

## ITEM FOR FINANCE COMMITTEE

### HEAD 173 – STUDENT FINANCIAL ASSISTANCE AGENCY Subhead 700 General non-recurrent Item 508 Continuing Education Fund

Members are invited to approve an increase in the non-recurrent commitment of \$5,000 million for the Continuing Education Fund under Head 173 Student Financial Assistance Agency by \$1,200 million to \$6,200 million.

#### PROBLEM

The one-off funding of \$5,000 million approved for the establishment of the Continuing Education Fund (CEF) is expected to be fully committed later this year.

#### PROPOSAL

2. The Secretary for Labour and Welfare proposes to inject a sum of \$1,200 million into the CEF as a special one-off arrangement, so that the Fund can continue to accept new applications for an extended period and support the pursuit of continuing education and training in the midst of the prevailing economic downturn.

#### JUSTIFICATION

##### Review of the CEF

##### *CEF Applicants and Course Types*

3. The CEF has since its launch in 2002 maintained its feature as a universal scheme to provide subsidies direct to adults with learning aspirations to  
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pursue continuing education and training. At present, the only qualifying criterion of CEF applicants is with regard to their age, viz. between the age of 18 and 65. It follows that all local residents meeting the age requirement may apply for the CEF subsidies, irrespective of their education level, employment status and financial means, and independent of whether their training needs run to generic skills, language or academic/professional pursuits.

4. According to the Office of the Continuing Education Fund (OCEF)<sup>1</sup>, between November 2005 (when statistics on the education level of new CEF applicants were first collected) and May 2009, around 34% of CEF applicants were degree-holders and 54% were non-degree holders, with the remaining 12% not specifying their education level. These figures reflect a good mix of CEF applicants across the academic spectrum.

5. On course variety, eligible applicants may choose from some 7 400 courses currently registered under the CEF involving 298 course providers according to their interests and needs. Registered CEF courses range from those offering generic skills such as languages, to those industry-specific ones such as China business, financial management and accounting. There are also a number of courses leading to formal qualifications such as master or bachelor degrees. In overall terms, the operation of the CEF is designed in such a way so as to enable applicants to make use of the subsidies to enrol in CEF courses that best suit their learning needs, while encouraging course providers to design and organise courses for registration under the CEF having regard to their assessment on the market needs.

### ***Objective of the CEF Largely Achieved***

6. The Administration has earlier commissioned an independent consultant to conduct surveys among a random sample of CEF learners. About 76% of the respondents considered that CEF courses were helpful in arousing their interest in continuing education. Having regard to the survey results and the operation of the CEF over the years, we consider that the original objective of setting up the CEF has been largely achieved. Specifically, the CEF has played its part in encouraging lifelong learning in our society. It has facilitated the emergence of a lifelong learning culture and led to an increase in public recognition of the value of continuing education in the community.

***/Monitoring .....***

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<sup>1</sup> The OCEF is housed under the Student Financial Assistance Agency responsible for administering the CEF.

*Monitoring of the CEF*

7. To further strengthen the quality assurance mechanism for courses registered under the CEF and to safeguard the interests of course participants, the Administration has, following consultation with the Panel on Manpower and the Finance Committee (FC) of the Legislative Council (LegCo), implemented a series of improvement measures in mid-2007. These included requiring all new courses to be registered under the Qualifications Framework (QF) before registration as CEF courses, adopting a risk-based monitoring mechanism for courses<sup>2</sup>, introducing standard refund policy and publishing updated records on CEF courses on the OCEF's website, etc. We have also stepped up inspection visits to course providers to ensure their compliance with the conditions of approval of the CEF and introduced surprise class inspections to deter bogus classes and students.

8. A written warning will be issued to the course provider in case of any non-compliance with the conditions of approval of the CEF. If the breach is serious or repetitive in nature, the Administration will consider de-registering the concerned course(s) from the list of CEF reimbursable courses to safeguard the interests of learners. In case of any suspected criminal activities, such as deception or bribery, the Administration will immediately refer the case to the relevant law enforcement agencies for follow-up.

9. Between the launch of the CEF in June 2002 and end-May 2009, a total of 51 courses involving 11 course providers have been de-registered from the list of CEF reimbursable courses. Forty-two of these courses were de-registered following our adoption of a risk-based monitoring mechanism in conducting inspection visits to targeted course providers as referred to in paragraph 7 above. Another five courses operated by a course provider are currently suspended as CEF reimbursement courses owing to suspected criminal activities. The OCEF and Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) will continue to follow up diligently on reports on suspected abuses of the CEF.

