

Legislative Council Panel on Commerce and Industry

Review on the Effectiveness of the Professional Services Development Assistance Scheme

Purpose

This paper briefs Members on the findings of a review on the effectiveness of the Professional Services Development Assistance Scheme (PSDAS).

Background

2. PSDAS started operation in February 2002, a month after Finance Committee approved allocating \$100 million to set up the Scheme. Its objective is to provide financial support for eligible professional services sectors¹ to organise projects which aim at enhancing their professional standards and external competitiveness. It is open for applications by non-profit-distributing professional bodies, trade and industry organisations and research institutes. It operates on a dollar-for-dollar matching basis, and provides grants of up to a maximum of \$2 million for each project.

3. When the Finance Committee approved the funding for PSDAS, we undertook to conduct a review on the operation and effectiveness of the Scheme one year after its commencement. We conducted the review in early 2003 and the findings were reported to this Panel on 18 July 2003 (vide LC Annex A Paper No. CB(1)2208/ 02-03(04) at Annex A). All the recommendations of that review have been implemented since August 2003. As nearly all projects were still ongoing at that time, we undertook to conduct a review on the effectiveness of PSDAS at a later stage when more projects would have been completed.

¹ 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.

4. As at 30 April 2005, 240 applications applying for a total grant of \$175 million were received. Of these, 116 projects were approved with a total grant of \$45.8 million, nine of which were subsequently withdrawn by the concerned entities. A breakdown of the 107 approved projects by sector, nature and approved funding is set out in Annex B. As at 30 April 2005, 31 approved projects were completed.

Review of the effectiveness of PSDAS

5. We have recently completed the review of the effectiveness of the PSDAS. The review findings are presented in the following paragraphs.

A. Operational procedures

6. The operational procedures for processing, vetting and approval of PSDAS applications are designed to ensure that only those applications which stand a reasonably good chance of meeting the Scheme's objectives are supported, and that the approved projects are properly implemented to achieve their intended results.

7. The key features of the operational procedures include the following -

- (a) *at the application stage* – a set of clear Guidelines is provided to prospective applicants and briefings are held to answer prospective applicants' questions. Through these channels, the objectives of PSDAS are clearly explained to minimize any misunderstanding by the applicants. The dollar-for-dollar matching requirement of the Scheme also helps to ensure the proposed projects are supported by and of benefit to the concerned professional sectors;
- (b) *at the vetting and approval stage* – a *Vetting Committee* (comprising professionals, businessmen and academics) considers each application and takes into account a number of factors, including a proposed project's objectives, design and deliverables; the number of beneficiaries; the capability of the applicant to deliver; the proposed budget; comments of relevant Government Bureaux / Departments; the value-adding extent of the project; and whether the proposed activities are already being offered by other institutions or the private sector, etc.;

- (c) *at the implementation stage* – an agreement containing terms and conditions is signed between the Government and the grantee for each approved project; briefings on project administration are conducted for the grantees; quarterly returns on project activities are required from grantees; field visits by PSDAS Vetting Committee members and PSDAS Secretariat staff are paid to observe project activities; regular communication is maintained by the PSDAS Secretariat with the grantees and progress review meetings are conducted with the grantees as necessary; and the PSDAS Secretariat collates progress reports for consideration by the Vetting Committee for projects which are granted \$200,000 or more and whose implementation period exceeds one year, and

- (d) *at the completion stage* – the grantee has to submit a project report within three months after the completion of the project, in which the grantee needs to compare the actual outcome of the project against the original project proposal, report the participants' feedback (usually based on surveys conducted after the activities have been held), assess whether the expected benefits have been realized, and make a self-evaluation on project and financial management. The grantee is also required to submit audited accounts on the project and to disseminate widely the project deliverables to concerned professional practitioners. The Vetting Committee will consider the grantee's report and the PSDAS Secretariat's comments, and assess whether the management of the project is satisfactory and whether the expected results have been achieved.

8. These procedures have been working well and the grantees have been able to follow them without difficulty.

B. Deliverables from approved projects

9. Many of the approved projects involve more than one event or activity. For example, a project may include conducting a research to benchmark the competencies required of a particular professional sector, development of training courses on the basis of the benchmark findings, and publication of the findings and training course materials. For statistical purposes, we regard each output item of a project as a deliverable. On this basis, the 107 approved projects are expected to yield a total of 812 deliverables and the 31 completed projects yielded 197 deliverables as at 30 April 2005.

These 197 deliverables can be grouped into four broad categories as follows -

- (a) *capacity-building programmes* – these include conferences, seminars, workshops and training courses; experts (overseas, Mainland and local) to introduce the latest developments in different professional fields; exchange programmes between Hong Kong and Mainland professionals; study tours to the Mainland for better understanding of the Mainland market potential and networking;
- (b) *researches / studies* – these include researches on the development potential of external markets (mainly the Mainland) for different professional groups; development of professional guidebooks and manuals to enhance professional standards to meet the needs of new markets or new international standards; development of competencies and continuous professional development curriculum and materials; and the dissemination of the results through various means such as publications, seminars, etc.;
- (c) *promotional activities* – these include exhibitions, roadshows, promotional seminars and publication of leaflets, books, CD-ROMS etc. about the strengths of the Hong Kong professional services, mainly for use in Mainland cities; and
- (d) *others* – these include formation of a regional network by a professional body with its regional counterparts, and strengthening of a professional body's training facilities.

