

ITEM FOR FINANCE COMMITTEE

HEAD 190 - UNIVERSITY GRANTS COMMITTEE

Subhead 700 General other non-recurrent

New Item “Student exchange programmes for undergraduate students of the UGC-funded institutions”

New Item “Scholarship scheme for outstanding Mainland students to attend undergraduate programmes at the UGC-funded institutions”

Members are invited to approve -

- (a) a new commitment of \$120 million for providing a grant to support an expansion of student exchange programmes of the University Grants Committee-funded institutions at the undergraduate level in the three years starting from the academic year 2002/03; and
- (b) a new commitment of \$90 million to support the continuation of a scholarship scheme for students in top-notch Mainland universities to study undergraduate programmes in the University Grants Committee-funded institutions, of which \$45 million will be released subject to private funding being available on a dollar-for-dollar matching basis.

/PROBLEM

PROBLEM

The University Grants Committee (UGC) sees the benefits of student exchange programmes for local students but has difficulty securing sufficient private funds to expand the programmes in the present economic circumstances. The UGC sector also has difficulty sustaining an existing privately funded scholarship scheme for outstanding Mainland students after the last batch of students to be admitted in the 2002/03 academic year.

PROPOSAL

2. The Secretary for Education and Manpower proposes to -
 - (a) grant \$120 million to the UGC sector to support an expansion of the institutions'¹ student exchange programmes for undergraduates in the three years starting from the academic year 2002/03; and
 - (b) make a commitment to set aside a total of \$90 million to support the continuation of a scholarship scheme for admitting three batches of outstanding Mainland students to study in the UGC-funded institutions at undergraduate level in the 2003/04 to 2005/06 academic years. Half of the funding required will be released subject to the condition in paragraph 13(b) being met.

JUSTIFICATIONS

Student Exchange Programmes

(a) Benefits of student exchanges

3. Student exchanges are conducive to raising the quality and international network of our university education. Specifically, -
 - (a) For outgoing local students
 - (i) student exchange programmes help broaden students' horizon and foster their global outlook and ability for cross-culture management. These are important to sustain our competitiveness in a globalised and knowledge-based economy; and
 - (ii)

¹ The institutions are City University of Hong Kong, Hong Kong Baptist University, Lingnan University, The Chinese University of Hong Kong, The Hong Kong Institute of Education, The Hong Kong Polytechnic University, The Hong Kong University of Science and Technology and The University of Hong Kong.

- (ii) living outside Hong Kong helps enhance their adaptability, communication skills, independence and appreciation of Hong Kong's uniqueness; and

(b) For incoming non-local students

The presence of non-local students enriches the learning experience of local students. For instance, interaction between local and non-local students -

- (i) creates a multi-lingual and multi-cultural environment at our institutions inside and outside the classrooms;
- (ii) helps open the cultural and mental horizon and cultivate new thinking, knowledge and personal connection among our local students;
- (iii) promotes healthy competition among students to strive for academic excellence; and
- (iv) provides a source of intellectual stimulation and different perspectives for students, faculty members and the institutions.

4. At the institutional level, these exchange programmes will provide a good opportunity for our institutions to network with their counterparts outside of Hong Kong and to develop a basis for cooperation and partnership in other areas of teaching and research.

(b) Current student exchange activities

5. Currently, every year about 840 full-year-equivalent university undergraduate students (representing about 1.8% of the current undergraduate population) in the UGC-funded institutions participate in some form of exchange programmes with non-local higher education institutions. At present, all these programmes are privately funded, i.e. operating on a self-paying basis by students and supported by some private sponsorship or donations secured by the institutions. There are also about 400 full-year-equivalent non-local students studying in the eight UGC-funded institutions through exchange programmes².

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² Not all exchange programmes currently run by the institutions are on a "one-in-one-out" basis, hence the difference in the number of outgoing and incoming participating students.

6. In view of the clear benefits of these programmes to students and the institutions, we have been encouraging the institutions to expand these privately funded programmes. While the institutions support this cause, their capacity to expand the programmes is constrained by resource limitations in the present economic climate, which has adversely affected institutions' income from investment and private donations.