10. As at end-May 2009, about 471 000 CEF applications have been approved. Some \$2,299 million has been disbursed and another \$2,411 million committed for future disbursement in respect of approved applications under the CEF. In other words, the commitment level is close to 94% of the approved funding of \$5,000 million. The number of new applications for the CEF has

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<sup>2</sup> The risk-based monitoring mechanism for courses was introduced in October 2006, ahead of the completion of the 2007 review, with a view to bringing about immediate improvement to the effectiveness of inspections.

remained steady in the past year or so. Based on past trends of applications and assuming that each successful applicant will claim up to his maximum entitlement of \$10,000, the CEF is expected to be fully committed later in the year, when about half a million of Hong Kong residents would become beneficiaries of the CEF.

### **Proposed Injection of Funding**

11. Having achieved its original objective, the CEF should not be considered as a standing fund in the long run. However, in the midst of the prevailing economic downturn, the Administration is conscious that some people may wish to take up continuing education or training that they think will stand them in good stead in the job market when the economy improves, and others may now be able to find time to pursue studies for personal interests or fulfillment. The Administration therefore proposes that as a special one-off arrangement, new funding of \$1,200 million be injected into the CEF so that the Fund can continue to accept new applications for an extended period, to help better prepare our labour force for future challenges and to reap the benefits of an economic revival.

12. The new funding into the CEF will be able to benefit the community at large, irrespective of their education and income levels. Assuming that all successful applicants will claim up to their maximum entitlement of \$10,000, the injection will benefit 120 000 additional learners. Given the universal and non-discriminatory nature of the CEF, local residents with different backgrounds and needs, including the better educated, the middle class, elementary workers, the unemployed and in-service workers, can all apply for subsidies under the CEF. They may choose from the wide variety of CEF courses available and take those industry-specific or generic ones according to their interests and needs. We will also appeal to the CEF course providers to offer a wider range of courses for people from different backgrounds. The modus operandi of the CEF, including the eligibility criteria, subsidies level, and application and reimbursement procedures, will remain the same after the proposed injection of funding.

### **Proposed Improvement Measures to Ensure Quality of Courses**

13. With the continued operation of the CEF following the funding injection, the Administration has in tandem completed another review of the operation of the CEF. We are mindful that the injection involves considerable public resources and that there is a continued need to ensure that the money is properly spent to achieve the intended objective of the CEF. In addition to the range of control measures implemented since mid-2007, we plan to introduce a number of improvement measures to further enhance the monitoring and administration of CEF courses. We also plan to include new languages in the language domain of the CEF. Our proposals are set out in the ensuing paragraphs.

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**(a) Collection of Course Fees on Equal Monthly Basis**

14. Following the recommendation of the 2007 review, all new course providers registering their courses under the CEF for the first time in or after February 2008 are required to collect fees for CEF courses by equal monthly instalments. This requirement does not apply to those course providers with their CEF courses registered before February 2008. In the event of discontinuation of business of these course providers or any other unforeseen circumstances (such as suspension and cancellation of courses), course participants who have already paid their course fees in full may suffer substantial financial loss. There is a strong case for more stringent control in this respect on all CEF course providers to better protect CEF learners' interests. We therefore propose that all course providers, irrespective of their first registration date under the CEF, should be prohibited from collecting their course fees in a lump sum. They will be required to collect fees for their CEF courses by equal monthly instalments.

**(b) Stepping up Inspection of Courses**

15. As mentioned in paragraph 7 above, since October 2006, a risk-based approach has been adopted to enhance the effectiveness of inspections. In addition to the OCEF's on-site inspections to authenticate students' attendance records, course assessment results and other reimbursement related matters, the HKCAAVQ also conducts surprise inspections to ensure that course providers fully comply with the conditions of approval of the CEF. The HKCAAVQ and the OCEF will step up their inspection efforts by conducting more surprise checks and surprise class inspections. Actions, including issue of written warning and de-registration, will be taken against non-complying courses, as appropriate, to safeguard the interests of CEF learners and the use of public money.

**(c) Enhancing the Website of OCEF**

16. Details of individual CEF courses are now published on the OCEF website and are frequently updated for public information. We will further enhance the website, such as improving the layout and installing a "search engine", to facilitate CEF applicants in selecting courses that best suit their interests and needs.

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**(d) Strengthening Communication with Course Providers**

17. To strengthen communication with course providers, apart from the standard CEF guidelines, we will issue a pamphlet on important points-to-note on the operation of CEF courses for easy reference by course providers. We will also organise briefing/sharing sessions for CEF course providers, if needed, to remind them of the key issues relating to the administration of CEF courses and provide them with an opportunity to exchange views and experience.

