

立法會
Legislative Council

LC Paper No. CB(1)274/11-12(06)

Ref : CB1/PL/ITB

Panel on Information Technology and Broadcasting

Meeting on 14 November 2011

Updated background brief on Hong Kong Design Centre

Purpose

This paper provides background information on the Government's support for the operation of Hong Kong Design Centre (HKDC) and also a summary of views and concerns expressed by Members during previous discussions on the subject matter.

Background

2. HKDC is a non-profit making infrastructure organization established in 2001 to further the development of design. It is a company limited by guarantee, with the Hong Kong Designers Association, Chartered Society of Designers, Hong Kong, Interior Design Association Hong Kong, Hong Kong Fashion Designers Association, and the Hong Kong Federation of Design Associations as members. The objectives of HKDC are to, among other things, promote design as a value-added activity and integration of design into mainstream business processes, which are in line with Government's policy on the promotion of design and innovation. HKDC has since its inception been Government's main partner in promoting design. To support HKDC's initial operation, the Government provided a one-off funding of \$10 million to HKDC as seed money in 2001. The Finance Committee (FC) approved in June 2004 a funding commitment of \$250 million for the setting up of the DesignSmart Initiative (DSI) under which \$45 million was set aside for supporting the operation of HKDC.

3. On 11 October 2006, the Chief Executive announced in his 2006-2007 Policy Address that the Government would earmark \$100 million over five years for HKDC to further assist the trades and industries in Hong Kong to make full use of their designs and build their brand names. Following consultation with the Panel on Commerce and Industry, the Administration submitted a funding proposal of \$100 million to support the operation of HKDC over five years to promote the importance of design and innovation. The proposal was approved by the FC on 25 May 2007.

4. On 9 February 2009, the Administration presented a proposal on the setting up of a dedicated office for creative industries "CreateHK" to the Panel on Information Technology and Broadcasting (ITB Panel). The ITB Panel was supportive of the Administration's proposal to, amongst others, transfer the \$100 million non-recurrent commitment for HKDC under the Innovation and Technology Commission (ITC) to CreateHK under the Communications and Technology Branch, which will in future be responsible for managing the commitment. On 1 June 2009, the Administration set up CreateHK which aims to coordinate Government policy and effort regarding creative industries, focus Government's resources catering for the promotion and speeding up of the development of creative industries in Hong Kong, and work closely with the trade to boost the development of creative industries.

Previous discussions

ITB Panel

5. Following the establishment of the CreateHK in June 2009, and with the transfer of the housekeeping responsibility of HKDC from ITC to CreateHK, the report of HKDC from April 2009 to March 2010 was submitted to the ITB Panel for discussion.

6. At the ITB Panel meeting on 13 May 2010, members noted that HKDC's flagship event, the annual Business of Design Week, had been one of the most significant events on the international design calendar and Asia's leading annual event on design, innovation and brands. Some Panel members opined that the Administration should foster closer partnership with creative and design professionals in the Mainland. These members also urged the Administration to step up its efforts in encouraging enterprises to use design as a value-enhancing tool in businesses, and transforming design activities into tradable deliverables, as well as promoting the use of Hong Kong design by Mainland enterprises, particularly those in the Pearl River Delta region.

7. The Administration advised that a "Hong Kong Design and Branding Seminar Series in the Pearl River Delta Region" had been organized to promote the engagement of Hong Kong companies with expertise in design and branding to assist Mainland enterprises to add value to their businesses. Programmes comprising forums, mini-exhibitions and business matching events were held in five Mainland cities in 2009. The 2010 series would be further extended to other cities.

8. Panel members also expressed concern about the corporate governance of HKDC. The Administration advised that to improve HKDC's corporate governance and the management of funding, HKDC had taken various administrative measures to improve its internal control and accounting systems. The Executive Director of HKDC had made it a rule to review irregularities and non-compliance cases at his regular meetings with the staff, thus acting as a deterrent to such practices. To ensure that the operational procedures of HKDC comply with its own corporate governance, an outside audit firm had been appointed to execute an internal audit programme covering areas related to projects, finance and administration. In addition, HKDC had fully implemented a two-tier reporting system for managing potential conflicts of interest of its directors since 2009.

