

**For discussion
on 10 December 2007**

Legislative Council Panel on Education
One-off Special Equipment Grant for
University Grants Committee-funded Institutions

Purpose

This paper seeks Members' views on the Administration's proposal to provide a one-off grant of \$200 million to the University Grants Committee (UGC) for establishing a Special Equipment Grant for the acquisition, replacement or upgrading of research equipment of the UGC-funded institutions.

Background

2. Research is vital to the success of our tertiary education institutions. As Hong Kong makes progress as a knowledge-based and technology-driven economy, a tertiary education sector that is strong in research is of critical importance to our competitiveness at the international level and to our ability to nurture and develop our talent pool. The Government is thus committed to developing a strong research culture in Hong Kong and fostering collaborative research at the highest international level through financing research activities and upgrading the research capacity of our tertiary institutions. Through the Research Grants Council (RGC) under UGC, public funding channelled to research activities each year amounted to over \$600 million, accounting for over 80% of the total research expenditure incurred by the eight publicly-funded tertiary institutions.

3. At present, the UGC-funded institutions are free to deploy the recurrent grants provided by the Administration to acquire research equipment and facilities. RGC may also provide funding for the purchase of necessary equipment to support individual research projects. However, past experience suggests that the institutions tend to use the funding available to support research activities rather than to procure research equipment. This is particularly so when equipment of a high value is involved, as the sacrifice that the institutions will have to make in terms of spending in other priority areas, such as teaching or research activities, can be significant. UGC, RGC and the Administration therefore see merit in providing extra financial support on a

one-off basis to the institutions for the acquisition, replacement or upgrading of research equipment having regard to the following factors:

- (i) a lot of the research equipment of the UGC-funded institutions was acquired in the 1990s. With the rapid advancement in technology, such equipment, despite proper maintenance, has become out-dated and is not able to support latest research methodologies;
- (ii) as we have already laid a solid foundation for research work in Hong Kong, our tertiary institutions are ready to conduct more research activities in other areas which require more sophisticated equipment; and
- (iii) the number of academics in the UGC-funded sector will increase as we implement a 4-year undergraduate programme under the new “3+3+4” academic structure. The increase in academic staff, not just in terms of numbers but also in terms of calibre, will enhance the research capacity of the institutions, and in turn lead to a higher demand for research equipment.

The proposal

4. To further enhance the research capability of UGC-funded institutions, the Administration proposes to provide a one-off grant of \$200 million to UGC for the establishment of a Special Equipment Grant to enable the institutions to acquire, replace or upgrade their research equipment. The UGC-funded institutions will be invited to submit proposals to UGC. All proposals will be assessed by academic experts under a peer review process to ensure that there is a genuine need for the equipment and that the research activities to be supported by the equipment are of a high standard. The broad operating principles for the Special Equipment Grant are as follows:

- (a) the grant should support acquisition, replacement, upgrading or establishment of new and major research equipment / facilities which should primarily be used for publicly-funded research activities¹. Such equipment/facilities should be for communal or shared usage / collaborative research by multiple users within or across the institutions, and should exclude consumables, capital works, and recurrent expenditure;

¹ In case the equipment is used for non-publicly funded research activities, the institutions will levy overhead charges on such activities, so as to avoid cross-subsidisation of public resources to non-publicly funded activities.

- (b) the funding required for any single piece of equipment under each application should be at least \$2.5 million (including contributions from institutions as set out in (c) below) and each grant should be capped at a ceiling of \$10 million;
- (c) the institutions should contribute a minimum amount of 25% of the cost of the equipment;
- (d) each institution should be allowed to submit up to a total of ten proposals;
- (e) all requests for special equipment grants will be considered on their own merits;
- (f) whilst UGC will disburse funds to the institutions within the 2008-09 financial year, to allow time for procurement and payment, they will not be required to spend all such funds within this period. Instead, UGC will specify a period (say before the end of the 2010-11 financial year) within which the institutions will have to spend all funds disbursed. Any unspent funds beyond the pre-defined period or provisions surplus to the actual requirements will be returned to the Government; and
- (g) the special equipment grant will not cover any recurrent expenditure (including maintenance) that may have to be borne by the institutions in consequence.

Financial Implications

5. The proposal involves the provision of a one-off grant of \$200 million for the establishment of a Special Equipment Grant for UGC. The Government will earmark sufficient funds in the 2008-09 Estimates for the proposal. The proposal does not have any recurrent financial implications for the Government. The institutions will have to meet all recurrent expenditure (including maintenance) that may arise in consequence with their recurrent grants, research funding from RGC or other sources of income. The Grant, if approved by the Finance Committee (FC), will be placed under Head 190 University Grants Committee. The institutions will be required to account to UGC for the proper use of the grants for their approved purposes.

Implementation Timetable

6. Subject to Members' views, we will seek the approval of FC for the proposed one-off grant of \$200 million in January 2008. Subject to FC's approval, the Special Equipment Grant will be open for application thereafter.

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