**Review of Coverage of Existing Domains**

18. At present, language courses in English, Chinese (written), Putonghua, French, German, Spanish, Japanese and Korean are eligible for registration under the CEF. We have received requests from relevant stakeholders and consulates to include Italian and Russian in the language domain of the CEF. In view of the economic relationship of these economies with Hong Kong and the popularity of these languages, we consider that courses on Italian and Russian should also be supported by the CEF. Such courses will further improve the abilities of our labour force in communicating with our trading partners and tourists from Italian/Russian-speaking countries. The proposed addition of Italian and Russian will also provide CEF applicants with more language course choices to meet their personal interests and enhancement needs.

19. Apart from the proposed inclusion of Italian and Russian in the language domain in paragraph 18 above, the Administration will continue to keep under review, and adjust as necessary, the coverage of the other specified domains, to facilitate course design by course providers and to ensure that CEF courses are relevant to the needs of the community and the sectors concerned in the present economic situation.

**FINANCIAL IMPLICATIONS**

20. Together with the unexpended amount of \$2,697 million remaining from the original \$5,000 million commitment (as at the beginning of 2009-10)<sup>3</sup>, the funding balance of the CEF after the proposed injection of \$1,200 million (if approved by Members) will be \$3,897 million. We estimate that this amount will be spent in the following manner –

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<sup>3</sup> While we mention in paragraph 10 above that some 94% (or \$4,710 million) of the originally approved \$5,000 million has been committed, therefore leaving an uncommitted balance of just \$290 million, the unexpended amount under CEF is considerably more than the uncommitted balance. This is because even if funding has been committed in respect of approved applications, it will take time for the committed funding to be expended when the CEF subsidies are disbursed on a reimbursement basis following completion of the courses and applicants are allowed to submit their claims within a four-year period from the date their accounts are opened with the OCEF.

		<b>Funding balance of the CEF after injection (\$ million)</b>
(a)	reimbursement of CEF course fees for successful applicants	3,816
(b)	administrative expenses (including staff costs and other operating expenditure of the OCEF)	81
<b>Total</b>		<b>3,897</b>

Encl. The estimated cashflow requirement of the \$3,897 million is at Enclosure. We have earmarked sufficient provisions in the 2009-10 Estimates and will include necessary provisions in the Estimates of subsequent years to meet the requirement.

## **PUBLIC CONSULTATION**

21. We consulted the Panel on Manpower of the LegCo on 18 June 2009. Members were generally in support of the proposal.

## **BACKGROUND**

22. FC approved in April 2002 (vide FCR(2002-03)6) a commitment of \$5,000 million to launch the CEF. The CEF aims to encourage our labour force to pursue continuing education so as to better equip themselves in an increasingly globalised and knowledge-based economy.

23. Under the CEF, Hong Kong residents aged between 18 and 65 are eligible to apply for reimbursement of 80% of the fees of any CEF registered course upon successful completion of the course, up to a ceiling of \$10,000 for each applicant. Applicants can submit to the OCEF a maximum of four claims in respect of the courses completed within a four-year period from the date their accounts are opened with the OCEF.

24. Before the QF was launched in May 2008, education and training courses falling within eight specified domains, i.e. business services, financial services, logistics, tourism, creative industry, design, language, and interpersonal and intrapersonal skills for the workplace, might be registered as reimbursable courses under the CEF after assessment by the HKCAAVQ and approval by the Labour and Welfare Bureau<sup>4</sup>.

25. Following the last review of the CEF, the outcome and recommendations of which were reported to the Panel on Manpower and FC of LegCo in May 2007 and June 2007 (vide FCR(2007-08)22) respectively, Members agreed that the CEF should tie in with and support the development of the QF. Upon the implementation of the QF in May 2008 therefore, all new courses are required to undergo a formal accreditation exercise and be uploaded onto the Qualifications Register before they could be registered under the CEF. Courses designed in accordance with the Specifications of Competency Standards developed by the respective Industry Training Advisory Committees under the QF but falling outside the eight specified domains may now also be registered under the CEF.

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Labour and Welfare Bureau  
June 2009

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<sup>4</sup> Before the implementation of the QF, the assessment of courses applying for registration under the CEF under the domain of “interpersonal and intrapersonal skills for the workplace” was carried out by an independent assessment panel comprising mainly representatives from the business sector and non-profit-making organisations.

**Estimated Cashflow Requirement of the  
Continuing Education Fund (CEF) after Injection**

	Financial Year (\$ million)								
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
<b>Reimbursement of CEF course fees for successful applicants</b>	643	739	819	563	469	328	187	68	3,816
<b>Administrative costs</b>	12	12	13	13	10	8	8	5	81
<b>Total</b>	<b>655</b>	<b>751</b>	<b>832</b>	<b>576</b>	<b>479</b>	<b>336</b>	<b>195</b>	<b>73</b>	<b>3,897</b>

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