

## **Resource mobilization strategy for IBA and Implementation Plan**

1. IBA unlike other public sector institutions was able to finance almost 56% of its operational expenses from tuition fee in the fiscal year 2007-08. Government recurring grants accounted another 20-21 percent while the remaining balance was financed out of the profits earned on the accumulated surpluses. The results of this financing plan is that the capital expenditure on renovation, remodelling, new buildings and structures, technology up gradation, faculty development etc. were exclusively dependent upon one single source i.e. the development projects approved by the HEC and the Govt. of Pakistan. The weakness of this approach became apparent when in the financial years 2007-08 and 2008-09 all new development projects financed by HEC were frozen due to a substantial cut in the Public Sector Development Program. On the other hand, the physical infrastructure facilities, technology and faculty development at IBA have not kept pace with the demands created by the past expansion and the future requirements and require immediate expansion and renovation. To bridge this gap between the financing available and the financing needed a strategy for mobilizing resources has been evolved.

### **Main Ingredients of the Strategy**

2. This medium term resource mobilization strategy is anchored on the premise that the financing of higher education is not the exclusive responsibility of the State but the burden ought to be shared between the parents, alumni, private sector employers, philanthropic institutions and individuals, communities and external donors. Research studies have demonstrated that the private benefits of higher education exceed the social benefits and therefore this broad burden sharing is justifiable on grounds of equity and human capital formation. The proposed plan is embedded in the Strategic Direction 2009-14 paper approved by the Board of Governors after wide consultation by the various stakeholders. The main ingredients of the resource mobilization plan are:-

- I)
  - Increase the tuition fees gradually in line with inflation.
  - Remove across-the-board concession in fee to those admitted to the Main Campus but offer 10 percent merit scholarships to those students who secure positions in the top deciles of the entrance tests.
  - Follow a needs-blind admission policy and provide financial aid, scholarships, Qarz-e-Hasna to all those who deserve such assistance based on their family's financial standing.
- II) Equalize the tuition fees across campuses and morning and evening programs. Each course should cost the same to each student irrespective of the location or timing of the course offered.
- III) Partner with the corporate sector of Karachi in their pursuit of middle level manager development and leadership development programs for their companies.

- IV) Offer new Executive MBA programs at full cash recovery basis targeted at public sector corporations, private enterprises, banks and financial institutions.
- V) Tap the large reservoirs of the alumni both within Pakistan and Overseas by setting up simplified, easy-to-execute online payment system whereby they can choose to either make a regular periodic contribution or a one-off donation.
- VI) Provide a menu of options to the potential philanthropist, Foundations, Trusts, private corporate and non-corporate businesses to align their interests with the opportunities available for funding. There is a complete flexibility in the size, timing, trenching of the donations (Annex-I provides a bird's eye view of these options.)
- VII) Organise a Friends of IBA Committee consisting of prominent and credible citizens who have a track record of fund raising campaigns. This committee will host various events at IBA to attract small donors and follow up the large donors by engaging them, familiarizing them about the opportunities for the possible use of their resources and presenting them the accounts and the utilization of funds reports on a regular basis.
- VIII) Set up a full time Resource Mobilization Office headed by a Director who has a vast network of contacts in the community, is fully abreast of the developments in the fund raising activities, is a participant in the decision making team of IBA and provides support services to the Friends of IBA Committee.

### **Implementation Plan**

3. The following measures are being taken to implement this strategy:
  - a) The Audit & Finance Committee (A&FC) of the Board has been assigned the task of monitoring and overseeing the resource mobilization efforts of IBA in a holistic and strategic manner.
  - b) A Friends of IBA Committee has been formed with the mandate to hold fund raising campaigns and events and to identify, approach and follow up with the corporate and individual donors, Foundations, Trusts, etc.
  - c) To promote transparency the following funds have been created in which all donations and contributions will be deposited and operated through:
    - (i) General Endowment Fund: The Fund will consist of all unspecified or non earmarked contributions, specific allocations to the General Endowment Fund and for the funds earmarked for setting up Endowed Chairs. The amounts from different donors will be pooled and invested after aggregation in order to earn better returns but separate individual ledger

accounts will be maintained for each donor. The Endowment Fund will be administered by a Board of Trustees that will consist of all those who have contributed or donated or pledged a minimum amount of Rs.30 million to IBA in cash or kind. Quarterly reports will be produced and disseminated widely including the website and portal of IBA. Individual statements of accounts for each donor will also be prepared at an interval agreed mutually. Audit of the Endowment Fund will be carried out yearly by a reputable firm of Chartered Accountants.

