

## **Legislative Council Panel on Commerce and Industry**

### **Review of the Operation of the Professional Services Development Assistance Scheme**

#### **Purpose**

This paper briefs Members on the recommendations arising from a recent review of the operation of the Professional Services Development Assistance Scheme (PSDAS) and the changes that will be implemented with effect from August 2003.

#### **Background**

2. The PSDAS was established in February 2002 after the Finance Committee had approved a funding of \$100 million. The aim of the Scheme is to provide financial support for the professional services sectors<sup>1</sup> to organise projects aimed at enhancing their professional standards and external competitiveness. The Scheme is open for applications by non-profit-distributing professional bodies, trade and industry organisations and research institutes.

3. The PSDAS operates on a dollar-for-dollar matching basis, and provides grants up to a maximum of \$2 million for each project. In determining an applicant's contributions, cash, expected income from the project, in-kind and manpower contributions are taken into account.

4. The Scheme currently accepts applications twice a year. Each applicant may submit no more than two applications in each round. A Vetting Committee, comprising professionals, businessmen and academics, considers the funding applications. Since the inception of the Scheme in February 2002, a total of 55 projects have been approved, with a total grant of \$22.56 million (see Annex for summaries of approved projects by sector and by nature).

Annex

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<sup>1</sup> The eligible professional services sectors are : accounting; legal; architecture and landscape architecture; building and construction; engineering; planning; project development and project finance; real estate (including agency services, facilities management and valuation); surveying; medical and dental (including Chinese medicine); veterinary; para-medical; design; business consultancy (including human resources management consultancy; management consultancy; information technology consultancy (e.g. system integration); financial consultancy (e.g. corporate finance)); waste management and environmental consultancy services.

5. In our previous submissions to the Legislative Council for establishing the Scheme<sup>2</sup>, we undertook to review the cost-effectiveness, funding level and modus operandi of the Scheme one year after its establishment. However, as most approved projects are still being implemented (only six have been completed so far), we recommend, and the Vetting Committee has agreed, that the review concerning the cost-effectiveness of the Scheme should be conducted at a later stage. The recent review therefore covers only the funding level and modus operandi.

6. For the purpose of the review, we have held in-depth group discussions involving eligible professional bodies which have successfully secured financial support from the Scheme, those which have applied but have been unsuccessful, and those which have not applied for funding so far. We have also conducted a questionnaire survey. Of the 210 questionnaires sent out, we have received 75 (36%) returns.

### **Review findings and recommendations**

7. The major review findings and corresponding recommendations are set out in the following paragraphs. The Vetting Committee has considered all the findings and endorsed the recommendations.

#### *Project type, eligibility of applicants, and maximum duration and funding level for approved projects*

8. Respondents did not suggest amending the current practice of imposing no restriction on the types of project to be supported as long as an applicant can demonstrate that a project will contribute to the objectives of the PSDAS, although a few mistook that such restrictions existed. Over 80% of the respondents agreed that the Scheme should only be open to non-profit-distributing organisations, while about 10% of the respondents suggested that profit-making-companies running non-profit-making projects could also be allowed. Over 90% of the respondents agreed that the current maximum grant of \$2 million per project was appropriate. Over 80% of the respondents considered the current two-year maximum period for a project appropriate; only a few commented that the period could be extended to three to five years.

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<sup>2</sup> The proposal to establish the Scheme was endorsed by the LegCo Panel on Commerce and Industry and approved by the Finance Committee on 18 December 2001 and 8 January 2002 respectively.

9. With the endorsement of the Vetting Committee, we recommend that –

- (a) we should continue not to pose any restriction on the types of project that can be funded as long as an applicant can demonstrate that a project has the potential to enhance the external competitiveness/standards of the local professional services. To ensure that professional bodies are aware of this, we will continue to promote the Scheme to eligible sectors. For example, the briefing sessions and help-desk services we provided to tie in with the application period for the third round of applications were well received by the professional bodies. We plan to provide more of such services in future;
- (b) the maximum period for a project should continue to be two years since the applicant may apply for follow-up projects if a project proves to be successful;
- (c) the maximum grant for each project should continue to be \$2 million; and
- (d) the status quo of allowing only non-profit-distributing organisations to apply for funding should be maintained, since such professional organisations are better placed than individual profit-making companies to represent the collective interest of the sector concerned.

### *Procedural matters*

10. Over 70% of the respondents considered that having two rounds of applications each year were too few and far between. Some respondents felt that the current limit of two applications from the same applicant in each round of applications should be relaxed for research institutes<sup>3</sup>. Some commented on how to improve the Guide to Application and Application Form. Some suggested more flexible arrangements for disbursing funds to successful applicants<sup>4</sup>.

