

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 156 – GOVERNMENT SECRETARIAT : EDUCATION BUREAU**

#### **Subhead 700 General non-recurrent**

#### **New item “Self-financing Post-secondary Education Fund”**

Members are invited to approve a new commitment of \$2.5 billion for establishing the Self-financing Post-secondary Education Fund.

### **PROBLEM**

To further enhance Hong Kong as a regional education hub and to provide students with more quality articulation opportunities and choices, we need to provide a steady source of funding to support the long-term and healthy development of the self-financing post-secondary education sector.

### **PROPOSAL**

2. The Secretary for Education (SED) proposes to create a commitment of \$2.5 billion to establish a Self-financing Post-secondary Education Fund (the Fund) to support worthwhile initiatives and schemes that aim to enhance the quality of self-financing post-secondary education.

### **JUSTIFICATION**

3. The Chief Executive (CE) announced in the 2010-11 Policy Address the proposal to set up a \$2.5 billion fund for the development of self-financing post-secondary education. We propose to use the Fund as seed money to generate stable investment returns to support the development of the sector. Having considered the sector’s latest development, we propose that the Fund should mainly include –

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- (a) the Self-financing Post-secondary Scholarship Scheme (SPSS)
- (b) the Quality Enhancement Support Scheme (QESS); and
- (c) the Quality Assurance Support Scheme (QASS).

4. We further propose to appoint a Steering Committee to advise SED on the policy, strategy and administration of the Fund. The proposed membership and terms of reference of the Steering Committee are set out at the Enclosure.

Encl.

### **Self-financing Post-secondary Scholarship Scheme**

5. Having regard to the success of the Hong Kong Special Administrative Region Government (HKSARG) Scholarship Fund for publicly-funded degree-awarding institutions, we propose to set up an SPSS under the Fund to offer scholarships to outstanding local or non-local students pursuing full-time locally-accredited self-financing sub-degree or bachelor degree (including top-up degree) programmes at non-profit-making education institutions.

6. The administration of the SPSS will make reference to the HKSARG Scholarship Fund<sup>1</sup> with appropriate adaptations having regard to the prevailing situation of the self-financing post-secondary education sector and the income of the Fund. The proposed criteria for awarding scholarships are –

- (a) high standard of academic performance;
- (b) demonstration of leadership and good communication skills;
- (c) valuable contribution to the institution/community; and/or
- (d) strong commitment to the Hong Kong community.

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<sup>1</sup> The \$1 billion HKSARG Scholarship Fund provides government scholarships to outstanding local and non-local students enrolled in publicly-funded full-time degree or above level programmes. Scholarships are allocated to eligible institutions on a pro rata basis in accordance with their actual enrolments in the previous academic year. Scholarships are awarded on the basis of merit, and local and non-local students would compete on an equal footing on the basis of their academic and non-academic achievements. Once awarded, the scholarship would be tenable for the normal duration of the programme concerned and renewable annually subject to satisfactory academic performance of the awardees.

7. In addition to granting scholarships for students with outstanding achievements, other awards may also be introduced under the SPSS to encourage and recognise students with significant progress and improvement. We will seek the advice of the Steering Committee on the parameters and operational guidelines of the scheme, as well as the amount and number of scholarships to be awarded each year.

### **Quality Enhancement Support Scheme**

8. With the funding approval of the Finance Committee (FC) in 2008, we set up a Quality Enhancement Grant Scheme (QEGS) with a non-recurrent commitment of \$100 million to support worthwhile non-works projects or initiatives dedicated to enhancing the quality of teaching and learning in the self-financing post-secondary education sector. A total of 45 projects involving a total amount of around \$68 million have been approved since the commencement of the scheme in the 2008/09 academic year. The QEGS is a time-limited three-year scheme and the funds are expected to be exhausted by the 2010/11 academic year. We propose to set up a QESS under the Fund after the depletion of funds under the existing QEGS to ensure sustainable support for initiatives that help enhance the teaching effectiveness and learning experience of students.

9. The QESS will support non-works projects or initiatives designed to enhance the quality of the self-financing post-secondary sector. Funding will be allocated on a project basis. Possible projects eligible for funding under the QESS mainly include, but are not limited to, the following –

- (a) improvement to the overall learning experience and language proficiency of students;
- (b) development and improvement of teaching methodology and practices, including development of assessment strategies;
- (c) strengthening and improvement of quality assurance and related measures; and
- (d) enhancing student support and career guidance services.

10. Non-profit-making education institutions offering full-time locally-accredited self-financing sub-degree or bachelor degree (including top-up degree) programmes will be eligible to participate in the QESS. Other related bodies such as the federations of these education institutions and quality assurance agencies may also apply. In particular, we will encourage proposals that foster closer collaboration among different institutions and benefit the post-secondary sector as a whole.

11. Applications will be invited from eligible institutions and bodies on an annual basis or at intervals determined by the Steering Committee. Project proposals will be considered and selected on a competitive basis by the Steering Committee.

