

## **ITEM FOR FINANCE COMMITTEE**

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

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

#### **New Item “Injection into the HKSAR Government Scholarship Fund”**

#### **New Item “Injection into the Self-financing Post-secondary Education Fund”**

Members are invited to approve –

- (a) a new commitment of \$1 billion for injection into the HKSAR Government Scholarship Fund; and
- (b) a new commitment of \$1 billion for injection into the Self-financing Post-secondary Education Fund.

### **PROBLEM**

We need to further encourage and support post-secondary students in pursuing all-round development, striving for excellence and broadening their horizons and international outlook.

### **PROPOSAL**

2. The Secretary for Education proposes to inject \$1 billion each into the HKSAR Government Scholarship Fund (GSF) and the Self-financing Post-secondary Education Fund (SPEF) to establish more scholarships and awards to give recognition to post-secondary students not only with outstanding academic performance but also achievements and talents in other non-academic fields.

**/JUSTIFICATION .....**

**JUSTIFICATION**

3. Both the HKSAR Government Scholarship Scheme under GSF and the Self-financing Post-secondary Scholarship Scheme under SPEF operate on a merit basis. Scholarships are awarded to students on the basis of the following criteria, with appropriate adaptations to cater for different groups of students –

- (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.

4. In addition to general scholarships for outstanding local and non-local students, other scholarships or awards are launched under the GSF and SPEF to cater for the development needs and priorities of the publicly-funded and self-financing post-secondary sectors. For instance, a new scholarship to attract outstanding students from targeted regions has been set up under the GSF to raise the profile of Hong Kong and to foster closer collaboration and relationship with places of strategic importance. In the case of the SPEF, we have established a Best Progress Award to encourage and recognise students with significant progress and improvement during their post-secondary studies.

5. In the 2011/12 academic year, around \$32 million and \$36 million of scholarships and awards have been disbursed under the above two schemes respectively. Details are set out below –

	<b>Award amount<sup>1</sup></b>	<b>Amount allocated</b>	<b>No. of student beneficiaries</b>
<b>HKSAR Government Scholarship Scheme</b>	\$20,000 to \$80,000	<b>\$32 million</b>	<b>657</b>
<b>Self-financing Post-secondary Scholarship Scheme</b>		<b>\$36 million</b>	<b>1 290</b>
• Outstanding performance	\$30,000 to \$80,000		1 000
• Best progress	\$10,000		290

**/Proposed .....**

<sup>1</sup> For degree or above level scholarship recipients under the GSF, the scholarship award amount is \$40,000 per year for local students and \$80,000 per year for non-local students. The scholarship amount for sub-degree students is between \$20,000 and \$30,000 per year for both local and non-local students. For Outstanding Performance Scholarship under the SPEF, the respective amounts for bachelor degree local and non-local students are \$40,000 and \$80,000 per year. For sub-degree students, the scholarship amount for both local and non-local students is \$30,000 per year. The Best Progress Award is set at \$10,000 for both bachelor degree and sub-degree students, irrespective of whether they are local or non-local students.

**Proposed injection of \$1 billion each into the GSF and SPEF**

6. In the 2012-13 Budget, the Financial Secretary has announced the proposal to inject \$1 billion each into the GSF and SPEF to establish more scholarships or awards for outstanding students.

7. To complement the existing scholarships for students with outstanding academic performance, we propose to introduce new scholarships and awards under the GSF and SPEF to benefit a wider range of students to achieve, including but not limited to, the following objectives –

- (a) to recognise students who have demonstrated achievements or talent in non-academic areas (e.g. sports and games; music and performing art; art, culture and design; innovation, science and technology; and community services, etc.) and provide support for these students to further develop their talent and potential; and
- (b) to support meritorious students who are nominated by institutions to participate in learning, internship or service programmes, as well as national, regional and international events and competitions that are conducted outside Hong Kong and organised/endorsed by institutions.

Our ultimate goals are to encourage and support our students in pursuing all-round development, striving for excellence and broadening their horizons and international outlook, with a view to nurturing future leaders to meet the challenges of the increasingly globalised and competitive economy.

