

**For discussion
on 13 June 2016**

Legislative Council Panel on Education

**Proposed Injection into
the HKSAR Government Scholarship Fund
to Support the “Belt and Road” Scholarship Scheme**

Purpose

This paper seeks Members’ views on the Government’s proposal to inject \$1 billion into the HKSAR Government Scholarship Fund (the Fund) to increase the number of offers for the “Belt and Road” (B&R) Scholarship under the existing Targeted Scholarship Scheme (TSS) of the Fund.

The Fund

2. As part of a basket of measures to promote Hong Kong as a regional education hub and enhance Hong Kong’s attractiveness to quality students as a higher education destination, the Government established the Fund with a commitment of \$1 billion in 2008 to provide scholarships to outstanding students pursuing full-time publicly-funded programmes at degree or above level in Hong Kong. The Finance Committee (FC) approved three subsequent injections¹ into the Fund to achieve the following objectives –

- (a) In 2011: \$250 million to support the provision of scholarships to full-time publicly-funded sub-degree students from the 2011/12 academic year onwards²;

¹ Vide FCR(2011-12)27, FCR(2012-13)33 and FCR(2013-14)29.

² At the same FC submission, the Government sought FC’s approval to revise the parameters of the Fund so that scholarships could be provided to outstanding non-local students from targeted regions (i.e. TSS).

- (b) In 2012: \$1 billion to establish more scholarships and awards to give recognition to post-secondary students not only of outstanding academic performance but also with achievements and talents in other non-academic fields; and
- (c) In 2013: \$20 million to set up scholarships and awards for giving recognition to deserving post-secondary students with special educational needs.

3. The Permanent Secretary for Education Incorporated acts as the Trustee of the Fund. The Secretary for Education has established a Steering Committee and an Investment Committee to advise on the overall strategy and policy pertaining to the administration and development of the Fund and to formulate investment policies and appoint fund managers for the Fund respectively. 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 annually.

4. The four previous injections into the Fund have been serving as seed funding to generate investment income for providing scholarships on an on-going basis. The scholarship schemes under the Fund 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 the 2014/15 academic year, 4 721 scholarships and awards totaling \$94.82 million were granted under the Fund. Details are set out below:

Scholarship/Award Scheme under the Fund	Amount of Scholarship/Award per Student per Annum	Number of Scholarship/Award Granted (Newly granted and renewal)	Amount of Scholarship/Award Granted (Newly granted and renewal) (\$ million)
(a) Scholarships for Outstanding performance	\$20,000 to \$80,000 ³	1 418	59.21
(b) TSS	\$120,000	25	2.83
(c) Talent Development Scholarship	\$10,000	908	9.08
(d) Reaching Out Award	\$10,000	2 297	22.97
(e) Endeavour Merit Award	\$10,000	73	0.73
	Total:	4 721	94.82

As at end of April 2016, the unaudited balance of the Fund stood at \$2,201 million.

Provision of B&R Scholarship under the TSS

6. Pursuant to FC's approval vide FCR(2011-12)27, the Government has introduced the TSS under the Fund to offer, initially, up to ten scholarships per year to first-year non-local students from countries of the Association of Southeast Asian Nations (ASEAN)⁴, India and Korea starting from the 2012/13 academic year to encourage them to pursue undergraduate studies in Hong Kong.

7. In December 2015, the HKSAR Government and Indonesian Government signed a Memorandum of Understanding (MoU) on education cooperation. Indonesia is one of the major B&R countries, and as a measure to enhance cooperation between the two places, the Government, following the signing of the MoU, announced the offering of up to ten scholarships under the TSS starting from the 2016/17 academic year so as to attract outstanding students from Indonesia to pursue undergraduate studies in Hong Kong and facilitate academic

³ For awardees at undergraduate or above level, the scholarship amount is \$40,000 per annum for local students and \$80,000 per annum for non-local students. The amount for sub-degree awardees is between \$20,000 and \$30,000 per annum for both local and non-local students.

⁴ ASEAN has ten member states, namely, Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

exchanges and connection of the two places. Same as the existing scholarships under the TSS, the scholarships for Indonesian students will be offered to those who are enrolled in publicly-funded degree programmes in Hong Kong to cover their tuition fees, subject to a ceiling of \$120,000 per student per annum.

Proposed Injection of \$1 billion into the Fund

Purpose

8. To encourage more outstanding students from economies along the B&R region to pursue studies in Hong Kong, the Chief Executive proposed in the 2016 Policy Address to inject \$1 billion into the Fund and use the investment income thus generated to further increase the number of scholarships offered to outstanding students from economies along the B&R region to about 100 by phases. In order to give a unique identity to these students, the scholarship is named as B&R Scholarship.

