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Panel on Education

Meeting on 1 March 2019

Updated background brief on issues related to the Research Endowment Fund

Purpose

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

Background

- 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. 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 projects¹.
- REF was topped up by \$5 billion in 2013-2014 to enhance the research capacity of the higher education sector. Investment income of \$3 billion was used to provide competitive research funding for the local self-financing degree sector, and the remaining \$2 billion replaced the annual recurrent provision of \$100 million to RGC. Another injection of \$3 billion into REF was approved by the Finance Committee of the Legislative Council on 19 January 2018 to provide studentships for local students admitted to UGC-funded research

¹ 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.

postgraduate ("RPg") programmes to incentivize more local students to engage in research work, thereby promoting the development of innovation and technology.

4. The Chief Executive announced in her 2018 Policy Address that an additional \$20 billion would be injected into REF to strengthen the research capabilities of the universities.

Major views and concerns

5. The Panel discussed the establishment of REF, \$5-billion injection and \$3-billion injection into REF on 8 December 2008, 14 November 2011 and 3 November 2017 respectively. The major concerns raised by members are summarized in the ensuing paragraphs.

Investment income of Research Endowment Fund

6. 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.

7. 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

8. 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.

9. 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.

Support measures for local research postgraduate students

10. In view of the declining number of local RPg students, some members urged the Administration to improve the career prospects for RPg graduates to attract more local elite students to undertake RPg programmes. Some other members suggested the Administration to consider increasing the approved UGC-funded student number for RPg programmes, reserving a certain proportion of RPg places for application by local applicants only, and offering stipend to local RPg students.

11. The Administration advised that the studentships scheme which covered the tuition fees for the normative study period would help encourage local students to pursue RPg studies in some way. However, whether local students chose to pursue RPg studies, and if so where, was a matter of personal choice. Nevertheless, the Administration would continue to step up its efforts to attract local students to undertake RPg programmes. On the suggestion of reserving RPg places for local students, the Administration explained that in order to ensure the best candidates were engaged to boost the level of local research programmes, UGC-funded universities admitted RPg students on a merit basis, taking into account students' academic results and research capability, regardless of their place of origin. As a matter of fact, the success rate for non-local students applying for enrolment in UGC-funded RPg programmes was less than 15% while the success rate for local students was more than 50%. This indicated that local students did have an edge over their non-local counterparts. Moreover, UGC-funded universities currently had yet to fully utilize their over-enrolment capacity of UGC-funded RPg student places. If outstanding local students applied to study RPg programmes, the universities would still have spare capacity to consider their admission on a merit basis.

Hence, there was no need to set aside a number of places for local students.

Admission policy

12. Some members considered that UGC should revise the prevailing mechanism for allocating UGC-funded RPg places under which The University of Hong Kong, the Chinese University of Hong Kong and the Hong Kong University of Science and Technology were allocated most of the places. A member suggested UGC to invite the eight UGC-funded universities to submit proposals on how they could attract local talents to apply for admission to their RPg programmes and allocate the RPg places based on the merits of their proposals. The Administration took note of the suggestion and advised that there was an established mechanism to allocate RPg places among UGC-funded universities. The Administration had all along been committed to supporting the research work of these universities, and would seek additional resources for them where necessary.

13. Given that no quota restriction had been imposed on the admission of non-local RPg students since the 2003-2004 academic year, some members urged for a review of the current admission policy to ensure that the resources available to local students would not be compromised as a result of recruitment of non-local students. As informed by the Administration, it accepted UGC's recommendation in 2002 that the quota for non-local RPg students should be removed from the UGC-funded universities had been accepted. Such recommendation was formulated after extensive consultations with the higher education sector. Admitting outstanding research talents to RPg programmes on a merit basis was in line with the common practice of the international academic community. In fact, the number of local students pursuing UGC-funded RPg programmes was determined by a number of factors, such as prevailing employment opportunities in the market, and personal career orientation.

14. As a considerable investment had been made on non-local students, members considered it necessary for the Administration to retain more non-local graduates to help strengthen Hong Kong's human capital. The Administration advised that on average, about 30% of non-local graduates of UGC-funded RPg programmes stayed to work in Hong Kong over the past few years. Non-local RPg graduates, irrespective of whether they decided to stay in Hong Kong, had established close ties with local universities which was beneficial to the long-term research development of Hong Kong. These graduates had also contributed to the higher education sector by propelling local research development as well as being the teaching assistant/tutor of undergraduate students during their course of study in Hong Kong.

Latest position

15. At the Panel meeting on 1 March 2019, the Administration will brief members on the injection of \$20 billion into REF and the launch of Research Matching Grant Scheme, as well as the funding policy of RGC.

Relevant papers

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

Council Business Division 4
Legislative Council Secretariat
22 February 2019

List of relevant papers

Committee	Date of meeting	Paper
Panel on Education	8.12.2008	Agenda Minutes
Finance Committee	9.1.2009	Agenda Minutes
Panel on Education	14.11.2011	Agenda Minutes
Finance Committee	13.1.2012	Agenda Minutes
Panel of Education	3.11.2017	Agenda Minutes
Finance Committee	19.1.2018	Agenda Minutes

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