

For discussion on
30 March 2021

Legislative Council Panel on Education

The Funding Mechanism of the University Grants Committee and the Research Grants Council

Purpose

This paper briefs Members on the funding mechanism of the University Grants Committee (UGC) and the Research Grants Council (RGC).

Mechanism for determining the levels of recurrent grants for UGC-funded universities

2. The Government allocates recurrent grants to the eight UGC-funded universities in the form of a block grant, usually on a triennial basis to tie in with the academic planning cycle of UGC-funded sector. The recurrent grants allocated by the UGC to the universities aim to fund the universities' teaching and research in pursuing their respective roles and missions, and mainly comprise a block grant and funds provided for specific purposes.

3. While respecting the autonomy of the UGC-funded universities in resource allocation and internal financial management, the universities shall follow the relevant conditions on the use and unspent balance of the UGC's funding as prescribed in the UGC Notes of Procedures together with requirements for reporting, audit and assurance.

Block Grant

4. The amount of the block grant to the UGC-funded sector as a whole comprises three elements –

Elements	Proportion
Teaching	About 75%
Research	About 23%
Professional Activities	About 2%

Details of each element of the block grant are set out in the following paragraphs.

Teaching element

5. Teaching is the primary duty and mission of the universities. The bulk of the block grant is therefore allocated for such purpose. The amount of the teaching element is determined on the basis of the student numbers, their levels of study (i.e. sub-degree, undergraduate, taught postgraduate and research postgraduate), modes of study (i.e. part-time and full-time) and disciplines of study, etc. As some subjects require special equipment or laboratories or are more staff-time intensive, their teaching costs are higher, as reflected in the determination of the funding allocation for each of the universities¹. Generally, only price and pay adjustments will be made to each year's block grant within the triennium.

Research element

6. The research element is for providing research infrastructure needed. The universities can use it to hire staff required by research and provide facilities needed (e.g. accommodation and equipment) and to fund research activities to a certain extent. Moreover, university researchers can apply for project-based research funding for their research projects from various research funding bodies (e.g. the Research Grants Council (RGC), and the Innovation and Technology Commission (ITC)).

7. To promote research excellence, the UGC has been gradually adopting a more competitive approach in allocating funding under the research element on the basis of the peer-reviewed results of the universities' applications for the RGC Earmarked Research Grants (ERG). Currently, 26% of the research element is allocated based on the above-mentioned competitive approach, while the remaining 74% is allocated with regard to the universities' performance in the Research Assessment Exercise (RAE).

8. The RAE is part of the UGC's assessment of the performance of the UGC-funded universities. It assesses the research quality and relative strengths of the UGC-funded universities by using international benchmarks and make recommendations to them on possible improvements; it is intended to encourage world-class research and drive excellence. The last RAE was completed in 2015, and the preparations for the RAE 2020 began in 2016. After extensive consultation with the assessment panels and universities, the UGC published the four canonical procedural guidelines for the RAE 2020 in 2017 and 2018, namely, the Framework, the Guidance Notes, the General Panel Guidelines and the Panel-

¹ Generally speaking, the UGC applies relative cost weightings to certain subjects in the calculation of funding. Currently, the weightings for Medicine & Dentistry are 3.6 (for undergraduate and taught postgraduate programmes) and 1.8 (for research postgraduate programmes), while that for Engineering & Laboratory Based Studies is 1.4.

specific Guidelines on Assessment Criteria and Working Methods, and is implementing the exercise in accordance with the published guidelines. 13 assessment panels have been set up by disciplines to conduct criterion-referenced assessment on the research outputs, impact cases studies and environment submissions from the universities in a professional and objective manner. The RAE 2020 results will be announced in May 2021. The UGC will allocate the relevant research element accordingly.

Professional Activity element

9. This element is intended to fund professional activities not covered by the teaching element and research element. It is calculated based on the number of academic staff members.

Grants for specific purposes and adjustments

10. As the formula-based funding model may sometimes not fully address the various needs of the universities, the UGC has provided for specific requirements in the planning cycle. For reference, the UGC provides funding for the following specific requirements in the 2019/20 to 2021/22 triennium (2019-22 triennium) –

(a) Earmarked Research Grants (ERG)

The ERG is mainly funded by the investment income of the Research Endowment Fund (REF) and distributed by the RGC to support research projects and research activities of the UGC-funded universities. To keep the amount of funding of the ERG at the current price level, an amount of \$72.7 million has been deployed within the Cash Limit for ERG for each of the academic years in the 2019/20 to 2021/22 triennium.

