

# **Aspirations for the Higher Education System in Hong Kong**

Report of the University Grants Committee



## **PREFACE**

The review that generated this report originated as an assessment of the implementation of the Higher Education Review 2002. It became apparent, however, that much had changed in the higher education landscape since 2002. Some of these changes had been caused by that review; others were the consequence of the dynamism of Hong Kong – its higher education, society and economy, and the global context.

This review thus had a wider aim than originally intended, although it certainly examined the implementation of its predecessor's recommendations. It made no sense to us to examine higher education without looking at both the local context of post-secondary education provision and the global context of rapid change that inevitably shapes the challenges and opportunities of Hong Kong's system.

Our aim was to assess the present post-secondary education landscape and the UGC-funded sector within it. We sought to identify new issues with a view to devising a forward-looking document that would assist the Government and the public in reflecting on the purposes of post-secondary education and hence strategies for Hong Kong's post-secondary education system. With this in mind, we aimed to arrive at a set of practical recommendations that could help the system to progress and meet new challenges.

Part I of this report examines general contextual issues and those posed by the growth in the post-secondary education sector with the increase in the availability and diversity of post-secondary education opportunities. Part II identifies ways of facilitating UGC-funded institutions in their pursuit of excellence and to enhance their contributions to Hong Kong. Finally, in Part III we reflect on the present regulatory structure's fitness for purpose, including the role of the UGC itself.

In general terms, we believe that available comparative data point to a healthy UGC sector in which marked improvements have been made over the last decade. The high levels reached by Hong Kong universities in recent rankings indicate considerable success. This report thus does not stand upon an identified need for a major system reform. This is not to say that there are no significant issues that need addressing. These issues require firm and in some cases urgent action. That is the principal subject matter of this report.

Undoubtedly, the biggest challenge to us is how to best utilise limited resources in providing our next generations with the best education, in order for them to be competitive in a globalised world. The trend towards globalisation also means that our system faces direct competition from better established and mature systems (such as those in Europe and North America) and younger systems that are catching up rapidly (such as the system in Mainland China). Remaining globally relevant amidst fierce competition for quality staff and students is a tremendous task for the Government and the post-secondary education sector.

The review was conducted by the Higher Education Review Group, which comprised members of the UGC (the Group's Terms of Reference and Membership are in **Annex A**). This report has been discussed in detail and adopted by the whole UGC. The Higher Education Review Group commissioned a number of studies of higher education organisation in other parts of the world and of the issues confronting them, obtaining contextual and comparative material. The Group also consulted widely in Hong Kong. In response to an invitation issued in May 2009, more than 30 organisations and individuals provided written views. Individual face-to-face discussions were held with the key stakeholders in the sector, such as the heads of institutions, heads of quality assurance bodies and other personalities, to gauge their views on the development of the sector.

To enhance communication and interaction with stakeholders, the Group also held two consultations for staff and students of UGC-funded institutions in September 2009, attracting 150 participants. Having identified a number of leading issues of concern to stakeholders, the Group then cast a wider net in April 2010 by issuing invitations to another round of consultative sessions with the whole of the post-secondary sector, and attracted over 100 staff and students from UGC-funded and non-UGC-funded post-secondary institutions, as well as representatives of quality assurance bodies, etc. We are grateful to all of the organisations and individuals who shared their views and ideas, which helped to shape the content and recommendations of this report. The list of consultees is in **Annex B**.

Finally I would like to convey my personal gratitude to Sir Colin Lucas, Convenor of the Higher Education Review Group, and to the other members of the Group, for their dedication, wisdom and immense contribution in taking forward this review.

This is a report to the Government, and with the Government's agreement it is being simultaneously released to the public. I hope that it will stimulate interest and debate on the future direction of post-secondary education in Hong Kong.



**The Hon Laura Cha May-lung, GBS, JP**  
**Chairman, University Grants Committee**

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## **ABBREVIATIONS AND GLOSSARY**

2002 Review Report	Higher Education in Hong Kong – report of the University Grants Committee published in March 2002
“3+3+4”	The 3-year junior secondary, 3-year senior secondary and 4-year undergraduate academic system
CATS	Credit Accumulation and Transfer System
CityU	City University of Hong Kong
CUHK	The Chinese University of Hong Kong
Government	In this report, Government means the Government of the Hong Kong Special Administrative Region
Higher education	In the context of this report, higher education, a sub-set of post-secondary education, refers generally to degree and above qualifications.
HKAPA	Hong Kong Academy for Performing Arts
HKBU	Hong Kong Baptist University
HKCAAVQ	Hong Kong Council for Accreditation of Academic and Vocational Qualifications
HKIED	The Hong Kong Institute of Education
HKU	The University of Hong Kong
HKUST	The Hong Kong University of Science and Technology
LU	Lingnan University
OUHK	The Open University of Hong Kong
PolyU	The Hong Kong Polytechnic University
Post-secondary education	In the context of this report, post-secondary education is education beyond the secondary school level, referring generally to sub-degree and above qualifications. It is sometimes described as “tertiary education” in this report with regard to the original source.
R&D	Research and Development
RGC	Research Grants Council
UGC	University Grants Committee
VTC	Vocational Training Council



## **Executive Summary**

1. The aim of this review is to examine the post-secondary sector in Hong Kong with a view to offering recommendations on appropriate strategies for the future development of the sector which has seen considerable expansion over the past few years. The expansion experienced by the sector is encouraging, brought on as a result of Government's initiative to meet changes in socio-economic needs and community aspirations. However, the expansion over a period of time has also resulted in a fragmented and complex post-secondary education system with a degree of incoherence and duplication. While diversity is a positive attribute, fragmentation is not.

2. The UGC is convinced that Hong Kong needs a more integrated post-secondary education system that can provide clear progression pathways for students, and at the same time, ensure coherence and consistency in policies and the best use of resources. Given the very large amount of public and private resources devoted to the sector, it is necessary for us to assess whether the present post-secondary system is fit for its purpose and capable of producing contributing and responsible individuals as future active participants in our evolving society. We also wish to emphasise the ways in which this system could strengthen Hong Kong's ability to maintain its role in the globalised world and make its own specific contribution to the development of Mainland China.

### **The Post-Secondary Education Sector**

3. We observe that the post-secondary education system is in good health, as evidenced by, amongst other things, reference to what is happening in other relevant post-secondary systems and the high rankings achieved by a number of Hong Kong universities in international league tables. The recommendations of the Higher Education Review 2002, which aimed to improve the competitiveness of the university sector, have been largely implemented. These developments, coupled with the initiatives of the Government and individual institutions, have contributed to the growth of the entire post-secondary education sector. However, the expansion, as is common in a high growth sector, is not without any shortcomings as mentioned earlier. To address the situation, it is essential that Government policy should

treat the whole of post-secondary educational provision as a single system for strategic and policy purposes (Recommendation 1).

### The Need for an Integrated Sector

4. Bringing together all of these elements in the post-secondary education system cannot be achieved without one body taking on overarching supervision. This role can only be taken up by the Government, in the form of the Education Bureau. The Education Bureau should seek to remove regulatory gaps and overlaps, and to enhance transparency and clarity about the distributed functions and differentiated roles of the system, including the place of Associate Degrees in the system (Recommendations 3 and 4). An integrated post-secondary system will facilitate the progression of students, including those who may choose to return to education at different times (Recommendation 5). This progression framework should include a robust Credit Accumulation and Transfer System (Recommendation 6) and a doubling of the number of publicly funded senior year places in UGC-funded institutions to allow for a fluid and equitable flow of opportunity between the self-financed and publicly funded sectors.

5. The task of the Education Bureau will no doubt be considerable. It will demand the provision of appropriate and sufficient resources, and the support of a coordinating committee representing all of the oversight bodies in the post-secondary sector (Recommendations 39 and 40). While the Education Bureau can be supported by the current oversight bodies dealing with the publicly funded sector, such as the UGC and VTC, there is no similar oversight body for the self-financed sector. The UGC believes an oversight body for the non-publicly funded part of the post-secondary education system is necessary to ensure the proper and effective allocation of public resources devoted to that sector. This new oversight body should also ensure that the education offerings of these self-funded providers are capable of meeting the needs of the community in terms of the types and value of the programmes offered, *etc.* (Recommendation 2).

### Quality Assurance

6. Our argument for a single oversight body also extends to the quality assurance bodies (Recommendation 35). Despite Hong Kong's small size,

there are three different bodies responsible for the quality assurance/accreditation of different post-secondary education providers. The UGC sees the need for a single quality assurance body that is capable of integrating and rationalising the approaches of quality assurance across the entire system (Recommendation 36). That body should be transparent and independent in its operation so that the public's understanding about, and confidence in, the implications of its reviews can be ensured (Recommendation 38).

7. One of the important outcomes of an integrated oversight body and a unified quality body should be the successful implementation of a sector-wide Credit Accumulation and Transfer System that provides a common currency for students' vertical progression (Recommendation 37). Experience elsewhere suggests that the success of such a system will be enhanced if the quality of the programmes offered by the sending and receiving institutions is all assured by the same body.

### Life-long Learning

8. This report is focused mostly on full-time education opportunities for school leavers. However, students may return to education at different times and in different forms (such as part-time courses). Lifelong learning is not a straightforward matter and involves different planning parameters, and hence its provision and distribution deserve a comprehensive review by the Government (Recommendation 8).

### Issues Specific to the UGC-funded Sector

#### *Internationalisation and Cooperation with Mainland China*

9. The UGC sector receives a significant amount of public funds and admits some of the best students in the post-secondary education system. It is thus imperative for the sector to set the standard for the entire system and to be the leader in driving excellence for the benefit of Hong Kong. Recognising that Hong Kong's international character is fundamental to its future success, and its unique characteristic of having both Chinese and Western elements, we firmly believe that the higher education system should help Hong Kong retain its uniqueness as an international city that is in harmony with the Mainland system.

The future of Hong Kong's higher education sector lies in its ability to stay relevant in the process of internationalisation and the rapid development of Mainland China. With these considerations in mind, this report offers a number of practical recommendations for both the Government and UGC-funded institutions on the issue of internationalisation, which we believe should become one of the central themes of all UGC-funded institutions. We wish to emphasise that a focus on internationalisation does not mean that our institutions should neglect or lose sight of the significance of our traditional values and local needs. In fact, our recommendations will further enhance the uniqueness and attractiveness of Hong Kong's position.

10. At the institutional level, there is an urgent need for implementing a full gamut of both internationalisation strategies and strategies for collaborating with the Mainland, more particularly in the Pearl River Delta due to its proximity and close ties with Hong Kong (Recommendations 9 and 19). Specifically, institutions should ensure the international mix of their faculty (Recommendation 17) and students (Recommendation 12), and help non-local students to integrate with local students (Recommendation 14). Equally, institutions should help local students embrace internationalisation efforts by enhancing their biliterate (Chinese and English) and trilingual (Cantonese, Putonghua and English) abilities (Recommendation 16) and by providing them with more high quality exchange opportunities (Recommendation 15). In terms of academic development, institutions should capitalise on Hong Kong's unique position and strive to develop research and graduate programmes uniting Asian and Western perspectives (Recommendation 18).

11. At the system level, the Government should work closely with the institutions (Recommendation 10), provide funding for internationalisation initiatives (Recommendation 11), and, most urgently, provide more hostel places for local and non-local students (Recommendation 13). In terms of cooperation with the Mainland, it is important for the Government to lead negotiations at the policy level on possible collaboration initiatives, in particular the issue of research funding portability (Recommendation 20).

### *Funding*

12. Each institution has the potential to develop into an internationally competitive institution in the areas of its unique strengths. However, resources

are finite and have to be used effectively and wisely to achieve intended outcomes. The funding regime should thus reinforce role differentiation (Recommendations 27 and 28), and be based upon the demonstrable quality of outputs and outcomes (Recommendation 29). It should also be wholly or mostly free from the impact of government's manpower planning, that may affect institutions' strategic planning and conflict with the dynamism of the providers in the entire system (Recommendation 7).

13. To ensure proper use of taxpayers' money, we urge the institutions to increase the transparency of the financial arrangements between their publicly-funded and self-financed operations (Recommendation 33), and in the case of community colleges, completely to separate such operations from the parent institutions (Recommendation 34).

### *Teaching and Learning*

14. We strongly feel the need for institutions to focus once again on the quality of teaching and learning, which should be properly assessed and rewarded on the basis of objective assessment tools and data (Recommendations 21 and 30). The quality of education is no less important than research output, and institutions should promote sector-wide collaboration on teaching and learning issues, improve faculty development and strengthen the teaching-research nexus (Recommendations 22 and 23).

### *Research*

15. The UGC sector has an impressive performance record in research, despite its relatively short history and Hong Kong's general under-investment in research. However, as global competition increases, the Government should take the initiative to enhance the local research capability by developing a research and development policy that seeks to maintain Hong Kong's competitiveness (Recommendation 24). As each institution in the UGC sector has an established research capacity and identified areas of excellence, we believe that the sector is ready to move to a more competitive funding regime (Recommendation 25). This will involve a critical review of how the Block Grant for research is allocated through a review of the Research Assessment Exercise (Recommendation 31), and the competitive allocation of research postgraduate places should be underpinned by a credible system to assess the

quality of graduates (Recommendation 32).

16. In contemplating the mechanism for allocating research funding, we are keenly aware of the possibility of private universities participating in publicly funded research activities, an issue that deserves periodic review (Recommendation 26).

### Conclusion

17. This review, together with its recommendations, is the result of the UGC's critical reflection on all issues relating to the post-secondary education system, including the fundamental issue of the purposes of post-secondary education, the existing landscape and the future challenges faced by the sector. We have also taken into account the expectations of the academic community and the general public as assessed through written submissions, discussions with stakeholders and open consultation fora. We hope this report will be seriously considered and debated by all readers, including the Government, the institutions and members of the public who all have a role to play in contributing to the development of a healthy, vibrant and internationally competitive post-secondary education sector in Hong Kong.

18. Subject to the Government's adoption of our recommendations, the UGC will closely monitor the implementation of those recommendations under its remit. Another sector-wide review should be conducted in six to seven years' time.

## **LIST OF RECOMMENDATIONS**

<b><u>Recommendations</u></b>	<b><u>Page</u></b>
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1. Government policy should treat all elements of post-secondary educational provision as a single interlocking system for strategic and planning purposes, including both privately and publicly funded institutions.	35
2. There should be a single oversight body for the non-publicly funded part of the post-secondary education system.	36
3. There should be a clear differentiation of roles throughout the post-secondary education system to ensure full diversity of provision.	39
4. There should be greater clarity about the character of the Associate Degree and its place in the structure of the qualifications offered by the post-secondary education system.	41
5. Pathways for student progression through the whole post-secondary system and between its parts should be made clearer, including for those returning to education at different times.	44
6. A transparent and trustworthy Credit Accumulation and Transfer System should be developed for the whole post-secondary system.	44
7. Manpower planning requirements in the allocation of first-year, first-degree places should be abolished or considerably loosened.	46
8. There should be a comprehensive review of the future provision and distribution of lifelong learning opportunities throughout the post-secondary system.	48

## Chapter 4 – Internationalisation

9. UGC-funded institutions should review, develop where necessary and implement internationalisation strategies as a matter of urgency. The UGC should monitor agreed Key Performance Indicators in each institution. The Government should adopt a strategy for internationalisation that includes collaboration with universities. Both should make long-term and sustained commitments to these strategies. 52
10. A forum should be established to facilitate collaboration between the Government, universities and the UGC in identifying and implementing effective policies and initiatives, and for spreading best practices regarding internationalisation. 54
11. An additional funding stream should be attributed to the UGC to fund internationalisation initiatives and allocated through the Academic Development Planning process. 54
12. Universities should develop appropriate strategies for the recruitment of international students. The Government should actively support this through its official overseas offices. 56
13. The Government, working with the institutions, should increase hostel accommodation for local and non-local students as a matter of urgency. 57
14. UGC-funded institutions should increase their efforts to provide support resources and opportunities for non-local students to integrate them better with the local student body. 58
15. The number and variety of overseas study opportunities for local students should be increased significantly. Funding should be provided for this, and credits should be attached to these programmes. 59
16. Institutions should make renewed efforts to ensure and enhance students' biliterate (Chinese and English) and trilingual (Cantonese, Putonghua and English) abilities. 60
17. UGC-funded institutions should actively maintain the 61



international mix of their faculty.

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| 18. The higher education sector should develop a number of jointly funded and staffed international centres for high quality research and graduate programmes combining Asian and Western perspectives. | 66 |
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## **Chapter 5 – Relationship with Mainland China**

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| 19. Institutions should establish a clear strategy for developing different types of relationships with the Mainland, and in particular the Pearl River Delta.   | 73 |
| 20. The Government should initiate negotiations with relevant authorities on the Mainland with a view to easing regulatory requirements in teaching and research collaboration with Mainland institutions, especially the portability of research funding. | 75 |

## **Chapter 6 – Teaching and Learning, Research and Role Differentiation**

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| 21. The UGC should ensure that it uses the tools at its disposal to assess and reward evidence of teaching excellence, both at the system level and at the funding level. Sector-wide surveys and assessments of student learning outcomes should be developed and published.                    | 81 |
| 22. UGC-funded institutions should place as much emphasis on the assessment of competence in teaching as they do on research. They should collectively consider the establishment of communities of practice to promote sector-wide collaboration on teaching and learning issues.               | 84 |
| 23. UGC-funded institutions should seek to adopt the approaches outlined in the Review for the improvement of teaching and learning in areas related to faculty development and the strengthening of the teaching-research nexus. They should report on their implementation no later than 2015. | 86 |
| 24. The Government should further develop its R&D policy and ensure that it dovetails more effectively with the four pillar and  | 91 |

six new industries identified by the Government for targeted development.

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| 25. Research funding and resources should be allocated increasingly on a competitive basis.   | 93 |
| 26. The access of private universities to competitive research funding should be reviewed periodically.                                 | 94 |
| 27. There should continue to be role differentiation between UGC-funded institutions to ensure the best deployment of public resources. | 97 |
| 28. The funding regime should assess and reinforce role differentiation and performance in role within the UGC-funded sector.           | 98 |

## **Chapter 7 – Funding Methodology, Institutions’ Relationships with their Self-financing Operations and Efficiency**

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| 30. The funding regime should reflect high-quality teaching outcomes.   | 102 |
| 31. A thorough review of the practical effectiveness of the periodic Research Assessment Exercise should be undertaken before it is held again.   | 104 |
| 32. Means of assessing the quality of research postgraduate students emerging from the system should be implemented to inform decisions on the allocation of research postgraduate places.  | 106 |
| 33. Public funds should not be used by UGC-funded institutions as cross-subsidies for self-financing educational activities. There should be greater transparency in the financial relationship between UGC-funded institutions and self-financing courses either within the institution or in an affiliate, such as a community college. | 107 |

34. The community college operations of UGC-funded institutions should be completely separated from their parent institutions within three years of the acceptance of this recommendation. 108

## **Chapter 8 – Quality Matters**

35. There should be a single quality assurance body for the whole post-secondary system. 119
36. The single body should integrate the methods and approaches of quality assessment, validation and accreditation across the system. 120
37. The development of a Credit Accumulation and Transfer System for the whole system requires it to be appropriate for articulation between different levels and across different institutions at the same level. 122
38. There should be greater transparency and public disclosure of quality assessment so that the public may make better-informed choices over time. 122

## **Chapter 9 – Oversight Bodies in the Post-secondary Education Sector**

39. A coordinating committee comprising the chairpersons of the various oversight bodies in the post-secondary education sector should be established under the chairmanship of the Secretary for Education. 125
40. The Education Bureau should be provided with appropriate and sufficient human/financial resources to allow it to fulfil an expanded role in overseeing the whole post-secondary sector. 125

# **Part I – Issues Facing the Entire Post-secondary Sector**

## **CHAPTER 1**

### **PURPOSES OF POST-SECONDARY EDUCATION**

1.1 It is important to stress the great significance of the post-secondary education sector (and more particularly of higher education) for Hong Kong today, and thus the appropriateness of this review. Some of the reasons for this have to do with economic considerations. There are also a number of important factors that have to do with Hong Kong's particular situation in the world, and the more general implications for local society. Finally, more universal values are involved, and historical experience demonstrates that these cannot be diminished without damage to the health of a society.

1.2 Hong Kong's position has long given it importance as a principal site for the interface between Asia (and more especially, China) and the rest of the world. The changing local economy, Hong Kong's return to China in 1997 and the effects of globalisation have modified the exact nature of that interface and continue to do so. However, its function has not changed, and the emergence of China as a major global actor has accentuated the opportunities for Hong Kong. The implications of the interface and its changing character for higher education inform important parts of this review's conclusions, as will be made clear later in the report.

1.3 Globalisation involves a process of continuing economic, political and social integration around the world. It features a growing interconnectedness of markets, an increase in the mobility of capital, labour and knowledge, and a transformation of regions in terms of production, trade and association for common benefit. This has contributed to increasing specialisation as countries seek their international comparative advantages through developing their particular strengths. For many countries over the last two decades, this has meant the promotion of innovation as a central stimulus to economic growth. In turn, there has been a drive to concentrate on knowledge, creativity and innovation as the foundation of competitive advantage in a globalised economy where knowledge-intensive, high value-added goods and services provide the leading edge. The Pearl River Delta provides a classic illustration of this move (as described in *The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)* [E1]).

1.4 Such an analysis clearly underlies the Chief Executive's Policy Address of 14 October 2009 ("Breaking New Ground Together"), in which he emphasised Hong Kong's need to enhance its global competitiveness

particularly through the development of a high value-added, knowledge-based economy, driven by innovation and knowledge-based industries. That policy vision defines the transition of Hong Kong towards a high-quality provider of services. We heard this vision widely echoed in our consultations and interviews in Hong Kong during the preparation of this report.

1.5 It is self-evident that an economy which depends upon skills of the mind, upon knowledge and its applications, requires an educated population. More particularly, it requires a diversified, well-supported and creative post-secondary sector. Investment in education – especially in post-secondary education – is an investment in the fundamental economic health of a society. In the highly competitive globalising environment, many countries have invested significantly in education, especially higher education, as a self-evident competitive necessity. It is for this reason that education is listed amongst the six strategic industries identified by the Hong Kong Government.

1.6 It is thus a prerequisite for success in the competitive global economy that Hong Kong should have a population sufficiently capable of operating at the level of skill required. As knowledge-based economies drive rapid evolution and self-transformation, this population needs to be agile (and to be able to access support for re-skilling over time). Moreover, one consequence of economic globalisation is that Hong Kong needs an adequate supply of citizens capable of working productively in non-local environments. At the same time, there is a need to increase specialisation to maximise particular strengths, which has been a recent focus on Hong Kong policy. Post-secondary education thus needs to include at its various levels the adequate provision of requisite skills for those particular desired strengths. With seven million people, Hong Kong is a relatively small society. Its advantage must reside in the capacity of its citizens. That in turn emphasises the importance of well-considered strategy for and investment in education at every level.

1.7 Notwithstanding some of the foregoing emphasis, one should not conclude that educational strategy and investment in the post-secondary and higher education sectors should be driven simply by currently perceived local economic targets. Later we make the case for other perspectives. Here, it is sufficient to state that in a fast-moving environment profound change is always to be expected. Perceived objectives and required skills can be expected to change. The general capacity to produce thoughtful, self-reliant, adaptable and contributing citizens throughout the whole cycle of education must not be restricted.

1.8 These perspectives bind together the functional importance of the whole post-secondary sector for Hong Kong. Different functions are

distributed across different elements of the sector – for example, the Vocational Training Council (VTC) provides vocational education and training together with opportunities for those wanting a different path, Associate Degrees are delivered in quite a wide variety of public and private institutions, lifelong learning is developing across the sector, different institutions cater to different ability levels, and so on. Furthermore, individuals are acquiring these skills in the context of on-going attention to “whole-person education”, which the school sector promotes from the beginning. At all levels, the post-secondary system seeks to awaken in people a lifelong desire to learn and to be active participants in an evolving knowledge society. Post-secondary education in Hong Kong should be considered as a whole system, and no single element should be examined without understanding the context of that system.

1.9 Within post-secondary education, universities stand as the prime providers of complex skills, agility and creativity, and innovation. A society devoid of a vigorous university sector is a society deficient in one central condition of future success. As our survey of higher education since the 2002 Review Report (Chapter 3 and Annex D) demonstrates, the Hong Kong Government has made significant commitments to this sector in recent years.

1.10 It would be a mistake, however, to regard universities exclusively in terms of a direct utility to the Hong Kong economy. Of course, it is true that research can and does result in solutions and innovations that are applicable specifically in Hong Kong. It is equally true that taught courses can be and are designed to produce particular complex skills appropriate to Hong Kong and its vision of its future. Nonetheless, a strictly utilitarian measure of the actions and outputs of universities would significantly fail to recognise the diverse ways in which they energise their society and advance its future.

1.11 Universities address big questions. This can be seen in both their research and their teaching of students. Academic research is designed to produce comprehension of the problems and phenomena that we do not yet understand. University teaching is designed to provide students with the tools to understand the complexities of knowledge and the world of which they do not yet have understanding. Students can be compared to athletes: we do not know what heights of achievement athletes may attain or what inner resources they may unlock to perform better, but we do know that they cannot do it without attentive, expert and focused training. As for research, if we already knew what we sought, we would not seek. The process of uncovering new knowledge and making new inventions is liable to produce accidental, unpredictable and wholly novel outcomes. Indeed, the record shows that we do not always immediately realise the implications and applications of new discoveries. No discovery can be planned, mandated or defined at the outset.

1.12 Research-intensive universities undertake research mostly at the leading edge of human knowledge, requiring the highest degree of intelligence, imagination and technical ability. They constitute new knowledge by either discovery or re-interpretation. Research and teaching are together the defining character of universities. Teaching transmits new and inherited knowledge. It should infuse each student with a capacity to identify and resolve problems, to become independently minded and to develop skills for the future in terms of employment and social responsibility.

1.13 Universities also undertake an important task beyond the transmission of academic, disciplinary or professional knowledge. Students should acquire a greater sense of the wider world and the moral or ethical tools with which they can contribute to that world. The experience of university should firmly root an individual's sense of personal and social responsibility. Time spent at university should also be time used to develop adults full of curiosity about life, conscious of their capacity to contribute to and be equipped with a personal and social value system appropriate to their time. All of these are qualities that a mature society requires in its citizens. More than that, universities operate on the basis of seeking to distinguish between the true and the seemingly true, of testing assumptions and values to discern what is sound and what is false. Society requires that its best-educated citizens bring this capacity to their civic engagement.

1.14 These activities are the mainstream business of universities, but they also serve a central function in the creation and preservation of culture. This certainly includes the study and advancements of the arts. More especially, however, universities provide one of the main routes by which we come to understand what all human beings share in common and what legitimately provides the specific expression of different individuals and societies. Universities serve as powerful vehicles for cultural memory.

1.15 Investment in universities and other forms of post-secondary education is for Hong Kong much more than an investment in general economic success and individual life-chances. There are certainly direct benefits of that kind: work in research and application directly relevant to local specialisation, productivity, skill creation, health, welfare and social progress, and the enhancement of each student's employment prospects. Equally important are the development of creativity and new ways of thinking. Investment in higher education is thus a prime contribution to the creation of Hong Kong as an "innovation society" – the formation of a population imbued with the appetite, confidence, skills and agility for the future. Furthermore, higher education produces not just knowledge-rich students but also citizens capable of social and



civic responsibility. Finally, universities are engaged in a globalising world of knowledge and education. It follows that high-quality research output and educational excellence can contribute to the general reputation of Hong Kong in international terms.

1.16 This places burdens on public universities. They need always to be mindful of the contributions they must make to the society that funds them. They need to ensure that they attain the outcomes noted here. In the pursuit of excellence universities do require independence in research and teaching, but they are not private islands. Transparency and responsibility demand a delicate balance for both those inside and outside these institutions.

1.17 The appearance of international university rankings during the last decade has made academics and governments around the world aware of comparative performance. The basis of these rankings may be contestable but they are now an established fact. With five universities placed in the top 200 according to one major survey in 2010, Hong Kong does well. Nonetheless, the consequences of falling behind are serious, and include the loss of local, regional and business support, declining capacity to recruit outstanding talent in staff and students, and the loss of potential for high-quality collaboration. We discuss this further in Chapter 4. The challenge to Hong Kong universities is clear – they must retain an enduring commitment to their core values of high-quality education and the creation and transmission of knowledge at the frontiers of human understanding, while showing the creativity, organisation and decisiveness to adapt to the highly competitive education environment.

1.18 Universities operate most productively in conditions of autonomy, with the ability to set their own strategies for meeting objectives and choosing the initiatives that best correspond to their particular strengths and interests. The content of teaching and the objects of research need to be freely set by the academics involved. This does not mean that universities owe no account for the public money they receive. They are not immune to questions about the quality of what they do, and individual academics have no entitlement to be funded for whatever project they may wish to undertake.

1.19 This sort of autonomy is the key to innovation and experimentation. Ultimately, it underpins the dynamism that transforms young minds in the classroom and generates new research discoveries. It is the precondition for all of the benefits that universities bring to their societies.

1.20 At the same time, we must recognise that this places a great responsibility on universities to recruit and nourish creative and engaged academics and to provide themselves with highly competent leadership.

Autonomy implies the risk of varying degrees of poor leadership and disengaged academics. The success of individual universities depends as much upon these internal factors as it does upon the environment and external stimuli to which they respond.

## **CHAPTER 2**

### **WORLD TRENDS IN HIGHER EDUCATION**

2.1 Higher education around the world is in a state of considerable transformation. The traditional forms and purposes that were dominant twenty or thirty years ago are still present, but considerable diversity has now appeared. This is a period of dynamic transition. While a number of trends are clear, it is equally the case that there is much national and regional variation. This means that the future profile of what may emerge in or be appropriate to any one national or regional situation is hard to predict. There is a large literature on this topic, and we commissioned expert reports on four areas deemed relevant to this report – the UK, Europe, Asia-Pacific and China. [E2]

2.2 There are various drivers for change in higher education, including: the economic and social objectives of government policies; the financial needs and market opportunities facing post-secondary education institutions, whether private, public or mixed; and globalisation. In many ways, globalisation provides focus and urgency to the other drivers. It accentuates and accelerates elements of the production and transmission of knowledge that are already present, but it does so to such a degree that it transforms the system. First, the dissemination and creation of knowledge knows no boundaries, and knowledge integration straddles national borders. Second, the mobility of institutional staff and students has increased tremendously, making it possible for both to work and study easily and effectively in countries other than their own. In the increasingly globalised world, it is necessary for policy makers to understand developments in other parts of the world that will inevitably affect the local system. Every higher education system has the important mission of nurturing globally competitive students equipped with the capacity to cope with challenges of a more dynamic future, and this mission requires it to compete for talents around the world. However, whatever the unique characteristics of national education policies, our review of the available literature clearly indicates that there are challenges both relevant and common to higher education systems in many countries.

2.3 The first of these is that in almost every jurisdiction there is a move toward expanding the participation rate of those seeking to improve their knowledge base, particularly at the post-secondary level. There are two reasons for this. One is economic: an educated workforce underpins success in global competition, and raising the overall skill levels of the population forms the basis of this “massification” of higher education. This is encapsulated in

the concept of the “knowledge economy”, wherein high value-added products demand a much wider proportion of the population equipped with adequately advanced skills and knowledge. The other reason is social fairness (currently expressed most clearly in UK and Australian public policy). Social integration is promoted by developing participation in post-secondary or higher education of social groups previously unlikely to be represented there.

2.4 In addition to expansion of the sector, the second challenge is that policy makers do not wish to see any diminution of the quality of higher education, but rather a broadening of the range and type of education that might be provided. There is very widespread discussion of the quality issue and a wide variety of solutions have been adopted without a single model dominating. However, the most common feature is the intervention of government to insist on quality assurance, whether provided by the institutions themselves or imposed from outside.

2.5 Third, it appears that in most constituencies, these two challenges must be met in an environment of a reduced overall proportion of public expenditure, with greater reliance on the private sector and on institutions raising their own operating funds. In every system, this raises significant issues about the relationship between public and private provision in the post-secondary education sector.

2.6 Achieving all three policies within a system is not an easy task. Massification can easily lead to declining quality unless more funding is realised. At the same time, the introduction of private sector providers or even simply private funding may lessen the ability of government to control developments. These dilemmas lie behind many of the difficulties that governments experience in trying to manage the transformation of post-secondary education in general, and higher education in particular.

2.7 Meanwhile, globalisation has provided impetus for the growth in the internationalisation of higher education. In a highly globalised world, options and opportunities are no longer constrained by geographical boundaries. From this follows the increased mobility of students, faculty and programmes/institutions. Chapter 4 will discuss in greater depth how higher education in Hong Kong can, through pursuing internationalisation, contribute to the city’s future success in a globalised world.

## **QUALITY OF HIGHER EDUCATION**

2.8 Concerns about the competitive quality of higher education are

global, reflected both in the appearance of methodologies to establish a world ranking of major institutions and quality audits in various constituencies. The latter are designed not simply for public accountability, but as is the case, for example, in the Bologna process [E3] in Europe, to provide for harmonisation or integration, increased cooperation, risk-taking and innovation.

2.9 The fact that limited resources will only allow a fraction of institutions to become globally competitive comprehensive research universities means that institutional role differentiation is essential to maintaining the quality of education. However, one concern that has arisen, particularly in the USA where mission differentiation is well developed, is the problem of access to various levels of post-secondary education, which may take the form of a socio-economic stratification. The same consideration has led to financial measures and target requirements in both Australia and the UK for the diversification of the social profile of student communities.

2.10 The appearance of international ranking lists (or league tables) also suggests a trend towards a different meaning of quality in the general evaluation of universities and the self-evaluation of their academic staff. The calculations of these league tables are heavily weighted towards research performance. In an important sense, there is a tension between the general preoccupation with quality of delivery, student experience and accountability on the one hand, and the general sense of institutional quality reflected by league tables on the other.

## **CONCENTRATION OF RESEARCH FUNDING AND FOCUS ON INNOVATION**

2.11 The emergence of league tables has coincided with another widespread trend towards the concentration of research funding (although this is not the case everywhere). Initiatives such as the British Research Assessment Exercise have been designed to upgrade the output of research while focusing more selectively on excellence. Elsewhere, there has been a direct concentration of research funding on a select number of institutions or the reorganisation of universities into excellence clusters. Examples include China's 211 Project and 985 Project, the competitive bidding for Denmark's Globalisation Fund, the German Excellence Initiative, South Korea's BrainKorea 21 programme and Taiwan's Development Plan for World Class Universities and Research Centres of Excellence.

2.12 At the same time, the higher education sector is playing an ever more important role in "knowledge", both in its creation and dissemination, which echoes the universal focus on innovation in economic policy. Between

2000 and 2005, higher education expenditure on research and development (R&D) grew by 7% per annum, exceeding the growth rate of both the gross domestic product (GDP) and R&D as a whole [E4]. In Chapter 6 we discuss matters relating to the role of R&D in the competitiveness of an economy, and its relevance to the UGC-funded sector.

## INVESTMENT IN POST-SECONDARY EDUCATION

2.13 Through the process of globalisation, particularly during the last decade, aspects of post-secondary education have evolved as businesses, both through encouragement from governments and in response to financial need. This means that markets are informing the nature of post-secondary education and market providers have emerged from the private sector to fill niches not adequately covered by the public sector. Since the mid-1990s, many countries have increased private spending on tertiary education, and the private share of spending has risen. However, it is notable that many of those countries with the highest growth in private spending have also shown the highest increase in public funding [E4], reflecting the importance attached to tertiary education by governments around the world.

2.14 According to *Education at a Glance 2010: OECD Indicators* [E5] and other sources, expenditure on post-secondary education in 2007 was as follows.

	<b>Expenditure on tertiary education (as a percentage of GDP) in 2007 (OECD figures)</b>		
	<b>Public sources</b>	<b>Private sources</b>	<b>Total</b>
<b>USA</b>	1%	2.1%	3.1%
<b>UK</b>	0.7%	0.6%	1.3%
<b>Australia</b>	0.7%	0.9%	1.5%
<b>New Zealand</b>	1%	0.5%	1.5%
<b>South Korea</b>	0.6%	1.9%	2.4%
<b>Japan</b>	0.5%	1%	1.5%
<b>OECD average</b>	1%	0.5%	1.5%

	Expenditure on tertiary education (as a percentage of GDP) in 2007 (figures from other sources)		
	Public sources	Private sources	Total
<b>Mainland China</b>	0.72% [E6]	Not available	Not available
<b>Singapore</b>	1% [E7]	Not available	Not available
<b>India</b>	0.64% [E8]	Not available	Not available
<b>Hong Kong</b>	0.88% [E9]	Not available as the Government does not formally collect such data	Not available

2.15 The growth of private finance in higher education is a very complex matter. It is difficult to compare situations in which there are mature private universities (such as the USA, South Korea and Japan) with those in which the decay of public provision has encouraged the recent growth of private universities (such as in parts of South America). The advent of private provision does not necessarily erode the vigour of public institutions. An intermingling of private and public financing is quite prevalent in higher education. It includes, for example, self-financing part or all of the cost of study, the diversification of university income, including fund-raising, collaboration with business and industry, sponsorships, intellectual property revenue and trading income, and subsidiary educational activities of a commercial character. In most situations, universities that are labelled “public” have often quite considerable “private” income and universities that are labelled “private” often receive significant amounts of public subsidy either directly or indirectly. What is clear is that the increase of private income in public institutions tends to increase their capacity for autonomy. Governments have tended in some cases to react to this by increased specification of the objects on which public money must be spent.

