

**For discussion
on 21 June 2016**

Panel on Commerce and Industry

**Proposed Setting up of
the Professional Services Advancement Support Scheme**

PURPOSE

This paper seeks Members' support for the Government's proposal to set up a new funding scheme to support Hong Kong's professional services in increasing exchanges and co-operation with their counterparts in external markets and promoting relevant publicity activities, as well as enhancing their standards and external competitiveness.

BACKGROUND

Growth and Outlook of Professional Services

2. Over the past few decades, the Hong Kong economy has been undergoing significant changes and restructuring. The services sector now accounts for 93% of the Gross Domestic Product (GDP) and is the driving force of our economic growth. According to the World Trade Organization (WTO), Hong Kong is the world's 14th largest exporter of commercial services.¹

3. Our growth in the past was in no small part owed to market opportunities arising from the economic reform of the Mainland started in the late 1970s, its accession to the WTO in 2001, as well as the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) launched in 2003 (and continuous enhancements since).

¹ In 2015 Hong Kong exported US\$135 billion worth of services, bearing a ratio of 43.9% to GDP.

4. Our world class professional services is a high-value component of the service sector, in areas such as accounting, architecture, legal and dispute resolution, engineering, business consulting and information technology. Between 2004 and 2014, the sector experienced an average annual growth of 8.7%, outperforming financial services (8.1%), trading and logistics (3.8%) and other producer services (6.0%), and only after tourism (11.3%).² The sector's contribution to GDP also increased from 3.6% to 4.8%, representing a growth of more than 30% in ten years.

5. Looking ahead, the deep talent pool of our professionals, highly regarded for their professional ethics, competence and global outlook, will continue to command a unique competitive advantage to tap the vast business opportunities arising from the sustained growth of trade and investment in different parts of the world. This goes with Hong Kong's deepening "super-connector" role in bringing together the Mainland and other economies of the world.

6. Accordingly, we would sustain our ongoing efforts to improve market access of our services sectors to world economies through trade agreements and to market our service providers outside Hong Kong through proactive promotion programmes.

7. Implementation of the WTO Agreement on Trade in Services since 1995 remains a cornerstone of our multilateral efforts. Since 2013 Hong Kong has played an active part in participating in the negotiations for a trade in services agreement (TISA) with some WTO members to take forward the liberalisation of trade in services. Closer to home, Hong Kong has signed three free trade agreements (FTAs) with overseas economies covering Hong Kong's strategic markets in different parts of the world.³ As always, market access of our services sectors is an integral part of such FTAs. We will continue to reach out to other economies and expand our FTA network. Notably, intensive negotiation on the Hong Kong-Association of Southeast Asian Nations (ASEAN) Free Trade Agreement is underway and may be concluded by 2016. Compared with traditional markets such as the Mainland (40% share in 2014) and the United States (15% share in 2014), there is much room for growth in the nearby ASEAN market as a destination of export of Hong Kong services (8% share in 2014, with an average annual growth rate of about 11% from 2009 to 2013).

² These services sectors are collectively known as the Four Key Industries (professional services and other producer services counted as one) which account for 57.5% of our GDP and 1.78 million of jobs in 2014.

³ The relevant economies are New Zealand, Chile and the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland).

8. Regarding the Mainland market in specific, implementation and continuous enhancement of CEPA over the years have been a major thrust behind our services sectors in seeking growth and business outside Hong Kong. Hong Kong service suppliers enjoy preferential treatment in entering into the Mainland market in various service areas. Professional bodies of Hong Kong and the regulatory authorities in the Mainland have also signed a number of agreements or arrangements on mutual recognition of professional qualification. On 1 June 2016, the Agreement on Trade in Services under CEPA came into force, extending liberalisation measures relating to trade in services from Guangdong to the entire Mainland. In the positive lists of the Agreement on Trade in Services, there are altogether 28 newly-added liberalisation measures (13 of which relate to the professional services sector).⁴

9. On the external promotion side, the Hong Kong Trade Development Council (TDC) has been taking forward a dedicated programme on three-year planning cycles. For the period 2014-15 to 2016-17, the objectives are to champion Hong Kong as Asia's global service platform and lifestyle trendsetter, build Hong Kong as the reliable service platform for Mainland enterprises that are looking to upgrade their business and go global, and deepen Hong Kong's service penetration in new and emerging markets with special focus on ASEAN countries. Many of the initiatives are specific or relevant to the professional services sector.

