

**IMPLEMENTATION OF THE RECOMMENDATIONS OF THE  
HIGHER EDUCATION REVIEW 2002**

The “Higher Education in Hong Kong” report published by the UGC in 2002 is the background against which the Higher Education Review 2010 took place. The 2002 Review Report set out quite a number of initiatives that have helped shape current higher education policies and the overall higher education landscape. In this Annex we list the 17 Final Recommendations (which are not identical to the 12 in the original 2002 Review Report) together with brief commentaries on whether, and if so how, they have been addressed.

**IMPLEMENTATION OF THE UGC’S FINAL RECOMMENDATIONS**

**A. Role Differentiation**

**Recommendation 1**

*“A few institutions to be identified for focused public and private sector support according to the institutions’ role and areas of strength.”*

2. The need for role differentiation amongst UGC-funded institutions was comprehensively articulated in the UGC’s document *To Make a Difference, To Move with the Times*, published in January 2004. Through the publication of that document, the UGC informed the public that it valued a role-driven yet deeply collaborative system of higher education in which each institution had its own role and purpose while being committed to extensive collaboration with other institutions to ensure a great variety of offerings at a high level of quality and with improving efficiency. The UGC also expressed that resources should be focused on areas of excellence wherever they appeared in institutions across the system. Thus, all institutions could and should develop unique areas of strength.

3. With those principles in mind, the UGC reviewed and publicised the role statements of the UGC-funded institutions to reflect the interlocking yet differentiated system based on the roles that the institutions had set for themselves. This was supplemented by the implementation of a Performance and Role-related Funding Scheme in 2004 to inform funding allocations in the 2005-08 triennium. The purpose of the Scheme was to provide assurance that

the institutions were adhering to their roles and performed well in those roles, and to assist institutions to reflect on their roles and find constructive ways to improve, encourage and recognise performance.

4. The UGC also set aside funding to establish the Restructuring and Collaboration Fund to which institutions might apply for funding support for collaborative projects. The purpose of the fund was to encourage deep collaboration amongst institutions. Around \$161.5 million was allocated to institutions for both staff restructuring schemes and collaborative projects such as the Hong Kong Academic Library Link: Library User Initiated Book Delivery System proposed by HKU in collaboration with seven other institutions. However, the outcomes of this initiative were not entirely satisfactory. Responses from institutions for collaboration were not enthusiastic, and the projects proposed and funded did not involve collaboration beyond the departmental level. The scheme was eventually wrapped up in 2007.

## **B. Broadening Funding Base**

### Recommendation 2

*“A three-pronged approach to gain more private sector support. The three prongs are –*

- *institutional advancement offices (to raise funds);*
- *urge institutions to go self-financing; and*
- *more transparency from the UGC.”*

*and*

### Recommendation 3

*“The Government to consider the increased use of matching grants and other incentives to generate additional momentum for private sector participation in supporting higher education.”*

5. These two recommendations to encourage increased private sector support have been successfully and vigorously addressed. Institutions have set up structures and mechanisms to raise money, and have significantly increased their self-financing portfolios. For several institutions, recurrent non-UGC tuition fee income is now more than that received from UGC tuition fees.

6. Since 2003, the Government has completed four very successful rounds of the Matching Grant Scheme, awarding grants to UGC-funded

institutions to match private donations that they had secured. The four rounds of the Scheme generated a total of \$10.8 billion (\$6.9 billion in private donations and \$3.9 billion in matching grants from the Government). The 4<sup>th</sup> Matching Grant Scheme in 2008 was expanded to include not only UGC-funded institutions but also two self-financing universities: the Open University of Hong Kong and Hong Kong Shue Yan University. The 5<sup>th</sup> Matching Grant Scheme was launched in June 2010 with \$1 billion in funding. Twelve institutions were invited to participate: the existing ten, plus the Hong Kong Academy for Performing Arts and the Chu Hai College of Higher Education. The Scheme has greatly promoted the philanthropic culture in Hong Kong.

