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Panel on Education

Background brief prepared by the Legislative Council Secretariat for the meeting on 11 July 2011

Allocation of research funding and undergraduate student places

Purpose

This paper provides background information on the proposed changes in allocation of research funding recommended in the Report of the Higher Education Review 2010 ("the Report") and the allocation of undergraduate student places by the University Grants Committee ("UGC"). It also highlights the relevant concerns of members of the Panel on Education ("the Panel").

Background

2. UGC conducted a higher education review in 2010. The task was carried out by its Higher Education Review Group ("the Review Group"). The aims of the review were to assess the progress made on the recommendations of the Higher Education Review in 2002, identify new issues facing Hong Kong's higher education sector and discern world trends with a view to recommending strategies for the future development of Hong Kong's higher education sector.

3. The review report entitled "*Aspirations for the Higher Education System in Hong Kong*" ("the Report") was submitted to the Government for consideration in December 2010. The Report made 40 recommendations covering the post-secondary education system, internationalisation, relationship with Mainland China, teaching and learning, research and role differentiation, funding methodology, institutions' relationships with their self-financing operations, quality matters and oversight bodies in the post-secondary education sector.

Allocation of research funding

4. Currently, there are three main sources of research funding for the UGC-funded institutions including the research portion of the Block Grant of which 25% is for research and 75% for teaching; the allocation of research postgraduate places to institutions (about \$1.4 billion teaching funding per annum); and the funding disbursed through the Research Grants Council ("RGC"). The research portion of the Block Grant is the largest source of research funds which amounts to \$2.7 billion per annum. The amount granted for peer assessed research projects under the RGC is about \$750 million per annum. The ratio is about 75/25. Research funding secured by each institution through competition administered by the RGC for the 2009-2010 and 2010-2011 academic years is in **Appendix I**.

5. The Review Group considers that research funding and resources should be allocated increasingly on a competitive basis. It believes that the balance needs to be adjusted so that more funding is provided in association with research projects, rather than to the institution as a whole. In this connection, the Review Group proposes to progressively transfer half of the 25% research portion of the Block Grant, i.e. \$1.3 billion, to the RGC over a period of nine years.

6. The current allocation of almost all research postgraduate places is historically based. The Review Group has also recommended the introduction of competition for research postgraduate places as rapidly as possible. It proposes that within five years starting from 2012-2013, 50% of all research postgraduate places (2 800 places in total) should be competitively allocated. Means of assessing the quality of research postgraduate research students emerging from the system should be implemented to inform decision on the allocation of research postgraduate places.

Allocation of undergraduate student places

7. The UGC and its funded institutions operate on a triennial funding and planning cycle. Every three years there is a significant exercise to review performance, to map out the academic direction for the next three-year funding period and to work out the costs involved, working within an indicative overall funding limit determined by the Government. The key documentation in this exercise is the production by the institutions of their Academic Development Proposals ("ADPs") for submission to and discussion with the UGC. The UGC uses this exercise to help in the assessment of where to allocate resources.

8. In the 2009-2012 triennium, the UGC initiated a competitive allocation process to allocate a percentage of first-year first-degree ("FYFD") places according to an assessment exercise it conducted based on the institutions' ADPs. According to the UGC, the exercise aimed to encourage the institutions to reflect on their key areas of activity, primarily in terms of undergraduate programmes. It involved institutions identifying areas that might be slimmed (if necessary) and those that they felt were promisingly new or expanding.

9. The UGC has decided to continue implementing the competitive allocation mechanism. For the 2012-2015 triennium, 6% of the FYFD places in each institution will be set aside for competitive allocation. The 6% will not apply to places in disciplines under Government manpower planning. In addition, given that Lingnan University is slimming currently and will "stay small" in 2012-2015 triennium, the corresponding percentage to be applied will be 4%.

10. As announced by the Chief Executive in his 2010-2011 Policy Address, the UGC-funded FYFD places would be increased from 14 620 to 15 000 per annum starting from the 2012-2013 academic year.