9. Since the announcement of the proposal in the 2016 Policy Address, there have been views in the community that the Government should also provide scholarship to Hong Kong students to encourage them to pursue studies in universities along the B&R region. We see merit in this suggestion. Taking on board the suggestion, we recommend that, apart from the scholarship for outstanding students from individual B&R economies to pursue undergraduate studies in Hong Kong (hereinafter named as “Inbound B&R Scholarship”) as covered in the 2016 Policy Address, an Outbound B&R Scholarship be provided for Hong Kong students to pursue undergraduate studies in the B&R economies. Both the Inbound and Outbound B&R Scholarships will be offered under the B&R Scholarship Scheme (“the Scheme”), which will form part of the existing TSS. Proposed details of the Scheme are set out in the ensuing paragraphs.

B&R Scholarship Scheme

Objective

10. The Scheme aims to encourage outstanding students from individual B&R economies to pursue undergraduate studies in Hong Kong and vice versa, i.e. Hong Kong students to pursue undergraduate studies in those B&R economies, so as to further strengthen the ties and educational exchange between Hong Kong and economies along the B&R routes. To this end, the Scheme will be implemented as a Government-to-Government collaborative initiative and introduced to

individual B&R economies in phases.

Scope

11. Currently, the B&R Scholarship Scheme covers only an Inbound B&R Scholarship for Indonesian students (see paragraph 7 above). Subject to the approval of the FC for the proposed injection into the Fund, the Scheme will be expanded to cover-

- (a) additional individual B&R economies⁵ in phases; and
- (b) both Inbound and Outbound B&R Scholarships for each B&R economy covered under the Scheme.

12. As a result of the expanded scope of the Scheme and further to the provision of the Inbound B&R Scholarship for Indonesian students commencing from the 2016/17 academic year, an Outbound B&R Scholarship will be offered for Hong Kong students to pursue undergraduate studies in Indonesia starting from the 2017/18 academic year. For all other B&R economies which will be added to the Scheme in the future, both the Inbound and Outbound B&R Scholarships will be introduced at the same time and in pairs.

13. The total number of scholarships offered under the Scheme will be about 100 offers as proposed in the 2016 Policy Address. We will, in consultation with the Steering Committee of the Fund, work out the timing and phasing for introducing the Scheme to additional B&R economies as well as the number of offers of the two types of scholarship provided for individual economies per annum, taking into account our collaboration in the field of education with individual B&R economies, students' responses towards the two types of scholarship under the Scheme, the operation of the Fund particularly the actual amount of investment income to be generated from the proposed injection, etc.

Target Recipients and Scholarship

14. The Inbound and Outbound B&R Scholarships will basically share the same features in terms of target recipients, the usage and amount of the scholarship, etc. For both scholarships, only students who will enter the first year of undergraduate studies in the following academic year will be eligible to apply in the current year. All awardees

⁵ The B&R economies to be covered by the B&R Scholarship Scheme are not necessarily restricted to those covered under the existing TSS as set out in paragraph 6.

will receive a scholarship to cover their tuition fees, subject to a ceiling of \$120,000 per student per annum. Once awarded, the scholarship will be tenable for the normal four-year duration of the programme concerned and renewable annually subject to satisfactory academic performance of the awardees.

Choices of Programmes/Universities

15. The Inbound B&R Scholarship will be offered to outstanding B&R students who are enrolled in publicly-funded degree programmes in Hong Kong. As for the Outbound B&R Scholarship, to ensure the quality of the degree programmes undertaken by the awardees, the education authorities of the collaborating B&R economies will be invited to recommend a number of quality universities in their economies for prescribing as mandatory university choices under the Outbound B&R Scholarship.

16. To benefit a wide range of outstanding students, there is no limitation on the disciplines of study under the B&R Scholarship Scheme. In respect of the Outbound B&R Scholarship, priority will be given to programmes which are conducive to building up Hong Kong's long-term competitiveness, in particular those closely related to the development of B&R region or those not yet available in Hong Kong (e.g. Islamic Economics/Banking/Finance, Middle Eastern Studies, etc).

Selection

17. Both the Inbound and Outbound B&R Scholarships will basically adopt the existing selection criteria and mechanism of the TSS. They will operate on a merit basis. Selection will be based on a number of factors including the student's academic achievement and other attributes such as leadership qualities and potential. Selection of the final awardees will rest with the Steering Committee of the Fund. In respect of the Inbound B&R Scholarship, participating publicly-funded institutions will, having regard to the recommendations of the education authorities of the collaborating B&R economies, nominate students for selection by the Steering Committee.