7. The resources secured under the Matching Grant Scheme have been put to good use in the following four broad areas.

- (a) **Teaching and Research Enhancement** – to recruit and retain top-notch academic staff, and to adopt and apply new technologies and methodologies to improve the teaching and learning environment.
- (b) **Academic Strength and Niche Area Development** – to support academics engaging in focused research activities and pursuing developmental activities in the niche areas of institutions.
- (c) **Student-oriented Activities and Development Programmes** – such as student exchange programmes and activities, development of whole-person education, work-integrated education activities, and scholarships for outstanding students, *etc.*
- (d) **Capital Projects** – to augment government provision for capital projects under their campus development programmes.

Many institutions have established endowments to take these activities forward.

8. At the same time, the UGC has become more transparent. More statistics are now published, either online or annually in Facts and Figures, which was re-launched as the UGC Annual Report in 2009. Reports on major reviews such as the Review of the HKIEd's Development Blueprint are published early. The Chairman of the UGC meets the media or issues press releases after UGC meetings to keep the public informed of the issues under consideration. The Chairman and Members of the UGC pay visits to institutions for dialogues with the staff and students. Public consultative sessions are also organised during major reviews, such as the Higher Education Review 2010.

## **C. Remit of the UGC**

### **Recommendation 4**

*“A Further Education Council to look after associate degrees and life-long learning. Upon setting up of the body, the UGC to transfer out all its responsibilities for sub-degree work in an orderly manner, and subsequently extend its remit to cover ‘all work at the degree level’.”*

9. Instead of establishing a Further Education Council, the Government decided that coordination amongst the sub-degree, vocational training and continuing education sectors should be entrusted to the Manpower Development Committee that advises it on the coordination and regulation of manpower training and retraining. The idea that the UGC should take on all degree work has not been pursued.

## **D. Self-financing Activities of the UGC-funded Institutions**

### **Recommendation 5**

*“Taught postgraduate and sub-degree work to be put on a self-financing basis gradually, subject to specified exceptions.”*

*and*

### **Recommendation 6**

*“The institutions to consider stipulating and regulating their relationships with their continuation education arms or community colleges by franchising agreements and to create a joint, self-financing quality assurance body in due time.”*

10. These recommendations followed the Government’s decision that the majority of Associate Degrees should be self-financed. It was also tied to the policy articulated by the Chief Executive in 2000 of expanding the post-secondary sector from the then 33% to 60% of the participation rate in ten years’ time. This policy, together with associated funding and support schemes, has transformed the higher education sector and is a key focus of the Higher Education Review 2010.

11. In 2003, after consultation with the institutions concerned, UGC adopted a gradual approach to withdraw public subsidy from sub-degree and taught postgraduate programmes which did not meet the criteria of: endanger

species; fulfilling manpower needs for Hong Kong or too expensive to be operated by the private sectors.

12. Savings from the conversion of taught postgraduate programmes to self-financing have been used, amongst other things, to provide more senior year articulation places, and to establish the Restructuring and Collaboration Fund, which supports collaborative initiatives between institutions. The savings achieved from the conversion of sub-degree programmes have been used by the Government to benefit students in the sub-degree sector, such as by enhancing the financial assistance scheme.

13. In response to Recommendation 6, the Joint Quality Review Committee was established in August 2005 to provide for the peer review of the quality assurance processes of self-financing sub-degree programmes offered by UGC-funded institutions. This was an initiative of the Heads of Universities Committee's member institutions, which are self-accrediting, to provide for enhanced quality and greater public accountability.

14. The formal arrangements between UGC-funded institutions and their continuing education arms or community colleges vary – as do their physical locations. Several community colleges now have their own purpose-built accommodation, whether on campus or completely separate. The exact relationship between these bodies could still be further articulated and clarified.

## **E. Institutional Governance**

### Recommendation 7

*“On institutional governance, the universities to start their own review in due course. The idea of subjecting institutions to the overview of the Ombudsman is withdrawn. Instead, the universities will be encouraged to increase external participation and transparency in their grievance procedures. A comprehensive audit of institutions by the UGC to be organised.”*

15. The UGC-funded institutions have completed the internal reviews of their governance and management structures. The reviews covered the size and composition of the governing bodies, the fitness for purpose of the governance structure, the relevant governing ordinances and codes of practices where applicable, and the need for periodic reviews of the effectiveness of the governing bodies. As a result of the reviews, institutions have devised or are working on proposed amendments to their governing ordinances. With the

exception of the City University of Hong Kong and the Hong Kong University of Science and Technology, the institutions have not yet obtained the Legislative Council's approval for the proposed legislative amendments. The UGC will consider the timing of comprehensive institutional audits of the institutions upon completion of the legislative amendment exercises.