## IMPACT OF GLOBALISATION ON HIGHER EDUCATION

2.16 It is clear that the development of higher education and government policy around the world has responded to the new competitiveness that characterises globalisation. Indeed, the comparative international performance of higher education institutions in their education and innovation functions helps to shape the global competitiveness of cities and regions, especially in relation

to human capital and creative and entrepreneurial capacities [E4]. Even though each government considers its policies to be unique, challenges are experienced in common for the most part.

2.17 It is no exaggeration to say that globalisation and the associated demand for talents are and will remain relevant to higher education around the world. US President Obama stated that “America’s economic preeminence, [its] ability to outcompete other countries, will be shaped not just in boardrooms and on factory floors, but in classrooms, schools, and at universities...” [E10]. Likewise, the former Labour government in the UK stated that “higher education is, and will continue to be, central to [the] country’s economic performance in the twenty first century”. It also stated that the UK’s universities “need to be strongly committed to internationalism; attracting students from abroad; collaborating with institutions overseas; and bringing their expertise to bear on global challenges. They should instil a sense of internationalism in students...” [E11].

2.18 In Chapter 4, we elaborate in detail on the component parts of internationalisation as they affect Hong Kong. However, as testimony to the importance of this phenomenon, let us emphasise just one element of it – the international movement of students. The number of foreign students in tertiary education outside their country of origin increased by 50% between 2000 and 2005 [E12]. The most authoritative recent projection of demand estimates that the number of international students will rise from 1.8 million in 2000 to 7.6 million in 2025 [E13]. Asia has been predicted to represent 70% of global demand by the end of that period, with China and India expected to supply 50% of that demand.

### **Higher Education in the Asia-Pacific Region**

2.19 It follows that the Asia-Pacific region is becoming a zone of great importance in higher education and science, and the most important field of new opportunity [E4]. A notable trend is the increasing importance of the region both in receiving international students (such as in Australia and Singapore) and sending them (for example, China) [E14]. Many jurisdictions in the region also aspire to be education hubs. It will be useful to consider their policy initiatives before we contemplate the way forward for the local higher education system. The following discussion should be read in conjunction with the details on the countries’ recent government plans for and developments in higher education that are provided in **Annex C**.



## Mainland China

2.20 Chapter 5 will discuss the need for and possible forms of involvement of Hong Kong in the rapid development of Mainland China. Here, we look at the Central Government's strategic objectives for higher education. The government recently published *The Nation's Medium and Long-term Education Reform and Development Outline for 2010-2020* (the Development Outline). The Development Outline emphasises the strategic importance of education in raising the quality of the people, improving society and strengthening the country into one with rich human resources by 2020. The Development Outline also sets out clear directions to give moral education top priority and to emphasise "all roundedness" in student development.

2.21 The Development Outline enshrines the notion that the Central Government is devoted to greatly enhancing the global competitiveness of China's higher education system by 2020. The tertiary education enrolment rate is expected to reach 40% by 2020 (compared with 24.2% in 2009 [E15]); and certain universities are envisaged to reach or approach the standard of world-class universities by that time. The Development Outline also sets out the direction for enhancing the standard of scientific research, including initiatives to step up basic and applied research and promote research-informed teaching. Efforts in implementing two key government initiatives for targeted funding, Project 211 and Project 985, will continue. The projects respectively aim at building 100 top-level higher education institutions and key disciplines, and founding world-class universities.

2.22 In other respects, Mainland China's experience conforms to the world trends previously noted. Indeed, for the last 25 years or so there have been sustained efforts to introduce the market and private finance into education, including higher education. The Decision on the Reform of the Educational Structure in 1985 emphasised the role of the market in higher education. Private investment in education was encouraged in "decisions" in 1992, 1999, 2001 and 2002. The importance of education (including higher education) for economic growth and international competitiveness has been stressed a number of times during the last two decades. We have already noted the institutional concentration of policy objectives and funding in Project 211 and Project 985, to which should be added the choice of key research concentrations and the establishment of key national research laboratories [E16].

## Singapore

2.23 Given their geographical proximity and similarity in terms of size and economic positioning, it is common for Hong Kong and Singapore to be

compared. The recent developments in Singapore's higher education sector are certainly relevant to Hong Kong. The Singaporean government has accorded national priority to its Global Schoolhouse Strategy, which aims to develop Singapore into an education hub to offer a diverse and distinctive mix of quality education to the world and its own citizens. Singapore is also nurturing more local talents to meet the growing demand for highly skilled graduates. Education spending will continue to rise over the next five years, particularly in higher education, with the government planning to raise the university cohort participation rate from the current 25% to 30% by 2015. An integral part of this strategy is to increase public and private spending on research, which is targeted to grow to 3.5% of GDP by 2015.

### Other Countries in the Asia-Pacific Region

2.24 The government policies (or policy statements) of Australia, New Zealand, Japan, South Korea and India all emphasise the firm intention to further develop their higher education systems. There is a good deal of commonality among the wide range of reasons offered, although they are shaped by the different histories, cultures and circumstances of the countries.

2.25 It appears that the prime objective of further developing higher education is to enhance a nation's competitiveness through nurturing an educated and highly skilled workforce to meet the challenges of a knowledge-based economy. Some governments (such as those of Australia, South Korea and Singapore) are devoting more resources to higher education and/or research and development, while others (such as those of New Zealand and Japan) are seeking to enhance the efficiency of their systems given budget constraints. In the latter group of countries, efforts are being made to consolidate the systems, and to target resources at high-quality qualifications.

2.26 Some Asia-Pacific countries are keen to increase their share of the global higher education market, and have devoted resources to attracting international students. For instance, the New Zealand government's 2010 budget [E17] announced an investment of NZ\$2 million (or around HK\$11.3 million) per annum for four years (2010/11 – 2013/14) in expanding the promotion of the education sector overseas to aid the recruitment of international students. In July 2008, the Japanese government launched the Global 30 Project, with a budget of 200 to 400 million yen (or around HK\$16.6 to HK\$33.3 million) per annum for five years, to establish core universities for internationalisation with a view to receiving 300,000 international students by 2020. The Singaporean government is also keen to develop Singapore as an education hub in Asia, as discussed above.

## **POPULATIONS, ECONOMIES, HIGHER EDUCATION AND WHAT IT MEANS FOR HONG KONG**

2.27        The directions that national systems and their universities might follow in their attempts to deal with global and local factors are very much determined by the environments in which they operate. Thus, population size, the economy (and degree of affluence), and the culture of the citizenry all affect the ability to meet the challenges, make changes and cope with the management of change. In the Asia-Pacific region there are great variations in these factors, especially in population size and economic resources. More than a few Asian countries have large populations when compared, for example, to Europe, but others are very small in comparison. Although the economies of Asia are generally expanding, there are still great variations in wealth, affluence and degrees of modernisation. All of these factors are reflected in the nature of their higher education systems, both from the perspective of the social role played by universities and in their capacity to undertake meaningful research and technology transfer.

2.28        It is clear that governments in other parts of the world have been devoting much attention and many resources to enhancing the competitiveness of their higher education systems. However, although there are a number of challenges to higher education that are common to all, we should not simply emulate their policies – there is no one-size-fits-all strategy for success, and the outcomes of many of these policy initiatives have yet to be seen. What is clear from the above analysis is that all governments are moving forward and Hong Kong cannot afford to remain stagnant. In the following chapters we examine how the Hong Kong system should find its way to develop further and remain globally competitive.

## **CHAPTER 3**

### **THE POST-SECONDARY EDUCATION SYSTEM**

3.1 This review originated from the need to examine the implementation of the 2002 Review Report, which principally concerned UGC-funded institutions. A majority of the 2002 recommendations have been put into practice, and details of the implementation are provided in **Annex D**. Taught postgraduate and sub-degree programmes have been generally put on a self-financing basis, and the Joint Quality Review Committee has been set up to provide peer review of the quality assurance process of the self-financed sub-degree programmes organised by the UGC-funded institutions. Some 2,000 senior year entry places (4,000 in total) have been created to facilitate articulation of sub-degree graduates. However, we have yet to see the establishment of a sector-wide Credit Accumulation and Transfer System (CATS), both within and outside the UGC-funded sector. The proposals for establishing a Further Education Council to look after Associate Degrees and lifelong learning, and extending the UGC's remit to cover all work at the degree level have not been pursued.

3.2 Within the UGC sector, the establishment of the \$18 billion Research Endowment Fund in 2009 boosted research funding. Role differentiation among the institutions was articulated in the UGC document *To Make a Difference, To Move with Times* published in 2004. In terms of internationalisation, the proportion of non-local students at UGC-funded institutions has increased to more than 10%, in line with Government policy. In terms of governance, all UGC-funded institutions have completed internal reviews of their governance and management structures. As for sources of funding, private sector support has grown considerably. For some institutions, recurrent non-UGC funding now amounts to around 50% of total funding. The five rounds of Government's Matching Grant Scheme have certainly provided impetus for the generation of contributions from the private sector.

3.3 This summary of developments since the 2002 Review Report suggests the need to set the UGC within the wider context of the entire post-secondary sector. That is doubly true because not all institutions awarding degrees and sub-degrees are within the UGC's remit.

3.4 The post-secondary education sector is complicated. The first step in this chapter is to describe its parts and how they fit together. It is important to note two initial points. First, the following description refers to the *current*

situation of the post-secondary education sector. From 2012, secondary schooling will be reduced by one year and the new Hong Kong Diploma of Secondary Education will be introduced. Not all of the consequences of this change are yet clear, but some of them are discussed below. Second, we have had some difficulty in obtaining clear statistics covering the post-secondary education sector, in terms of timeliness and comprehensiveness. We thus welcome the Education Bureau's move to upgrade its statistical system. At some time in the future, the Education Bureau might find it useful to look at the model of the UK's Higher Education Statistics Agency to consider if there is room for further development in Hong Kong's system.

## **SECTION I**

### **POST-SECONDARY EDUCATION OPPORTUNITIES**

3.5 In 2000, the Chief Executive launched a policy to raise the participation rate in post-secondary education from 33% to 60% in ten years' time. This target was achieved and exceeded several years ago. This expansion has been almost exclusively in the self-financed sector, which has grown significantly since the publication of the UGC's Higher Education Review Report 2002. That report recommended, amongst other things, promoting private participation and putting taught postgraduate and sub-degree work on a self-financing basis. The self-financing sector is now comparable in student numbers to the UGC-funded sector. The number of providers has increased four times and the number of programmes has grown by more than sixteen times [E18]. Statistics on the provision and opportunities are provided in **Annex E**.

#### *Degree Sector*

3.6 Students who have completed seven years of secondary school education [E19] are able to apply for the full-time publicly funded degree programmes provided by the eight UGC-funded institutions (which cater for about 18% of the 17-20 age cohort) and the Hong Kong Academy for Performing Arts, as well as programmes offered by other self-financed degree awarding institutions.

Sector	Institutions	Actual Intake in 2009/10 (full-time programmes)
<ul style="list-style-type: none"> <li>UGC-funded institutions</li> </ul>	<ul style="list-style-type: none"> <li>- City University of Hong Kong</li> <li>- Hong Kong Baptist University</li> <li>- Lingnan University</li> <li>- The Chinese University of Hong Kong</li> <li>- The Hong Kong Institute of Education</li> <li>- The Hong Kong Polytechnic University</li> <li>- The Hong Kong University of Science and Technology</li> <li>- The University of Hong Kong</li> </ul>	<ul style="list-style-type: none"> <li>- 15,822 (include local and non-local students)</li> <li>- 44 (self-financed) [E20]</li> </ul>
<ul style="list-style-type: none"> <li>Academy funded by the Home Affairs Bureau</li> </ul>	Hong Kong Academy for Performing Arts	146 (publicly funded) [E20]
<ul style="list-style-type: none"> <li>Local self-financed degree awarding institutions</li> </ul>	<ul style="list-style-type: none"> <li>- Open University of Hong Kong</li> <li>- Hong Kong Shue Yan University</li> <li>- Chu Hai College of Higher Education</li> </ul>	2,644 (provisional) [E20]
Total:	-	18,656

3.7 Apart from these local courses, students can also take non-local courses, the majority of which are offered in partnership with UGC-funded institutions, and other institutions such as the Open University of Hong Kong.

### *Sub-degree Sector*

3.8 Sub-degrees offer other avenues for secondary school leavers. “Sub-degree” is a term that embraces two different credentials: the Higher Diploma of a vocational character and the Associate Degree, which is generally of a more academic nature. Sub-degree courses are delivered by the self-financing arms of UGC-funded institutions and other private providers [E21]. These courses are self-financing, except for those delivered by the publicly funded Vocational Training Council and a number of courses largely defined by manpower requirements that are delivered by UGC-funded institutions (City

University of Hong Kong, the Hong Kong Polytechnic University and the Hong Kong Institute of Education). The intake of these full-time courses is shown below, with detailed statistics provided in **Annex E**.

<b>Sector</b>	<b>Actual Intake in 2009/10 (full-time programmes)</b>
<ul style="list-style-type: none"> <li>Sub-degree courses offered by the Vocational Training Council</li> </ul>	13,886 (8,030 in publicly funded Higher Diploma programmes and 5,856 in self-financed Higher Diploma programmes)
<ul style="list-style-type: none"> <li>Publicly funded sub-degree courses provided by City University of Hong Kong, the Hong Kong Polytechnic University and the Hong Kong Institute of Education</li> </ul>	2,459 (455 in Associate Degree courses and 2,004 in Higher Diploma courses)
<ul style="list-style-type: none"> <li>Self-financed sub-degree courses provided by the self-financing arms of UGC-funded institutions and other sub-degree providers</li> </ul>	18,585 (14,253 in Associate Degree programmes and 4,332 in Higher Diploma programmes) (provisional)
<ul style="list-style-type: none"> <li>Publicly funded sub-degree courses offered by the Hong Kong Academy for Performing Arts</li> </ul>	19
<b>Total:</b>	<b>34,949</b>

Students can also enrol in non-local sub-degree courses, with the details set out in paragraph 3.13 below.

### *Articulation to Locally Accredited Full-time Degree Courses*

3.9 There is a general perception amongst students and parents (and employers) that sub-degrees (particularly Associate Degrees) are only bridging qualifications on the path to first degrees, and that Associate Degree graduates are not yet ready for immediate employment. Many institutions have promoted the Associate Degree qualification as a stepping-stone towards articulation to degree programmes. In practice, a number of sub-degree graduates do enrol in top-up degree programmes in the self-financing sector or seek to articulate to the publicly funded senior years of degree programmes provided by UGC-funded institutions. In 2009/10, there were approximately 2,000 full-time publicly

funded senior year undergraduate places for articulation in UGC-funded institutions. In his 2010 Policy Address, the Chief Executive announced the Government's intention to double the number of publicly funded senior year places, starting from 2012/13.

3.10 Sub-degree graduates may also articulate to the senior years of self-financing degree programmes by way of advance standing or credit transfers. For example, the Open University of Hong Kong admitted 676 students to top-up degree programmes in the 2009/10 academic year [E20]. In addition, four UGC-funded institutions and/or their self-financing arms (such as the Hong Kong Polytechnic University's School of Professional Education and Executive Development) provided self-financing local full-time top-up degree programmes with an intake of 2,008 in the 2009/10 academic year [E22]. These articulation routes are complementary to the provision of publicly funded places at UGC-funded institutions, and they are proving increasingly popular and viable for sub-degree graduates.

3.11 The articulation opportunities for sub-degree graduates are summarised as follows.

Sector	Actual Intake in 2009/10 (full-time programmes)
<ul style="list-style-type: none"> <li>UGC-funded senior year places</li> </ul>	2,146
<ul style="list-style-type: none"> <li>Local full-time self-financing top-up degree programmes provided by UGC-funded institutions and/or their self-financing arms and the Open University of Hong Kong</li> </ul>	2,684 (2,008 in UGC-funded institutions and/or their self-financing arms, and 676 in the Open University of Hong Kong) (provisional)

3.12 In addition to those enrolled in full-time programmes, a sizeable student body is enrolled in part-time degree/top-up degree programmes (see paragraph 3.64 and **Annex G**).

#### *Non-local Courses and Overseas Education*

3.13 There are many opportunities for students to enrol in non-local courses, or pursue overseas studies. In 2009/10, 20,600 students were enrolled in self-financing non-local undergraduate programmes delivered in Hong Kong and another 300 were admitted to non-local sub-degree courses. While the age range of these students extends beyond that of normal school leavers, these



figures represent a substantial percentage of the 17-20 age cohort. It is further estimated that 5% of the cohort pursue sub-degree or undergraduate studies overseas [E20].

## **FINANCIAL SUPPORT FOR STUDENTS**

3.14 The Government's policy is to ensure that no qualified students are deprived of education through lack of means. There are two basic schemes to assist students with financing their studies – one for those in publicly funded programmes and another for those in self-financed programmes. Until recently, sub-degree graduates who wanted to “top-up” their studies in locally accredited self-financed degree programmes could only apply for non-means-tested loans to cover the tuition fees of their top-up studies. Since the 2008/09 academic year, however, the Government has improved the scheme for self-financed programmes so that grants, as well as loans, are available and the coverage is wider. The student grants and loans scheme for self-financed programmes is thus now in good shape, and basically on a par with the scheme for publicly funded programmes. The details of both schemes are given in **Annex F**. Under the scheme for self-financed programmes, the amount for grants in 2009/10 is about \$707 million and for loans is about \$232 million for around 20,460 successful applicants (set against \$830 million, \$282 million and 28,406 successful applicants for the publicly funded sector) [E23]. This major expenditure is perhaps not well recognised but we believe that it does make local self-financed sub-degree and degree-level programmes viable for all residents, irrespective of means.

## **TAKE UP OF POST-SECONDARY EDUCATION PLACES**

3.15 The discussion above demonstrates that there is a broad diversity of full-time post-secondary education serving a considerable segment of the relevant age cohort. In 2009/10, at least 63% of the 17-20 age cohort were studying full time in either undergraduate degree or sub-degree programmes. If one adds those pursuing studies overseas and those taking non-local courses offered in Hong Kong, the percentage of the age cohort participating in full-time post-secondary study is likely to exceed 65%. This has been made possible by enhanced Government investment and by expansion of the self-financed sector.

### *Government Investment*

3.16 Over the years, the Government has invested substantial amounts of funding in education. For the 2009-10 financial year, the revised estimate for

recurrent expenditure on education is \$51.3 billion, which is equivalent to 23.1% of all recurrent government expenditure. Almost 29.6% (\$15.1 billion) of recurrent government expenditure on education (or 0.93% of GDP in 2009) is spent on post-secondary education (including vocational education), including the UGC sector (\$11.6 billion), the Vocational Training Council (\$1.7 billion) and the Student Financial Assistance Agency (\$1.9 billion). In addition, an estimated amount of \$650 million of means-tested loans are disbursed to post-secondary students. Separately, the Home Affairs Bureau provides a recurrent subvention of \$222 million to the Hong Kong Academy for Performing Arts outside the education budget. The percentage of GDP spent by the Government on post-secondary system is generally in line with the percentage in other systems, which is around 1% [E24].

## **SECTION II**

### **THE NEED FOR AN INTEGRATED SYSTEM**

3.17 The expansion of opportunities for post-secondary education is good for students, but the system is complex and fragmented. As we gathered information on progression pathways and opportunities, we recognised that the system is fragmented and the links between different parts are not entirely systematic or transparent, rendering it difficult for current and prospective students to navigate (see paragraphs 3.49-3.52 below).

3.18 The character of much of the post-secondary education system has been determined by the initiatives of individual institutions and particular visions. This can be seen as evidence of creative vitality and responsiveness to need and opportunity. Yet its weakness is an amount of incoherence, overlap and unnecessary duplication. The separation between publicly funded and private provision is complicated by the existence of both types within the same institutions, by the relationship between community colleges and their associated UGC-funded institutions and by the appearance of private universities and degree providers alongside publicly funded universities. The general public can find this system difficult to read, as can those seeking to enter or already within it.

3.19 Just a few years ago, the vast bulk of both sub-degree and undergraduate degree programmes were publicly funded, but this has changed. A large self-financing sub-degree sector has emerged alongside the publicly funded Vocational Training Council and a much reduced UGC-funded sub-degree provision. At the undergraduate level, not only is Shue Yan now a university, but the Open University of Hong Kong is also moving rapidly into

“face-to-face” undergraduate work. Chu Hai College is awarding degrees, and several sub-degree providers have plans to become private universities. Furthermore, many local students are able to get top-up degrees after their sub-degrees, either in Hong Kong or overseas.

3.20 A further level of complexity has been introduced by the level of non-local provision in Hong Kong. Currently, about 1,000 non-local undergraduate and postgraduate programmes are offered in Hong Kong, including around 700 in partnership with UGC-funded institutions, Hong Kong Shue Yan University, the Hong Kong Academy for Performing Arts and the Open University of Hong Kong, and around 300 offered in partnership with other institutions or providers. Apart from the 20,600 undergraduate students and 300 sub-degree students mentioned in paragraph 3.13, approximately 12,700 postgraduate students enrolled in programmes offered by the non-local providers in 2009/10 [E20].

3.21 We believe that all elements of post-secondary educational provision should be treated as a single system, governed by an overarching policy. The Government needs to be able to consider, in a coherent manner, whom each part serves, how each is governed and how each is regulated. This implies a more transparent system with more clearly delineated pathways for student progression within it. Clearly, the Education Bureau holds the prime responsibility for developing policy in the frame of a whole system and for ensuring its coherence.

### **Recommendation 1:**

**Government policy should treat all elements of post-secondary educational provision as a single interlocking system for strategic and planning purposes, including both privately and publicly funded institutions.**

3.22 At the same time, there should be clarification of the authority required for the oversight of the different parts of this system. Although funding oversight is less of a requirement in the private sector than in the UGC sector (but certainly not absent given the amount of government funds now being directed into this area), we heard during our consultations that a comparable body to the UGC is necessary in the private sector to ensure the proper delivery of programmes. This view has merit. The 2002 Review Report advocated the establishment of a Further Education Council corresponding to the UGC’s role in the university sector. In subsequent discussion in this chapter, we give reasons for the increased necessity of such an oversight body given the rapid development of a diversity of provision, the

multiplication of providers since 2002 and their projected further growth. The public interest requires oversight, coordination and transparency in the privately funded sector. The reputation of Hong Kong's post-secondary education is affected for better or for worse by both its publicly and privately funded parts.

**Recommendation 2:**

**There should be a single oversight body for the non-publicly funded part of the post-secondary education system.**

**DEVELOPMENT OF POST-SECONDARY EDUCATION**

*Public and Private Provision*

3.23 The Government has clearly signalled its policy to seek a future expansion of post-secondary education from private providers. This was emphasised in some major recommendations of the 2002 Review Report, and a number of more recent government initiatives have confirmed it.

3.24 It is possible, however, to argue that publicly funded provision ought to be expanded. Currently, the public sector provides first-year, first-degree places for about 18% of the 17-20 age cohort – plus a further 2% as articulation places into Year 2. This 18% has remained unchanged since 1994. In our consultations, we received several representations that it is too low, and very low by developed country standards. This latter point is undoubtedly true: perhaps only Germany amongst developed countries has a comparably low publicly funded undergraduate rate.

3.25 Indeed, many Western countries have greatly increased their publicly funded undergraduate levels in the last 20 to 30 years. It is not self-evident that all of the changes have been unqualified successes. For example, some of the increase has been achieved by changing the name of institutions to universities, without much change to available funding. Other expansion has been achieved through the addition of only a very marginal amount of dollars per additional student. Some countries give all school leavers the right to go to university if they have passed leaving examinations. This poses impossible challenges to universities, which either then weed out very large numbers after the first year (at great social cost) or provide a lamentable level of teaching. In all cases, the increase in numbers has been accompanied by deteriorating staff-student ratios.

3.26 Although publicly funded education predominates in Western countries, it is by no means the only model, as pointed out in Chapter 2. The US has a vibrant and large private university/college sector. This is also the case in many Asian countries, with Japan, South Korea and Taiwan having private sectors that are significantly larger than their public counterparts. Indeed, in the middle of the first decade of this century, private institutions accounted for 86.3%, 87% and 65.8% of the total number of higher education institutions in Japan, South Korea and Taiwan respectively, enrolling 77.1%, 78.3% and 71.9% of the total student population [E25]. Yet this model is not an unqualified success. In the US, a private education is now very expensive, and there has been clear overprovision in Taiwan and Japan. The quality of some private provision appears sub-optimal.

3.27 As noted in Chapter 2, there is a marked world trend of increasing private provision in the post-secondary sector. In this context, the Government's policy is well within the frame of world models. As we understand it, the growth of private funding favours the development of innovation and different models of provision for different needs (often previously inadequately provided for). Moreover, the distinction between a private sector and a public sector is no longer absolute because forms of private financing have entered the public sector. Furthermore, given the particular budget constraints of Hong Kong, such a policy does allow the expansion of the sector without jeopardising, through the dilution of units of resource, the level of funding per place that is, in our view, a requirement for the sort of excellent teaching and research we consider Hong Kong deserves in its UGC-funded institutions (and which we hope to encourage further through this report).

3.28 Hence, it is not inappropriate that expansion in the post-secondary area including undergraduate work should be met largely by private provision. This raises three questions. How can the Government encourage the private sector? How far does Hong Kong need that sector to develop to meet demand? How far is a market approach compatible with a directed framework for provision? The Government's present structure of direct and indirect subsidies to the self-financing sector is a sufficient and reasonable measure of general encouragement, although the budgetary implications of that commitment require careful monitoring. As for how far the sector should develop, it is difficult to predict demand before the "3+3+4" system has come into effect. At the same time, there are clearly elements of skill provision, in areas ranging from the professions allied with medicine through to the whole domain of lifelong learning, which will need to be supplied by and will be attractive to the private sector. Furthermore, the growth of provision in Hong Kong international education (as discussed in Chapter 4) also provides opportunities for private and public provision. The Government's identification of new sites implies an

expanded capacity for 17,000-18,000 students (see paragraph 3.43 below). Finally, as for the relationship between the private sector and a framework for meeting Hong Kong's needs, that is precisely one of the objects for which a new oversight body should be effective.

3.29 Nonetheless, the growth of private provision is not exempt from danger. Such a policy implies a number of necessary safeguards. There are three obvious dangers: the financial failure of an institution, increasing confusion in the sector as a result of an uncoordinated plurality of initiatives, and inadequate quality of provision. A simple reliance on market forces will not work. In a matter as important as this to Hong Kong residents, there must be sufficient government regulation. Ultimately, the government must be ready to accept that a private institution may fail. However, it needs to act to reduce that possibility by strict requirements for the capitalisation of new institutions and annual review of their financial statements. Furthermore, if confusion is allowed to develop further in the system, the interests of students will be harmed. There is a requirement for proper pathways within the self-financed sector and between the self-financing and publicly financed sectors (see paragraphs 3.49-3.52 below). Finally, vigilance about quality requires a review of the mechanisms for quality assurance across the whole system (see Chapter 8).

3.30 These considerations add force to the recommendations made in paragraphs 3.21 and 3.22 concerning the action of the Education Bureau and the need for an oversight body in the non-publicly funded part of the system.

3.31 There is a more general problem associated with the growth of provision, whether private or public. Growth appears to stimulate homogenisation or convergence between institutions in all parts of the world at all levels. This seems to be the consequence of competition. Institutions seek to develop popular courses that bring in the most students, and avoid less popular areas with higher overheads and less attractive cost-revenue ratios. Emulation of other institutions with high reputations or good ideas can have a similar effect. In fact, convergence reduces choice. Diversity of provision is required to provide the range of educational experiences and skills that Hong Kong needs for a flexible and agile future. A clear differentiation of roles amongst the institutions of the whole system is crucial to ensure full diversity of provision. Hence, the natural convergence of institutions needs to be moderated, which should be the responsibility of the Education Bureau.

### **Recommendation 3:**

**There should be a clear differentiation of roles throughout the post-secondary education system to ensure full diversity of provision.**

#### *Developments in the Self-financed Sector*

3.32 In what ways will demand for post-secondary education in Hong Kong change over the coming decade? We have found it difficult to assess what changes might occur after 2012 as a result of the Hong Kong Diploma of Secondary Education at the end of Secondary 6. A different form of school-leaving assessment and a younger leaving age may well encourage wider expectations of progression into post-secondary education. However, basic patterns may not change much, especially as the demographic decline works through. The current cohort size of about 85,000 is expected to decline to about 59,000 in 2022, which would be a contraction of 31% [E26]. Nonetheless, it is time now to make preparation for future demand. The exceptional growth of sub-degrees over the last 10 years points to a strong appetite for post-secondary education. Indeed, evidence from elsewhere suggests that educational aspirations generally increase over time, which translates into pressure for access to degree courses as opposed to qualifications deemed less desirable in the public mind.

3.33 Other considerations accompany these predictable pressures. As discussed in Chapter 2, an educated population is vital for the successful engagement of Hong Kong in globalisation. The Government's policy of developing an education hub also implies an increase in post-secondary places if local demand is not to be displaced. Finally, there must be room to develop courses to meet new demand, such as for lifelong learning.

3.34 In the previous section, we discussed the policy of expanding self-financing provision in Hong Kong. The uncertainties surrounding the size and shape of future demand add weight to this strategy. It must be recognised, however, that the current shortfall in the take-up of available undergraduate degree and sub-degree places is almost entirely in the self-financing sector.

3.35 The self-financing sector has the flexibility to be well attuned to demand and the ability to shift resources quickly. The programmes it can offer are largely based on what the market can pay, and hence laboratory-based subjects are not usual. Research – a cost-intensive and generally non-revenue-generating activity – is limited. Nonetheless, this development is not cost-free to the Government. Student grants and loans have been extended

in this sector to assist students, and there are indirect costs, such as grants of land and the provision of loans to institutions. It follows that the proper control of public finances implies a degree of control by the Government over the growth in the number of self-financing places. Indeed, in the absence of effective ring-fencing arrangements, the Government would have to bear the financial risks arising from an expanding private sector.

3.36 The quality of the self-financing sector is currently assured by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) and Joint Quality Review Committee. *The Report of the Phase Two Review of the Post Secondary Education Sector (April 2008)* noted the advisability of enhanced and coordinated action on quality assurance, a topic that we revisit in Chapter 8.

### *Future of Sub-degrees*

3.37 It appears that sub-degree programmes do enhance the career prospects of students. According to the latest statistics, the average monthly salary of self-financing sub-degree graduates was about \$9,000. The median monthly employment earnings of Form 7 graduates without any further educational qualifications were \$7,000.

3.38 The longer established and vocationally oriented Higher Diplomas are well-regarded qualifications. The Higher Diploma qualification fares better than the Associate Degree in terms of recognition by employers, given that the Higher Diploma has a longer history in Hong Kong and is generally considered an exit qualification for vocational or professional development. Our consultations suggested that Higher Diploma programmes are delivered most competently and appropriately. We would be concerned if they were to be diluted or diminished, as they fulfil an important function in Hong Kong.

3.39 We have concerns about the Associate Degree. Our consultations revealed that this qualification has neither established a clear identity in the public mind nor much legitimacy as a stand-alone attainment. It is possible that many of those who deliver Associate Degrees regard them as stepping stones to full degrees, as do many of those studying for the qualification. This is an ambiguous situation that can lead to disappointment. More clarity is needed.

3.40 It may be that the Associate Degree has established itself as an important pathway through post-secondary education. The institution into which an individual articulates for the completion of a full degree depends upon the level of his/her attainment at the end of two years. A percentage of students



are unable to articulate, either because of their level of attainment or because of pressures to enter the labour market. However, if the Associate Degree is essentially the first half of a full degree, it would be desirable to make that clear.

3.41 There is merit in having a two-stage degree structure alongside the more conventional route – it allows students to leave with a qualification in hand if they cannot manage the full four-year degree. It allows greater flexibility within the system so that students can move around according to their interests and capacities. Students can pace themselves and pause their education for a while if they need to. However, when there is no pause, the two-stage route should not have to be longer than the more conventional route.

3.42 At the same time, there is equal merit in having a two-year qualification that is seen not simply as an incomplete degree course but as a credible qualification leading to useful employment and an enriched personal experience. As Hong Kong moves, like the rest of the world, towards a much more diversified offering of education suitable for the needs of an evolving economy and society, it would be counterproductive to force new forms into a template offered by traditional provision. All of this emphasises the requirement for transparency across the whole sector and for clarity about its component parts.

#### **Recommendation 4:**

**There should be greater clarity about the character of the Associate Degree and its place in the structure of the qualifications offered by the post-secondary education system.**

#### *Private Universities*

3.43 The Government intends to encourage the establishment of new universities to increase the private provision of degree programmes. It has reserved six sites that are expected to provide a total enrolment of 17,000 to 18,000 self-financed degree places. These universities are most likely to arise from existing or newly established institutions acquiring university status, or foreign universities establishing new institutions in Hong Kong (or establishing satellite campuses with the aim of progressing towards the eventual status of universities). We discuss the entrance of foreign universities in Chapter 4.

3.44 Because they would not receive direct grants, private universities could set their own institutional and academic strategies according to their own sense of the market and internal consensual ethos. However, this does not mean that such institutions would be entirely free of regulation, especially in

terms of accreditation, quality assurance and the requirements laid down by professional bodies for elements of the curriculum. Furthermore, these universities would be operating in line with the public interest policies implemented by the oversight authority that we have recommended.

3.45 New universities offer the advantage of additional places in degree programmes for the school-leaving population and thus additional or alternative pathways to degree-level studies. Subject to our concerns about convergence mentioned in paragraph 3.31, private universities should in principle add diversity to the system through their potential to respond to niche demand, the need for different models of student progression and areas of emergent requirements. The amount of new degree programme space might, of course, be limited where institutions convert from delivering franchised programmes to delivering their own.

3.46 Two private universities already exist in Hong Kong outside the publicly funded UGC sector – the Open University of Hong Kong and Shue Yan University. The UGC was not consulted about the conferral of university status in either case. However, the credibility of Hong Kong university education requires that what is true of the Open University of Hong Kong and the Shue Yan University must be true also of any further addition to the university sector. The awarding of university status must be recognition that that an institution delivers courses of a degree-level standard (as distinct from professional qualifications of a technical character) and that provision of academic infrastructure and staff is appropriate to such delivery.

3.47 It is to be expected that new universities will be predominantly teaching institutions, which is the principal reason for encouraging their growth. In this sense, they will be quite different from some of the research-based UGC-funded universities. That, however, should not preclude them from having access to competitive research funding as their capacity grows, as described in Chapter 6.

3.48 During our consultations, those institutions contemplating university status strongly indicated that the procedure for granting that status (Cap. 320) is laborious and time-consuming to the point of actively inhibiting such a move. However, we do not see virtue in speed in this matter, which demands great care. As previously mentioned, the Government is providing indirect subsidies to the private sector through student grants and loans that will grow in tandem with the expansion of the sector. The criteria for approving the establishment of private universities should thus be clearly articulated. We do recognise that Cap. 320 was drawn up in a different era within a different context: the Government has initiated a review of it, which we welcome. It is

certainly necessary to ensure this regulation's fitness for purpose in response to the Government's encouragement of growth in the private sector. We believe, further, that the current structure and criteria for empowering institutions to award degrees and for conferring university status to institutions should be streamlined and rationalised with a view to establishing a clear and consistent arrangement.

### *Pathways*

3.49 As noted previously, the rapid growth of self-financing post-secondary education in recent years has contributed very significantly to the attainment of the Government's participation target. This has been a realistic approach to the delivery of greater access to the post-secondary sector within budgetary constraints.

3.50 Nonetheless, this has emphasised the mixed character of the system, with publicly funded and self-financing elements co-existing and overlapping at points. It is self-evident that equity in such a system requires that there be clear pathways for progression within it. The assessment of attainment at specific age-defined points (especially at the passage from secondary to post-secondary education) is necessary for the functioning of any education structure. However, it is also arbitrary to some degree. Individual young people and their minds develop and mature at different rates, and many extraneous factors serve to accelerate or delay their aptitudes and appetites for learning. It is imperative that there be clear and easily workable mechanisms that allow individuals to progress within the post-secondary education system as their aptitudes increase, their interests change and their capacities are verified.

