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**Panel on Education**

**Background brief prepared by the Legislative Council Secretariat  
for the meeting on 8 December 2008**

**Research funding for the  
University Grants Committee-funded institutions**

**Purpose**

This paper provides background information on the existing research funding for the University Grants Committee (UGC)-funded institutions, and highlights the major concerns of members.

**Existing research grants**

2. The existing recurrent grants to the UGC-funded institutions comprise a block grants and funds provided for specific purpose. About 20% of the block grants is designated for research purpose. The research element is primarily related to the number of active research staff and the cost of research in respective fields. The determination of the number of staff who are active in research is undertaken by UGC in a "Research Assessment Exercise" about eighteen months before the beginning of each funding triennium.

3. Of the various funds provided for specific purposes, two are concerned with research, i.e., the Earmarked Research Grant (ERG) and the Research Development Fund. ERG is disbursed by UGC to its Research Grants Council (RGC) for supporting various academic research activities of the UGC-funded institutions, mostly research projects on a competitive basis. RGC is established under the aegis of UGC, and functions as a semi-autonomous advisory body responsible for advising on the need of the higher education institutions in the field of academic research and distributing funding for academic research projects undertaken by academic staff of the UGC-funded institutions.

4. ERG includes competitive ERG, direct allocation, central allocation, Joint Research Scheme, Clinical Research Fellowship and Fullbright Hong Kong School Programme. A brief description of the allocations under ERG is in **Appendix I**. The Research Development Fund comes from savings from phasing out public-funded taught postgraduate places which the Administration has allowed UGC to retain. It is mainly used for supporting research development activities and significant research projects, including Areas of Excellence projects <sup>Note</sup>.

5. In his 2008-2009 Budget Speech, the Financial Secretary announced the establishment of the Research Endowment Fund (REF) with a capital sum of \$18 billion. REF and its investment earnings would replace the existing annual funding granted by the Administration to RGC, and part of the fund would be used to finance appropriate research projects on specific themes.

### **Concerns of members**

6. The Panel on Education had not discussed the subject of research funding per se. However, members raised concern about the allocation of resources for research purpose in the context of considering the review on higher education and the recurrent funding for the UGC sector and in examining the Estimates of Expenditure of the Hong Kong Special Administrative Region for the 2008-2009 year. The major concerns of members are summarized below.

#### Public vis-à-vis private funding for research activities

7. Members noted with concern that compared with other major Asian countries, Hong Kong had been spending a very small proportion of its Gross Domestic Products (GDP) on research activities. The Report on Higher Education in Hong Kong published by UGC in 2002 stated that Hong Kong invested only 0.48% of its GDP on research and was ranked 16 among the 20 countries under study. The ERG for the 2008-2009 year was \$656 million, 8% higher than that for the previous year. Members urged an increase in allocation for research activities.

8. UGC advised that currently, Hong Kong spent about 0.8% of its GDP on researches, which was low by international standard. Apart from the \$656 million ERG, around 25% of the recurrent grants for the UGC-funded institutions would be used to fund research activities. In the Administration's view, public funding apart, it was necessary to promote private donations to support research activities. According to the Administration's estimation, of the \$7.7 billion additional resources secured under the first three rounds of the Matching Grant Scheme, about

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<sup>Note</sup> Areas of Excellence projects are funded by the Areas of Excellence Scheme. The Scheme provides support to research projects which are recognised internationally as of equal status to their peers in the same subjects areas, and justify the additional investment in staff time and resources, as well as facilities and activities, which would maintain them among the world leaders.

\$2.1 billion would be used for researches. About \$1.1 billion came from private donations and the balance of \$1 billion from the matching grants. A comparison between Hong Kong and other major economies on the total amount of public and private funding for research expressed as a percentage of the relevant GDP is in **Appendix II**.

#### Allocation of research funding by RGC and institutions

9. Members expressed concern about the criteria for considering applications for ERG by RGC and allocation of resources for research activities by institutions. They had received complaints from deputations about the existence of a flattery culture in the UGC-funded institutions because of the competition among faculties and departments for resources for researches and about the higher priority and regard accorded to scholarly work and researches on international issues for the purpose of enhancing the chance of publication in international journals and of application for research grants successfully. There had been concern about the impact on institutional autonomy and academic freedom.

10. According to UGC, RGC advised and reported to the Administration through UGC on the needs of the UGC-funded institutions in the field of academic research including the identification of priority areas, recommended the allocations of the research grants and monitored the implementation of such grants. RGC was assisted by four specialist subject panels comprising of both local and overseas academics in assessing applications for research grants on the basis of peer review and academic merits. Around 14% of ERG was allocated directly to the institutions on the basis of their staff size and other factors relevant to research. The major portion (around 80%) was allocated in response to competing bids for specific project grants from individuals or groups of staff of the institutions. The remaining portion was allocated centrally in response to bids from the institutions for major research facilities/equipment or library collections to support collaborative research involving two or more institutions, or group research activities that operated across disciplines and/or normal institutional boundaries. UGC was aware of a misperception in the academic sector about evaluation of local research projects and scholarly work. UGC had mechanisms in place to ensure a fair evaluation of local and international research projects. According to academics in the higher education sector, the existing funding mechanism for the UGC-funded institutions was one of the best of its kind.

