

Professor Arthur C K Li, GBS, JP  
Secretary for Education and Manpower's  
Speaking Note at the  
Special Meeting of Finance Committee to examine  
the Draft Estimates of Expenditure 2003-04  
held at 2:15pm on Wednesday, 26 March 2003

Chairman,

I shall first give a brief overview of the Education and Manpower Bureau's expenditure on education and manpower development and the main areas of increased provision.

### **Expenditure on Education**

2. In the 2003-04 financial year, the total expenditure on education is estimated to be **\$61 billion**, accounting for 23.8% of total Government expenditure. This represents an 11.2% increase in nominal terms compared with the revised estimate for 2002-03. The growth in recurrent expenditure which stands at \$49.3 billion is 4.2% in nominal terms. 68% of the total spending on education goes to basic education.

3. To contain growth in public expenditure, all bureaux and departments were asked to reduce operating expenditure requirements by 1.8% of the original projected expenditure for 2003-04 when preparing the draft Estimates. The total provision in the draft Estimates for expenditure heads under the education policy area therefore represents the net increase in expenditure after taking into account the 1.8% cut.

## Major Areas of Growth

4. Some of the major items accounting for the increase in expenditure in 2003-04 include –

- (a) the Financial Secretary has made provision for a matching fund of **\$1 billion** to encourage private donations for universities;
- (b) in the 2002/03 school year, we started to provide an additional graduate post in each public sector primary school for five years to help implement the curriculum reform. The initiative is to be implemented over a period of three years (an increase of **\$155 million**);
- (c) in 2002/03, we extended the Native English-Speaking Teacher (NET) Scheme to primary schools by providing one NET for every two schools. Additional resources have been provided for full implementation of the scheme in 2003-04 (an increase of **\$160 million** for both secondary and primary schools);
- (d) we expect a substantial increase in the caseload and provision of student financial assistance due to expansion of senior secondary and post-secondary education (an increase of about **\$190 million**);
- (e) we estimate an increase in cashflow for 2003-04 relating to various capital projects, including whole-day primary

schooling, the school improvement programme, and major repairs works (an increase of about **\$1,722 million**); and

- (f) starting from 2002/03, we provide adequate subsidised S4 and training places for all S3 students in publicly-funded schools who have the ability and wish to continue their study (an additional **\$98 million**).

5. Apart from the above initiatives, we also make provision for year-on-year increase in recurrent requirements under normal circumstances to meet growth in on-going commitments and activities.

### **Efficiency Savings**

6. We must press on with the education reform which is the key to our success in upgrading the quality of education and the qualifications of our people. In identifying savings to achieve the 1.8% target, we have refrained from holding back initiatives which may slow down the education reform or affect the quality of education. The savings of \$906 million, already deducted from the draft Estimates, have been assumed to come from the 10% reduction in EMB's general departmental expenses and savings from the EMB/ED merger; reduction in the provision for additional classes due to declining population and stabilization in the number of newly arrived children from the Mainland; surrendering of provision for contingency and new initiatives for which policy approval has yet to be obtained.

7. We agree that resources should be spent in areas where the biggest impact can be made and should be withdrawn from where the

cost-efficiency is low. This guiding principle foremost is to safeguard the interests of students. We will also through re-organisation and reprioritisation of work, streamlining of procedures and pooling of expertise and resources identify savings and optimise the use of resources.

### **Expenditure on Manpower Development**

8. In 2003-04, the total expenditure on manpower development will be **\$2.1 billion**, representing an increase of 105.7% in nominal terms. Similarly, the total provision in the draft Estimates for expenditure heads under the manpower development policy area represents the net increase in expenditure after taking into account the 1.8% cut. The bulk of the additional provision covers the additional expenditure for continuing the Skills Upgrading Scheme (an increase of about **\$60 million**), reimbursement of course fees under the Continuing Education Fund (an increase of **\$995 million**) and setting up a Qualifications Framework (about **\$26 million**).

9. We will review the overall effectiveness of the Skills Upgrading Scheme and make recommendations on its future; and review the implementation arrangements of the Continuing Education Fund. The development of a qualifications framework and supporting quality assurance mechanism will provide a progression ladder that would encourage lifelong learning and create viable conditions for the growth of the vocational training market.

10. Chairman, that concludes my presentation and the Controlling Officers and I will be happy to answer questions from Members.