9. At the ITB Panel meeting on 11 April 2011, members noted that through an array of programmes organized in collaboration with local, regional and international partners, HKDC aimed to maintain Hong Kong on the world map of design cities and as a centre of design excellence in Asia. Panel members urged the Administration to step up efforts to raise the awareness of the young generation and their parents towards the value of design and the prospect of a career in design. Some Panel members expressed concern whether the Administration had formulated a timetable for HKDC to achieve financial sustainability. The Administration advised that over the past few years, HKDC had been able to raise its income to expenditure ratio progressively. It was anticipated that the target income to expenditure ratio of 21% for 2010-2011 could be achieved.

Council meeting

10. Dr Hon Samson TAM raised a question at the Council meeting on 7 July 2010 regarding DSI. He urged the Administration to put in place new measures to improve the utilization rate of the funding schemes under DSI, and to streamline the vetting and approving mechanism to encourage more applications.

Special meeting of the Finance Committee

11. At the special meeting of the Finance Committee to examine the Estimates of Expenditure 2011-2012 on 21 March 2011, Hon IP Kwok-him and Dr Hon Samson TAM raised questions on the use of design to add value to Hong Kong's goods and services and on the DSI respectively. The Administration advised that as at end February 2011, a total of 545 applications had been received under DSI, among which 375 projects had been approved with a total funding of \$165 million. CreateHK would review DSI from time to time to ensure its effective operation to drive and enhance the development of the design industry in Hong Kong.

Recent developments

12. In May 2011, the Administration issued an information paper (**Appendix**) on consolidation of the DSI and the CreateSmart Initiative. The consolidation was aimed to rationalize funding arrangements for the creative sector and streamline processing. The Administration's paper was issued to members vide LC Paper No. CB(1)2134/10-11(01) on 9 May 2011.

Latest position

13. The Administration and HKDC representative will brief the ITB Panel on 14 November 2011 on the financial proposal for the provision of funding to enhance the support to HKDC, and the progress of work of HKDC and the relevant initiatives taken to promote design and innovation.

Relevant papers

Paper provided by the Administration for the Information and Broadcasting Panel meeting on 9 February 2009

<http://www.legco.gov.hk/yr08-09/english/panels/itb/papers/itb0209cb1-715-3-e.pdf>

Minutes of the Information and Broadcasting Panel meeting on 9 February 2009

<http://www.legco.gov.hk/yr08-09/english/panels/itb/minutes/itb20090209.pdf>

Paper provided by the Administration for the Information and Broadcasting Panel meeting on 13 May 2010

<http://www.legco.gov.hk/yr09-10/english/panels/itb/papers/itb0513cb1-1843-3-e.pdf>

Background brief prepared by the Legislative Council Secretariat for the Information and Broadcasting Panel meeting on 13 May 2010

<http://www.legco.gov.hk/yr09-10/english/panels/itb/papers/itb0513cb1-1843-4-e.pdf>

Minutes of the Information and Broadcasting Panel meeting on 13 May 2010

<http://www.legco.gov.hk/yr09-10/english/panels/itb/minutes/itb20100513.pdf>

Dr Hon Samson TAM's question on "DesignSmart Initiative" at the Council meeting on 7 July 2010 and the Administration's reply

<http://www.legco.gov.hk/yr09-10/english/counmtg/hansard/cm0707-translate-e.pdf>

Updated background brief prepared by the Legislative Council Secretariat for the Information and Broadcasting Panel meeting on 10 January 2011

<http://www.legco.gov.hk/yr10-11/english/panels/itb/papers/itb0110cb1-932-6-e.pdf>

Administration's reply to initial written questions raised by Finance Committee Members in examining the Expenditure 2011-12: serial no. CEDB(CT)009 and CEDB(CT)028

http://www.legco.gov.hk/yr10-11/english/fc/fc/w_q/cedb-ct-e.pdf

Paper provided by the Administration for the Information and Broadcasting Panel meeting on 11 April 2011

<http://www.legco.gov.hk/yr10-11/english/panels/itb/papers/itb0411cb1-1796-5-e.pdf>

Updated background brief prepared by the Legislative Council Secretariat for the Information and Broadcasting Panel meeting on 11 April 2011

<http://www.legco.gov.hk/yr10-11/english/panels/itb/papers/itb0411cb1-1796-6-e.pdf>

Minutes of the Information and Broadcasting Panel meeting on 11 April 2011

<http://www.legco.gov.hk/yr10-11/english/panels/itb/minutes/itb20110411.pdf>

Council Business Division 1
Legislative Council Secretariat
9 November 2011

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.