

# **立法會**

## ***Legislative Council***

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### **Panel on Education**

### **Meeting on 3 November 2017**

### **Background brief on issues related to the Research Endowment Fund**

#### **Purpose**

This paper provides background information on the Research Endowment Fund ("REF") and highlights the major concerns of members of the Panel on Education ("the Panel").

#### **Background**

2. REF was established in February 2009 with an original endowment of \$18 billion to generate investment income and provide a stable research funding for the University Grants Committee ("UGC")-funded institutions through the Research Grants Council ("RGC"). UGC is responsible for advising on the policies governing the operation, development and investment of REF.

3. Out of the \$18 billion, the investment income of at least \$14 billion was used to replace, from the 2010-2011 academic year onwards, the bulk of the earmarked research grants distributed annually to the institutions. The investment income from up to \$4 billion of REF was deployed to support theme-based research projects <sup>1</sup>.

4. In 2012, \$5 billion was injected into REF to enhance the research capacity of the higher education sector. The investment income of \$3 billion is used to provide competitive research funding for the local

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<sup>1</sup> The Theme-based Research Scheme was launched in 2010, with the following three themes selected: promoting good health; developing a sustainable environment; and enhancing Hong Kong's strategic position as a regional and international business centre.

self-financing degree sector, and the remaining \$2 billion replaced the annual recurrent provision of \$100 million to RGC .

5. In her 2017 Policy Address, the Chief Executive announced that the Administration will inject \$3 billion into REF to provide studentships for local students admitted to UGC-funded research postgraduate programmes to incentivise more local students to engage in research work, thereby promoting the development of innovation and technology.

### **Major views and concerns**

6. The Panel discussed issues related to the establishment of REF at its meeting on 8 December 2008. The Administration subsequently consulted members about its injection of \$5 billion into REF at the Panel meeting on 14 November 2011. The major concerns raised by members are summarized in the ensuing paragraphs.

#### **Investment income of REF**

7. Members expressed concern as to whether the return on the investment was sufficient to support research activities and whether a ceiling on the use of the principal of REF would be set in case the investment income was insufficient to support research activities. Members were also concerned that given the volatilities of the investment market, relying on the investment income of REF to support research would create more uncertainty. They considered that the Administration should specify a minimum funding level for research activities, and should inject further capital into REF when the principal of REF had decreased to a level that the investment income was less than the minimum provision of funding.

8. According to the Administration, REF would provide a stable source of funding to sustain the long-term development of research in the UGC sector. Under the mode of providing researching funding on a triennial basis, the level of funding would be subject to the amount of public resources available in a given triennium and competing priorities in other policy areas. The Administration considered it appropriate to use a small part of the principal of REF to ensure a stable research allocation during economic downturns and would not set any ceiling on the use of the principal of REF.

### Allocation of research resources by RGC

9. Another concern of members was UGC's competitive allocation mechanisms. Research proposals with the themes on sciences and engineering had an edge over those on humanity and social sciences, and research on international issues were given higher regard than those on local issues. There was also a view that RGC should make reference to overseas experience and consider adopting different mechanism for assessment of research proposals on different disciplines and themes.

10. As explained by the Administration, RGC aimed to use the earmarked research grants to support as many quality research projects as possible. RGC had appointed four subject panels to assess applications for research grants, namely: the Engineering Panel, the Physical Sciences Panel, the Biology & Medicine Panel, and the Humanities, Social Sciences and Business Studies Panel. These Panels comprised both local and external experts and had their own set of criteria for assessing the academic merits of research proposals in their respective fields. For assessment of research proposals on local issues, RGC would appoint more local academics to the subject panels concerned. All the research proposals had been assessed in terms of their academic excellence on a competitive basis.

### **Latest position**

11. At the Panel meeting on 3 November 2017, the Administration will brief members on its injection of \$3 billion into REF, of which its investment income will be used to support local students to study UGC-funded research postgraduate programmes.

### **Relevant papers**

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

## Appendix

### List of relevant papers

Committee	Date of meeting	Paper
Panel on Education	8.12.2008	<a href="#">Agenda</a> <a href="#">Minutes</a>
Finance Committee	9.1.2009	<a href="#">Agenda</a> <a href="#">Minutes</a>
Panel on Education	14.11.2011	<a href="#">Agenda</a> <a href="#">Minutes</a>
Finance Committee	13.1.2012	<a href="#">Agenda</a> <a href="#">Minutes</a>

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