

For information

**Legislative Council Panel on
Information Technology and Broadcasting**

**Consolidation of the DesignSmart Initiative
and the CreateSmart Initiative**

PURPOSE

With the exhaustion of funding under the DesignSmart Initiative (DSI), the Government will arrange for funding requests for initiatives related to design, which is an integral part of the creative sector in Hong Kong, to be considered under the CreateSmart Initiative (CSI). The Government will take the opportunity to align and consolidate the funding rules for the design and other creative sectors. This note explains the interim arrangements and implications.

CONSOLIDATION OF THE DSI AND CSI

2. In 2009, the Government affirmed the commitment to promote the development of creative industries in Hong Kong. Other than setting up a dedicated office i.e. Create Hong Kong, in June 2009, the Government proposed to set up the CSI with a commitment of \$300 million. To avoid overlap, it was made clear that the CSI would not deal with funding initiatives already covered by the then pre-existing DSI, Film Development Fund and Film Guarantee Fund. Finance Committee (FC) of the Legislative Council approved the CSI commitment on 22 May 2009 vide FCR(2009-2010)15.

3. With a commitment of \$250 million, the DSI was approved by the FC on 11 June 2004 vide FCR(2004-2005)16 to promote design in Hong Kong. As at end April 2011, the uncommitted balance of DSI stood at \$9 million.

4. Design is an integral part of the creative industries. With the drawing down of the DSI, it is logical to consolidate the DSI and CSI funding schemes so that the funding rules for design and other creative sector-related initiatives can be aligned. We expect that there will be better coordination of resources and promotional efforts following the consolidation. This will help rationalise administrative procedures, bring about greater flexibility, and make the application procedures more user-friendly for the applicants.

INTERIM ARRANGEMENTS

5. The DSI currently consists of –

- (a) the Design Support Programme (DSP). This covers four funding schemes, namely the General Support Scheme (GSS), the Professional Continuing Education Scheme (PCES), the Design Research Scheme (DRS) and the Design-Business Collaboration Scheme (DBCS), and
- (b) the Design Incubation Programme (DIP) at the InnoCentre, with an aim to nurture design start-ups with a subsidy package capped at \$500,000 each within a two-year incubation period.

6. We will migrate these schemes to the CSI by phases. Since the GSS, PCES and DRS are promotional and educational in nature and are similar to projects currently funded under the CSI, these three funding schemes can readily cease to operate by end May 2011. We will accept design projects and programmes of such nature for funding consideration under the CSI with effect from **1 June 2011** provided they meet the prevailing eligibility and assessment criteria of the CSI.

7. The DBCS provides matching grant to encourage small and medium-sized enterprises in using design services. It will continue to be supported by the DSI with the uncommitted residual funding. Subject to further review, the whole scheme can migrate to the CSI **upon exhaustion** of the residual funding.

8. The DIP is currently administered by the Hong Kong Science and Technology Parks Corporation in collaboration with the Hong Kong Design Centre. We have earmarked DSI funding to support its operation till the end of 2011-12. The whole programme may be migrated to the CSI in the **next financial year**.

9. We have taken the opportunity to refine the general eligibility and assessment criteria of the CSI so as to align the operating mechanisms of the CSI and the DSI. The general eligibility and assessment criteria of the CSI after the consolidation are set out at the **Annex**. These remain in line with the scope of the CSI funding commitment the FC approved in mid 2009.

10. During the transitional period when the DSI and CSI still co-exist, we will retain the assessment panel of the DSI and rename it the CSI (Design) Assessment Panel. It will continue to vet design-related funding applications, monitor on-going design projects and evaluate project completion reports. As and when the residual DSI funding under the DBCS and DIP schemes is exhausted, we will review the need for or desirability of integrating the CSI (Design) Assessment Panel into the CSI Vetting Committee to further enhance operational efficiency.

11. The Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCT) will continue to be the controlling officer of the CSI after the consolidation. PSCT will only approve projects under the CSI costing up to \$10 million. For individual project the cost of which exceeds \$10 million, PSCT will continue to seek the approval of the FC.

FINANCIAL IMPLICATIONS

12. As set out in FCR(2009-2010)15, the Government projected that the CSI would remain functional for three years, until around mid 2012. Based on operational experience, the actual draw-down rate for CSI was some \$50 million per annum (\$87 million for the past 22 months) and that for DSI, \$38 million per annum. We therefore envisage that, even with the inclusion of design related projects, the CSI would still be able to

cope until around mid 2013.

WAY FORWARD

13. The Government remains committed to promoting the development of the design and other creative sectors. The consolidation of the DSI and CSI will rationalise funding arrangements for the creative sector and streamline processing. We will keep in view the utilisation of the CSI funding and seek replenishment as and when necessary in accordance with established procedures.

Commerce and Economic Development Bureau
May 2011

**Revised General Eligibility and Assessment Criteria
of the CreateSmart Initiative**

1. An applicant should normally be a locally registered institution/organisation¹. Create Hong Kong and other government departments can also apply for the funding.
2. Project elements which are covered under the scope of the FDF and FGF² and those which will receive or have received funding from other government sources are not eligible to apply for funding under the CSI.
3. Projects under application must be beneficial to the overall development of individual creative industry sectors or the entire creative industries.
4. Benefits accrued from the projects must serve the interests of individual creative industry sectors or the entire creative industries, and not just an individual private company or a consortium of private companies.
5. Projects should mainly be non-profit making by nature. Special consideration could be given for projects that can ultimately be self-financing.
6. In general, funds approved can only be used for non-recurrent expenditure. Under exceptional circumstances where the projects under application consist of a recurrent item (e.g. staff cost), the funds approved can only be of a one-off nature.

¹ The original version of this general eligibility criterion for the CSI is as follows -

“An applicant should normally be a locally registered institution/organisation engaged in creative industries or a related body. Create Hong Kong and other government departments can also apply for the funding.”

The underlined part of the criterion is deleted in the revised version to allow for greater flexibility in terms of applicants’ eligibility, because design cuts across different industries and they may also wish to engage in design promotion activities to help move up the value chain.

² The original version of this general eligibility criterion for the CSI is as follows -

“Project elements which are covered under the scope of the DSI, FDF and FGF and those which will receive or have received funding from other government sources are not eligible to apply for funding under the CSI.”

The underlined part of the criterion is deleted in the revised version because the DSI will lapse and the source of funding for design-related projects and programmes will be switched to the CSI.

7. Funds approved cannot be used to create any civil service posts.
8. In examining an application, the following must be taken into consideration –
 - (a) the benefits that a project may bring to local creative industries, either to individual sectors or the industries as a whole;
 - (b) the need of such project;
 - (c) the technical and project management capabilities of the applicant institution/organisation;
 - (d) whether the implementation schedule of the proposed project is well planned and whether the time required for implementation is reasonable;
 - (e) whether the proposed budget is reasonable and realistic;
 - (f) whether the project has been funded or should be funded by other government sources;
 - (g) whether there is/will be any duplication in terms of the work carried out by other institutions;
 - (h) whether the project can be self-financing after a certain period of time; and
 - (i) any other special factors which are relevant and contribute towards the objective of the CSI.

Note – Subject to further review, the Design-Business Collaboration Scheme and the Design Incubation Programme currently funded under the DSI may be migrated to the CSI at a later stage.