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Panel on Information Technology and Broadcasting

Meeting on 17 July 2015

Updated background brief on the establishment of the CreateSmart Initiative in supporting the development of creative industries

Purpose

This paper provides background information on the establishment of the CreateSmart Initiative ("CSI") and an update on the projects sponsored by CSI. It also provides a summary of views and concerns expressed by Members in previous discussions.

Background

2. Hong Kong has an edge in the development of various sectors of the creative industries¹. In the 2007 Policy Address, the Chief Executive pledged that Hong Kong should accelerate the development of creative industries in order to maintain its competitive edge. In April 2009, the Task Force on Economic Challenges identified cultural and creative industries as one of the six economic areas with high growth potential. In May 2009, the Government put together existing resources to establish Create Hong Kong ("CreateHK") to spearhead Government's efforts in speeding up the development of creative industries.

3. To further strengthen the Government's support to the creative industries, the Financial Secretary announced in the 2009-2010 Budget the setting aside of \$300 million to provide financial support to the creative

¹ Creative industries are defined as those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.

industries in the following three years. CSI administered by CreateHK was subsequently established in June 2009 with the Finance Committee ("FC")'s approval to provide funding support to initiatives that were conducive to the development and promotion of creative industries, such as projects initiated by the creative industry sectors (including architecture, comics, digital entertainment, advertising, music and publication, etc.), CreateHK and other government departments.

4. According to the Administration, a vetting committee comprising representatives of the industries, academics, etc. had also been established to support CreateHK in assessing the funding applications. Projects approved under CSI include supporting the participation of local creative talent in international competitions, providing paid internship opportunities in creative sectors, providing general and professional educational opportunities to nurture talents, assisting the trades in organizing activities in the Mainland and overseas to demonstrate the strength of Hong Kong's creative talents and establish platforms for promotion and facilitation of business and marketing activities, and organizing signature creative events to raise Hong Kong's profile as a creative hub in Asia. Design-related projects used to be funded under DesignSmart Initiative² ("DSI"). Approved design-related projects include conferences, workshops, exhibitions, design competitions and awards, training courses, etc.. With effect from 1 June 2011, new design-related projects have been considered and funded under CSI.

5. On 24 May 2013, FC approved the injection of an additional \$300 million into CSI and the ambit of CSI was expanded to cover the Design-Business Collaboration Scheme³ ("DBCS"). According to the Administration, the respective general eligibility and assessment criteria as well as modus operandi of CSI (with the exception of DBCS) and DBCS under the CSI were essentially the same as before. The details are set out in **Appendix I** and **Appendix II** respectively.

² FC approved vide FCR(2004-05)16 the setting up of DSI to strengthen support for design and innovation, and to promote the wider use of design and innovation in industries to help them move up the value chain. The Design-Business Collaboration Scheme ("DBCS") was one of the schemes set up under and funded by DSI. In May 2011, the Administration issued an information paper on the consolidation of DSI and CSI (CB(1)2134/10-11(01) issued on 9 May 2011). The purpose of the consolidation was to rationalize funding arrangements for the creative sector and streamline processing. The Administration advised that with the exhaustion of funding under DSI, it would seek funding for the initiatives related to design to be considered under CSI.

³ DBCS provides matching grant to encourage small and medium enterprises in using design services.

Update on the major projects sponsored by the CreateSmart Initiative in 2014

Nurturing talents and facilitating startups

6. In 2014, CreateHK continued to provide funding support to those initiatives which offered internship opportunities to graduates of selected creative disciplines. Under CSI's sponsorship, digital entertainment and digital advertising companies provided graduate trainees with one-year full-time employment and on-the-job training.

7. Regarding the animation sector, the Animation Support Programme helped 15 startups/small companies produce original creative animation work for exploring business opportunities and showcasing their works through the Hong Kong International Film & TV Market (FILMART) and television broadcast. One of the awardees was subsequently commissioned by a leading transport conglomerate of Hong Kong to work on the latter's promotional materials.