3.51 Furthermore, while we endorse a strategy of investing public money directly in universities with high-quality performance and in a proportion of young people whose performance identifies them as future leaders in society and the economy, this must not be allowed to become a closed community. The existing provision of loans and grants in the self-financing sector is an essential step. Pathways for progression between the private and public parts of post-secondary education are equally essential. The public will believe that the mixed system is reasonably equitable provided that such pathways are seen to function.

3.52 Of course, there is movement in the system at present, and provision for articulation. However, this is insufficient. In practice, there is insufficient clarity and probably insufficient advice offered to individual students. We have noted, for example, cases in the UGC sector where a university has decided that a two-year sub-degree was insufficient preparation

for articulation into its degree course at the expected point and has imposed additional terms of study.

### **Recommendation 5:**

**Pathways for student progression through the whole post-secondary system and between its parts should be made clearer, including for those returning to education at different times.**

3.53 Universities and other institutions are and must remain free to decide which students they admit. Nonetheless, the clarity and reality of student progression would certainly be facilitated by the adoption of a robust CATS that would be coherent across the whole post-secondary education system and between comparable institutions within the system. A common credit system is not very effective by itself, and needs four other elements: a framework of levels and level descriptors (which has been provided in Hong Kong by recent work on the Qualifications Framework), a definition of learning outcomes, a commonly recognised transcript, and a trusted and comparable quality assurance system [E27].

### **Recommendation 6:**

**A transparent and trustworthy Credit Accumulation and Transfer System should be developed for the whole post-secondary system.**

### **Publicly Funded University Places**

3.54 We have shown that the self-financing sector now predominates at the sub-degree level, that it is rapidly coming to equal that of the public sector at the undergraduate degree level, and that it predominates at the taught postgraduate level but is almost non-existent at the research postgraduate level. In general, society seems to accept that sub-degree education should be predominantly met by the self-financing sector – as long as appropriate publicly funded grants and loans schemes are in place and there is adequate articulation to undergraduate programmes. There also seems to be general acceptance of the premise that taught postgraduate courses benefit the individual more than society, and thus the individual should bear the cost.

3.55 As for provision at the undergraduate level, publicly funded first-year, first-degree places continue to play a dominant role. This will

change: with the Government's encouragement, the self-financing sector will become more active in meeting demand for undergraduate places.

### *First-Year, First-Degree Places*

3.56 In view of Government's recent slight addition of 500 publicly funded first-year, first-degree places, and as we agree with the expansion of provision through the private sector, we do not recommend a further increase in the number. Yet we offer one *caveat* relating to manpower planning requirements.

3.57 Currently, in the UGC-funded sector the Government requires a fixed number of entrants to courses that provide qualifications for professions considered essential to public policy (such as medicine, teaching, nursing, the law, social work, *etc.*). These figures are revised upwards or downwards each financial triennium according to projections of need. For the current 2009-12 triennium, they account for 18% of all first-year, first-degree places (the respective percentages for sub-degree and taught postgraduate degree places are 35% and 85%, and none for research postgraduate places). Experience shows that this is a very inefficient mechanism. Projections are difficult to make with certainty, and have been shown to be flawed. This has resulted in sharp changes in requirements, which in turn have resulted in alternate over- and under-provision of staff and infrastructure.

3.58 The assignment of places to manpower requirements should be greatly loosened or removed altogether. By considering all post-secondary education as a single system the Government can expect to see requirements met through the dynamism of institutions seeking opportunity. Furthermore, numbers of places do not need to be so closely prescribed, because graduates with these qualifications are able to and do enter other jobs than the destinations narrowly defined for them.

3.59 The requirement for such a large percentage of what is a relatively small number of total places available imposes a great burden on both the UGC and its funded institutions in terms of resource allocation and the ability to achieve innovation, change and strategic planning. At the University of Hong Kong, the Chinese University of Hong Kong and the Hong Kong Polytechnic University, approximately 23% of first-year, first-degree places are subject to manpower planning. If the Government cannot loosen its manpower planning demands, then it should increase the total number of first-year, first-degree places that it makes available to the UGC-funded sector.

## **Recommendation 7:**

**Manpower planning requirements in the allocation of first-year, first-degree places should be abolished or considerably loosened.**

### *Senior Year Articulation Places*

3.60 A key theme in this chapter is the need for greater opportunity for and more transparency in articulation between the various levels of provision. We also believe strongly that the trade off for having a relatively low number of publicly funded first year, first-degree places should be adequate senior year articulation places into the public sector to allow those spending their own funds on sub-degree courses to feel that they have a fair chance of articulating into the public sector. This is both necessary for social justice and for Hong Kong's knowledge-economy needs.

3.61 At present, there are approximately 2,000 senior year articulation places into Year 2 of undergraduate programmes available annually. This equates to only about 10% of sub-degree graduates each year and is neither sufficient to meet demand nor gives high achieving sub-degree graduates the opportunity to develop further. The number should be doubled as a matter of urgency and additional funding should be provided to the UGC for this purpose [E28]. We believe this irrespective of the possible impact on sub-degree numbers from demographic contraction and the potential acquisition of university status by some community colleges. The achievement of a fluid and equitable post-secondary system requires this greater opportunity for articulation between the self-financing and public sectors.

3.62 We are very pleased that the Government has taken into account our views on this issue, and that the Chief Executive announced in his 2010-11 Policy Address the doubling of the number of senior year places.

## **LIFELONG LEARNING**

3.63 Chapter 1 laid out the relationship between globalisation and education. It is clear that the world is engaged in a process of rapid and fundamental change in the technologies of production, the objects produced and the geography of economic success. We do not know whether the pace of change will slacken, but it would be unwise to assume that it will. It is a matter of common agreement that people will have to re-skill several times to accommodate themselves to technical or technological change so that they

remain productive citizens. To this we must add the requirements of those seeking a change of career and the ordinary needs of the refreshment of useful knowledge.

3.64 There are many lifelong learning opportunities, including part-time and distance learning courses, for different groups of learners (*e.g.* employed persons and retirees, *etc.*). The major providers of part-time post-secondary programmes include the self-financing arms of UGC-funded institutions, the Open University of Hong Kong and the Vocational Training Council, *etc.* The relevant statistics are provided in **Annex G**.

3.65 The development of a lifelong learning ladder was mentioned in the Chief Executive's 2000 Policy Address, and a Continuing Education Fund was established in 2002 to subsidise those aged from 18 to 65 with learning aspirations to pursue continuing education. At present, the Fund subsidises people taking approved courses in financial services, China business, logistics, tourism, design, languages, and interpersonal and intrapersonal skills for the workplace. Since its establishment in 2002-03, the Fund has provided cumulative subsidies of about \$2.6 billion (as at 2009-10) to eligible people.

3.66 A key development was the establishment in 2004 of the Qualifications Framework to provide learners with a clear articulation ladder to foster a vibrant, flexible and responsive environment that would promote lifelong learning. The Framework was given legislative backing in May 2008, and it is now easier for learners to draw up their own roadmaps to upgrade their knowledge and skills at different stages and through different channels. In conjunction with the Qualifications Framework, the Recognition of Prior Learning mechanism has been developed to enable employees to obtain formal recognition of the knowledge, skills and experience they have acquired in the workplace, and to reduce duplication in training for the same skills. We appreciate these meaningful initiatives, which are underpinning the promotion of lifelong learning.

3.67 The Employees Retraining Board, established in 1992, offers courses (through 72 training bodies) to help trainees who meet the prescribed criteria to acquire the skill sets needed to secure employment. Since December 2007, the Board has broadened its remit to include people from 15 years of age onwards with an education attainment up to the sub-degree level. More recently, it has also focused its resources on providing training programmes designed with job placement specifically in mind. The Board is dedicated to developing courses recognised under the Qualifications Framework to establish clear learning pathways for its trainees. In 2009-10, approximately 94,100 trainees had completed retraining programmes provided under the Board's umbrella.

3.68 As learners mature at different paces, the availability of lifelong learning opportunities enables them to explore and develop their potential at stages in life that suit their own circumstances. One should not think of lifelong learning as simply there for the satisfaction of individuals – it is a necessary part of an integrated post-secondary system designed to allow Hong Kong to be flexible and adaptive as the rapid pace of change makes new demands for re-skilling the population. It is an important part of keeping Hong Kong relevant.

3.69 Hence, it would be quite wrong to suggest that opportunities for lifelong learning are not currently provided in Hong Kong. Nonetheless, we believe that a more comprehensive strategy for the provision of lifelong learning opportunities needs to be developed in all parts of the post-secondary sector. This is not a straightforward matter and will require appropriate planning for people who have quite different characteristics from the bulk of those in post-secondary education. Much work is needed to establish the population's demand for lifelong learning at all levels, from the sub-degree to the postgraduate level, and to examine how that demand should be met. It may be that greater public funding for certain levels or programmes is necessary. A comprehensive review, overseen by the Government, is needed.

#### **Recommendation 8:**

**There should be a comprehensive review of the future provision and distribution of lifelong learning opportunities throughout the post-secondary system.**



## **Part II – Issues Specific to the UGC Sector**

## **CHAPTER 4**

### **INTERNATIONALISATION**

#### **INTRODUCTION**

4.1 We take it as axiomatic that any discussion of Hong Kong's future must be conducted on the assumption that its international character is fundamental to its future success. This chapter is firmly rooted in that vision.

4.2 As discussed later in this report, our institutions must leverage Hong Kong's unique character of having both Chinese and Western elements in its culture. We would thus emphasise that focusing on internationalisation does not mean that our institutions should neglect or lose sight of the significance of our traditional values and local needs. In fact, internationalisation will further enhance the uniqueness and attractiveness of Hong Kong's position.

4.3 At the same time, in Chapter 1 we stressed the centrality of education in creating that future. Hong Kong's future in a globalising world critically depends upon the international capabilities of its future leaders. We also pointed out in Chapters 1 and 2 that there are strong features of globalisation appearing in world higher education. Hong Kong's higher education sector must look internationally to remain competitive. It cannot afford to look exclusively inward. In the academic domain as in others, the worldwide flow of information, capital and people continues to accelerate. Higher education sectors around the world now require worldwide competition for academic staff with a view to producing globally competitive students.

4.4 The current strategic plans of each UGC-funded institution show awareness of the general issue, and in most cases include specific related objectives. There is a sense of the potential for opportunities in Mainland China in some of these plans; a few perceive the importance of the particular character of Hong Kong in the future relationship between China and the West; and some reflect on the requirements for students. While it is natural that each institution should have some individual emphases as regards internationalisation having regard to their roles, we note however a considerable unevenness of awareness and clarity of analysis between these documents.

4.5 We recognise real achievement by some universities in the practice of internationalisation. Indeed, this is reflected by the internationalisation component in the high score of three Hong Kong universities in a recent Asian

ranking. We do not seek to diminish that success. Nonetheless, taken as a whole, we do not think that these strategic plans provide a sufficient strategy for the UGC sector in a matter as central as internationalisation is to the future of Hong Kong and its universities. The plans have two major limitations. First, although it is fairly early in this cycle of strategic plans, our enquiries suggest a very variable degree of tangible implementation of strategies (both between different objectives and for the whole strategy of individual institutions). This raises a concern about whether every institution is devoting adequate energy to internationalisation. That is not to deny the real achievement of some in their initiatives in Mainland China, but those initiatives do not amount to a full internationalisation strategy. We consider our institutions' relationship with the Mainland not to be a part of internationalisation (as set out in Chapter 5).

4.6 Second, the institutions' strategic plans could be further evolved in the context of a thorough understanding of the significance of internationalisation for Hong Kong as a whole and for the universities' responsible contribution to that general interest. We applaud the evidence that most universities are seeking to develop and strengthen in these strategic ways. Yet if these perspectives are not set within the general interest of Hong Kong, there is too great a risk of uneven commitment, energy and ultimately failure to produce collective benefit. Universities will be tempted to be concerned essentially with their individual competitive positioning. In sum, no UGC-funded institution should believe without further reflection that its current strategy meets the ambition that we believe is necessary.

4.7 As a matter of urgency, universities in Hong Kong should review, develop where necessary and implement explicit internationalisation strategies. Responsibility for this should be located permanently at the senior management level. However, substantial outcomes cannot be achieved effectively without collaboration with the Government. For its part, the Government needs to adopt a clear and specific strategy. Indeed, it should engage firmly in the internationalisation of education at appropriate levels, such as by participation in international fora for policy and action in this area (*e.g.* the UNESCO Forum on Higher Education, Research and Knowledge and the Institutional Management in Higher Education of the OECD, *etc.*). Moreover, it must be understood that a long-term and sustained commitment from both the Government and universities is vital to such a strategy. In a highly competitive international environment, the intended benefits cannot accrue if the course is held to only intermittently or if the stated goals are abandoned after a time. Given the importance that we attribute to this theme for the future of Hong Kong and its higher education, it is appropriate for each institution to agree with the UGC on a number of Key Performance Indicators for the implementation of its internationalisation strategy. The UGC should monitor their performance [E29].

### **Recommendation 9:**

**UGC-funded institutions should review, develop where necessary and implement internationalisation strategies as a matter of urgency. The UGC should monitor agreed Key Performance Indicators in each institution. The Government should adopt a strategy for internationalisation that includes collaboration with universities. Both should make long-term and sustained commitments to these strategies.**

4.8 Internationalisation is not the same thing as developing relationships with Mainland China and encouraging Mainland students to study in Hong Kong. The building of strong academic relationships with Mainland China is an expression of Hong Kong's Chinese identity and a positive response to changing conditions. The development of a strong international character for Hong Kong's higher education will draw on and elaborate Hong Kong's inherent and historic strengths.

4.9 It is for this reason that we discuss perspectives on the Mainland separately in the Chapter 5. Nonetheless, a properly developed policy for the future requires both elements. This was clearly recognised by the Chief Executive in his 2009/10 Policy Address when he referred to Hong Kong higher education complementing the future development of the Mainland, attracting Mainland students and also stepping up exchange and promotion in Asia. Naturally, each institution will have its own particular approach and will weigh differently the balance between the two.

## **THE BREADTH OF INTERNATIONALISATION**

4.10 First, some basic definitions should be clarified. The higher education sector has very often associated internationalisation principally with the recruitment of non-local students. However, it should permeate the whole gamut of institutional activity. As we have said before, universities are the breeding ground for future leaders. These leaders need to be internationally minded and thus universities need to attend to their students' mindsets, the internationalisation of the faculty and the curriculum, the integration between local and non-local students and other means. At the same time, universities contribute to the enhancement of Hong Kong's regional/global influence. They can only properly do so by an enterprising engagement with the exterior and the continuing development of their reputations and visibility. Finally, the Government cannot be indifferent but must be actively engaged on the side of

the universities.

4.11 Institutions and individuals within them have a legitimate and necessary instinct vigorously to pursue their own interests and objectives. Nonetheless, an international perspective must enter the institutional mindset into most areas of activity. This should not confine itself simply to the recruitment of non-local students and the pursuit of international research rankings. Internationalisation implies a sustained effort to settle Hong Kong universities into an active network of relationships.

4.12 Both the Government and the universities in Hong Kong have made considerable advances in recent years: performance in international league tables, based in large part on research output, has been impressive (five placed in the top 200 in a well-publicised ranking survey for 2010). Quota places available for non-local students in UGC-funded taught courses have increased to 20% of total places; permission has been given to non-local graduates to stay in Hong Kong for employment. Some exchange programmes exist, as does the placement of students in non-local environments for work or study experience. There are multiple research collaborations with groups outside Hong Kong. There have also been recent initiatives to establish campuses in the Mainland. Nonetheless, these initiatives are piecemeal. Equally, some aspects are out of balance (for example, over 90% of non-local students are Mainland students).

4.13 Hence, these good initiatives do not in themselves amount to the most productive strategy. We do not discount the power of individual institutions to get things done under the driving force of perceived opportunity, a sense of their own interest and a good understanding of their own capabilities. Neither do we discount the Government's ability to make intelligent adjustments to regulations in a timely manner. Nonetheless, given the great importance of internationalisation to the future of both institutions and the general Hong Kong community, we reiterate our belief in the necessity of a clearly formulated and long-term commitment by both. This will be most effectively achieved in a framework in which both are aware of and have agreed upon common objectives. Indeed, cooperation between them will ensure longer-term success. There needs to be a good understanding and consensus between the Government, universities, stakeholders and the community on the purposes of internationalisation and of the steps needed to promote it.

4.14 This does not mean that we believe actions should be prescribed to universities. We recommend the establishment of a forum in which the Government, UGC and universities are represented. This should serve as a point of discussion of and mutual information about the general issues and detailed practicalities of the internationalisation of the Hong Kong system. It

should also provide a site for the exchange of information on best practices.

**Recommendation 10:**

**A forum should be established to facilitate collaboration between the Government, universities and the UGC in identifying and implementing effective policies and initiatives, and for spreading best practices regarding internationalisation.**

4.15 An effective internationalisation strategy is not cost-free. There is a limit to the extent to which existing university budgets can accommodate necessary initiatives in this area. The importance of the objective justifies the establishment of an additional recurrent stream of funding for the UGC for this purpose. We recommend that this fund should be allocated on a competitive basis, because that would endorse an approach of entrusting practical action to the initiative of the institutions themselves.

**Recommendation 11:**

**An additional funding stream should be attributed to the UGC to fund internationalisation initiatives and allocated through the Academic Development Planning process.**

4.16 The remainder of this chapter offers guidance on significant aspects of an internationalisation strategy.

**HONG KONG AS AN EDUCATION HUB**

4.17 There has been frequent reference to the desirability of making Hong Kong an “education hub”. Without better definition, this term offers little guide to serious action. It is an ambition widely expressed at present (for example, in East Asia, Southeast Asia, South Asia, and the Persian Gulf). In the most direct sense, the term means a policy of investment in the competitive knowledge economy by providing educational services to a population that is non-local with a strong emphasis on inward pull. It also implies that these services are competitive because they are of comparative front-rank quality and delivered in an environment of high-level educational attainment and reputation. They can be delivered either in or outside Hong Kong, and are not necessarily confined to post-secondary education or indeed mostly to universities, but can also include secondary education.

4.18 Other indirect benefits of a hub strategy have to do with the

potential to keep incoming talent in Hong Kong and with the degree to which those educated here retain an affection for and understanding of Hong Kong. This will affect Hong Kong's business, political and other informal networks, and will contribute to the development of what Professor Joseph Nye has termed "soft power". It will generate a virtuous circle in that the quality of higher education in Hong Kong will attract external recognition and commitment, thus further enhancing its reputation and ability to improve.

4.19            However, if we are to compare Hong Kong with, for instance, the UK, Australia or even Singapore (a different model), there is no doubt that Hong Kong has a considerable distance to travel in terms of international students, general reputation and attractiveness, and insertion into a wide education market. Hong Kong has advantages over others in terms of existing quality and historical position, but success will require clear policy, investment and collaboration between the Government and institutions over time.

4.20            As this description shows, an education hub strategy treats "education" primarily as a commodity for economic exchange with a number of indirect side benefits. In our view, this is not the equivalent of an internationalisation strategy, but it is a significant part of such a strategy. Furthermore, as noted in Chapter 2, in the immediate future cross-border education will provide a fast-growing opportunity both in terms of a market and the development of the international horizon of Hong Kong's people and networks. We reiterate the prediction that in fifteen years' time Asia will constitute about 70% of the global demand for higher education. Cross-border education demand will be met by both the movement of students and by the movement of institutions in different forms. We address the question of cross-border student recruitment first.

## **CONDITIONS FOR THE SUCCESSFUL RECRUITMENT OF NON-LOCAL STUDENTS**

4.21            In terms of student recruitment and international visibility, we recognise that institutions have been promoting themselves internationally. However, success in this highly competitive market demands an appropriate marketing strategy, adequately supported and financed in a sustained manner. This requires institutions to have well thought-out recruitment policies, usually implemented through a central office and leading to active involvement in recruitment fairs, *etc.* We advocate collaborative action by both UGC-funded and self-financing higher education institutions. On the one hand, this would produce greater efficiency in targeted impact than the efforts made by individual institutions; on the other hand, there is scope for reducing overheads.

Furthermore, the Government should support and join in overseas promotional activities, especially in Asian countries where there is strong growth in the demand for quality post-secondary education arising from rapid economic development. The Government should see this activity as an important means to presenting an image of excellence for the whole of Hong Kong. Existing official overseas networks could be used to facilitate the joint promotional efforts of institutions, such as the Government's overseas economic and trade offices and the global network of the Trade Development Council. The promotion of educational matters should become part of their direct responsibilities.

### **Recommendation 12:**

**Universities should develop appropriate strategies for the recruitment of international students. The Government should actively support this through its official overseas offices.**

4.22 In comparison with good-quality universities internationally, 20% of non-local students in taught undergraduate courses appears to be about right for the time being. It can be managed without the serious dilution of local opportunity. However, although it is important to encourage Mainland students to enter Hong Kong universities, true internationalisation requires a much greater diversity of nationalities and cultural backgrounds.

4.23 Universities themselves should also recognise benefits particular to themselves. The first is the potential improvement of general student academic attainment. While there is a general benefit to the inclusion of non-locals in the student body, the presence of academically excellent non-local students does help to improve by emulation the general academic performance, as well as increasing the reputation of the host university. There is now a global competition amongst universities for the best students. While good students will be attracted by the existing reputations of Hong Kong's universities and the efforts of a sustained campaign to promote their profile, we believe that financial incentives are needed to attract the best. Currently, certain financial incentives could partially address this issue: the PhD Fellowship Scheme; the Hong Kong Special Administrative Region Government Scholarship Fund of \$1 billion, which caters for both local and non-local students in publicly funded full-time programmes at the degree or above level; and the fifth round of the Matching Grant Scheme, which can be used by institutions to provide scholarships for non-local students. More attention and resources should be devoted to this area. It would be short-sighted to envisage non-local students simply as income generators rather than as an investment in Hong Kong's quality and value.



4.24 The second benefit of non-local students is simply that they help to provide a multicultural learning and social environment for Hong Kong students. In our consultations and conversations during the preparation of this report, we heard much anecdotal evidence and general assertion that Hong Kong students and new graduates are too inward looking. There is a view (articulated quite often by employers) that new graduates in Hong Kong know too little about the outside world (and indeed show insufficient curiosity about it) to be ready to contribute in the kind of globalising economy in which Hong Kong must find its place. It is our view that non-local students provide one of the elements of a solution to that situation.

4.25 Students who leave their home countries to seek higher education abroad are demonstrating initiative and ambition. This alone suggests that they would be positive additions to Hong Kong. We have already stated the need for sound marketing arrangements. However, international students will not be attracted if they do not find an environment that helps them to engage effectively. Especially in comparison with some other potential destinations, the most significant deterrent in Hong Kong is the lack of hostel accommodation. Nonetheless, hostel accommodation should not be provided at the expense of local students – that would diminish the integration between local and non-local students, promoting tension between them. During our consultations, we discovered signs of such tension. We acknowledge that there are hostel projects, including joint hostels, in the pipeline and that land constraints are significant. On-campus accommodation is undoubtedly preferable, but we recognise the need to resort to off-campus accommodation or joint hostels. Nonetheless, we urge that the provision of more hostel accommodation is tackled as a matter of urgency. The 20% target for a properly composed international student body cannot be reached without it.

### **Recommendation 13:**

**The Government, working with the institutions, should increase hostel accommodation for local and non-local students as a matter of urgency.**

4.26 Local students will find internationalisation irrelevant unless they interact – and enjoy doing so – with the non-local students in formal learning, informal learning and social environments. Similarly, the kinds of future benefits that we have outlined will not accrue if non-local students do not enjoy their experience in Hong Kong. Universities need to make sustained efforts to promote integration in the classroom and elsewhere. In particular, they should take care to mix local and non-local students in accommodation and to ensure that they run no courses or classes predominantly for non-local students.

4.27 The increase of the intake of non-local students with diverse backgrounds will require strengthening the student support services needed to assist them in adapting to Hong Kong and to promote the integration that we have outlined. Institutions should accord a high priority to this.

**Recommendation 14:**

**UGC-funded institutions should increase their efforts to provide support resources and opportunities for non-local students to integrate them better with the local student body.**

**GREATER OVERSEAS OPPORTUNITIES FOR LOCAL STUDENTS**

4.28 Hong Kong's future relies upon the ability of its best-educated people to understand the wider world and to become persuasive interlocutors with those with whom they do business.

4.29 The increase in non-local students mixing with the local student body is only one element in bringing a more international perspective to the student population. It is indisputable that the essential encounter with the outside – with its history, culture, and patterns of behaviour – is best met by spending time in a foreign environment. This should involve a structured and academically focused engagement in a foreign environment that is long enough to deliver a significant understanding of that environment and provide the experience of coping with the challenges of daily living in another context.

4.30 It is certainly the case that exchange activity and other forms of placement outside Hong Kong are powerful tools for cultivating the international outlook of students. With the help of the four rounds of the Matching Grant Scheme and earlier funding support from the Government, exchange activities have grown substantially in recent years. We welcome the attention that institutions are paying to this. During our consultations, responses from students participating in exchange activities were all very positive. In addition to the broadened horizons and new understanding that they gain, there are real side benefits. These students do serve as ambassadors to promote Hong Kong and they could directly demonstrate to the world what Hong Kong can offer as a regional education hub. Furthermore, institutions could more actively mobilise them to drive the development of a multicultural awareness back on their home campuses and to facilitate integration between local and non-local students.

4.31 The opportunity to engage in a non-local environment is a most important tool for widening the horizons of local students and giving them the necessary skills to work in an international context. We thus emphasise the need to enhance the range and quality of these experiences. With the new “3+3+4” academic structure, there should be more room for students to participate in exchange activities of various modes and duration. Institutions need to increase the numbers of students participating in existing schemes and diversify the types of experience they provide by the addition of new schemes. Furthermore, the importance of these opportunities should be emphasised by further recognition in a student’s transcript.

4.32 We draw attention to the highly successful schemes of “junior year abroad” run by a number of American universities and colleges with academic programmes in their own premises. One or two Hong Kong institutions might wish to adopt that approach to some extent.

4.33 It is, of course, not feasible to extend such programmes to all undergraduates. Nonetheless, we do believe that students, who, by preference or constraints of circumstance, choose to study in Hong Kong institutions should have the opportunity of international exposure that those who have studied abroad bring to the employment market in Hong Kong.

4.34 These recommendations about overseas opportunities imply additional funding. Such initiatives would fall directly within the object of the new recurrent funding that we have proposed. At present, the Block Grant from the UGC cannot be used for exchange purposes, other than to support an institution’s administrative costs in this regard. At the very least, that restriction should be lifted.

#### **Recommendation 15:**

**The number and variety of overseas study opportunities for local students should be increased significantly. Funding should be provided for this, and credits should be attached to these programmes.**

### **THE UNDERGRADUATE CURRICULUM**

4.35 We have witnessed the recent rapid rise in prosperity and economic power of Asia, and the region’s increasing social and cultural complexity. It seems likely that the young Hong Kong graduates will need to engage specifically with the regional context in addition to global opportunities.

Institutions would do well to revisit their undergraduate curricula principally in the social sciences and the humanities to enhance the presence of Asian materials and themes. This should not suggest a radical revision that would subvert internationally recognised and tested disciplinary norms. Rather, there is another powerful reason to think seriously about such an approach. The Hong Kong environment offers an ideal context for the development of curricula that would combine Western and Asian problems and responses, experience, sources and cultural roots. Sensibly handled, such an additional focus would provide a distinctive character to part of Hong Kong higher education and enhance the learning horizons of local and non-local students alike. This would be in tune with what Hong Kong's historic function as commercial and cultural intermediary suggests about its contemporary opportunity.

4.36 Furthermore, universities should reflect on whether their formal and informal teaching and learning processes offer enough encouragement and opportunity to students to become aware of and informed about international matters. At the most direct level, there is the question of language. It is clear that Hong Kong's evolving relationship with Mainland China necessitates graduates' competence in Putonghua and written Chinese. At the same time, it is reasonable to predict that English will be a major language of international business and exchange. During our consultations, we found no reason to disagree with the assertion that too few new university graduates are adequately comfortable in English and Chinese. We urge universities to make renewed efforts in the area of language proficiency.

#### **Recommendation 16:**

**Institutions should make renewed efforts to ensure and enhance students' biliterate (Chinese and English) and trilingual (Cantonese, Putonghua and English) abilities.**

### **POSTGRADUATE RESEARCH STUDENTS**

4.37 Non-local students are essential to high quality research in Hong Kong just as they are in other major university systems. Recruitment of the best is competitive; they have many of the same needs in what is for them a new environment, and they offer many of the same direct and indirect benefits to Hong Kong. Universities need to be attentive to them in the same way.

## THE FACULTY

4.38 Historically, the academic faculty in Hong Kong has been characteristically international. This is one of the strengths of local universities in terms of internationalisation. It enhances the distinctive quality of the work and environment of these institutions at every level, in both direct and more subtle ways. This is a precious asset that universities must make particular efforts to maintain. Hong Kong needs a good mixture of academics: those who have done their doctoral work abroad, those who have worked in universities abroad, and those whose ethnic origins are not in Hong Kong. This mixture is important in three ways. First, it brings international experience to Hong Kong universities, thus ensuring realistic comparisons with international benchmarks and constructive criticism of local received wisdom. Second, it provides a natural insertion of universities and their departments into international networks. Third, it provides students with an immediate example of internationalisation amongst people who are likely to be amongst their role models. Indeed, such academics ought to be instinctive advocates of the virtues of looking outwards. A true diversity of cultural background is conducive to the creation of an internationalised learning environment. Although statistical evidence for such a matter has not been collected, it has been suggested to us that over the years the percentage of non-Chinese academics has declined.

### **Recommendation 17:**

**UGC-funded institutions should actively maintain the international mix of their faculty.**

4.39 The pursuit of this policy will be challenging. The international market for academics, especially for high-quality individuals, is highly competitive. Hong Kong has no choice but to offer terms and conditions of academic employment similar to those elsewhere, especially for high flyers. This implies attention not only to salaries but also to issues such as housing allowances. While that presents significant managerial problems for universities, it was precisely to allow for it that university salaries were delinked from those of the civil service in 2003. Nonetheless, in addition to the factors already cited, international recruitment at this level is a significant element of these institutions' international reputation and their attractiveness to non-local students.

## **COLLABORATIVE NEEDS**

4.40 Networks, collaborations and associations form much of the working substance of institutions' international engagement. These can be formal or informal; they range from research collaborations and the movement of students to the professional connections of academic faculty. It is clear to us that Hong Kong universities are quite vigorous in this domain, although the evidence suggests that not all are equally successful. Nonetheless, universities do need to be supportive of well thought-out individual, group and departmental initiatives. Some investment in younger staff before their profiles are well established, for example, would pay dividends in reputation for an institution.

4.41 Experience demonstrates that collaboration agreements between institutions do not work if the academic faculty do not "own" them. Research collaboration, in particular, is best grown from real faculty initiatives rather than as part of a general relationship created by two university administrations. Furthermore, there is neither reputational nor practical benefit to be gained by entering into a string of Memoranda of Understanding that do not have well-defined, concrete outcomes combined with explicit delivery mechanisms and timelines. Yet these arrangements should not be left entirely to faculty initiative. Collaboration needs to be set within general university strategy (for example, some concentrations of collaboration may usefully be nurtured) and a judicious use of university financial resources can be managed. In any case, an institution needs to be clear on at least three points before establishing a formal relationship with another or with others. First, it must be clear that there will be tangible and strategically significant returns on such collaboration, whether financial or academic. Second, it must be certain that the transaction cost in terms of staff time, finance, institutional focus, *etc.* is both manageable and justified. Third, it must be sure that its partner is of comparable reputation and quality to its own or if not, it is so at least in the area of the agreement.

## **A LOCAL PRESENCE ABROAD**

4.42 The substantial and growing demand for cross-border higher education is already generating some cross-border movement of institutions – receiving non-local students is matched by local institutions offering education in non-local environments. This trend is likely to increase. An institution may place itself abroad in essentially four ways: distance learning, franchising its courses or degrees to another institution outside Hong Kong, offering joint degrees with another institution or establishing a campus elsewhere either stand-alone or in partnership. The opportunities are significant and they are relevant to the general purpose of internationalisation for Hong Kong. At the

same time, the risks are not negligible as examples from other university systems demonstrate. We refer to Hong Kong initiatives in this domain as part of our discussion of Mainland China in Chapter 5. Here, we offer general remarks. First, all of these options have high transaction costs in terms of both financial commitment and administrative time. Distance learning is a very specialised activity with its own specific expertise. It is suitable to institutions that already have experience in it and the infrastructure for it. Franchising involves serious issues in the choice of suitable partner and quality control. This is also true of joint degrees (of which a few examples already exist in Hong Kong universities).

4.43 A campus in a foreign location is an altogether more ambitious and complicated undertaking. The challenges already mentioned are that much greater and more onerous. Examples elsewhere suggest the need for local funding. It is imperative to understand clearly the source and nature of that funding. Equally, whether a stand-alone campus or a joint initiative, it is imperative to be very clear about what each partner expects to get out of the undertaking and precisely what responsibilities lie with whom. Where a partner university is involved, an institution must once again be sure that its reputation and quality match its own. Above all, an institution must enter into any of these options with a long-term horizon. It must be sure of its business plan and, in so far as this relies at all on its own academic staff, it must be sure of their support – experience elsewhere shows that initial enthusiasm can fade.

4.44 It is to be expected that such initiatives by Hong Kong institutions will multiply in the next decade. We regard that as a welcome development. Nonetheless, caution is necessary. Some of these initiatives have substantial start-up costs, all need careful planning and all involve significant investment of academic and administrative time. Above all, they require vigilance in protecting institutional reputation. We must stress with utmost seriousness the risk that an ill-conceived or ill-managed cross-border education initiative poses to the general reputation of Hong Kong as an education provider. This cannot be seen lightly as an internal incident manageable by the parent institution. As Hong Kong universities (and indeed other parts of the post-secondary sector) extend their operations out from the traditional forms, it will become all the more important that there should be robust quality assurance. This is discussed in Chapter 8.

## **A FOREIGN PRESENCE AT HOME**

4.45 Of course, Hong Kong is already the site for the delivery of cross-border higher education from non-local providers under various

arrangements spanning from franchising through to mixed-mode delivery. There are grounds to suppose that self-financing operations could become more numerous in Hong Kong, attracted not simply by local demand but also by the prospect for drawing in non-local Asian students. This would be entirely in tune with the current trends of cross-border higher education in the Asia-Pacific region. To have substance, such an initiative would need to establish a local campus – either free-standing or co-located with another university. The Hong Kong Government may be envisaging such a development through its recent designation of specific sites for education.

4.46 Non-local private provision of this nature is not without problems. Experience shows that many of the institutions that set up outside their own country are not rated highly at home. Hence, the Government should be concerned about issues of reputation. At the same time, there is the risk of financial failure that attends any initiative in a free market. There are in Hong Kong reasonable regulations for the registration of non-local providers or, where there is collaboration with locally accredited institutions, for ensuring comparability of quality. Nonetheless, it would be advisable to review these provisions in the context of our recommendations on quality assurance in Chapter 8.

4.47 Another model, exemplified by Singapore and some Persian Gulf states, proposes that within one's own system there should be branches of foreign institutions or new units created by or on the model of such institutions. This implies a deliberate government policy to add to existing local provision through a strategy of determining how the higher education sector should fit together. The advantage is clear. Provided that these institutions have the highest international reputations, the receiving system benefits from that reputation which is, in some sense, grafted onto it. It follows that importing an institution that does not have such a reputation will not achieve this effect and may indeed be counter-productive. Indeed, it is our firm view that an indiscriminating general invitation to non-local institutions of relatively low reputation would be a serious mistake. Moreover, such developments have to be sponsored by government. Although, we have not had access to the detailed arrangements where this has occurred in other countries, it is clear that this option involves considerable public investment. That may involve the host government building the infrastructure (including buildings), providing subsidies and cash incentives and paying the salaries of staff. The higher the international reputation of the incoming institution, the higher the financial investment required.

4.48 Is this a desirable route for Hong Kong to follow? That is a difficult question to answer directly. Broadly speaking, existing examples offer



four different models. First, a non-local university can be asked to help plan and implement a new local university, most likely with a particular disciplinary emphasis (*e.g.* the social sciences). Second, particular departments from non-local universities can be invited to establish a local branch to provide teaching and training in that area. Third, a non-local specialist professional school can be invited to establish a branch campus: this might be a medical school or a business school, for instance. Fourth, one or more non-local universities or other cultural or research or policy institutes can be invited to join a collaborative centre locally.