10. A breakdown of the 197 deliverables by professional sectors is provided at Annex C.

C. Evaluation of completed projects

11. We consider that most of the completed projects have achieved their intended objectives of enhancing the standard of the concerned professions and the external competitiveness of the various professional sectors.

12. Of the 31 completed projects, 18 projects have produced deliverables in full compliance with the project proposals. Another eight have delivered more than the grantees' commitments, e.g. the grantee has organized training courses for longer than originally planned or has produced additional deliverables without additional PSDAS funding. For the remaining five completed projects, the duration of the concerned activities (which include

exchange programmes, workshops, training courses and a visit-cum-conference) have been shortened after taking into account comments from prospective participants.

13. The completed projects have benefited about 30,000 participants². Of the 31 completed projects, actual participation reaching the target participation level or above was achieved for 16 projects; and reaching 70% of the target level was achieved for 11 projects. Only four completed projects achieved a participation level below 50% of the target. In three of these cases, this was because of the SARS outbreak, and for the fourth one the grantee organized an additional training course with its own resources.

14. Since January 2003, it has been a standard requirement that grantees have to conduct surveys among participants to collect their feedback on the activities held. Of the 31 completed projects, such surveys were conducted for 29 projects³. The results of the surveys are summarized below, indicating that the great majority of the respondents were satisfied or very satisfied with the projects or deliverables -

<u>% of respondents who were satisfied / very satisfied with the activities or considered them useful</u>	<u>No. of completed projects (%)</u>
75% to 80%	5 (17%)
81% to 90%	8 (28%)
91% to 95%	10 (34%)
Above 95%	6 (21%)
Total	29(100%)

15. After obtaining positive results and feedback, five grantees indicated that they would organize follow-up projects with their own resources or through seeking further funding support from PSDAS. These follow-up projects include organizing more advanced training after the initial round of training courses or an earlier exercise to identify the competencies required of a professional sector, and re-runs of conferences which have been heavily patronised.

² Participants here include participants of capacity-building programmes (under paragraph 9(a)), respondents of researches, participants of research dissemination activities (under paragraph 9(b)), visitors of promotional exhibitions or roadshows (under paragraph 9(c)) and users of training facilities (under paragraph 9(d)).

³ The survey for one project is expected to be completed in late June 2005. Another project was approved before the guideline on the scope of the survey was introduced and the grantee conducted a survey among the participants only on the logistical and arrangement aspects. Hence, the results of that survey have not been taken into account.

16. It is a standard requirement that the results of all completed projects should be widely shared with the local professional community. For the 31 completed projects, this is done through a total of more than 22 000 CD-ROMs, more than 25 000 copies of publications (e.g. seminar/conference proceedings, study reports, teaching materials), 28 websites and seven dissemination seminars/workshops. Information about all the approved projects can be found on the PSDAS website (www.info.gov.hk/cib/psdas).

17. Project management by the grantees of the completed projects has been satisfactory. For one project (for organizing training workshops), the grantee eventually returned the full amount of the grant to the Government because the activities were over-subscribed and savings were achieved for some of the planned expenditure. All the other projects, except eight, were completed within budget. Overall savings, wherever achieved plus, any bank interest earned were returned to the Government. For the eight projects with expenditure exceeding their original budget, the concerned grantees covered the shortfall through soliciting additional resources or sponsorship as is required by the terms of the signed agreement with the Government (ref. paragraph 7(c) above).

D. On-going projects

18. As at 30 April 2005, about 191 deliverables benefiting more than 43 000 participants have been produced by projects which are still in progress. A breakdown of these achieved deliverables by professionals is set out at Annex D. On the basis of its regular communication with the grantees and field visits to some of the project activities, the PSDAS Secretariat notes that the majority of the deliverables complied with the project proposals. A thorough evaluation of the ongoing projects will be conducted upon their completion in accordance with the established procedures in paragraph 7(d) above.

Annex D

Conclusion

19. The 31 PSDAS projects completed as at 30 April 2005 and the additional 191 deliverables generated from the on-going projects have been effective in enhancing the standard or external competitiveness of the local professionals. This is evidenced by the professional bodies' positive feedbacks in general during our regular contacts with them; the satisfactory feedbacks from project participants (as evidenced by the survey results quoted in paragraph 14 above); the re-runs of approved projects by some grantees with their own resources or further grants from PSDAS; and the continuing stream of applications for PSDAS funding from new and old applicants.

20. We believe that the key factors contributing to the effectiveness of the Scheme include –

- (a) clear objectives of the Scheme;
- (b) the matching contribution requirement which helps ensure that the project applicant has obtained the support of the concerned professional sector and has seriously evaluated the merits of the proposed project;
- (c) careful vetting of applications and close monitoring of approved projects by the PSDAS Vetting Committee; and
- (d) wide dissemination of project deliverables to other members of the concerned professional sectors.

