

LCQ9: New measures to support enterprises

Following is a question by the Hon Jimmy Ng and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (November 13):

Question:

In August 2018, the Government rolled out enhancement measures for the "Dedicated Fund on Branding, Upgrading and Domestic Sales" (BUD Fund) and the "SME Export Marketing Fund" (EMF) to help enterprises open up new markets. In August this year, the Government announced the introduction of new support measures, including the injection of funding into the two funds and, at the same time, raising the funding ceilings of such funds for individual enterprises with a view to assisting local enterprises (especially small and medium enterprises (SMEs) in facing up to economic adversities. Quite a number of SME proprietors have expressed concern about the success rate and the time taken for the vetting and approval of the funding applications concerned. In this connection, will the Government inform this Council:

(1) regarding the ASEAN Programme and the Mainland Programme under the BUD Fund respectively, (i) of the numbers of applications received since the launch of the enhancement measures, (ii) among such applications, the respective to-date numbers of those approved, rejected, the vetting and approval of which is still in progress and withdrawn, (iii) the average time taken for the vetting and approval of each approved application, and (iv) the average amount of funds granted to each approved application;

(2) whether it will consider further extending the geographical scope for the subsidy of the Enterprise Support Programme under the BUD Fund to encompass all the countries and regions along the "Belt and Road", or even eliminating the geographical limitation; if so, of the details; if not, the reasons for that;

(3) given that the Trade and Industry Department (TID) has indicated on its website earlier on that as there has been a significant increase in the number of EMF applications received recently, the vetting and approval of some of the applications may not be able to be completed within the target time of 30 working days as set out in its performance pledge, of the number of EMF applications received by TID in each of the past three years, the average time taken for the vetting and approval of each application, and among such applications, the number of those the vetting and approval of which was completed within the target time;

(4) as some SME proprietors have anticipated that with the launch of the new support measures, the numbers of funding applications received by the two funds will increase, whether the Government will allocate additional resources to correspondingly increase the manpower for the vetting and

approval of the applications, so as to avoid the time taken for vetting and approval of the applications from lengthening; if so, of the details; if not, the reasons for that;

(5) as it is currently provided under the two funds that the maximum amount of grant for each item will be 50 per cent of the total approved expenditure incurred by such item, whether the Government will raise that ceiling percentage; if so, of the details; if not, the reasons for that; and

(6) given that the Finance Committee of this Council currently has a backlog of a number of outstanding funding applications for its consideration, whether the Government will re-arrange the agendas of the meetings of the Committee so as to prioritise the funding applications relating to the new support measures for consideration, so that SMEs can benefit from these measures expeditiously?

Reply:

President,

In response to the question raised by the Hon Jimmy Ng, having consulted the Financial Services and the Treasury Bureau, our reply is as follows:

(1) In August 2018, the Government injected \$1.5 billion into the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), extended its geographical coverage from the Mainland to also include the Association of Southeast Asian Nations (ASEAN) markets, and increased the cumulative funding ceiling per enterprise from \$500,000 to \$2 million (including \$1 million under the ASEAN Programme and \$1 million under the Mainland Programme).

Since the implementation of the enhancement measures, the number of applications received and the funding amount approved respectively increased by over 120 per cent and 210 per cent year-on-year from the fourth quarter of 2018 to the third quarter of 2019, a testimony to the effectiveness of the measures in supporting enterprises. Detailed figures are as below:

	BUD Fund	
	ASEAN Programme	Mainland Programme
No. of applications received (Note)	525	1 278
Including –		
withdrawn	84	235
being processed	202	405
No. of applications approved (Note)	188	559
No. of applications rejected (Note)	105	280

Total funding amount of approved applications (in \$ million)	113.4	323.2
Average funding amount of each approved application (in \$ million)	0.603	0.578

Note: Applications received may not be processed within the same quarter.

Since 2017, the Trade and Industry Department (TID) has included in its Controlling Officer's Report a target on the time required for processing BUD Fund applications; and has been able to achieve the target for all BUD Fund applications since then, i.e. to complete the initial processing of applications, and where necessary, ask the applicant enterprises to provide supplementary information, within 60 working days after the application deadline of each quarter, for formal submission to the Programme Management Committee (PMC) for vetting.

To expedite the vetting process, starting from the fourth quarter of 2018, the PMC has been approving straightforward cases by circulation. To further shorten the processing time, more applications will be submitted to the PMC for vetting by circulation as far as possible. The TID will also enhance the workflow and process applications as soon as possible instead of by batches on a quarterly basis.

