

**For discussion on  
13 June 2016**

**Legislative Council  
Panel on Information Technology and Broadcasting  
Innovation and Technology Fund for Better Living**

**Purpose**

This paper seeks Members' support for setting up a \$500-million Innovation and Technology Fund for Better Living ("FBL") to make use of innovation and technology to improve people's daily life, and the operational framework of the FBL.

**Background**

Growing Importance of Innovation and Technology

2. Innovation and technology ("I&T") has become an integral part of modern living. The Internet, mobile devices, e-commerce, and other I&T products and services, have in recent years not only driven economic growth, but have also changed our daily life substantially. Many companies have made use of technologies to turn innovative ideas into big businesses. I&T can also be used to improve people's daily life. The development of these ideas into products/services requires resources, but entrepreneurs may be reluctant to provide them as some of these projects may not be considered as commercially viable compared with their business projects. Other non-profit or charitable organisations may have implemented such projects on a limited scale, but are not able to implement them in larger scales due to lack of funding or other reasons.

Development of Innovative Ideas to Create Benefits

3. Because of the abovementioned circumstances, some innovative ideas may not be transformed into products/services usable by the public at large, and the potential benefits to be brought about by these ideas could not be fully realised. There is a need to facilitate the development of these ideas in order to benefit the public and encourage the development of I&T industries in the community.

## Lack of Funding for Non-profit I&T Projects

4. At present, the Innovation and Technology Fund (“ITF”) is one of the Government’s principal vehicles in promoting I&T. However, funding schemes under the ITF are mainly targeted at funding research and development (“R&D”) projects or providing funding support for private companies and/or universities to commercialise their R&D results, although some of them could indirectly help enhance the quality of living in specific aspects. Besides the ITF, the Funding Scheme for Digital Inclusion Mobile Apps (“FSDIMA”) implemented since 2012 by the Office of the Government Chief Information Officer (“OGCIO”) also provides funding support to the application of information and communications technology to address the specific needs of underprivileged groups. However, the FSDIMA only supports mobile apps for specific disadvantaged groups. There is at present no funding scheme which aims at promoting the application of I&T for the benefit of the general public.

## Policy Commitment

5. As announced in the 2016 Policy Address, the Government will set aside \$500 million to set up the FBL to finance I&T projects which aim at improving the quality of Hong Kong people’s daily life.

## **Proposal**

### Establishment of the FBL

6. We proposed to set up the FBL with a total commitment of \$500 million for providing funding to successful applicants to implement I&T projects for the benefit of the general public or specific groups, such as the elderly or disabled, which are currently not available in the market or may not be profitable in the business sense. Apart from enhancing the livelihood of Hong Kong people, the projects also help build an I&T atmosphere in the society, encourage the release of innovative ideas from different sectors and promote the use of I&T through combination with our daily life.

### Proposed Framework

7. The operational framework of the FBL is as follows –

## Institutional Arrangement

8. The FBL will be fully owned and operated by the Government. The Innovation and Technology Bureau (“ITB”) will act as the Secretariat of the FBL (“the Secretariat”) to provide support to the operation of the FBL. An Assessment Panel (“AP”) comprising academia, professionals, representatives from the industry and relevant Government Bureaux/Departments will be appointed to vet the applications according to a set of pre-determined criteria as set out in paragraph 13 below and recommend the level of grant to be provided to successful applicants.

## Scope of Funding

9. Eligible projects should aim at improving people’s daily life or benefiting specific groups, through the use of I&T. Deliverables of the projects can be in the form of mobile apps, a product (such as device, equipment, tool, etc.), service, software or any other forms with valid justification to the satisfaction of the AP. We will set themes for the FBL, such as health, transport, education, safety, specific needs, etc. to encourage the participation of different sectors in the community.

10. For the purpose of the FBL, daily life can be improved by –

- (a) making life more convenient, e.g. workflow of a task is simplified, information is shared more efficiently or waiting time is reduced. Examples of possible projects include a mobile app that provides passengers with real time update of traffic situation and suggests the most economical or efficient mode of transport, a device which enhances language learning experience, or an interactive system which provides essential information of different products in a retail outlet;
- (b) making life healthier and more comfortable, e.g. hardship of performing a task or delivering a service is reduced, quality of life or healthiness is improved. Examples of possible projects include a facility that helps the recovery or reduces discomfort of patients, a mobile app which promotes healthier diet or provides information of different pharmaceutical products;
- (c) making life safer, e.g. risks in connection with performing of a task/activity or delivering/ receiving a service is reduced. Possible projects include a management system which helps reduce the chance of accidents in construction sites or a device that helps enhance domestic safety;

- (d) improving the general well-being of specific groups (such as the elderly or groups with specific needs). Possible projects include a tool that provides voice route guide service to visually impaired people, an equipment that facilitates the movement of the disabled or a wearable device which helps track the location of Alzheimer patient; or
- (e) any other ways with valid justification to the satisfaction of the AP.

### Eligibility of Applicants

11. We suggest that the FBL will normally only accept applications from non-government organisations, non-profit organisations, professional bodies, trade associations and public bodies. Applications submitted by other parties may also be considered in warranted cases. In such cases, the applicant should provide satisfactory proof of its business nature and relevance to the purpose of the FBL. The AP will decide on the eligibility of such applicants having considered the overall circumstances.

