

Funding and Financing Mechanism for Tertiary Education



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Introduction

With the evolving nature of higher education needs and expectations across the world, funding and financing modalities must also equally adapt to these changes especially in the light of multiple sources of funding. In Bhutan, public Tertiary Education Institutions (TEIs) being the major player and private providers now coming into the scene, there is the need for a clarity in terms of getting proper directions to make the best use of limited public resources.

The *Funding and Financing Mechanism for Tertiary Education* has been drawn up to guide and oversee the funding and financing of Tertiary Education Institutions in the country. This Funding document, approved by Tertiary Education Board (TEB) shall ensure that funds are allocated to fulfill the national needs, such as the economic development needs and the general development needs of the country. The document aims to provide clear direction as to who can avail government scholarships and from what sources can TEIs generate additional funds. Further, it has included certain incentives for those TEIs who maintain and promote high standards. The provision to allocate more funds to such types of TEIs has been clearly articulated in the document. However, students are also given the preference to choose TEIs of their interest if the particular programme is being offered by many TEIs in the country. This provision would ensure TEIs to hold public accountability themselves.

The cost of tertiary education for all types of expenditures such as capital and operational are envisaged to be funded by the government. This aspiration would be truly fulfilled if and only if the resources are expanded proportionately to the aspirants wishing to pursue tertiary education. Enrollment into the tertiary education has increased manifold and it would only continue to do so in coming years, thus exerting greater pressure on the government's exchequer. As such, there is a need to institute a system in place to streamline and consolidate the overall funding and financing mechanism for tertiary education.

Per student costing has now become the basis to induce concept of cost sharing in the higher education system. This would not only help streamline

public expenditure but also allow opportunities for enhancing access and wider participation.

Above all, this document aspires to streamline, consolidate and provide guidance for proper allocation of funds to Tertiary Education Institutions through provisions of overall planning and strategizing of tertiary education needs in the country. Thus, this document has articulated the holistic funding model for tertiary education to be based on available resources and national priority needs.

A Flowchart: An overview on Funding and Financing Mechanisms for Tertiary Education in Bhutan