10. For instance, infrastructure connectivity is a key to facilitate greater regional trade. There will be a significant demand for high-end, high value-added professional services, arising from the planning, implementation and operation of many projects.⁵ Hong Kong's professional service providers, in such areas as engineering, architectural design, green and smart cities, surveying, project and facility management and waste treatment are well positioned to take advantage. Similar opportunities lie in the Mainland's increasing urbanisation. Some 100 million rural population is expected to transfer and settle in urban areas by 2020, bringing the ratio of urban population to 60% (from 53.7% in 2013).

⁴ The Agreement between the Mainland and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong ("the Guangdong Agreement") was signed in 2014. On the basis of the Guangdong Agreement, the Agreement on Trade in Services further enhances the liberalisation in both breadth and depth, including extending the implementation of the majority of Guangdong pilot liberalisation measures to the whole Mainland; reducing the restrictive measures in the negative list; and adding a number of liberalisation measures in the positive lists for cross-border services as well as cultural and telecommunications services.

⁵ Examples of these projects include railways, highways, ports and power plants. According to an Asian Development Bank statistic, Asia will need US\$800 billion every year just to cover infrastructure investment needs from now to 2020.

11. Another example is the positioning of Hong Kong as a dispute resolution centre. TDC, the Department of Justice and relevant professional bodies such as the Hong Kong Bar Association, Law Society of Hong Kong and Hong Kong International and Arbitration Centre are working hands in hands as well as separately to organise promotional activities to many parts of the world highlighting Hong Kong's advantages, such as the robust legal system and rule of law. This helps Hong Kong legal practitioners seize the potential business opportunities in the mediation, arbitration and other legal fields fuelled by the surge in regional trade and investment.

12. Exploration of new markets is also spearheaded by visits of senior government officials, e.g. the Financial Secretary led a business mission to Hungary, Poland and Germany in September 2015, and plans to lead another business mission to Central Asia in 2016. The Secretary for Commerce and Economic Development (SCED) also visited Chile and Mexico in August 2015, during which it was announced that Hong Kong and Mexico would launch negotiations of an Investment Promotion and Protection Agreement (IPPA). The two sides held the first round of negotiations in May 2016. Hong Kong also concluded negotiations of an IPPA with the United Arab Emirates in April 2016.

13. Despite our strong fundamentals amidst abundant opportunities, it remains for our professional services sector to overcome challenges in exploiting existing markets and exploring and venturing into new ones which are, to different degree, unfamiliar in terms of language, culture, business environment, political scene, professional practice of counterparts, market needs, etc. The skillsets of our professionals may also need development, refinement or adaptation otherwise to tailor to the new demands.

14. To assist our professional services sector to tap the opportunities and meet the challenge ahead, we consider it essential to seek continuous raise of professional standards and enhancement of external competitiveness, not resting on our laurels.

15. On the other hand, we consider it equally important to help the business communities and professional counterparts of our target markets understand and appreciate our strengths, as a prelude to any concrete initiatives to seek service arrangements, collaboration and joint venture. Exchanges and publicity are key to facilitating mutual understanding.

16. We see the need for the Government to perform a catalyst function by supporting Hong Kong professional services sector in their outreaching and enhancement efforts in the light of the opportunities and challenges as deliberated in the above paragraphs.

Professional Services Development Assistance Scheme (PSDAS)

17. In addition to the many initiatives above, the Government also sought to promote the development of the professional services sector through funding support. In 2002, a \$100 million PSDAS was set up to enhance the standards and external competitiveness of Hong Kong's professional services sector, against a backdrop of opportunities brought by the opening up of the Mainland market following China's accession into the WTO in 2001, and challenges from the restructuring of the local economy.

18. PSDAS provided funding support for projects that aimed at increasing the standards and external competitiveness of Hong Kong's professional services sector as a whole, or of individual sectors. Grants under PSDAS were provided on a dollar-for-dollar matching basis, and grantees were required to shoulder the remaining balance of the project cost. Projects up to two years were supported, and grant up to \$2 million was available for each project. Following reviews and reports to this Panel in 2003 and 2005, improvements to the operation of PSDAS were made.

19. All funding was committed by September 2013, resulting in a total of 275 projects completed by end 2015. The completed projects were delivered by 108 organisations and involved about 440 000 participants.