8. We propose that the operation of the new scholarships and awards should take reference from the existing scholarships under the GSF and SPEF with appropriate adaptations. Specifically, we propose that –

- (a) similar to the existing scholarships, the new scholarships and awards will operate on a merit basis. We will invite the relevant Steering Committees to advise on the operating parameters, such as eligibility criteria, amount and number of scholarships and awards, nomination and vetting mechanism and the allocation of funds taking into account the prevailing needs of the post-secondary education sector and Hong Kong. For instance, the Steering Committees may find it prudent to adopt an incremental approach in rolling out new scholarships and awards over a period of time so as to better adjust and manage the schemes in the light of the changing circumstances; and

/(b) .....

- (b) the institutions will participate in the new scholarships and awards on a voluntary basis. Based on the number of scholarships and awards available for each academic year, we will invite institutions to propose nominations and, where applicable, on a pro-rata basis with reference to the actual enrolment of their eligible programmes.

9. As regards the amount of the awards and other arrangements for the new scholarships and awards, we propose that –

- (a) for budgetary purpose, the proposed scholarship amount will be pitched at \$10,000 each in the 2012/13 academic year, and the respective Steering Committees will be invited to review this amount from time to time. We also propose that the same amount be set for local and non-local students of all levels covered by both the GSF and SPEF;
- (b) while we will not stipulate a fixed percentage split between local and non-local recipients, a majority of the recipients should be local recipients; and
- (c) in granting scholarships and awards, priority should be given to those students who have not previously received any awards under the GSF and SPEF so as to allow more students to benefit.

10. At the initial stage, we propose to set aside \$20 million each from the investment income of the proposed injections into the GSF and SPEF to support new scholarships and awards in the 2012/13 academic year. Based on a scholarship amount of \$10,000 per recipient, a total of 4 000 post-secondary students, or around 2 000 students under each fund, will benefit in the 2012/13 academic year. Assuming a stable investment return of 5%, the proposed injection will generate an investment income of around \$50 million a year for each fund in the long term and gradually increase the number of beneficiaries of the two funds to around 10 000 students in total. The estimated amount for provision of new scholarships and awards in the coming years as mentioned in paragraph 7 are at Enclosure 1. Over the longer term, the percentage of government scholarship beneficiaries (including those under the existing and proposed new scholarships and awards) will rise to around 6% to 8% of the student population in the post-secondary education sector.

Encl. 1

/CONTROL .....

## **CONTROL MECHANISM**

11. The Permanent Secretary for Education Incorporated will continue to act as the Trustee of the GSF and SPEF on the advice of the Steering Committees of the two funds, the Director of Accounting Services and the Investment Committees of the two funds. The audited accounts of the GSF and SPEF, which are required to be tabled before the Legislative Council (LegCo) by the Permanent Secretary for Education Incorporation Ordinance (Cap. 1098), will incorporate information on the operation of the new scholarships and awards.

## **FINANCIAL IMPLICATIONS**

12. The Government has earmarked sufficient funds in the 2012-13 Estimates for the proposed injection of \$1 billion each into the GSF and SPEF. The investment income of the proposed injection, after deduction of reasonable disbursements such as investment manager fees and other expenses incidental to the administration of the funds, should provide sustainable support to the new scholarships and awards. At times of potential market volatilities, we may have to use a small part of the principal of the respective funds to finance the scholarships and awards under exceptional circumstances.

## **PUBLIC CONSULTATION**

13. We consulted the LegCo Panel on Education on the above proposal on 14 May 2012 and Members generally supported the proposal. There was a suggestion to provide scholarships and awards for students with special educational needs (SEN) to support their post-secondary studies. Similar to other scholarship schemes, both the HKSAR Government Scholarship Scheme and the Self-financing Post-secondary Scholarship Scheme operate on a merit basis. All eligible students facing financial difficulties in pursuing post-secondary education may apply for grants to cover tuition fees and academic expenses and loans to meet living expenses under the relevant financial assistance schemes. Furthermore, many institutions already have in place special arrangements and support services for accommodating SEN students with regard to their particular disability and their field of study. The support services provided by the institutions include special study aids (e.g. enlargers, computers, additional tutorial sessions and advance copies of lecture notes), special facilities and amenities, etc. In any event, the Administration will bring the suggestion for consideration by the relevant Steering Committees.

