

For discussion
on 9 May 2011

Legislative Council Panel on Education

Proposed Injection into the HKSAR Government Scholarship Fund

Purpose

This paper seeks Members' views on the Administration's proposal to inject \$250 million into the HKSAR Government Scholarship Fund (the Fund) to extend the scholarships to students of full-time publicly-funded sub-degree programmes. It also sets out some proposed modifications and enhancement measures relating to the administration and management of the Fund.

Background

2. The Finance Committee (FC) of the Legislative Council (LegCo) approved in February 2008 a commitment of \$1 billion to establish the Fund. The Fund was set up in March 2008 under the Permanent Secretary for Education Incorporated (PSEdI) who acts as the Trustee of the Fund. The Secretary for Education has established a Steering Committee for the Fund to advise the Trustee of the Fund the overall strategy and policy pertaining to the administration and development of the Fund. The Director of Accounting Services has been appointed to manage the investment and accounting matters of the Fund. An Investment Committee has also been 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 to handle the investment of the funds.

3. The Fund provides government scholarships to outstanding local and non-local students studying in full-time publicly-funded degree or above level programmes in Hong Kong, so as to –

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

4. A sum of money will be allocated to the participating institutions¹ every year on a pro rata basis based on the actual enrolment of eligible programmes in the previous academic year, subject to the proviso that no institution will receive less than 2% of the total sum allocated. Institutions will then distribute scholarships having regard to the following criteria –

- (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.

5. Both local and non-local students are eligible for scholarships under the Fund, with \$40,000 per year for local students and \$80,000 per year for non-local students. The amount of scholarship allocated and number of recipients from 2008/09 to 2010/11 academic year are set out below –

¹ Participating institutions are the eight University Grants Committee-funded institutions (i.e. City University of Hong Kong (CityU), Hong Kong Baptist University, Lingnan University, the Chinese University of Hong Kong, the Hong Kong Institute of Education (HKIEd), the Hong Kong Polytechnic University (PolyU), the Hong Kong University of Science and Technology, and the University of Hong Kong) and the Hong Kong Academy for Performing Arts (HKAPA).

Academic Year	Amount Allocated (\$)	Number of Recipients (Local/Non-local)
2008/09	11,970,000	230 (162/68)
2009/10	23,590,000	441 (286/155)
2010/11	29,300,000	514 (294/220)

Proposed revised management and operation arrangements of the Fund

6. Taking into consideration the operation in the first three years of the Fund, we propose some modifications and enhancement measures relating to the administration and management of the Fund as set out in the ensuing paragraphs.

Scholarship amounts

7. Under existing arrangement, local and non-local students of full-time publicly-funded degree or above level programmes are eligible for scholarships of \$40,000 and \$80,000 per year respectively. The amount has been kept at the same level since the establishment of the Fund in 2008, without any adjustment mechanism. Some institutions have asked whether the scholarship amount can be adjusted to reflect the changing tuition fees and living costs. Some institutions would also like some flexibility in setting the scholarship amount to take into consideration specific circumstances such as availability of other scholarships.

8. To address these concerns, we propose that the Trustee, on the advice of the Steering Committee, should be given the flexibility to adjust the scholarship amounts having regard to changing costs and relevant considerations. Similar to the proposed arrangement for scholarships for sub-degree students set out in paragraph 16 below, we also propose that the amount of the scholarship award should be kept within a limit prescribed by the Trustee on the advice of the Steering Committee and the institutions will decide the amount of scholarship of individual awardees subject to such a limit. This will allow some flexibility for determining the scholarship award that takes into account specific circumstances.

Targeted scholarships

9. One of the objectives of the Fund is to attract outstanding non-local students to study in Hong Kong to promote the further development of Hong Kong as a regional education hub. There have been suggestions that scholarships should be offered to students from targeted regions to raise the profile of Hong Kong and to increase our attractiveness to potential students. Indeed, other economies such as Singapore² and Brunei³ have been offering scholarships to students from specific areas to attract international students.

10. In this connection, we propose to offer, initially, up to 10 scholarships per year to first-year non-local students from specific areas or regions (outside Mainland China and Hong Kong). This will help Hong Kong foster closer collaboration and relationship with places of strategic importance. Scholarships will cover the full tuition fee of the students and will be tenable for the normal duration of the programme concerned and renewable annually subject to satisfactory academic performance of the awardees. Nominations will be sought from institutions and considered by the Steering Committee. We estimate that on an ongoing basis, this initiative will require about \$4 to 5 million per year, and this amount will come from the \$48 million scholarship disbursement amount for the degree or above students.

Steering Committee and Investment Committee under the Fund

11. As mentioned above, an Investment Committee has been set up under the Steering Committee to formulate policies for and monitor the investment of the Fund. Recommendations of the Investment Committee will be reviewed by the Steering Committee through circulation of papers before being submitted to the Trustee.

12. We note that in the case of the Quality Education Fund, a Steering Committee and an Investment Committee are set up under PSEdI, and

2 Examples of such scholarships include ASEAN scholarships, A*Star India Scholarship, SIA Youth Scholarships (offered by Singapore Airlines to Indian students), and Hong Kong Scholarships and Awards.