20. A total of 2 063 deliverables were yielded under the completed projects (as a single project may consist of a number of individual programmes or activities). Most of the deliverables were capacity-building programmes (83%) (e.g. conferences, seminars, workshops and training courses; expert briefings on latest developments; exchange programmes between professionals; study tours to external markets and the Mainland, etc.). Promotional activities (e.g. exhibitions, roadshows, promotional seminars and publication of promotional material) accounted for about 12%. The remaining deliverables (5%) were mostly researches/studies (e.g. researches on the development potential of external markets; development of guidebooks and manuals on new international standards / standards of external markets; continuing professional development curriculum and materials).

21. We are satisfied that the successfully completed projects have generally met the original objectives of PSDAS. We also observe that –

- (a) the projects were heavily skewed towards the engineering and infrastructure-related (38%) and medical-related (36%) sectors. This might be a natural sign as professional services are divided into many sub-disciplines and there are differences in size among the professional services. This might also reflect the fact that the professional services are a mixed bag of many trades at different stages of development, facing different problems, and hence, required different ways of support for growth and market access; and
- (b) the share of external promotion projects was small, accounting for only 12% of all deliverables. In contrast, 83% of the deliverables were capacity-building programmes for raising professional standards in Hong Kong. There may be a case for putting more emphasis on encouraging promotional activities in future, given that the standards of Hong Kong's professional services sector are internationally well recognised and the sector is gearing up to expand into new and developing markets outside Hong Kong.

22. Given the positive experience, we suggest building on the solid foundation of PSDAS in continuing the Government's support for the professional services sector.

23. In this connection, the Chief Executive announced in his 2016 Policy Address that \$200 million would be allocated to support the professional services sector in enhancing exchanges and co-operation with the Belt and Road countries and other regions outside Hong Kong (including the Mainland) and promote related publicity activities. Many of them have all along been our close trading partners and key markets.

THE SCHEME

24. We propose setting up the Professional Services Advancement Support Scheme (PASS) to support the professional services sector to carry out worthwhile projects to spearhead proactive outreaching promotion efforts and to improve service offerings.

25. In devising PASS, we have made reference to the experience of PSDAS and feedback from consultations with stakeholders (paragraphs 49 to 50 below). Details of PASS are proposed in the ensuing paragraphs.

Project Scope and Eligibility

26. PASS will provide funding support for non-profit-making projects aiming at increasing the exchanges and co-operation of Hong Kong's professional services with their counterparts in external markets (including the Mainland and Belt and Road countries), and promoting relevant publicity activities. Projects which seek to enhance the standards and external competitiveness of professional services in Hong Kong will also be eligible.

27. Within the above scope, we propose not to impose particular restrictions on the types of projects eligible to apply under PASS, while activities relating to exchanges, co-operation and publicity are encouraged in particular. Projects should normally be completed within three years.

28. Non-profit-distributing⁶ professional bodies, trade and industry organisations and research institutes, including statutory organisations, may apply for funding under PASS. The list of professional services eligible for funding under PASS is at **Enclosure 1**. The list is largely the same as that under PSDAS (which was prepared with reference to the WTO classification, supplemented by the Hong Kong Trade Development Council classification to take into account local circumstances), with presentational adjustments in the light of latest views from stakeholders.

Encl. 1

Funding Arrangement

29. We propose that each successful applicant will receive a maximum grant up to 90% of the overall eligible cost of the project, or \$3 million, whichever is lower. A higher percentage of government contribution is suggested under PASS vis-à-vis the previous PSDAS (50% of project cost or \$2 million, whichever is lower), so as to encourage more participating organisations (especially those with lesser experience and means), include projects of appropriate scale with considerable impact and bring earlier results. Only direct costs incurred for the delivery of the projects will be funded by the grant.

30. The applicant will have to meet the remaining balance of the project cost through self-financing, third party sponsorship or income derived from the project. The applicant's contribution may be in cash or in kind. The requirement of contribution from the applicant will help ensure that the project is of genuine value to the professional services sector and to a certain extent reduce the risk of possible abuse. A mechanism will also be put in place to recoup excess amount, if any, paid by the Government.

⁶ A non-profit distributing organisation is defined as an organisation which does not distribute profits to its directors, shareholders, employees or any other persons.

31. To ensure no duplication of public funding for a project through different sources, PASS will not consider any project that has been funded or will be funded by other government sources.

