

## LCQ16: Innovation and Technology Fund

Following is a question by the Hon Jimmy Ng and a written reply by the Secretary for Innovation and Technology, Mr Nicholas W Yang, in the Legislative Council today (April 22):

Question:

The aim for the Government to establish the Innovation and Technology Fund (ITF) is to encourage and assist Hong Kong enterprises in upgrading their technological level and introducing more innovative ideas to their businesses. However, the success rates of applications for a number of funding schemes set up under ITF have all along been on the low side. For example, in the three financial years from 2016-17 to 2018-19, the respective success rates of applications for the Innovation and Technology Support Programme, Enterprise Support Scheme, Technology Start-up Support Scheme for Universities, Guangdong-Hong Kong Technology Cooperation Funding Scheme, and Midstream Research Programme for Universities were 40 per cent, 33 per cent, 39 per cent, 12 per cent and 14 per cent only. In this connection, will the Government inform this Council:

(1) whether it has examined the reasons why the success rates of applications for the various funding schemes under ITF have all along been on the low side; if so, of the outcome; of the measures put in place to assist the rejected applicants in understanding the essential elements for a successful application;

(2) whether it has collected the applicants' views on the various funding schemes; if so, of the details and whether it has implemented improvement measures in the light of the views so collected; if improvement measures have been put in place, of the details; if it has not collected any views, the reasons for that;

(3) whether it has taken the initiative to review if the criteria for vetting and approval of the applications for the various funding schemes are too stringent and suitably relaxed such criteria, with a view to raising the success rates of applications; if so, of the details; if not, the reasons for that; and

(4) whether the Government will, in the coming year, recruit additional manpower to step up ITF's work, including (i) assisting applicants in submitting applications, and (ii) stepping up the publicity on the various funding schemes' contents and application requirements; if so, of the details; if not, the reasons for that?

Reply:

President,

Through the Innovation and Technology Fund (ITF), the Government has been funding projects that contribute to the technology upgrading of the manufacturing and services industries and promote innovation and technology (I&T). At present, the ITF has 16 funding schemes which cover different scopes, including supporting research and development (R&D), facilitating technology adoption, nurturing technology talent, supporting technology start-ups, and fostering an I&T culture.

The reply to the various parts of the question is as follows:

(1) and (3) The Innovation and Technology Commission (ITC) has been closely monitoring the implementation of the various funding schemes under the ITF and reviewing their effectiveness and modus operandi from time to time.

The Innovation and Technology Support Programme (ITSP), Enterprise Support Scheme, Midstream Research Programme for Universities and Guangdong-Hong Kong Technology Cooperation Funding Scheme are four of the funding schemes under the ITF which fund the conduct of R&D projects. In 2018-19, the success rates of the four schemes ranged from around 16 per cent to 47 per cent.

Generally, the success rate of the research funding schemes under the ITF has been higher than that of many other similar research funding schemes of elsewhere. For example, the success rate of research funding of the European Research Council was around 13 per cent in 2019, while that of the National Institutes of Health of the United States was 10.3 per cent to 34.8 per cent in 2018 and that of the Ministry of Business, Innovation and Employment of New Zealand was around 17 per cent in 2019.

To ensure the proper use of public funds, we have established fair and reasonable assessment criteria for the funding schemes and conducted assessment in accordance with the relevant criteria. Various factors, including the project's I&T component, the viability of the project's technical proposal, whether the project coordinator and his/her research team possess the technical ability to implement the project, whether the project estimated expenditure is reasonable, the chance of commercialisation of the project outcomes or the plan for conducting downstream research, whether the technologies to be developed in the project dovetail with relevant Government policies or bring benefits to the community at large, as well as the intellectual property arrangements of the project, are considered in the assessment of R&D projects. Only projects that meet the criteria on all the above areas will be funded.

As for the assessment process, each application will be preliminarily screened and assessed according to the relevant assessment criteria by the relevant teams of the ITC based on its technology area. Where necessary, the ITC will arrange external local and/or overseas experts in the relevant technology fields to assess individual applications. As the secretariat of the ITF, the ITC will collate the relevant information and comments, and pass all applications to the assessment panel for assessment. The assessment panel is divided into various subgroups by the different technology areas.

Comprising representatives from the academia, industry and relevant government departments, the assessment panel will decide whether to recommend funding support for an application and if yes, the funding amount for the final approval by the Commissioner for Innovation and Technology.