(c) The Proposed Expansion in Student Exchange Programmes

7. In the circumstances, we consider it necessary to provide some financial support, on an one-off basis, to enable an expansion of the student exchange programmes. We propose to give a special grant to the institutions via the UGC covering part of the expenditure required for running expanded student exchange programmes over a three-year period starting from academic year 2002/03. We have reached a consensus with the UGC sector that it will sustain the student exchange programmes at the enhanced level beyond the 2004/05 academic year without seeking additional resources from the Government for the purpose. In particular, consistent with our objective of encouraging community contribution to education, the UGC sector will strive to find other sources of funding.

8. The UGC considers that places for these exchange programmes at the undergraduate level should be increased by 1 000 full-year-equivalent for each of the coming three academic years, thus bringing the number of participating students to about 4% of the undergraduate population each year. Having consulted the UGC sector on the funding arrangements and the broad administrative framework, we propose that, to meet the academic objectives of the exchange programmes, the proposed expansion should be administered as follows -

- (a) funds will be disbursed, pro-rata to their first-year-first-degree numbers, to the eight UGC-funded institutions over a period covering three academic years. The UGC can, in the light of the actual demand for exchange places from the institutions and the speed of individual institutions to expand their existing programmes, adjust the allocation as necessary;
- (b) the exchange programmes will have to be organised in collaboration with quality non-local higher education institutions;
- (c) the programmes should be organised on a one-for-one basis, i.e. the total number of incoming and outgoing exchange students should be the same;

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- (d) institutions should only recognise credit-bearing exchange activities;
- (e) duration of the programmes may vary but should be between one semester and one full academic year;
- (f) institutions are free to include elements of internship and job attachments; and
- (g) students' participation of the programme should be entirely voluntary. Each participating student should only benefit once from a publicly-sponsored exchange opportunity during his/her undergraduate study.

9. While costs vary according to the duration of the programmes as well as the costs of living in different locations, we consider that on average around \$80,000 would be required to meet passage and maintenance costs outside Hong Kong for a one year programme for each participating Hong Kong student. In order to maximise the number of students who could benefit from the scheme, we propose that the Government subsidy should be limited to around half of the costs involved for the outgoing arrangements. As for the incoming students, the expenses should primarily be met by the students and the partnering non-local institutions, although for flexibility, we may allow local institutions to apply part of the Government subsidies towards activities for the incoming non-local exchange students and the administration of exchange programmes.

Scholarship Scheme for Mainland Students

(a) The Existing Scheme

10. In 1998, with the generous support of the Hong Kong Jockey Club (HKJC) Charities Trust, we launched a three-year pilot scheme to recruit a total of 450 outstanding Mainland students to attend undergraduate programmes in the UGC-funded institutions. The scholarship awardees all receive an annual allowance of about \$100,000 for each of the three years of undergraduate studies in Hong Kong, which cover their tuition fees and living expenses. The Mainland students recruited undergo a one-year preparatory programme in relevant subjects such as English, Cantonese and IT and communication skills prior to commencement of their undergraduate studies in Hong Kong. The preparatory year's study is funded by the institutions themselves.

11. Past experience indicates that the Mainland students admitted are of high calibre by national standards, and are recruited from designated top Mainland universities. They are proficient in both English and Putonghua. Their outstanding performance in both academic and non-academic activities, as well as their hardworking and enthusiastic attitude, are widely recognized on campus and provide positive stimuli to the local students. In view of its success, the HKJC Charities Trust has exceptionally agreed to extend the scheme for one more year, although the original idea was that following the lead of the HKJC Charities Trust, the scheme would be taken over by other sponsors. The extended scheme admits an additional batch of 100 Mainland students in the 2002/03 academic year. In parallel, we have also secured a one-off donation from the K K Ho International Foundation for the UGC-funded institutions to admit another batch of 66 Mainland students in the same academic year on comparable terms.