4.49 For the most part, the local context of many examples elsewhere is sufficiently different from Hong Kong to make a direct translation of the model unwise. We think, for example, that existing provision in Hong Kong precludes the need for imported professional schools of the type described, although there may be a case for more technical, applied skills or skills not readily available in Hong Kong. Similarly, we are sceptical about the idea of bringing in a major foreign university in terms of direct cost/added value ratio for the Hong Kong population. As previously mentioned, various foreign universities already operate in Hong Kong and provide additional routes to degrees. It is possible, however, to envisage the case of a major foreign university wanting to establish a campus in Hong Kong aimed predominantly at a non-local student population. On one level, such an initiative would contribute to enhancing the general reputation of Hong Kong as a destination for education. The spin-off for Hong Kong would be incidental and it is a matter of judgment whether it would be adequate to justify the commitment of resources and focus. None of the existing models allows the government in question simply to allow some “natural” process to take place. All of the evidence suggests that any major initiative requires considerable engagement and watchfulness by the government over a long period in pursuit of a well-considered strategy.

4.50 Qatar illustrates this point. There, six departments from non-local major universities (including a medical school) have been operating for more than five years. Each was chosen for its provision of a particular discipline identified as necessary to the development of Qatar. Fully funded by Qatar, they will eventually be brought together in Education City to form an integrated higher education site. To our mind, Qatar is the most convincing model, devoid of the tensions and dissatisfactions that mark most of the other models available. However, it depends upon a very high level of investment and upon a stable, long-term strategy. On balance, this model is not transferable to Hong Kong. There is already a university system in Hong Kong with growing strength and an established reputation that is totally dissimilar to the original situation in Qatar. We believe that strategic investment in existing excellence

and in the development of identifiable strengths in Hong Kong is preferable.

4.51 Notwithstanding this general conclusion, we do see merit in another, smaller version. We refer elsewhere to the potential for Hong Kong higher education to develop distinctive research and graduate programmes that bring together Western and Asian perspectives. Where proven excellence exists in an institution, we see the possibility for collaboration with another internationally renowned institution to develop into a jointly funded and staffed centre in Hong Kong that would become a leading international focus for learning and scholarship. The initiative clearly needs to reside within an institution, but success would require additional investment. The establishment of a number of such centres would affirm the character and quality of Hong Kong institutions internationally. A small number of centres with this kind of focus already exist or are foreshadowed in universities' strategic plans.

#### **Recommendation 18:**

**The higher education sector should develop a number of jointly funded and staffed international centres for high quality research and graduate programmes combining Asian and Western perspectives.**

### **CONCLUDING REMARKS**

4.52 Based on the notion that Hong Kong's future depends upon its active engagement in specific ways with the globalising world and its region, we have argued that universities are a crucial part of that engagement. They must pursue policies adapted to that vision. The institutions of higher education are a platform for students to prepare for that future. They need to train a population to see itself in international terms without losing their specific Hong Kong identity. Universities need to complement the development of the Mainland and affirm Hong Kong's own historic identity by supporting in their work its character as an international intermediary.

4.53 Of course, there are dangers in an exaggerated emphasis on international activity. The tendency to look globally and internationally means that institutions are increasingly referenced against global models and not domestic policy objectives. "Disembedding" occurs when activity that takes place in the global space becomes sufficiently important to overshadow or displace activity in the domestic space. There may be tension between the global strategies and priorities of the institutions on the one hand and the strategies and priorities of the Government on the other if the institutions

become more absorbed than the Government or the community in the global dimension of action. Universities and the Government have to watch over the balance carefully.

4.54 Nonetheless, if it wants universities to be effective the Government will need to respect their autonomy in global matters. At the same time, it must provide a clear general policy envelope. To facilitate the development of institutions in the area covered by this chapter, the Government will need to “go with” the universities out into the global space and think globally. It must provide intelligent and focused facilitation outside Hong Kong, and needs to enable the inward movement of talent, and then to keep enough of the globally mobile talent to create bonds of loyalty strong enough to build long-term capacity. Offering an environment conducive to creative people will provide institutions and the community with an edge that becomes self-reinforcing once the threshold is reached. This suggests that, in return, the Government can expect through the UGC to ensure that the universities are transparent, exposed to global referencing, dealings and requirements, and that their leaders and governance are up to the mark.

4.55 It is important to emphasise that internationalisation is a dynamic and changing environment. The recent OECD report, *Higher Education in 2030, Volume 2: Globalisation*, suggests some emerging trends. The model of students studying whole degrees at non-local universities may lessen over time and be increasingly replaced by shorter-term mobility for training and targeted courses (especially postgraduate courses). This is a logical consequence of capacity building in countries that currently see students going abroad. It suggests that over time non-local students may be more attracted to Hong Kong for taught postgraduate courses and the skills they offer rather than for undergraduate study. Another clear trend is the increasing mobility of institutions themselves – a tendency to establish mechanisms to deliver education outside their own local environment. As things stand at present, these are potential changes over time. Different models can exist side-by-side. The message, however, is that within strategies that suit their own interests and profiles, institutions must remain alert and creative. Government strategy should display the same characteristics.

4.56 The perspectives outlined in this chapter also require clarity about Hong Kong’s particular advantages. Put simply, what is it that will attract students, academics, universities and research teams to Hong Kong rather than to another existing or emerging education hub? Clearly, the quality of Hong Kong institutions and their academics is central, but it is not unique. The use of English in instruction and research in much of these universities’ work is also a strong advantage. However, it appears to us that the unique advantage of

Hong Kong resides in the combination of two factors. First, history has given it a deeply embedded character as an international centre, a meeting place, a market place of exchange, a point of encounter between different cultures and influences and ways of thought. Second, it is adjacent to Mainland China and has long been a principal point of entry, exchange, interpretation and fusion – a privileged place of observation in both directions. Hong Kong's universities have a remarkable opportunity to become principal locations for understanding modern China. They offer ideal facilities to foreigners (especially Westerners) for the interpretation of the rapid evolution of contemporary China and the roots of a powerfully rich culture. The assertion of China's growing economic and political strength intensifies the need of other countries, whether Western or Asian countries, for information and comprehension. Hong Kong's proximity to Mainland China, the quality of its universities and a recognisable and palatable environment (not least in terms of the rule of law and academic freedom) suggest that it can evolve its vital function as an international intermediary. It is also true that China's success poses complicated issues for it, too, towards whose study Hong Kong may in this way contribute significantly. This is a challenge in particular for the social sciences and humanities in Hong Kong. Their success in this role will generate substantial direct and indirect benefits for the future of Hong Kong.

4.57 Hong Kong's advantage is strong but it is not necessarily lasting. It faces the inclination of others to go straight into Mainland China. We have already seen a number of major foreign institutions seeking to establish units in the Mainland. Decisive action is required if Hong Kong is not to be by-passed and its real advantages discounted. Indeed, we may say the same of the other elements of internationalisation that have been discussed in this chapter.

## **CHAPTER 5**

### **RELATIONSHIP WITH MAINLAND CHINA**

5.1 Many of the issues discussed in Chapter 4 also apply to Hong Kong universities' relationships with the Mainland. Nonetheless, we have separated the discussion of the Mainland because, in an important sense, Hong Kong faces two directions – both towards the wide world and towards Mainland China.

5.2 The rapid economic growth and rising prosperity of China in recent years has stimulated increasing interest around the world in studying and learning about China. Given Hong Kong's proximity to and close relationship with the Mainland, and the use of English as the medium of instruction in most of its institutions, Hong Kong is well placed to develop into a global centre for studying China-related subjects. Although some institutions already have programmes in this area, we see much room for further growth. This is also an area that would help to distinguish Hong Kong in its internationalisation efforts.

5.3 While universities in the West have reported increasing numbers of students studying the Chinese language and other China-related subjects, our discussions with local stakeholders revealed that Hong Kong students' knowledge about Mainland China is surprisingly low. We believe it is vitally important for our students to have a better understanding and knowledge of their country, not the least because Hong Kong is now an integral part of China, but also because the Mainland offers vast opportunities with rapidly improving working conditions. At the same time, our students will increasingly be competing with Mainland students for job opportunities not only in Hong Kong, but also globally. Hong Kong institutions should thus equip their students with the necessary skills and knowledge to meet such challenges.

5.4 It is timely for this report that the Central Government issued *The Nation's Medium and Long-Term Education Reform and Development Outline for 2010-2020* earlier this year after extensive consultation. The Outline sets forth the guiding principles and priorities of education reform and development in China. It encompasses all aspects of education reform. First and foremost, it emphasises the strategic importance of the role of education in raising the quality of the people, improving society and strengthening the country. Amongst other key issues, it identifies the importance of increasing and improving exchange and collaboration with international institutions, providing incentives for well-known international institutions to collaborate with domestic

institutions in teaching and research, and attracting talents to the Mainland. Hong Kong must seize this opportunity to deepen its relationship with Mainland institutions.

5.5 The need for Hong Kong to be involved in and to contribute to the rapid development of Mainland China is unquestionable. For Hong Kong's higher education sector to stay relevant in this process, there should be genuine exchange and collaboration at various levels and in different areas. In particular, Hong Kong should play a more significant role in the development of the Pearl River Delta through meeting the growing demand for higher education from Mainland students, and contributing to the Pearl River Delta's technological advancement through research collaboration. It appears to us to be sound and practical policy to focus on the Pearl River Delta because of proximity, opportunity and existing cultural and economic ties. However, we do not discount deepening collaboration elsewhere in Mainland China.

5.6 Hong Kong-Mainland ties have strengthened in recent years with the recruitment of more Mainland students, amounting to 4,562 undergraduate students (8,429 at all levels) or 8.1% of the undergraduate student population (11.4% of student population at all levels) in UGC-funded institutions in 2009/10. The institutions report that the quality of their Mainland students is high both in terms of Mainland rankings of the secondary schools from which they came and in comparative terms within the institutions themselves. In this respect, the recruitment of Mainland students achieves one of the aims of the diversification of the student body discussed in Chapter 4. Their recruitment also helps to verify the attractiveness of Hong Kong universities.

5.7 The presence of Mainland students on Hong Kong campuses also provides local students with the opportunity to gain a better understanding of their peers in the Mainland through interaction with them. Indeed, universities should provide more opportunities for students to acquire knowledge about the history and public affairs of Mainland China. However, as noted in Chapter 4, Hong Kong students have not exhibited sufficient desire to embrace non-local students in their circles. A common complaint from both international and Mainland students is that Hong Kong students are generally reluctant to speak any language other than Cantonese, and show little interest in including non-local students in their activities. We are concerned about this insular attitude. Our institutions could do more in providing counselling, support and encouragement to both local and non-local students to promote a more inclusive attitude on campus.

5.8 Currently, the majority of our non-local students are from the Mainland. However, as argued in Chapter 4, internationalisation requires a

much greater diversity of non-local students. Institutions will need carefully to balance the recruitment of Mainland and other non-local students. Competition for quota places between them should result in a continuing rise in the quality of non-local students generally, with beneficial effects in all the aspects to local students. In any event, institutions should not diminish their efforts to recruit top-quality Mainland students.

5.9 At the same time, the Mainland's rapid economic development, especially in the Pearl River Delta, is likely to generate a significant amount of unmet demand for higher education opportunities. Subject to the precautionary issues discussed in Chapter 4, Hong Kong universities could contribute to meeting this demand and thereby enriching and diversifying their non-local networks. We would encourage Hong Kong universities to pursue actively and according to their individual strengths the development of distance learning, of collaboration in joint or double degrees, and in a measured way other forms of delivery of educational provision in the Mainland.

5.10 UGC-funded institutions have for some time been establishing links with Mainland institutions in offering joint programmes, such as the Master of Business Administration (MBA) (International) programme jointly offered by the University of Hong Kong and Fudan University in Shanghai and the MBA in Finance programme jointly offered by the Chinese University of Hong Kong and Tsinghua University in Beijing. Recently, there have been some initiatives to establish campuses in the Mainland, especially in the Pearl River Delta. The Hong Kong Baptist University and Beijing Normal University jointly founded the United International College in Zhuhai with the approval of the Mainland's Ministry of Education. The University of Hong Kong has announced a plan to establish a campus in Shenzhen. The Chinese University of Hong Kong has signed a Memorandum of Understanding with the Shenzhen Municipal Government expressing its intent to enhance collaboration in education by establishing a campus in Shenzhen. The Hong Kong Polytechnic University has signed a Memorandum of Understanding with the Dongguan Municipal Government to conduct a feasibility study relating to education and research in Dongguan.

5.11 Although we support these efforts, we note the substantial resources, both human and financial, that will be needed to make any cross-border collaboration successful. In this regard, we would urge our institutions to balance the need to maintain standards in Hong Kong with the desire to expand their network in the Mainland.

5.12 Hong Kong institutions have also established partnerships with Mainland counterparts in research. Many have a research presence in the

Mainland of varying size and scope, and possibly in several different locations. Most prominently, 12 laboratories in UGC-funded institutions have been approved by the Ministry of Science and Technology as Partner State Key Laboratories in conjunction with the relevant State Key Laboratories in Mainland [E30]. State Key Laboratories carry out innovative research that takes into account the direction of national technology development, the national economy, social development and national security, contributing to the nation's scientific and technological development.

5.13 However, a significant limiting factor in the collaboration at State Key Laboratories in Hong Kong is the prohibition on the use of research funding from the Mainland by such laboratories outside the Mainland. It would require government-level negotiation to enable the flow of research funding in both directions, which would benefit institutions in both Hong Kong and the Mainland. This is discussed further in paragraphs 5.20 to 5.21 below.

## **THE IMPORTANCE OF THE PEARL RIVER DELTA**

5.14 The Pearl River Delta is clearly an area of major opportunity for Hong Kong higher education, just as it is for Hong Kong more generally. The quality of higher education in Hong Kong can provide considerable added value to its hinterland. This strategic direction is enshrined in *The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)* [E1]. Cross-border institutional mobility will be the site of many future innovations, and has the potential to grow in terms of the volume of collaboration, established sites and number of students. Collaboration in the delivery of degrees or the creation of new academic locations can involve all types of post-secondary/higher education institutions, including UGC-funded and private institutions. Judging from experience elsewhere, relative proximity can be an important ingredient of success. It encourages the real participation of academic staff, understandably tied by family and perhaps research considerations; it facilitates a common identity between branches; it promotes the identification of common concerns and themes in study, teaching and research; and it will eventually foster real partnerships with reciprocal benefits.

5.15 The vitality (and thus ultimate success) of such developments will come from individual institutions leveraging their own strengths and pursuing their own objectives. This is true not just of initiatives in the Mainland but also more generally in internationalisation. We believe that it would be counter-productive to attempt to drive this from the outside. Nonetheless, it does appear that present collaborative efforts in particular are largely uncoordinated. There are greater synergies to be unlocked between Hong



Kong institutions. It would be desirable for there to be an inter-university forum (organised perhaps by the Heads of Universities Committee) to identify the opportunities for synergy and to disseminate best practices.

#### **Recommendation 19:**

**Institutions should establish a clear strategy for developing different types of relationships with the Mainland, and in particular the Pearl River Delta.**

### **ROLE OF THE GOVERNMENT**

5.16 The Government has a crucial role to play in facilitating the developments that we have discussed. It needs to work with the Mainland authorities on cooperation agreements at the government level. This will provide more regulatory certainty to aspiring local institutions, and such agreements are necessary for their planning. Indeed, the creation of joint or double degrees with Mainland universities requires prior approval from the relevant Mainland authorities. Mainland regulations do not currently allow non-Mainland institutions or other organisations to establish educational institutions there without a Mainland partner. Compliance with local and national regulations may be laborious and demanding, and achieving clarity over mutually agreeable objectives is onerous for institutions.

5.17 The relationship with the Mainland is growing in a context of pressures on Hong Kong institutions from the introduction of the new four-year curriculum and its consequences. Hence, we believe that the success of this development requires the Government to root its stated objectives in the negotiation of a settled regulatory framework with Mainland authorities that acknowledges and enables the mutual benefit that deeper collaboration will bring to both Hong Kong and the Mainland.

### **FACILITATION OF CROSS BOUNDARY RESEARCH**

5.18 The same opportunities and the same necessary role of the Government apply in the area of research. We discuss the condition and perspectives of Hong Kong research elsewhere in this report. Here, it is sufficient to say that Hong Kong research is of a high standard (as evidenced by international league tables and by the results of the local Research Assessment Exercise) and that the available funding for it is necessarily small, given the size of the tax-paying population, in comparison with large university systems (such

as that in Mainland China).

5.19 There is obvious fruitful research synergy between Hong Kong and the Mainland. In recent years, a burgeoning research budget has allowed higher education institutions in the Mainland to emphasise applied research in support of the nation's economic development, while at the same time strengthening basic research. In Hong Kong, the Government has also made significant investments in university research. Nonetheless, there are currently impediments in funding the obvious synergy. Research funding originating in Hong Kong cannot generally be used outside Hong Kong, and research grants awarded in Mainland China cannot be used to do work in Hong Kong. During our consultations, stakeholders in Hong Kong made it clear that the restriction on the trans-border use of funding is an impediment to more research collaboration with the Mainland. Of course, the establishment of campuses in the Mainland might eventually allow Hong Kong researchers to participate in Mainland research funding. However, this is not a solution to what can be done in research in the short to medium term for our universities.

5.20 The use of research money is a complex question engaging, amongst other matters, the interests of the taxpayers and issues of accountability. Nonetheless, we believe that the Government should work with the Mainland authorities to define the conditions under which some flexibility might be achieved for a two-way flow of some research funding. Some budget in institutions on both sides might be reserved for high-impact joint research collaboration. This will enable Hong Kong to contribute more effectively to the Mainland. In the Pearl River Delta, this will complement the existing cooperation schemes in the field of innovation and technology, including, for instance, the Shenzhen-Hong Kong Innovation Circle, the Partner State Key Laboratory Scheme and the Guangdong-Hong Kong Technology Co-operation Funding Scheme. It is also in line with the direction of promoting innovation and technology as set out in the *Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)* [E1].

5.21 Hong Kong has the proven infrastructure to support the development of high technology industries, including amongst others its excellent university research. The Mainland is a vast potential market with an extensive manufacturing base, rich human resources and strong research capabilities. It is expected that with the increased flexibility, Hong Kong and the Pearl River Delta can further build on their respective advantages and provide a conducive environment for cooperation in a more profound and diverse manner. This will also reinforce Hong Kong's intermediary role in promoting technological cooperation between the Mainland and the rest of the world, through joint efforts with Mainland counterparts to attract more overseas

enterprises to conduct R&D projects in Hong Kong or in the Pearl River Delta.

**Recommendation 20:**

**The Government should initiate negotiations with relevant authorities on the Mainland with a view to easing regulatory requirements in teaching and research collaboration with Mainland institutions, especially the portability of research funding.**

## **CHAPTER 6**

### **TEACHING AND LEARNING, RESEARCH, AND ROLE DIFFERENTIATION**

6.1 The UGC sector is largely financed by public funds. The Government and the community thus have a legitimate interest in whether UGC-funded institutions are providing the highest possible standards of education in the most cost-effective manner. The effectiveness of governance and administration has improved markedly since the 2002 Review Report. They do not require extended analysis here, but should remain matters of constant vigilance and evaluation inside institutions. The general advice offered in Chapter 3 of the 2002 Review report remains valid. In the challenging environment of change that we outline in this report, governing bodies need to be especially mindful of two roles. The first is to check and challenge university management where necessary; the second is their responsibility to ensure future financial sustainability of the institution as evolving strategies bring ambitious new initiatives. However, the principal issues for review in this chapter are teaching and learning, research, and role differentiation. In Chapter 7, we will discuss the tools available to facilitate the development of UGC-funded institutions, including funding methodology, institutions' relationships with their self-financing operations, and efficiency.

#### **ROLE OF UGC-FUNDED INSTITUTIONS**

6.2 UGC-funded institutions are the direct beneficiaries of significant amounts of public funds. We thus believe the UGC sector should be seen as fulfilling four major roles and responsibilities. It should:

- (i) provide the high quality teaching and learning that defines the benchmark for the entire system;
- (ii) cover the needs of society in terms of comprehensive provision/breadth of graduates, filling “gaps” if they appear and remain unfilled;
- (iii) be a key source of future generations of academics – which of itself requires a research dimension; and
- (iv) be a key driver/player in research because Hong Kong, as a

knowledge society, needs such a provision and because the private sector is not yet able to supply it.

6.3 Public policy in Hong Kong clearly concentrates funding principally on the UGC sector and allows the private sector to provide for expansion and the access of a wider population to further and higher education. The current structure invests in those institutions and students whose record suggests that they have the greatest potential to benefit Hong Kong in the future. This is a reasonable basis for policy. However, it has two implications. The first is that the transition of students from the self-financing sector to the publicly financed sector must be made as straightforward as possible when talent reveals itself in individuals. We discussed this in Chapter 3. Second, this policy emphasises the requirement for publicly funded institutions and individuals to take account of public need and the general interest, and to ensure that they perform to the highest standard of which they are capable. It is the job of the UGC to ensure that these requirements are met.

6.4 In the following sections and in Chapter 7, we explore ways to assist UGC-funded institutions in fulfilling these responsibilities through the implementation of initiatives at the institutional level, as well as the allocation of funding by the UGC.

## **SECTION I. TEACHING AND LEARNING IN THE UGC SECTOR**

6.5 Universities are vital sources of knowledge and innovation. They educate students to go into the world with the relevant knowledge, skills and attitudes that can contribute to the development of a dynamic society and knowledge-based economy. In this context, it is imperative for higher education institutions to ensure high quality education, not just for the benefit of students but also for the well-being of the wider community.

6.6 In the current fast-changing world, education does not and cannot mean the passing on of knowledge alone. What is relevant or useful today may not meet future demands. Students need to have the ability to pursue an interest in lifelong learning, and should possess the mental and conceptual skills that equip them to adapt to change and even to steer it. This is indeed the challenge for educators in the higher education sector, particularly those in the UGC-funded sector. At the same time, students should be actively engaged in learning, and in exploring their own learning needs and preferences, which will contribute to the quality of their learning experiences. As discussed above, one of the roles of UGC-funded institutions is to provide benchmark high-quality teaching and learning for the entire system. While universities should be

engaged in research, their primary responsibility is to teach their students to promote their learning and development. This is particularly important to UGC-funded institutions, which are financed by taxpayers who can and should legitimately expect that the money they have invested is used to educate young people so they become thoughtful, self-reliant, adaptable and contributing citizens. Quality teaching is what universities are expected to provide, and the most obvious products of university education are undergraduate students. The emphasis on teaching in no way undermines the importance attached to research. In fact, universities should provide teaching that is based on and informed by research. The interplay between teaching and research will be discussed later in this section. Given the foregoing, UGC-funded institutions play an extremely important role in maintaining and upgrading education quality in the entire higher education sector.

### **UGC's Focus on Teaching and Learning**

6.7 It is one of our prime functions to assist UGC-funded institutions in educating their students effectively, which is the core mission and duty of all UGC-funded institutions, regardless of their agreed roles. In pursuit of this, apart from the establishment of the Quality Assurance Council to oversee the quality assurance mechanisms of UGC-funded institutions for taught programmes, we have also invested substantial resources in system-wide initiatives on teaching and learning, such as the Teaching Development Grants (\$113 million in the 2009-12 triennium) for UGC-funded institutions to adopt innovative approaches to teaching, improve the learning environment for students and promote the professional development of teaching staff. We also encourage institutions to adopt outcome-based approaches to enhance student learning. To facilitate the institutions in weaving “outcomes” into their new four-year curriculum and to build up their capabilities, the UGC is providing additional funding of about \$108 million to its funded institutions over the 2006/07 to 2010/11 academic years.

6.8 More importantly, we have always stated that teaching is *the* primary function of the institutions and, the UGC allocates 75% of the recurrent grant to teaching. However, institutions perceive that funding for teaching is not affected by actual performance, whereas funding for research is. As discussed in the section on research below, as research funding has become more competitive, coupled with the natural tendency of institutions to try to excel in league tables (which emphasise research performance), institutions are driven in many ways to focus more on research. With the increasing emphasis on research, the amount of time and emphasis faculty members are placing on teaching is reducing – at a time when students would benefit from more interactions with faculty members. This has become a major concern. In fact,

one of the most common remarks made to us in our consultations was that the quality of teaching has suffered due to a reward system that is skewed towards research.

6.9 UGC-funded institutions are both the creators and disseminators of knowledge. While the importance of research is evident for a knowledge-based society, this does not (and should not) make teaching a secondary mission of universities. In view of the UGC-funded institutions' primary responsibility to educate their students, and the recent trend to focus more on research instead of teaching, we consider that teaching should be revitalised as a matter of urgency at the system and institutional levels.

#### Change at the System Level

6.10 At the system level, the most obvious tool for bringing about positive change is funding. Chapter 7 provides more detail of our philosophy on funding for teaching. Here it is sufficient to note that great care must be taken not to reduce the units of resources available for teaching, as ultimately it will be the students who suffer. Yet this does not mean that the funding body should not care about nor evaluate whether institutions are teaching well to enhance student learning. This can be done, although it is certainly difficult, by looking increasingly at outputs and outcomes, and building up reliable data on these.

6.11 A second effective system level approach is positive reinforcement through encouraging institutions to devote more attention to teaching and to helping the spread of good practices across institutions. Funding bodies in other parts of the world have used funding to provide incentives for teaching. For instance, the Higher Education Funding Council for England has identified and funded subject-based Centres of Excellence in Teaching and Learning in 74 universities. The Australian Teaching and Learning Council has an annual budget of approximately A\$27 million to recognise, reward and support outstanding teaching and practice in higher education through competitive grants, fellowship schemes and award schemes, *etc.* In the case of Hong Kong, we believe that the UGC should consider providing, on top of the current funding for teaching, competitive grants and invite institutions to develop proposals to enhance student learning at the institutional level or in specific disciplines, perhaps through establishing communities of practice as discussed later in this section.

6.12 Teaching quality may also be enhanced by the provision of professional development for the teaching staff of UGC-funded institutions. University professors are primarily hired for their academic achievement, and good performance in teaching should not be taken for granted. Teaching and

research activities involve different skill sets, and thus it should not be assumed that people who are good at one activity are always good at the other. To improve teaching quality, many universities in the UK require newly appointed academics to undergo some form of training in teaching and learning, and a number of universities offer qualifications for this. In the US, some colleges and universities require graduate teaching assistants to attend classes or undergo training prior to being given responsibility for a course. Some US universities provide instructional support programmes for faculty and teaching assistants. We want to encourage institutions to develop their in-house programmes, which will have to be benchmarked against international good practice and to make participation in these programmes mandatory for newly recruited staff. This initiative should considerably strengthen the teaching staff's professional expertise in teaching and learning at the entry level and, in turn, a culture of professional development within the institutions. The Quality Assurance Council could also review the professional development of teaching staff in its quality audits of UGC-funded institutions, which will help institutions to reflect on whether they have in place mechanisms to ensure that their teaching staff are well equipped for the challenges presented by a fast-changing world.

### Sector-wide Surveys and Assessments

6.13 Another possible initiative to improve teaching and ensure high quality throughout the sector is to conduct sector-wide surveys and assessments to enable institutions to demonstrate with evidence how they add value or excel in specific areas of student learning. There are many examples around the world where governments have introduced – or intend to introduce – measures of this nature. For instance, the Higher Education Funding Council for England undertakes the National Student Survey, which surveys all final year students (university by university and subject by subject) and establishes how satisfied students are with various aspects of the teaching that they have received. Despite initial resistance to the survey on the part of many universities, it has now become an established and appreciated part of the system. We have been advised that there are numerous documented cases in which universities have changed their practices in response to the Survey.

6.14 In the US, the National Survey of Student Engagement collects data on the extent to which institutions engage students in active forms of learning. There is also the Collegiate Learning Assessment, which is based on the notion of value-added and which measures, amongst others things, how much students' skills improve during their time at the institution through the use of a pre-test/post-test model. We feel strongly that either the UGC or the Government should initiate surveys and assessments to measure the overall university experience of students and the “value-added” of the education



provided by UGC-funded institutions. One particularly important area of focus is the language proficiency of students in both Chinese and English. These survey and assessment results can provide guidance for institutions to improve education quality, particularly with respect to student learning. We also advocate the publication of these results, which would enhance the accountability and transparency of the institutions.

### **Recommendation 21:**

**The UGC should ensure that it uses the tools at its disposal to assess and reward evidence of teaching excellence, both at the system level and at the funding level. Sector-wide surveys and assessments of student learning outcomes should be developed and published.**

## **Institutional Focus on Teaching and Learning**

### **Building Communities of Practice**

6.15 Funding and surveys can help steer institutions to better teaching. However, to sustain an institutional emphasis on teaching, a cultural change or a change in mindset will be necessary. One possible way to bring about such change is to provide seed funding to bring together a network of outstanding higher-education educators in Hong Kong to lead communities of practice both within and across institutions. The roles and responsibilities of these communities may include the admission of members and fellows, and the establishment of teaching awards to provide system-level recognition to outstanding teachers. They could also offer high-quality development workshops/courses and promote research on education in the Asian context, with a view to developing these communities into centres of excellence in teaching and learning in Asia that can also reach out to universities in Mainland China and elsewhere. Their operations could be funded by private donations and/or public money. Regardless of the funding source, the establishment of these communities will send a strong message that teaching and learning is being taken seriously. Models of such communities elsewhere include subject-based centres of the Higher Education Academy in the UK and faculty learning communities in the US.

## Internal Motivation Drivers in Institutions

6.16 While funding tools could be employed to improve teaching, much more needs to be done at the institutional level. The assessment of teaching staff performance and institutional policies on staff promotion are the key drivers of individual faculty behaviour. These fall squarely within institutional autonomy. To encourage better teaching and hence student learning, institutions need to develop credible tools to assess performance in teaching and consistent policies to recognise and reward good teaching. Many UGC-funded institutions inform academic staff that their expected split of work is 40% teaching, 40% research and 20% community/others. Yet we are aware that individual academics simply do not believe that the 40% teaching is given such weight in assessments, and empirical evidence seems to bear this out. UGC-funded institutions must take steps to correct this gap. The notion that teaching cannot be easily assessed has often been used as a reason for not taking teaching performance seriously, but we have found that this view is not supported by research on the evaluation of teaching. It is indeed possible to assess teaching – it is just that doing so requires determination on the part of institutional management and a considerable amount of work.

6.17 Research has shown that a well-designed system for evaluating teaching must collect data from students, peers, self and administrators, with each evaluator providing information on an area of educational work in which he/she has first-hand experience and is qualified to rate. The first three data sources above (students, peers and self) each have limitations, but together (through triangulation) they represent a valid overall picture. Students, for example, are in a good position to provide information on classroom performance, course delivery and facilities, assessment methods and advising/mentoring, but not on course/curriculum design. Student evaluations of courses provide useful but incomplete data for a purposeful evaluation of teaching. Furthermore, to enhance the validity of student feedback, students should be told what teaching evaluations are for and steps should be taken to show them that their input is taken seriously.

6.18 Peer reviews of teaching are another source of useful information, but reviewers need to be properly trained so that they know what to look for, and the review should include more than an occasional class visit. Self-evaluation constitutes another useful source in the assessment of teaching, in particular through the thoughtful compilation of a teaching portfolio.

6.19 Teaching portfolios have been widely used for the formative and summative evaluation of teaching for close to 20 years in universities all over the world and across many academic disciplines. The idea of a portfolio

approach is to collect a body of evidence, both quantitative and qualitative, to demonstrate an academic's professional accomplishments. The various studies in teaching performance evaluation form a solid basis for institutions to identify ways to credibly assess teaching quality. We recommend that institutions make reference to both local and overseas experiences and develop assessment tools for evaluating the performance of teaching staff that suit the circumstances of individual institutions.

6.20 A credible system to evaluate teaching can help institutions reward and hence encourage good teaching. We have been advised that universities elsewhere have been making strenuous efforts to improve and focus on teaching. For instance, in the UK, while the rank of Professor has traditionally only been available to staff in recognition of their research achievements, the majority of universities now have chairs that take teaching excellence into account as well, and in many cases appointments can be made purely on the basis of teaching criteria. In Hong Kong, many students and faculty members have raised concerns about the lack of proper recognition for good teaching. To address this problem, it has been suggested that institutions should provide different ladders for staff advancement so that faculty members can be promoted for good performance in either research or teaching. While promotion policies fall under institutional autonomy, we would like to encourage UGC-funded institutions to contemplate as a matter of priority how good teaching can be duly recognised through their award/promotion systems. This is necessary not only for the sake of correcting the imbalance between research and teaching, but also because of the increasing international competition for quality students that requires Hong Kong's institutions to upgrade their teaching quality to maintain and enhance their competitiveness in attracting quality students.

### A Learner-centred Approach in Curriculum Design

6.21 Traditionally, the design of curricula (including content and delivery modes) has often been “teacher-centred”, whereby teachers decide what and how they teach, often based on their expertise or interests. We note the recent advances in learning sciences that have resulted in a body of literature on how students learn, such as in terms of: learner characteristics, including the acquisition and organisation of knowledge, goal directed practice and the importance of motivation and engagement. By understanding these, teachers can design curricula in ways that address student needs, and focus on priority areas. Institutions and individual academics should take account of this literature in their curriculum design and faculty development programmes to improve teaching.

## **Recommendation 22:**

**UGC-funded institutions should place as much emphasis on the assessment of competence in teaching as they do on research. They should collectively consider the establishment of communities of practice to promote sector-wide collaboration on teaching and learning issues.**

### **The Teaching-Research Nexus**

6.22 The academic community generally holds that teaching and research should be closely linked. However, research in this area seems to suggest that even though there are potential synergies between teaching and research in principle, such synergies do not often happen in practice. One useful approach to strengthening the teaching-research nexus is to treat teaching as a legitimate form of scholarship and ensure that it is based on and informed by research. Several specific strategies for enhancing the link between teaching and research are:

- bringing research into the classroom (*e.g.*, adopting an inquiry-based approach to teaching, exposing students to the research process, enriching the teaching content with the latest research findings, *etc.*);
- involving undergraduate students in research projects; and
- broadening the notion of academic scholarship (*e.g.*, recognising research on teaching and learning).

6.23 A number of UGC-funded institutions are working hard to establish and strengthen the teaching-research nexus, and the change to a four-year undergraduate curriculum will provide opportunities to make progress in this direction. This is an area in which targeted support in faculty development will be necessary for frontline teaching staff.

### **The Use of Information Technology**

6.24 The rapid development of information technology has turned upside down the way students communicate, acquire knowledge and obtain information. This development requires corresponding changes in the delivery of curricula in terms of pedagogy and assessment. Faculty need to be aware of

and able to adopt, as appropriate, pedagogical innovations that have been made possible by information technology, such as software for content creation and dissemination, asynchronous learning and teaching, learning management systems, and social networking via the World Wide Web. Just as important is their ability to understand the learning characteristics of a new generation of students who have grown up with new technology and to adjust their teaching accordingly. Research has shown that innovation in teaching using information technology, amongst other innovative practices, could impact positively on student learning provided that it is based on sound learning principles. With information technology, a great deal of what once could not be done can now be done relatively easily. A notable advantage of using information technology is the possibility of building in more interactive features in the curricula to better engage students in their learning and to provide feedback. With information technology, programme delivery is no longer confined to the classroom, and instead can take various modes, such as online tutorials. Institutions should reflect on how to capture the opportunities provided by e-learning (which should not be confused with distance learning) to enhance the quality of teaching and learning. The “3+3+4” curriculum revision is a good opportunity for doing so.

### **Other Learning Support**

6.25 It is of equal importance that support for student learning should be enhanced. An environment that is conducive to student learning should contain supportive hardware and software. Factors such as facilities, learning resources, the educational climate and the culture of the institution all have an impact on student learning experiences. As institutions are gearing up for the four-year curriculum in 2012 (which means new students will be a year younger than the students in the current cohorts), institutions will need to strengthen support for first-year students to help them adjust academically, socially and emotionally to a new environment and learning mode.

6.26 We believe that the UGC should play a facilitating role by engaging institutional leaders in dialogues on ways to promote such a culture and practices. As outlined above, the UGC’s own initiatives (together with other external factors) may have, in one way or another, driven institutions to become more research-focused at the expense of teaching. Looking ahead, we will need to ensure that any new initiatives to be introduced will give due regard to the importance of teaching and learning, which should remain central to all endeavours of higher education institutions.

### **Recommendation 23:**

**UGC-funded institutions should seek to adopt the approaches outlined in the Review for the improvement of teaching and learning in areas related to faculty development and the strengthening of the teaching-research nexus. They should report on their implementation no later than 2015.**

## **SECTION II. RESEARCH**

6.27 This section is divided into two parts. In the first part we examine the overall position of R&D spending or investment in Hong Kong, which is by no means confined to UGC-funded institutions. In the second part we review the position of the UGC-funded sector, including the important issue of knowledge transfer or exchange.

### **Research and Development in Hong Kong**

6.28 We believe that research, in its various forms, will become a vital ingredient in Hong Kong's success. Although it is already a commonplace to say that we live in a "knowledge economy", it is nonetheless a truth. That is especially the case for Hong Kong, which has no natural resources and must survive and prosper on the resources of its people, exploiting those advantages that are open to it through its geographical location and its historical experience.