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<sup>3</sup> The research institutes may come from different faculties/departments of the same university, but since they do not have an independent legal person status, they are all counted under the same legal person of their respective universities. Each university is limited to two applications only per round of application, as for all applicants.

<sup>4</sup> For cash contribution, proof is by bank statement. For contribution in kind, the applicant needs to declare that the resources are already in hand. Whilst the Secretariat now already applies flexibility by disbursing amounts equal to the applicant's amounts, irrespective of whether the latter measures up to 50% of the applicant's total contribution, some respondents considered that this was not flexible enough.

11. With the endorsement of the Vetting Committee, we recommend that –

- (a) the number of calls for applications should be increased from two to three times a year, and urgent applications (if justified) should be accepted any time;
- (b) we should continue to improve our Guide and Application Form to make them more user-friendly;
- (c) the limit of two applications from the same applicant in each round of applications should be maintained. Since the limit of no more than two applications is imposed on an applicant in one round of applications, there is no limit on the number of projects a university, its faculties or departments can participate in PSDAS projects as implementation agent; and
- (d) we should continue with the existing disbursement mechanism. However, if an applicant can demonstrate that (i) it cannot make available any contribution at all at the outset; or (ii) the contribution it can make available together with Government's matching grant still cannot meet the start-up costs, the Secretariat would, if so requested by the applicant concerned, report the case to the Vetting Committee to decide whether start-up advances up to 10% of the total project cost or \$50,000, whichever is the lower, should be disbursed to the applicant.

#### *Matching contribution*

12. About 40% of respondents considered that the dollar-for-dollar matching requirement should be relaxed for certain "more valuable" projects or certain "more needy" associations, while some 60% considered the current matching requirement appropriate. Of the associations which have not yet applied for any funding under the Scheme, around 10% cited the dollar-for-dollar matching requirement as the main reason for not having made an application. The other 90% had not applied for other reasons, e.g., no appropriate project in mind or planned to apply later.

13. The dollar-for-dollar matching requirement has been stipulated to better ensure that applicants propose projects which are of genuine value to the concerned professional sectors, and implement the approved projects in a cost-effective, careful and responsible manner. The current arrangement allows applicants to count contributions in kind (including manpower) towards meeting the matching requirement, hence organisations with little or even no cash would not be disadvantaged. With the endorsement of the Vetting Committee, we recommend that the dollar-for-dollar matching requirement should be maintained.

### **Implementation**

14. We will implement the recommended changes with effect from August 2003. We will continue to monitor the effective implementation of the funded projects and assess the cost-effectiveness of the Scheme in late 2004 when more projects will have been completed.

Commerce, Industry and Technology Bureau  
July 2003

**Professional Services Development Assistance Scheme**  
**Summaries of Approved Projects by Sector and by Nature**  
**(Position as at 30 June 2003)**

**(A) Funding Approved by Sector**

<i>Sector</i>	<b>Approved applications</b>	
	No.	Approved funding (\$M)
Accounting	8	3.73
Legal	4	2.44
Architecture and landscape architecture	1	0.14
Building and construction	1	0.38
Engineering	7	2.88
Planning	1	0.68
Project development and project finance	2	1.71
Real estate	4	0.86
- <i>agency services</i>	(1)	(0.09)
- <i>facilities management</i>	(3)	(0.77)
Surveying	2	0.83
Medical and dental	11	4.98
- <i>medical</i>	(7)	(2.89)
- <i>dental</i>	(1)	(0.53)
- <i>Chinese medicine</i>	(3)	(1.56)
Para-medical	3	0.90
Design	4	1.34
Business consultancy	2	0.39
- <i>management consultancy</i>	(1)	(0.23)
- <i>information technology consultancy</i>	(1)	(0.16)
Waste management and environmental consultancy services	2	0.56
Cross-professional sectors	3	0.74
<b>Total</b>	<b>55</b>	<b>22.56</b>

**(B) Funding Approved by Nature**

<i>Nature</i>	<b>Applications</b>	<b>Approved applications</b>
	No.	Approved funding (\$M)
Conference/ Seminar	9	1.56
Promotional activities	7	2.92
Research	7	3.58
Training	28	10.39
Training and promotional activities	2	2.35
Research, conference and training	1	0.62
Others	1	1.14
<b>Total</b>	<b>55</b>	<b>22.56</b>