16. The UGC is aware of stakeholders' concerns about grievance procedures, and has undertaken research on the practices of ten respectable institutions in different jurisdictions. This has resulted in the preparation of best practice guidelines. The UGC has shared these guidelines with the institutions, which have all agreed to keep their procedures under review in light of overseas experience. Indeed, several institutions have recently updated and improved their procedures. The institutions have also agreed to consider adopting the following features, if they are not presently included in their procedures:

- i) appointment of mediators (whether internal or external);
- ii) an explicit provision to guard against retaliation, and to specify the consequences of non-compliance;
- iii) clear time limits in handling grievances at different stages, having regard to overseas experiences; and
- iv) the involvement of reputable and independent external members at the final level of appeals.

#### Recommendation 8

*“The Government to take an early decision regarding the delinking of salaries but leave the timing for implementation to institutions.”*

17. The Finance Committee of the Legislative Council approved the deregulation of salary scales in UGC-funded institutions with effect from 1 July 2003 according to the following two principles:

- (a) individual institutions were free to decide their own remuneration systems, which could be based on existing salary scales linked to civil service pay or on totally new mechanisms; and
- (b) the deregulation exercise was cost neutral, with institutions assured that they would not be worse off as a result of the exercise in terms of the public funding they receive.

18. All institutions took the opportunity to initiate reviews of the pay and remuneration systems of their staff, and have introduced changes to the remuneration systems at their own pace. The alternatives explored were wide ranging and the institutions took account of the local and international situations.

## **F. Funding**

### Recommendation 9

*“A two-tier approach to fund teaching, with the first level being ‘core’ to recognise ‘teaching load’, and the second level to reward ‘performance according to role’.”*

19. With a view to strengthening role differentiation amongst institutions to promote diversity and excellence, the UGC launched a Performance and Role-Related Funding Scheme in 2004 to inform the funding allocation for institutions in the 2005-08 triennium (see paragraph 3 above). The amount of funds involved was around 10% of the recurrent funding requirement of all eight UGC-funded institutions. The Scheme tied together funding allocation, performance and performance against role.

20. The Scheme’s Assessment Panel conducted peer-review assessments based on the self-evaluation documents submitted by the institutions and presentations made by their senior managements. Institutions were asked to produce evidence of good performance and to demonstrate that they were thinking about their performance and could address the new challenges. Based on the assessment results, the UGC was satisfied that all UGC-funded institutions demonstrated sufficient adherence to their role and effective performance in role, and thus recommended that all institutions should be able to earn back the 10% recurrent funding that had been provisionally set aside for the exercise.

21. The funding for the 2005-08 triennium took into account the Scheme’s results. While the UGC did not conduct a specific round of the Scheme for the 2009-12 triennium, it did advise institutions that their performance and roles would be firmly in mind when it assessed their Academic Development Proposals. The UGC has informed institutions that role will play a central part in the forthcoming 2012-15 triennium, as set out in the body of this report.

## **G. Sub-degree related Issues**

### Recommendation 10

*“Credit Accumulation and Transfer System (CATS), minus the idea of ‘money following the students’, to be introduced.”*

22. This recommendation flowed from Appendix E of the 2002 Review. It was essentially aimed at encouraging the horizontal movement of students within the UGC sector, facilitated by the introduction of funding by credit units (as opposed to full time equivalent units). The recommendation has not proved successful and there is no CATS within the UGC sector, and none between the UGC sector and the self-financing sector.

### Recommendation 11

*“Additional places per annum at the second year of undergraduate programmes to be added to create the ‘inverted trapezium’ and help restore the age participation rate to 18%.”*

23. Although the target of this recommendation has been exceeded, expectations have increased even faster. As at 2009/10, through a combination of Government and UGC funding, 3,974 senior year places have been created – 1,987 for each year. This has increased the overall participation rate to 20%. However, at the same time, rapid development of the self-financing post-secondary sector has led to a surge in demand for articulation places. At present, the 1,987 places can cater for some 10% of sub-degree graduates. It was therefore timely for the Chief Executive to announce in his Policy Address 2010/11 the intention to increase 2,000 publicly funded senior year places per year.