14. As for another Member's concern about the ratio of local and non-local scholarship recipients and their success rate<sup>2</sup>, it is noteworthy that the scholarship schemes operate on a merit basis and are based on institutions' nominations. We will remind the institutions to ensure a fair mechanism of nomination and strike an appropriate balance between local and non-local students when awarding the scholarships. The concern will also be brought to the relevant Steering Committees for attention.

## BACKGROUND

15. To promote Hong Kong as a regional education hub and to give recognition to outstanding students, the Government established the GSF with a commitment of \$1 billion in 2008 to provide scholarships to outstanding students pursuing full-time publicly-funded degree or above level programmes in Hong Kong. In 2011, an injection of another \$250 million was made to GSF to extend government scholarships under GSF to full-time students of publicly-funded sub-degree programmes. For the self-financing post-secondary sector, the SPEF was set up with a commitment of \$2.5 billion in 2011 to provide scholarships for students of self-financing sub-degree and bachelor degree programmes under the Self-financing Post-secondary Scholarship Scheme as well as support quality enhancement projects by institutions and quality assurance activities<sup>3</sup>. The establishment of the two government scholarship schemes complements the various scholarships offered by institutions and philanthropic organisations and demonstrates the Government's strong support to post-secondary education.

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<sup>2</sup> In the 2011/12 academic year, the percentages of local scholarship recipients among all recipients in the HKSAR Government Scholarship Scheme and the Self-financing Post-secondary Scholarship Scheme are 67% and 98% respectively. Whilst noting that the number of local scholarship recipients far exceeds that of non-local students, a Member is concerned that the "success rate" of non-local students (i.e. number of non-local recipients over number of non-local applicants/nominees) is higher based on the information provided in the Secretary for Education's reply to LegCo Question No. 5 on "Resource allocation for local and non-local students studying in tertiary institutions" on 28 March 2012. It is noteworthy that non-local undergraduate students studying in Hong Kong are invariably outstanding students in their home countries and are offered scholarships by many distinguished universities around the world. Furthermore, it is worth noting that different institutions adopt different mechanisms to nominate students for receiving the scholarships. While some would invite applications from their students for making nominations among the applicants, some nominate students direct based on merit-based pre-selection at the department or faculty levels without inviting students to apply. Therefore, the ratio should not be interpreted as "success rate" and it would not be appropriate to come to any conclusion that the difference in ratios reflects unfairness between the two groups of students.

<sup>3</sup> Under the SPEF, three schemes are set up, namely the Self-financing Post-secondary Scholarship Scheme, Quality Enhancement Support Scheme and the Quality Assurance Support Scheme. The first scheme has been in operation in the 2011/12 academic year and the second one will start operating later this year. The third scheme will only commence operation after the completion of the Qualifications Framework Support Schemes in 2014/15. Assuming a 5% return on the investment, the fund is expected to generate an investment income of \$125 million per year with its initial endowment of \$2.5 billion, with \$50 million, \$50 million and \$25 million allocated to each of the three respective schemes.

16. The Permanent Secretary for Education Incorporated acts as the Trustee of the GSF and SPEF. The Secretary for Education has established Steering Committees for the GSF and SPEF respectively to advise the Trustee on the overall strategy and policy pertaining to the administration and development of the two funds. The Director of Accounting Services has been appointed to manage the investment and accounting matters of both funds. Investment Committees have also been set up for the two funds respectively to formulate investment policies and appoint fund managers for the fund. The membership and terms of reference of the Steering Committee and Investment Committee of the two funds are set out at Enclosure 2.

Encl. 2

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Education Bureau  
May 2012

**Estimated amount for provision of scholarships and awards with the proposed  
\$1 billion injection into the HKSAR Government Scholarship Fund**

<b>Academic year</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Total amount (\$ million)</b>	20	30	40	50	50

**Estimated amount for provision of scholarships and awards with the proposed  
\$1 billion injection into the Self-financing Post-secondary Education Fund**

<b>Academic year</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
<b>Total amount (\$ million)</b>	20	30	40	50	50

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**HKSAR Government Scholarship Fund Steering Committee**

**Terms of Reference**

1. To advise the Trustee on the overall strategy in the custody and use of the Fund;
2. To advise the Trustee on the oversight of the ongoing operation of the Fund, including the scope and parameters of administering awards under the Fund and the disbursement of such awards; and
3. To review the effectiveness of the scheme, and make recommendations on the overall strategy in making use of the Fund as a vehicle to enhance the overall attractiveness of Hong Kong as a regional education hub.