Application and Assessment

32. We will normally invite applications four times a year, and urgent applications may be considered if justified. Applications will be considered on an individual merit basis. We will set appropriate cap(s) with a view to avoiding undue concentration of funded projects on a few organisations or bodies.

33. The Government will consider whether projects should be approved, based on recommendations of the Vetting Committee (VC). The VC will be appointed by SCED, and be chaired by a non-government official. It will comprise members drawn from or are knowledgeable about the professional services sector, such as professionals, businessmen and academics. The VC will also include ex-officio member(s).

Encl. 2 34. The major criteria in the assessment of applications are proposed at **Enclosure 2** and will be considered by the VC for refinement and approval. The VC will advise on such pre-determined assessment criteria and vet the applications accordingly.⁷ It may also exercise discretion and advise if exceptions (e.g. in relation to applicant / project eligibility, project period and allowable items) should be considered for individual projects with full justifications. In addition to considering funding applications, the VC will also monitor approved projects. We believe the arrangement would help secure the prudent use of public money while maintaining appropriate flexibility.

35. We will seek the advice of the Independent Commission Against Corruption in working out the detailed criteria and procedures to be adopted, as well as requirements relating to declaration of interests and other matters related to the operation of PASS as appropriate.

Administration

36. The Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau (CEDB) will administer PASS and provide secretariat support to the VC.

⁷ When vetting the applications, the VC will also consider the proportion of cost to be spent on the actual project deliverables, staff salaries and administrative support respectively.

CONTROL AND REVIEW MECHANISM

37. We will put in place an appropriate monitoring mechanism to ensure that applicants of funded projects are accountable for the proper and prudent use of public funds. Successful applicants will be required to sign an agreement prepared by the Government which lays down the terms and conditions of the grant, including those relating to intellectual property rights to ensure suitable dissemination of deliverables from PASS projects.

38. Government funding for approved projects will primarily be released on an instalment basis subject to the fulfilment of project milestones. Where warranted, projects of relatively smaller projects and shorter duration (e.g. those with government funding less than \$300,000 and a duration of less than 18 months), government funding may be released on a lump sum basis upfront.

39. As pointed out in paragraph 33, a VC will be appointed to consider funding applications and monitor approved projects. To facilitate monitoring and evaluation of approved projects, successful applicants will be required to create a separate interest-bearing bank account for the project, keep proper and separate books and records for a certain period of time after project completion, provide audited accounts of the project and submit succinct progress and post-event evaluation reports to the VC.

40. The VC will monitor progress and review the quality of each approved project, assisted by the Secretariat. Site visits by VC members will be conducted as necessary.

41. For transparency, application procedures and assessment criteria of PASS and information on funded projects will be uploaded onto the CEDB website and be made available to the public.

42. We plan to review the cost-effectiveness, funding principles and modus operandi of PASS two years after its commencement. We will report progress to and consult this Panel on proposed adjustments as appropriate.

EXPECTED BENEFITS

Feedback on PSDAS

43. Projects completed under PSDAS were very welcomed by the project participants and the local professional services sector. According to post-project surveys with project participants since 2003, over 93% of participants were satisfied with the completed projects and deliverables.

44. Positive feedback was also received from grantees. Close to 90% of the completed projects reached a target participation level of 70% or above. Grantees generally agreed that their completed projects had contributed to the enhancement of standards or external competitiveness of the professional services concerned. The output of the projects was also widely disseminated throughout the local professional community, through more than 155 000 copies of CD-ROMs, 169 000 copies of publications (e.g. seminar/conference proceedings, study reports, teaching material), 250 websites and 60 dissemination seminars/workshops. Also, project management by the grantees was mostly satisfactory.

45. Satisfactory feedback from the project participants and professional bodies speaks to the practicality of PSDAS in enhancing the standards and external competitiveness of professional services in Hong Kong, which in turn buttress the sector's continuous development.

Expectations for PASS

46. We expect PASS to be similarly welcomed by the professional services sector. Through projects funded under PASS, the relevant professional services are expected to enhance their standards and external competitiveness, and explore and identify new expansion opportunities through exchange, co-operation and publicity events, paving the way for longer term and sustainable business development.

47. We envisage the new PASS may be able to support projects along the following lines –

- (a) outreach and home visit activities, e.g. conferences, roadshows, promotional seminars and visits;
- (b) capacity-building programmes, e.g. workshops and training courses, expert briefings and exchange programmes;
- (c) researches/studies, e.g. researches on the development potential of external markets; development of guidebooks and manuals on new international standards / standards of external markets; and
- (d) others, e.g. establishment of professional networks.