(2) The 2019-20 Budget has proposed injecting another \$1 billion into the BUD Fund and further extending the geographical coverage of the BUD Fund to include all economies with which Hong Kong has signed Free Trade Agreements (FTAs), now and in future, such that Hong Kong enterprises can take full advantage of the FTA network, including enhanced legal certainty and better market access conditions for trade in goods and services, to explore new markets and new business opportunities.

Under the proposed enhancement measures, the geographical coverage of the BUD Fund will be increased from 11 economies currently, i.e. the Mainland and the ASEAN, to a total of 20 economies, including also New Zealand, the European Free Trade Association (comprising Iceland, Liechtenstein, Norway and Switzerland), Chile, Macao, Georgia and Australia, which is a significant expansion compared with the previous coverage. The geographical coverage of the BUD Fund will also be further extended upon Hong Kong's signing of FTAs with more economies in future. The Government will seek funding approval from the Finance Committee (FC) of the Legislative Council (LegCo) with a view to implementing the enhancement measures in the first quarter of 2020.

The Government considers it more practical and prudent to implement the proposed measures, taking into account the implementation progress, responses of enterprises, etc., before further considering other enhancements or expanding the geographical coverage of the BUD Fund.

Enterprises that wish to explore overseas markets may also make use of the SME Export Marketing Fund (EMF) for export promotion in other markets

outside Hong Kong.

(3) In August 2018, the Government injected \$1 billion into the EMF and implemented enhancement measures, including doubling the cumulative funding ceiling per SME to \$400,000 and doubling the funding ceiling per application to \$100,000. Since launching the enhancement measures, the number of applications received under the EMF has increased significantly. In view of this, the TID, through an announcement on the EMF website in June 2019, notified applicant enterprises in advance that some applications may take longer to process.

From 2016 to 2018, the number of applications received under the EMF was 11 387, 10 895 and 11 757 respectively. For 2019, 11 106 applications were received up to end September. During that period, all applications were processed within the performance pledge of 30 working days, provided that the applicant has submitted all the required information at the time of application.

(4) To assist enterprises in embracing the challenges of the external economic environment and enhancing their resilience in the prevailing economic environment, the Government announced in August and September 2019 a series of measures to support the trade, including injecting \$2 billion into the BUD Fund (comprising the above-mentioned enhancement measures announced in the 2019-20 Budget and those by the Financial Secretary in August 2019), so as to extend the geographical coverage of the BUD Fund to all economies with which Hong Kong has signed FTAs, now and in future, and increase substantially the cumulative funding ceiling per enterprise to \$4 million; as well as injecting \$1 billion into the EMF to double the cumulative funding ceiling for each enterprise to \$800,000, etc. The Government will seek funding approval from the FC of LegCo with a view to implementing the enhancement measures in the first quarter of 2020.

The Government envisages that, upon implementing the above proposed enhancement measures, the number of applications received under the two funding schemes will again increase noticeably, and the workload on vetting of applications and monitoring of funded projects will also increase correspondingly. The Hong Kong Productivity Council (HKPC) which operates the BUD Fund for the Government will increase its manpower to handle the anticipated workload upon implementing the enhancement measures. The relevant budget has been reflected in the implementation fees to be disbursed by the Government to HKPC. The TID has also been gradually redeploying its internal resources to cope with the increased workload of the two funding schemes. The TID will continue to closely monitor the implementation progress of the funding schemes and seek additional manpower resources through the established mechanism when necessary.

(5) The BUD Fund and the EMF currently provide funding on a matching basis. The Government will fund a maximum of 50 per cent of the total approved expenditure of individual project and enterprises have to contribute no less than 50 per cent of the total approved project expenditure in cash. The funding is provided on a matching basis to ensure that the funded enterprises

have genuine intention and plan, and are willing to devote resources in developing brands, upgrading and restructuring operations and expanding sales markets, as well as undertaking appropriate export promotion activities. This, in turn, will ensure a prudent use of public money and avoid abuse. The Government considers that the current practice strikes an appropriate balance.

In order to reduce the costs of enterprises in using the BUD Fund, the Government has introduced an enhancement measure to fund in full the audit fee of approved projects (capped at \$10,000 per audit and accounted for under the enterprises' funding ceiling). The Government has also further reviewed the operation of the two funding schemes and plan to provide applicants of the BUD Fund and the EMF with up to 75 per cent of the approved government funding as initial payment to alleviate the liquidity burden on enterprises at project launching.

(6) In considering the proposed agenda for the meetings of the FC, the Government will take into account various factors, including the readiness and relative priority of the proposed items, and the progress of deliberation by the FC, etc. In the 2019-20 legislative session, the Government will continue to work closely with the FC, so that the proposed items which are beneficial to people's livelihood can be handled and approved in a timely manner.