6.29 In the previous paragraph, we said that research "will become" a vital ingredient in Hong Kong's success. It must be acknowledged that research has not been a vital ingredient to any great extent thus far. For several decades Hong Kong has managed to evolve very well into a prosperous society, without putting significant funding into research from either the private or the public purse. In 1979, the then Advisory Committee on Diversification did not favour Government expenditure on R&D. That reflected the thinking of the time. It was not until 1991 that the Government accepted the advice of the UGC to establish the Research Grants Council (RGC) with annual funding of \$100 million.

6.30 Since then, research funding has grown considerably. A significant amount is identified by universities from UGC/RGC funds for research (approximately \$4.5 billion per year), and the RGC now disburses about \$750 million per annum for research projects. The Innovation and Technology Fund of the Government is projected to spend approximately \$1.0

billion on R&D in 2010/11, having been spending from \$400 million to \$800 million per year in the recent past. Nonetheless, these efforts still pale into insignificance when compared to our global competitors.

### **The Quantum of Research Funding in Hong Kong and its Sources**

6.31 The 2002 Review Report (paragraph 5.10) stated that total research and development funding (from all sources) in Hong Kong stood at 0.48% of GDP in 1999. This figure lagged far behind all of our economic competitors at the time and was viewed with concern.

6.32 The situation has improved since then, but Hong Kong still lags far behind others. In 2008, Hong Kong devoted about 0.73% of GDP to R&D – some 50% more than the figure in 1999. However, as the table below demonstrates, this was still far lower than other advanced economies, particular in the Asia-Pacific region. At the same time, the breakdown of expenditure between the public and private sector is also of considerable relevance. For all those economies with a significant percentage of R&D expenditure (including Mainland China), the major driver is the private sector and not the government. In Hong Kong, the ratio of public to private R&D expenditure is about 60:40 – in others it is nearer 30:70. In Hong Kong, while public R&D investment is low, it is clear that the main factor absent is the private sector.

### **Comparison of the total amount of public and private funding for research expressed as a percentage of GDP in Hong Kong and other advanced economies**

Economies <sup>(a)</sup>	Ratio of R&D expenditure to GDP (%)	R&D expenditure by sector			
		Public (%)			Private (%)
		Higher Education Sector	Other Sectors	Total	
Australia	1.84	25.7	14.1	39.8	60.2 <sup>(b)</sup>
Canada	1.84 <sup>(c)</sup>	35.0	10.2	45.2	54.8 <sup>(b)</sup>
Mainland China	1.44	8.5	19.2 <sup>(d)</sup>	27.7	72.3
Hong Kong	0.73 <sup>(c)</sup>	54.1 *	3.1	57.2	42.8
Japan	3.78	18.3	9.2	27.5	72.5
South Korea	3.47 <sup>(e)</sup>	10.7 <sup>(e)</sup>	11.7 <sup>(e)</sup>	22.4 <sup>(e)</sup>	76.2 <sup>(e)</sup>
Singapore	2.77	20.5 <sup>(f)</sup>	7.6	28.1	71.8
Taiwan	2.77	12.2	16.8	29.0	71.0 <sup>(b)</sup>
UK	1.82	25.6	8.8	34.4	65.6 <sup>(b)</sup>
USA	2.66 <sup>(c)</sup>	13.2	10.7	23.9	76.1 <sup>(b)</sup>

- The funding from the UGC amounted to 41.7%.

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- (a) Australia: Australian Bureau of Statistics, 2006
  - Canada: Statistics Canada, 2008
  - Mainland China: National Bureau of Statistics of China, 2007
  - Hong Kong: Census and Statistics Department, Hong Kong Special Administrative Region, 2008  
University Grants Committee, Hong Kong Special Administrative Region, 2008
  - Japan: General Affairs Division, Statistics Bureau of Japan, 2008
  - South Korea: Main Science and Technology Indicators, Volume 2008/1, OECD, 2007
  - Singapore: Agency for Science, Technology and Research, Singapore, 2008
  - Taiwan: National Science Council, Taiwan, 2008
  - UK: National Statistics, UK, 2007  
Department of Business, Enterprise and Regulatory Reform, 2007
  - USA: National Science Foundation, USA., 2007
  - (b) Includes private non-profit sector
  - (c) Provisional/preliminary data
  - (d) The research institutes and related organisations in Mainland China are largely government owned and their R&D expenditure is regarded as government expenditure on R&D.
  - (e) Excluding R&D expenditure in the social sciences and humanities
  - (f) Including public research institutes

6.33 One final point of relevance is where the public research funds originate from and where they go. The majority of public R&D funds in Hong Kong comes from the UGC and hence goes almost exclusively to UGC-funded institutions. In other jurisdictions, parts of the public sector other than education usually provide a very significant element of R&D funding.

6.34 In conclusion, it is clear that Hong Kong is out of line with its regional comparators (let alone other significant economies globally), to its disadvantage. This is true both in aggregate and in terms of the source of investment. These figures may disguise Hong Kong private investment in R&D in enterprises physically located across the border, which would be registered in the Mainland's figures, but that should not diminish the significance of the comparisons for Hong Kong.

6.35 Can Hong Kong continue to under-invest in research? We believe not. As global competition increases and individual economies exploit their niches to the full, an open economy like Hong Kong cannot afford not to do research in areas that will advance its competitive advantage. Investment in R&D is widely accepted as a key factor contributing to the competitiveness of an economy. Governments in developed economies large and small, service- or industry-focused, have embraced this. Agencies that look at the competitiveness of economies also view R&D expenditures as a key determinant (such as the International Institute for Management Development). There is no doubt that R&D plays an important role in sustaining and promoting



competitiveness.

6.36 Hong Kong requires vigorous investment in R&D to maintain a talent pool of different backgrounds. It depends considerably on the knowledge and ingenuity of its population. A vibrant research environment is essential to attract talents to Hong Kong. Regardless of their background (whether a professional in accounting or IT or a researcher in science or humanities, for instance), all talented people are attracted by the presence of other talented people in the same and related fields.

6.37 Furthermore, having R&D in Hong Kong provides a platform for innovation, which is essential to prosperity. R&D is not only about new products or groundbreaking discoveries. Even in a small, open and service-based economy, R&D is essential to understand, master and apply new knowledge and discoveries. A strong local research base enhances the capacity to take advantage of research conducted elsewhere. This is acutely true in the key service industries that characterise Hong Kong.

6.38 It is clear that the Government has taken this point. In his 2009 Policy Address, the Chief Executive identified six industries (in addition to the four traditional pillar industries of financial services, tourism, trading and logistics, and professional services) for targeted development where Hong Kong enjoys clear advantages: education services, medical services, testing and certification, environmental industries, innovation and technology, and cultural and creative industries. However, it remains uncertain how much investment – particularly in R&D – the Government will want or be able to put into these endeavours and how enthusiastic the private sector will be to join.

6.39 One cannot expect the public sector to carry the major share of total R&D spending in an economy. Given the size of the required investment, this is financially unrealistic. At the same time, however, Hong Kong faces issues that other economies do not. First, although Hong Kong is a Special Administrative Region of the People's Republic of China, it has very limited access to national R&D funds (as discussed in Chapter 5). If Hong Kong were for example Boston, its universities would have access to US federal research funding. Thus, the unique position of Hong Kong as part of, but separate from, China is a disadvantage with regard to access to R&D funding. Second, a similar position obtains with regard to generating more private sector R&D spending in Hong Kong. Hong Kong lacks a vibrant private R&D sector: it seems that businessmen in Hong Kong are not as keen as their overseas counterparts to invest in R&D. Third, again due to Hong Kong's unique situation, it is difficult for Hong Kong researchers to gain access to research intensive industries in the Mainland, such as pharmaceuticals, IT and defence.

6.40 The problems identified above are not intended as criticisms. Rather, they are statements of the position on the ground that needs to be taken into account and analysed further to see if changes or improvements can be made. The UGC has neither the remit nor the expertise to advise the Government on the very complex, multifaceted area of R&D policy and implementation. However we can make the following observations.

- (a) The Government should develop further and articulate more clearly its specific R&D policy and what role its various areas have in this. There should be clear policy to encourage the private sector to contribute more to R&D in Hong Kong. The impressive research performance of the UGC-funded sector has created excellent R&D opportunities for Hong Kong, and this should be made known to Hong Kong entrepreneurs. The Innovation and Technology Fund has now been in existence, with its \$5 billion initial lump sum injection, since 1999. Its role in pushing R&D further will be crucial.
- (b) As set out in Chapter 5, there can and should be a greater role for cross boundary research collaboration and endeavours. This will require a rethink of money crossing the border and more government-level facilitation.
- (c) Given the limited funding and nature of research that can receive support from the public purse, Hong Kong's research efforts need to be focused to achieve critical mass and be at the leading edge internationally; and
- (d) The public funding that is devoted to R&D is too concentrated from one source – the UGC – and thus in turn from the education funding envelope. This is not healthy. The provision of public funding for R&D should be increased from other policy bureaux and departments. In other jurisdictions, leaving aside defence, these would be the health, commerce, industry and technology bureaux.

A start has certainly been made on some diversification of funding. The establishment of a Theme-based Research Funding stream under the Research Endowment Fund is promising and very welcome. As it is taken forward, this will both encourage the creation of critical mass and collaboration between academics/institutions, and also spur work on issues of particular relevance to Hong Kong. The funding for Public Policy Research (up to 2012) from the

Central Policy Unit, is also innovative. However, these are limited steps so far.

**Recommendation 24:**

**The Government should further develop its R&D policy and ensure that it dovetails more effectively with the four pillar and six new industries identified by the Government for targeted development.**

**The UGC-funded Sector**

6.41 In an earlier section, we articulated why we believe it is important that UGC-funded institutions are actively engaged in research. Briefly, we believe in the concept of research-informed teaching. All academics should be at the forefront of knowledge in their field to transmit the latest thinking and developments, and engender a sense of exploration and excitement. There is a strong need for Hong Kong to nurture and develop its own academics, and this requires a strong research element across all major disciplines. Finally, we see a very close and important link between UGC-funded institutions in particular and the research needs of a knowledge-driven society like Hong Kong. As described in paragraphs 6.51 to 6.54 below, all communities are relying increasingly more on their universities for conducting research, not only to enable industry and innovation to flourish, but also to meet social and societal needs. Hong Kong possibly needs this more than most from its publicly funded institutions, because the private sector/industry is not yet carrying its weight.

6.42 Research can take many forms. The Carnegie Foundation has identified four forms of scholarship: discovery, integration, application and teaching. These are designed to show that research is not and should not be narrowly defined as solely, for example, “blue sky” or discovery based. The UGC’s Research Assessment Exercise 2006 embraced all four Carnegie forms and the RGC makes no distinction between them in its evaluation of research grant applications.

**Research Funding and Endeavour between and within UGC-funded Institutions**

6.43 Research funding to different institutions has varied for both historical and policy reasons. In the early 1990s, Hong Kong started from a very low base in terms of research. It was *ad hoc* in nature, only a limited number of staff had the willingness and ability to supervise research students and there was little or no explicit funding. In addition, some institutions were

newly established and did not have sufficient manpower and financial resources to build up their research capabilities. However, the position has now changed radically. Hong Kong can hold its own internationally in many fields of research endeavour. The culture of research is very firmly rooted here in all UGC-funded institutions, and the total funding available for research has grown very considerably. All institutions have been able to and have recruited significant numbers of staff fully capable of and wishing to undertake research and supervise research postgraduate students. One of the main results of this is that all institutions now actively compete for research dollars and resources and expect to do so on an even footing with other institutions. This has significant implications for the way we should manage and allocate research funding and resources.

6.44 We believe that all UGC research funding and resources should be competitively allocated. This has not been the position uniformly adopted in the past. Most research postgraduate places, for example, are currently allocated without reference to quality or success in research output. We also believe it would be wrong to “anoint” one or more institutions as deserving of additional funding, as such an approach could encourage complacency and the misdirection of scarce resources. Because all UGC-funded institutions are able to and have recruited academics capable of excellent research, all should be eligible to apply and be funded on the basis of their excellence. If this system works well, it should lead to each institutions thinking strategically about the areas into which they should put money and staffing. This should lead to critical masses that further boost excellence. By concentrating research personnel and resources in certain fields, institutions should be able to gain increasingly more resources in those fields.

6.45 This is the position that we have been seeking to achieve. For several years, we have urged UGC-funded institutions to act strategically and focus their research resources, and we have emphasised the importance of role differentiation in research as in other areas. However, there is still too little strategic oversight of research and too little real role differentiation. This applies equally to the comprehensive universities (in one of which 23 research concentrations can be found) and to the smaller/newer institutions. We believe that this lack of strategic focus diminishes the capacity of Hong Kong’s universities to achieve their potential.

6.46 To encourage the research endeavours of UGC-funded institutions towards these goals while at the same strengthening role differentiation, we will:

- (a) clearly emphasise that we support high quality research wherever it appears in the UGC-funded system, recognising that all

UGC-funded institutions are capable of undertaking excellent research in defined areas; and

- (b) move far more of the funding and resources available for research onto a genuinely competitive basis, as set out in Chapter 7.

**Recommendation 25:**

**Research funding and resources should be allocated increasingly on a competitive basis.**

**Functioning of the Research Grants Council**

6.47 With the increase of funding to the RGC now coming on stream from the Research Endowment Fund, it is inevitable and appropriate that its mode of functioning and organisation should change. Indeed, the RGC is already rising to the challenge of the Theme-based Research Scheme and the Public Policy Research initiative.

6.48 At present, the RGC's work is assisted by four specialist subject panels, responsible for Physical Sciences, Engineering, Biology and Medicine, and Humanities, Social Sciences and Business Studies. The RGC is aware of concerns that the scope of some panels may be too wide and also of perceived bias in some areas. It is already addressing the breadth issue, and in future intends to allow each panel much more separation of assessment methods to meet other concerns. This should reassure institutions with different roles and strengths that their needs are being properly taken care of and will allow them to differentiate themselves more effectively.

**Access to RGC Research Funding by Private Universities**

6.49 One area that needs to be addressed in this report is the position of non UGC-funded institutions' access to research funding granted through the UGC. At present, only academics of UGC-funded institutions are eligible to bid for funds allocated by the RGC. Other staff – both local and overseas – need to partner with a Principal Investigators from UGC-funded institutions to be considered.

6.50 Given the limited amount of funding that has been available for research, this position has been appropriate. Yet as more funds are made available and allocated competitively through the RGC, a re-examination of this

policy will be warranted. While we envisage (as set out elsewhere in this report) that private universities in Hong Kong will be predominantly teaching led, certainly initially, we should not rule out their wish and ability over time to compete effectively for project research funding. We suggest that this policy be reviewed from time to time, with a view to becoming more inclusive of all university level institutional staff.

### **Recommendation 26:**

**The access of private universities to competitive research funding should be reviewed periodically.**

### **Knowledge Transfer or Exchange**

6.51 It would be remiss to conclude this section on research without appropriate reference to “knowledge transfer” – or “knowledge exchange” as it is increasingly called. The higher education sectors of many advanced economies increasingly see knowledge exchange as their universities’ “third mission” (alongside teaching and research). It is a direct way in which universities promote the knowledge society and fulfil their function of stimulating innovation. Knowledge exchange is most commonly understood to be a complex process whereby the fruits of research are transformed into commercially viable innovative products. This involves patenting, licensing, early-stage development investment and a set of downstream developments that properly belong to entrepreneurs or corporations.

6.52 At the same time, however, it is important to emphasise that knowledge exchange also includes the transfer of know-how, skills and expertise into applications in the social and government spheres, as well as health, education and the creative arts. Finally, it is equally true that a prime form of knowledge exchange is to be found in the trained intelligence and skills that each year’s graduating cohort take out into society with them. Knowledge exchange is by no means simply a matter of technological innovation, giving a premium to applied research. On the one hand, no-one can foretell which part of pure curiosity research will not eventuate in some radical innovation through practical application. On the other hand, knowledge exchange is just another manifestation of universities’ practical engagement in the society and economy within which they operate.

6.53 In the past few years, we have been raising the awareness of knowledge exchange in UGC-funded institutions and facilitating them in mapping out their long-term strategies in this area. We have encouraged them

to incorporate knowledge exchange into their mission statements. In 2006, the UGC established a dedicated Knowledge Transfer Working Group to stimulate the adoption of ways of building capacity in this area. We included knowledge exchange in the 2009/12 Academic Development Proposals of institutions. In 2009, at our recommendation the Government earmarked recurrent funding of \$50 million per year to build up institutional capacity and broaden institutions' endeavours in this matter.

6.54 It is our view that UGC-funded institutions have responded effectively to these initiatives and that they are in the process of making Knowledge Exchange a natural and integrated part of their actions. While there have been occasional remarkable successes in financial terms from spun-out technologies for some universities in different parts of the world, it is most unwise to expect serious contributions from knowledge exchange to university funding, and especially not on a recurrent basis. Similarly, rather than the occasional spectacular development of a commercial product, it is the continuing flow of research ideas and applications from universities into the economy (together with innovative graduates) that cumulatively provides renewal and advantage.

### **The Balance between Teaching and Research**

6.55 Finally, we wish to revisit the importance of balance between teaching and research. Our decisions in research, as set out in this chapter, will, if anything, drive institutions even further to chase after research funding. This is not to say that the approach is wrong or faulty: to have outstanding research, there must be competition, and resources will always be scarce. Yet what it does highlight is that we must also be very conscious of this and ensure that proper balance and focus is placed on teaching. We do not underestimate the difficulty in this, but it is essential. Ways must be found both to provide incentives for excellent teaching and penalise institutions that have an inadequate focus on teaching, as assessed in a robust manner.

## **SECTION III. ROLE DIFFERENTIATION**

6.56 Within the UGC sector, role differentiation has long been one of our policy objectives. The role statements drawn up in the mid 1990s reflected clear role differentiation. The Higher Education Review 2002 strongly advocated role differentiation in general and stated specifically that a small number of institutions should receive focused funding to allow them to compete at the highest international levels.

6.57 In 2004, we published the *Hong Kong Higher Education – To Make a Difference, To Move with the Times*, which articulated our thinking on how to put role differentiation into practice. Eight new role statements were negotiated and agreed on with the institutions. We stated that public resources should be focused on areas of excellence wherever they appeared in institutions across the whole sector. The roles of the institutions should describe an interlocking system, which should be diversified, with different types of strengths or functions predominating in different institutions. This recognised that all the institutions in Hong Kong have their own unique strengths with which they could aspire to “international competitiveness”.

### **Factors Militating against Role Differentiation**

6.58 There is a tendency for all higher education institutions to strive to be research intensive across a broad front. This is driven by an ambition for recognition in the research-based rankings of the international league tables. However, not all institutions can be research intensive to this degree. Funding is not endlessly elastic and the constraints on the public purse are real. As for the other activities of universities, the spectrum of student talent dictates that not all can attract the most academically gifted students and hence should not all teach in the same ways or for the same outcomes. It is vital that the array of UGC-funded institutions meet the needs of the whole society.

6.59 Contrary to some interpretations, we do not wish to implement a demarcation in the UGC sector between “research-oriented” and “teaching-oriented” institutions. Universities are both the creators and the disseminators of knowledge. Thus, it is right to expect UGC-funded institutions to engage in both excellent teaching and research. At the same time, it is not possible for any one institution to achieve excellence in either teaching or research across every discipline, whether pure or applied. All institutions will need to focus their teaching and research efforts in their areas of strength to ensure that the resources are used wisely and effectively, and to promote stellar research and teaching performance.

### **Achievement of Role Differentiation**

6.60 Achieving successful role differentiation is difficult for the reasons given above. It might be done by having strictly enforced mandates on role, such as through the governing ordinances of the institutions. Indeed, the governing ordinances of the Hong Kong Institute of Education and the Hong



Kong University of Science and Technology do prescribe their “objects”. The objects of the other UGC-funded institutions are very general and could not be invoked to enforce a role. In any event, these are blunt weapons that would inhibit growth and development, for which we believe a university must have scope.

6.61 Successful role differentiation might also be achieved by funding allocation. For example, if no research funding or places were granted, it would be very hard for an institution to excel in research. However, we believe in the teaching-research nexus and consider that all UGC-funded institutions should undertake research to a greater or lesser extent. Successful role differentiation could also be achieved by specifying types of programmes that should be funded. This does happen.

6.62 We hope that institutions will themselves identify and adopt different roles – and this also does happen. The missions of institutions do vary considerably. The mission of Lingnan University, for instance, is to be an “internationally recognised Liberal Arts University”. The motto of the Hong Kong Polytechnic University is “to learn and to apply for the benefit of mankind”.

6.63 There is a clear tension between the desire to allow institutions to have the freedom to do whatever they consider suitable and ensuring the most effective and appropriate use of public funds. With public funding being limited and the allocation per place being generous, we strongly believe there must be mechanisms in place to ensure that scarce resources are being best deployed.

#### **Recommendation 27:**

**There should continue to be role differentiation between UGC-funded institutions to ensure the best deployment of public resources.**

#### **Fit-for-Purpose Institutions**

6.64 We believe that role differentiation within the UGC sector is essential. As just mentioned, however, the tools available are imperfect and/or create tensions. A significant part of the answer is not to attempt to manage or steer institutions by controlling *inputs* but rather to ensure that the *outputs* meet expectations. These expectations would focus on the quality, breadth and approach of teaching and research, and on students, employers and society. A

focus on outputs will involve institutions ensuring that they are fit for purpose and have cohesive strategies that link their entire endeavours across all levels and activities with their outputs at all levels and activities. Plans to achieve this are outlined in Chapter 7.

**Recommendation 28:**

**The funding regime should assess and reinforce role differentiation and performance in role within the UGC-funded sector.**

## **CHAPTER 7**

### **FUNDING METHODOLOGY, INSTITUTIONS’ RELATIONSHIPS WITH THEIR SELF-FINANCING OPERATIONS, AND EFFICIENCY**

#### **SECTION I. FUNDING METHODOLOGY**

7.1 In Chapter 6, we argued that:

- (a) institutions have made impressive strides in establishing their research capability: it is now time for them to focus on the enhancement of teaching and learning;
- (b) attaining and maintaining a high quality of provision in all programmes is essential;
- (c) research funding and resources should be much more competitively allocated; and
- (d) role differentiation within the UGC sector is essential.

It is clear that in the UGC sector – as in any higher education sector – the way that the funding authority channels and allocates resources is one of the key drivers of institutional behaviour. (The other is the promotion/tenure policy of institutions, which is the key driver of individual academic behaviour.) We have also acknowledged that as performance in research influences the level of research funding, this is also one of the factors contributing to the undue emphasis on research. In this section, we briefly describe the current funding methodology, consider whether it is still fit for its purpose, and set out how we believe assessment and allocation tools available to the UGC can address the issues mentioned in this paragraph.

#### **The Funding Formula**

7.2 The vast bulk of UGC funding is provided to institutions in the form of a Block Grant. The Block Grant has two key components to it. About 75% of the Block Grant is made up of the teaching element, and about 25% is made up of the research element. The current funding methodology was originally developed by the UGC in the mid-1990s. It has stood the test of

time well.

### **The Teaching Element of the Block Grant**

7.3 For taught programmes, the formula differentiates funding between three broad types of programmes: medicine and dentistry, engineering and laboratory-based and others. The same amount of funding is awarded per student irrespective of the institution in which the programme is taking place. The formula also differentiates funding by level – sub-degree, undergraduate, taught postgraduate and research postgraduate – and by mode, full time or part time. We have commissioned two consultancies to look at the funding methodologies employed by respected systems around the world [E31]. These have shown clearly that the above types of funding systems or formulae are widely used by other funding agencies and seen as successful. We do not see a need for any fundamental change. However, we do see a need for a move away from relying solely on input funding to a method that focuses increasingly on output measures – as set out below.

### **The Research Element of the Block Grant**

7.4 The research portion of the Block Grant is designed to provide infrastructure funding to enable the institutions to provide both the staffing and physical infrastructure necessary to carry out research, and to fund a certain level of research. There is also specific funding for the RGC to support individual research projects in UGC-funded institutions. Having these two sources of research funding (in the Block Grant and separately for research projects) is known as the “dual funding method”. The distribution of funding through the research portion has been informed by the Research Assessment Exercise to determine the relative quality of the research being undertaken in institutions.

7.5 The dual funding method was inherited from the UK system. It does apply in a number of successful research jurisdictions but it is by no means a prerequisite for excellent research – as demonstrated, for example, in the US system, where it does not exist. We do not believe that a radical move completely to disband the dual funding method and remove all of the research element funding would be appropriate for Hong Kong. However, the balance of funding in the research element of the Block Grant compared to that available for individual projects under the RGC needs to change. We discuss this in paragraphs 7.16 to 7.18 below.

7.6 The current funding methodology is fit for its purpose, but the way in which funding is assessed and allocated needs change and refinement. It is clear that the major effort of institutions is now on chasing the marginal research dollar. This is perhaps inevitable when research funding must be based on competition and excellence. Our challenge is thus to make teaching funding equally dependent on achieving excellence in teaching – and this must be reflected in the output of programmes. That will not be an easy task because assessing whether teaching quality is good or indifferent is exceedingly challenging to do, although – as discussed in Chapter 6 – not impossible. It is also clear from the experience of over 15 years of seeking to embed role differentiation, that the UGC’s efforts to persuade institutions to distinguish themselves and develop distinctive strengths have not been overly successful.

7.7 At the same time, we do not wish to burden institutions with a multitude of different assessments and funding hoops to go through because we are very aware of the regulatory burden this would impose. However, there is a ready-made mechanism that can be better utilised to achieve the above aims: the Academic Development Proposal process.

### **The Academic Development Proposal Process**

7.8 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 details are set out in Chapter 2 of the UGC Notes on Procedures – <http://www.ugc.edu.hk/eng/ugc/publication/note/nop.htm>. The key documentation in this exercise is the production by the institutions of their Academic Development Proposals for submission to and discussion with the UGC.

7.9 We use this exercise to help in the assessment of where to allocate resources. In the 2009-12 triennium, the UGC initiated a competitive allocation process to allocate a percentage of first-year, first-degree places according to an assessment exercise it conducted based on the institutions’ Academic Development Proposals. The exercise was guided by two principles: to enhance the role of each institution and to advance the international competitiveness of individual institutions, as well as that of the UGC sector as a whole. The exercise took place in 2008, and provided a valuable opportunity for 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. It sought qualitative and quantitative input and output data from institutions to back up their assertions. We were able to move student places between institutions to reflect comparative merit, both on the basis of the submissions/assessments made and because of other factors that meant first-year, first-degree places were available for redistribution [E32].

7.10 We have decided to build on the competitive allocation process of the Academic Development Proposal exercise to help achieve two of the main aims set out in this report: a refocusing on teaching and giving role differentiation legitimacy and encouragement. In doing so, one of the key components will be the acquisition and presentation of data on the quality of provision as illustrated increasingly by output assessments and value-added. This will take time to achieve but is something we believe to be vital for the sector.

**Recommendation 29:**

**The UGC should transition to a funding regime based on the assessed quality of outputs and outcomes, reducing the current regulatory burden.**

**Recommendation 30:**

**The funding regime should reflect high-quality teaching outcomes.**

**Key Elements in the 2012-15 Academic Development Proposal Exercise**

7.11 The next Academic Development Proposal exercise will be for the 2012-15 triennium and has already started. The 2012-15 Academic Development Proposal will be guided by the two defining principles of the 2009-12 competitive bidding exercise. For 2012, we intend the exercise to be broader in scope, while still focusing primarily on undergraduate development, quality, output/outcomes, *etc.* An institution's strategy and vision for its taught endeavours cannot be separated from its strategy: regarding its role, for research, for business/community engagement (including knowledge transfer/exchange), for self-financing activity and for collaboration. We propose to utilise four broad indicators for identifying the key activities of institutions:

- (a) Strategy
- (b) Teaching and Learning

- (c) Advanced Scholarship
- (d) Community (including Culture and Business)

The information provided within the above areas will allow us to deal competently with both competitive allocation and role differentiation in the same exercise.

## **Research**

### **Current Sources of and Competition for Research Resources**

7.12 There are three main sources of research funding and resources under the UGC:

- (a) the research portion of the Block Grant (approximately \$2.7 billion per annum);
- (b) the allocation of research postgraduate places to institutions (approximately \$1.4 billion teaching funding per annum); and
- (c) the funding disbursed through the RGC (approximately \$750 million per annum) [E33].

The extent of competition within these three elements varies considerably.

### **The Research Portion of the Block Grant and Research Assessment Exercises**

7.13 The allocation of the research portion of the block grant has been driven primarily by an institution's performance in the latest Research Assessment Exercise. The Research Assessment Exercise is intended to allow peer-reviewed discrimination between outstanding researchers and those who are merely excellent. However, it is clear that the threshold – or benchmark – used in the 2006 Exercise (the latest) did not achieve this well, as there was bunching of results for most institutions towards the top end of being considered as at the “fully research active” level.

7.14 This is not a problem unique to Hong Kong. In the UK, which is where the Research Assessment Exercise concept was initiated and is best developed, the exercise has become increasingly discriminating, complex, time-consuming and expensive to run. This has proved necessary to allow it to discriminate successfully and gain the general acceptance of the participating institutions. The UK authorities are trying to make their next exercise much

more metrics (mechanically) based. Nevertheless, consultation has pushed the model increasingly towards the highly discriminating, peer-assessed exercise previously employed.

7.15 In Hong Kong, we have also tried to move away from Research Assessment Exercises – perhaps altogether – and have consulted the UGC-funded institutions on the matter over a number of years. While there remains a significant research portion in the Block Grant, neither the UGC nor the institutions have been able to come up with a satisfactory alternative. Nevertheless, we consider that the worth, necessity and feasibility of conducting a further Research Assessment Exercise should be seriously reconsidered in light of proposals in this report – set out below – and decisions that the UGC has already made to ensure that research funding is considerably more competitive.

### **Recommendation 31:**

**A thorough review of the practical effectiveness of the periodic Research Assessment Exercise should be undertaken before it is held again.**

### **The Quantum in the Research Portion of the Block Grant**

7.16 We consider it important to look at the balance of research funding available from the various sources. The research portion of the Block Grant is the largest source of research funds – \$2.7 billion per annum. It dwarfs the amount granted for peer assessed research projects under the RGC – \$750 million per annum. The ratio is about 75/25. We have examined a report on other systems that also employ the dual funding model. The amount of public funding in those systems that comes through the research portion is much lower at approximately 50%. We believe that the balance in Hong Kong needs to be adjusted so that more funding is provided in association with research projects, rather than to the institution as a whole. We have proposed to institutions that over a period of up to ten years about \$1.3 billion should be transferred from the research portion of the Block Grant to the RGC.

7.17 There should be no illusion that this re-balancing will be a simple exercise or that it will be warmly applauded by all. Having a large research portion in the Block Grant gives Heads of Institutions great flexibility to allocate funds as they see fit. Moreover, a significant element of the research portion is used for research infrastructure in an institution: the payment of professors/technicians' salaries, laboratories, consumables, *etc.* However, we strongly believe that the quantum of funding available under the RGC is



insufficient for it to drive and nourish world-class research, and it should be increased. We have also taken into account the \$1.4 billion of resources in the form of teaching funding for research postgraduate places, which provide institutions' administrators with a significant source of funding for research-related activity.

7.18 One key element in this change will be to ensure that the real costs of doing research are properly identified and funded. These real costs – or full costs – need to include both the time of the Principal Investigator involved and the extensive “on-costs” associated with carrying out research project work. It follows that the quantum of full costs/on-costs must be increased concomitantly with the transfer of funds from the research portion of the Block Grant to the RGC. Importantly, this will allow Heads of Institutions to manage the transition, as we will ensure that on-costs are returned to the institutions and not to the Principal Investigators.

### **Allocation of Research Postgraduate places and the Assessment of their Quality**

7.19 The current allocation of almost all research postgraduate places is historically based. Apart from the 800 new research postgraduate places that the Government granted to the UGC for deployment in the 2009-12 triennium, basically all the existing 4,765 places are simply allocated by the UGC, without reference to performance, quality assessment or competition. Several Heads of Institutions have argued that although such a methodology was appropriate in the past, when there was a clear differentiation in the research capability of institutions, it is not appropriate now. It is to the credit of the heads of those institutions now being allocated the bulk of the research postgraduate places that they have also agreed that the system should change. Institutions believe that genuine competitive conditions for research postgraduate places will allow them to flourish, and this is a fair and healthy development.

7.20 We have thus decided to introduce competition for research postgraduate places as rapidly as possible. The process has already started with the 800 new research postgraduate places, where some 400 are being allocated to the new PhD Fellowship Scheme of the RGC and the remaining 400 by reference to institutional performance in the various competitive research schemes that the UGC and RGC have. It is intended that within five years, starting from 2012/13, 50% of all research postgraduate places (2,800 places in total) will be competitively allocated. As these changes are being introduced it will become important to be able to assess the quality of the research postgraduate students emerging from the system. We are consulting the

UGC-funded institutions on how best to achieve this across the system.

**Recommendation 32:**

**Means of assessing the quality of research postgraduate students emerging from the system should be implemented to inform decisions on the allocation of research postgraduate places.**

**SECTION II. INSTITUTIONS' RELATIONSHIP WITH THEIR SELF-FINANCING OPERATIONS**

7.21 In Chapter 3, we described that there is now a thriving and expanding self-financing element to the post-secondary education sector. What may not be so apparent is the fact that a very significant element of the self-financing provision is in reality provided by community colleges closely or loosely affiliated with UGC-funded institutions (largely at the sub-degree level) or by self-financing units within the institutions themselves (largely at taught postgraduate level). Approximately 80% of all self-financing provision is carried out by arms of publicly funded institutions, including the Vocational Training Council. This would be highly unusual in other jurisdictions, and has implications.

**The Sub-degree Sector**

7.22 There was some logic and merit in UGC-funded institutions taking the lead to build up the self-financing sub-degree sector. They had good brand names and thus prospective students were given a level of assurance that the programmes provided would be of sufficient quality. UGC-funded institutions could, moreover, use their self-accrediting status (see Chapter 8 on Quality Matters) to launch programmes quickly. They could draw on a ready pool of competent academics to teach at least some of the programmes. Finally, they could also be trusted by the Government to take forward the large campus building projects, which have now recently opened or are coming to fruition.

7.23 Nonetheless, there are also drawbacks. With all of these advantages, the community colleges were extremely competitive compared with their private sector emulators that did not have parent universities to draw help and resources from. The “independent” self-financing sector has represented to us that it feels the playing field is not level. The ability to draw on a pool of respected professionals and the possession of an established brand name do not in

themselves imply that the playing field is tilted: these are facts of life in any business, even education. Yet cross subsidies from publicly funded institutions to self-financing arms would imply such a thing. Does this happen?

7.24 The UGC has stipulated that there should be no cross subsidisation from its provision to self-financing activity by institutions. However, it is easier to state the rule than to verify and enforce its application. Examples of possible cross subsidisation occur when the community college is physically located on the campus of a publicly funded institution and shares resources – whether lecture rooms, laboratories, the library, swimming pool, or back office functions (finance, student affairs and personnel). In such situations, there must be appropriate cross-charging arrangements. These are in place, yet it is difficult to establish with clarity whether the cross-charging levels fully meet all of the costs involved.

### **Recommendation 33:**

**Public funds should not be used by UGC-funded institutions as cross-subsidies for self-financing educational activities. There should be greater transparency in the financial relationship between UGC-funded institutions and self-financing courses either within the institution or in an affiliate, such as a community college.**

### **Taught Postgraduate Sector**

7.25 As a result of Government and UGC policy decisions flowing from the 2002 Review Report, UGC-funded taught postgraduate programmes (including both part- and full-time modes) have shrunk significantly since 2003/04, from over 130 to 30 in 2009/10 (or from 5,700 to 2,200 in terms of first year student intakes). However, far more impressive has been the response of the institutions to launching self-financing taught postgraduate programmes. The number of self-financing taught postgraduate programmes (including both part- and full-time modes) in UGC-funded institutions has increased from about 280 in 2003/04 to 510 in 2009/10 (or from approximately 9,700 to 17,600 in terms of first year student intakes). These are largely conducted by units of the “institution proper”. The same issues of possible cross-subsidisation identified above apply and do so with greater intensity.

## **Conclusions**

7.26 It is important that institutions have diversified sources of income. This is to be encouraged and, indeed, was recommended in the 2002 Review Report. As noted previously, the Hong Kong Government has the growth of a thriving self-financing sector, at all levels, as a key policy. Nonetheless, it is also necessary that public funds should be properly applied to the purposes for which they are intended. We consider that the balance here is a difficult one. The boundary between public and private provision in many publicly funded institutions has become blurred. As far as taught postgraduate courses are concerned, we consider strongly that they are proper functions of UGC-funded institutions. They are research-based courses that universities are eminently equipped to deliver, they offer a natural progression from undergraduate study and they provide a bridge toward research postgraduate work. We are, however, not convinced that UGC-funded institutions should be heavily involved in the provision of self-financing sub-degree programmes.