#### Criteria for allocating REF

11. Members had sought information on REF including the procedure and criteria for assessing applications, adequacy of its investment earnings to finance research projects of the UGC-funded institutions and its level of funding as compared with that allocated to RGC.

12. The Administration advised that the Education Bureau was consulting UGC on the operational details of REF, including the eligibility criteria and the procedure for assessing applications. The relevant information would be ready when the Administration sought funding approval of the Finance Committee. The Administration considered it too early to speculate on the likely return on the investment of REF, but expected that the investment income would be more than the existing allocation of about \$600 million on average to RGC per academic year. The allocations to RGC were \$605.9 million and \$612.1 million in the 2006-2007 and 2007-2008 academic years respectively.

### **Relevant papers**

13. A list of the relevant papers on the Legislative Council website is in **Appendix III**.

Council Business Division 2  
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### Allocations under Earmarked Research Grant

Earmarked Research Grant includes the following-

- (a) Competitive ERG are provided in response to competitive bids assessed by Subject Panels of RGC, with help from specialists academic assessors or referees mostly from overseas under a vigorous peer review system.
- (b) Direct Allocation for discretionary use by the institutions to support small-scale research projects costing less than \$200,000; for other field trips and travel requirements; and to provide minimal funding support for junior faculty and newly recruited staff in research.
- (c) Central Allocation is provided to strengthen the research base, support group research proposals that promote collaboration among academic institutions and synergy among research teams.
- (d) Joint Research Scheme supports researches/research teams in Hong Kong to collaborate with counterparts in Mainland China, France and Germany.
- (e) Clinical Research Fellowship supports young clinicians in undertaking clinical researches.
- (f) Fullbright Hong Kong School Programme supports Hong Kong school to undertake research work in the United States.

Source of information: Paper entitled "A Note on the Funding Mechanisms of UGC: Formula, Criteria and Principles for Allocating Funds within UGC-funded Institutions" provided by the UGC Secretariat for the special meeting of the Panel on Education on 28 February 2007.

**Comparison between Hong Kong and other major economies on  
the total amount of public and private funding for  
research and development (R&D)  
expressed as a percentage of the relevant GDP**

<b>Economies</b>	<b>Total R&amp;D (% GDP)</b>	<b>Private Sector (% GDP)</b>	<b>Public Sector (% GDP)</b>
Japan	3.53	2.52	1.00
United States	2.62	1.82	0.68
Korea	2.63	2.00	0.60
Switzerland	2.57	1.90	0.62
Australia	1.76	0.95	0.77
New Zealand	1.17	0.49	0.68
Ireland	1.33	0.89	0.43
Hong Kong	0.79	0.41	0.38
Taiwan	2.58	1.74	0.83
Singapore	2.39	1.57	0.52
China (Mainland)	1.42	1.01	0.40

Note: Given that some economies have other minor sources of research funding, the above total R&D funding may be larger than the aggregate of the R&D expenditure incurred by the private and public sectors.

Source of information: Reply Serial No EDB064 provided by the Permanent Secretary for Education to the question raised by Mr CHEUNG Man-kwong in the examination of the Estimates of Expenditure 2008-2009

**Relevant papers on research funding for the  
University Grants Committee-funded institutions**

<b>Meeting</b>	<b>Date of meeting/ issue date</b>	<b>Paper</b>
Panel on Education	26.3.2002	<a href="#">Minutes</a>
Panel on Education	13.5.2002 (Item V)	<a href="#">Minutes</a>
Panel on Education	3.1.2005 (Item II)	<a href="#">Minutes</a>
Panel on Education	28.2.2007	<a href="#">CB(2)1182/06-07(02)</a>
Legislative Council	27.2.2008	<a href="#">2008-2009 Budget Speech by the Financial Secretary</a>
Finance Committee	31.3.2008	By Secretary for Finance Services and the Treasury -  <a href="#">Administration's replies to Members initial written questions</a>
Finance Committee	31.3.2008	By Secretary for Commerce and Economic Development -  <a href="#">Administration's replies to Members initial written questions</a>
Finance Committee	2.4.2008	By Secretary for Education -  <a href="#">Administration's replies to Members initial written questions</a>
Finance Committee	31.3.2008, 1, 2, 3 and 7.4.2008	<a href="#">Minutes</a>