(b) Private Funding Situation

12. So far, neither we nor the UGC-funded institutions have been able to secure private donations to continue the schemes offered by the HKJC Charities Trust and the K K Ho International Foundation after the 2002/03 academic year. If nothing is done, the scholarship schemes will have to end after the last batch of Mainland students is admitted in the 2002/03 academic year. To sustain this very worthwhile scheme, and to allow more time for the sector to find an alternative, longer-term funding arrangement, we have originally planned to provide funding for three batches of 150 Mainland students from the 2003/04 academic year, subject to private funds being secured to meet 50% of the funding required. This "matching" requirement takes into account the fact that the local tuition fees payable by these Mainland students are already heavily subsidised by the Government and that scholarship schemes for students from outside Hong Kong are by convention privately funded. With this in mind, we have been trying to solicit private donations on a matching basis in the past few months but in vain.

(c) Proposal for the short-term

13. The UGC-funded institutions have to give a firm indication to the Mainland institutions before long of the continuation of the scholarship scheme in the 2003/04 academic year (since selection of students will have to start in mid-2002). To prevent a break in this worthy scheme, we propose to -

- (a) fully fund the cohort of 150 students in the 2003/04 academic year in the first instance, at a cost of \$45 million; and

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- (b) allocate another \$45 million to cover half of the expenditure for the next two cohorts to be admitted in the 2004/05 and 2005/06 academic years, subject to private donation or sponsorship being secured on a dollar-for-dollar matching basis. In other words, the Government and the UGC-sector should make use of this interim period to secure, by around mid-2003, the matching private donations required for the 2004/05 academic year.

FINANCIAL IMPLICATIONS

Student Exchange Programmes

14. We estimate that a non-recurrent expenditure of about \$120 million (\$40,000 per place x 1 000 places x 3 years) will be required for the eight institutions to expand their student exchange programmes over the next three years starting from the 2002/03 academic year. The cashflow is estimated to be \$40 million for each of the next three financial years (from 2002-03 to 2004-05).

Scholarship Scheme for Mainland Students

15. We estimate that a non-recurrent expenditure of \$90 million as set out in paragraph 13 above will be required for the students to be admitted in the three years starting from the 2003/04 academic year. The cash flow requirement of the scheme is set out at the Enclosure.

Encl.

16. Subject to Members' agreement, we will include sufficient provision in the annual estimates of the relevant financial year

BACKGROUND INFORMATION

17. Recurrent grants to the eight UGC-funded institutions are allocated on a triennial basis. In February 2001, Members accepted the financial implications for recurrent funding totalling \$36,269.5 million for the eight UGC-funded institutions in the 2001-2004 triennium. Except for some special circumstances which are beyond the institutions' direct control such as salary adjustment of the public sector, the actual tuition fee levels approved by the Government being lower than that assumed for the triennial funding assessment, or implementation of new Government initiatives, the UGC sector is normally expected to manage their finances within the approved cash limit for the triennium.

18. The UGC has consulted all the eight heads of institutions. They all agree that expanding the student exchange programmes and the ability to continue attracting outstanding Mainland students to study in Hong Kong are important strategically for the further development of the higher education sector in Hong Kong. Nevertheless, institutions have confirmed that they will have difficulties to absorb the additional expenses within their existing baseline despite the vigorous cost saving measures already taken place to improve productivity and efficiency. This is especially the case under the present economic climate, which has affected adversely institutions' income from investment and private donations. They welcome the proposal to allocate resources on a non-recurrent basis to enable them to expand or sustain the worthy programmes.

19. The Legislative Council Panel on Education has been consulted on 1 March 2002 on the proposals for Government to provide funds for the eight UGC-funded institutions to expand their student exchange programmes and to provide scholarships to outstanding Mainland students to study in the institutions. Panel members were supportive of the proposals.

Education and Manpower Bureau
March 2002

**Cash flow Requirement Forecast for the
Scholarship Scheme for Outstanding Mainland Students
to Study at UGC-funded Institutions**

	Academic Year \$million				
	2003/04	2004/05	2005/06	2006/07	2007/08
2003/04 cohort of 150 students	15	15	15		
2004/05 cohort of 150 students*		7.5	7.5	7.5	
2005/06 cohort of 150 students*			7.5	7.5	7.5
	<hr/> 15	<hr/> 22.5	<hr/> 30	<hr/> 15	<hr/> 7.5

* To be matched by equivalent amount of private donations and sponsorship to be secured in due course.