



UNIVERSITY GRANTS COMMISSION

Finance Circular Letter No 9/2010

22nd December 2010

Vice – Chancellors of Universities,
Directors of Institutes,
Rectors of Campuses,

ANNUAL ALLOCATION -2011

1. According to the letter dated 06th September 2010 sent by the Secretary, Ministry of Finance and Planning with regard to the preparation of Budget Estimates -2011 - Interim Budgetary Frame Work 2011 – 2013, UGC prepared the Budget Estimates for the year 2011 and submitted for the approval of the National Budget Department.
2. University Grants Commission requested Rs.14,500 Mn as recurrent expenditure for the year 2011 and 86% of the estimated recurrent expenditure have been approved by the National Budget Department (NBD). Budget estimates for the capital projects amounting Rs.17,056 Mn was submitted for the approval of the NBD and 41.6 % of the estimates has been approved for the year 2011.
3. Summary of the Approved Budget and Estimated Budget - 2011

Category /Object Title	Estimated Budget (Mn)	Approved Budget Rs. Mn	Approved %
Recurrent Grants	14,500	12,600	86.8%
Capital Grants	17,056	7,100	41.6%
Total	31,556	19,700	
Internal Revenue	1,479	1,479	100%

4. The Summary of the approved Budget 2011 is given below;

Category / Object Title	Rs. Mn
Government Grants	
Recurrent Grants	12,100
Capital Grants	5,500
Total Grants	17,600
Additional Allocation - Budget Proposal	
Development of Infrastructure Facilities of the New Universities (2011 Budget Proposal)	1,000
Advancement of Seven Universities to the International Level (2011 Budget Proposal)	600
Academic & Research Allowances (2011 Budget Proposal)	500
Total for Budget Proposal -2011	2,100
Total Grants	19,700

5. Funding Policy – Recurrent Grants

(i) Personal Emolument

- (a) Allocations of Personal Emoluments to the Universities / Higher Educational Institutions have been based on Average Actual Expenditure of the first ten months of year 2010 with a 5% mark up for annual salary increments.
- (b) Allocations for the provision of gratuity have been based on gratuity payments estimated by the Universities/Higher Educational Institutions.

- (c) Additional allocations have not been made for the Salary and Cost of Living (COL) allowances proposed by the 2011 budget. Universities/HEIs are requested to submit additional funds required for the proposed allowances.
- (d) Allocations have **not** been made for the new cadre positions for the year 2011. Universities/HEIs are advised to submit an estimate for the new cadre positions before filling of existing vacancies.

(ii) Other Recurrent (OR)

Funds for the Travelling, Supplies, Maintenance, Contractual Services and Other Recurrent expenditure of the Universities/HEIs are allocated based on following formula.

$$\text{Other Recurrent} = \text{Student Enrollment (SE)} \times \text{Modified Cost Per Students (MCPS)}$$

Components of the above funding formula include, Student Enrollment (SE), Cost of the Subject Discipline (CSD), Full Time Student Conversion Ratio (FSCR) and the Policy Factor (PF).

iii) Mahapola and Bursary Grants

Funds for the payment of Bursary / Mahapola - treasury component have been allocated to the UGC on the basis of estimated Mahapola /Bursary recipients plus exiting scholarship installment.

6. Funding Policy - Capital Grants

(i). Rehabilitation and Acquisition of Fixed Assets - All the faculties have been weighted as per the relative cost of respective subjects' disciplines and Average Weighted Load of the Universities/HEIs was computed for this task. Accordingly, Rehabilitation and Acquisition of Fixed Assets grants have been allocated based on the Average Weighted Loads of the university.

(ii).Construction Projects – Allocations for the construction projects have been made based on following criteria.

- a) Projects Priority
- b) University Priority
- c) Capital Cost Per Students (CCPS)

(iii). **Capacity Building Projects** – Rs. 500 Mn has been allocated under the following Capacity Building projects. Guidelines in this regard will be issued by January 2011.

PROJECT	Rs Mn
Development of Sport Skills	} 500.00
Development of Language Skills	
1000 Foreign Students	
Talent Development Projects	
Undergraduate Internships	
Professional Qualification for Undergraduates	
Establishment of Kindergartens	
IT/English Skills	
Development of Entrepreneurship	
University Staff Development	

(iv). **Performance Based Funding** – In recent decades demand for public funds are typically intense as government has to provide better school education health care, transportation and agriculture, in addition to investment in Higher Education. Hence the need for introducing innovative financing mechanism to finance the Universities/HEIs is emphasized by the funding agencies such as General Treasury.

Hence UGC has decided to promote performance based funding for the allocation of Capital Grants. Accordingly Rs.1960.00 million will be allocated by the UGC based on performance of the Higher Educational Institutions. A special Circular will be issued by January 2011 in this regard.

PROPOSED PERFORMANCE BASED PROJECTS

Postgraduate Research Grants	100
Academic Publications	60
Quality & Innovation Grant (QIG)	200
Development of Infrastructure Facilities of the New Universities - 2011 Budget Proposal	1,000
Advancement of Seven Universities to the International Level - 2011 Budget Proposal	600
Total	1,960

7. Funding Policy – Postgraduate Institutes (PGIs)

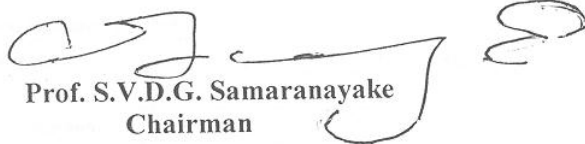
According to the Funding Policy adopted by the UGC, Postgraduate Institutes are encouraged to generate funds for their Recurrent and Capital expenditure. Accordingly limited recurrent grants have been allocated to the PGIs to manage their shortfalls.

8. The funds allocated to your Universities / Institution for the year 2011 is given in the Annex.
9. The above allocation authorizes expenditure only on programmes, project, and expenditure items which have been already sanctioned by the Treasury.
10. In terms the section 8 (2) (b) of the Finance Act. No. 38 of 1971 the approval of the Hon Minister in charge of the subject of finance and the concurrence of the Line Minister should be obtained before incurring capital expenditure in excess of Rs.500,000/-
11. Please e-mail (finance@ugc.ac.lk) a **soft copy of the Budget** for the year 2011, in formats A, B, C, D and E on or before 07th January 2011.

You are requested to submit hard copy of the Budget on or before 07th January 2011 with a copy to the Director General, Department of National Budget, General Treasury.

12. Please note that standard formats should not be changed by the Universities/HEIs for whatever reason.

13. This Circular together with all annexes is available for down load at www.ugc.ac.lk


Prof. S.V.D.G. Samaranayake
Chairman

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- 2 Chairman/UGC
- 3 Vice-Chairman/UGC
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- 5 Chief Internal Auditor/UGC
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- 7 Engineer/UGC
- 8 Registrars of Universities
- 9 Bursars of Universities
- 10 Snr. Asst. Accountant/UGC
- 11 SAR/AR of Institutes/Campuses
- 12 SAB/AB Institutes/Campuses
- 13 Auditor General