

OUR HONG KONG
FOUNDATION
團結香港基金

6 June 2016

By Post and By Email: panel_e@legco.gov.hk

Clerk to Panel on Education
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Sir/Madam,

Re: Our Hong Kong Foundation Submission to LegCo on University Grants
Committee (UGC)'s Report on Governance in UGC-funded Higher Education
Institutions in Hong Kong

Our Hong Kong Foundation (OHKF) released its research report on innovation and technology in December 2015. In light of the universities in Hong Kong, which play a critical role in R&D, and hence innovation and technology, this report advocates for the reform on Research Assessment Exercise (RAE) and Key Performance Indicators (KPIs) for universities' research efforts.

UGC's report recommends that, "it is particularly important that institutions have a clear sense of their priorities and achievable goals". However, UGC's funding formula has a significant impact on institutions' priorities setting in regard to their research.

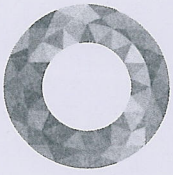
According to UGC (2013), 80% of the weighting is based on the quality of research outputs and the remaining 20% of the weighting is correlated with other assessments on a cost centre (i.e. academic unit) basis. In this sense, publications

19/F Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

香港中環干諾道中88號
南豐大廈19樓

Main 852 2603 3001
Fax 852 2886 1142

www.ourhkfoundation.com



remain the dominant output in RAE, thus implying that the KPIs for universities' research efforts are skewed towards publications.

Indeed, it is necessary for Hong Kong to develop an innovation and technology strategy in order to achieve its sustainable development in this aspect. Public research funding is one of the major policy instruments to shape scientific development and hence the innovation and technology ecosystem. Thus, we recommend the reform of public research funding mechanisms as follows:

1. Coordination of Public Research Funding

- RGC to be the coordinating body

As RGC has established a well-recognised peer-review system for competitive research funding over the years, an ideal agency is considered to take on additional, complex tasks for continually shaping research focus so as to align with public policy priorities and to drive structural changes via programme funding. Taking on the new role likely requires the separation of RGC from UGC.

- Division by broad disciplines

There are distinctive differences among various research disciplines, consisting of biology and medicine, natural sciences and engineering, and humanities and social sciences. RGC could be restructured into these three distinctive agencies accordingly, in order to adopt disciplinary perspectives in fund allocation, to cater for different characteristics and funding needs of various discipline groups, and to meet the various social needs. Strong coordination among agencies is essential to promote inter-disciplinary research.

- Governance

In order to ensure strong linkages between research activities, and the societal and economic needs in the specific disciplines, it would be desirable for the governance boards of individual agencies to include representatives from academia, government and business. It is suggested that the inclusion of the international expertise in the agencies, as currently undergoing in RGC, should continue to



ensure global perspectives in selecting research direction and funding practices, and to enhance collaboration. While, a thorough review on the overall governance structure is recommended to ensure a proper balance between the objectives of independent scientific discovery and the responsiveness to societal needs.

- Business-academic collaborations

In order to promote research collaboration between academia and industries, RGC could set up two branches within its structure: one will serve the needs of basic and applied research in the universities and other research organisations; and another one will drive technology transfer and research collaboration between business and universities along strategic areas of priority. If two separate agencies are set up for handling funding allocation, one will be for business and start-ups while another one will be for academia and researchers due to different funding sources. Then, there is essentially a clearer sense of focus and greater impact generated from cooperation between the two agencies.

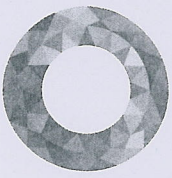
- Broaden the base of potential beneficiaries

Currently, RGC funding is only eligible to full-time academic staff of UGC-funded universities as well as other self-financing degree awarding institutions. In order to maximise the development of research potentials in Hong Kong, funding should be extended to include all kinds of academic staff in universities as well as other pre-qualified research entities or individuals.

2. Enhance Evaluation and Transparency of Discretionary Institutional Funding

- New KPIs to universities

The UGC's evaluation system which is currently based on RAE and focuses on research output should be reviewed. The weighting of RAE in the calculation of the R Block in the UGC's Block Grant to the institutions should be reduced. At the meantime, the weightings of competitive grant successes and other impact metrics should be added. Examples of these impact metrics include size and country composition of international patents, patent grants, royalties from licensing agreements, number and survival of spin-off, books publication and local



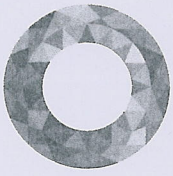
community services. In the long run, UGC could consider phasing out RAE and replacing it with other performance and impact metrics.

- Indirect costs

Under the current practice, indirect (infrastructure and administrative) costs associated with RGC competitive grants (comprises of mostly direct costs of research, but excluding faculty salaries) are grouped under the total discretionary institutional funding (the R Block). The indirect costs to direct costs ratio in Hong Kong is 4:1. In comparison, the indirect costs to direct costs ratio in most countries is estimated to lie between 40-60%, with a reimbursement rate of 25-50%. The high gap between discretionary, indirect infrastructure spending and direct, competitive research in Hong Kong does not favour transparency and accountability. UGC should commission an independent study on the indirect costs related to competitive research grants to promote transparency and responsible financial management. In addition, UGC should make an arrangement with RGC to complement the proposed increase in competitive research funding via RGC, with the goal of capturing full economic costs of research as practised in other jurisdictions.

- Inject competition in Block Grant allocation

Institutional funding is vital to support the research infrastructure of institutions. Universities should also be allowed to determine research directions that are not immediately “fundable” by the available RGC funding schemes. Therefore, UGC should continue to push forward with its initiative to introduce competition in its Block Grant allocation to align Hong Kong with international practice. However, it is not advisable to eliminate the R Block entirely at this moment. According to the current plan, 12.5% of the total UGC funding or 50% of the R Block will be progressively allocated between 2011 and 2020, on a competitive basis with reference to successes in obtaining RGC grants. We support this moderate approach. More importantly, university administrations should be transparent in reporting how the R Block is being utilised in individual institutions.



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- Align academic output with outcome

Universities should offer incentives to encourage academia to go beyond basic research and consider more socioeconomic impact of their research. Some KPI examples to consider include: high impact book publication, community services, and industry research collaboration.

OHKF appreciates this opportunity to offer its perspectives on UGC's Report on Governance in UGC-funded Higher Education Institutions in Hong Kong. Should there be any questions concerning this submission, please contact me at kenny.shui@ourhkfoundation.org.hk.

Yours Faithfully,

Kenny Shui
Senior Researcher
Our Hong Kong Foundation

19/F Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

香港中環干諾道中88號
南豐大廈19樓

Main 852 2603 3001
Fax 852 2886 1142

www.ourhkfoundation.com