3 Scholarships are offered to citizens of ASEAN, OIC, Commonwealth member countries and others covering tuition fees, air tickets, free medical and dental treatment and various allowances.

advise the Trustee directly according to their respective terms of reference. Adopting this arrangement for the Fund will streamline and enhance the efficiency of the operation of the Fund. We therefore propose that the Investment Committee should be independent from the Steering Committee and advise the Trustee directly on investment strategies and related matters of the Fund. The Steering Committee will continue to be kept informed of Investment Committee's advice and recommendations through circulation of papers or reports at meetings.

Proposed injection of \$250 million

13. To complement the Fund and Self-financing Post-secondary Scholarship Scheme which provide scholarships for students of publicly-funded degree programmes and self-financing sub-degree and degree programmes respectively, the Financial Secretary has announced in the 2011-12 Budget that \$250 million will be injected into the Fund to extend the scholarships to students of full-time publicly-funded sub-degree programmes currently offered by five institutions⁴.

Proposed Parameters and Operation of the Scholarship Scheme for Publicly-funded Sub-degree Students

14. Modelled on the prevailing scholarship scheme, we propose that the following criteria be adopted for awarding scholarships to sub-degree 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 There are currently five institutions offering full-time publicly-funded sub-degree programmes, i.e. CityU, PolyU, HKIEd, HKAPA and Vocational Training Council (VTC).

15. We propose that the scholarship scheme for sub-degree students should take reference from the scholarship scheme for degree students with appropriate adaptations having regard to the prevailing situation of the sector. Specifically, we propose that –

- (a) A sum of money to be funded by the investment income generated will be allocated every year to the participating institutions offering full-time publicly-funded sub-degree programmes 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.
- (b) The eligible institutions offering full-time publicly-funded sub-degree programmes will participate in the scheme on a voluntary basis and will distribute scholarships to outstanding students taking part in their relevant programmes by adopting selection criteria set out in paragraph 14.

16. As regards the amount of scholarship award, we propose that –

- (a) For budgetary purpose, the scholarship amount should be pitched at \$30,000 each for the 2011/12 academic year. The Trustee, on the advice of the Steering Committee, should be given the flexibility to adjust this amount having regard to changing costs and relevant considerations.
- (b) Institutions have suggested that they should be given some flexibility in determining the scholarship amount for individual recipient having regard to the merit and circumstances (e.g. disciplines and merit) of recipients and the desirability of benefiting more students. To strike a balance between flexibility and consistency, we propose that the amount of the scholarship award should be kept within a limit prescribed by the Trustee on the advice of the Steering Committee and the institutions will decide the amount of scholarship of individual awardees subject to such a limit.

- (c) As our sub-degree sector is currently at its early stage in attracting non-local students⁵, the need for setting a higher scholarship amount for non-local students has not yet arisen. We propose that the same amount be set for local and non-local students for the 2011/12 academic year, and the Steering Committee would be invited to review these amounts from time to time.
- (d) While we will not stipulate a fixed percentage split between local and non-local recipients, a majority of the recipients should be local recipients.
- (e) 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.

17. With the additional injection of \$250 million for the new scholarship scheme, the ambit of the Steering Committee set up under the Fund will be correspondingly widened to advise on the two schemes and other schemes to be covered by the Fund.

Financial Implications

18. The Fund is estimated to generate a long-term average investment income of about 4-5% per annum. The investment income from the proposed injection of \$250 million, 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 to the full-time publicly-funded sub-degree students on an ongoing basis. To allow some flexibility for the Trustee to redeploy funds to meet the changing needs of the publicly-funded post-secondary sector, the additional injection of \$250 million should form an integral part of the Fund in support of two parallel scholarship schemes for publicly-funded degree and sub-degree students. We propose that the Trustee, on the advice of the Steering Committee, be

⁵ In the 2010/11 academic year, there were 71 non-local students in the full-time publicly-funded sub-degree programmes.

given the flexibility to deploy funds within the entire Fund between the two schemes. Furthermore, in the light of potential market volatilities, the Trustee may draw down on a small part of the capital under exceptional circumstances.

19. We propose to set aside about \$3 million from the investment income to support the provision of scholarships to around 100 sub-degree students in the 2011/12 academic year. To meet the requirements of the existing and new recipients, we expect this amount to gradually increase to about \$12 million in the 2013/14 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 estimated cashflow requirements of the Fund for provision of scholarships to the sub-degree students are set out at Annex.

Way forward

20. Subject to Members' views, we will seek approval from the FC on the proposed injection of \$250 million and modifications and enhancement measures in June 2011.

Education Bureau
April 2011

Annex

**Estimated Cash Flow Requirement for the
HKSAR Government Scholarship Fund
(for full-time publicly-funded sub-degree students)**

	Academic Year (\$ million)#				
	2011/12	2012/13	2013/14	2014/15	2015/16
2011/12	3	3			
2012/13		6	6		
2013/14			6	6	
2014/15				6	6
2015/16					6
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3	9	12	12	12
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Assuming the scholarship recipients are all undertaking a two-year sub-degree programme