Benefits to Hong Kong

18. The B&R region cover many economies spanning Asia, Eastern Europe, Middle East and Africa. Recruiting non-local students for degree programmes in Hong Kong and supporting local students to pursue studies in other B&R economies will help internationalise and diversify the higher education sector and enrich our pool of human capital

with talents with global vision and international network, thereby contributing to enhancing Hong Kong's competitiveness as Asia's World City in a globalised knowledge economy. A multi-cultural learning environment, with students coming from different economies, will also help enhance cultural exchanges, broaden the horizons of local students and help ensure that our graduates are globally competitive.

19. At a more macro level, the B&R Initiative, being an important transnational and multidisciplinary strategy launched by the Mainland government with the intention of promoting economic co-operation among economies along the B&R routes, offers unprecedented opportunities to all territories, including Hong Kong. With the combined advantages of "one country" and "two systems", Hong Kong can serve as a "super-connector" between the Mainland and the rest of the world, and bring together the strengths of B&R economies in many different areas, including education. Encouraging more B&R students to come to Hong Kong to pursue university studies and vice versa will facilitate us in fostering "people-to-people bond" with the B&R economies in line with the work priority of the Government in supporting the B&R Initiative⁶. In the long run, it will help establish a platform for educational, cultural and youth exchanges between Hong Kong and economies along the B&R region and bring benefits to Hong Kong.

Financial Implications

20. Funding has been earmarked in the 2016-17 Estimates for the proposed injection of \$1 billion into the Fund as an endowment fund for the B&R Scholarship Scheme. The funding requirements for both the Inbound and Outbound B&R Scholarships will be met from the investment income of the endowment fund, after deducting investment manager fees and other expenses incidental to the administration of the Fund. The actual number of scholarships and funding to be expended each year may vary having regard to the actual investment income generated from the endowment fund and the actual tuition fees to be covered within the ceiling of \$120,000 per annum.

21. EDB will absorb the additional staffing expenditure arising from supporting the operation of the Scheme from within its existing resources.

⁶ As set out in the 2016 Policy Address, the Government will first of all initiate work to foster "people-to-people bond" with the B&R countries among the "five areas of connectivity" proposed under the B&R Initiative.

New Scheme for Subsidy on Exchange to B&R Region for Post-secondary Students

22. Apart from providing Hong Kong students with the Outbound B&R Scholarship to encourage them to pursue studies in the universities along the B&R region, there are views in the community that the Government should also support Hong Kong students to capture the opportunities arising from the B&R Initiative. To respond to the call, we have recently taken the initiative to introduce a new Scheme for Subsidy on Exchange to B&R Region for Post-secondary Students (SSEBR) for the benefit of local students.

23. As part of our effort to promote internationalisation of our higher education sector, the Government has been promoting and subsidising student exchanges in the post-secondary education sector so as to nurture students with international outlook, good communication skills and ability to thrive in a multi-cultural environment. Coupled with our policy objective to capitalise on the new opportunities created by the B&R Initiative as well as to strengthen and promote further educational exchanges between Hong Kong and economies along the B&R region, we have recently introduced the SSEBR to encourage and support local students in need to go on exchanges in the B&R region. SSEBR aims to provide local students of full-time locally-accredited programmes at sub-degree and undergraduate level with means-tested grant to participate in exchange activities held in the B&R region. Each eligible student can apply for such grants twice capped at \$53,000 in total⁷ throughout their sub-degree or undergraduate study.

24. The SSEBR will come into operation starting from July 2016. Among the 40 post-secondary institutions in Hong Kong, 37 have already registered to participate in the first subsidised period of the SSEBR from July 2016 to August 2017. The estimated expenditure of SSEBR for disbursement to the participating institutions for implementing the SSEBR in 2016-17 is around \$60 million. Sufficient provision has been made in the approved 2016-17 estimates under Head 156 Education Bureau for the purpose.

25. Apart from the new SSEBR, the Government has indeed been subsidising financially needy local students of full-time locally-accredited programmes at sub-degree and undergraduate level to go on exchanges outside Hong Kong (exchange destinations are not restricted to the B&R

⁷ The exact grant limit is subject to the destination and duration of the exchange activities and the financial needs of individual students.

region) through a Scheme for Subsidy on Exchange for Post-secondary Students (SSE) since January 2015. In 2016-17, EDB has earmarked another \$60 million for disbursement to the participating institutions for implementing the SSE. In other words, the Government will provide a funding of \$120 million in total to subsidise local post-secondary students to participate in exchange activities outside Hong Kong through both the SSE and SSEBR in 2016-17.

Advice Sought

26. Subject to Members' views, we will seek approval from the FC for the proposed injection of \$1 billion into the Fund.

Education Bureau
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