(b) Teaching Development and Language Enhancement Grant (TDLEG)

The UGC attaches great importance to teaching and learning. A sum of \$781.2 million is provided for the TDLEG in the 2019-22 triennium to support universities continuously enhancing teaching and learning as well as language training.

(c) Knowledge Transfer

To support the universities strengthening their capacity in knowledge transfer, the UGC provides a sum of \$68.5 million to the universities in each academic year in the 2019-22 triennium.

(d) Central Allocation Vote (CAV)

To support new initiatives during the triennium, the UGC sets aside about 1% of the Cash Limit on average (i.e. \$600 million in the 2019-22 triennium) centrally. For example, the UGC and the QAC jointly offered \$165 million in January 2021 to support the universities promoting the strategic development of virtual teaching and learning in the medium to long run. In addition, the UGC allocated funding last year for the universities to strengthen their student support services in response to the challenges arising from the COVID-19 pandemic, and to provide better support for students with special educational needs. Annually \$100 million is also set aside for the Areas of Excellence projects.

Moreover, the UGC provides funding for a number of small extra-formulaic adjustments relating to specific activities of the universities, such as the funding support for additional clinical placement requirements for students in allied health profession programmes. The total funding amount is around \$72 million per year in the 2019-22 triennium.

Planning Exercise

11. The UGC adopts a triennial planning cycle in conducting the Planning Exercise so as to allow the universities to examine their recent developments through reviewing existing programmes, introducing new ones and weeding out obsolete ones, and to prepare Planning Exercise Proposals (PEPs) that meet future needs. The assessment process is conducted professionally and prudently by a sub-group of the UGC which comprises experts with relevant experience and no conflict of interest.

12. To ensure the efficient use of the precious publicly-funded student places, the UGC adopts the Competitive Allocation Mechanism (CAM) under which each university shall set aside a small portion of its non-manpower-planned FYFD places for redistribution. The outcome of the CAM reflects the comparative performance of the universities, and allow them to review their future developments, role differentiation and curriculum development strategies. The redistribution also provides room for the universities to propose and launch new programmes in response to the latest societal demands and trends. The PEPs submitted by the universities will be assessed by UGC against the following seven major criteria –

- (1) institutional mission and strategy;
- (2) meeting the needs of society over the next decade;
- (3) quality of undergraduate student experience of learning and teaching;

- (4) quality of research performance and of research postgraduate student experience;
- (5) impact of knowledge transfer and wider engagement activity;
- (6) enhancement of internationalisation activities; and
- (7) financial health and institutional sustainability.

13. The UGC has introduced a series of new measures for the Planning Exercise for the 2022/23 to 2024/25 triennium in order for the exercise to continue meeting the manpower needs of society. Specifically, apart from bidding for student places in the coming triennium, the universities are encouraged to achieve a longer-term planning by submitting preliminary proposals for the following triennium. The universities were also invited to conduct short- and mid-term manpower projections in various disciplines for reference by relevant bureaux/departments. Moreover, to render the Planning Exercise more data-driven and streamline the preparatory work of the PEPs by the universities, the UGC will make use of annual datasets submitted by the universities to achieve a more precise assessment.

The RGC's Funding Mechanism

14. Established in 1991, the RGC operates under the aegis of the UGC and consists of local and overseas academics as well as local lay members. The RGC's terms of reference include advising the Government through the UGC on the needs of academic research in the higher education sector; assessing research grant applications and monitoring the use of research grants; selecting the recipients of various research fellowships; and implementing research funding schemes for the self-financing higher education sector.

15. The RGC must be satisfied that its funded projects have significant intellectual and innovative content and promote academic development. To drive Hong Kong's research excellence, the RGC provides more funding support to top quality research projects through its competitive funding schemes. Subject Panels and Committees, comprising both local and non-local relevant academics, are set up under the RGC to consider applications for research grants and fellowships. The RGC gives equal support to different types of academic research including both basic and applied research.

Competitive Research Funding Schemes

16. At present, the RGC administers 16 competitive research funding schemes in four categories for the UGC-funded universities, namely -