- (ii) Alumni Fund: As an on-line donation system has recently become available a separate Alumni Fund will be established in which all regular and one-off donations made by the Alumni from all over the world will be deposited. The Alumni will have the option to indicate whether they wish to contribute to the Alumni fund or any other Fund established by IBA. A Committee consisting of the office bearers of IBA Alumni Associations will oversee this fund and allocate funds to different activities including the general budgetary support. Disclosure standards will be the same as specified for the Endowment Fund.
- (iii) Development Fund: As the IBA has embarked upon an ambitious program of physical infrastructure development and technology up-gradation several large size donors would prefer to contribute to the construction of buildings or other facilities that can be named after them (with the prior approval of the Board of Governors) or in some cases without any such stipulation. A separate Development Fund has been established in which all such donations would be deposited and through which all transactions will take place. The Friends of IBA Committee will be responsible for managing and overseeing this Fund along with the large donors who will be co-opted on the Committee from time to time.
- (iv) Faculty Development Fund: This Fund will be maintained mainly in foreign exchange and the proceeds will be used to finance the scholarships, living expenses, travel, tuition fees and research of IBA faculty proceeding abroad for higher degree or non-degree courses, short term assignments, post doctoral fellowships, research collaboration, etc. The Fund will also finance the expenses of the faculty members from overseas partner institutions visiting Pakistan for delivering courses, lectures, curriculum review, seminars, conferences, research projects, etc. External donors and alumni residing overseas would be approached to contribute to this Fund. Linkages between the Centre for Entrepreneurship Development and similar Centres in the Universities abroad would also be financed out of this Fund.

(v) Scholarship Fund: Many individuals, businesses, Governments make regular funds available to provide scholarships to needy students of IBA. Although distinct and large scholarship schemes such as HEC-USAID, HEC-JICA, Sindh Edowment Fund and IBA's own scheme will be administered according to their own terms and conditions, a large number of anonymous and named scholarships have become available in the recent years. All these amounts will be put together in form of a Scholarship Fund out of which the IBA Scholarship Committee will make allocations.

4. A question may be raised as to why five separate funds are being established. The main motivation is to align individual donor preferences with the different types of needs of IBA. A single fund does not provide such a flexibility and it is apprehended that in absence of a suitable vehicle of their choice some of the potential donors may withhold their contributions. The second compelling reason is to assign the responsibility of oversight of these funds to the persons who have made contributions so that they are satisfied with the end use of the donations and the flow of funds remains uninterrupted.

#### **Current Status**

5. What has been the outcome so far? It may be useful to recall that the Strategic Direction paper was approved by the Board of Governors only few months ago. Despite that short interval the following results have been achieved.

a) A substantial grant of Rs. 905 million has been received from Aman Foundation that will fund the Multistoried building at the City Campus, the Centre for Entrepreneurship Development at the Main Campus and for installation of ERP. An amount of Rs.120 million has been committed by Tabba family for construction of Razzak Tabba Academic Building.

b) Commitments amounting to Rs.365 million towards the Endowment Fund and Endowed Chairs Fund have been received from the banks and other Corporate sector entities so far. The break-up of these commitments is given below:

	<u>Rs. millions</u>
National Bank of Pakistan	50
Habib Bank Limited	50
Bank Al Habib	50
Faysal Bank	50
Askari Bank	50
Standard Chartered	40
Allied Bank	30
Towfiq Chinoy	30
English Biscuit	10
Soneri Bank	3
Indus Motors Limited	2

Another amount of Rs.62 million is in the pipeline and at different stages of negotiations.