**Membership (as at 1 May 2012)**

**Name**

**Professional Background**

Chairman

Secretary for Education

Members

Mrs Pamela CHAN WONG Shui, B.B.S.,  
J.P.

Chairman, Hong Kong Deposit Protection  
Board

Mr CHUNG Shui-ming, G.B.S., J.P.

External Director, State Development  
Investment Corporation

Professor NYAW Mee-kau, B.B.S.

Emeritus Professor, Lingnan University

Professor KONG Yau-pak

Vice-President (Academic),  
Chu Hai College of Higher Education

Mr Richard TANG Yat-sun, B.B.S., J.P.

Managing Director, Richcom Co Ltd

Ms Shirley WONG She-lai, M.H.

Principal, TWGHs Kap Yan Directors'  
College

## **HKSAR Government Scholarship Fund Investment Committee**

### **Terms of Reference**

1. To advise the Trustee on the formulation of policies for the investment of the Fund;
2. To make recommendations in respect of the monitoring of the investment of the Fund;
3. To advise the Trustee on the appointment of fund managers, as appropriate, to handle the investment of the Fund; and
4. To submit its advice and recommendations to the Steering Committee for information.

### **Membership (as at 1 May 2012)**

#### **Name**

#### **Professional Background**

#### Chairman

Under Secretary for Education

#### Members

Mr Patrick CHAN Kwok-wai

Executive Director & Chief Financial Officer, Sun Hung Kai Properties Ltd

Mr Clifton CHIU Chi-cheong

Chairman, Harvester (Holdings) Co Ltd

Mr CHUNG Shui-ming, G.B.S., J.P.

External Director, State Development Investment Corporation

Deputy Secretary for Education (1)

Director of Accounting Services

## Self-financing Post-secondary Education Fund Steering Committee

### Terms of Reference

The Steering Committee advises the Secretary for Education on:

1. 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;
2. 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
3. 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.

### Membership (as at 1 May 2012)

#### Name

#### Professional Background

#### Chairman

Mr Tim LUI Tim-leung, B.B.S., J.P.

Partner, PricewaterhouseCoopers Limited

#### Members

Mr Patrick CHAN Kai-lung

Executive Director, SmarTone  
Telecommunications Holdings Limited

Mr Albert CHOW Hing-pong

Director of Qualifications, The Hong  
Kong Institution of Engineers

Mr CHUNG Shui-ming, G.B.S., J.P.

External Director, State Development  
Investment Corporation

Mr Herbert HUI Ho-ming, J.P.

Executive Director, Hong Kong Resources  
Holdings Company Limited

Dr Maggie KOONG May-kay

Head of Academy, Victoria Shanghai  
Academy

Professor TAM Kar-yan

Associate Provost, The Hong Kong  
University of Science and Technology

Ms Shirley WONG She-lai, M.H.

Principal, TWGHs Kap Yan Directors'  
College

Principal Assistant Secretary (Further Education)

## Self-financing Post-secondary Education Fund Investment Committee

### Terms of Reference

The terms of reference of Investment Committee are as follows:

- (a) To advise the Trustee on the formulation of policies for the investment of the Fund;
- (b) To make recommendations in respect of the monitoring of the investment of the Fund; and
- (c) To advise on the appointment of fund managers to handle the investment of the Fund.

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

### Membership (as at 1 May 2012)

#### Name

#### Professional Background

#### Chairman

Under Secretary for Education

#### Members

Mr Patrick CHAN Kwok-wai

Executive Director & Chief Financial Officer, Sun Hung Kai Properties Ltd

Mr Clifton CHIU Chi-cheong

Chairman, Harvester (Holdings) Co Ltd

Mr CHUNG Shui-ming, G.B.S., J.P.

External Director, State Development Investment Corporation

Deputy Secretary for Education (1)

Director of Accounting Services

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