8. FACULTY TRAINING:**
- 8.1.** OMOs shall provide opportunities for and facilitate faculty to receive training in designing and developing and delivering online/DL courses.
- 8.2.** The OAC/OMO shall approve training programs including those offered by NAHE. However, NAHE/HEC shall monitor the quality of non-NAHE training programs.
- 9. TECHNOLOGY INFRASTRUCTURE AND SOFTWARE:** Universities providing or planning to provide online, and distance education must deploy the requisite software and technological infrastructure, make it available to all students and faculty members, and arrange technical support for trouble- shooting and smooth operation. The minimum required software packages include the university's LMS, selected meeting software (e.g., Microsoft Teams, Zoom, or Google Classroom), online library resources, and software needed for online examination systems.

10. LABORATORY AND PRACTICAL INSTRUCTION: Laboratory work and practical instruction requires the physical presence of the student and direct supervision by or interaction with their instructors. In general, this means a higher threshold for the approval of courses that require laboratory work or other practical instruction. In principle, universities must provide evidence that the required instruction has been provided to the students, and that the students have been tested meaningfully on their learning. The following principles are designed to ensure the quality of education in this domain:

- 10.1.** In case an online/distance education course requires laboratory work, the university will have to produce evidence that the student was provided access to, and attended a supervised laboratory environment, for the number of hours prescribed for the course.
- 10.2.** More broadly the OMO, in consultation with the relevant academic department, shall develop and publish detailed guidelines on how students can fulfil the laboratory requirements in ODL programs. In case of professional streams, these regulations have to be validated by the relevant accreditation council.
- 10.3.** All regulations and guidelines in this regard have to be approved by the OAC/OMO and relevant academic bodies of the university and communicated to all students and faculty members in a transparent and accessible manner.

11. EXAMINATIONS AND ASSESSMENT: Regardless of the mode of instruction, it is the responsibility of the university to assess performance and certify that each student possesses sufficient knowledge of the subject to qualify the course. Examinations and assessments will be in accordance with the relevant HEC and institutional policies, guidelines, and rules. Provided that all students registered for a course shall be assessed through one uniform mechanism regardless of mode of delivery.

12. LIBRARY AND DIGITAL RESOURCES: A university that intends to provide online and distance education shall establish a library that enables students to access course material (including all required readings, optional readings, audio-visual materials, and ancillary literature or data needed for course-related research) through online and digital means, including through the LMS or HEC's digital library subscription, regardless of whether students are expected or required to purchase their own textbooks or materials.

13. OPEN EDUCATIONAL RESOURCES (OERs): Faculty should be encouraged to use existing quality OER from around the world in various formats and adapt these to local contexts.

- 13.1.** ***Making University's Online Resources Available:*** Universities should establish transparent regulations to allow external use of their online resources. All public sector universities should publish their online materials as OER under a CC-BY-NC-SA license. Private sector universities may choose to do so on their own volition but would not be required to do so.

14. STUDENT SUPPORT: A university that intends to provide online and distance education shall arrange support to students who sign up for such courses. Specifically, the OMO shall ensure that students are

familiarized with the requirements as well as the benefits of ODL education, provide a menu of options for students to receive course materials, collect information on the challenges faced by students in this regard, arrange tutoring outside regular classes if needed, and establish a complaint registration and redressal mechanism.

- 15. MONITORING AND EVALUATION:** To ensure implementation and draw lessons for further refinement, the ODL (HEC) will collaborate with the OMOs to monitor the standard of online and distance education.

- 16. REVIEW AND UPDATE:** This policy will be reviewed and updated every three years, and the updated versions circulated.

- 17. REPEAL:** This policy supersedes and replaces past HEC policies, regulations, and guidelines on online and distance learning.

