

For Discussion  
on 18 January 1999

Legislative Council Panel on Education

### **Areas of Excellence in Higher Education**

#### **Development of Areas of Excellence**

In October 1996 following a comprehensive review of higher education, the University Grants Committee (UGC) advised that Hong Kong would need world-class institutions with distinct areas of excellence (AoE) in order to retain its leading economic position in the development of China and the Pacific Rim. The UGC recommended, and the Government agreed, that the UGC-funded institutions should build upon their existing strengths and develop them into AoE, recognised internationally as of equal status to their peers in the same subject area, and justifying the investment in state-of-the-art facilities and activities which would maintain them among the world leaders. We hope that a significant proportion of AoE will be working in areas of direct interest to Hong Kong industry, commerce and culture. AoEs are not intended to be simply research groups. They could be areas with an emphasis on the transmission of knowledge through teaching, through interaction with industry and commerce, through inter-institutional collaboration and international links. The Government's support for the development of AoE has been reaffirmed by the Chief Executive in his 1997 and 1998 Policy Addresses.

2. As regards cost, the UGC gave a rough estimate of the cost of the successful development of areas of excellence in UGC institutions - a net increase of 5%. This would, of course, take place slowly, probably over a period of at least 10 years. In December 1997, the UGC invited institutions to express their intention to develop AoE. In response, the institutions put forward a total of 99 initial proposals for potential AoE. Having examined these initial proposals in the light of the essential concept of the scheme (i.e. excellence), the objectives it wishes to achieve (i.e. integrated programmes of research, teaching, and service; focussed development; inter-disciplinary and inter-institutional development, etc.), and the likely funding at its disposal, the UGC concluded in August 1998 that it would support at most five proposals in the first round of funding.

The UGC then invited the institutions to submit formal detailed proposals which would be expected to demonstrate that the proposed AoE:

- (a) has achieved, or has a reasonable prospect of achieving, an international standard of excellence;
- (b) has clear relevance to the future social or economic development of Hong Kong, especially in areas unique to Hong Kong or where Hong Kong enjoys a comparative advantage;
- (c) has the potential for greater impact and higher value added through the application of any additional public funding awarded by UGC;
- (d) shows coherence in terms of an integrated programme of research, research training, teaching and service;
- (e) has good prospects of sustainability;
- (f) develops critical mass and takes full advantage of any potential synergies and existing networks (both local and international). In this connection, any active co-operation with other institutions which also have strengths in the area will be appropriately recognised;
- (g) builds on existing strengths and achievements, rather than starting new ventures; and
- (h) has a clear mission statement and a system of governance.

3. Subsequently in December 1998, the UGC received 41 detailed proposals from the institutions and has recently held extensive preliminary discussions on these proposals. The Committee is very encouraged to note the efforts put in by the institutions to formulate the proposals, the wide spread of disciplines covered, and the significant level of inter-institutional collaboration shown in many of the proposals. Nevertheless the UGC has confirmed that, in order to maintain the emphasis on excellence in the AoE scheme, awards will only be made to a small number of obviously outstanding proposals in the first round of the scheme. Furthermore, the UGC has emphasised that the scheme is intended to be on-going and long term, and that this round is only the beginning.

4. The UGC's initial discussions mainly concentrated on how the 41 proposals should be assessed, with a view to drawing up a suitable

process for identifying the most promising ones. Following this preliminary consideration, the UGC will approach the institutions concerned to obtain more detailed information in respect of some of the proposals. It will then initiate external peer reviews and conduct interviews/site visits as necessary. The UGC expects to be able to complete the first round in August 1999. It will also invite the other proponents to strengthen their proposals for resubmission. Such resubmissions, together with other proposals, will be considered in the second round to be initiated later this year.

### **Funding for the Development of Areas of Excellence**

5. The UGC has advised and the Administration has agreed that AoE should develop naturally within the UGC-funded institutions. It would be for the institutions to take the initiative and devote more of their own resources to developing their areas of strengths into AoE. If institutions decide to reallocate their resources to support emerging AoE in their institutions, their strength will in due course be recognised through the UGC's performance based funding mechanism such as the Research Assessment Exercise. That said, we appreciate that in the initial stage, there may be a need for additional funding from the UGC to help the development of AoE in the institutions.

6. In support of this development, the Administration has agreed that half of the savings arising from the 10% reduction in average student unit costs by the end of the current (i.e. 1998/99 to 2000/01) triennium should be retained by the UGC for redistribution to encourage new initiatives such as the development of AoE. In 1997/98, the UGC allocated \$50 million from its Central Allocation Vote (CAV) to the UGC-funded institutions as start up money to help them identify existing strengths for development into potential AoE. In the current triennium, the UGC has about \$380 million available in its CAV as the provision for AoE.

7. As a result of maintaining the 1998/99 tuition fees at the 1997/98 level, the UGC-funded institutions have received \$149.5 million less tuition fee income for the 1998/99 academic year. The Administration has explored the possibility of the UGC sector and the UGC-funded institutions sharing part of the loss. In this connection, the Administration appreciates that the UGC sector is facing tremendous challenges as the sector has been required to achieve a 10% savings in terms of average

student unit costs by the end of the current triennium. Furthermore, in support of the Government's efforts to encourage further education, the UGC-funded institutions have enrolled 265 additional students (in full-time-equivalent terms) above the target number at the taught postgraduate level, without additional recurrent or capital funding from Government and without detriment to quality.

8. Notwithstanding the financial constraints, the UGC has identified scope for meeting \$20 million of the shortfall in tuition fee income in 1998/99. To meet the shortfall in full, the Administration will seek the approval of Finance Committee of the Legislative Council for supplementary provision of \$129.5 million to the UGC in the 1998-99 financial year.

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