7.27 The solution has two elements. First, there should be much greater accountability and transparency in the financial relationship between publicly funded institutions and any self-financing affiliations or direct operations. This was a recommendation in the 2002 Review Report; it should now to be implemented. Second, we believe that the community college operations of UGC-funded institutions should be completely separated from their parent institutions. We recommend that this separation take place within three years. As several community colleges are considering applying to become private universities, this will allow time for that to be put in train and for the public/self-financing arms to come to amicable agreements about how much of the often substantial reserves built up from self-financing community college operation should move to the separate entity.

### **Recommendation 34:**

**The community college operations of UGC-funded institutions should be completely separated from their parent institutions within three years of the acceptance of this recommendation.**

## **SECTION III. EFFICIENCY AND COLLABORATION IN UGC FUNDED INSTITUTIONS**

7.28 It is incumbent on all recipients of public funds to use them efficiently and effectively in pursuit of their agreed objectives. The same is true of UGC-funded institutions (and of the UGC itself). Since the 1998-2001

triennium, unit funding per place in the UGC sector has been cut in real terms by about 15% (a 5% cut in 1998-2001 and a 10% cut in 2004). These cuts were a factor in our efforts to promote both efficiency and collaboration within and between UGC-funded institutions. In the context of its March 2004 Report on Institutional Integration and the recommendation for exploring deep collaboration between institutions, one of the recommendations was that:

the UGC should as a matter of priority, examine ways in which university administrative systems can be improved and made more efficient. The scope of such an exercise, which may need to utilise external professional expertise, should cover a wide range of matters, including business process reengineering, coordinated service provision, and stand alone “back office” arrangements to provide common service and outsourcing strategies.

7.29 We established the Restructuring and Collaboration Fund in 2004 to take this forward. It was not particularly successful and no major proposals were made for restructuring or collaboration. In the context of planning new IT systems for “3+3+4”, we also encouraged institutions to consider joint systems and purchases, but this has not happened.

7.30 The Government has also stated that the funding for the new fourth year of the undergraduate curriculum will be at 62.5% of a “normal” year’s funding – putting further pressure on budgets. Further, institutions consider the amount of public funds that can be made available for research to be inadequate. Both of these points suggest that there is ever more urgency in seeking out efficiency gains so that funding is spent as much as possible on the key activity of academic endeavour.

7.31 We are bound to note that all institutions duplicate in full all “back office” functions. It would be advisable to scrutinise these carefully for potential collaboration or joint outsourcing. Areas could include some elements of finance and personnel management, information technology systems, facilities management and library purchases, *etc.* We also note that the ratio of non-academic staff to academic staff across the UGC-funded institutions is 6 to 4. This is a higher ratio of non-academics than in the UK or the USA.

7.32 It is never easy to re-engineer processes or challenge established practices. Yet with the challenges set out in paragraph 7.30 above, we would have expected more effort on the part of institutions. There are, however, areas of success: the Joint University Programmes Admissions System and the collaboration by libraries on a new joint storage facility and sharing of books. Institutions can and should build on these successes. We are thus, in general,

disappointed at the level of collaboration and joint outsourcing – particularly in the back office areas. With the advance of information technology systems, keeping each institution’s data separate and confidential is not a problem. We believe that institutions should examine their internal operations as a first port of call when considering new initiatives outside the context of this report.

7.33 As regards the cost of the UGC Secretariat and the bodies and Councils under our aegis, (*i.e.* the “overhead” on the sector), this is currently about 0.6% of the total financial provision the Government allocates to the UGC for the sector. That is to say, we pass on 99.4% of the money that the Government allocates to us. The 0.6% also includes a significant element for the servicing of the RGC, which is not a function carried out by comparable funding bodies. The RGC component comprises about 45% of UGC Secretariat expenditure. We believe that the UGC operation represents good value for money.

# **Part III – Issues Concerning the Oversight Structure**

## **CHAPTER 8**

### **QUALITY MATTERS**

#### **BACKGROUND**

8.1 Post-secondary education is resource intensive and demands substantial investment from users as well as the Government through the provision of financial support and land. A sound, robust and transparent quality assurance mechanism is essential so that the society can be sure of the nature of the product. While philosophies vary around the globe, we do not believe that “*caveat emptor*” can be allowed to freely apply where so much public and personal expenditure and sacrifice are involved. There is a balance to be struck here. Institutions at the post-secondary and higher level need a marked degree of freedom to operate successfully and distinguish themselves, but that should be within the framework of a sound and trusted quality assurance system.

8.2 Of growing importance is also the need, and high desirability from a societal perspective, for increasing opportunities and pathways to articulate, particularly “vertically” between the various post-secondary providers. This is also associated with the drive to promote and facilitate lifelong learning. The introduction of qualifications frameworks by many governments around the world, including the Government, is a sign of the importance of this.

8.3 Finally, the internationalisation and globalisation of higher education, and the Government’s policy initiative to develop Hong Kong into an education hub, have underlined an urgent need to establish robust frameworks for quality assurance that can help maintain and enhance the international competitiveness of our institutions and the entire post-secondary education sector.

#### **CURRENT ARRANGEMENTS**

8.4 The concept of external quality assurance through peer reviews is not novel to Hong Kong’s post-secondary education sector. The Hong Kong Council for Academic Accreditation was established in 1990 to provide advice on academic qualifications and standards, with much of its initial work concerning the validation of degree programmes. It became the Hong Kong Council for Accreditation of Academic and Vocational Qualifications



(HKCAAVQ) in 2007. The UGC has long performed an important role in assuring the quality and value for money of higher education provision in UGC-funded institutions through the conduct of various reviews, such as the Management Review (1998-1999), the Teaching and Learning Quality Process Reviews (1995-1997 and 2001-2003), and the Performance and Role-related Funding Scheme (2004).

8.5 A more significant development in the UGC sector was the establishment of the Quality Assurance Council in 2007 as a semi-autonomous body under the UGC to oversee, amongst other things, the conduct of quality audits of all first degree and above programmes offered by UGC-funded institutions regardless of the source of funding. Though the first round of audits of the eight institutions has yet to be completed, the six audit reports that have been published so far have helped the institutions concerned to reflect on whether their internal quality assurance mechanisms have been fit for purpose, and to identify areas for improvement. It is important to note that UGC-funded institutions enjoy self-accrediting status and thus the audit does not lead to formal external validation or accreditation.

8.6 The quality of the self-financing sub-degree programmes offered by the UGC-funded institutions is assured by the Joint Quality Review Committee, which is an independent corporate quality assurance body established in August 2005 by the Heads of Universities Committee [E34]. It provides for peer reviews of the quality assurance processes of self-financing sub-degree programmes offered through continuing education units and community colleges, or other departments of UGC-funded institutions. The Joint Quality Review Committee does not publish the reviews it has undertaken. Apart from reviewing the quality assurance processes and promoting good practice, the Committee also advises institutions on the classification of these sub-degree programmes into the Qualifications Framework, details of which will be discussed in paragraph 8.18 below. Again, the programmes offered are self-accredited by the (UGC-funded) institution involved.

8.7 The programmes offered by all non-UGC funded local post-secondary institutions are accredited by the HKCAAVQ. The work ranges from vocational qualifications and sub-degrees (including those of the Vocational Training Council) to undergraduate degrees and above. The HKCAAVQ is a statutory body and has been appointed by the Secretary for Education as the Accreditation Authority and Qualifications Register Authority under the Qualifications Framework. As an accreditation body, the HKCAAVQ is responsible for, amongst other matters, assessing whether a college has the proper academic and institutional structures in place that befit the status of a university. Areas covered in the accreditation process include the

institution's past performance, governance structure, academic standard and quality, teaching staff, quality assurance framework and financial position. Apart from accrediting local programmes, the HKCAAVQ also assesses the courses offered by non-local institutions.

8.8 With the Government's initiative to encourage the establishment of private universities, it is expected that the HKCAAVQ will have an increasingly important role to play, because any post-secondary college wanting to seek the Government's approval to register as a university will need to acquire, amongst other things, programme area accreditation status from the HKCAAVQ. An institution with such status may develop and offer learning programmes and award qualifications within the scope of that programme area, without prior accreditation by the HKCAAVQ. The programme area accreditation status is subject to external review, usually at five-yearly intervals. The former Open Learning Institute and Hong Kong Shue Yan College underwent this process before being granted "university" status by the Government in 1996 and 2006 respectively. The HKCAAVQ does not publish its programme area accreditation reviews – it only announces that the institutions in question have been awarded the relevant status.

## **LIMITATIONS OF THE EXISTING SYSTEM**

8.9 The current division of responsibilities among the various quality assurance bodies is largely the result of evolution. In the past decade, the rapid expansion of the post-secondary education sector in terms of size and diversity called for new initiatives, and new quality assurance bodies were established to address new concerns. While these initiatives served Hong Kong well in the past, it is now appropriate to re-think whether a unified quality assurance body for the entire post-secondary sector would make it easier to develop a clear and coherent framework for quality assurance and enhancement, and give the Qualifications Framework a more coherent background.

8.10 As argued in Chapter 3, it is both necessary and desirable to conceive of the different parts of the post-secondary sector as functioning as one cohesive system. This enables policy makers to examine different parts of the system as part of the totality, with a view to developing more coherence and mobility within the entire sector. In this context, the existing quality assurance system, with different players each responsible for certain parts of the system, may have become too fragmented to remain fit for its purpose.

8.11 The present arrangements cannot provide effective support for students to navigate and understand such a complex quality assurance system

and to make well-informed choices. For example, it is difficult for a prospective sub-degree student to compare the quality of a self-financing sub-degree programme provided by a UGC-funded institution and those offered by a private institution or the Institute of Vocational Education, as these three sub-degree programmes are quality-assured by two different bodies. The same problem applies at the undergraduate level. In terms of articulation pathways, a sub-degree graduate has to check with individual institutions about the possibility of or requirements for articulation. Reference to, and reliance on, information provided by the various quality assurance agencies is almost unheard of. The present loose arrangements also inhibit vigorous implementation of the Qualifications Framework in Hong Kong.

8.12 The extent of articulation and student mobility is another concern. While the Government and the UGC have done well to provide 2,000 articulation places each year at present, that represents only about 10% of the graduating sub-degree cohort. The recent announcement in the Chief Executive's 2010 Policy Address of a phased increase of 2,000 more articulation places a year, is a welcome move to allow more of the burgeoning number of sub-degree graduates to articulate. But the demand will still not be met. In addition, there is little significant student mobility within the post-secondary sector, which may be explained by the lack of a unified quality assurance system and the absence of credit transfer arrangements.

8.13 As for education providers, there are concerns about possible inconsistencies in quality assurance practices being applied to different institutions. One practical issue is the greater speed at which UGC-funded institutions can offer new programmes to meet changing demand compared to other institutions, which need to go through the HKCAAVQ process. The differences in regulatory frameworks for different categories of providers may also distort their decisions on whether and how they should participate in the Hong Kong post-secondary education sector. This is particularly relevant to the continuing education units and community colleges of UGC-funded institutions. Changes in their relationships with the institutions proper bring about changes in their external quality assurance mechanisms. This complication may prevent the institutions from making the most rational decisions when they re-consider the relationships between the institutions proper and their self-financing arms.

### **Similarities and Differences between UGC-funded and Other Institutions**

8.14 It is worth spending some time considering whether there *are* material differences between UGC-funded institutions and the increasing

number of other degree-awarding institutions. It must be acknowledged that there are big differences in the level of funding available to UGC-funded institutions (and the Hong Kong Academy for Performing Arts) compared with the rest of the system. Being in receipt of large amounts of public funds in addition to tuition fees should clearly make it far easier for publicly funded providers to create the necessary conditions of high and continuing quality. There is a legitimate presumption that such institutions should be capable of maintaining high quality without formal re-accreditation. Yet it is worth noting that several UGC-funded institutions were subject to HKCAAVQ accreditation (or its various predecessors) in their early years before obtaining self-accrediting status from the Government.

8.15 It is also reasonable to have concerns that self-financing institutions – particularly “young” self-financing institutions – may not have the necessary conditions from the outset to develop and maintain a high quality environment. Their funding, staffing, governance structures, *etc.* may all need work – indeed all of the areas looked at by the HKCAAVQ. Yet as such institutions mature and gain credibility and stature, they should be trusted to maintain their quality independently. Again, this is now the position taken by the HKCAAVQ.

8.16 Hence, in time, it would seem reasonable for the methods employed by the Quality Assurance Council, the Joint Quality Review Committee and the HKCAAVQ to converge. This convergence may be facilitated by the establishment of a single quality assurance body as detailed in paragraph 8.23 below.

8.17 A very obvious remaining difference lies in whether or not an institution has been granted self-accrediting status by the Government. This has practical implications (as set out in paragraph 8.13) and status implications. However, the difference may be more apparent than real. The self-accrediting status of UGC-funded institutions is neither perpetual nor unconditional. In granting such status, the Government decided that the status should be subject to regular external reviews. This was the reason for the development of the Teaching and Learning Quality Process Reviews. In other words, both UGC-funded institutions and institutions with Programme Area Accreditation status from the HKCAAVQ are subject to regular external reviews.

### **Qualifications Framework and CATS**

8.18 To provide clear progression pathways, the Government announced in 2004 the introduction of the Qualifications Framework, which was formally

implemented in 2008. The aim of establishing the Framework was to define clearly the standards of different qualifications, ensure their quality and indicate the articulation ladders between different levels of qualifications. The Qualifications Framework should facilitate articulation amongst academic, vocational and continuing education through the establishment of a comprehensive network of learning pathways, thereby helping individuals to pursue their goals according to their own roadmaps. The integrity of the Qualifications Framework is underpinned by an associated quality assurance mechanism provided by the HKCAAVQ, which is the designated Accreditation Authority. The Qualifications Register has also been set up to provide a web-based database of qualifications recognised under the Qualifications Framework. The purpose is to facilitate employers in identifying training opportunities, and for students to map out their learning pathways. It was hoped and expected that the development of the Qualifications Framework would facilitate credit accumulation and transfer arrangements between sectors and training providers by providing a unified platform and common benchmarks.

8.19 Despite the Qualifications Framework and Qualifications Register initiatives, a Credit Accumulation and Transfer System (CATS) across the entire post-secondary system has not been developed. Even at the institutional level, there is no clear policy on articulation arrangements. Admission of students to senior years in UGC-funded institutions varies from one department to another, and most of the applications for places in the senior years are handled on a case-by-case basis. Coherence and student mobility between the different parts of the post-secondary education system have yet to take shape.

8.20 It is appropriate here to reflect on why a CATS has not become more established, as it was one of the recommendations in the 2002 Review Report. Chapter 6 of that Report set out a clear vision of how a CATS could and should develop. However, the CATS actually conceived [E35] and taken forward after the 2002 Review Report was one centred on the UGC sector (alone), built around “money following the student” and viewed as a funding tool. When “money following the student” fell away, the remaining scheme was largely “horizontal” in its objectives – to allow students at one UGC-funded institution to take credits at and have credits acknowledged from other UGC-funded institutions. No real effort was made to establish a cross-sectoral “vertical” CATS, as the authors envisaged for the future, and the idea withered. As explained in paragraph 8.28 below, we believe that focusing on a “horizontal” scheme was a fundamental flaw.

8.21 We expect that the problem associated with the lack of a unified quality regulator will become more apparent following the expansion of the

private higher education sector as a result of Government's policy to encourage the growth of private universities. As discussed in paragraph 8.8, private institutions need to be accredited by the HKCAAVQ before they seek the Government's approval to register as universities. The HKCAAVQ is also responsible for the regular external reviews of these private universities, the number of which stands at two but may increase significantly in future. Therefore, under the current regulatory framework, more universities will be subject to HKCAAVQ reviews, while the eight UGC-funded institutions will continue to be quality assured by the Quality Assurance Council. With the anticipated expansion of the private university sector, the problem of asymmetry in regulation between the UGC-funded and non-UGC-funded sectors will become more apparent.

8.22 The lack of a unified quality assurance body may also undermine Hong Kong's engagement in regional and international activities in such areas as information-sharing, the conclusion of agreements or establishment of cooperation arrangements with overseas counterparts or international quality assurance bodies, and the acceptance or recognition of overseas qualifications and credits, *etc.* While it may be technically possible for the three quality assurance bodies to participate in international activities on their own, it would be neither efficient nor desirable for the three different bodies with different quality assurance methodologies and responsibilities to interact or negotiate with their overseas counterparts and international quality assurance bodies. This is not conducive to helping the Hong Kong post-secondary education sector play a more significant role in key international quality assurance issues.

## **NEED FOR A UNIFIED QUALITY ASSURANCE BODY AND CATS**

8.23 With the above considerations in mind, we feel strongly the need for a unified body to oversee the quality assurance of the programmes and institutions in the entire post-secondary sector. The body should help rationalise the functions currently performed by different quality assurance bodies, to achieve regulatory consistency in quality assurance amidst the anticipated growth in the private sector. At the more macro level, a single regulatory body will provide a single locus for (1) the development and execution of quality assurance policies; (2) underpinning and reinforcing the impact of the Qualifications Framework; (3) participation in international activities; and (4) the development of a comprehensive communication strategy to turn the work of the body into useful and practical information for stakeholders' reference. The body should have sufficient autonomy and financial independence to allow it to operate effectively and be free from any possible or perceived conflicts of interest. To enhance transparency and the

monitoring of institutional performance, the new body may engage in the compilation of sector-wide data and monitor performance in areas such as student selection, entry and exit standards, and graduate employment, *etc.* Such data will provide valuable information for students to make well-informed choices, and for providers to plan and improve their education efforts.

### **Recommendation 35:**

**There should be a single quality assurance body for the whole post-secondary system.**

8.24 In the longer run, the unified quality assurance body should go beyond the amalgamation of existing quality assurance bodies under one roof, and seek to:

- (a) develop a more integrated regulatory approach that is easier for students to navigate to improve pathways;
- (b) promote interconnection and partnership amongst different providers; and
- (c) expand the work of the body to address the public's concern about the standard of educational offerings.

### **A More Integrated Approach to Quality Assurance**

8.25 The new body should review the approaches and methodologies adopted by the HKCAAVQ, Joint Quality Review Committee and the Quality Assurance Council, and consider how they may be rationalised. Some may argue that institutions with or without self-accrediting status (UGC-funded and non-UGC-funded institutions, respectively) should not be subject to the same type of external scrutiny. However, it is not unreasonable to subject institutions offering the same level of programmes (for instance, sub-degree or undergraduate programmes) to the same quality assurance mechanisms – provided that they are employed with due regard to maturity and proven competence/quality of the institution. Moreover, as argued in Chapter 6, one of the roles of UGC-funded institutions is to provide benchmark high quality teaching and learning to raise the standards of the entire system. This mission of the publicly funded sector will not be achievable if UGC-funded and non-UGC-funded institutions continue to be subject to fundamentally different quality assurance mechanisms.

### **Recommendation 36:**

**The single body should integrate the methods and approaches of quality assessment, validation and accreditation across the system.**

#### **Partnership amongst Providers and a CATS**

8.26 The most apparent benefit of developing partnerships amongst providers would be the development of a more comprehensive and “vertical” CATS. With a CATS, learners can systematically accumulate the credits of learning and training gained from various courses with a view to converting the accumulated credits into a recognised qualification. We believe that the acceptance and transfer of credits would have a far better chance of working if both the sending institution and the receiving institution were quality assured by the same body. That body could also facilitate the CATS by supporting policies that promote careful consideration of transfer requests from other institutions.

8.27 As discussed in paragraphs 8.19 to 8.20, we have yet to see the emergence of a comprehensive CATS. We consider it imperative to create infrastructure that is favourable to the development of a CATS for the following reasons.

- To provide a more flexible and transparent system for students to progress through award courses with maximum efficiency by recognising that students may attain the objectives of components of the courses at different institutions and at different times.
- To facilitate the movement of students between institutions and between courses of various levels.
- To assist in the efficient use of educational resources by minimising duplication in training, and allowing students to build on the credits obtained in earlier years, at the sub-degree level for instance, to obtain a higher-level qualification.
- Cost reduction: a CATS will make it possible for students to complete certain courses at institutions that are less generously provided for than universities, as long as the necessary quality assurance is in place.



8.28 It is worth noting that in contemplating the idea of establishing a comprehensive CATS, we are focusing on the “vertical movement” of students, i.e. the articulation of sub-degree graduates to undergraduate programmes (and indeed at all levels of the Qualifications Framework), which may take place within the same institution or across different institutions. The aim is to systemise and make more transparent the articulation arrangements that are already in place but on a more *ad hoc* basis. Overseas evidence suggests that “vertical” CATS schemes are far more valuable and valued by students and institutions than “horizontal” CATS schemes. Thus, in trying to implement a successful CATS – which overseas experience shows is extremely difficult – it is much more productive to focus on the vertical. We are also aware of the distinction between the acceptance of credits and admission of students, which is similar to the distinction between a university’s minimum entry requirements and the actual admission of students. In other words, while an institution’s decision to accept certain credits can assist students in choosing appropriate courses, the completion of these courses by the students does not create an obligation for the institution to admit those students.

8.29 We recognise that the development of a CATS in the past few years has not been significant. However, with the appropriate infrastructure, such as the establishment of a unified quality assurance body for the entire post-secondary sector, it would be possible to develop a more comprehensive CATS to facilitate articulation in view of the following new developments.

- Implementation of “3+3+4”: Under the new four-year curriculum, universities or other degree-awarding institutions are expected to devote more attention to general or whole person education. It is not unreasonable to expect considerable commonality in such courses offered by different post-secondary institutions. That will make it possible for sub-degree providers to offer preparation for the more discipline-specific programmes at the degree level.
- Establishment of private universities: The senior year places currently provided by UGC-funded institutions are limited, and hence only about 10% of sub-degree graduates are able to articulate into UGC-funded institutions (with the additional 2,000 places the percentage will increase to about 20%). Given the current relatively small population of such students, the demand for a comprehensive CATS is limited. However, with the increase in publicly funded senior year places and the expansion of private universities, we can reasonably expect a significant increase in the availability of articulation places, which should justify the

development of a more comprehensive and structured CATS to facilitate student progression.

8.30 We are under no illusion that the development of a CATS will be easy and straightforward. It will take real effort by all of the players involved. Some incentive funding (to deploy institutional staff to work on the matter) may be necessary. Yet if Hong Kong can create a successful CATS, it will greatly benefit the general public.

**Recommendation 37:**

**The development of a Credit Accumulation and Transfer System for the whole system requires it to be appropriate for articulation between different levels and across different institutions at the same level.**

**Recommendation 38:**

**There should be greater transparency and public disclosure of quality assessment so that the public may make better-informed choices over time.**

**Standards of Education Offerings**

8.31 In paragraph 8.24(c), we observed that the audits conducted by the Quality Assurance Council currently focus on the fitness for purpose of the institutions' internal quality assurance mechanisms. The light-touch approach does not, and is not intended to, provide external scrutiny of individual programmes, and neither does it define of set benchmarks. There are concerns that a quality assurance framework focusing primarily on inputs and processes may not give sufficient weight to assuring and demonstrating outcomes. The concept of looking at and assuring standards is not developed, as the notion of having externally imposed standards on higher education institutions is vigorously resisted by institutions as treating university education as a simple commodity.

8.32 However, discussing and evaluating standards need not involve straightjacketing institutions. Indeed, defining outcomes is a form of pursuing standards. It may thus be appropriate for the quality assurance framework to evaluate or review academic standards by describing the level of achievement that a student has to reach to gain an academic award, defining performance indicators in relation to teaching and learning outcomes, and reviewing how well

the learning opportunities available to students help them to achieve their awards. This would help inform the public about whether an institution is providing higher education of an acceptable quality, and about the academic standards of its awards. Moreover, quality assurance bodies in other parts of world, such as in the UK and Australia, are moving towards the assessment of standards and outcomes. For the Hong Kong post-secondary education sector to remain globally competitive, the new quality assurance body/mechanism should encompass the concepts of standards, quality assurance and accreditation (or validation).

## **CHAPTER 9**

### **OVERSIGHT BODIES IN THE POST-SECONDARY EDUCATION SECTOR**

#### **DEVELOPMENTS SINCE THE 2002 REVIEW**

9.1 In anticipation of the growth in sub-degrees following the Chief Executive's policy initiative to increase the percentage of those receiving post-secondary education and training to 60%, the 2002 Higher Education Review Report argued that "there is a clear need for related and comparable [to the UGC sector] governance arrangements to be made for the new sector which will provide programmes at associate degree level." As "the specialist needs of first degree and postgraduates studies and research would mean that a body that covered also the sub-degree sector would be unacceptably large", the 2002 Report recommended the establishment of a Further Education Council to oversee the provision of programmes at the sub-degree and comparable levels by both public and private providers. The Further Education Council would need to work closely with the UGC and the body governing vocational education and training sector, and might extend its remit to the continuing education provided by the extension and outreach departments of universities. The 2002 Report also recommended that with the establishment of the Further Education Council to oversee sub-degree matters, responsibility for all work at degree level should be allocated to the UGC.

9.2 In response to this recommendation, the Government decided that instead of establishing a Further Education Council, coordination amongst the sub-degree (including Associate Degree), vocational training and continuing education sectors should be entrusted to the Manpower Development Committee. However, since the reorganisation of the then Education and Manpower Bureau in 2007, the Committee has been detached from the current Education Bureau. The recommendation that UGC should take on all degree-level work has not been pursued.

9.3 As discussed in Chapter 3, since the publication of the 2002 Review Report, the distinction between the publicly funded university sector and the non-university, non-UGC sector has become less clear. For instance, UGC-funded institutions are providing self-financed sub-degree and degree programmes, non-university institutions such as the HKAPA and Chu Hai College are conferring local degrees, sub-degree graduates in the VTC sector are

pursuing top-up non-local degrees and a number of self-financing sub-degree providers are aspiring to become private universities. The blurring of these categories is the reason for our recommendation in Chapter 3 that policy makers should treat all elements of post-secondary educational provision as a single system. We also argued in Chapter 3 that the post-secondary system must be capable of providing clear and transparent progression pathways for students to progress from one sector to another.

## **OVERSIGHT OF THE POST-SECONDARY SECTOR**

9.4 In terms of administration, the policy responsibility for overseeing the development of the entire post-secondary education system rests with the Education Bureau, which is clearly best placed to oversee the coherent development of the whole sector. We believe there would be advantage in establishing a coordination committee to assist the Education Bureau in this work, comprising the chairpersons of the various oversight bodies under the chairmanship of the Secretary for Education. This coordination committee would help to ensure the coherence of sector-wide policies. It will also be important for the Government to allocate sufficient resources to the Education Bureau to enhance its capacity to perform its role of overseeing the development of the entire post-secondary sector. We have identified many issues where greater government involvement and leadership would be beneficial: the development of a vertical CATS; quality assurance and the development of the Qualifications Framework; overall coherence of the nature and type of provision; internationalisation; international visibility; interaction with the Mainland; and an overall policy for the sector. These cannot be achieved without more dedicated resources.

### **Recommendation 39:**

**A coordinating committee comprising the chairpersons of the various oversight bodies in the post-secondary education sector should be established under the chairmanship of the Secretary for Education.**

### **Recommendation 40:**

**The Education Bureau should be provided with appropriate and sufficient human/financial resources to allow it to fulfil an expanded role in overseeing the whole post-secondary sector.**

## NEED FOR A NEW BODY FOR THE PRIVATE SECTOR

9.5 The Education Bureau currently has no advisory committee to oversee the self-financed or private providers of degree and sub-degree programmes. This raises the question of whether or not there is a need for a body to advise on matters relating to the private sector.

9.6 Private providers are regulated through the requirement to register with the Education Bureau, and through accreditation by the HKCAAVQ in the case of providers who are not affiliated with self-accrediting UGC-funded institutions and offer programmes in which students may apply for financial assistance from the Government. These providers do not receive recurrent grants from the Government in the same way that UGC-funded institutions do, and it is understandable that the Government's regulation of the private sector does not go beyond the assurance of certain thresholds as stipulated in the registration and accreditation requirements.

9.7 However, the Government is investing more public money in this sector by expanding the student finance scheme, providing resources such as land for the private providers, and as announced in the Chief Executive's 2010 Policy Address, setting up a \$2.5 billion endowment fund for the sector. We thus consider there is a need for a body holistically to consider how those resources should be allocated to individual private providers. Related issues include the appropriate level of private provision at the sub-degree/degree levels, taking into account demand and the size of the publicly funded sector; appropriate ways (including possible funding) to promote aspects of provision deemed important by the body (*e.g.* quality, teaching development and internationalisation, *etc.*); and whether the types of the provision are in line with community demand. To summarise, the body that we have identified should take the form of a Committee on Private Post-secondary Education Providers to oversee the development of the private sector at a more macro level, and to consider the allocation of public resources to support individual private providers. These tasks will go beyond the attainment of registration and accreditation requirements, and should encompass all matters relating to the development of the private sector. We envisage that the Committee would comprise both local and overseas members, appointed in their individual capacities, and chosen to allow different perspectives and experiences to inform debate and decisions. It would be useful if there were cross membership with the UGC.

## **STATUS OF THE COMMITTEE FOR PRIVATE POST-SECONDARY EDUCATION PROVIDERS – STATUTORY OR OTHERWISE?**

9.8 The UGC is a non-statutory body whereas the Vocational Training Council is governed by the Vocational Training Council Ordinance.

9.9 Legislation that gives statutory status to an organisation can stipulate clearly the governance, membership, function and finance of that organisation. This is necessary for publicly funded organisations offering educational or training programmes and administering examinations, such as the UGC-funded institutions and the Vocational Training Council. For bodies that are purely advisory and not directly involved in educational provision, the need for statutory status is not that apparent.

9.10 There might be doubts about the levers that the proposed Committee could use to regulate the private sector. Legislation might be necessary to fill the gap or provide the regulatory nexus between the oversight body and the private providers. However, self-financed degree conferring institutions and sub-degree providers generally have to fulfil the statutory requirements stipulated in the Post Secondary Colleges Ordinance (Cap. 320) and the Education Ordinance (Cap. 279), respectively, before they can register with the Education Bureau. Should the performance of individual providers become a concern, the Committee would advise the Education Bureau on the appropriate remedial action under the respective ordinance. This could be done without statutory status, though this will require the Committee to work closely with the Education Bureau on matters relating to the enforcement of the ordinances and to identify, where necessary, the need for legislative amendments to fill any gaps in the current legislation. The regulatory nexus between the proposed Committee and the private providers may be further enhanced by vesting it with the power or the responsibility to advise on the allocation of public resources such as land, start-up loans and *ad hoc* financial support to the private providers.

## **ROLE OF THE UGC**

9.11 In our review, we took the opportunity to consider the UGC's fitness for purpose. Before discussing that in more depth, it is necessary to summarise the UGC's role and functions.

9.12 The UGC is appointed by the Chief Executive of the Hong Kong Special Administrative Region. It comprises accomplished local and overseas academics, higher education administrators and eminent community leaders who

are appointed in their personal capacities. The UGC's main function is to offer independent, impartial and expert advice to the Government on the funding and development of higher education in Hong Kong, and to provide assurance to the Government and the community on the standards and cost-effectiveness of the operations and activities of UGC-funded institutions. The UGC also acts as a "buffer" to protect academic freedom and institutional autonomy, while ensuring that the institutions are held socially responsible and that public money is well spent. In performing its functions, the UGC must both secure resources for its funded institutions and take into account the needs of the entire society in allocating public funds. Overseas members and local members with overseas experience have enriched the UGC with an international perspective, thereby assisting it and its funded institutions in grasping world trends and maintaining the international competitiveness of the institutions.

9.13 We consider that the current arrangements remain appropriate and that it would not make sense significantly to change the structure or functions of the UGC. During our consultations with stakeholders, we heard the view that the UGC played a useful role as an intermediary between its funded institutions and the Government, but stakeholders also wished that the UGC would focus more on macro and strategic issues. We accept this view as a constructive lightening of the regulatory burden on institutions. The UGC has been moving in this direction recently and should continue to do so. For instance, we have reviewed and streamlined the Notes on Procedures, which govern the UGC's relationship with the Government and its funded institutions and set out the major operational/procedural elements of the interplay between the three. The purpose of streamlining the long-established procedures is to relieve institutions of an unnecessary regulatory burden without compromising their accountability for the proper use of public resources. More importantly, we recommended in Chapter 7 the transition of the funding regime from input funding to one that focuses on output measures, with a view to enhancing the effectiveness of the funding regime and reducing the regulatory burden on the institutions. This new approach will help the UGC to focus more on strategic issues for the benefit of the higher education sector and the entire community

## **FUNDING FOR THE HONG KONG ACADEMY FOR PERFORMING ARTS**

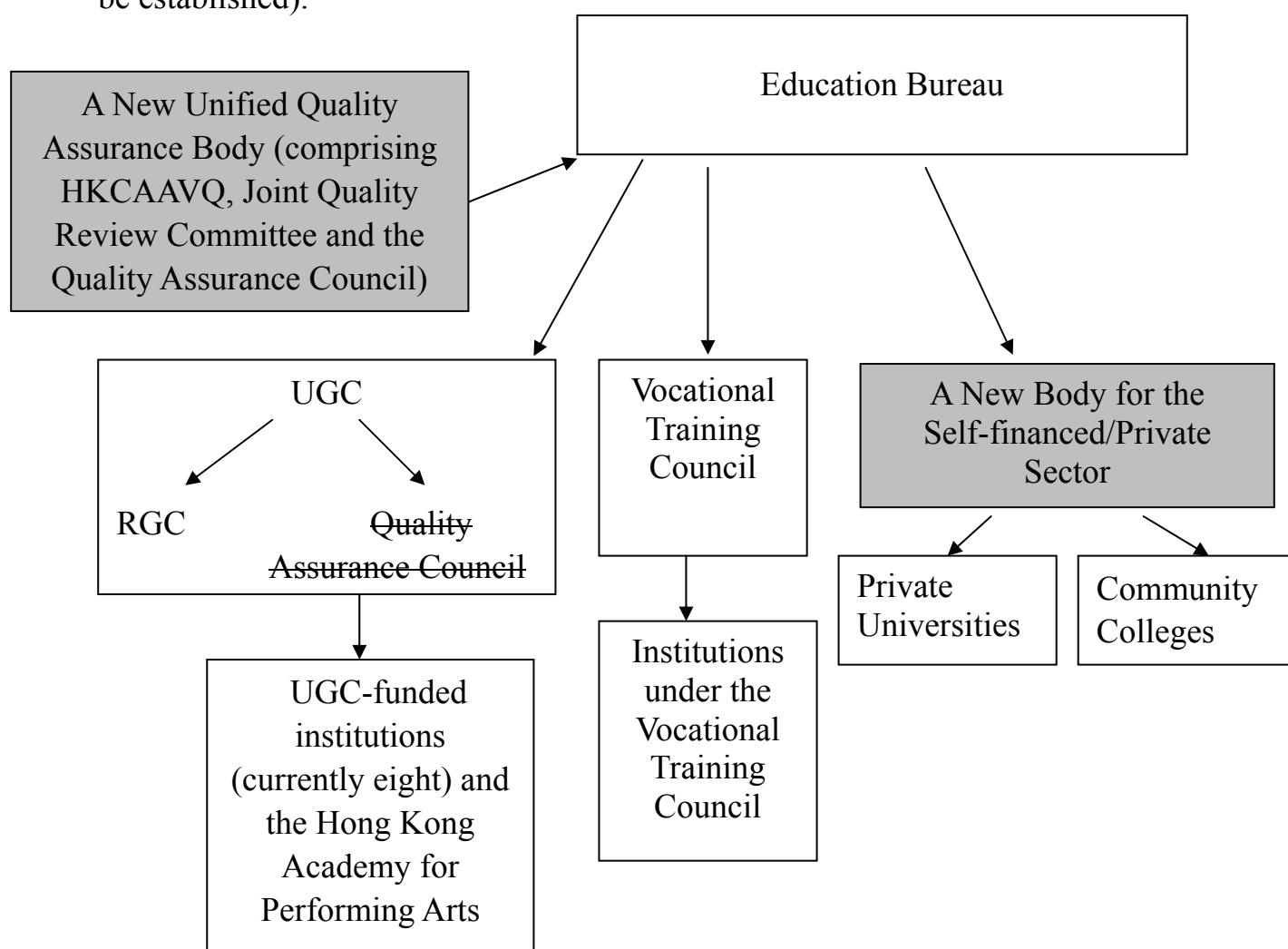
9.14 As argued throughout the report, it is both advisable and necessary to enhance coherence of the entire post-secondary sector. Even in the small sector of publicly funded degree-awarding institutions, there are two funding bodies: the UGC and the Government's Home Affairs Bureau, which is responsible for funding the Hong Kong Academy for Performing Arts. To



ensure consistency in the allocation of public resources in the publicly funded degree and above sector, it would be logical to entrust the UGC with the responsibility to oversee funding for the Academy. This arrangement would have the added benefit of facilitating cooperation between the Academy and the eight institutions currently funded by the UGC in a number of areas, such as teaching and experiential and out-of-classroom learning. We recognise the unique nature of the Academy, and foresee that if put under the UGC, our funding and oversight regime would be able to accommodate that and give appropriate assurance to the Academy.