FINANCIAL IMPLICATIONS

48. The setting up of PASS will require a non-recurrent allocation of \$200 million which, on indicative planning, is expected to sustain the operation of the scheme up to around 2021-22. The additional workload and cost of administering the PASS will be absorbed within the existing resources of CEDB.

PUBLIC CONSULTATION

49. We have been reaching out to major professional bodies and other stakeholders, of which many are PSDAS grantees, to exchange views on how best to make use of the new funding of \$200 million. A questionnaire has been sent to all PSDAS grantees to seek their views on the proposed PASS. Views collected as outlined in **Enclosure 3** have been taken into account in devising PASS.

Encl. 3

50. The Working Group on Professional Services of the Economic Development Commission was consulted on the preliminary proposal of PASS on 10 June 2016. Members expressed appreciation of the past PSDAS and welcomed the PASS initiative, including enhancements made to past PSDAS arrangements (including increasing the government funding cap to \$3 million or 90% of project cost, whichever is lower), and arrangements such as allowing the applicant to contribute to the project cost by cash or in kind, and inviting applications four times a year. While noting the need to ensure prudent and accountable use of public money, some Members suggested that the eligibility requirements might be further relaxed to cover profit-making projects (i.e. profits to go back to the applicant) and applicants (namely private firms).

51. We have critically examined the suggestions and consider it more appropriate to reserve government funding under PASS for non-profit making projects and non-profit-distributing applicants principally for the following reasons

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- (a) we welcome projects that could generate income to cover part of the project cost and the more the merrier as government funding may be recouped correspondingly for supporting other worthwhile projects. However, to suggest that income generated may be retained by the grantees' future use outside the project (however benevolent) without offsetting government funding support may be difficult to justify in principle and administer in practice; and

(b) compared to profit-making firms which may be more driven by the firm's own commercial interests, non-profit-distributing organisations such as professional bodies and trade and industry organisations are likely to be more representative of the overall interests of the professional services concerned. Projects organised by these organisations are also likely to engage a larger number of professionals and firms. To maximise benefit of public spend, it would be more appropriate to give in-principle priority to applications from non-profit-distributing organisations.⁸

52. We will closely monitor the operation of PASS after its launch, and consider issues relating to project and applicant eligibility during our review two years after PASS' commencement.

IMPLEMENTATION TIMETABLE

53. Subject to Members' support for the setting up of PASS, we will seek funding approval from the Finance Committee (FC) of the Legislative Council in July 2016. Subject to FC's approval and in view of the necessary preparatory work for the introduction of PASS, such as setting up the VC, refining the assessment criteria, preparing the application and project management guide and arranging publicity, we plan to launch PASS and start inviting applications in the fourth quarter of 2016.

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⁸ If fully justified, the VC may be invited to consider, on a case-by-case and discretionary basis, whether non-profit-making projects proposed by profit-making bodies may be recommended for support under PASS (paragraph 34 above). As always, private firms may also make use of existing funding schemes such as the Dedicated Fund on Branding, Upgrading and Domestic Sales - Enterprise Support Programme and SME Export Marketing Fund to support their specific marketing and outreaching needs as part of their business operations.

Enclosure 1

**Professional Services Advancement Support Scheme
Eligible Professional Services**

World Trade Organization's Classification	United Nation's Definition	Census & Statistics Department's Classification ¹	Professional Services Development Assistance Scheme	Professional Services Advancement Support Scheme
<p><u>(i)Accounting-related services</u></p> <ul style="list-style-type: none"> ● Accounting, auditing and book-keeping services ● Tax services 	<ul style="list-style-type: none"> ■ Legal and accounting activities 	<ul style="list-style-type: none"> ➤ Accounting and auditing services 	<p><u>(i)Accounting-related services</u></p> <ul style="list-style-type: none"> ✓ Accounting, including auditing, book-keeping and tax services 	<p><u>(i)Accounting-related services</u></p> <ul style="list-style-type: none"> ✓ Accounting, auditing, book-keeping and tax services
<p><u>(ii)Legal services</u></p> <ul style="list-style-type: none"> ● Legal services 		<ul style="list-style-type: none"> ➤ Legal services 	<p><u>(ii)Legal services</u></p> <ul style="list-style-type: none"> ✓ Legal services, including arbitration and mediation 	<p><u>(ii)Legal services</u></p> <ul style="list-style-type: none"> ✓ Legal, arbitration and mediation services
<p><u>(iii)Engineering and infrastructure-related services</u></p> <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"> ■ Architectural and engineering activities ■ Technical testing and analysis 	<ul style="list-style-type: none"> ➤ Architecture and engineering activities 	<p><u>(iii) Engineering and infrastructure-related services</u></p> <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 	<p><u>(iii)Building and construction-related services</u></p> <ul style="list-style-type: none"> ✓ Architecture and landscape architectural services ✓ Engineering services ✓ Integrated engineering services ✓ Planning services ✓ Project development and project finance services ✓ Real estate services (including agency services, facilities management and valuation and surveying services) ✓ Surveying services

