

ITEM FOR FINANCE COMMITTEE

HEAD 173 - STUDENT FINANCIAL ASSISTANCE AGENCY
Subhead 001 Salaries
Subhead 700 General other non-recurrent
New Item "Continuing Education Fund"

Members are invited to approve

- (a) the creation of a new commitment of \$5,000 million for launching the Continuing Education Fund; and
- (b) an increase in the ceiling placed on the total notional annual mid-point salary value of non-directorate posts in the permanent establishment of Head 173 - Student Financial Assistance Agency from \$69,035,000 by \$1,034,400 to \$70,069,400 in 2002-03 for the creation of one non-directorate post.

PROBLEM

We need to better prepare Hong Kong's workforce for the knowledge-based economy.

PROPOSAL

- 2. The Secretary for Education and Manpower proposes to -
 - (a) create a commitment of \$5,000 million to set up a Continuing Education Fund (CEF) under Head 173 - Student Financial

/Assistance

Assistance Agency to encourage people to pursue continuing education courses through the provision of subsidy on a reimbursement basis; and

- (b) increase the NAMS ceiling for the Student Financial Assistance Agency (SFAA) so that one additional civil service post can be created to administer the processing of applications and the making of payments under the CEF.

JUSTIFICATION

3. As Hong Kong is transformed into a knowledge-based economy, we must ensure our workforce is adequately prepared to meet the shift in manpower needs. We aim to encourage people, through direct subsidy, to upgrade themselves by pursuing continuing education.

4. To ensure that the Fund is used in a meaningful manner to bring about benefits to the community at large and to enhance Hong Kong's overall competitiveness, we need to set appropriate parameters on the coverage of courses, the eligibility of applicants and the level of assistance for each successful application.

Coverage of courses

5. We propose that the Fund should subsidise training which would be conducive to the economic development of Hong Kong. Based on the advice from prominent academics and business figures, our current plan is to include eligible courses in relation to the following sectors / skills for reimbursement under the Fund -

Industry specific sectors

- (a) logistics;
- (b) financial services;
- (c) China business;
- (d) tourism;

Generic skills

- (e) language (English, Putonghua and written Chinese);
- (f) problem solving, team building, and change management; and
- (g) design (product and digital).

6. We see a need to avoid the situation of double subsidy, whereby money from the Fund is used to increase government subsidy towards courses which are already subsidised. We therefore propose that an applicant can only apply for the Fund for taking courses which are self-financing, i.e. the operating expenses of the courses are not supported by any subsidy from the Government; and if the applicant is eligible for any student financial assistance under other financial assistance / fee reimbursement schemes¹ supported by public funds, the applicant must choose between a grant from the Fund and such other financial assistance.

7. To ensure that these courses would “add value”, they must lead to a qualification based on formal assessment of the students. In the case of English, we will stipulate that reimbursable courses must be those that lead to an examination set by one of the examining bodies specified by the Workplace English Campaign. We will also require all reimbursable Putonghua courses to lead to a recognised test. We will publish the first list of “reimbursable” courses in May 2002 and also invite potential students to apply. Other reimbursable courses will be added once training providers have applied and the courses have been assessed in accordance with the formal assessment procedures. Details of the assessment procedures for the courses are at Enclosure 1.

Encl. 1

Applicants' eligibility

8. Hong Kong residents are eligible for assistance under the CEF if they are -

- (a) without a university degree at the time of application; and
- (b) aged 18 or above at the time of application and aged 60 or below at the time of claiming reimbursement.

Given the limited resources available, we consider it appropriate to confine the applicants to those not having received any university degree, as they are the ones who may be less adaptable in the new knowledge-based economy.

/Level

¹ The “no double subsidy” principle does not apply to recipients of government loans under the Non-means Tested Loan Scheme (NLS), as the Government is operating the NLS on a no-gain-no-loss and cost-recovery basis.

