

ITEM FOR FINANCE COMMITTEE

HEAD 156 - GOVERNMENT SECRETARIAT : EDUCATION BUREAU

Subhead 700 General non-recurrent New item “HKSAR Government Scholarship Fund”

Members are invited to approve a new commitment of \$1 billion for establishing the HKSAR Government Scholarship Fund.

PROBLEM

As part of our efforts to further develop Hong Kong into a regional education hub, we need to provide financial incentives to enhance Hong Kong's attractiveness to quality students as a higher education destination.

PROPOSAL

2. The Secretary for Education (SED) proposes to establish a \$1 billion HKSAR Government Scholarship Fund to support the provision of scholarships to outstanding local and non-local students on an on-going basis.

JUSTIFICATION

Objectives of the Fund

3. The establishment of the Fund is part of a basket of measures introduced to further developing Hong Kong as a regional education hub. It will generate investment income to support the provision of government scholarships to outstanding local and non-local students so as to –

- (a) attract outstanding non-local students to study in publicly-funded degree or above level programmes in Hong Kong;

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- (b) reward outstanding local students who choose to pursue their studies in such programmes in Hong Kong;
- (c) recognise the achievements of outstanding local and non-local students, with a view to attracting them to stay in Hong Kong after graduation; and
- (d) promote the further development of Hong Kong as a regional education hub and enhance Hong Kong's competitiveness in the long run.

Broad operating parameters of the scholarships

4. We will allocate a sum of money, to be funded by the investment income generated from the Fund^{Note}, every academic year to the nine institutions offering full-time publicly-funded programmes at degree or above levels (i.e. the eight University Grants Committee-funded institutions, plus the Hong Kong Academy for Performing Arts, assuming that they all choose to participate) on a pro rata basis in accordance with the actual enrolment of such programmes in the previous academic year, subject to the proviso that no institution will receive less than 2% of the total sum allocated.

5. Eligible institutions will participate in the scheme on a voluntary basis. Participating institutions will distribute scholarships to outstanding local and non-local students taking part in their publicly-funded full-time degree or above level programmes, with selection of recipients made upon application having regard to the following considerations –

- (a) excellent performance in academic studies;
- (b) recognised contribution to the institution/society;
- (c) demonstrated leadership and good communication skills; and/or
- (d) strong commitment to the Hong Kong community.

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^{Note} Use of capital will only be considered under exceptional circumstances.

6. The scholarships will be awarded based on merits, and local and non-local students will compete on an equal basis in light of their academic and non-academic achievements in the above four areas. We will also remind the institutions to strike an appropriate balance between local and non-local students when awarding the scholarships. We propose that the scholarship will be \$40,000 per year for local students and \$80,000 per year for non-local students. We recommend a higher amount for non-local students in view of the keen competition among countries and cities to attract the most talented students from all over the world, as well as the fact that non-local students are required to make a bigger commitment in deciding to study away from home. Once awarded, a scholarship will be tenable for the normal duration of the programme concerned and renewable annually subject to satisfactory academic performance of the awardees.

7. The investment income from the Fund, after deduction of reasonable disbursements such as investment manager fees and other expenses incidental to the administration of the Fund, will sustain the award of scholarships on an on-going basis. We plan to set aside about \$12 million to support the provision of scholarships in the 2008/09 academic year. To meet the requirements of existing and new recipients, we expect this amount to gradually increase to about \$48 million in the 2015/16 academic year, and to remain at around that level thereafter, although the actual amount set aside every year may vary having regard to the actual investment income of the Fund. The actual number of scholarships will depend on the mix of local and non-local students selected. Assuming that the recipients are all undertaking a four-year undergraduate programme, this could range from 150 (if all recipients are non-local students) to 300 (if all recipients are local students) students.

Management and control of the Fund

8. The Fund will be set up under the Permanent Secretary for Education Incorporated (PSEI) which will act as the trustee of the Fund. The Fund will be managed in accordance with a trust deed which will stipulate the framework and the salient features necessary for its proper management and administration. A Steering Committee, chaired by SED or his representative and with three members from the education sector and three members from other sectors in the community, will be established to advise on the overall strategy and policy pertaining to the administration and development of the Fund.

9. PSEI as trustee will invest the Fund in accordance with section 5 of the Permanent Secretary for Education Incorporation Ordinance (Cap. 1098) (the Ordinance). The Director of Accounting Services (DAS) will be appointed to manage the investment and accounting matters of the Fund. An Investment Committee will be set up under the Steering Committee to formulate policies for and monitor the investment of the Fund, and to advise on the appointment of fund managers, as appropriate, to handle the investment of the funds. It will be chaired by SED or his representative, with the Permanent Secretary for Education or his representative and the DAS or his representative as members. External members from the business and financial sectors will be appointed to provide expert advice on investment strategies.

10. The Education Bureau (EDB) will provide secretariat support for the Steering Committee and the Investment Committee. It will also be responsible for drawing up the detailed parameters and criteria of eligibility for the awards, disbursing the awards to the institutions, and arranging publicity. An annual report on the operation of the Fund will be submitted to the Steering Committee for endorsement and published for public information. The audited accounts of the Fund will be tabled before the Legislature as required by the Ordinance.

IMPLEMENTATION

11. Subject to Members' approval, the Fund will be set up as early as possible so that the first batch of scholarships can be distributed within the 2008/09 academic year.

FINANCIAL IMPLICATIONS

12. The Government has earmarked sufficient funds in the 2007-08 Estimates for the establishment of the \$1 billion HKSAR Government Scholarship Fund.

13. EDB will deploy existing manpower to provide secretariat support for the Steering Committee and the Investment Committee referred to in paragraphs 8 and 9 above. DAS will create a non-directorate post of Treasury Accountant in 2008-09 to assist in the investment and accounting functions of the Fund. The annual staff cost involved is about \$1.1 million. EDB will absorb this and other expenditure arising from supporting the operation of the Fund from within its existing resources. We will further assess the staffing implications for 2009-10 and beyond in the light of actual workload and will seek additional resources, where necessary, according to the established resources allocation procedures.

PUBLIC CONSULTATION

14. The Legislative Council Panel on Education was consulted on 14 January 2008 and generally supported the proposal. Some Members suggested that the Government should stipulate a ratio between local and non-local student awardees to ensure a reasonable balance between the two groups of awardees. To attract the best possible talents for Hong Kong, we consider that the scholarships should be awarded based on merits. Besides, it may not be practicable to apply a pre-determined ratio across-the-board as the nine eligible institutions have different admission policies and student mix. However, we will remind the institutions to strike an appropriate balance between local and non-local students when awarding the scholarships. We will also keep the situation under review. Some Members also asked whether awardees should be required to stay and work in Hong Kong after graduation to better achieve the objective of retaining talents to contribute to our talent pool. We note Members' concern, but do not propose attaching such a condition to the scholarships as it will make them too restrictive and reduce their attractiveness.

BACKGROUND

15. The Chief Executive announced in his 2007-08 Policy Address a basket of initiatives to further develop Hong Kong as a regional education hub. These measures include increasing non-local student quotas for local institutions, relaxing employment and immigration restrictions for non-local students, and establishing a \$1 billion fund to provide government scholarships to outstanding local and non-local students. These measures will increase Hong Kong's attractiveness as a regional education hub and enhance Hong Kong's competitiveness in the long run.

Education Bureau
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