- c) The amount of scholarship fund has risen significantly. 290 students almost 20 percent of the entire student body enrolled at IBA received more than Rs 33 million from this fund in 2008-09. Several new donors have been identified who will provide additional scholarships in 2009-2010. Tabba family has agreed to provide Rs 12 million that will finance almost 60 students on a full stipend basis.
- d) To attract and prepare students from the backward districts of Pakistan and particularly Sindh a National Talent Hunt Program and Sindh Talent Hunt Program have been put in place. These programs at a cost of Rs 25 million provided by a bank and the Government of Sindh have brought as many as 60 students for special preparatory courses at IBA for two months. At the end of this period those who are successful of the IBA entrance test will be provided full scholarships and all living expenses for the next four years.
- e) Executive MBA programs for public sector executives and the officers of the Central Board of Revenue (FBR) are currently in progress while those for the corporate sector and banking and financial services will be offered beginning September 2009.
- f) The pace of demand driven short duration executive education courses has accelerated and an aggressive marketing plan is being implemented to respond to these needs.
- g) Tuition fees have been rationalised and raised across – the campuses and programs and the new fee structure will be implemented from the fall semester.
- h) A Centre for Business and Economic Research (CBER) has been established under which the faculty members and the senior students will carry out contractual research studies for international donors, domestic business houses and organizations and also offer consultancy and advisory services to the businessman.
- i) External donors such as USAID have been approached to support the linkages, external partnerships and institutional twinning programs is for capacity building within the IBA with the assistance of top business schools in the US.

### **Fund Raising Campaign**

IBA's fund raising campaign has a target of Rs. 3 billion. Of this Rs.1.3 billion has been raised so far. The balance requirements are shown in the following table:

(Rs. in million)

	<u>Requirements</u>	<u>Commitments</u> <u>Made so far</u>	<u>Balance Required</u>
I. Physical Infrastructure Development Fund	1,600	920	680
II. Faculty Development Fund	750	130	620
III. General Endowment Fund	500	235	265
IV. Scholarship Fund (Annual)	50	50	-
V. Alumni Fund (Annual)	100	-	100
Grand Total	3,000	1,335	1,665

### **Future Plans**

6. What are the future plans of IBA in the execution of this strategy?
- (a) A Centre for Entrepreneurship Development (CED) in partnership with a leading business school will start functioning in Fall 2010 offering a range of products and services aimed at small and medium entrepreneur, women entrepreneur, business graduates and others who wish to start their own ventures. This Centre will become financially sustainable and start generating profit after five years. The USAID has been approached for a \$ 5 million grant to meet the operating expenses for these five years including linkage with a leading centre in the U.S.
- (b) A Centre for Access to Finance (CAF) working in tandem with the CED and the CBER will be setup that will link the start up companies or existing companies with the micro credit banks, institutions, SME banks, Venture Capital funds, Angel Funds, Private Equity funds, other financial institutions by providing financial expertise and helping prepare bankable projects. The Centre will be activated only if the human resources and financial resources become available. SBP and DFID have been requested to consider providing seed money for this Centre.

- (c) The Centre for Executive Education (CEE) will be in a position to fully respond to the training and continuing education needs of the public sector, private sector and not for profit sector once the new facilities such as residential accommodation, seminar and syndicate rooms etc. become available after the construction of the Multi-storied building at the city campus.
- (d) The Centre for Business and Economic Research (CBER) will start its activities on a modest scale but build up its capacity for undertaking contractual research over time.

### **Risks to the Strategy**

- 7. The risks to the strategy should be identified and recognized upfront and measures taken to mitigate them.
  - (1) Economic recession persists beyond 2010 and is prolonged and deep. In that event some of the pledges, commitments and pipeline promises may not actually materialize. Some of the donors may fail to meet their commitments in full.
  - (2) Public Finances may continue to remain under serious pressure and development expenditure allocations may not revert to the levels envisaged in the HEC medium term plan.
  - (3) External donors such as USAID may relegate business education to lower priority compared to other educational investments.
  - (4) Income streams from profit centres such as the CED, CEE, CBER, and CAF may deviate significantly from the target.
  - (5) The change in the Board and or/the leadership of IBA may abandon the ongoing strategy and embark upon a different strategy.

### **Conclusion**

8. IBA would require about Rs.2.6 - 3.0 billion in the next five years to complete its major investment in physical infrastructure technology up gradation and other capital projects. These requirements will then taper off mainly to Faculty Development, Technology upkeep and enhancement, maintenance and operations of the new facilities. It is envisaged that the future income from the Endowment and Endowed Chairs Fund, Scholarship Fund, the HEC grants, the income from the profit centres and the contributions from the alumni should suffice to take care of the needs arising out of the new assets created, new disciplines introduced and other emerging demands of IBA over time. An extraordinary fund raising campaign such as the on-going would no longer be required until 2020.