¹ Census & Statistics Department defines professional services with reference to the Hong Kong Standard Industrial Classification (version 2.0).

World Trade Organization's Classification	United Nation's Definition	Census & Statistics Department's Classification ¹	Professional Services Development Assistance Scheme	Professional Services Advancement Support Scheme
<p><u>(iv)Medical-related services</u></p> <ul style="list-style-type: none"> ● Medical and dental services 			<p><u>(iv)Medical-related services</u></p> <ul style="list-style-type: none"> ✓ Medical and dental (including Chinese medicine) 	<p><u>(iv)Health-related services</u></p> <ul style="list-style-type: none"> ✓ Medical, dental and Chinese medicine services ✓ Services provided by midwives, nurses, physiotherapists and paramedical personnel
<p><u>(v)Others</u></p> <ul style="list-style-type: none"> ● Veterinary services ● Services provided by midwives, nurses, physiotherapists and para-medical personnel 	<ul style="list-style-type: none"> ■ Activities of head offices ■ Management consultancy activities ■ Scientific research and development ■ Advertising and market research ■ Other professional, scientific and technical activities ■ Veterinary activities 	<ul style="list-style-type: none"> ➤ Technical testing and analysis ➤ Management consultancy ➤ Advertising 	<p><u>(v)Others</u></p> <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 (e.g. system integration services); financial consultancy services (e.g. advising on corporate finance), etc.) ✓ Waste management and environmental consultancy services 	<p><u>(v)Others</u></p> <ul style="list-style-type: none"> ✓ Company secretary services ✓ Veterinary services ✓ Design services (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 ✓ Technical testing and analysis services

Proposed Assessment Criteria for Vetting Applications under the Professional Services Advancement Support Scheme (PASS)¹

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

Value of Project

- (A) whether the project has the potential to help increase the exchanges and co-operation of Hong Kong's professional services with their counterparts in external markets (including the Mainland and Belt and Road countries), promote the relevant publicity activities, or enhance the standards and external competitiveness of the sector;
- (B) whether the result of the project is of practical use to the professional services concerned;
- (C) whether the project scope, objectives and long-term impacts are realistic and expressed in clear terms as appropriate in the application;

Cost-effectiveness

- (D) whether the project can benefit a good number of professionals in the professional services concerned or whether the project can benefit the society significantly through the professional services sector;
- (E) whether the cost of the project is broadly commensurate with the expected results;

Project Implementation

- (F) whether the applicant has sufficient project management capabilities, taking into account the applicant's experience, qualifications, track record and the resources available for the project;
- (G) whether the implementation schedule of the proposed project is properly planned, and whether major milestones are set in the project to facilitate future monitoring of progress and achievement of performance targets;
- (H) whether there are clearly stated outcome with specified performance indicators for assessing the attainment of project objectives;
- (I) whether the proposed budget is full, itemised, reasonable and realistic;
- (J) whether the project can be completed in three years. If not, the applicant should demonstrate the project's sustainability upon the cessation of funding support from PASS;

¹ Subject to endorsement by the Vetting Committee.

- (K) whether there is or will be any duplication in terms of work of other institutions or organisations;

Other factors

- (L) whether the project may be delivered by the applicant as part of its normal business activities without the funding support from PASS; and
- (M) in determining the level of funding support for a project, whether beneficiaries of the project can reasonably contribute to the cost of the project.

