

**For discussion
on 14 May 2012**

Legislative Council Panel on Education

**Proposed Injection into the HKSAR Government Scholarship Fund
and Self-financing Post-secondary Education Fund**

Purpose

This paper seeks Members' views on the Administration's proposal to inject \$1 billion each into the HKSAR Government Scholarship Fund (GSF) and Self-financing Post-secondary Education Fund (SPEF) to establish more scholarships or award schemes for outstanding post-secondary students.

GSF and SPEF

2. To promote Hong Kong as a regional education hub, the Government established the GSF in 2008 with an injection of \$1 billion to provide government scholarships to outstanding local and non-local students pursuing full-time publicly-funded degree or above level programmes in Hong Kong. In 2011, we injected another \$250 million to GSF to extend government scholarship under GSF to full-time students of publicly-funded sub-degree programmes. For the self-financing post-secondary sector, we set up the SPEF with a commitment of \$2.5 billion to support the healthy development of the self-financing sector and further enhance Hong Kong's status as a regional education hub. The SPEF provides scholarships for students of self-financing sub-degree and bachelor degree programmes under the Self-financing Post-secondary Scholarship Scheme as well as supports quality enhancement projects by institutions and quality assurance

activities¹. 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.

3. The GSF and the SPEF are set up under the Permanent Secretary for Education Incorporated who acts as the Trustee of the funds. The Secretary for Education has established Steering Committees for the GSF and the 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 funds. The membership and terms of reference of the Steering Committee and Investment Committee of the two funds are set out at Annex.

4. The HKSAR Government Scholarship Scheme and the Self-financing Post-secondary Scholarship Scheme both operate on a merit basis. The following criteria, with appropriate adaptations to cater for different groups of students, are adopted for awarding scholarships to students –

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

5. In addition to general scholarship schemes for outstanding local and non-local students, other scholarship schemes are launched

¹ 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 \$50 million, \$50 million and \$25 million allocated to each of the three respective schemes.

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 scheme 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.

6. Assuming a stable annual investment return of 5% in the long run, the annual investment income for disbursement as scholarships and awards is around \$63 million for GSF and \$50 million for SPEF (see footnote 1), benefiting around 1 200 students and 1 400 students respectively. In the 2011/12 academic year, around \$32 million and \$36 million of scholarships and awards have been disbursed under the HKSAR Government Scholarship Scheme and the Self-financing Post-secondary Scholarship Scheme respectively. Details are set out below –

	<u>Award amount</u> ²	<u>Amount allocated</u>	<u>No. of student beneficiaries</u>
HKSAR Government Scholarship Scheme	\$20,000 to \$80,000	\$32 m	657
Self-financing Post-secondary Scholarship Scheme		\$36 m	1,290
• Outstanding performance	\$30,000 to \$80,000		1,000
• Best progress	\$10,000		290

² For degree or above level recipients under the GSF, the scholarship award is \$40,000 per year for local students and \$80,000 per year for non-local students. The scholarship amount for the 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 each per year. For sub-degree students, the scholarship for local or non-local student is \$30,000 each 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.

Proposal to inject \$1 billion each into the GSF and SPEF

7. The existing scholarship schemes under the GSF and SPEF have been well received both as a valuable recognition of the achievements of students and a strong incentive to encourage students to strive for excellence. 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 award schemes for outstanding students. The additional scholarships aim to give recognition to more students not only of outstanding academic performance but also with achievements in other areas such as sports, music, art, science and technology and community services. Our ultimate objectives are to encourage and support our students in pursuing all-rounded 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. To complement the existing scholarship schemes for students with outstanding academic performance, we propose to introduce new scholarship and award schemes under the GSF and SPEF with the proposed injections 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.

9. We propose that the operation of the new scholarship and award schemes should take reference from the existing scholarship

schemes under the GSF and SPEF with appropriate adaptations. Specifically, we propose that –

- (a) similar to the existing schemes, the new schemes 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, nomination and vetting mechanism, and the allocation of funds in the light of 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 schemes over a period of time so as to better adjust and manage the scholarship schemes in the light of the changing circumstances; and
- (b) the institutions will participate in the new schemes on a voluntary basis. Based on the number of scholarships 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.

10. As regards the amount of the awards and other arrangements for the new scholarship and award schemes, 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.

11. 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 scholarship and award schemes in the 2012/13 academic year. Based on an average scholarship value of \$10,000, 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. Over the longer term, the percentage of government scholarship beneficiaries (including those under the existing schemes and proposed new schemes) will rise to around 6% to 8% of the student population in the post-secondary education sector.

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 scholarship and award schemes. In times of potential market volatilities, we may have to use a small part of the principal of the respective funds to finance the schemes under exceptional circumstances.

Way forward

13. Subject to Members' views, we will seek approval from the Finance Committee of the Legislative Council on the proposed injection of \$1 billion each into the GSF and SPEF in June 2012.

Education Bureau
May 2012

HKSAR Government Scholarship Fund

Membership List of Steering Committee

Chairman: Secretary for Education or representative

Members: Mrs Pamela CHAN WONG Shui, BBS, JP

Mr CHUNG Shui-ming, GBS, JP

Professor NYAW Mee-kau, BBS

Professor KONG Yau-pak

Mr Richard TANG Yat-sun, BBS, JP

Ms Shirley WONG She-lai, MH

Membership List of Investment Committee

Chairman: Secretary for Education or representative

Members: Mr Patrick CHAN Kwok-wai

Mr Clifton CHIU Chi-cheong

Mr CHUNG Shui-ming, GBS, JP

Ex-officio Member: Permanent Secretary for Education or representative

Director of Accounting Services or her representative

HKSAR Government Scholarship Fund

Terms of Reference of the Steering Committee

- (a) To advise the Trustee on the overall strategy in the custody and use of the Fund;
- (b) 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
- (c) 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.

Terms of Reference of the Investment Committee

- (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;
- (c) To advise the Trustee on the appointment of fund managers, as appropriate, to handle the investment of the Fund; and
- (d) To submit its advice and recommendations to the Steering Committee for information.

Self-financing Post-secondary Education Fund

Membership List of the Steering Committee

- Chairman: Mr Tim LUI Tim-leung, B.B.S., J.P.
- Members: Mr Patrick CHAN Kai-lung
Mr Albert CHOW Hing-pong
Mr CHUNG Shui-ming, G.B.S., J.P.
Mr Herbert HUI Ho-ming, J.P.
Dr Maggie KOONG May-kay
Professor TAM Kar-yan
Ms Shirley WONG She-lai, M.H.
- Ex-officio Member: Principal Assistant Secretary (Further Education)

Membership List of the Investment Committee

- Chairman: Under Secretary for Education
- Members: Mr Patrick CHAN Kwok-wai
Mr Clifton CHIU Chi-cheong
Mr CHUNG Shui-ming, G.B.S., J.P.
- Ex-officio Members: Deputy Secretary for Education (1)
Director of Accounting Services or her representative

Self-financing Post-secondary Education Fund

Terms of Reference of the Steering Committee

The Steering Committee advises the Secretary for Education 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.

Terms of Reference of the Investment Committee

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.