Deliberations of the Panel

11. Members expressed views on issues relating to research funding for the UGC-funded institutions during the discussion on the proposed establishment of the \$18 billion Research Endowment Fund at the meeting of the Panel on 8 December 2008. The Panel received a briefing by the Chairman of UGC on the recommendations in the Review Report at its meeting on 10 January 2011. It also received views from relevant stakeholders on the Report at its meeting on 14 March 2011. The concerns of members relating to the allocation of research funding and undergraduate student places are summarized in the following paragraphs.

Adequacy of research funding

12. Members noted with concern that compared with other major Asian countries, Hong Kong had been spending a very small portion of its Gross Domestic Products (about 0.7% to 0.75%) on research activities. They considered that the provision of consistent and adequate funding for quality research was paramount to the long-term competitiveness of Hong Kong in a knowledge-based global economy. Members urged an increase in allocation for research activities.

13. According to the Administration, it had been increasing its financial commitment to research in recent years, as evidenced by the establishment of the \$18 billion Research Endowment Fund in 2009. Unlike many other advanced economies such as Japan and Singapore where the private sector was the major driver in research expenditure, the research funding for local institutions came mainly from the Government. Given the limited resources, it was important to ensure the utilization of research funding in the most effective manner.

Balance between teaching and research

14. Members noted the concern raised by staff of the UGC-funded institutions that the proposed transfer of a significant portion of funds from the research portion of the Block grant to the RGC for competitive bidding would result in unhealthy competitions and would drive institutions to place more even resources on research and less focus on teaching. Members noted that in some cases, professors who had won research awards were relieved from teaching duties.

15. In the view of the UGC, there was always tension between teaching and research which was common around the world. The Report had emphasized very strongly the need for excellence in teaching. In the current ADP exercise, the UGC had requested the institutions to place a strong emphasis on teaching and learning. It was for individual institutions to strike a proper balance between teaching and research and to ensure that performance in both areas were duly taken into account in assessment procedures for promotion.

16. According to the UGC, the Review Group had not proposed a radical change; it had only proposed to transfer about \$1.3 billion (i.e. approximately 12% of the Block Grant) from the research portion of the Block Grant to the RGC as on-costs over a period of nine years. The transferred funds would be returned to the Heads of Institutions for purposes such as research infrastructure and staffing costs and would not be used as additional funding for individual research projects under the RGC.

Local young academic staff

17. There was a view that the inequitable allocation of research funding affected not only the operation of institutions but also local young academic staff as they were not given opportunities to conduct research. Members considered that the UGC should allocate a reasonable portion of the research funding to local young academic staff. The UGC advised that the Early Career Scheme under the RGC had recently been introduced. Under the scheme,

funding of up to \$100 million would be allocated to ensure that more research funding would be provided to nurture junior/new academics.

Allocation of research funding by RGC

18. Members expressed concern about the impact of the proposed changes in allocation of research funding on institutions the curricula of which were principally in humanities and social sciences subjects. Some members were given to understand that when considering research proposals, RGC gave preference to science disciplines over arts disciplines, and research on international issues were given higher regard than those on local issues.

19. The UGC explained that there were four subject panels under the RGC, namely, Engineering ("E"); Physical Sciences ("P"); Biology and Medicine ("M"); and Humanities, Social Sciences and Business Studies ("H"). The size of the subject panels was dependent upon the number of grant applications they had to handle. Among the four panels, the H Panel had to deal with the largest number of applications. The success rate of the applications assessed by the H Panel in the 2009-2010 academic year was in line with that of the E and M Panel (about 30%). The success rate of the applications in the P Panel was the highest among all subject panels (about 57%).

20. According to the UGC, the RGC had given special attention to the humanities, social sciences and business studies disciplines. Under the General Research Fund scheme, special funding support was provided to applications in these disciplines. For instance, the "Individual Research Grant" was tailored better to support research conducted by individual researchers through the institutional arrangement for granting time-off. This scheme was only applicable to arts, humanities, and social sciences and business studies which often required the researchers' personal efforts, rather than assistance rendered by their research assistants. Furthermore, the teaching relief scheme had been extended to all subjects under the humanities and social sciences disciplines. The method for allocating on-costs would also take into account the fact that humanities generally attracted less funding than science subjects. Regarding the evaluation of research projects on local issues, the RGC would appoint more local academics to the subject panels concerned to ensure a fair assessment of these projects.