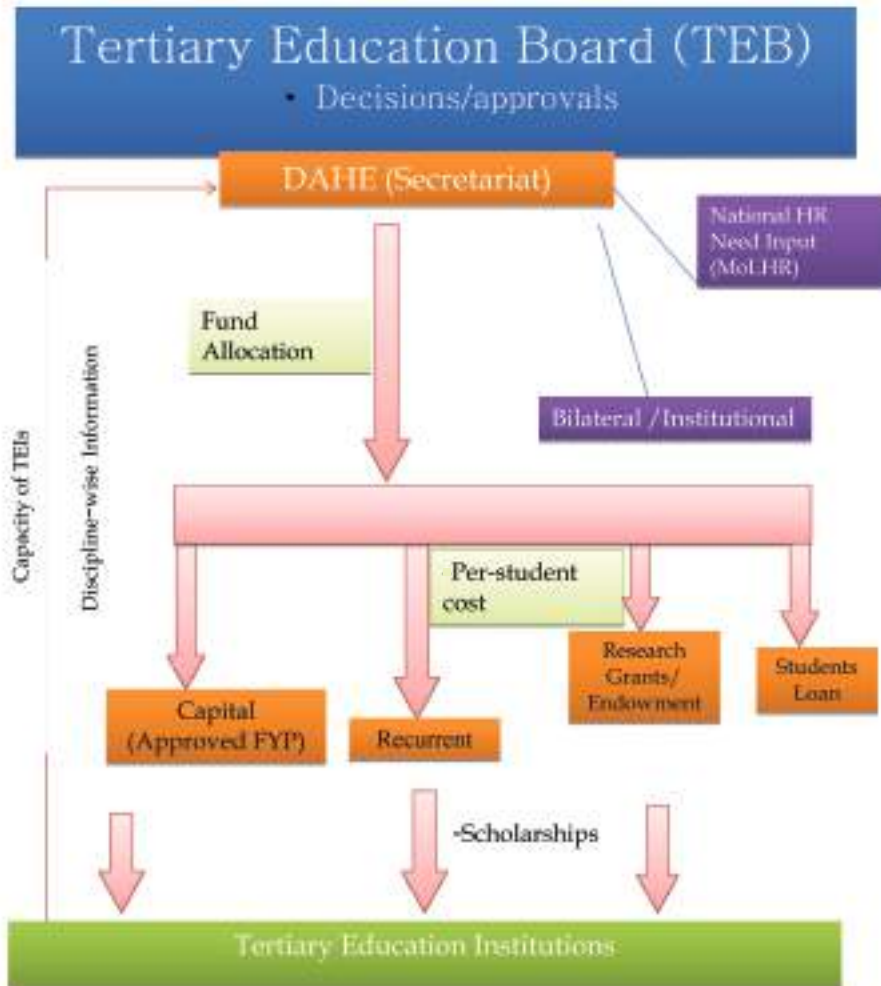


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1.0 Background

The *Tertiary Education Policy of the Kingdom of Bhutan, 2010*, envisions enhancing access to tertiary education through the establishment of planning and funding mechanism based on the tertiary education needs of the country. The Policy mandates the government to make tertiary education accessible to all meritorious students irrespective of economic background through the establishment of proper mechanisms such as, instituting different types of scholarships, grants, and student loans.

As envisaged in Clause No. 5.2 and 5.6 of the Tertiary Education Policy of the Kingdom of Bhutan, 2010, it aspires to:

- 5.2 *Provide open access to tertiary education based on merit, so that all Bhutanese students shall have access to tertiary education appropriate to their abilities, interest and performance, regardless of their economic circumstances.*
- 5.6 *Strengthen funding mechanism for institutions and students*
 - i. *Allocate adequate budget for tertiary education institutions over a five yearly period.*
 - ii. *Allocate a percentage of funds to support students directly based on merit and need.*
 - iii. *Fund capital and one-off project expenditure on needs basis*
 - iv. *Allow tertiary institutions to actively raise revenues from possible sources within guidelines (students, employer, government, alumni, donor, NGOs, etc)*

2.0 Scope

The document defines modality for government funding to be provided based on the national priority needs to public tertiary education institutions (capital and operating expenses) for the provision of tertiary education in the country. It also attempts to provide institutional

assurance and commitment to provide funds to tertiary education institutions through agreed plans and student enrolment in the interest of sustaining them.

The document defines funding mechanisms for tertiary education institutions, students and how funds shall be allocated. The funding modality will also follow institutional efficiency, needs of the country including supporting developments in higher education through research grants, schemes, students financing to allow and foster growth of overall higher education system and their positive impact to the nation.

3.0 Modus Operandi

The Tertiary Education Board (TEB) is the empowered body responsible for planning and funding of tertiary education in Bhutan. The Board's mandate is to assist the Royal Government for developing strategies to meet the goals of tertiary education in the country through the allocation of funds for the agreed programmes and research functions and provide general guidance on government priorities. Among others, the implementation of the funding and financing mechanism for tertiary education shall take place as under:

3.1 Planning and Funding

The Board shall approve the five year plans for scholarships which shall be worked out based on the National Human Resource Projection. This shall serve as the basis for annual allocation of scholarships.

The Board shall approve the number of scholarship slots and allocate funds/slots for the different disciplines/streams/courses based on the national priority needs of the country.

4.0 Objectives

The objectives of funding tertiary education institutions (TEIs), among others, shall be to:

- Support tertiary education programmes based on national priority

needs and requirements.