### Eligibility of Projects

12. Projects have to satisfy the following criteria –
- (a) the project should be able to benefit the public at large or specific groups (such as the elderly or disabled), and should be in line with Government policies;
  - (b) the project should involve the adoption of I&T, and the application should include a concrete plan for development and implementation of the project;
  - (c) the applicant should demonstrate the ability to complete the development of the project within 12 months and run the project for at least 2 years, except for projects which are one-off in nature (such as free distribution or sales of a product on non-profit basis);
  - (d) during the funding period, the project should not be profit-generating and should not serve any profit-generating purposes. Funding received from other sources (such as funding from a parent organisation, sales proceeds or third party sponsorship as stated in the application form) must not exceed the total expenses for the development, implementation and running of the proposed project

deliverable (“eligible costs”)<sup>1</sup>. Such expenses must be directly related to the project, e.g. hiring of staff for the project, purchase of essential equipment and softwares, manufacturing, promotion and maintenance expenses, etc. Other expenses which are not directly relevant to the project, e.g. office overhead, entertainment, travelling expenses, etc., will not be funded; and

(e) the project should be carried out primarily within Hong Kong.

#### Assessment Process

13. The AP will meet on a regular basis to vet eligible applications according to a set of pre-determined criteria including: benefits brought by the project; innovation and technology content of the project; feasibility, sustainability and cost-effectiveness of the project; and the expertise, experience and ability of the applicant. The relative weight of each factor and the marking scheme will be determined by the AP. During the vetting process, interviews with applicants would be arranged by the Secretariat as and when necessary.

14. When vetting the applications, the AP will consider the proportion of cost to be spent on the actual development of I&T component, staff salaries and administrative support respectively. While an organisation is allowed to submit more than one application, a mechanism will be put in place to avoid undue concentration of funding on a few organisations.

#### Form and Amount of Grant

15. A successful applicant will receive a grant equivalent to the difference between the eligible costs of the project and funding received from other sources (such as funding from a parent organisation, sales proceeds or third party sponsorship), subject to a cap of 90% of the eligible costs of the project or \$5 million, whichever is the less. The AP will consider cases that may require special arrangement. In the agreement to be signed with the applicant, we will specify that the funding of the project under the FBL will not impose any recurrent obligations on the Government.

#### Support from Other Sources

16. The applicant should state in the application form the amount of funding expected to receive from other sources (such as funding from a parent organisation, sales proceeds or third party sponsorship). If the applicant would

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<sup>1</sup> The running cost of the project for the first two years after launching may be counted as eligible costs. A longer period may be considered by the Secretariat in warranted cases.

like to receive extra sponsorship after the application has been approved, it should seek prior written approval from the Secretariat before accepting the sponsorship. In such cases, the amount of grant may be adjusted so that the total amount of grant from the FBL and other sources of funding (including the extra sponsorship) will not exceed the total eligible costs. A mechanism will be put in place to recoup excess amount, if any, paid by the Government.

### Intellectual Property Right

17. Any intellectual property right created in or via the projects will be vested with the grantees who should make it freely available for use in the public domain.

### Monitoring and Control

18. All approved projects will be monitored by the Secretariat against the milestones stated in the applications. Successful applicants will be required to sign a funding agreement with the Government. Disbursement of the grant will be made by the Secretariat by installments subject to the fulfillment of project milestones as agreed in the funding agreement. Successful applicants have to keep a separate and proper set of books and records for the project and submit a progress report at each planned project milestone with a financial report to the Secretariat for scrutiny.

19. A mechanism will be put in place to suspend funding, cease a project or require the applicant to refund the amount granted in case of unsatisfactory project progress or contravention of funding guidelines.

### Evaluation and Review

20. We will evaluate the effectiveness of the FBL regularly and we plan to conduct a review of the FBL two years after its implementation to assess whether any refinement or adjustment to its mode of operation and other details is necessary.

## Arrangement for the FSDIMA

21. With the establishment of the FBL, we plan to terminate the FSDIMA after the current round of funding scheme<sup>2</sup> has been completed. Future apps development projects will be covered by the FBL.

## **Financial Implications**

22. The proposed setting up of the FBL will require a total non-recurrent allocation of \$500 million which is expected to be able to support the operation of the FBL for 5 years.

23. The time-limited recurrent expenditure for the implementation of the FBL is around \$5.3 million per year, which will mainly be used to meet the staff cost of the Secretariat and promotion expenses. The relevant provision has been included in the 2016-17 Estimates of ITB to meet the requirement.

## **Way Forward**

24. Subject to Members' support for our recommendations in paragraphs 6 to 21, we will seek funding approval of the Finance Committee to set up the FBL. We plan to launch the FBL in the second quarter of 2017.

## **Innovation and Technology Bureau June 2016**

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<sup>2</sup> Since 2012, OGCI0 has launched two rounds of funding schemes under FSDIMA. A total of 12 mobile apps have been funded, benefiting the elderly, persons with disabilities, children with special education needs and ethnic minorities. In November 2015, OGCI0 launched the third round of the funding scheme. Successful applicants will soon start the development of their mobile apps proposals.