## **H. Research**

### Recommendation 12

*“The Government to create more sources for research funding and to ask existing sources to fund projects on a full-cost basis.”*

24. The Government’s introduction of the \$18 billion Research Endowment Fund for the UGC sector in February 2009 has been very helpful, and is commendable. However, the overall level of research funding available and the diversity of sources in Hong Kong remain well below what those

expected in a developed economy dependant on its human capital and innovation.

25. The Research Endowment Fund is expected to generate some \$900 million of income each year for research projects, approximately 50% more than is currently given by the Government. Of that amount, up to \$200 million is intended for research into “themes” identified by the Government as being of strategic benefit to Hong Kong. This boost in funding for research is most welcome. The UGC/RGC introduced on-costs of 15% for research projects with effect from 2008/09 and most public non-UGC sources of research funds now also provide 15% on-costs. The idea of funding research projects at or near full costs is being actively explored by the UGC.

### Recommendation 13

*“The Research Assessment Exercise to be sharpened and a multi-point scale to be used. ‘Critical mass funding’ to be considered.”*

26. This was partially addressed in the Research Assessment Exercise of 2006, for which the quality threshold was raised. However, all involved recognise that the methodology used could not adequately differentiate excellence at the top end and hence could not achieve one of its objectives – differentiation of research funding based on merit/excellence. The UGC has thus been consulting its funded institutions on whether the Exercise should be continued at all, and if so how to make it more fit for its purpose.

### Recommendation 14

*“To implement funding by level and by discipline.”*

27. Since the 2004/05 academic year, the UGC has applied an improved methodology whereby student unit costs as weighted by the relative cost of different levels (i.e. sub-degree, undergraduate, taught postgraduate and research postgraduate) are adopted as the basis for determining the impact of any changes in student numbers across triennia (or academic years where appropriate) on the Cash Limit.

## **I. Internationalisation**

### Recommendations 15 and 16

*“To replace the ‘2% in and 2% out’ quota for non-local undergraduate and taught postgraduate students with a straight 4% limit.”*

and

*“To remove the current quota for non-local research students.”*

28. There have been significant positive developments here. The quota for non-local research students was removed in 2003/04. The quota for non-local students in taught programmes has been increased rapidly since 2005/06 so that it now stands at “4% in and 16% out”. In 2007, the Government announced the following specific measures further to develop Hong Kong into a regional education hub:

- (a) increasing by phases the non-local student quota for publicly funded programmes at the sub-degree, degree and taught postgraduate levels to 20% of the approved student number targets for these programmes;
- (b) establishing a scholarship endowment fund of \$1 billion for local and non-local students in publicly funded full-time programmes at the degree or above levels;
- (c) allowing non-local students of full-time locally accredited programmes at the degree or above levels to take up study-related internships arranged by the institutions they are studying in, part-time on-campus employment for not more than 20 hours per week, and off-campus summer jobs during the summer months; and
- (d) allowing non-local students who have obtained a degree or higher qualification in a full-time and locally-accredited programme to take up employment in Hong Kong as long as the job is at a level commonly taken up by degree holders and the remuneration package is at the market level, and allowing non-local fresh graduates with such qualifications an initial time-limited stay of 12 months.

29. The percentage of non-local students studying in UGC-funded programmes has increased significantly in the last seven years. At the undergraduate level, the percentage of non-local full-time students studying in UGC-funded courses constitutes increased from 1% in 2002/03 to 9% in 2009/10. The percentage of non-local research postgraduate students increased from 42% in 2002/03 to around 65% in 2009/10.

**J. Funding Arrangement for 2004/05**

Recommendation 17

*“To ‘roll over’ the current triennium for another year to cover the academic year 2004/2005, making the new triennium 2005/2006 to 2007/2008. Minimum changes to the funding pattern for 2004/2005, except to accommodate anticipated changes in manpower requirements or to reflect movement of price and salary levels.”*

30. This recommendation was accepted.