8. As for the advertising sector, the Support Programme for Advertising and Music Talents (Microfilm Production) offered funding support and mentorship to 15 advertising production companies. Startups were given subsidies for producing microfilms, which featured budding singers. Four startups had closed deals with some music labels for producing music/dance/concert videos and TV commercials, while some participating singers and side characters had gained further performance opportunities in feature films and TV commercials.

Exploring markets

9. In 2014, CreateHK continued to provide sponsorship to the Hong Kong Trade Development Council for staging two promotional campaigns in the Mainland, namely the "SmartHK" trade fair in Nanjing and the "Creativity in Business" seminar series conducted in Chongqing and two cities in Fujian. "SmartHK", which attracted some 10,000 trade visitors, provided product showcase for 76 creative establishments from Hong Kong, of which 51 were small and medium enterprises ("SMEs") which benefitted from Government's subsidies for participation in the event. As for the "Creativity in Business", it promoted the advertising, design, branding and marketing services to potential clients in the Mainland.

10. In 2014, CSI also sponsored for the first time the trade's participation in the Bologna's Children's Book Fair, which was a popular international event dedicated to children's books and an important platform for trading of

copyrights. Hong Kong publishers and printers directly promoted their work and services to potential buyers at the major book fairs held in Beijing, Guangzhou, Taipei and Frankfurt.

11. Other CSI-funded market exploration and promotional initiatives conducted in 2014 included a survey on the design landscapes of Hong Kong and Shenzhen, the establishment of an online resources platform to facilitate business matching between design companies and design service users in Hong Kong and Shenzhen as well as sharing of knowledge and information for Hong Kong and Shenzhen designers, a design exhibition held in Milan, Italy and an animation exhibition held in Taiwan, etc.

Previous discussions

12. At the meeting of the Panel on Information Technology and Broadcasting ("the Panel") on 11 March 2013, some members urged the Administration to step up efforts to promote CSI funding scheme to SMEs. They opined that measures should also be taken to nurture talents and startups, in particular on the provision of overseas design training programmes to the young generation, and help them build their brands with international renown in areas such as fashion design. Some other members urged the Administration to render support to local manufacturing industries and to accord priority to applicants under DBCS with factories operating in Hong Kong. The Administration advised that it would continue to encourage and support local SMEs and designers in the development of creative industry. At the Panel's request, the Administration amended the application form and template of the completion report for new DBCS projects for collection of information on where applicants' project deliverables were produced in future.

13. At the Panel meeting on 10 February 2014, some Panel members considered that the Administration should carry out on-going assessment of the effectiveness of the various initiatives of CreateHK in promoting the creative industry, and draw reference from overseas countries in promoting their creative industries. At the Panel's request, information provided by the Administration on concrete performance indicators, such as the actual benefits brought to the local creative industry in terms of income as a percentage of the Gross Domestic Product of Hong Kong and the number of jobs and companies created in the industry over the past five years, was circulated to members vide LC Paper No. CB(4)722/13-14(01) on 26 May 2014 to evaluate the effectiveness of the initiatives.

14. On nurturing talents, some Panel members opined that CreateHK should work with the Education Bureau in the design of the curriculum to better meet

the needs of the creative industry of Hong Kong. They also urged the Administration to foster coordination among various Bureaux and parties engaging in nurturing talents for the creative industry to achieve synergy of the various initiatives and avoid overlapping of resources. In addition, closer coordination among different incubation programmes organized by the various parties was also considered necessary.

15. At the policy briefing of the Panel on 19 January 2015, the Panel noted that the Administration had provided funding under CSI for trade bodies to host promotional activities at Comix Home Base ("CHB") in order to promote CHB and facilitate development of the local animation and comics industries. Since the opening of the Police Married Quarters ("PMQ") in June 2014, CreateHK had sponsored through CSI various programmes held at PMQ, including the Knowledge of Design Week 2014 organized by the Hong Kong Design Centre and DETOUR 2014 organized by PMQ.