- Improve quality of teaching and learning in TEIs
- Improve efficiency and accountability of the TEIs
- Enhance access to tertiary education
- Create a sense of appreciation for government's scholarship by the scholars
- Sustain the existing competence of the TEIs

5.0 Principles

The funding to public tertiary education institutions shall be based on following general principles:

5.1 Transparency

The funding method shall be based on a formula that takes into account the type of courses/disciplines, level and the number of students enrolled. The funding and financing mechanism for allocation of fund(s) shall be taken as the basis to allocate fund(s) to all the TEIs.

5.2 Fairness

The funding and financing mechanism shall apply uniformly across all public tertiary education institutions/scholarships.

5.3 Facilitation

The funding method shall allow the TEIs to utilize funds to improve the efficiency, quality service, and cost-effective management of resources for achieving the objectives.

5.4 Predictability

The funding and financing mechanism for allocation of funds shall serve as the basis for predictability of support to tertiary education. This shall enable all stakeholders to have a reasonable view of the course of funding and its trends and systems.

No agencies shall affect radical or impromptu changes in funding

mechanism unless it has gone through due diligence of the TEB which otherwise might offset the long-term financial implications.

6.0 Funding and Financing Mechanism for Allocation of Funds

- 6.1 The capital expenditure costs for public tertiary education institutions shall be funded by the Royal Government of Bhutan (Annexure I).
- 6.2 The government may fund capital expenditure costs for those TEIs in Public Private Partnership (PPP) model.
- 6.3 The operating expenditure (which shall constitute current and minor capital that is not included in the capital expenditure's list) shall be met from the tuition fees of students under the government scholarships and self-financed students. The TEIs shall also raise fund from other sources such as endowments, contribution from alumni, research, collaboration and consultancy services, short-programmes/trainings and rents from infrastructure. The income raised from these sources shall be retained by the TEIs and shall be used to augment their quality of services. However, any donor grants that the TEIs raise or receive shall require the approval of the Gross National Happiness Commission (GNHC).
- 6.4 The tuition fees shall be based on a formula that takes into account the cost-per-student by nature and level of programmes and student numbers through scholarships which shall be approved by the Board. Exception shall be however made for very small institutes which do not have any scope of expansion but are critical for the country to uphold its culture and heritage. For such an institute (e.g. NITM) a base grant shall be provided as per the formula given in the Annexure II.
- 6.5 Living cost shall be provided separately for students under full scholarships to cover food, rent and a minimum cost on other miscellaneous expenses.

- 6.6 Tertiary Education Board shall approve the annual allocation of scholarships based on merit for different nature and level of programmes. The annual allocation shall be guided by its broad prioritization carried out every five year for the public TEIs based on national priority needs.
- 6.7 Scholarships shall be awarded based on the student pursuing programme(s) that fulfills national priority needs.
- 6.8 Students who qualify for scholarships in public TEIs in the country shall also be eligible to choose to study the same programme in any recognized private TEIs within the country. However, scholarship funds shall be determined by the per student cost as approved by the TEB and any additional expenses need to be topped up by the students.
- 6.9 In the event of same programme being offered by different institutions, preference of funding shall be accorded to the institution with superior accreditation status. In case of the tie in the accreditation status, funding shall be distributed equitably.
- 6.10 The change of institution for a scholar shall take place before the finalization of the student list to be admitted so that the host institution can release the seat to the self-financing student.
- 6.11 Full scholarships shall be offered for those courses not offered in public TEIs that are of national priority needs. However, the tuition and other costs need to be rationalized and approved by the Board.
- 6.12 The scholarships shall be provided only to the accredited TEIs.

7.0 Scholarship types

7.1 Full scholarships

Full scholarship shall cover costs including tuition and living expenses in the form of stipend.

7.2 Partial Scholarships

The partial scholarship shall be supported in various forms.

7.3 Ex-country Scholarships

- 7.3.1 Ex-country scholarships shall be provided based on academic merit. The Department of Adult and Higher Education (DAHE) shall determine the criteria for selection of students.
- 7.3.2 The discipline, number and level of ex-country scholarships shall be determined as per the national priority needs.
- 7.3.3 Students who are not able to continue ex-country scholarships shall not be eligible for in-country scholarships except under unavoidable circumstances such as natural calamities, on medical grounds and safety and security in the location of TEIs.