Allocation of research postgraduate places

21. Members sought information on the proposal for the allocation of research postgraduate places starting from the 2012-2013 academic year. The UGC informed members that the institutions generally accepted the four new competition methods for research postgraduate places in connection with

moving half of the places from historically based allocation to competition based allocation. A total of 2 800 places would be competitively allocated over a period of five years starting from 2012-2013 according to the following methods:

- (a) 600 places would be allocated on the basis of the latest score the institution achieved in the Research Assessment Exercise;
- (b) 600 places would be distributed according to the institution's success in RGC-funded project schemes;
- (c) 600 places would be allocated on the basis of a scheme that the UGC would be working out with the institutions in the context of the ADP exercise on outcome-based evaluation of research postgraduate programmes;
- (d) 600 places would be given to the RGC which had decided to allocate most of these places through the PhD Fellowship Scheme as a long term target. In the meantime, the RGC would allocate these places according to the institution's success in various RGC project areas; and
- (e) 400 places would continue to be allocated through the PhD Fellowship Scheme.

Competitive allocation in the ADP exercise

22. Members noted that for the 2012-2015 ADP exercise, the percentage of the FYFD places for competitive bidding by the UGC-funded institutions would be reduced from 7.5% to 6%. There was a view that the direction proposed by the UGC for enhancing competition such as the setting aside of 6% of the FYFD places for competitive allocation in the 2012-2015 triennium would not only discourage competition but also cause disputes among the institutions. Under the arrangement, the funding for individual institutions had in effect been cut. This would drive institutions to reduce their resources allocation for certain faculties. In order to encourage healthy competition among institutions, the Administration should increase funding on top of the existing provision for competitive bidding by the institutions and provide an appeal channel for matters relating to funding for the UGC-funded institutions.

23. The Chairman of the UGC explained that under the existing funding allocation mechanism, the outcome of allocation was a result of extensive discussions with the institutions concerned, and with input from experts. The mechanism was accepted by the institutions. Unless the funding was increased,

the provision of an appeal channel could not resolve disputes as the increase of funding for one institution would inevitably reduce funding for another.

Relevant papers

24. A list of the relevant papers on the Legislative Council website is in **Appendix II**.

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Appendix I

**Research funding secured by each institution through competition
administered by
the University Grants Committee/Research Grants Council
for the 2009-2010 and 2010-2011 academic years**

| Institution | Research funding secured through competition (\$ million) | |
|--|--|------------------|
| | 2009-2010 | 2010-2011 |
| City University of Hong Kong | 96.0 | 103.9 |
| Hong Kong Baptist University | 33.6 | 53.2 |
| Lingnan University | 4.7 | 6.4 |
| The Chinese University of Hong Kong | 308.4 | 241.9 |
| Hong Kong Institute of Education | 10.3 | 8.4 |
| The Hong Kong Polytechnic University | 118.1 | 121.6 |
| The Hong Kong University of Science and Technology | 172.3 | 166.7 |
| The University of Hong Kong | 551.2 | 272.6 |

(Note: Funding awarded to an institution in an academic year is meant to be spent in the coming several years (e.g. over the duration of a project). This explains why the amounts may fluctuate.)

Source: Extraced from the UGC's replies to Legislative Council Members' initial questions in the examination of the Estimates of Expenditures 2011-2012.

**Relevant papers on
allocation of research funding and undergraduate student places**

| Committee | Date of meeting | Paper |
|--------------------|------------------------|---|
| Panel on Education | 8.12.2008 (Item VI) | Agenda Minutes |
| Panel on Education | 10.1.2011 (Item VI) | Agenda Minutes Report entitled "Aspirations for the Higher Education System in Hong Kong" provided by the University Grants Committee CB(2)827/09-10(01) |
| Panel on Education | 14.3.2011 (Item VI) | Agenda Minutes |

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