Recent developments

16. At the 2015-2016 Budget speech on 25 February 2015, the Financial Secretary announced that an additional \$400 million would be injected into CSI to support different sectors of the creative industries. At the special FC meeting to examine the Estimates of Expenditure 2015-2016 on 30 March 2015, Hon Martin LIAO, Hon Regina IP and Hon Michael TIEN enquired about the percentage of the additional \$400 million funding to be allocated to different creative industries.

17. The Administration advised that the objective of setting up CSI was to support the development of creative industries. Creative sectors covered by CSI included advertising, architecture, design, digital entertainment, film, printing, publishing, television and music. In addition to creative sectors supported through individual schemes (e.g. the Film Development Fund), all creative sectors covered by CSI would benefit from the \$400 million financial support and might submit applications for funding according to their individual needs. The Government would not pre-set a ratio for resources to be allocated to various areas of the creative industries and approval of funding applications would be determined on their individual merits.

Latest position

18. The Administration will brief the Panel on 17 July 2015 on the review of CSI.

Relevant papers

19. A list of the relevant papers with their hyperlinks is at:

http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb_g.htm

http://www.legco.gov.hk/yr11-12/english/panels/itb/papers/itb_g.htm

http://www.createhk.gov.hk/en/service_createsmart.htm

Council Business Division 4
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**Revised General Eligibility and Assessment Criteria
of the CreateSmart Initiative**

- (I) For CreateSmart Initiative ("CSI") Projects other than those under the Design-Business Collaboration Scheme ("DBCS")
1. An applicant should normally be a locally registered institution/organization. Create Hong Kong and other government departments can also apply for the funding.
 2. Project elements which are covered under the scope of the Film Development Fund and the Film Guarantee Fund and those which will receive or have received funding from other government sources are not eligible to apply for funding under 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.
 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/organization;
- (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 CSI.

(II) For CSI Projects under DBCS

1. Application under DBCS should be a collaboration project between a small and medium enterprise ("SME") requiring assistance in design and a design company/academic institution which will provide that assistance. Either the design company/academic institution or the SME may act as the applicant of the project.
2. The applicant design company/academic institution and the applicant SME have to be bodies or companies established or incorporated in Hong Kong under the Hong Kong Laws including Companies Ordinance (Cap.32), with on-going business.
3. In general, funds approved can only be expended by the applicant design company/academic institution in carrying out the project in accordance with the budget set out in the project proposal.
4. In examining an application, the following must be taken into consideration:

- (a) to what extent the project can help integrate design into the business process;
- (b) to what extent the project can help transform design activity into tradable deliverables, be it product or service, that manifests exploitation and deployment in the form of intellectual property, which may comprise patent, copyright, know-how or industrial design;
- (c) to what extent the project can add value to the products or services concerned and increase their competitiveness;
- (d) to what extent the project can help commercialise new products or services and find pathways to market;
- (e) whether the applicant design company/ academic institution or the applicant SME has been funded by DBCS before and the amount of funding already granted for such previous projects;
- (f) the overall planning and organizational structure of the project and capability of the project team i.e. the project team members' expertise, experience, qualifications, track record, and the resources available for the project;
- (g) whether the project is cost-effective and the proposed budget is reasonable and realistic, and whether the project has been funded or should be funded by other sources;
- (h) to what extent the products will be produced or the services provided in Hong Kong; and
- (i) any other special factors which are relevant and contribute towards the aim of DBCS and the objective of CSI to support initiatives which are conducive to the development and promotion of creative industries in Hong Kong.