## **ANNEX I**

### **MENU OF OPTIONS FOR CONTRIBUTIONS TO IBA**

#### **I. PHYSICAL INFRASTRUCTURE DEVELOPMENT FUND**

##### **New Buildings and Structures that can be named after Donors**

**Total Estimated Cost Rs.2.3 billion**

	<b><u>Duration</u></b>	<b><u>Estimated Cost</u></b> (Rs.)
1. Centre for Entrepreneurship Development (Main Campus)	2010-12	240 million (Aman Foundation)
2. Student Centre (Main Campus)	2010-12	165 million
3. New Academic Block (Main Campus)	2010-12	163 million (Tabba Foundation)
4. New Boys Hostel (Main Campus)	2008-10	120 million
5. Visiting Faculty Residences	2010-12	100 million (Main Campus)
6. Renovation of Academic Block	2010	107 million (Main Campus)
7. Renovation of Academic Block	2010-11	85 million (City Campus)
8. Multistoried Building (City Campus)	2010-12	660 million (Aman Foundation)
9. Renovation of Boys Hostel (Main Campus)	2008-09	78 million (completed)
10 Girls Hostel (Main Campus)	2010-12	80 million
11 Renovation of Auditorium (Main Campus)	2010	65 million
12 Auditorium (City Campus)	2010-11	100 million (JS Foundation)
13 Admin Building (Main Campus)	2010-12	230 million
14 Admin Building (City Campus)	2010-11	125 million
15 Library (Main Campus)	2010-11	88 million
16 Multipurpose Building (Main Campus)	2009	9 million
17 Renovation of Girls Hostel (Main Campus)	2010	6 million

## **II. FACULTY DEVELOPMENT FUND**

- i. Endowed Chairs for Senior Professors Rs.500-600 million

Ten Chairs to be named after the benefactors.

Each Chair to be set up under a fully funded endowment of Rs.50-60 million that generates annual income of Rs.5-6 million to pay the salaries of eminent scholars attracted to join the IBA faculty.

- ii. Foreign scholarships to train faculty members at leading universities abroad.

- (a) Three scholarships for four years Rs.120-140 million

Each scholarship for a four year Ph.d program in UK, Canada, Australia, State

Universities of U.S. will on average cost US \$ 125,000 – 150,000..

- iii. Hiring Foreign Faculty to teach at IBA Rs.120 million

Each foreign faculty member will cost on average \$ 150,000/- a year. Donors can also arrange visits to IBA for only one semester and in other cases several weeks only. This could cut down the cost substantially. The growing faculty resource base at the joint venture Universities in GCC countries can also be tapped for bringing faculty members teaching at these Universities to IBA on a regular basis.

## **III. GENERAL ENDOWMENT FUND** Rs.500 million

In the General Endowment Fund surplus funds would be placed and donations and contributions solicited. The income generated from this Fund will be utilized to supplement the salaries of the faculty members to make the compensation packages competitive as well as provide research grants to them. Other uses of this income would include academic program enhancement, curriculum and case study development, external accreditation, professional development, participation in international seminars, conferences, workshops, and organization of such conferences at IBA.

#### **IV SCHOLARSHIP FUND :**

To provide financial aid to the students on the basis of their needs determined according to pre specified criteria.

i. Scholarships, Student loans and Qarz-e-Hasna for meritorious-cum-needy students Rs.50 million

Full stipend covering tuition and other fees in 2009-10 will involve the following amount per student:

- |  |         |
|--|---------|
| - Scholarship for Four Year B.B.A. program | 800,000 |
| - Scholarship for Two Year M.B.A. program  | 400,000 |

ii. National Talent Hunt Program Rs 40 million

Selecting students from the backward districts of Pakistan, coaching them at IBA for entry examinations and fully funding the selected candidates for four year B.B.A. program.

The cost of four year program for 20 students selected for orientation and 8 students provided full funding for four years is Rs.10 million.

#### **V. ALUMNI FUND** Rs 100 million annually

IBA alumni in Pakistan and outside Pakistan will be requested to provide both lump sum donations as well as monthly contributions to this Fund. On line donation facility has been established and it will enable them to authorize the amount, frequency and the use of their donation automatically.