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 sectors¹ 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

¹ 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 Scheme², 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.

² 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 institutes³. Some commented on how to improve the Guide to Application and Application Form. Some suggested more flexible arrangements for disbursing funds to successful applicants⁴.

³ 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.

⁴ 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

<u>Sector</u>	<u>Approved applications</u>	
	<u>No.</u>	<u>Approved funding (\$M)</u>
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
Total	55	22.56

(B) Funding Approved by Nature

<u>Nature</u>	<u>Applications</u>	<u>Approved applications</u>
	<u>No.</u>	<u>Approved funding (\$M)</u>
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
Total	55	22.56

Professional Services Development Assistance Scheme

Summaries of Approved Projects by Sector and by Nature
(Position as at 30 April 2005)

(A) Funding Approved by Sector

<u>Sector</u>	<u>Approved applications</u>	
	<u>No.</u>	<u>Approved funding (\$M)</u>
Accounting	10	5.92
Legal	6	3.46
Building and construction	4	2.57
Engineering	20	6.68
Planning	1	0.68
Project development and project finance	4	2.04
Real estate	6	1.31
- <i>agency services</i>	(1)	(0.09)
- <i>facility management</i>	(5)	(1.215)
Surveying	3	1.57
Medical and dental	25	10.34
- <i>medical</i>	(17)	(7.16)
- <i>dental</i>	(2)	(0.70)
- <i>Chinese medicine</i>	(6)	(2.49)
Para-medical	7	3.82
Design	4	1.66
Business consultancy	5 ⁴	1.32
Waste management and environmental consultancy services	6	1.05
Cross-professional sectors	6	1.38
Total	107	43.80

(B) Funding Approved by Nature

<u>Nature</u>	<u>Approved applications</u>	
	<u>No.</u>	<u>Approved funding (\$M)</u>
Capacity-building programmes (e.g. conference, seminars, training, study tours, etc.)	69	20.85
Promotional activities (e.g. roadshows, exhibitions, promotional seminars, etc.)	3	1.36
Research / studies	6	2.81
Combination of the above components	23	13.33
Others	6	5.45
Total	107	43.80

⁴ All the five projects are for management consultancy. One approved project for information technology consultancy was subsequently withdrawn by the Applicant and thus not included.

Professional Services Development Assistance Scheme

**Breakdown of Completed Deliverables from
Projects Completed as at 30 April 2005**

<u>Sector</u>	<u>No. of Completed Deliverables</u>			
	Capacity-building programmes (e.g. conferences / seminars / training courses / study tours) (Please refer to para. 9(a))	Researches / studies and means of dissemination (e.g seminars & publications) (Please refer to para. 9(b))	Promotional activities (e.g. roadshows, promotional seminars, publications) (Please refer to para. 9(c))	Others⁵ (Please refer to para. 9(d))
Accounting	28	-	-	1
Business consultancy	-	6	-	-
Design	2	-	-	-
Engineering	19	2	-	-
Medical	27	4	-	-
Paramedical	5	-	1	-
Planning	1	2	3	-
Project development and finance	28	8	-	1
Real estate	7	-	1	-
Surveying	5	8	2	-
Waste management and environmental consultancy services	10	2	-	-
Cross- professional	24	-	-	-
Total no. of deliverables	156	32	7	2

Total no. of participants	17,600 participants	2,232 research respondents 1,043 participants	6,705 visitors	2,114 training facility users
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⁵ The deliverables include formation of a regional network by a professional body with its regional counterparts and strengthening of a professional body's training facilities.

Professional Services Development Assistance Scheme

**Breakdown of Completed Deliverables from
Ongoing Projects as at 30 April 2005**

<u>Sector</u>	<u>No. of Completed Deliverables</u>			
	Capacity-building programmes (e.g. conferences / seminars / training courses / study tours) (Please refer to para. 9(a))	Researches / studies and means of disseminations (e.g seminars & publications) (Please refer to para. 9(b))	Promotional activities (e.g. roadshows, promotional seminars, publications) (Please refer to para. 9(c))	Others⁶
Accounting	-	-	-	3
Building and construction	5	-	-	-
Business consultancy	6	-	-	-
Design	1	5	3	-
Engineering	59	-	-	-
Legal	23	-	-	-
Medical and dental	52	3	8	4
Paramedical	2	1	-	-
Planning	-	-	-	-
Project development and finance	-	-	-	-
Real estate	7	-	-	-
Surveying	-	-	-	-
Waste management and environmental consultancy services	-	-	-	-
Cross- professional	5	3	1	-
Total no. of deliverables	160	12	12	7

Total no. of participants	18,988 participants	1,395 research respondents 200 participants	21,950 visitors	569 participants
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⁶ These deliverables include formation of an international network with overseas professional bodies, introduction of an innovative product from overseas to Hong Kong professionals, a forum to present the product to the professionals, and two seminars for training staff and participants to take part in a pilot internet record management platform for professionals being developed by the project.