Level of assistance

9. SFAA will open an account for each successful applicant and earmark \$10,000 for the applicant. The applicant will be reimbursed 80% of the course fee or \$10,000, whichever sum is less, upon successful completion of the course or module(s) forming part of the course, provided that the applicant is not receiving other student financial assistance supported by public funds for the course or modules in question.

10. Applicants should submit their claims within two years from the date their account is opened. We see the need to set a time limit to avoid the situation of funds being locked up in idle accounts at the expense of other potential applicants. Applicants may use any balance in their accounts on other reimbursable courses within this two-year period. To streamline administration, each applicant is allowed to make a maximum of two claims (each claim can cover more than one course or module) during the two-year period. The applicant will need to produce tuition fee receipts and record/proof of completion validated by the respective institutions. Once an account is closed, the applicant cannot apply for the opening of a further account.

Review

11. The coverage of courses, eligibility criteria of applicants, assessment procedures and other implementation arrangements may have to be modified periodically in the light of the latest manpower requirements, the application statistics, practical experience in operating the Fund and public feedback. We will review the implementation of the scheme from time to time (in any case no later than one year after its implementation) to consider if modifications to the implementation arrangements are required. We will consult the relevant panel of the Legislative Council, academics, business figures and other stakeholders in the process.

Estimated number of beneficiarie

12. With a size of \$5,000 million and a maximum subsidy of \$10,000 per person, we estimate that some 500 000 people could benefit from the Fund.

/Administrative

Administrative support

13. SFAA will be responsible for processing applications for assistance and disbursement of payment to eligible applicants. To cope with the workload, SFAA will need to create an additional non-directorate post of Chief Executive Officer (CEO) (at additional NAMS value of \$1,034,400) to supervise the implementation of the CEF. The Agency also needs to employ additional temporary staff, enhance its computer systems and incur additional departmental expenses (e.g. data processing, printing, postage and equipment). SFAA requires an additional civil service post as the other CEOs in the Agency are fully occupied and have no spare capacity to cope with the increase in workload arising from the CEF. Subject to Members' approval of the increase in NAMS ceiling, SFAA will create the non-directorate post through the Departmental Establishment Committee mechanism. We will review the need for the post from time to time, based on the actual workload in relation to the CEF.

FINANCIAL IMPLICATIONS

14. As announced in the 2001 Policy Address, the Government has set aside \$5,000 million for the launching of the Fund. The actual cash flow and duration of the Fund will depend on the speed at which eligible applicants come forward and seek reimbursement as well as the amount of subsidy sought. However, for illustration and for budgetary purposes, our very rough estimate of the cashflow requirements is as follows -

	2002-03	2003-04	2004-05	2005-06	Total
	\$ million	\$ million	\$ million	\$ million	\$ million
Subsidy to persons pursuing continuing education	955	1,500	1,500	1,000	4,955
Administrative and other related cost	15	11	10	9	45
Total	970	1,511	1,510	1,009	5,000

15. The above cashflow projection includes the estimated administrative and other related cost for implementing the Fund, on the assumption that reimbursements from the Fund will all be made over a period of four years from 2002-03. A detailed breakdown of administrative costs is at Enclosure 2. The cost, totalling about \$45 million during the period at 2002-03 Estimates price level, represents less than 1% of the size of the CEF.

Encl. 2

/16.

16. If Members approve the proposal, we shall approve the supplementary provision required in 2002-03 under delegated authority. The amount required will be offset by an equivalent provision under Head 106 Miscellaneous Services Subhead 789 Additional Commitments. The provision to be required in 2003-04 and thereafter will be included in the draft Estimates of the relevant financial years.

BACKGROUND INFORMATION

17. In the 2001 Policy Address, the Chief Executive announced that the Government would set aside \$5,000 million to subsidise those with learning aspirations to pursue continuing education and training programmes. The aim is to help people to pursue continuous learning, thereby preparing us for the knowledge-based economy.

18. We consulted the Legislative Council Panel on Manpower on the above proposals on 20 December 2001 and 21 March 2002. We have suitably refined our original proposals regarding the coverage and operation of the CEF to take into account the views expressed during the Panel meetings. The Panel was generally supportive of the proposals.

