

**Business Facilitation Advisory Committee
Wholesale and Retail Task Force**

***Support Measures for Small and Medium Enterprises
Administered by the Trade and Industry Department***

Purpose

This paper briefs Members on the support measures for small and medium enterprises (SMEs) administered by the Trade and Industry Department (TID).

Background

2. SMEs¹ are an important driving force in Hong Kong's economic development. As at March 2023, there were over 360 000 SMEs in Hong Kong. They constituted over 98% of the territory's business units and accounted for over 44% of private sector employment. The Government attaches great importance in supporting the development of SMEs.

3. TID administers various funding schemes to assist Hong Kong enterprises, in particular SMEs, in exploring markets and enhancing competitiveness. TID also provides free business information and consultation services to SMEs through the Support and Consultation Centre for SMEs (SUCCESS), "4-in-1" Integrated Services of SME centres and "SME ReachOut". Reviews are conducted with enhancement measures launched from time to time in response to the economic situation in order to provide timely support to SMEs.

¹ "SME" is defined as any manufacturing business which employs fewer than 100 persons in Hong Kong; and any non-manufacturing business which employs fewer than 50 persons in Hong Kong.

Funding Schemes under TID

For Enterprises

The Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund)

4. Established in 2012, the BUD Fund provides funding support to non-listed Hong Kong enterprises for assisting their business development in 37 markets² with which Hong Kong has signed Free Trade Agreements and/or Investment Promotion and Protection Agreements through branding, upgrading and restructuring, and promoting sales. As at end June 2023, around 6 200 applications have been approved, involving a total funding amount of around \$3.8 billion and benefitting some 4 400 enterprises.

5. To step up the support to SMEs as Hong Kong resumes full connectivity with the world, an additional \$500 million has been injected into the BUD Fund following the Financial Secretary's announcement in the 2023-24 Budget, thereby increasing the total commitment from \$6 billion to \$6.5 billion. To enable more SMEs to make use of the funding to develop their business, we launched the "Easy BUD" in June 2023 to expedite the application and processing procedures for projects with a smaller funding amount.

6. Under "Easy BUD", the application form and the requirements for supporting documents have been further simplified and the vetting arrangements streamlined. The processing time of "Easy BUD" applications has been halved to within 30 working days³. To ensure the prudent use of public money while

² The 37 economies being covered include the Mainland, New Zealand, the four member states of the European Free Trade Association (comprising Iceland, Liechtenstein, Norway and Switzerland), Chile, Macao, the ten member states of the Association of Southeast Asian Nations (ASEAN) (comprising Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), Georgia, Australia, Japan, Korea, Kuwait, Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Sweden, the United Arab Emirates and the United Kingdom.

³ The performance pledge to complete the processing of an "Easy BUD" application is within 30 working days, as compared to the 60-working day pledge for other BUD Fund applications.

enabling efficient processing, the funding amount per application under “Easy BUD” is capped at \$100,000.

SME Export Marketing Fund (EMF)

7. The EMF provides funding on a matching basis to encourage SMEs to participate in export marketing activities. As at end June 2023, over 280 000 applications have been approved, involving a total funding amount of over \$4.8 billion and benefitting some 56 000 enterprises. With the relaxation of anti-epidemic measures and travel restrictions as well as society’s gradual return to normalcy, in the first half year of 2023, the overall monthly average number of applications received and the monthly average funding amount approved for the EMF have recorded a significant increase of 32% and 61% respectively over the monthly average of the previous year.

8. The Government has implemented the enhancement measures announced in the 2022 Policy Address. The cumulative funding ceiling per enterprise has been raised from \$800,000 to \$1 million. The special measure, which was originally scheduled to be effective for a period of two years and end in April 2023, has been extended to end in June 2026 so as to continue expanding the funding scope to cover exhibitions targeting the “local market” and online exhibitions, as well as relaxing the eligibility criteria to cover non-SMEs. From May 2021 to end June 2023, around 21 000 applications involving exhibitions targeting the local market and online exhibitions under the EMF have been received, among which around 96% of the applications were submitted by SMEs. Among the 21 000 applications, around 15 000 applications have been processed and approved, involving a total funding amount of over \$339 million.

For Organisations

Trade and Industrial Organisation Support Fund (TSF)

9. Apart from funding schemes for enterprises, TID also administers the TSF to provide funding support for non-profit-distributing organisations (such as

trade and industrial organisations, professional bodies or research institutes, etc.) to implement projects which aim at enhancing the competitiveness of non-listed Hong Kong enterprises in general or in specific sectors, including assisting them in developing any markets. The maximum duration of a project is three years and the maximum amount of funding support for each approved project is 90% of the total approved project expenditure, capped at \$5 million. As at end June 2023, 477 applications have been approved, involving a total funding amount of around \$830 million and benefitting around 190 organisations.

Other Support Services

SUCCESS and “4-in-1” Integrated Services of SME Centres

10. TID, in collaboration with various trade and industrial organisations, professional bodies and other government departments, provides SMEs with practical business information and consultation services through the “Support and Consultation Centre for SMEs” (SUCCESS), free of charge. SUCCESS provides information on government licences, permits, certificates and approvals relevant to business operations in Hong Kong through Business Licence Information Service, information on SME-related activities, services and facilities through the internet and enquiry services, and organises seminars and workshops to disseminate useful business information. SMEs can also obtain professional and expert advice through SUCCESS’s “Meet-the-Advisors” Business Advisory Service.

11. To enhance SMEs’ understanding of the Government’s various support measures with a view to facilitating better utilisation of various funding schemes, the Government has since October 2019 consolidated the services of four SME centres, namely SUCCESS, the “SME Centre” under Hong Kong Trade Development Council, the “SME One” under Hong Kong Productivity Council (HKPC) and the “TecONE” under Hong Kong Science and Technology Parks Corporation, to provide one-stop “4-in-1” integrated services, so that SMEs can obtain business information, consultation and referral services in any one of the aforementioned centres. The four SME centres co-organise “4-in-1” seminar

series regularly. Theme of this seminar series in the first half of 2023 is “Business Upgrading and Transformation”, with an aim to assisting enterprises in achieving business upgrade and transformation. From October 2019 to end June 2023, the four SME centres have handled over 175 000 enquiries. Besides, the “SME Link”, a one-stop web portal, commenced operation in June 2022 to further enhance the integrated services whereby SMEs could access practical information, including information on various government funding schemes and SME support services, from a single online platform.

“SME ReachOut”

12. Operated by HKPC under the support of the Government, “SME ReachOut” has been in operation since January 2020 to assist SMEs in identifying suitable funding schemes and addressing questions related to applications. From January 2020 to end June 2023, it has handled over 16 900 enquiries via telephone, emails or face-to-face/online meetings, and has conducted or participated in over 220 activities through different means such as seminars/webinars and visits to chambers and commercial/industrial buildings to promote Government funding schemes.

13. It was announced in the 2023-24 Budget that \$100 million be allocated to enhance the services of “SME ReachOut” in the next five years. Starting from October 2023, the Government will allocate funding to HKPC to gradually step up the services of “SME ReachOut”, including arranging visits to more chambers of commerce, commercial and industrial buildings and co-working spaces, and increasing the publicity in social media so as to step up the promotion of Government funding schemes. At the same time, more one-on-one consultation sessions will be provided to assist SMEs in applying for government funding and building their capacities, and enhancing their competitiveness through leveraging new technologies.

Advice Sought

14. Members are invited to note the content of the paper.

Trade and Industry Department

July 2023