**General Modus Operandi
of the CreateSmart Initiative**

- (I) For CreateSmart Initiative Projects other than those under the Design Business Collaboration Scheme
1. Applications will be open throughout the year. CreateHK may also from time to time issue theme-specific topics to solicit applications.
 2. Successful applicants will be required to comply with the conditions of the grant. They will also be required to submit a final report with accounts certified by a qualified accountant (or audited accounts if necessary) after the project is completed. Depending on the nature and duration of the project, the applicants may be required to submit progress reports on a regular basis.
 3. Only cost directly related to the project will be covered. Industrial/commercial sponsorship can be in kind or in cash.
 4. A vetting committee comprising officials, professionals, industrialists, businessmen, academics and other relevant members of the public will be set up to assess the applications, monitor progress and review the quality of each funded project. If necessary, comments and advice will be sought from outside experts on specific applications. The Independent Commission Against Corruption's advice will be sought on the vetting procedures as and when necessary.
 5. For transparency purpose, any individual project requiring more than \$10 million funding will be submitted to the Finance Committee for approval.
 6. Projects should mainly be non-profit making by nature. Interest income derived from grants disbursed to successful project applicants will be kept by the applicants for use in the projects concerned during the project period. Any unused balance upon the completion of the project will be returned to the Government.
 7. Funds for projects will be disbursed to successful applicants by installments, tying with appropriate milestones or any other conditions offered when the grant is approved. Final installment of the disbursement of the fund will only be released upon the

completion of the project and that the Government is satisfied with the final report as mentioned in (2) above.

8. Successful applicants will be required to carry out the projects as approved. The Government will reserve the right, inter alia, to terminate funding, demand immediate return of all the disbursed funds with interest, and hold the successful applicants liable for any loss or damages the Government may sustain if the successful applicants are in breach of any of the terms and conditions of funding or undertakings made for the approved projects.
9. Any intellectual property rights derived from the project will be owned by the project applicant (or be co-owned by the project applicant and the sponsor and partner as agreed among themselves). If necessary (such as when public interests are involved or in order to fulfill the objective of providing support to the community and the industries/businesses), the project applicant will be required to grant unconditionally to Government a non-exclusive perpetual royalty-free licence to exploit or dispose of the relevant intellectual property rights.

(II) For CreateSmart Initiative Projects under the Design-Business Collaboration Scheme

1. Applications will be open throughout the year.
2. The funding is given by way of a grant to a maximum of 50% of the total approved project cost or \$100,000, whichever is the lower, and the applicant small and medium enterprise ("SME") is required to contribute at least 50% of the approved project cost in cash as a matching fund.
3. Each SME is subject to an aggregate funding cap of \$100,000, for four projects at most, as may be reviewed from time to time.
4. Successful applicants will be required to comply with the conditions of the grant. They will also be required to submit a completion report with accounts certified by a qualified accountant (or audited accounts if necessary) and evidence showing the contribution of the matching fund by the applicant SME in cash after the project is completed.

5. An Assessment Panel comprising officials, professionals, industrialists, businessmen, academics and other relevant members of the public will be set up to assess the applications, monitor progress and review the quality of each funded project. If necessary, comments and advice will be sought from outside experts on specific applications. ICAC's advice will be sought on the vetting procedures as and when necessary.
6. Funds for projects will only be disbursed to the applicant design company/academic institution, which is responsible for carrying out the project, upon the completion of the project and Government's acceptance of the completion report and audited accounts.
7. Successful applicants will be required to carry out the projects as approved. The Government will reserve the right, inter alia, to terminate funding, demand immediate return of all the disbursed funds with interest, and hold the successful applicants liable for any loss or damages the Government may sustain if the successful applicants are in breach of any of the terms and conditions of funding or undertakings made for the approved projects.
8. Details of the project achievements, if any, including creation of intellectual property in which intellectual property rights subsist, successful marketing and commercialization of the project deliverables and awards shall be provided by the applicants. The Government may from time to time disclose to the public details of such project achievements including announcing them on the web or through publications or by showcasing at exhibitions for publicity and reference. The Government may also publicize the details of approved project and contact information of the project applicant on the web for public information.
9. Project duration is expected to be less than one year in general.