

ITEM FOR FINANCE COMMITTEE

HEAD 152 - GOVERNMENT SECRETARIAT : COMMERCE AND INDUSTRY BUREAU

Subhead 700 - General other non-recurrent New Item "Professional Services Development Assistance Scheme"

Members are invited to approve a commitment of \$100 million for the setting up of the Professional Services Development Assistance Scheme.

PROBLEM

Our professional service industry needs support to seize new opportunities and cope with challenges.

PROPOSAL

2. The Secretary for Commerce and Industry proposes the setting up of a \$100 million Professional Services Development Assistance Scheme ("the Scheme").

JUSTIFICATION

3. Professional services are a high-value component of the service sector, which accounts for 85% of Hong Kong's Gross Domestic Product. China's accession to the World Trade Organisation will lead to further opening up of its market and more vibrant growth of its economy, presenting new opportunities for our professional services. At the same time, our professional service sectors face challenges brought about by the restructuring of Hong Kong's economy. We need to help the professional service sectors grasp the new opportunities and cope with the challenges, by supporting them to enhance their external competitiveness and standards of local professional services.

/The

The Scheme

Objective and Eligibility

4. The Scheme will provide funding support for projects aimed at increasing the competitiveness of our professional service sector as a whole, or of individual sectors, in external markets including the Mainland market. In addition, projects which seek to enhance the standard of professional services in Hong Kong will be eligible.

Encl. 1

5. Eligible projects include, for example, inviting overseas or Mainland experts to give a seminar for transfer of professional skills; research or study that will benefit a professional service sector; organization of training courses that seek to enhance the competitiveness of Hong Kong professional service practitioners in external markets; and promotional projects for raising the image of Hong Kong's professional services. A list of the key assessment criteria in vetting applications is at Enclosure 1.

Encl. 2

6. As regards the classification of the professional service sectors under the Scheme, we propose to adopt the World Trade Organisation's classification of professional services, which is an internationally-recognised and objective classification, to be supplemented by the Trade Development Council's classification to take account of local circumstances. A list of the professional service sectors to be covered by the Scheme is at Enclosure 2.

7. All non-profit distributing¹ professional bodies, trade or industrial organisations, and research institutes will be eligible to apply for assistance under the Scheme.

Application and Assessment

8. Initially, we plan to invite applications in two tranches every year. A vetting committee, chaired by a non-official and comprising professionals, businessmen, academics and government officials will be formed to consider funding applications and assessment criteria. If necessary, comments and advice will be sought from outside experts on sector-specific applications.

/Funding

¹ Non-profit distributing organisations are defined as those organisations the profits of which are not distributed to its directors, shareholders, employees or any other persons.

Funding Principles

9. The Scheme will finance projects on a dollar-for-dollar matching basis. This equal-matching principle will help ensure that the project is of genuine value to the professional service sector concerned, is cost-effective and will be carefully implemented. In principle, a project will not be eligible for assistance under the Scheme if the project receives funding support from any other Government funding schemes.

10. We intend to set the maximum amount of grant for each project at \$2 million, and the maximum total amount of grants for each year at about \$33 million. The purpose is to enable more projects to benefit from the Scheme and to impose some discipline on the selection of projects, so that only high-quality projects will be approved for funding. This arrangement will allow the Scheme to last for at least three years.

Monitoring of Funded Projects

11. Successful applicants will be required to sign a contract with Government which lays down detailed conditions for the grant. They will also be required to submit a mid-term progress report and a final report with audited accounts after the project is completed. The Vetting Committee will monitor progress and review the quality of each funded project.

Intellectual Property Right (IPR)

12. The project organiser will own all IPRs derived from the project. Where relevant, project results should be disseminated widely to Hong Kong's professional service sector(s). If necessary (such as when public interests are involved or in order to fulfil the objective of providing assistance to professional service sectors), the project organiser will be required to grant unconditionally to Government a non-exclusive perpetual royalty-free licence to exploit or dispose of the relevant IPRs.

Administration

13. The Business and Services Promotion Unit of the Commerce and Industry Bureau will administer the Scheme. The Secretary for Commerce and Industry will be the vote controller.

/Implementation

Implementation Timetable

14. Subject to Members' approval of the Scheme, we will launch it and invite applications in February 2002.

Review

15. We will review the cost-effectiveness, funding levels and modus operandi of the Scheme one year after its commencement.

FINANCIAL IMPLICATIONS

16. The setting up of the Scheme will require a non-recurrent commitment of \$100 million.

17. The recurrent resources needed for operating the Scheme will be absorbed within the existing provision allocated to the Commerce and Industry Bureau.

BACKGROUND INFORMATION

18. The 2001 Policy Address announced the initiative for a \$100 million fund to support, on an equal matching basis, useful projects that could enhance the standard of professional services in Hong Kong.

19. In formulating details of the Scheme, we have consulted a total of 30 professional services associations, the Trade Development Council's Professional Services Advisory Committee, the Hong Kong General Chamber of Commerce's Professional Service Committee, and some individual professional service practitioners. The respondents welcome the Scheme and call for its early implementation. Some have suggested that the dollar-for-dollar matching principle be relaxed as small professional organisations may have difficulties in coming up with the matching contribution. For the reasons set out in paragraph 9 above, we consider it essential to maintain the equal-matching principle. However, to allow flexibility, we are prepared to accept contribution in kind (such as manpower cost), by the project organiser.