Education and Manpower Bureau
April 2002

**Courses Eligible for Reimbursement under
the Continuing Education Fund (CEF)**

The Secretary for Education and Manpower (SEM) is the authority to approve the “reimbursable courses”. The Student Financial Assistance Agency (SFAA) will maintain and upkeep the approved list. With a view to ensuring that the courses covered by the CEF meet the needs of the respective sectors identified in paragraph 5 of the main paper, we have set up various Focus Groups, comprising representatives of the respective sectors, to advise on competencies required in the sectors.

2. To ensure that the courses are able to deliver the competencies identified by the Focus Groups, all courses will be required to undergo an assessment process to determine their eligibility for registration as “reimbursable courses”.

3. With the exception of the continuing education arms of self-accrediting universities, all training providers will be required to submit an application for assessment to the Hong Kong Council for Academic Accreditation (HKCAA) in respect of specific courses, if students attending these courses are to benefit from the CEF. The HKCAA will assess each course from the point of view of its ability to deliver part or all of the competencies identified by the Focus Groups. The HKCAA will also ensure that the course is properly structured to achieve its stated objectives and competencies, and that relevant teaching and learning activities, assessment requirements and quality assurance procedures are in place to deliver the course in an appropriate manner. Areas that will be examined include the course content, the course duration, the mode of delivery, the assessment component, the standard of instructors or presenters and the quality assurance policy and procedures. The charges for the assessment will be borne by the training providers themselves.

4. As for the continuing education arms of self-accrediting universities, the HKCAA will be invited to confirm the relevance of the proposed courses to the competencies required. When this has been done, the continuing education arms of self-accrediting universities will be required to submit a letter from the Head of the institution certifying that the courses in question have undergone the internal quality assurance processes of the institution and effective measures are in place to ensure the standard of the courses are maintained.

5. The major criteria for approval by SEM will be the potential ability of the course to provide continuing education in accordance with the stipulated competencies as well as the requirement for formal student assessment, having regard to the advice of HKCAA. The course will not be assessed in terms of its academic level or standard, or in terms of the academic qualification it leads to.

6. Because of the special nature of generic courses under the category of “problem solving, team building and change management” (paragraph 5(f) of the main paper refers), we have not set up a Focus Group for these but instead have asked the Outward Bound School and the Open University of Hong Kong to come up with some proposals on appropriate courses to meet this need. The HKCAA will not be involved in assessing these course proposals. We will set up a special committee to assess proposals from other providers for courses in this sector.

Enclosure 2 to FCR(2002-03)6

**Cashflow projection for the estimated administrative costs in the
implementation of the Continuing Education Fund
(at 2002-03 Estimates price level)**

	2002-03 (\$million)	2003-04 (\$million)	2004-05 (\$million)	2005-06 (\$million)	Total (\$million)
(a) Staff Costs (Note 1)	5.543	5.543	5.543	5.543	22.172
(b) Operating Costs (Note 2)	2.464	3.991	3.991	2.829	13.275
(c) System Support (Note 3)	5.530	0.376	0.376	0.376	6.658
(d) Publicity	1.000	0.400	0.400	0.200	2.000
(e) Evaluation Survey (Note 4)	0.000	0.500	0.000	0.000	0.500
Total	14.537	10.810	10.310	8.948	44.605 say 45

Note (1): This includes the emoluments of a non-directorate civil servant and 36 non-civil service contract staff members in the Student Financial Assistance Agency required for the administration of the CEF. The salary expenditure for the civil service post will be reflected under Head 173 Student Financial Assistance Agency Subhead 001 Salaries.

Note (2): This includes expenses on printing, postage, furniture and equipment, stationery, transportation, maintenance of computer system and various consumable items.

Note (3): This includes the purchase of hardware and software and the expenses for system development for the first year and system enhancement for subsequent years.

Note (4): This is the estimated cost for carrying out a survey to evaluate the effectiveness of the CEF.