## STRUCTURE OF THE OVERSIGHT BODIES

9.15 With the establishment of a body overseeing the private sector, the structure of the various bodies regulating the post-secondary sector might take the following form (the shaded boxes denote those new bodies recommended to be established).



9.16 To ensure the cohesiveness of policies applicable to different components of the post-secondary sector, we recommend cross membership between the oversight bodies.

## **POSITION OF THE UNIFIED QUALITY ASSURANCE BODY**

9.17 As recommended in Chapter 8, a new unified body to oversee the quality assurance of all post-secondary institutions/programmes should be established to rationalise the functions of the Quality Assurance Council, the HKCAAVQ and the Joint Quality Review Committee. In view of its wide remit, the new unified body should not report to any oversight bodies under the Education Bureau. Instead, it should submit its accreditation, review or audit reports to the Education Bureau, which would publish them to meet public expectations about the transparency of the quality assurance processes.

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**Higher Education Review Group**

**Terms of Reference**

1. To review progress made on the recommendations of the Higher Education Review 2002, having regard to the present higher education landscape in Hong Kong.
2. To identify new issues facing Hong Kong's higher education sector and to discern world trends with a view to recommending strategies for the future development of Hong Kong's higher education sector, with particular emphasis on -
  - (a) vision and role of higher education in Hong Kong;
  - (b) the demand for and provision of higher education opportunities and the increase in the diversity of higher education;
  - (c) quality assurance for higher education;
  - (d) research support strategy and research funding mechanism;
  - (e) relationships and collaboration among providers of higher education from a system perspective;
  - (f) the position of higher education in Hong Kong in the context of globalisation and the value of internationalisation generally, and the rapid development of higher education in Mainland China and the region specifically; and
  - (g) other matters that are relevant to the main purpose of the review.

## **Membership List**

### **Convenor**

Sir Colin LUCAS

Chairman, British Library, United Kingdom  
(Until 1 September 2010)

Former Vice-Chancellor, Oxford University, United Kingdom

### **Members**

Professor Glyn DAVIS, AC

Vice-Chancellor, University of Melbourne, Australia

Professor John MALPAS

Pro-Vice-Chancellor and Vice-President, University of Hong Kong, Hong Kong

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Professor of Public Health, School of Public Health, Chinese University of Hong Kong, Hong Kong

Professor YUAN Ming

Director of American Studies, Institute of International Relations, Peking University, China

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Non-executive Deputy Chairman,  
The Hong Kong and Shanghai Banking Corporation Limited, Hong Kong

Mr Michael V STONE, JP

Secretary-General, UGC

### **Secretary**

Mrs Dorothy MA

Deputy Secretary-General (1), UGC

## **CONSULTATIONS WITH STAKEHOLDERS**

The Higher Education Review 2010 was a key undertaking of the UGC in 2009 and 2010, and we wanted it to be fully informed by stakeholders' views. The Higher Education Review Group established under the UGC thus consulted widely.

### **INVITATION FOR WRITTEN SUBMISSIONS**

2. In May 2009, the UGC Secretariat wrote to stakeholders, including major providers of post-secondary education, student bodies, teacher associations, professional organisations and other stakeholders, to invite views on the future development of higher education in Hong Kong. At the same time, an open invitation for views was posted on the UGC's website. Over 30 written submissions were received. The list of stakeholders to which the invitation for written submissions was extended is in the **Appendix**.

### **IN-DEPTH DISCUSSIONS WITH KEY STAKEHOLDERS**

3. During his visits to Hong Kong for the Review, Sir Colin Lucas, Convenor of the Higher Education Review Group, held in-depth discussions with key stakeholders in the sector. These included the Council Chairmen and heads of all eight UGC-funded institutions, the heads of all the private universities and the Chu Hai College of Higher Education, the senior management of post-secondary education providers, principals from the school sector, the Chairman and Executive Director of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, the Secretary-General and Chairman of the Federation for Continuing Education in Tertiary Institutions, and the Chairman of the Education Commission. Within the Government, he met with the Secretary for Education, the Head of the Central Policy Unit, the Commissioner for Innovation and Technology, and officials from the Education Bureau.

4. Sir Colin also paid visits to Hong Kong Shue Yan University, the Chu Hai College of Higher Education, the HKU School of Professional and Continuing Education Community College and the Hong Kong Institute of Vocational Education (Chai Wan).

## **TWO ROUNDS OF CONSULTATION SESSIONS**

5. In addition, two consultation sessions were held on 2-3 September 2009, attended by over 150 institutional staff and students of UGC-funded institutions. Another two sessions were held on 24 April 2010 for staff and students from the entire post-secondary education sector. These sessions attracted over 100 staff and students from both the UGC and non-UGC post-secondary sectors, and representatives of quality assurance bodies, *etc.*

6. The Higher Education Review Group is indebted to the stakeholders for their views and constructive comments, which were most useful during the course of the Review.

**Invitation for Written Submissions – List of Consultees**

**(Submissions were received from stakeholders marked with asterisks)**

**UGC-funded Institutions**

- \*City University of Hong Kong (CityU)
- \* Chinese University of Hong Kong (CUHK)  
Hong Kong Baptist University (HKBU)
- \* Hong Kong Institute of Education (HKIEd)
- \* Hong Kong Polytechnic University (PolyU)
- \* Hong Kong University of Science and Technology (HKUST)
- \* Lingnan University (LU)
- \* University of Hong Kong (HKU)

**Other Institutions**

- \*Caritas – Hong Kong Caritas Community and Higher Education Service  
CityU – School of Continuing and Professional Education
- \*Chu Hai College of Higher Education  
CUHK – School of Continuing and Professional Studies  
Hang Seng School of Commerce
- \*HKU – School of Professional and Continuing Education  
HKBU – School of Continuing Education  
HKIEd – School of Continuing and Professional Education  
HKUST – Office of Continuing and Professional Education  
Hong Kong Academy for Performing Arts
- \*Hong Kong College of Technology  
Hong Kong Institute of Technology  
Hong Kong Management Association  
Hong Kong Shue Yan University  
LU – Lingnan Institute of Further Education
- \*Open University of Hong Kong (OUHK)  
OUHK – Li Ka Shing Institute of Professional and Continuing Education  
PolyU – School of Professional Education and Executive Development
- \*Vocational Training Council

**Student Bodies**

- Alliance for the Concern of Sub-degree Education
- Hong Kong Federation of Student Unions
- Hong Kong Federation of Students
- Hong Kong Youth and Tertiary Student Association

**Education Workers**

Hong Kong Education Policy Concern Organisation

Hong Kong Federation of Education Worker Limited

Hong Kong Professional Teachers' Union

\*Federation of Hong Kong Higher Education Staff Association

\*Teachers' Association of the Chinese University of Hong Kong

\*University Education Concern Group

\*University of Hong Kong Staff Associations

**Secondary Education Sector**

\*Hong Kong Association of Heads of Secondary Schools

\*Hong Kong Subsidised Secondary Schools Council

**Research**

Hong Kong Applied Science and Technology Research Institute Company Limited

**Government Bureaux/Departments**

\*Central Policy Unit

Education Bureau

Innovation and Technology Commission

**Employers/Other Bodies**

Association of Chartered Certified Accountants

Association of International Accountants

Australian Education International

\*British Council

Chartered Institute of Bankers

Chartered Society of Designers

Chartered Institute of Personnel and Development

Chartered Institute of Public Finance and Accountancy

Chartered Institute of Logistics and Transport in Hong Kong

Chartered Institute of Marketing

Chartered Institute of Purchasing and Supply

Chartered Insurance Institute

Chinese Manufacturers' Association

\*Consulate General of France

\*Federation for Continuing Education in Tertiary Institutions

\*Federation of Hong Kong Industries

Hong Kong Computer Society

Hong Kong Designers Association

Hong Kong General Chamber of Commerce



Hong Kong Institute of Accredited Accounting Technicians  
\*Hong Kong Institute of Architects  
Hong Kong Institute of Bankers  
Hong Kong Institute of Certified Public Accountants  
Hong Kong Institute of Marketing  
\*Hong Kong Institute of Surveyors  
Hong Kong Institution of Engineers  
Hong Kong Logistics Association  
Hong Kong Securities Institute  
Institute of Administrative Management  
Institute of Certified Electronic Commerce Consultants  
Institute of Chartered Secretaries and Administrators  
Institute of Cost and Executive Accountants  
Institute of Management Specialists  
Institute of Travel and Tourism  
Institute for the Management of Information Systems  
Internet Professionals Association  
Law Society of Hong Kong  
Society of Registered Financial Planners

### **Quality Assurance Bodies**

\*Hong Kong Council for Accreditation of Academic and Vocational Qualifications  
\*Joint Quality Review Committee

### **Individual Submissions**

The Higher Education Review Group received three individual submissions.

**Higher Education Plans and Policies of Selected Asia-Pacific Countries**

*Australia*

- The Australian government is committed to “making Australia one of the most educated and highly skilled workforces in the world in order to secure national long-term economic prosperity” [E36]. Its 2009 budget announced the investment of an additional A\$5.4 billion (HK\$38.2 billion) to support higher education and research over the next four years. The government is aiming to ensure that by 2020, 20% of first-degree students are from low socioeconomic backgrounds, and by 2025, 40% of Australians aged between 25 and 34 hold degrees. The announced investment will significantly lift the proportion of Australia’s national wealth devoted to higher education, from 0.78% of GDP in 2007 to 0.86% in 2012 [E37].
- In the budget released in May 2010, the government further announced a Skills for Sustainable Growth strategy, with a budget of A\$661 million (or HK\$4,678.1 million) [E38]. This strategy focuses on the development of skills in the Australian workforce, and on ensuring that the nation’s education and training systems are flexible and responsive to economic needs. It will deliver guaranteed training places to people under 25 for their first qualifications, or to raise their qualifications.

*New Zealand*

- The New Zealand government aims to build “a world-leading education system that equips all New Zealanders with the knowledge, skills, and values to be successful citizens in the 21<sup>st</sup> century”. New Zealand’s Office of the Minister for Tertiary Education published “The Tertiary Education Strategy 2010-15” in December 2009 [E39]. The Strategy describes the government’s strategic direction, and guides the investment decisions of the Tertiary Education Commission [E40] to maximise the contribution of tertiary education to New Zealand.
- The government’s vision for tertiary education is to provide relevant and efficient tertiary education that meets the needs of students, the labour market and the economy. In a tight fiscal environment, the New Zealand government is unable to provide significant funding increases to meet the growing demand for tertiary education, and will need to move funding away from low-quality qualifications (such as those with poor educational or labour market outcomes) to fund growth in high-quality qualifications that

benefit New Zealanders and contribute to economic growth. Specifically, the government will create incentives for more young people to achieve qualifications at the degree level. The New Zealand government's 2010 Budget [E17] announced a new initiative to meet, through savings, increased demand for tertiary education by maintaining the 2010 baseline provision as well as providing an additional 765 and 455 equivalent full-time students respectively at universities and institutes of technology and polytechnics in 2011.

- Apart from this strategy, the said Budget announced that increased funding of NZ\$2 million (or HK\$11.3 million) per annum would be provided for four years (2010/11 – 2013/14) to expand the promotion of the country's education sector overseas to aid the recruitment of international students [E17].

### *Singapore*

- Singapore is committed to continuing its efforts in “restructuring into an innovation and knowledge-based economy” through investment in R&D and nurturing, attracting and retaining local and international talents. Through education, it intends to “invest in people and create opportunities for all to move up” [E41]. A university education is expected to “prepare students not only for today's world but also for a world where there will be jobs that have yet to be invented and challenges not yet foreseen” [E42].
- According to the Singaporean government, education spending will continue to rise over the next five years, particularly in higher education. The government will raise the university cohort participation rate from the current 25% to 30% by 2015, and that of polytechnics from 42% to 45%. The Committee on the Expansion of the University Sector submitted a report entitled *Greater Choice, More Room to Excel* in 2008 [E43] that recommended the enhancement of existing publicly funded universities, and the establishment of a new publicly funded university. As a result, the educational profile of Singapore's resident workforce will improve significantly over time, with 50% projected to possess at least a diploma by 2020, including 35% holding degrees. Through implementing the recommendations of the report, Singapore's university sector is expected to be “well-positioned to meet the needs of the economy, offer high-quality higher education to students, and further enhance its international reputation”.
- The Singaporean government announced a series of measures to further enhance R&D efforts in its 2010 budget. The government will top up the

National Research Fund with another S\$1.5 billion (or HK\$8.4 billion) to support the intensification of R&D [E44], bringing the overall R&D spending to 3.5% of GDP by 2015 [E45]. It is expected that private sector R&D spending will grow from 2% of GDP currently to 2.5% over the next five years.

### *South Korea*

- The South Korean government aims to enhance the international competitiveness of its universities and cultivate talents qualified for industry and local society [E46]. According to the Major Policies to Enhance the Competitive Strength of Korean Higher Education [E47] published by the Ministry of Education, Science and Technology in February 2009, the government recognises that low investment in higher education would deteriorate the educational environment and weaken the education/research capacity of higher education institutions, lowering their level of international competitiveness. The government planned to allocate KRW5.24 trillion (or HK\$35.4 billion) for higher education funding in 2009, up 14.2% compared with the 2008 budget of KRW4.59 trillion (or HK\$31 billion). In its 2010 Fiscal Policy (October 2010), the government announced the policy direction to increase investments in basic science and original technology to foster innovative results and raise talented individuals in the field of science and technology [E48].
- Through two major initiatives, the BrainKorea 21 Project [E49] and the World Class University Project 2008-2012 [E50], the government aims to:
  - i) have ten research-oriented, globally competitive universities established or further developed by 2012;
  - ii) ensure that South Korea is one of world's top ten countries in terms of papers listed in the Science Citation Index and in knowledge transfer; and
  - iii) transform all South Korean universities into globally competitive research-oriented institutions, through supporting new growth-generating fields that have the potential to spearhead national development, and through recruiting and retaining international scholars.

### *Japan*

- The Japanese government aspires to develop Japan into “an education-based

nation”, and published a “Basic Plan for the Promotion of Education” in July 2008 [E51]. Foreseeing that international competition will further intensify, the Japanese government considers it essential to nurture, through education, citizens who have great prescience, creativity and excellent leadership skills.

- The Plan sets out the direction to form world-class research centres and promote the internationalisation of universities, which would contribute to the improvement of Japan’s competitive strengths.
- In July 2008, the Japanese government launched its Global 30 Project to establish core universities for internationalisation with a view to receiving 300,000 international students by 2020. Certain universities will be provided with financial assistance of ¥200 to 400 million (or HK\$16.6 to HK\$33.3 million) per annum for five years with a view to creating an attractive educational and research environment for international students. In 2009, 13 universities were selected. As part of the project, the government is also seeking to establish overseas offices in Tunisia, Egypt, Germany, Russia, India, Uzbekistan and Vietnam to promote Japan’s higher education.

### *India*

- The Indian Prime Minister said in his address to the nation in 2007 [E52] that the government would “make India a nation of educated people, of skilled people, of creative people.” He also mentioned that the university system would be the “focus of the reform and development agenda.”
- The government considers a very substantial increase in the gross enrolment ratio necessary for India to become a knowledge society. It plans to raise this level to 21% by 2017 as mentioned in the Eleventh National Five-year Plan (2007-12) [E53]. The government has also identified the quality of educational provision as a major challenge facing the higher education sector, and considers it imperative that an increasing number of Indian higher education institutions should be of world-class standard with internationally recognised quality.
- The Eleventh National Five-Year Plan also states that efforts will be made to establish 50 centres for training and research in frontier areas that will be funded on a competitive basis according to specific proposals.

**IMPLEMENTATION OF THE RECOMMENDATIONS OF THE  
HIGHER EDUCATION REVIEW 2002**

The “Higher Education in Hong Kong” report published by the UGC in 2002 is the background against which the Higher Education Review 2010 took place. The 2002 Review Report set out quite a number of initiatives that have helped shape current higher education policies and the overall higher education landscape. In this Annex we list the 17 Final Recommendations (which are not identical to the 12 in the original 2002 Review Report) together with brief commentaries on whether, and if so how, they have been addressed.

**IMPLEMENTATION OF THE UGC’S FINAL RECOMMENDATIONS**

**A. Role Differentiation**

**Recommendation 1**

*“A few institutions to be identified for focused public and private sector support according to the institutions’ role and areas of strength.”*

2. The need for role differentiation amongst UGC-funded institutions was comprehensively articulated in the UGC’s document *To Make a Difference, To Move with the Times*, published in January 2004. Through the publication of that document, the UGC informed the public that it valued a role-driven yet deeply collaborative system of higher education in which each institution had its own role and purpose while being committed to extensive collaboration with other institutions to ensure a great variety of offerings at a high level of quality and with improving efficiency. The UGC also expressed that resources should be focused on areas of excellence wherever they appeared in institutions across the system. Thus, all institutions could and should develop unique areas of strength.

3. With those principles in mind, the UGC reviewed and publicised the role statements of the UGC-funded institutions to reflect the interlocking yet differentiated system based on the roles that the institutions had set for themselves. This was supplemented by the implementation of a Performance and Role-related Funding Scheme in 2004 to inform funding allocations in the 2005-08 triennium. The purpose of the Scheme was to provide assurance that

the institutions were adhering to their roles and performed well in those roles, and to assist institutions to reflect on their roles and find constructive ways to improve, encourage and recognise performance.

4. The UGC also set aside funding to establish the Restructuring and Collaboration Fund to which institutions might apply for funding support for collaborative projects. The purpose of the fund was to encourage deep collaboration amongst institutions. Around \$161.5 million was allocated to institutions for both staff restructuring schemes and collaborative projects such as the Hong Kong Academic Library Link: Library User Initiated Book Delivery System proposed by HKU in collaboration with seven other institutions. However, the outcomes of this initiative were not entirely satisfactory. Responses from institutions for collaboration were not enthusiastic, and the projects proposed and funded did not involve collaboration beyond the departmental level. The scheme was eventually wrapped up in 2007.

## **B. Broadening Funding Base**

### Recommendation 2

*“A three-pronged approach to gain more private sector support. The three prongs are –*

- *institutional advancement offices (to raise funds);*
- *urge institutions to go self-financing; and*
- *more transparency from the UGC.”*

*and*

### Recommendation 3

*“The Government to consider the increased use of matching grants and other incentives to generate additional momentum for private sector participation in supporting higher education.”*

5. These two recommendations to encourage increased private sector support have been successfully and vigorously addressed. Institutions have set up structures and mechanisms to raise money, and have significantly increased their self-financing portfolios. For several institutions, recurrent non-UGC tuition fee income is now more than that received from UGC tuition fees.

6. Since 2003, the Government has completed four very successful rounds of the Matching Grant Scheme, awarding grants to UGC-funded

institutions to match private donations that they had secured. The four rounds of the Scheme generated a total of \$10.8 billion (\$6.9 billion in private donations and \$3.9 billion in matching grants from the Government). The 4<sup>th</sup> Matching Grant Scheme in 2008 was expanded to include not only UGC-funded institutions but also two self-financing universities: the Open University of Hong Kong and Hong Kong Shue Yan University. The 5<sup>th</sup> Matching Grant Scheme was launched in June 2010 with \$1 billion in funding. Twelve institutions were invited to participate: the existing ten, plus the Hong Kong Academy for Performing Arts and the Chu Hai College of Higher Education. The Scheme has greatly promoted the philanthropic culture in Hong Kong.

7. The resources secured under the Matching Grant Scheme have been put to good use in the following four broad areas.

- (a) **Teaching and Research Enhancement** – to recruit and retain top-notch academic staff, and to adopt and apply new technologies and methodologies to improve the teaching and learning environment.
- (b) **Academic Strength and Niche Area Development** – to support academics engaging in focused research activities and pursuing developmental activities in the niche areas of institutions.
- (c) **Student-oriented Activities and Development Programmes** – such as student exchange programmes and activities, development of whole-person education, work-integrated education activities, and scholarships for outstanding students, *etc.*
- (d) **Capital Projects** – to augment government provision for capital projects under their campus development programmes.

Many institutions have established endowments to take these activities forward.

8. At the same time, the UGC has become more transparent. More statistics are now published, either online or annually in Facts and Figures, which was re-launched as the UGC Annual Report in 2009. Reports on major reviews such as the Review of the HKIED's Development Blueprint are published early. The Chairman of the UGC meets the media or issues press releases after UGC meetings to keep the public informed of the issues under consideration. The Chairman and Members of the UGC pay visits to institutions for dialogues with the staff and students. Public consultative sessions are also organised during major reviews, such as the Higher Education Review 2010.



## **C. Remit of the UGC**

### **Recommendation 4**

*“A Further Education Council to look after associate degrees and life-long learning. Upon setting up of the body, the UGC to transfer out all its responsibilities for sub-degree work in an orderly manner, and subsequently extend its remit to cover ‘all work at the degree level’.”*

9. Instead of establishing a Further Education Council, the Government decided that coordination amongst the sub-degree, vocational training and continuing education sectors should be entrusted to the Manpower Development Committee that advises it on the coordination and regulation of manpower training and retraining. The idea that the UGC should take on all degree work has not been pursued.

## **D. Self-financing Activities of the UGC-funded Institutions**

### **Recommendation 5**

*“Taught postgraduate and sub-degree work to be put on a self-financing basis gradually, subject to specified exceptions.”*

*and*

### **Recommendation 6**

*“The institutions to consider stipulating and regulating their relationships with their continuation education arms or community colleges by franchising agreements and to create a joint, self-financing quality assurance body in due time.”*

10. These recommendations followed the Government’s decision that the majority of Associate Degrees should be self-financed. It was also tied to the policy articulated by the Chief Executive in 2000 of expanding the post-secondary sector from the then 33% to 60% of the participation rate in ten years’ time. This policy, together with associated funding and support schemes, has transformed the higher education sector and is a key focus of the Higher Education Review 2010.

11. In 2003, after consultation with the institutions concerned, UGC adopted a gradual approach to withdraw public subsidy from sub-degree and taught postgraduate programmes which did not meet the criteria of: endanger

species; fulfilling manpower needs for Hong Kong or too expensive to be operated by the private sectors.

12. Savings from the conversion of taught postgraduate programmes to self-financing have been used, amongst other things, to provide more senior year articulation places, and to establish the Restructuring and Collaboration Fund, which supports collaborative initiatives between institutions. The savings achieved from the conversion of sub-degree programmes have been used by the Government to benefit students in the sub-degree sector, such as by enhancing the financial assistance scheme.

13. In response to Recommendation 6, the Joint Quality Review Committee was established in August 2005 to provide for the peer review of the quality assurance processes of self-financing sub-degree programmes offered by UGC-funded institutions. This was an initiative of the Heads of Universities Committee's member institutions, which are self-accrediting, to provide for enhanced quality and greater public accountability.

14. The formal arrangements between UGC-funded institutions and their continuing education arms or community colleges vary – as do their physical locations. Several community colleges now have their own purpose-built accommodation, whether on campus or completely separate. The exact relationship between these bodies could still be further articulated and clarified.

## **E. Institutional Governance**

### **Recommendation 7**

*“On institutional governance, the universities to start their own review in due course. The idea of subjecting institutions to the overview of the Ombudsman is withdrawn. Instead, the universities will be encouraged to increase external participation and transparency in their grievance procedures. A comprehensive audit of institutions by the UGC to be organised.”*

15. The UGC-funded institutions have completed the internal reviews of their governance and management structures. The reviews covered the size and composition of the governing bodies, the fitness for purpose of the governance structure, the relevant governing ordinances and codes of practices where applicable, and the need for periodic reviews of the effectiveness of the governing bodies. As a result of the reviews, institutions have devised or are working on proposed amendments to their governing ordinances. With the

exception of the City University of Hong Kong and the Hong Kong University of Science and Technology, the institutions have not yet obtained the Legislative Council's approval for the proposed legislative amendments. The UGC will consider the timing of comprehensive institutional audits of the institutions upon completion of the legislative amendment exercises.

16. The UGC is aware of stakeholders' concerns about grievance procedures, and has undertaken research on the practices of ten respectable institutions in different jurisdictions. This has resulted in the preparation of best practice guidelines. The UGC has shared these guidelines with the institutions, which have all agreed to keep their procedures under review in light of overseas experience. Indeed, several institutions have recently updated and improved their procedures. The institutions have also agreed to consider adopting the following features, if they are not presently included in their procedures:

- i) appointment of mediators (whether internal or external);
- ii) an explicit provision to guard against retaliation, and to specify the consequences of non-compliance;
- iii) clear time limits in handling grievances at different stages, having regard to overseas experiences; and
- iv) the involvement of reputable and independent external members at the final level of appeals.

#### Recommendation 8

*"The Government to take an early decision regarding the delinking of salaries but leave the timing for implementation to institutions."*

17. The Finance Committee of the Legislative Council approved the deregulation of salary scales in UGC-funded institutions with effect from 1 July 2003 according to the following two principles:

- (a) individual institutions were free to decide their own remuneration systems, which could be based on existing salary scales linked to civil service pay or on totally new mechanisms; and
- (b) the deregulation exercise was cost neutral, with institutions assured that they would not be worse off as a result of the exercise in terms of the public funding they receive.

18. All institutions took the opportunity to initiate reviews of the pay and remuneration systems of their staff, and have introduced changes to the remuneration systems at their own pace. The alternatives explored were wide ranging and the institutions took account of the local and international situations.

## **F. Funding**

### **Recommendation 9**

*“A two-tier approach to fund teaching, with the first level being ‘core’ to recognise ‘teaching load’, and the second level to reward ‘performance according to role’.”*

19. With a view to strengthening role differentiation amongst institutions to promote diversity and excellence, the UGC launched a Performance and Role-Related Funding Scheme in 2004 to inform the funding allocation for institutions in the 2005-08 triennium (see paragraph 3 above). The amount of funds involved was around 10% of the recurrent funding requirement of all eight UGC-funded institutions. The Scheme tied together funding allocation, performance and performance against role.

20. The Scheme’s Assessment Panel conducted peer-review assessments based on the self-evaluation documents submitted by the institutions and presentations made by their senior managements. Institutions were asked to produce evidence of good performance and to demonstrate that they were thinking about their performance and could address the new challenges. Based on the assessment results, the UGC was satisfied that all UGC-funded institutions demonstrated sufficient adherence to their role and effective performance in role, and thus recommended that all institutions should be able to earn back the 10% recurrent funding that had been provisionally set aside for the exercise.

21. The funding for the 2005-08 triennium took into account the Scheme’s results. While the UGC did not conduct a specific round of the Scheme for the 2009-12 triennium, it did advise institutions that their performance and roles would be firmly in mind when it assessed their Academic Development Proposals. The UGC has informed institutions that role will play a central part in the forthcoming 2012-15 triennium, as set out in the body of this report.

## **G. Sub-degree related Issues**

### **Recommendation 10**

*“Credit Accumulation and Transfer System (CATS), minus the idea of ‘money following the students’, to be introduced.”*

22. This recommendation flowed from Appendix E of the 2002 Review. It was essentially aimed at encouraging the horizontal movement of students within the UGC sector, facilitated by the introduction of funding by credit units (as opposed to full time equivalent units). The recommendation has not proved successful and there is no CATS within the UGC sector, and none between the UGC sector and the self-financing sector.

### **Recommendation 11**

*“Additional places per annum at the second year of undergraduate programmes to be added to create the ‘inverted trapezium’ and help restore the age participation rate to 18%.”*

23. Although the target of this recommendation has been exceeded, expectations have increased even faster. As at 2009/10, through a combination of Government and UGC funding, 3,974 senior year places have been created – 1,987 for each year. This has increased the overall participation rate to 20%. However, at the same time, rapid development of the self-financing post-secondary sector has led to a surge in demand for articulation places. At present, the 1,987 places can cater for some 10% of sub-degree graduates. It was therefore timely for the Chief Executive to announce in his Policy Address 2010/11 the intention to increase 2,000 publicly funded senior year places per year.

## **H. Research**

### **Recommendation 12**

*“The Government to create more sources for research funding and to ask existing sources to fund projects on a full-cost basis.”*

24. The Government’s introduction of the \$18 billion Research Endowment Fund for the UGC sector in February 2009 has been very helpful, and is commendable. However, the overall level of research funding available and the diversity of sources in Hong Kong remain well below what those

expected in a developed economy dependant on its human capital and innovation.

25. The Research Endowment Fund is expected to generate some \$900 million of income each year for research projects, approximately 50% more than is currently given by the Government. Of that amount, up to \$200 million is intended for research into “themes” identified by the Government as being of strategic benefit to Hong Kong. This boost in funding for research is most welcome. The UGC/RGC introduced on-costs of 15% for research projects with effect from 2008/09 and most public non-UGC sources of research funds now also provide 15% on-costs. The idea of funding research projects at or near full costs is being actively explored by the UGC.

### Recommendation 13

*“The Research Assessment Exercise to be sharpened and a multi-point scale to be used. ‘Critical mass funding’ to be considered.”*

26. This was partially addressed in the Research Assessment Exercise of 2006, for which the quality threshold was raised. However, all involved recognise that the methodology used could not adequately differentiate excellence at the top end and hence could not achieve one of its objectives – differentiation of research funding based on merit/excellence. The UGC has thus been consulting its funded institutions on whether the Exercise should be continued at all, and if so how to make it more fit for its purpose.

### Recommendation 14

*“To implement funding by level and by discipline.”*

27. Since the 2004/05 academic year, the UGC has applied an improved methodology whereby student unit costs as weighted by the relative cost of different levels (i.e. sub-degree, undergraduate, taught postgraduate and research postgraduate) are adopted as the basis for determining the impact of any changes in student numbers across triennia (or academic years where appropriate) on the Cash Limit.

## **I. Internationalisation**

### Recommendations 15 and 16

*“To replace the ‘2% in and 2% out’ quota for non-local undergraduate and taught postgraduate students with a straight 4% limit.”*

and

*“To remove the current quota for non-local research students.”*

28. There have been significant positive developments here. The quota for non-local research students was removed in 2003/04. The quota for non-local students in taught programmes has been increased rapidly since 2005/06 so that it now stands at “4% in and 16% out”. In 2007, the Government announced the following specific measures further to develop Hong Kong into a regional education hub:

- (a) increasing by phases the non-local student quota for publicly funded programmes at the sub-degree, degree and taught postgraduate levels to 20% of the approved student number targets for these programmes;
- (b) establishing a scholarship endowment fund of \$1 billion for local and non-local students in publicly funded full-time programmes at the degree or above levels;
- (c) allowing non-local students of full-time locally accredited programmes at the degree or above levels to take up study-related internships arranged by the institutions they are studying in, part-time on-campus employment for not more than 20 hours per week, and off-campus summer jobs during the summer months; and
- (d) allowing non-local students who have obtained a degree or higher qualification in a full-time and locally-accredited programme to take up employment in Hong Kong as long as the job is at a level commonly taken up by degree holders and the remuneration package is at the market level, and allowing non-local fresh graduates with such qualifications an initial time-limited stay of 12 months.

29. The percentage of non-local students studying in UGC-funded programmes has increased significantly in the last seven years. At the undergraduate level, the percentage of non-local full-time students studying in UGC-funded courses constitutes increased from 1% in 2002/03 to 9% in 2009/10. The percentage of non-local research postgraduate students increased from 42% in 2002/03 to around 65% in 2009/10.

## **J. Funding Arrangement for 2004/05**

### Recommendation 17

*“To ‘roll over’ the current triennium for another year to cover the academic year 2004/2005, making the new triennium 2005/2006 to 2007/2008. Minimum changes to the funding pattern for 2004/2005, except to accommodate anticipated changes in manpower requirements or to reflect movement of price and salary levels.”*

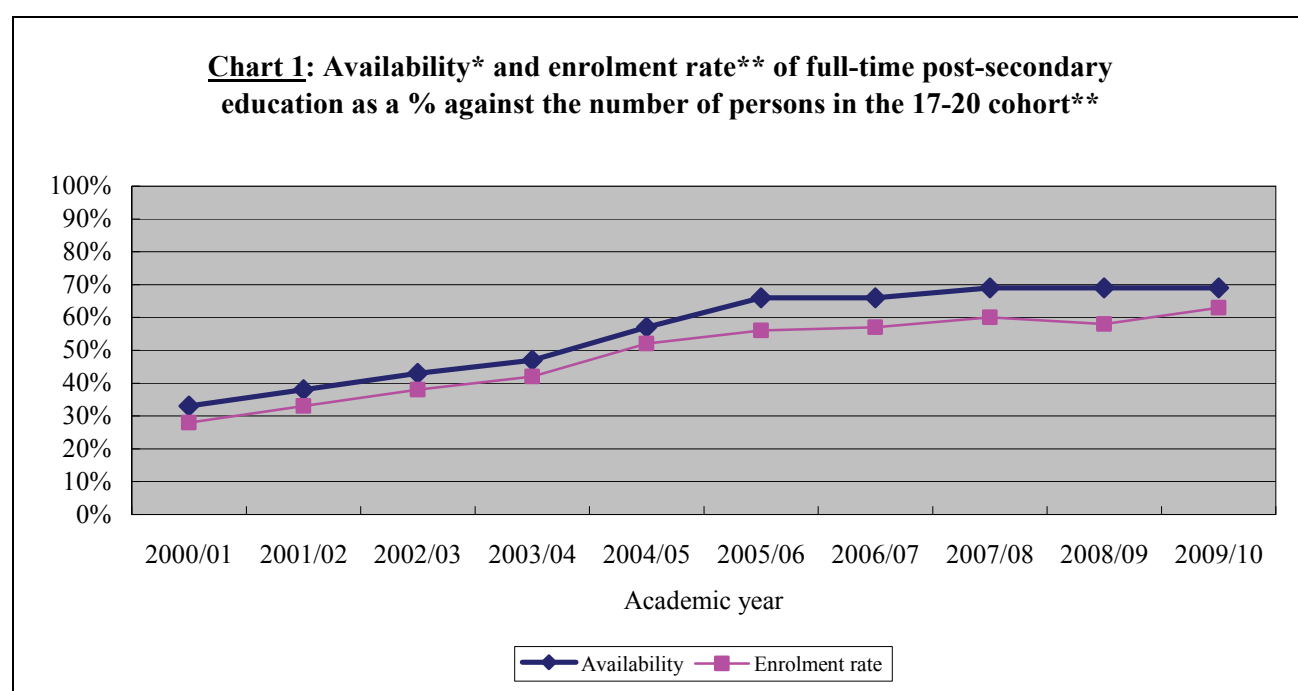
30. This recommendation was accepted.



**Key Statistics of the Post-secondary Education Sector**

**Overview**

- Chart 1 presents the availability and enrolment rate of full-time post-secondary education.



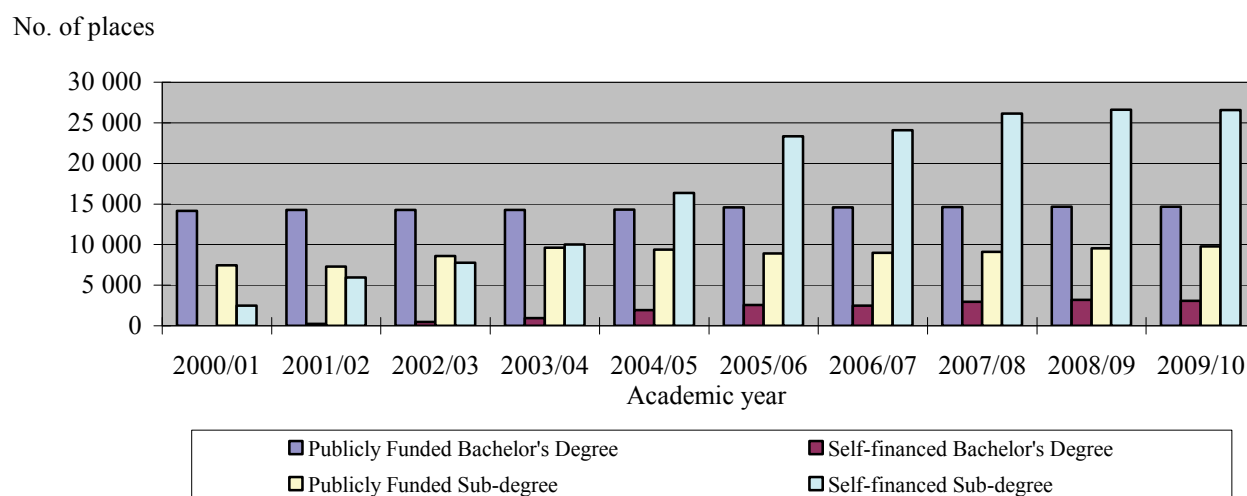
\*Including the Government's estimated percentage (*i.e.* 5%) of the average population of the 17-20 age cohort pursued/pursuing sub-degree or undergraduate studies overseas.

