

## Executive Summary

1. In an increasingly competitive global university landscape, our three publicly-funded universities – the National University of Singapore (NUS), Nanyang Technological University (NTU) and Singapore Management University (SMU) – will require more autonomy so that they can better respond to the opportunities and challenges they face, and hold their own against universities overseas. Increased autonomy will also enable them to differentiate themselves and chart their own strategies towards achieving peaks of excellence.

2. In April 2004, Deputy Prime Minister, Dr Tony Tan and Minister for Education, Mr Tharman Shanmugaratnam led a study trip to learn about the governance models in three US universities. One key learning point was that for autonomy to succeed, we will need to nurture a culture of ownership by the stakeholders in our universities. This requires a mindset change which will take time and will be difficult to achieve if there is no overt change in the status of the universities.

3. A Steering Committee chaired by Permanent Secretary (Education), LG (NS) Lim Chuan Poh, and including the Presidents of the three universities, was set up to undertake a review of University Autonomy, Governance and Funding (UAGF).

### TOWARDS AUTONOMOUS UNIVERSITIES

4. The UAGF Steering Committee believes that each university has the potential to excel and that excellence flows out of greater competition. Rather than artificially tiering the universities, we propose to grant greater autonomy to all three publicly-funded universities, especially NUS and NTU, to empower them to chart their own directions and build on their areas of strength to achieve their own peaks of excellence.

5. We recommend that NUS and NTU be corporatised as not-for-profit companies limited by guarantee. This is similar to the status of SMU. As corporate entities, NUS and NTU will no longer be constrained by the operational regulations imposed on statutory boards. They will have much more administrative and financial autonomy to explore different ways to build

up teaching and research excellence, raise their international standing and enhance their students' experience.

6. More importantly, corporatisation sends a strong signal that the university belongs to its stakeholders, not the Government. We need to inspire a mindset change and encourage university stakeholders to take greater ownership and play a more active role in charting the university's directions, instead of looking to the Government for guidance.

7. With MOE easing institutional control over the universities, both the Council and management will have to take on greater responsibility for the key decisions affecting the university. With greater financial autonomy over the use of public funds, the universities can decide on trade-offs between investing in manpower and infrastructure or teaching and research as they deem fit. To go beyond financial autonomy, universities should also seek to become financially more flexible and robust, through actively seeking alternative sources of funding to support their missions and goals. In the area of admission, we recommend that over time, NUS and NTU be granted even more autonomy to admit a higher proportion (than the 10% in 2004) of their intake based on their own independent admission criteria.

#### UNIVERSITY GOVERNANCE

8. Before our universities take such a major step towards corporatisation, we need to ensure that the necessary internal systems and processes are in place and most importantly, people of the right quality and commitment are prepared to take up the challenge to steer the universities in the years ahead. However, apart from the Minister for Education appointing the Council, there is no need for the three universities to have identical internal governance structures.

9. With an autonomous set-up, the university Council will have to view its roles differently. It has to operate more like a board of trustees that will take greater ownership of and play a stewardship role in the development and growth of the university. The committee structures within the Council might need to be strengthened in view of its enhanced role.

10. Existing strictures on the size and composition of the Council can be revised so that members are selected on the basis of their expertise and expected level of contribution. Learning from the US examples, our

universities should also endeavour to seek out capable alumni who have the passion and dedication to serve as Council members.

11. As MOE grants greater autonomy to the universities, the university leadership should also seek to empower the Deans, Department Heads and faculty members to engender a culture of ownership and initiative that will permeate all levels within the university. Faculty could be actively engaged in various levels of decision-making in areas such as curricular matters and academic quality. Students and alumni could also have a hand in shaping university policy. It is also critical for each university to cultivate a strong support network around itself by strengthening communications and building up a deep sense of community among all the stakeholders.

#### ENHANCING UNIVERSITY ACCOUNTABILITY

12. As we devolve greater autonomy to the universities, we need a clear accountability framework to provide assurance that Government funding for the universities is well-utilised and properly directed towards the achievement of national objectives. The proposed enhanced accountability framework comprises the following three components:

- a. A Policy Agreement signed between the university and MOE;
- b. A Performance Agreement signed between the university and MOE; and
- c. MOE's Quality Assurance Framework for Universities (QAFU).

