

## LCQ8: BUD Fund

Following is a question by the Hon Christopher Cheung and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (June 16):

Question:

The Government introduced in June 2012 the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) to provide funding support to non-listed Hong Kong enterprises to enhance their competitiveness and further business development on the Mainland and in the Association of Southeast Asian Nations and other economies with which Hong Kong has signed Free Trade Agreements, through developing brands, upgrading and restructuring operations and promoting sales. Moreover, the Government injected \$1.5 billion into the BUD Fund in April this year, thereby increasing its approved commitment from \$4.5 billion to \$6 billion. In this connection, will the Government inform this Council:

(1) of the total number of applications received under the BUD Fund since its introduction; among such applications, the respective numbers of those which were (i) approved, (ii) withdrawn, and (iii) rejected, and the respective percentages of such numbers in the total number of applications, with a breakdown by the industry to which the applicant enterprises belonged; the main reasons for some applications being rejected;

(2) of the publicity and promotional measures taken by the Government for ensuring that eligible enterprises in various industries are aware that they may apply for funding support under the BUD Fund for the purpose of business development on the Mainland and in overseas markets; and

(3) as quite a number of enterprises have relayed that the application procedure for the BUD Fund is cumbersome, of the average time taken for vetting and approving each application received by the Fund, and whether the Government will further streamline the application procedure so that small and medium enterprises with genuine needs can obtain funding support in a timely manner?

Reply:

President,

The Government launched the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) in June 2012 with an injection of \$1 billion, with a view to enhancing the competitiveness of enterprises for developing the Mainland market.

The Government has been striving to promote the development of enterprises. Having regard to the impacts of the trade conflicts between China and the United States in the past few years, as well as the COVID-19 pandemic on Hong Kong's economy especially small and medium enterprises

(SMEs), the current-term Government has made three injections involving a total amount of \$5 billion into the BUD Fund, and launched multiple rounds of enhancement measures to strengthen support for enterprises in developing more diversified markets, including increasing the cumulative funding ceiling per enterprise; extending the geographical coverage; and increasing the ratio of initial payment from 25 per cent to up to 75 per cent of the approved government funding, allowing more SMEs to receive better support through the BUD Fund.

The latest round of enhancement measures will be launched in phases starting from July 2021. Upon full implementation of the enhancement measures, the cumulative funding ceiling per enterprise will be increased to \$6 million, representing a substantial twelvefold increase from the \$0.5 million ceiling when the BUD Fund was first launched; and the geographical coverage will be extended to 37 economies with which Hong Kong has signed Free Trade Agreements and/or Investment Promotion and Protection Agreements, showing a significant expansion in scope as compared with the initial coverage of only the Mainland market.

Our reply to the three parts of the question is as follows:

(1) The number of applications since the launch of the BUD Fund in 2012 and up to end May 2021 is as follows:

	Number	Percentage out of the total number of applications
Applications received including –	10 254	–
applications withdrawn (Note)	3 333	32.5 per cent
Applications approved	3 524	34.4 per cent
Applications rejected	1 770	17.3 per cent
Under processing	1 627	15.9 per cent

As at end May 2021, the major industries involved in the processed applications (excluding all withdrawn ones) and the relevant figures are as follows:

Major industries (in descending order according to the number of applications processed)	Number of processed applications	Number of approved applications	Number of rejected applications
Wholesale and retail	1 319	918	401
Import and export trade	662	456	206
Textiles and clothing	324	232	92

Main reasons for rejecting applications include failure of enterprises

to meet the eligibility requirements, demonstrate the capability to implement the projects, or provide justifications to clearly illustrate how the projects could assist the enterprises in developing businesses in the target markets, and a lack of details in the proposed projects.

The Hong Kong Productivity Council, as the Programme Secretariat, will inform enterprises whose applications are rejected of the reasons of rejection, and remind them of the areas requiring special attention or improvement if they were to submit applications again.

To ensure the service quality, since 2017, the Trade and Industry Department (TID) has included a target on the time required for processing BUD Fund applications in its Controlling Officer's Report. Since then, all applications, upon the Secretariat's receipt of all the required documents and information, could be passed to the Programme Management Committee within the target time (i.e. within 60 working days) for consideration. Furthermore, to expedite the vetting process, the Secretariat has since October 2019 changed the processing of applications from the original batch-by-batch mode on a quarterly basis to handling all newly received ones as soon as possible.

(2) Since January 2020, a dedicated service team entitled SME ReachOut, funded by the TID, has been established to help SMEs identify suitable funding schemes and answer questions relating to funding applications through face-to-face meetings. During the pandemic period, the service team has strengthened promotion of the funding schemes through various channels, including collaboration with the media to conduct publicity and organisation of online/offline promotion activities. Since its establishment, SME ReachOut has handled around 7 500 enquiries.

To raise SMEs' awareness of Government support measures, the Commerce and Economic Development Bureau (CEDB) engaged Hong Kong Economic Times in August 2020 to launch an online platform to provide information to SMEs about the BUD Fund and Government support measures through plain and easily comprehensible information (info-packs), topical articles and sharing of successful cases, etc. to encourage SMEs to better utilise Government funding schemes.

(3) The Government has since January 2020 simplified the application procedures of the BUD Fund, including allowing all projects to commence upon submission of applications, removing the requirements for the grantee to open and maintain a separate interest-bearing bank account and to deposit into the account the required amount of matching fund before receiving the initial payment, in order to provide more convenient and timely support to enterprises.

In addition, the BUD Fund has started offering online application service since June 2020 to facilitate enterprises' submission of applications. The Government has also adopted the design thinking approach to enhance the application process and experience and help enterprises develop their project plans, by providing enterprises with user-friendly and lucid application information on the website through the use of such tools as graphic illustration of the process, checklist of required documents,

reference cases and progress tracking. The relevant functions will be launched in June 2021.

The above measures have been well received and supported by SMEs after launch. The CEDB will continue to closely monitor market changes and the needs of enterprises, and to review the operation of the BUD Fund and other funding schemes administered by the TID to provide due support to enterprises.

Note: The figure includes applications withdrawn by enterprises and those that could not be processed due to lack of necessary information.