**Views from
Professional Services Development Assistance Scheme Grantees**

Eligible applicants	<ul style="list-style-type: none"> • Some suggested rephrasing the list of eligible professional services sectors under the previous Professional Services Development Assistance Scheme (PSDAS) to highlight selected sectors such as the building and construction industry as a whole and company secretary. Other suggested extending the new scheme to cover sectors such as education service providers, science services, the cultural sector, tourism and hospitality, sport and recreation management, rehabilitation and aviation-related services. • Most agreed that the new scheme should primarily focus on supporting non-profit making organisations instead of private firms. Some suggested extending the new scheme to cover private firms for parity, or if the projects concerned will advance the interests of the relevant sector as a whole instead of individual companies.¹
Eligible projects	<ul style="list-style-type: none"> • Some suggested relaxing the maximum project period of two years under the previous PSDAS to say up to three to five years for the new scheme. Some suggested no limit should be placed on the project period. • Suggestions for eligible projects included the following – <ul style="list-style-type: none"> ➤ research on external markets, in particular those that are not familiar to Hong Kong professionals; ➤ skills workshops/seminars for improving the international exposure and knowledge of cross-border commercial transactions of young local professionals; ➤ setting up of information sharing platforms on relatively new external markets; ➤ roadshows and mission trips to external markets for goodwill visits, networking and business matching; ➤ exchanges with overseas professionals;

¹ Some suggested that the general requirements for non-profit-distributing bodies under the new scheme should also apply to profit-making firms for parity. Some proposed that more stringent restrictions should apply to private firms.

	<ul style="list-style-type: none">➤ international conferences for showcasing the range of professional services Hong Kong has to offer; and➤ joint projects by related sectors, e.g. those relating to the building and construction industry.
Funding principles	<ul style="list-style-type: none">• As opposed to the dollar-to-dollar matching arrangements under the previous PSDAS, some suggested increasing the level of government funding support to say 60 – 100% of the project cost to benefit smaller-sized applicants and worthy projects.• Some suggested relaxing the limit on government funding support from \$2 million under the previous PSDAS to up to say \$5 million for the new scheme. Some suggested placing no limit on each project (subject to total funds available), or determining the limit based on project nature and scope. Some suggested lowering the limit to \$1 million, so more projects may be funded. Some suggested reviewing the limit annually based on inflation.• Most agreed that both cash and in kind contribution from applicants should be counted towards applicant's contribution to the total project cost.• Most agreed that grant may be released by instalments, and suggested lump sum and upfront release of grant for smaller or shorter projects. Some suggested releasing grant annually.• Most agreed that outbound mission trips organised by the Government, Hong Kong Trade Development Council and professional bodies (as opposed to those by individual professional firms) are considered more official, representative and therefore more useful. In this connection, some suggested that costs for participating in outbound mission trips (i.e. basic travel and accommodation costs) may be supported in justified cases.

<p>Application and project management arrangements</p>	<ul style="list-style-type: none">• As opposed to allowing a maximum of ten projects in 12 consecutive months from each applicant under the previous PSDAS (while urgent projects may be considered when justified), some suggested relaxing the limit to say up to 20 applications in view of their organisations' larger size. On the other hand, some highlighted that restricting applicants to fewer projects to avoid over-commitment and under-delivery would be appropriate.• Some highlighted that the new scheme should have a clear and transparent approval and review process. Some suggested relaxing or omitting the formal audit and validation requirements for smaller projects.• Suggested improvements to the application procedure under the previous PSDAS included the following –<ul style="list-style-type: none">➤ streamlining/expediting the application process and monitoring/reporting requirements as far as possible to encourage applications;➤ providing a list of allowable items to facilitate preparation of applications and budgets;➤ consider pre-screening of applications, such that applicants may have more certainty when preparing the detailed application;➤ allowing more flexibility in project implementation (e.g. allowing flexible budget virement within the overall budget); and➤ adopting different assessment criteria and arrangements for different types of projects.
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Others	<ul style="list-style-type: none">• To improve local network and reduce cost of setting up an all-expatriate office in new markets, firms may be interested in employing students from those new markets who are studying in Hong Kong, who may then head or supervise the local office or staff of Hong Kong firms in their home countries. The Government may consider sponsoring the professional training of such students. Such students may also serve as ambassadors and facilitators for Hong Kong professionals and businesses.• The new scheme should help export Hong Kong's professional services to external markets, as opposed to professionals themselves, to avoid draining local manpower resources.• The Government should consider putting up a list of target new markets to facilitate the private sector in planning for future outreach and expansion efforts.
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