13. The Policy Agreement enables MOE to provide strategic direction and guidance for the university sector as a whole, and demarcates the boundaries of the universities' autonomy. The first section articulates MOE's strategic vision and overall plans for the development of the university sector to serve as 'signposts' to guide the universities in formulating their own goals. The next section stipulates the key policy parameters set by MOE within which the universities must operate in order to receive Government funding. MOE and the university will work out a set of broad guidelines on the procedures to follow and penalties that will apply should any part of the Policy Agreement not be adhered to.

14. The Performance Agreement will be formulated by the university and agreed upon by MOE. It articulates what each university sets out to achieve in the areas of teaching, research, service and organisational development over a five-year period. Apart from the strategic goals and desired outcomes, the Performance Agreement will also spell out specific targets and key performance indicators for each of the university's strategic goals. In addition, MOE and each university will work out and agree on the number of graduates to be trained by the university in return for the financial resources that MOE will provide on an annual basis. The Performance Agreement should also spell out the performance management process in relation to the targets. This Agreement will be reviewed and updated during the five-year period.

15. Under the proposed enhanced accountability framework, QAFU will have an additional role to play in providing the ex-post accountability element to complement the Performance Agreement. The universities will have to submit annual progress reports, as well as undergo a five-yearly on-site external validation by an MOE-commissioned external review panel.

#### INVESTING IN OUR FUTURE

16. In order for our three publicly-funded universities to develop into world-class institutions, we need to adequately resource them, even as they seek alternative sources of funding. The Government will continue to be the principal source of funding for all three universities.

17. In the spirit of financial autonomy, universities can be allocated a one-line fungible block grant comprising streams of funds for their operating, research and development expenditure. This will enable the universities to derive greater value from the funding as they can internalise the trade-offs and opportunity costs of all their endeavours.

18. In line with the shift to output targets for undergraduate education, we propose that MOE fund the universities based on graduate output numbers, rather than enrolment. Within this framework, universities can decide on the number of students they wish to admit and on policies such as student transfers and the maximum duration of candidature, while continuing to be mindful of the need to maintain student quality. To incentivise cost-efficiency, we recommend that a common grant be allocated to the three universities for each graduate in a particular discipline. However, different disciplines will

be assigned cost weights and funded at different rates, in recognition of the cost differentiation between the different faculties.

19. For postgraduate coursework (PGC) programmes, students are already degree holders with the means to find employment and support the cost of their further education. Hence, we are of the view that more PGC courses should be run without Government subsidy, and universities be given autonomy to set tuition fees for these courses. Nevertheless, MOE and the relevant economic agencies like EDB may fund 'strategic' programmes that are aligned with our national priorities.

20. We propose a new development funding framework comprising two funding streams – one stream for strategic projects (i.e. those for capacity-building and meeting national objectives) which will continue to be funded by MOE under the Debt-Grant framework, and the other consisting of an annual sinking fund contribution from MOE for future renovation and redevelopment projects. The universities will have financial autonomy over the usage of their sinking fund, such as to exercise trade-offs between investing in infrastructure and manpower needs. However, the amounts used for non-asset replacement purposes should eventually be returned to the sinking fund to ensure that sufficient funds are set aside for future asset replacement.

21. To diversify their income streams, the universities should look to other sources such as full-fee paying foreign students, donations/gifts, endowment income and industry contributions. At the same time, the universities can explore debt instruments as an alternative source of financing, so as to make full use of the greater financial autonomy accorded by MOE to engage in longer term financial planning. To incentivise donors to come forward and give a boost to the budding philanthropic culture in Singapore, we propose that MOE continue to match endowment donations on a dollar for dollar basis. Universities should also nurture a sense of ownership and culture of contributing to the universities among their students. These efforts should be sustained even as the students become alumni and progress in their careers.

#### PROMOTING RESEARCH EXCELLENCE

22. Given the limited pool of research funds, MOE's research funding framework should be performance-driven to ensure value-for-money, and focus on research quality rather than quantity. In addition, MOE should

concentrate resources in niche areas to enable our universities to achieve peaks of research excellence.

23. To encourage more Singaporeans to pursue research careers, we propose that MOE continue to provide a capitation grant for each local student enrolled in postgraduate research (PGR) programmes. Universities can be given autonomy to set tuition fees for PGR programmes.

24. The Research Scholarships and Studentships which currently form part of Tier 1 of MOE's Academic Research Fund (AcRF), and the capitation grants for Singapore Permanent Residents and foreign PGR students can be channelled into a Research Scholarships Block (RSB) to fund research scholarships. The RSB will be allocated to the three universities in proportion to the PGR graduate output produced. The universities will have full autonomy to decide on the internal re-distribution of the RSB.