### **Quality Assurance Support Scheme**

12. Quality assurance is of pivotal importance in ensuring the quality of education. To support post-secondary institutions' ongoing quality assurance efforts and to cultivate a quality assurance culture in the sector, we propose to set up a scheme to provide financial support to self-financing post-secondary institutions to cover, among other things, fees for conducting first time or subsequent accreditation and/or fees for other related reviews or assessments for the purpose of quality assurance of the institutions and their learning programmes.

13. The Government launched the Qualifications Framework (QF) in 2008, and with the funding approval of FC, we introduced the time-limited Qualifications Framework Support Schemes (QFSS) at the same time with a non-recurrent commitment of \$208 million to provide financial assistance to, inter alia, course providers to meet the expenses arising from the quality assurance requirements under QF. We are conducting a mid-term review on the scope and operation of the QFSS, and will consult the Legislative Council Panel on Manpower on proposed improvements to the schemes. To avoid overlapping between QFSS and the proposed QASS, quality assurance activities of the post-secondary sector which receive support under the QFSS will continue to be covered under the QFSS until completion of the schemes.

### **CONTROL MECHANISM**

14. The Fund will be set up under the Permanent Secretary for Education Incorporated (PSEI), who 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. As stated in paragraph 4 above, we shall appoint a Steering Committee to advise SED on the policy, strategy and administration of the Fund.

15. 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 to set the policies for, and to monitor the investment of, the Fund, and to advise on the appointment of fund managers to handle the

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investment of the funds. It will be chaired by SED or his representative, with the Permanent Secretary for Education or his representative and DAS or his representative as members. External members from the business and financial sectors will be appointed to provide expert advice.

16. The Education Bureau will provide secretariat support for the Steering Committee and the Investment Committee. 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.

### **FINANCIAL IMPLICATIONS**

17. The Government has earmarked sufficient funds in the 2011-12 Estimates for the establishment of the \$2.5 billion Fund. The investment income<sup>2</sup> of the Fund, after deducting reasonable disbursements such as investment manager fees and other expenses incidental to the administration of the Fund, should provide sustainable and on-going support to the above three schemes. In view of market volatilities, there may be times when we have to use a small part of the principal to finance the schemes under exceptional circumstances.

18. For illustration purpose, we intend to allocate the investment income from the Fund to the three schemes on the following basis –

<u>Schemes</u>	<u>Estimated annual expenditure (\$ million)</u>
SPSS	50
QESS	50
QASS	25

The actual amount to be allocated to each of the above schemes will be refined in consultation of Steering Committee and may vary each year, depending on the investment income of the Fund and the actual needs of the sector.

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<sup>2</sup> Assuming a 5% return on the investment, the annual income to support the schemes will be around \$125 million.

**PUBLIC CONSULTATION**

19. The proposal was discussed in the Legislative Council Panel on Education on 14 February 2011, and Members supported the submission of the proposal to FC for approval.

**BACKGROUND**

20. To promote the development of the self-financing post-secondary sector in Hong Kong, the Administration has launched a basket of support measures including the Land Grant Scheme, Start-up Loan Scheme, the QEGS and the Financial Assistance Scheme for Post-secondary Students<sup>3</sup>. The self-financing post-secondary sector has played an increasingly important role in increasing the opportunities and widening the choices of post-secondary education for the benefit of our school leavers. To strengthen our support to facilitate the sector's further development, CE announced in the 2010-11 Policy Address the proposal of setting up the \$2.5 billion Fund to provide scholarships and enhance the quality of teaching and learning of post-secondary education.

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Education Bureau  
April 2011

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<sup>3</sup> The Land Grant Scheme is introduced to grant land sites at nominal premium for the construction of purpose-built college premises or vacant schools to non-profit-making educational institutions. The Start-up Loan Scheme helps these institutions to meet the start-up costs (including purchasing, renting, constructing or renovation of premises). The QEGS supports worthwhile non-works projects or initiatives dedicated to enhancing the quality of teaching and learning. The Financial Assistance Scheme for Post-secondary Students provides means-tested financial assistance in the form of grant (to cover tuition fee and academic expenses) and/or loan (to cover living expenses) to needy students pursuing full-time locally-accredited self-financing post-secondary programmes.

**Steering Committee on  
Self-financing Post-secondary Education Fund**

***Proposed Membership***

Chairman: non-official

Members:

- (a) at least two members from the education sector
- (b) at least two members from other sectors
- (c) one representative of the Secretary for Education (SED)
- (d) co-opted members as and when necessary

***Proposed Terms of Reference***

The Steering Committee advises SED on:

- (a) the overall strategy for making use of the Self-financing Post-secondary Education Fund (the Fund) as a vehicle to enhance the quality of self-financing post-secondary education;
- (b) the strategy, scope and parameters of the Self-financing Post-secondary Scholarship Scheme, Quality Enhancement Support Scheme and Quality Assurance Support Scheme in support of the development of the self-financing post-secondary education sector in Hong Kong; and
- (c) any other matters that may be referred to the Committee by the Education Bureau concerning the policy and administration of the Fund.

In discharging its functions, the Steering Committee may set up sub-committees, conduct studies, engage professional services and co-opt members as and when necessary.

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