As for the Technology Start-up Support Scheme for Universities, applicant enterprises are required to submit applications to their universities. Applications reviewed and recommended by the selection committees of the universities will be submitted to the ITC for assessment and approval. In the past few years, the number of applications recommended by the universities' selection committees accounted for about 39 per cent of the total number of applications received by the universities.

To facilitate the submission of applications under various schemes, the ITC has uploaded samples of completed application forms on the ITF website ([www.itf.gov.hk](http://www.itf.gov.hk)) for applicants' reference. For unsuccessful applications, the ITC will list in the letter the reason(s) for rejection and the comments of the assessment panel. Applicants may also call the secretariat for details, to facilitate resubmission of their applications after amending the proposals with reference to the relevant comments. In addition, the ITC has implemented various enhancement measures to assist applicants in submitting applications. For instance, after the ITC has enhanced the application form and guidelines for the Enterprise Support Scheme (ESS) and strengthened communication with applicant enterprises, the success rate of the Scheme increased from less than 20 per cent in the early days after the Scheme was launched to 47 per cent in each of the last three financial years (April 2017 to the end of January 2020).

Apart from the R&D funding schemes, the ITF also has other funding schemes for supporting technology adoption, talent training, etc., which have relatively high success rates. For example, the Technology Voucher Programme (TVP), which funds enterprises to use technological services or solutions to enhance competitiveness and upgrade or transform their business processes, has a success rate of 91 per cent to date. The success rate of training grant applications under the Reindustrialisation and Technology Training Programme (RTTP), which funds staff of local enterprises to receive advanced technology training, reaches 99 per cent. As for the Researcher Programme and Postdoctoral Hub, which provide funding support for eligible enterprises or organisations to recruit R&D talent, the success rates are 99 per cent and 100 per cent respectively.

(2) The ITC from time to time enhances various funding schemes taking into account the views of stakeholders. For example, we launched the Partnership Research Programme (PRP) in January 2019, which consolidates the former University-Industry Collaboration Programme and the collaborative stream of the ITSP to fund local R&D Centres, universities and other designated local public research institutes to conduct collaborative projects with private enterprises. The consolidated PRP adopts more flexible arrangements than before to encourage more collaborative R&D projects.

In addition, the Government has enhanced the TVP thrice since its

launch. Apart from turning the TVP into a regular funding programme under the ITF, we have relaxed the eligibility criteria to cover all non-listed enterprises regardless of their scale and years of operation (including enterprises registered in Hong Kong under the Business Registration Ordinance and companies incorporated and registered in Hong Kong under the Companies Ordinance but exempted from business registration) and statutory bodies established in Hong Kong. Such enterprises/organisations would be eligible to apply if they are not receiving recurrent subventions from the Government. Also, we have raised the Government's funding ratio in each approved project from two-thirds to three-quarters, increased the funding ceiling for each applicant enterprise/organisation by two times from \$200,000 in the beginning to \$600,000, and doubled the maximum number of approved projects per applicant from three to six. On the other hand, we will merge the Researcher Programme and Postdoctoral Hub from July 2020 to increase the flexibility for eligible enterprises/organisations in recruiting R&D personnel. In addition, with a view to easing the cash flow commitment of small and medium enterprises (SMEs) and start-ups in commencing projects, we have launched the arrangements for disbursing partial funding in advance for approved projects under the TVP, the ESS, the RTTP and Patent Application Grant.

(4) To assist applicants in submitting applications, we provide comprehensive information, such as the application guidelines for the various schemes, samples of completed application forms and information on approved ITF projects, on the ITF website for public reference. In order to provide the public with a more convenient channel to enquire about the ITF funding schemes, the ITC set up a one-stop hotline in mid-2018 (Tel: 3655 5678). The hotline currently processes an average of around 150 telephone enquiries each month.

On the other hand, the Government has, since October 2019, consolidated the services of various SME support organisations, including the Support and Consultation Centre for SMEs (SUCCESS) under the Trade and Industry Department, the SME Centre of the Hong Kong Trade Development Council, the SME One of the Hong Kong Productivity Council, and the TecONE of the Hong Kong Science and Technology Parks Corporation, and launched the four-in-one integrated services to provide enterprises with comprehensive information of various government funding schemes (including ITF funding schemes) as well as consultation services, etc.

Moreover, officers of the ITC would arrange meetings with individual applicant organisations/enterprises on a need basis to assist them in submitting applications. We will also continue to enhance the online application system of the ITF to facilitate the submission of applications by organisations/enterprises. As for publicity, we will continue to promote the various funding schemes through such means as briefing sessions, leaflets/booklets/videos, etc. The relevant work will continue to be handled by the existing manpower and resources of the ITC.