- (a) Collaborative Research Schemes
 - (i) Areas of Excellence (AoE) Scheme

- (ii) Theme-based Research Scheme (TRS)
 - (iii) Collaborative Research Fund (CRF)
 - (iv) Research Impact Fund (RIF)
- (b) Individual Research Schemes
- (i) General Research Fund (GRF)
 - (ii) Early Career Scheme (ECS)
- (c) Fellowship Schemes
- (i) Humanities and Social Sciences Prestigious Fellowship Scheme (HSSPFS)
 - (ii) Hong Kong PhD Fellowship Scheme (HKPFS)
 - (iii) RGC Postdoctoral Fellowship Scheme (PDFS)
 - (iv) RGC Research Fellow Scheme (RFS)
 - (v) RGC Senior Research Fellow Scheme (SRFS)
- (d) Joint Research Schemes with the Mainland and Overseas Regions
- (i) National Natural Science Foundation of China (NSFC)/ RGC Joint Research Scheme
 - (ii) The French National Research Agency (Agence Nationale de la Recherche, ANR)/ RGC Joint Research Scheme
 - (iii) The European Union (EU) – Hong Kong Research and Innovation Cooperation Co-funding Mechanism by RGC
 - (iv) Germany/Hong Kong Joint Research Scheme
 - (v) PROCORE – France/Hong Kong Joint Research Scheme

In addition, the RGC administers three funding schemes for the local self-financing degree sector, namely (i) the Faculty Development Scheme (FDS); (ii) the Inter-Institutional Development Scheme (IIDS); and (iii) the Institutional Development Scheme (IDS).

17. Award statistics on the above RGC's funding schemes for the past five academic years (2016/17 to 2020/21) are provided at **Annex**.

Assessment

18. The RGC, through Committees/ Panels comprising local and non-local experts, examines applications. Non-local experts take up the Committee/ Panel Chairmen posts to avoid perceived conflicts of interest. All research proposals are subject to a rigorous peer review process based on the academic quality of the proposals. The peer review process is supported by the RGC's international network of over 12 000 external reviewers. Committees/ Panels examines the applicants upon the assessment by the external reviewers. The RGC Chairman does not participate in the assessment of any research proposal.

19. Taking into account the assessment reports of the external reviewers, Committee/ Panel Members submit a preliminary assessment to the concerned Committee/ Panel for discussion at a meeting. Committee/ Panel Chairmen have to ensure that if there are any discrepancies between the comments of Committee/ Panel Members and those of the external reviewers, the relevant justifications can be fully discussed and dealt with. The funding decisions are made by the entire Committee/ Panel after discussion and deliberations.

20. The RGC has drawn up a Code of Conduct which sets out the standards of behavior expected for the Council/ Committee/ Panel Members and external reviewers in handling the Council's business, including the reporting system for the declaration of interest. Members and external reviewers are refrained from assessing applications in which they are in any way associated with.

Other Research Funding Schemes

Research Matching Grant Scheme

21. The \$3-billion Research Matching Grant Scheme (RMGS) was launched on 1 August 2019 for a period of three years to allow the higher education sector to diversify research funding sources and incentivise more contribution and collaboration from the private sector. Donations / funding from non-government / non-public sectors secured by an individual university / institution for research-related purposes are eligible for matching. After the sixth processing cycle, we have disbursed about \$1.36 billion in total to 18 participating universities / institutions, with a total of seven universities and one self-financing degree-awarding institution reaching the matching floor of \$50 million. The remaining balance available for matching stood at about \$1.64 billion. The RMGS will operate until 31 July 2022.

Tuition Waiver Scheme for Local Research Postgraduate (RPg) Students

22. The Tuition Waiver Scheme for Local RPg Students has been implemented since the 2018/19 academic year to provide a non-means tested tuition waiver (\$42,100 each year) for all local students enrolled in UGC-funded RPg programmes. The Scheme aims to incentivise more local students to pursue RPg programmes to build up a pool of local research talents to sustain Hong Kong's competitiveness and propel the development of the higher education sector. More than 1 600 local students benefit from the scheme each year.

Research Endowment Fund

23. The RGC is mainly funded by the investment income from the Research Endowment Fund (REF) as well as funding from the UGC. The REF was established in 2009 with an original endowment of \$18 billion. The Government

further injected \$5 billion, \$3 billion and \$20 billion to the REF in 2012, 2018 and 2019 respectively, increasing the total amount of the REF to \$46 billion.

24. The REF is currently placed with the Exchange Fund administered by the Hong Kong Monetary Authority. The investment income of the REF supports the competitive research funding schemes for the UGC-funded universities, the TRS, funding schemes for the self-financing degree sector, and the Tuition Waiver Scheme for Local RPg students. In June 2019, the Legislative Council endorsed the rationalisation of the use of different pots of endowment of the REF for more effective deployment of resources to meet the higher education sector's research requirements. Funding from the UGC is used for implementing the HKPFS and the AoE in support of local research development.