25. We recommend that an institutional review be conducted by an MOE-appointed Research Quality Review (RQR) Panel once every five years to assess the overall quality of the university's research, as well as to ensure accountability for the research funding provided by MOE.

26. We propose that MOE continue to allocate the remaining funds under the current Tier 1 of the AcRF as a block grant to the universities, but not on the present historical basis. To incentivise research excellence, the recommendations of the RQR Panel can be used to inform the allocation of Tier 1 funding between the universities for the next five years following the review.

27. The existing Tier 2 of the AcRF, which funds research projects on a competitive, peer-reviewed basis, can be retained. However, principal investigators who have previously been awarded a Tier 2 grant will be required to report on the research work funded by their previous grant, if they wish to submit a new grant proposal. The report will then be used to inform the grant award decision.

28. We further recommend that MOE sponsor the establishment of Centres of Excellence (or Centres in short) in our universities. Each Centre will receive funding of between \$2-3 million a year for six years. For a start, we propose to identify one to two Centres with a science and technology focus. NUS and NTU will be approached to submit at least one proposal each to set up a

Centre. An external review panel appointed by MOE will evaluate the proposals and make a recommendation on the ones to be awarded. It will independently assess the progress of the Centres before recommending whether funding should be continued.

29. Our universities need to have access to multiple sources of funds. However, external research sponsors usually only cover the direct costs of research but not the indirect research costs like research-related administrative costs and overheads. Hence, we recommend that the universities make every effort to recover as much of their research costs as possible from external research sponsors.

#### ENSURING ACCESS AND AFFORDABILITY

30. As the benefits of university education accrue primarily to the individual, it would be reasonable to ask undergraduates to bear a larger share of the cost of their education. As students benefit not just from the teaching provided, but also the facilities in which they learn, they should also contribute towards the infrastructure costs which are currently wholly borne by the Government.

31. Universities will be allowed to charge different tuition fees for different courses. Students should be prepared to pay a premium for enhancements to their learning experience, or for courses which are more costly to mount. Furthermore, as graduates from different courses have different earning potential, we should not expect students in less marketable disciplines to subsidise those who are able to command higher salaries.

32. Nevertheless, the Government will continue to ensure that university education remains affordable for Singapore citizens and Permanent Residents, even as the student's share of the cost of university education increases. For NUS and NTU, we propose that MOE set a cap on the tuition fee increase in any given year at 10% over the previous year's tuition fees, so as to keep the increases manageable. All three universities should also keep MOE informed of any proposed tuition fee increase at least six months in advance. They should also make known to students at the outset the schedule of projected tuition fees over the normal duration of each course, to help students and their families plan for the costs of the education.

33. We will continue to practise a needs-blind, merit-based policy for university admission. Once the students are admitted, universities should ensure that adequate student financing is provided so that they have the necessary resources to contribute towards their education. We recommend that our universities set up a Student Financing Office to assess students' needs in greater detail before customising an appropriate student financing package which can comprise a combination of loans, bursaries, scholarships and/or work-study.

34. We propose to increase the quantum that students can borrow under the existing tuition fee loan scheme from the current rate of up to 80% of the tuition fees to 90%. This will allow students to minimise any increase in cash-outlay during the course of their study as tuition fees increase.

35. To help needy students keep their debt burden at a more manageable level, we propose that MOE offer a bursary that will be awarded on a means-tested basis. The bursary will be funded by the Government and administered by the universities, as part of the commitment to the public that no deserving student will be denied a university education because of financial difficulty.

#### CONCLUSION

36. Even after the UAGF Steering Committee's recommendations are accepted by the Government, further discussion and planning by the universities will be required. The recommendations are likely to be implemented no earlier than 2006.

37. Notwithstanding their short histories, our universities have made significant progress and reached the stage of development where they are regarded among the best in the world. They can and should be given more flexibility to differentiate themselves and carve out their own niches of excellence. We believe that greater autonomy will create opportunities for the stakeholders to take on greater ownership of our universities. At the same time, greater autonomy will also engender a more entrepreneurial spirit in the universities and encourage them to seize the opportunity to achieve their own peaks of excellence. An excellent university sector will be fundamental to the success of Singapore as a talent hub and knowledge-based economy.