7.4 In-country Scholarships

- 7.4.1 In-country Scholarships shall be awarded to the students based on academic merit and other criteria such as selection interview, SUPW grade and others as determined from time to time. The eligibility criteria shall be developed by respective TEIs in consultation with the Department of Adult and Higher Education.
- 7.4.2 In-country scholarships shall constitute both full scholarships and partial scholarships.

8.0 Eligibility criteria for scholarships

The eligibility criteria for the award of scholarships (both in-country and ex-country):

Eligibility Criteria		
Sl. No.	Ex-Country Scholarships	In-Country Scholarships
1	Must meet minimum academic eligibility criteria and selected by merit	
2	Must not have repeated in class XII	Class XII repeaters are eligible
3	Must be 25 years of age or less on the date of application	45 years
4	Only pre-service candidates are eligible	Both pre-service & in-service candidates are eligible to apply

Further, other criteria such as selection interview, SUPW grade and others which may be determined from time to time shall be considered.

In addition, candidates must produce the following documents:

- Academic transcripts of classes X and XII
- Citizenship Identity Card
- Medical fitness certificate
- Security clearance certificate only for ex-country scholarships
- Audit clearance certificate for the government employee applying for the in-country scholarship

9.0 Conditions for the continuity of the scholarship funds

The scholar shall fulfill the following conditions in order to be eligible for the continuity of scholarship funds:

- 9.1 The scholar shall ensure to clear all the papers in each semester. Failure to do so shall lead to withholding of the stipend until the paper is cleared.

9.2 Scholarship funds shall be fixed for the duration of the enrolled programme. In the event of a failed semester/year, all the additional expenses (tuition and living) shall be borne by the scholar.

9.3 Scholar shall abide by the rules and regulations of the TEIs. Failure to do so shall result in the cessation of the scholarship.

10.0 Funding cycle

The funding is formula-based and depends on the enrollment data provided by the TEIs. Therefore, TEIs must streamline their systems, regulate admission and examinations schedules to correspond with the annual budgetary cycle of Ministry of Finance (MoF) and to meet deadlines given below or as revised by TEB from time to time.

Month	Activity
Sept – Oct:	<ul style="list-style-type: none"> • TEB receives the capacity (programme-wise) from the TEIs.
Oct - Nov	<ul style="list-style-type: none"> • DAHE prepares annual allocation of scholarships based on five years plan. (Annexure – III).
Nov – Dec	<ul style="list-style-type: none"> • Receives the National HR projections from MoLHR & RCSC
Dec - Jan:	<ul style="list-style-type: none"> • Steering Committee finalizes the ex-country scholarship slots (both full and partial) and submit budget proposal to the MoF for releases. • The Steering Committee’s decision on the ex-country scholarship slots shall be apprised to the TEB.
Feb - April:	<ul style="list-style-type: none"> • TEIs conduct admission to various programmes and submit the number of students admitted under government scholarships to the Board.
July:	<ul style="list-style-type: none"> • MoF releases budget based on number of scholarships and tuition approved by the TEB.

11.0 Mode of payment and frequency

- 11.1 The Public TEIs shall receive fund directly against the total students enrolled under scholarships.
- 11.2 In case of student movement to private colleges/institutes, funds shall be disbursed through the DAHE to the respective private colleges/institutes.
- 11.3 The release of funds by MoF to TEIs shall be on a quarterly basis.

12.0 Monitoring and accountability

- 12.1 The funded TEIs shall submit key result areas and annual performance targets (Annexure IV) to the Board in the beginning of the every academic year. They shall also submit the annual performance report to the Board at the end of the year.
- 12.2 The funded TEIs shall also submit an update of information including total strength of scholars in the TEIs every year.
- 12.3 The financial operations of the TEIs shall be audited by the Royal Audit Authority (RAA).