Resource Enhancement Strategy for HEIs

Annex-II - Final
Draft of RES.pdf

Draft MOU for Participating in the Revenue Enhancement Framework

Between

The Higher Education Commission (HEC), H-9, Islamabad : First Party And

(Name and address of university): Second Party

1. AGREEMENT: This agreement is between the HEC, H-9, Islamabad the first party, and The University, the second party.
2. INTRODUCTION: HEC is implementing a World Bank funded project “Higher Education Development in Pakistan (HEDP)” to support the HEC Vision 2025. The Development Objective(s) of the HEDP project include strengthening the governance in the higher education sector and for supporting the financial autonomy of universities by enhancing revenue generation from non-traditional sources.
3. Accordingly, HEDP has organized and developed a “Framework for Financial Autonomy and Fund Generation” in consultation with public sector universities duly recommended by the relevant committee and approved by the Competent Authority. It contains broadly, the roadmap for revenue enhancement, review of the existing legal and statutory structure of universities as contained in their Acts, Statutes, and Financial Rules with the objective to harmonize them with the framework; as well as avenues and strategy to meet the objective of revenue enhancement.

Moreover, a firm will be hired to help for further improvement and implementation.

A detailed analysis will be conducted to mitigate the risk of HEIs property from the unauthorized grabbing by land mafia.

The funds will be generated through applying the physical, financial, and intellectual assets of the universities and will be utilized for educational purposes.

A strategy for revenue enhancement has been framed that includes potential avenues for fund generation.

A capacity building strategy has also been devised for developing understanding and to facilitate implementation in revenue enhancement, financial management, endowment funds, internal and external audit, and allied matters.

- a) By signing the MOU, the Second Party i.e., a university commits its intent to move in the direction of revenue enhancement and fund generation from non-traditional sources.
- b) Within two weeks after the signing of MOU by both parties, the Vice Chancellor/Rector of the Second Party shall notify the establishment of a University Development Office, for revenue enhancement through non-traditional sources. In addition, a “Committee” will be notified to examine, analyze, and recommend the (investment) proposals or projects for revenue generation. The proposed Development Office will also work as a secretariate of the “Committee”. This unit will help kick start and keep the ball rolling.
- c) Proper office space, required furniture, laptops/computers, network, and other facilities will be provided by the second party to the office so established.
- d) Required manpower – Suitably qualified (at least) two regular/contract employees, one officer of not below BPS 17 or equivalent and one staff not below BPS 14 or equivalent within the Finance/Treasury Department with carrier progression path and reporting lines will be hired or dedicatedly deputed from university existing HR.

- e) The Second Party commits to achieve the targets for revenue enhancement as given in the said framework.
- f) By signing the MOU, the First Party commits to provide funds to the Second Party to be utilized for revenue enhancement from non-traditional to the selected universities willing to participate in its implementation. The mechanism will be delivery-based funds to the second party for the establishment and proper functioning of the said office and fund generation activities. Funds will be provided for FY 2021-22 and if possible subject to availability, for FY 22-23 to 23-24
- g) The First Party will also arrange capacity building and hand holding of the Second Party for implementation of the framework
- h) In case the First Party releases sizable funds, the Second Party will use it as seed money for specific endowment fund(s) with objective of revenue generation and other revenue generation activities with the consent of the First Party.
- i) The funds so provided will solely be used by the Second Party for achieving the objective of revenue enhancement from non-traditional sources. A university is not supposed to adopt all measures at once as mentioned in the framework. Each university will choose the ones that are most suitable to them, as well as, to start with the most accessible, say low hanging fruits.
- j) The ones requiring amendments in Acts, Statutes etc. will be put into practice after the amendments.
- k) The second party will provide utilization report along with status of target achievement to the first party on quarterly basis.
- l) The Financial Management Specialist HEDP will be the focal person for the first party and the Treasurer/Director Finance will be the focal person for Second Party.
- m) CONFLICT RESOLUTION: Any dispute with reference to the terms of this MoU shall be resolved with mutual consultation, failing which both parties shall mutually agree on independent arbitrator whose decision shall be final and binding

IN WITNESS WHEREOF by signatures of their respective authorized officers, the parties agree to be bound by the terms of this Agreement. This agreement is signed in two original copies in English, a copy of which will be given to each party.

Executive Director
Higher Education Commission H-9, Islamabad

Vice Chancellor/Rector
University,