

NOTE FOR FINANCE COMMITTEE

Research Matching Grant Scheme

PURPOSE

This paper informs Members of the Government's plan to extend the duration of the Research Matching Grant Scheme (RMGS) by using the remaining balance of the relevant non-recurrent commitment approved under FCR(2019-20)11.

BACKGROUND

2. To incentivise the private sector to strengthen financial support for research and development (R&D), and diversify the funding sources for research activities, the Chief Executive (CE) announced in the 2018 Policy Address (PA) the Government's proposal to launch RMGS for a time-limited period of three years for applications by local degree-awarding institutions. With the approval of the Financial Committee of the Legislative Council (LegCo) vide FCR(2019-20)11 in June 2019, a commitment of \$3 billion was provided to launch RMGS in August 2019.

3. Under RMGS, R&D expenditure and donations secured by the 21 participating institutions^{Note} are matched by the Government for research-related purposes. To encourage all institutions to apply for funding and to ensure fairness in funding allocations, each institution is provided a \$50 million guaranteed minimum funding (i.e. a funding "floor") and is subject to a \$500 million funding "ceiling". Details of the Scheme and the matching mechanism are set out in Enclosure 2 to FCR(2019-20)11, which is attached at Enclosure, with updates made to cater for the proposed extension. RMGS is currently administered by the University Grants Committee (UGC) Secretariat.

Encl.

/UTILISATION

^{Note} Eight UGC-funded universities and 13 self-financing degree-awarding institutions (see paragraph 1 of Enclosure for the list of institutions).

UTILISATION AND EXTENSION OF RMGS

4. Since the launch of RMGS, the UGC Secretariat has been closely monitoring its effectiveness. The responses from the participating institutions have been encouraging. Despite a slower start at the initial operation period in the context of an unfavourable social and economic environment, the funding disbursed has become more steady subsequently.

5. Overall speaking, with eleven months (or around one-third of the original duration of RMGS) remaining, the matching grants disbursed under RMGS reached \$1.62 billion or 54% of the \$3-billion commitment as at 31 August 2021. The latest funding position of RMGS as at 31 August 2021 is summarised below –

Government financial year	Grants approved (\$ million)
2019-20	550.22
2020-21	808.79
2021-22	265.65
Total	1,624.66
Unspent Balance	1,375.34

6. Assuming the rate of disbursement of funds remains the same for the remainder of the three-year period of RMGS, the UGC Secretariat estimates that there will be an uncommitted balance of around \$900 million by the end of the original RMGS three-year lifespan of July 2022. In view of the effectiveness of RMGS, CE announced in her 2021 PA the Government's plan to extend RMGS for two years upon expiry of its original lifespan, so that the industrial and commercial sectors can continue to make good use of RMGS to support research in the higher education sector.

IMPLICATIONS

7. We plan to extend RMGS for two years from 1 August 2022 to 31 July 2024 or until the remaining balance of the commitment is exhausted, whichever is the earlier. The mode of operation, including the opening up of unallocated funding by the end of the three-year period for applications by the participating institutions, the funding "ceiling" level, as well as applicable matching formula, will remain largely the same. Details on the operation of the RMGS are set out at Enclosure.

8. Assuming that the rate of disbursement of funds remains the same for the extension period of RMGS, the estimated cash flow of RMGS during the extension period is as follows –

Government financial year	(\$ million)
2022-23	230
2023-24	460
2024-25	210
Total	900

The above breakdown represents the projected cash flow requirements in broad terms. The exact amount required in each year will depend on a number of factors, including the pace of securing private donations by participating institutions, etc. It is anticipated that the remaining balance of the approved commitment will be sufficient to cover the cash flow requirements as set out above. No additional funding is required. In case there are unexpended funds after the end of the two-year extension, RMGS will be further extended until the funds are exhausted.

WAY FORWARD

9. The LegCo Panel on Education was consulted as part of this year’s PA consultation at the Panel meeting of 18 October 2021, and no adverse comments from Panel members was received. The Government will continue to monitor the operation and effectiveness of RMGS during the extension period, and make a timely decision on the way forward.