13.0 Appeal Processes

- 13.1 The point of contact for any appeals shall be the Department of Adult and Higher Education (DAHE). An in-house review shall be carried out and findings conveyed to the appellant(s) within two weeks from the receipt of the appeal.
- 13.2 In case an appellant is not satisfied, appeal with a written representation addressed to the Chairperson, TEB should be submitted within a month from the receipt of the report from the DAHE.

- 13.3 A committee consisting of three to four members shall be constituted to study the appeal and submit its findings to the TEB for the final decision within two months of the receipt of the appeal.

14.0 Glossary

Tertiary Education Board (TEB)

The Tertiary Education Board is the highest executive decision making body for the tertiary education system in the country, whose members are drawn in from various sectors with the Minister of Education as the Chairperson of the Board. It is formed with an Executive Order of the Government.

Tertiary Education Institutions (TEIs)

The Tertiary Education Institutions (TEIs) is a structured organization that offers education after class XII, consistent with the International Standard Classification of Education Level 5 and above encompassing both degree and diploma programmes, including undergraduate diplomas.

Programme

A programme is a set of coherent courses and / or activities that leads to a qualification testifying to a particular study.

Planning

An exercise under taken by the Secretariat (DAHE) to accomplish goals and targets set by the Board and TEIs within the allocated budget using proper and effective strategy.

Funding

Providing financial resources to finance programme fulfilling tertiary education needs in the country.

National Priority programme

Programme that help to accelerate economic development needs and guaranteeing high employability to the individuals and also help preserve/promote traditions and culture.

Capital Expenditures

1. New infrastructure

- 1.1. Construction of new buildings
- 1.2. Construction of other infrastructural facilities
- 1.3. Acquisition of building

2. Land

- 2.1. Government land given to TEIs (as Land grant)
- 2.2. Funds for acquisition of land

3. Mid-Life refurbishment of buildings

- 3.1. Major renovation of buildings that costs more than Nu: 1 million

4. Procurement of heavy machinery and plants

- 4.1. Establishment of new laboratory equipment, machinery and plants
- 4.2. Replacement of old laboratory machineries, equipment and plants, which covers more than Nu: 1 million per lab
- 4.3. Procurement of new machines and laboratory equipment that cost more than Nu. 0.5 million for each item
- 4.4. Human resource development including both long-term and short-term trainings.

Annexure – II

Formula for funding tertiary education institutions

It will take into account:

- Type of Programme (Arts/Humanities & Sciences/Engineering).
- Level of programme(Diploma, Undergraduate, Masters/M.Phil, PhD).
- Distribution will be made on resources per pro-rata enrollment basis.
- Weightings for diploma/undergraduate and graduate/postgraduate studies in major categories of enrollment will be used for allocation of operational expenditure to the TEIs as given in the table:

	Arts/Humanities	Sciences/Engineering
Overall weightings	1	1.2
Diploma/Undergraduate/PGDE	1	1.2
PG Cert/PG Diploma	1.375	1.375 (of science programmes)
Masters/M.Phil studies	1.5	1.5
PhD studies	To be determined	

Formula for determining cost per student for tuition

For Arts & Humanities (Bachelor) = per student cost of the preceding year + annual increase

For Science & Engineering (Bachelor) = per student cost of the preceding year + annual increase

For Arts & Humanities (PGD) = (per student cost at bachelor's level)*1.375

For Science & Engineering (PGD) = (per student cost at bachelor's level)*1.375

For Arts & Humanities (Masters) = (per student cost at bachelor's level)*1.5

For Science & Engineering (Masters) = (per student cost at bachelor's level)*1.5

Note:

- The annual increase of at least 3% will be added in the operating cost to cover inflation and increase in salary.
- For small institute, such as NITM, the base grant shall be provided. Base grant shall be the difference between the preceding year's approved budget plus annual increase and total fund receivable based on cost per student calculated.