\*\*The enrolment rate refers to actual intakes in local institutions. The estimated percentage (5%) of the 17-20 age cohort that pursued studies overseas is not included.

## Local Programmes

- Chart 2 sets out the statistics on the supply of local full-time post-secondary places at intake by level (sub-degree and degree) and source of funding (publicly funded and self-financed).

**Chart 2: Supply of full-time post-secondary places at intake, 2000/01 to 2009/10**  
(provisional)



A detailed breakdown of the supply of full-time post-secondary programmes from 2000/01 to 2009/10 is provided below.

<b>Table 1: Supply of Full-time Post-secondary Programmes from 2000/01 to 2009/10</b>										
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Bachelor's Degree</b>	<b>14 135</b>	<b>14 505</b>	<b>14 758</b>	<b>15 222</b>	<b>16 238</b>	<b>17 138</b>	<b>17 065</b>	<b>17 594</b>	<b>17 828</b>	<b>17 715</b>
<b>Publicly funded</b>	<b>14 135</b>	<b>14 260</b>	<b>14 268</b>	<b>14 264</b>	<b>14 316</b>	<b>14 588</b>	<b>14 600</b>	<b>14 634</b>	<b>14 648</b>	<b>14 659</b>
<i>UGC-funded programmes*</i>	14 034	14 178	14 178	14 178	14 232	14 488	14 500	14 500	14 500	14 500
<i>HKAPA #</i>	101	82	90	86	84	100	100	134	148	159
<b>Self-financed</b>	-	245	490	958	1 922	2 550	2 465	2 960	3 180	3 056
<i>UGC-funded institutions' proper and continuing education arms #</i>	-	-	-	-	-	-	70	130	165	75
<i>HKAPA #</i>	<i>No self-financed Bachelor's degree programmes offered by the HKAPA</i>									
<i>Other institutions #</i>	-	245	490	958	1 922	2 550	2 395	2 830	3 015	2 981
<b>Sub-degree</b>	<b>9 912</b>	<b>13 251</b>	<b>16 355</b>	<b>19 651</b>	<b>25 733</b>	<b>32 244</b>	<b>33 074</b>	<b>35 238</b>	<b>36 130</b>	<b>36 300</b>
<b>Publicly funded</b>	<b>7 444</b>	<b>7 300</b>	<b>8 603</b>	<b>9 619</b>	<b>9 371</b>	<b>8 910</b>	<b>8 989</b>	<b>9 104</b>	<b>9 531</b>	<b>9 748</b>
<i>Associate Degree</i>	-	1 686	2 003	2 004	2 007	1 478	544	530	530	524
<i>UGC-funded programmes*</i>	-	1 686	2 003	2 004	2 007	1 478	544	530	530	524
<i>HKAPA #</i>	<i>No Associate Degree programmes offered by the HKAPA</i>									
<i>VTC #</i>	<i>No Associate Degree programmes offered by the VTC</i>									
<i>Higher Diploma</i>	7 444	5 614	6 600	7 615	7 364	7 432	8 445	8 574	9 001	9 224
<i>UGC-funded programmes*</i>	4 585	2 647	2 431	2 306	2 136	2 065	1 640	1 620	1 620	1 650
<i>HKAPA #</i>	35	29	29	39	38	27	25	24	11	24
<i>VTC #</i>	2 824	2 938	4 140	5 270	5 190	5 340	6 780	6 930	7 370	7 550
<b>Self-financed</b>	<b>2 468</b>	<b>5 951</b>	<b>7 752</b>	<b>10 032</b>	<b>16 362</b>	<b>23 334</b>	<b>24 085</b>	<b>26 134</b>	<b>26 599</b>	<b>26 552</b>
<i>Associate Degree</i>	940	3 151	4 914	6 782	9 826	14 792	15 647	16 289	17 020	15 563
<i>UGC-funded institutions' proper and continuing education arms#</i>	940	2 715	3 928	5 543	8 354	10 297	11 532	11 739	12 890	11 594
<i>HKAPA #</i>	<i>No self-financed sub-degree programmes offered by the HKAPA</i>									
<i>Other institutions #</i>	-	436	986	1 239	1 472	4 495	4 115	4 550	4 130	3 969
<i>Higher Diploma</i>	1 528	2 800	2 838	3 250	6 536	8 542	8 438	9 845	9 579	10 989
<i>UGC-funded institutions' proper and continuing education arms #</i>	-	600	820	1 209	1 783	2 269	2 641	2 923	3 012	3 339
<i>HKAPA #</i>	<i>No self-financed sub-degree programmes offered by the HKAPA</i>									
<i>Other institutions #</i>	1 528	2 200	2 018	2 041	4 753	6 273	5 797	6 922	6 567	7 650
<b>Total</b>	<b>24 047</b>	<b>27 756</b>	<b>31 113</b>	<b>34 873</b>	<b>41 971</b>	<b>49 382</b>	<b>50 139</b>	<b>52 832</b>	<b>53 958</b>	<b>54 015</b>

Data sources: \*UGC Secretariat #Education Bureau

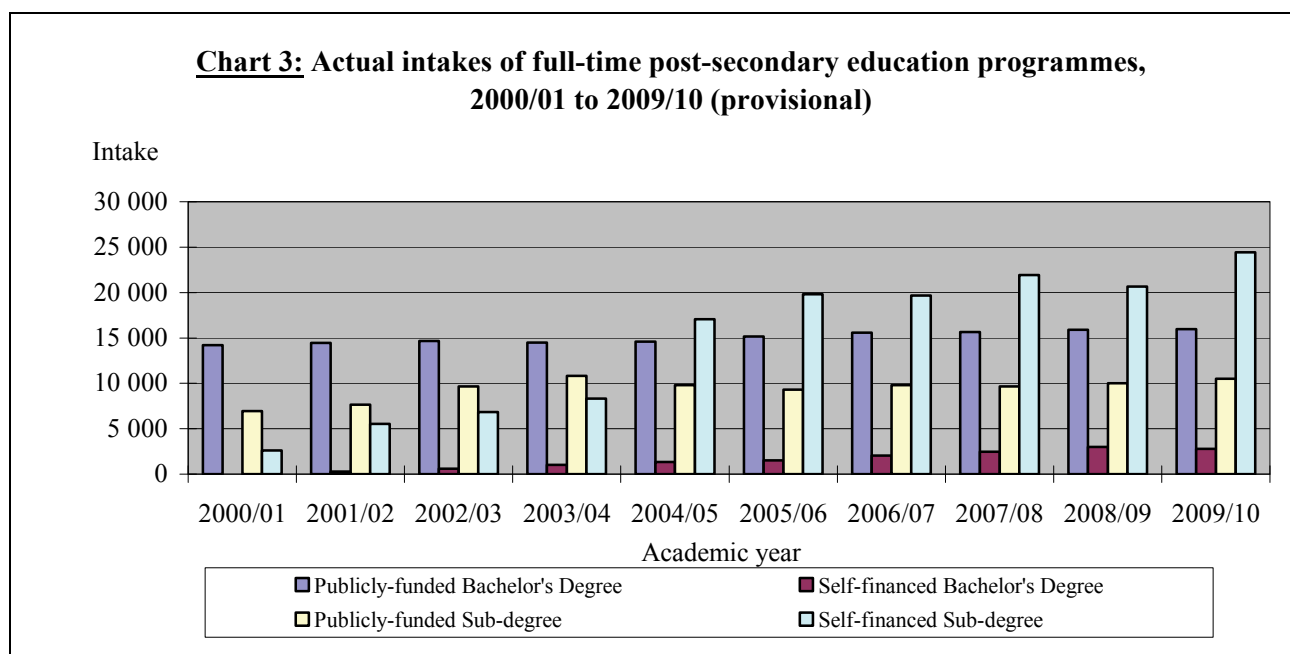
Notes related to UGC-funded programmes:

1. The figures for UGC-funded Bachelor's degree programmes relate to approved full-time first-year-first-degree places (*i.e.* part-time first-year-first-degree places provided in earlier years are not included).
2. UGC-funded Higher Diploma programmes included some programmes at the certificate/diploma level provided in earlier years.

Notes related to self-financed programmes:

1. Higher Diploma includes other post-secondary programmes of equivalent standard.

- Chart 3 sets out the actual intakes of local post-secondary education programmes by level (sub-degree and degree) and source of funding (publicly funded and self-financed).



A detailed breakdown of the actual intakes of full-time post-secondary programmes from 2000/01 to 2009/10 (provisional) is shown below.

<b>Table 2: Actual Intakes of Full-time Post-secondary Programmes from 2000/01 to 2009/10 (Provisional)</b>										
	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10 (provisional)
<b>Bachelor's Degree</b>	<b>14 209</b>	<b>14 726</b>	<b>15 277</b>	<b>15 520</b>	<b>15 932</b>	<b>16 672</b>	<b>17 603</b>	<b>18 126</b>	<b>18 909</b>	<b>18 766</b>
<b>Publicly funded</b>	<b>14 209</b>	<b>14 441</b>	<b>14 672</b>	<b>14 490</b>	<b>14 579</b>	<b>15 145</b>	<b>15 570</b>	<b>15 658</b>	<b>15 905</b>	<b>15 968</b>
<i>UGC-funded programmes *</i>	<i>14 105</i>	<i>14 351</i>	<i>14 565</i>	<i>14 375</i>	<i>14 479</i>	<i>15 022</i>	<i>15 463</i>	<i>15 513</i>	<i>15 795</i>	<i>15 822</i>
<i>HKAPA #</i>	<i>104</i>	<i>90</i>	<i>107</i>	<i>115</i>	<i>100</i>	<i>123</i>	<i>107</i>	<i>145</i>	<i>110</i>	<i>146</i>
<b>Self-financed</b>	<b>-</b>	<b>285</b>	<b>605</b>	<b>1 030</b>	<b>1 353</b>	<b>1 527</b>	<b>2 033</b>	<b>2 468</b>	<b>3 004</b>	<b>2 798</b>
<i>UGC-funded institutions' proper and continuing education arms #</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>34</i>	<i>102</i>	<i>77</i>	<i>44</i>
<i>HKAPA #</i>	<i>No self-financed Bachelor's degree programmes offered by the HKAPA</i>									
<i>Other institutions#</i>	<i>-</i>	<i>285</i>	<i>605</i>	<i>1 030</i>	<i>1 353</i>	<i>1 527</i>	<i>1 999</i>	<i>2 366</i>	<i>2 927</i>	<i>2 754</i>
<b>Sub-degree</b>	<b>9 549</b>	<b>13 213</b>	<b>16 487</b>	<b>19 139</b>	<b>26 890</b>	<b>29 107</b>	<b>29 459</b>	<b>31 570</b>	<b>30 650</b>	<b>34 949</b>
<b>Publicly funded</b>	<b>6 928</b>	<b>7 667</b>	<b>9 655</b>	<b>10 822</b>	<b>9 813</b>	<b>9 301</b>	<b>9 786</b>	<b>9 659</b>	<b>10 007</b>	<b>10 508</b>
<i>Associate Degree</i>	<i>1 434</i>	<i>1 734</i>	<i>2 327</i>	<i>2 425</i>	<i>2 108</i>	<i>1 484</i>	<i>525</i>	<i>563</i>	<i>510</i>	<i>455</i>
<i>UGC-funded programmes*</i>	<i>1 434</i>	<i>1 734</i>	<i>2 327</i>	<i>2 425</i>	<i>2 108</i>	<i>1 484</i>	<i>525</i>	<i>563</i>	<i>510</i>	<i>455</i>
<i>HKAPA #</i>	<i>No Associate Degree programmes offered by the HKAPA</i>									
<i>VTC #</i>	<i>No Associate Degree programmes offered by the VTC</i>									
<i>Higher Diploma</i>	<i>5 494</i>	<i>5 933</i>	<i>7 328</i>	<i>8 397</i>	<i>7 705</i>	<i>7 817</i>	<i>9 261</i>	<i>9 096</i>	<i>9 497</i>	<i>10 053</i>
<i>UGC-funded programmes*</i>	<i>2 526</i>	<i>2 655</i>	<i>2 476</i>	<i>2 433</i>	<i>2 179</i>	<i>2 325</i>	<i>1 886</i>	<i>1 685</i>	<i>1 819</i>	<i>2 004</i>
<i>HKAPA #</i>	<i>50</i>	<i>40</i>	<i>43</i>	<i>33</i>	<i>27</i>	<i>29</i>	<i>27</i>	<i>16</i>	<i>29</i>	<i>19</i>
<i>VTC #</i>	<i>2 918</i>	<i>3 238</i>	<i>4 809</i>	<i>5 931</i>	<i>5 499</i>	<i>5 463</i>	<i>7 348</i>	<i>7 395</i>	<i>7 649</i>	<i>8 030</i>
<b>Self-financed</b>	<b>2 621</b>	<b>5 546</b>	<b>6 832</b>	<b>8 317</b>	<b>17 077</b>	<b>19 806</b>	<b>19 673</b>	<b>21 911</b>	<b>20 643</b>	<b>24 441</b>
<i>Associate Degree</i>	<i>1 047</i>	<i>3 184</i>	<i>4 381</i>	<i>5 924</i>	<i>9 625</i>	<i>10 267</i>	<i>10 604</i>	<i>12 029</i>	<i>11 238</i>	<i>14 253</i>
<i>UGC-funded institutions' proper and continuing education arm #</i>	<i>1 047</i>	<i>2 840</i>	<i>3 857</i>	<i>5 186</i>	<i>8 623</i>	<i>8 738</i>	<i>8 902</i>	<i>10 043</i>	<i>9 583</i>	<i>12 153</i>
<i>HKAPA #</i>	<i>No self-financed sub-degree programmes offered by the HKAPA</i>									
<i>Other institutions#</i>	<i>-</i>	<i>344</i>	<i>524</i>	<i>738</i>	<i>1 002</i>	<i>1 529</i>	<i>1 702</i>	<i>1 986</i>	<i>1 655</i>	<i>2 100</i>
<i>Higher Diploma</i>	<i>1 574</i>	<i>2 362</i>	<i>2 451</i>	<i>2 393</i>	<i>7 452</i>	<i>9 539</i>	<i>9 069</i>	<i>9 882</i>	<i>9 405</i>	<i>10 188</i>
<i>UGC-funded institutions' proper and continuing education arms#</i>	<i>-</i>	<i>685</i>	<i>895</i>	<i>1 029</i>	<i>1 703</i>	<i>2 066</i>	<i>2 663</i>	<i>2 786</i>	<i>2 651</i>	<i>3 026</i>
<i>HKAPA #</i>	<i>No self-financed sub-degree programmes offered by the HKAPA</i>									
<i>Other institutions#</i>	<i>1 574</i>	<i>1 677</i>	<i>1 556</i>	<i>1 364</i>	<i>5 749</i>	<i>7 473</i>	<i>6 406</i>	<i>7 096</i>	<i>6 754</i>	<i>7 162</i>
<b>Total</b>	<b>23 758</b>	<b>27 939</b>	<b>31 764</b>	<b>34 659</b>	<b>42 822</b>	<b>45 779</b>	<b>47 062</b>	<b>49 696</b>	<b>49 559</b>	<b>53 715</b>

Data sources: \* UGC Secretariat # Education Bureau

Notes related to UGC-funded programmes:

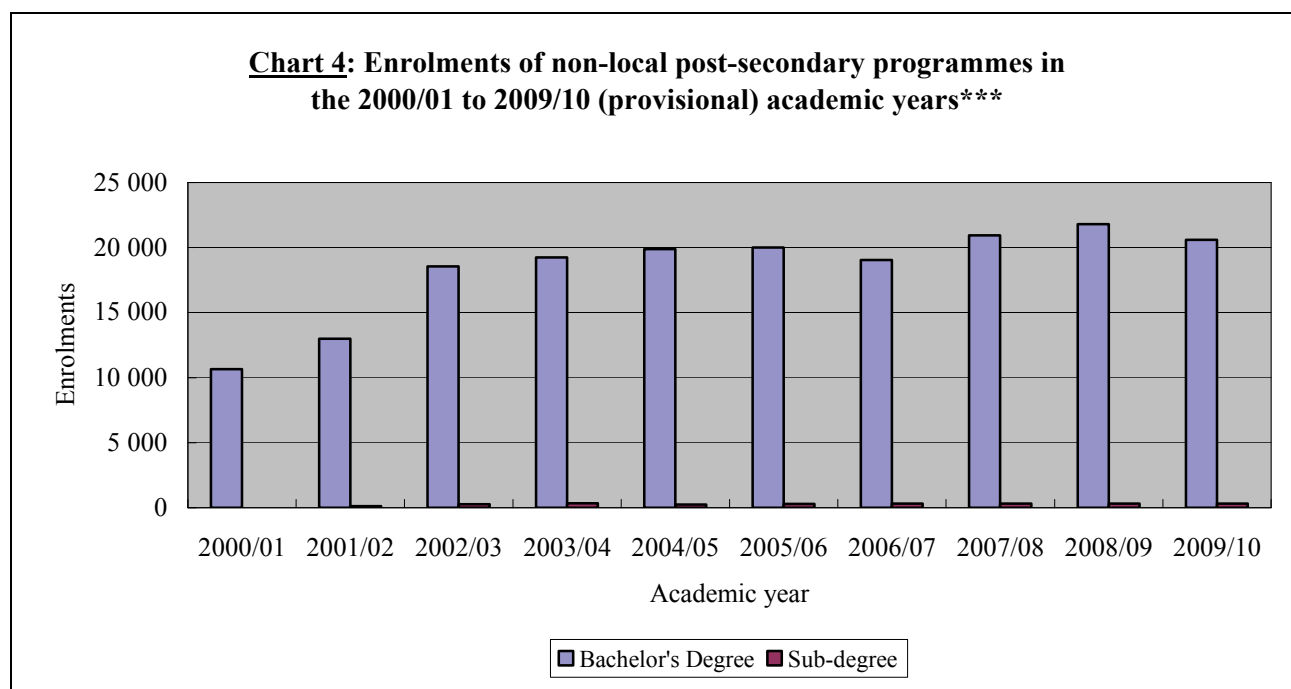
1. The figures for UGC-funded Bachelor's degree programmes refer to full-time first-year-first-degree intakes (*i.e.* part-time first-year-first-degree intakes in earlier years are not included).
2. UGC-funded Higher Diploma programmes included some programmes at the certificate/diploma level provided in earlier years.

Notes related to self-financed programmes:

1. Higher Diploma includes other post-secondary programmes of equivalent standard.

## Non-local Programmes

- Apart from local programmes, students can enrol in self-financed non-local courses. Enrolments of non-local post-secondary programmes by level (sub-degree and degree) are set out below.



\*\*\*The chart covers programmes lasting at least one academic year, including both face-to-face and distance learning programmes. The figures for 2008/09 and 2009/10 are provisional.

**Financial Assistance to Students  
Pursuing Post-secondary Education**

**Tertiary Student Finance Scheme – Publicly Funded Programmes**

- Students registered as *full-time* and taking up exclusively UGC funded or exclusively publicly funded student places in recognised courses at UGC-funded institutions, the Vocational Training Council, the HKAPA or the Prince Philip Dental Hospital, can apply for financial assistance from the Tertiary Student Finance Scheme – Publicly Funded Programmes.
- Financial assistance is provided in the form of a grant and/or loan. The grant is for covering tuition fees, academic expenses and compulsory union fees. The loan is for living expenses and is interest-bearing at 2.5% per annum chargeable from the commencement of the repayment period. The maximum grant for a student is equal to the tuition fee (not including the continuation fee for postgraduate courses) payable to the local institution concerned and academic expenses for the course of study plus the compulsory union fees (subject to a ceiling). The maximum loan amount is \$37,250 for 2010/11 applications. Eligible students who do not pass the means test for full grant may receive partial grants according to a sliding scale.
- Students may also apply for non-means-tested loans under the Non-means-tested Loan Scheme. This scheme operates on a full-cost recovery basis. Interest is charged at the Government's no-gain-no-loss rate, which is currently set at 2.984% below the average best lending rate of the note-issuing banks, plus a risk-adjusted factor of 1.5% that seeks to cover the Government's risk in disbursing unsecured loans. Interest is accrued once the loan is drawn down and throughout the study period. As at September 2010, the interest rate was 3.599% per annum. The maximum loan amount receivable under the scheme is capped at the tuition fees payable by the student.

**Financial Assistance Scheme for Post-secondary Students**

- *Full-time* students aged 25 or below who are engaged in locally accredited self-financed post-secondary education programmes leading to a qualification at the sub-degree level or above can apply for the Financial Assistance Scheme for Post-secondary Students, subject to their fulfilling the following conditions:

- students engaged in sub-degree programmes must have not obtained any qualifications at the sub-degree level or above; or
  - students engaged in top-up degree programmes must not have obtained any qualification at the degree level or above, and have obtained a locally accredited sub-degree qualification; or
  - students engaged in degree programmes must not have obtained any qualification at the degree level or above, and any sub-degree qualification must be locally accredited.
- Means-tested assistance under this scheme is capped at \$60,610 for tuition fee grant, \$3,210 for academic expenses grant and \$37,250 for living expenses loan in the 2010/11 academic year. Eligible students who do not pass the means test for a full grant may receive partial grants according to a sliding scale.
  - Students may also apply for non-means-tested loans under the Non-means-tested Loan Scheme for Post-secondary Students to cover tuition fees (without ceiling), academic expenses and living expenses (after deducting the actual amount of means-tested assistance, if any). Similar to the Non-means-tested Loan Scheme, the Non-means-tested Loan Scheme for Post-secondary Students operates on a full-cost recovery basis. Interest is charged at the Government's no-gain-no-loss rate, which is currently set at 2.984% below the average best lending rate of the note-issuing banks, plus a risk-adjusted factor of 1.5% that seeks to cover the Government's risk in disbursing unsecured loans. Interest is accrued once the loan is drawn down and throughout the study period. As at September 2010, the interest rate was 3.599% per annum.
  - Until recently, sub-degree graduates who wished to "top-up" their studies in locally accredited self-financing degrees programmes could only apply for non-means-tested loans to cover their tuition fees. Since the 2008/09 academic year, the Government has extended the Financial Assistance Scheme for Post-secondary Students to cover sub-degree graduates pursuing:
    - (i) self-financing degree/top-up degree programmes that have been accredited in Hong Kong by a government-recognised accreditation agency (e.g. by the HKCAAVQ); or
    - (ii) self-financing degree/top-up degree programmes operated by local self-accrediting institutions with the resulting qualifications



awarded solely or jointly by such institutions.

- The decision about (i) may encourage non-local institutions to seek accreditation locally for their non-local degree (including non-local top-up degree) programmes. At present, non-local degree programmes are regulated under the Non-local Higher and Professional Education (Regulation) Ordinance (Cap. 493). Application for *registration* under Cap. 493 of a course leading to the award of non-local higher academic qualification by a non-local institution is approved if the course meets the specified criteria [E54]. The Ordinance also stipulates conditions under which non-local courses can be *exempted* from registration, such as when the courses are conducted in collaboration with a specified local institution of higher education [E55]. There is no requirement for the non-local courses to seek local accreditation by, for instance, the HKCAAVQ. With the extended coverage of the Financial Assistance Scheme for Post-secondary Students, non-local course providers may seek local accreditation of their programmes so that their students can be eligible. It is believed that the move will help to enhance the overall quality of non-local degree programmes offered in Hong Kong, without changing the fundamentals of the existing regulatory regime.

**Part-time Post-secondary Programmes  
Enrolment (2009/10)**

		2009/10 (provisional) <sup>Note 2</sup>
UGC-funded Institutions (self-financed programmes)		
Sub-degree		1 900
First degree or the equivalents		7 900
Top-up degree		2 400
Postgraduate (taught and research)		22 100
Sub-total		34 300
Non-UGC-funded Institutions (self-financed programmes)		
Sub-degree		11 900
First degree or the equivalents <sup>Note 1</sup>		10 400
Top-up degree <sup>Note 1</sup>		
Postgraduate (taught and research)		2 100
Sub-total		24 400
Total		58 700
Note :		
1. Refer to local degree offered by degree-awarding institutions.		
2. Figures are rounded to nearest hundred.		

## ENDNOTES

- E1 *The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)* produced under the lead of the National Development and Reform Commission of the People's Republic of China – <http://en.ndrc.gov.cn/policyrelease/P020090120342179907030.doc>
- E2 Bahram Bekhradnia (UK), Frans van Vught (Europe), Simon Marginson (Asia-Pacific), Yang Fujia (China). (<http://www.ugc.edu.hk/eng/ugc/publication/other/2010/2010.htm>)
- E3 The Bologna Process, launched in June 1999, put in motion a series of reforms to make European higher education more internally compatible, comparable, competitive and attractive for students. Its main objectives were i) the introduction of a three-cycle degree structure (Bachelor, Master, Doctorate); ii) quality assurance in higher education; and iii) recognition of qualifications and periods of study (source: [http://ec.europa.eu/education/higher-education/doc1290\\_en.htm](http://ec.europa.eu/education/higher-education/doc1290_en.htm)).
- E4 From the consultancy report of Simon Marginson.
- E5 *Education at a Glance 2010: OECD Indicators* – [http://www.oecd.org/document/52/0,3343,en\\_2649\\_39263238\\_45897844\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/52/0,3343,en_2649_39263238_45897844_1_1_1_1,00.html)
- E6 According to the *China Statistical Yearbook 2009*, the Chinese Government spent RMB164.8 billion (HK\$188.24 billion) on institutions of tertiary education in 2007. In 2007, the China's GDP was US\$3,382.26 billion (HK\$26,271.7 billion) (source: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>).
- E7 For the purpose of this report, the figure included the Singaporean government's expenditure (in 2007-08) on the three publicly funded universities, polytechnics, the National Institute of Education and Institute of Technical Education, which amounted to S\$2.66 billion (HK\$15 billion). Singapore's GDP in 2007 was S\$266.41 billion (HK\$1,495.56 billion) (Source: *2009 Education Statistics Digest* – <http://www.moe.gov.sg/education/education-statistics-digest/files/esd-2009.pdf> and <http://www.singstat.gov.sg/stats/themes/economy/hist/gdp2.html>)
- E8 Source: Ministry of Human Resource Development of the Government of India – <http://education.nic.in/planbudget/ABE-2006-09.pdf>
- E9 In 2007-08, the recurrent government expenditure on the post-secondary

sector was \$14.55 billion. Hong Kong's GDP in 2007-08 was \$1,652.2 billion.

- E10 President Obama's speech delivered in May 2010: <http://www.whitehouse.gov/the-press-office/remarks-president-hampton-university-commencement>.
- E11 *Higher Ambitions* published by the immediate previous UK Government: <http://www.bis.gov.uk/policies/higher-education/shape-and-structure/higher-ambitions>.
- E12 *Education at a Glance: OECD Indicators 2007*.
- E13 A. Böhm, *Global Student Mobility 2025* (IDP Education Australia, Sydney 2003).
- E14 Lesleyanne Hawthorne, 'Demography, Migration and Demand' in C. Findlay & W.G Tierney (eds.), *Globalisation and Tertiary Education in the Asia-Pacific: The Changing Nature of a Dynamic Market* (Singapore, 2010), p. 94.
- E15 Ministry of Education of the People's Republic of China: [http://www.gov.cn/jrzq/2010-07/29/content\\_1667143.htm](http://www.gov.cn/jrzq/2010-07/29/content_1667143.htm).
- E16 Rui Yang, *Transnational Higher Education in China* in Findlay & Tierney (eds.), *op. cit.*, pp. 286-7.
- E17 <http://www.minedu.govt.nz/theMinistry/Budget/Budget2010/TertiaryInitiativesAndSavings.aspx>  
&  
[http://www.minedu.govt.nz/~media/MinEdu/Files/TheMinistry/Budget2010/SOC10\\_41B10TertiaryEdPackageRELEASED.pdf](http://www.minedu.govt.nz/~media/MinEdu/Files/TheMinistry/Budget2010/SOC10_41B10TertiaryEdPackageRELEASED.pdf)

- E18 The numbers of providers of self-financed post-secondary education and full-time self-financed post-secondary programmes offered in Hong Kong from 2000/01 to 2009/10 are as follows.

Academic year	Providers of self-financed post-secondary education	Full-time self-financed post-secondary programmes		
		Undergraduate	Sub-degree	Total
2000/01	4	0	20	20
2001/02	11	3	38	41
2002/03	16	7	77	84
2003/04	20	11	112	123
2004/05	20	26	173	199
2005/06	20	40	233	273
2006/07	20	41	261	302
2007/08	20	52	279	331
2008/09	21	58	289	347
2009/10	21	57	306	363

- E19 Some Secondary 6 students are admitted to publicly funded degree programmes under the Early Admission Scheme. In 2009/10, the three participating institutions of the Scheme (CUHK, HKUST and HKU) admitted 413 Secondary 6 students. The Early Admission Scheme will wind up when the first cohort of Secondary 6 students graduate under the “3+3+4” new academic structure in 2012.
- E20 Latest figure(s) from the Education Bureau, as at 2009/10 (provisional). Figures on non-local courses exclude courses with duration shorter than one year.
- E21 Other providers of self-financed sub-degree programmes include the Caritas Bianchi College of Careers, the Hang Seng School of Commerce, Chu Hai College, the Hong Kong Art School, Hong Kong Central College, the Hong Kong College of Technology, the Hong Kong Institute of Technology, Shue Yan, OUHK, VTC and Yew Chung Community College.
- E22 These are intake figures from the 2009/10 academic year collected from CityU, HKBU, LU, PolyU and OUHK by the Education Bureau.
- E23 Latest figures from the Education Bureau.

- E24 According to *Education at a Glance 2010: OECD Indicators* (see E5), in 2007, the OECD average was 1% (public), while the USA was 1%, the UK 0.7%, Australia 0.7%, New Zealand 1%, Japan 0.5% and South Korea 0.6%. In 2007-08, the recurrent government expenditure on the post-secondary education sector was 0.88% of the GDP in Hong Kong.
- E25 Quoted in *Report of the Phase Two Review of the Post-secondary Education Sector* (Hong Kong, April 2008), p. 4.
- E26 Figures are estimated with reference to the estimated/projected total population in the age group of 17-20 provided by the Census and Statistics Department, Hong Kong Special Administrative Region Government.
- E27 A summary of these issues and a survey of some systems is provided by Bahram Bekhradnia, *Credit Accumulation and Transfer, and the Bologna Process: An Overview* (Higher Education Policy Institute, 2004).
- E28 The net financial requirements for creating an additional 2,000 senior year places each year are estimated to be \$0.7 billion.
- E29 Although the remit of the Higher Education Review 2010 is principally concerned with higher education, these general considerations can apply equally well to the whole post-secondary system, though details will differ according to the type and role of each institution.
- E30 There are four Partner State Key Laboratories at HKU, three at CUHK, two at CityU, two at PolyU and one at the HKUST.
- E31 *Higher Education Funding Systems: An Overview Covering Five European Jurisdictions and the Canadian Province of Ontario* (Ben Jongbloed, 2009) and *International Funding Methodologies* (PhillipsKPA Pty Ltd, 2009) (<http://www.ugc.edu.hk/eng/ugc/publication/other/2010/2010.htm>)
- E32 The UGC's treatment of the teaching element of the Block Grant means that institutions which may be assessed to be doing a less satisfactory job (at the undergraduate level) will nevertheless receive the same amount per place for teaching as institutions assessed to have done very well. There have been suggestions that institutions which provide high(er) quality teaching should receive a higher per capita amount in their teaching element. The UGC does not subscribe to this approach – it will start institutions performing less well on a downward spiral, and have a direct adverse impact on their students. Less resources per place means fewer resources to devote per student. The UGC's approach is thus to reduce the number of places it funds in institutions that are assessed to be performing less well. This conveys the same message to the institution, but without

adversely affecting students.

- E33 This figure does not include funding for theme-based research, which will ramp up to approximately \$200 million per annum in due course.
- E34 It should be noted that there is no formal third-party oversight of UGC-funded sub-degree programmes. This lacuna was noted by the UGC in setting up the Quality Assurance Council but tolerated in view of the low number of programmes and the fact that such programmes are an integral part of the quality assurance systems of the three institutions involved.
- E35 The then conceived CATS was as detailed in Appendix E of the 2002 Review Report.
- E36 <http://www.deewr.gov.au/highereducation/review/Pages/default.aspx>
- E37 <http://www.deewr.gov.au/highereducation/review/Pages/default.aspx>  
&  
<http://www.deewr.gov.au/HigherEducation/Review/Pages/FutureDirectionsforTertiaryEducation.aspx>  
&  
[http://www.deewr.gov.au/Ministers/Gillard/Media/Speeches/Pages/Article\\_090521\\_153929.aspx](http://www.deewr.gov.au/Ministers/Gillard/Media/Speeches/Pages/Article_090521_153929.aspx)
- E38 [http://www.deewr.gov.au/Ministers/Gillard/Media/Releases/Pages/Article\\_100511\\_171800.aspx](http://www.deewr.gov.au/Ministers/Gillard/Media/Releases/Pages/Article_100511_171800.aspx)
- E39 [http://www.minedu.govt.nz/theMinistry/PolicyAndStrategy/~/\\_media/MinEdu/Files/TheMinistry/TertiaryEducationStrategy2010/TES2010to2015.pdf](http://www.minedu.govt.nz/theMinistry/PolicyAndStrategy/~/_media/MinEdu/Files/TheMinistry/TertiaryEducationStrategy2010/TES2010to2015.pdf)
- E40 The Tertiary Education Commission gives effect, through its funding decisions, to the Education Strategy of the Minister for Tertiary Education.
- E41 <http://www.moe.gov.sg/media/speeches/2010/01/22/speech-by-dr-ng-eng-hen-at-the-36.php>
- E42 <http://www.moe.gov.sg/education/post-secondary>
- E43 <http://www.moe.gov.sg/media/press/files/2008/06/ceus-prelim-report.pdf>
- E44 Singapore's National Research Fund was established under the Prime Minister's Office in addition to the usual research funding for universities.

The Fund allocated S\$5 billion (HK\$28.1 billion) in research funding over five years (2006-2010), with the aim of achieving a national R&D spending target of at least 3% of GDP by 2010.

- E45 From a speech by Singapore's Permanent Secretary (National Research and Development) in March 2010:  
[http://www.nrf.gov.sg/nrf/uploadedFiles/News\\_and\\_Events/Speeches/2010/TCF%202010%20-%20Speech.pdf](http://www.nrf.gov.sg/nrf/uploadedFiles/News_and_Events/Speeches/2010/TCF%202010%20-%20Speech.pdf)
- E46 From the message of South Korea's Minister of Education, Science and Technology: <http://english.mest.go.kr/main.jsp?idx=0101010101>
- E47 [http://english.mest.go.kr/main.jsp?idx=0301020101&brd\\_no=52&cp=1&pageSize=10&srchSel=&srchVal=&brd\\_mainno=878&mode=v](http://english.mest.go.kr/main.jsp?idx=0301020101&brd_no=52&cp=1&pageSize=10&srchSel=&srchVal=&brd_mainno=878&mode=v)
- E48 [http://english.mosf.go.kr/news/pressrelease\\_view.php?sect=news\\_press&n=7110](http://english.mosf.go.kr/news/pressrelease_view.php?sect=news_press&n=7110)
- E49 <http://bnc.krf.or.kr/home/eng/bk21/aboutbk21.jsp>
- E50 [http://www.kosef.re.kr/english\\_new/image/WCU%20full%20text%20version.pdf](http://www.kosef.re.kr/english_new/image/WCU%20full%20text%20version.pdf)
- E51 <http://www.mext.go.jp/english/reform/1260292.htm>
- E52 <http://education.nic.in/policypronouncements.htm>
- E53 [http://planningcommission.nic.in/plans/planrel/fiveyr/11th/11\\_v2/11v2\\_ch1.pdf](http://planningcommission.nic.in/plans/planrel/fiveyr/11th/11_v2/11v2_ch1.pdf)
- E54 The criteria for registration under Cap. 493 of a course leading to the award of non-local higher academic qualification by a non-local institution include: (a) the institution must be a recognised non-local institution; (b) effective measures must be in place to ensure that the standards of the course offered are maintained at a level comparable to a course leading to the same qualification conducted in the institution's home country; and (c) this comparability in standard must be recognised by the institution, the academic community and the relevant accreditation authority (if any) of the home country.
- E55 The specified institutions are the eight UGC-funded institutions, the HKAPA, OUHK and Shue Yan.

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