10. Members are invited to note the content of this paper.

Education Bureau
 October 2021

**Details of the Research Matching Grant Scheme (RMGS)
and the Matching Mechanism**

Coverage

The private donations and matching grants under RMGS should only be used for the purposes of funding research in universities/institutions and meeting research-related expenses (excluding capital works projects for University Grants Committee (UGC)-funded universities), regardless of disciplines. RMGS covers the following eight UGC-funded universities (including their self-financing/subsidiary post-secondary education establishments) and 13 local self-financing degree-awarding institutions^{Note –}

The eight UGC-funded universities (including their self-financing institutions/arms)

- (i) The University of Hong Kong
- (ii) The Chinese University of Hong Kong
- (iii) The Hong Kong University of Science and Technology
- (iv) City University of Hong Kong
- (v) Hong Kong Baptist University
- (vi) The Education University of Hong Kong
- (vii) The Hong Kong Polytechnic University
- (viii) Lingnan University

The 13 local self-financing degree-awarding institutions

- (ix) Gratia Christian College
- (x) Tung Wah College
- (xi) Caritas Institute of Higher Education

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^{Note} The Research Grants Council (RGC) may revise the list of institutions as appropriate (e.g. to cover any newly established degree-awarding institutions). With UOW College Hong Kong being granted degree-awarding status in June 2019, it was included as one of the institutions covered by RMGS at the launch of the Scheme in August 2019.

- (xii) Centennial College
- (xiii) The Hang Seng University of Hong Kong
- (xiv) Hong Kong Metropolitan University
- (xv) Technological and Higher Education Institute of Hong Kong
- (xvi) Hong Kong Nang Yan College of Higher Education
- (xvii) Hong Kong Shue Yan University
- (xviii) HKCT Institute of Higher Education
- (xix) Chu Hai College of Higher Education
- (xx) Yew Chung College of Early Childhood Education
- (xxi) UOW College Hong Kong

Principle of Application

2. All private donations received by universities/institutions and contract research projects commissioned/research and development expenditure met by the private sector during the period covered by RMGS are eligible for matching.

3. To ensure fairness in the provision of matching grant, “double matching” or “double subsidisation” is not allowed. In other words, projects which have already obtained publicly-funded financial assistance (such as the Innovation and Technology Fund, and the Research Endowment Fund and the Research Impact Fund under the RGC), other publicly-funded grants, and donations which have already received public fund matching pursuant to other matching grant schemes (such as the Matching Grant Scheme) are not eligible for matching under this Scheme.

Matching Formula

4. The matching mechanism for RMGS is as follows –

- (a) During the original three-year period, to encourage all universities/institutions to apply for matching, a matching grant at a “floor” level (\$50 million) is set aside for each university/institution

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as a guaranteed minimum over the three-year period of the RMGS. During the extended period, the remaining balance of the commitment will be fully opened up for allocation to all universities/institutions with matching grants below the “ceiling” level (see (c) below). For the avoidance of doubt, the unallocated funding under the guaranteed minimum (i.e. the “floor level”) which has yet to be matched by the universities/institutions concerned will also be opened up for allocation. In other words, a guaranteed minimum is no longer applicable;

- (b) All applications received in the extended period will be considered on a *first-come-first-served* basis;
- (c) The upper limit or a “ceiling” of \$500 million will continue to be applicable to the aggregate amount of government matching grants received by each university/institution to prevent a single university with strong fund-raising ability from capturing a dominating share of the matching grant. For the avoidance of doubt, the aggregate level is calculated from the commencement of RMGS, i.e. 1 August 2019; and
- (d) The matching will continue to be \$1 for \$1 of grant received by a university/institution up to \$50 million (i.e. \$1 government grant for every \$1 of private donations secured by the university/institution). For matching grants beyond \$50 million but below the “ceiling”, a \$1 for \$2 matching ratio applies (i.e. \$1 government grant for every \$2 of private donations secured). The universities/institutions will not receive matching grants from the Government beyond the “ceiling” level.

Disclosure and Audit

5. To ensure the accountability and transparency of the operation of RMGS –

- (a) the UGC Secretariat co-ordinates all participating universities’/institutions’ disclosure of donations and the intended use of both the private donations and the matching grants received. Universities/institutions are also required to disclose in their annual accounts the amount of donations/matching grants received and the income generated from donations/grants; and the total amount of expenditure using the donations/grants broken down into broad category of purposes;

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- (b) the use of donations and government matching grants received shall be subject to audit. Auditors are required to confirm to the UGC Secretariat that the universities/institutions concerned have met the conditions of the grants, reported the actual uses of the donations/grants, and the intended use of the unspent donations/grants as well as the date of use; and
- (c) the universities/institutions are required to ensure that the matching grants received are only used to meet research-related expenses (excluding capital works projects for UGC-funded universities) and that the money is spent in a cost-effective manner.