Advice sought

25. Members are invited to note the funding mechanism of the UGC and the RGC.

Education Bureau
University Grants Committee Secretariat
March 2021

**Award Statistics on RGC's research funding schemes
for the 2016/17 to 2020/21 academic years**

Research Funding Schemes	2016/17		2017/18		2018/19		2019/20		2020/21	
	No. of funded projects	Approved Funding Amount (HK\$M)	No. of funded projects	Approved Funding Amount (HK\$M)	No. of funded projects	Approved Funding Amount (HK\$M)	No. of funded projects	Approved Funding Amount (HK\$M)	No. of funded projects	Approved Funding Amount (HK\$M)
Collaborative Research Schemes										
Areas of Excellence Scheme	3	231.1	Not applicable (Note1)		3	216.1	Not applicable (Note1)		4	277.2
Theme-based Research Scheme	7	230.0	5	180.0	5	180.0	5	200.0	7	230.0
Collaborative Research Fund (CRF)	18	110.0	18	110.0	20	110.0	24	121.0	29	146.0
One-off CRF Coronavirus Disease and Novel Infectious Disease Research Exercise	Not applicable (Note 2)								27	150.0
Research Impact Fund	Not applicable (Note 3)				30	192.9	11	72.7	13	75
Joint Laboratory Funding Scheme	Not applicable (Note 4)				11	30	Not applicable (Note 4)			
Individual Research Schemes										
General Research Fund	969	599.2	964	593.4	989	592.2	1 005	654.5	1 058	777.4
Early Career Scheme	155	89.2	151	84.3	153	86.7	166	95.1	163	107.8
Fellowship Schemes										
Humanities and Social Sciences Prestigious Fellowship Scheme	4	2.9	5	3.7	7	4.5	9	4.5	8	2.8
Hong Kong PhD Fellowship Scheme	231 (Note 5)	168.0	231 (Note 5)	173.0	231 (Note 5)	173.0	250 (Note 5)	235.1	250 (Note 5)	241.9
RGC Postdoctoral Fellowship Scheme	Not applicable (Note 6)								50	59.5
RGC Research Fellow Scheme	Not applicable (Note 6)								10	51.6
RGC Senior Research Fellow Scheme	Not applicable (Note 6)								10	78.0
Joint Research Schemes with the Mainland and Overseas Regions										
National Natural Science Foundation of China (NSFC)/RGC Joint Research Scheme	22	24.2	22	25.7	24	26.2	24	26.2	32	35

Research Funding Schemes	2016/17		2017/18		2018/19		2019/20		2020/21	
	No. of funded projects	Approved Funding Amount (HK\$M)	No. of funded projects	Approved Funding Amount (HK\$M)	No. of funded projects	Approved Funding Amount (HK\$M)	No. of funded projects	Approved Funding Amount (HK\$M)	No. of funded projects	Approved Funding Amount (HK\$M)
The French National Research Agency (Agence Nationale de la Recherche, ANR)/ RGC Joint Research Scheme	3	6.5	3	7.9	3	7.9	3	7.7	3	7.9
The European Union (EU) – Hong Kong Research and Innovation Cooperation Co-funding Mechanism by RGC	4	9.0	6	10.0	2	5.6	2	5.7	(Note 7)	
Germany/Hong Kong Joint Research Scheme	12	1.0	14	1.1	14	1.2	16	1.2	17	1.2
PROCORE – France/Hong Kong Joint Research Scheme	10	0.7	15	1.0	11	0.8	11	0.7	(Note 7)	
RGC-Fulbright (Hong Kong) Scholar Programme	6	1.3	6	1.0	7	1.1	7	1.4	Not applicable (Note 8)	
Research Funding Schemes for the Local Self-financing Degree Sector										
Faculty Development Scheme	50	38.3	59	37.4	40	27.3	61	44.5	69	57.0
Inter-Institutional Development Scheme	10	4.6	5	2.0	5	2.2	7	3.2	8	3.7
Institutional Development Scheme	6	40.1	2	14.3	2	8.2	7	26.5	6	25.8

Note 1 The Areas of Excellence (AoE) Scheme is conducted every two years. Starting from 2022/23 academic year, the AoE will be conducted annually.

Note 2 The one-off CRF Coronavirus Disease and Novel Infectious Disease Research Exercise was first launched in 2020/21.

Note 3 The Research Impact Fund was first launched in 2018/19.

Note 4 The Joint Laboratory Funding Scheme in 2018/19 was a one-off competitive funding scheme.

Note 5 New awardees in the particular academic year

Note 6 The debut exercise of RGC Postdoctoral Fellowship Scheme, RGC Research Fellow Scheme and RGC Senior Research Fellow Scheme was conducted in 2020/21.

Note 7 Figures not available

Note 8 The US President signed the Executive Order on 14 July 2020 to terminate RGC-Fulbright (Hong Kong) Scholar Programme.