20. Some respondents have proposed to broaden the definition of “professional services”. As explained in paragraph 6 above, the proposed definition is objective, has regard to international practice and takes account of local circumstances. In practice, we must draw a line somewhere and we believe that the existing proposal has struck the right balance.

21. Some respondents have expressed the concern that applications submitted by research institutes may be too academic to be of practical use to the professional service sectors concerned. Some have also pointed out that a research institute may be receiving subvention from Government and hence any assistance under the Scheme may infringe the double subvention rule. In drawing up the detailed guidelines for the Scheme, we will ensure that approved projects are of practical use to the professional service sectors, and funding will only be provided for that part of projects for which no Government funding has been provided before.

22. Some professional associations have suggested that the application procedure and monitoring mechanism should not be so stringent as to create too much paper work for applicants. In drawing up details of the Scheme, we will ensure that the application procedure and monitoring requirements are business-friendly and effective, while paying due regard to the need for public accountability.

23. We consulted the Commerce and Industry Panel on 18 December 2001 on the Scheme and obtained the Panel’s general support. Some Members suggested that the Scheme should also cover some other high-value service sectors, such as, information technology services and financial services. We undertook to revisit the matter. After further review, we consider that some of the services in these sectors fall under the category of professional consultancy services for businesses in the proposed classification. For clarity, we have therefore elaborated the description of “business consultancy services” at Enclosure 2 to specify that information technology consultancy services (including system integration services) and financial consultancy services are also covered.

Proposed Assessment Criteria for Vetting Applications under the Professional Services Development Assistance Scheme¹

Projects to be funded should be non-profit-making in nature. The major vetting criteria are as follows –

Value of Project

- (A) whether the project has the potential to help increase the competitiveness of the professional service sector(s) concerned in the Mainland or overseas markets, or to enhance the standard of local professional services;
- (B) whether the result of the project is of practical use to the professional service sector(s) concerned;

Cost-effectiveness

- (C) whether the project can benefit a large number of professionals in the professional service sector(s) concerned or whether the project can benefit the society significantly through the profession;
- (D) whether the cost of the project is broadly commensurate with the expected results;

Project Implementation

- (E) whether the project management capabilities of the applicant institution/organisation are recognised and competent, taking into account the applicant's experience, qualifications, track record and the resources available for the project.
- (F) whether the implementation schedule of the proposed project is properly planned;
- (G) whether the proposed budget is reasonable and realistic;
- (H) whether the project can be completed in 2 years. If not, the applicant institution/organisation should demonstrate their sustainability upon the cessation of funding support from the Scheme;
- (I) whether there is/will be any duplication in terms of work of other institutions/organisations;

/Other

¹ Subject to endorsement by the Vetting Committee of the Scheme.

Other factors

- (J) whether the project is or will be in receipt of funding from other Government funding schemes;
- (K) whether the project should be delivered by the applicant as part of its normal business activities without funding support from the Scheme; and
- (L) in determining the level of funding support for a project, whether beneficiaries of the project can reasonably contribute to the cost of the project.

Professional Service Sectors eligible for funding under the Scheme

World Trade Organisation's Classification	Trade Development Council's Classification	Professional Service Sectors Covered under the Professional Services Development Assistance Scheme
(i) Accounting-related services		
<ul style="list-style-type: none"> • Accounting, auditing and book-keeping services • Tax services 	<ul style="list-style-type: none"> • Accounting 	<ul style="list-style-type: none"> • Accounting, including auditing, book-keeping and tax services
(ii) Legal services		
<ul style="list-style-type: none"> • Legal services 	<ul style="list-style-type: none"> • Legal • Arbitration and mediation 	<ul style="list-style-type: none"> • Legal services, including arbitration and mediation
(iii) Engineering and infrastructure-related services		
<ul style="list-style-type: none"> • Architectural services • Engineering services • Integrated engineering services • Urban planning and landscape architectural services 	<ul style="list-style-type: none"> • Architecture and landscape architecture • Building and construction • Consulting engineering • Electrical and mechanical engineering • Planning • Project Development and Project finance • Real estate services (including agency services, facilities management and valuation and surveying) • Surveying 	<ul style="list-style-type: none"> • Architecture and landscape architecture • Building and construction • Engineering services including integrated engineering services • Planning • Project Development and Project finance • Real estate services (including agency services, facilities management and valuation and surveying) • Surveying

World Trade Organisation's Classification	Trade Development Council's Classification	Professional Service Sectors Covered under the Professional Services Development Assistance Scheme
(iv) Medical related services		
<ul style="list-style-type: none">• Medical and dental services		<ul style="list-style-type: none">• Medical and dental services (including Chinese medicine)
(v) Others		
<ul style="list-style-type: none">• Veterinary services• Services provided by midwives, nurses, physiotherapists and paramedical personnel	<ul style="list-style-type: none">• Design (including graphic, product, interior and fashion design)• Business consultancy services• Waste management and environmental consultancy services	<ul style="list-style-type: none">• Veterinary services• Services provided by midwives, nurses, physiotherapists and paramedical personnel• Design (including graphic, product, interior and fashion design)• Business consultancy services (including human resource management consultancy services; management consultancy services; information technology consultancy / system integration services; financial consultancy services, etc.)• Waste management and environmental consultancy services