Annexure - III

Fund Allocation procedure

1. The Board shall decide to fund a certain percentage of intakes in tertiary education through various scholarships.
2. The Board shall decide the total number of scholarships in tertiary education (TE) based on the National HR Master Plan which shall further culminate in formulating the FYP target for total number of ex-country and in-country scholarship slots.
3. The total dedicated outlay under RGoB financing in the FYP for the TE scholarships shall be approved as in the table below:

Year	2013	2014	2015	2016	2017	Remarks
Total Students						
Annual Budget for scholarships						

4. The TEIs shall submit the annual intake capacity programme-wise to the Board with costing as in the table below:
 - a. For the in-country scholarships (for instance)

Discipline	Level	Programmes	Student Numbers	Costing
Arts & Humanities	Bachelor	Geo		
		BBA		
	PGD			
	Masters			
Science & Engineering	Bachelor			
	PGD			
	Masters			
Total				

b. For the ex-country scholarships

Sl. #	Specify the field of study	No. of slots	Funding committed/ not committed	Priority (A, B,C)	Proposed by ministries/ sectors or private & corporate sectors	Remarks

5. The Board shall decide on the number of annual scholarships based on the priority needs.

a. In-country scholarships (for instance):

Disciplines	Level	Programmes	Student Numbers	Costing
Arts & Humanities	Bachelor	Geo		
		BBA		
		..		
	PGD			
	Masters			
Science & Engineering	Bachelor			
	PGD			
	Masters			
Total				

b. Ex-country scholarships:

Sl. #	Specify the field of study	No. of slots	Funding committed/ not committed	Priority (A, B,C)	Proposed by ministries/ sectors or private & corporate sectors	Remarks

6. TEIs shall submit the list of scholarships (used vouchers) along with list of students moving to other TEIs to the DAHE for communication with MoF.

Disciplines	Level	Programmes	Total scholars enrolled	Costing	Total scholars left	Costing	Remarks
Arts & Humanities	Bachelor	Geo					
		BBA					
		...					
	PGD						
	Masters						
Science & Engineering	Bachelor						
	PGD						
	Masters						
Total							

7. The DAHE, MoE shall confirm the number of scholarships for each programme with the TEI.
8. The public TEIs will submit release requisition to the MoF and

DAHE will release requisition to MoF for ex-country scholarships and scholarships to private TEIs within the country.

9. The MoF shall release the scholarship fund for tertiary education to the TEIs based on the approval of the Board (approved budget by the Parliament).

Annexure – IV

Key results and Performance targets

For monitoring and accountability purposes, the TEIs shall be assessed at two levels-input and output levels.

1. Input level

Key Result Areas	KPI (Indicators)	Performance Target
Expand participation in the tertiary education	<ul style="list-style-type: none">• Number of students enrolled	
Enhance quality and relevance of TE	<ul style="list-style-type: none">• Teaching Staff to students ratio• Qualifications of the lecturers	
Effective utilization of Resources	<ul style="list-style-type: none">• Annual auditing by RAA• System analysis of TEIs	

2. Output level:

Key Result areas	Indicators	Performance Target
Expand participation in the tertiary education	<ul style="list-style-type: none">• Graduation rate• Gross enrollment ratio• % of HR Need funded	
Enhance quality and relevance of Tertiary Education	<ul style="list-style-type: none">• Employability of graduates• Accreditation status• Graduate select in RCSC Exam	
Research and Innovation	<ul style="list-style-type: none">• % of fund mobilized through other sources (besides tuition)• Introduction of programmes of national priority	
Effective utilization of resources	<ul style="list-style-type: none">• Timely and proper implementation of planned tasks	

GNH Scorecard	<ul style="list-style-type: none">• Quality of GNH graduate• Improved teaching learning ambience	
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Note: Targets for each KPI shall be determined by the TEIs with the TEB after the KRAs and KPIs are approved by the Board

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