

**For discussion on  
3 November 2017**

**Legislative Council Panel on Education**

**Injection into the Research Endowment Fund**

**PURPOSE**

This paper briefs Members on the proposed injection of \$3 billion into the Research Endowment Fund (REF), which will be used to generate investment income to provide non-means-tested studentships for local students enrolled in University Grants Committee (UGC)-funded research postgraduate (RPg) programmes.

**BACKGROUND**

2. The REF was established in 2009 with an original endowment of \$18 billion. The investment income of the endowment is intended to –

- (a) replace, from the 2010/11 academic year onwards, \$506 million of annual recurrent subvention to Research Grants Council (RGC) for distribution as earmarked research grants to the UGC-funded institutions; and
- (b) support theme-based research with investment income of up to \$4 billion of the Research Endowment Fund, thus allowing the UGC-funded universities to work on research proposals on themes of a more long-term nature and strategically beneficial to the development of Hong Kong.

3. To enhance the research capacity of the higher education sector, with the approval of Finance Committee of the Legislative Council (FC), we injected another \$5 billion endowment into the REF in 2012. The investment income from \$2 billion of the endowment replaces the \$100 million annual recurrent subvention to RGC for distribution as earmarked research grants to the UGC-funded institutions, thus providing greater funding stability and certainty. On the other hand, the investment income from the remaining \$3 billion of the injection is distributed on a competitive basis to full-time academics in the local self-financing degree sector (including applications submitted by such academics in collaboration with academics from UGC-funded institutions).

## **JUSTIFICATIONS**

4. Research is crucial to the development of higher education and enhancing the competitiveness of an economy. Over the years, the number of local students enrolled in UGC-funded RPg programmes has declined. In 2006/07 academic year, out of 5 465 students enrolled in UGC-funded RPg programmes, 2 568 (47%) were local students. In 2016/17 academic year, out of 7 567 students enrolled in UGC-funded RPg programmes, only 1 519 (20.1%) were local students.

5. The decline in local student enrolment can be attributed to a number of factors such as prevailing employment opportunities in the market, personal career orientation and prospect in the teaching/research fields. We observe that, in recent years, local graduates have become less interested in applying to study in UGC-funded RPg programmes after obtaining their first degrees. In fact, our estimation is that the number of local students who would apply for admission to UGC-funded RPg programmes is now fewer than 1 000 per year<sup>1</sup>. Given a declining number of applications for admission by local students, the ratio of local to non-local RPg students has declined significantly over the years, despite the fact that the “success rate” of local applicants is generally higher than their non-local counterparts.

6. While we reaffirm our policy to allow UGC-funded universities to admit the best talents to their UGC-funded RPg programmes regardless of origin, we also see a need to incentivise more local students to apply for admission to RPg programmes. Our goal is to build up a pool of local research talents to sustain Hong Kong’s competitiveness and propel the development of our higher education sector.

## **STUDENTSHIPS FOR LOCAL STUDENTS ENROLLED IN UGC-FUNDED RPG PROGRAMMES**

7. The Chief Executive announced in her Policy Address on 11 October 2017 that the Government will inject \$3 billion into the REF to generate investment income so as to provide studentships for local students enrolled in UGC-funded RPg programmes. The detailed proposal on the new studentship scheme is set out in the ensuing paragraphs.

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<sup>1</sup> While UGC-funded universities have maintained statistics on the number of applications received, since a student may submit more than one application to different universities, we are unable to ascertain the actual number of students who are interested in applying for RPg programmes. That said, UGC-funded universities estimate that, on average, each local applicant would submit two applications for admission to UGC-funded RPg programmes.

## *Eligibility*

8. We propose that the studentships should be provided on a non-means-tested basis. All local students who are enrolled in UGC-funded RPg programmes (including students who are already studying in RPg programmes and new students), regardless of the disciplines, are eligible for the studentship. Having regard to the objective that the studentship is provided to cover the tuition fees of local RPg students, if the tuition fee of the RPg student has been waived under any circumstances, the student will no longer be eligible for the studentship.

## *Coverage and funding*

9. The studentship will cover the tuition fees for the normative study period<sup>2</sup> of UGC-funded RPg programmes. The amount of studentship will be pegged to the prevailing tuition fee payable by RPg students (i.e. \$42,100 per student per annum currently).

10. We propose the studentships scheme should commence from the 2018/19 academic year. There will be no cap on the number of studentship recipients. Subject to the approval of FC for the proposed injection, we will make appropriate investment arrangements. UGC will use its own resources to cover any shortfall if the number of local RPg students is more than expected or if the investment return is lower than expected.

11. As it takes time to generate investment income from the \$3 billion endowment to fund the studentships scheme, as a one-off measure, the Government will deploy existing resources to provide sufficient studentships for all local RPg students to be enrolled in the 2018/19 academic year.

## *Administration of the studentships scheme*

12. Under the studentships scheme, selection and admission of students to UGC-funded RPg programmes continues to fall within the institutional autonomy of universities. UGC is working on the detailed operational arrangements and will discuss with the universities before the scheme is implemented.

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<sup>2</sup> The normative study period for Master of Philosophy studies is two years. The normal duration of Doctor of Philosophy studies is three years (for students who have a research master's degree) or four years (for students who do not have a research master's degree).

## **FINANCIAL IMPLICATIONS**

13. The proposed injection into the REF will require a one-off funding of \$3 billion. On the assumption that the rate of return is in the range from 2.4 to 3.3% per annum, the annual funding available from the investment income generated by the proposed injection would be around \$72 million to \$99 million, which could provide studentships for about 1 710 to 2 350 eligible students annually.

14. In view of the lead time of generating investment income from the proposed \$3 billion endowment, the Government will deploy existing resources to cover the cost for provision of studentship in the 2018/19 academic year. \$70 million will be earmarked in 2018-19 draft Estimates for such purpose to provide studentships for about 1 660 eligible students. With the introduction of the studentships scheme, there will be estimated savings of around \$900,000 per academic year from student financial assistance.

## **WAY FORWARD**

15. Subject to Members' views, we will seek approval from FC for the proposed \$3 billion injection into the REF.

**Education Bureau**  
**University Grants Committee Secretariat**  
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