

Head 181 — TRADE AND INDUSTRY DEPARTMENT

Controlling officer: the Director-General of Trade and Industry will account for expenditure under this Head.

Estimate 2003–04	\$755.1m
Establishment ceiling 2003–04 (notional annual mid-point salary value) representing an estimated 715 non-directorate posts as at 31 March 2003 rising by seven posts to 722 posts as at 31 March 2004.....	\$214.2m
In addition there will be an estimated 11 directorate posts as at 31 March 2003 and as at 31 March 2004.	
Capital Account commitment balance	\$7,328.3m

Controlling Officer's Report

Programmes

Programme (1) Commercial Relations	These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce, Industry and Technology).
Programme (2) Trade Support and Facilitation	
Programme (3) Support for Small and Medium Enterprises and Industries	

Detail

Programme (1): Commercial Relations

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	79.1	79.2 (+0.1%)	73.2 (-7.6%)	74.4 (+1.6%)

Aim

2 The aim is to secure and preserve maximum access and fair treatment for exports from Hong Kong to international markets.

Brief Description

3 The department, through its Multilateral Division, Regional Cooperation Division and respective geographical Divisions, is responsible for the commercial relations of Hong Kong. It seeks to protect Hong Kong's rights and trade interests by monitoring and responding to trade policies and measures of trading partners through multilateral and bilateral negotiations and other channels. It also promotes Hong Kong's status as a separate customs territory and a model for international free trade by actively participating in multilateral and regional trade fora. To this end, Hong Kong relies on the multilateral trading system under the auspices of the World Trade Organisation (WTO) as the cornerstone of its commercial policy.

4 The department has helped achieve significant results on the commercial relations side. Hong Kong is a founding member of the WTO. This separate membership continues after 1 July 1997 under the name "Hong Kong, China". It was ranked the 10th largest trading economy in the world in 2001 by the WTO. It came first in the 2003 Index of Economic Freedom published by the Heritage Foundation of the United States (US) in November 2002. Within the region, the department continues to expand its links and participates actively in the Asia-Pacific Economic Cooperation (APEC) forum whose member economies account for some 80% of Hong Kong's total external trade. Looking forward, the department will continue to advance and safeguard Hong Kong's trade interests and rights.

5 The key performance measures are:

Indicators

- provide early warning on import restrictions and regulations by importing economies;
- promptly disseminate information to traders where appropriate;
- make timely representations as appropriate to safeguard Hong Kong's trade interests;
- participate in and contribute to discussions on international economic and trade fora;
- secure and preserve market access for both goods and services; and

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- uphold the integrity of the multilateral trading system.
- 6 In 2002, the department's key activities included the following:
- active participation in WTO bodies to monitor and evaluate the implementation of the Uruguay Round agreements, as well as the work programmes adopted at the first WTO Ministerial Conference held in Singapore in December 1996. This included the work programme on harmonising rules of origin and review of the implementation of the Agreement on Textiles and Clothing; as well as the discussions on trade and investment, trade and competition policy, trade facilitation and transparency in government procurement;
 - close monitoring of implementation of China's WTO accession commitments and keeping the business community informed of changes in the Mainland's trade/business/investment laws and regulations through various channels, including issue of circulars, dissemination of information on departmental web portal, and organisation of a series of seminars;
 - close monitoring of negotiations for accession to the WTO by important trading partners;
 - active and constructive participation in the new round of multilateral trade negotiations and work programme mandated by the Doha Ministerial Declaration, including submission of proposals and papers to facilitate WTO Members' deliberation on key negotiating areas such as services, non-agricultural market access, trade facilitation, etc.;
 - active and constructive participation in the WTO negotiations on services which have entered the stage of discussing initial requests for specific commitments and preparation of initial offers;
 - active participation in various APEC fora, including the Economic Leaders Meeting, Ministerial Meetings and Senior Officials Meetings, and serving as the Vice-Chair of the Committee on Trade and Investment. The department was actively involved in the discussion on APEC's support for the multilateral trading system, in particular the negotiations under the Doha Development Agenda and the development of the APEC Trade Facilitation Action Plan. The department played an important role in formulating initiatives for achieving APEC's goal of free and open trade and investment. In addition, the department participated constructively in APEC's work concerning economic and technical cooperation, support for small and medium enterprises (SMEs), electronic commerce, counter-terrorism, financial cooperation, and implementation of the APEC Shanghai Accord and the e-APEC Strategy;
 - active participation in various activities of the Pacific Economic Cooperation Council (PECC);
 - assisting the Organisation for Economic Cooperation and Development (OECD) in hosting a Global Forum on Trade in Hong Kong on 19-20 June 2002. The event, which brought together some 80 participants from OECD and non-OECD countries, was part of the OECD's ongoing dialogue with non-member economies on trade issues, and focused on the multilateral, regional and capacity building aspects of trade and competition, trade and investment, transparency in government procurement and trade facilitation;
 - commencement of negotiations for an investment promotion and protection agreement with Finland;
 - consultation with the Mainland on a Closer Economic Partnership Arrangement (CEPA). The consultation covered three broad areas, namely trade in goods, trade in services, and trade and investment facilitation;
 - negotiation with New Zealand on a Closer Economic Partnership (CEP) Agreement. The negotiation encompassed a wide-ranging scope with emphasis on trade and investment liberalisation and facilitation;
 - working on the continuation of tariff preferences for Hong Kong's exports to Canada and Norway under their respective Generalised Systems of Preferences Scheme;
 - advising local companies on importing economies' anti-dumping legislation and procedures, and making representations against any unfair and unjustifiable allegations and practices in anti-dumping cases;
 - close monitoring of, and advising the trade on, changes in the origin rules and other import regulations of our trading partners;
 - cooperating with trading partners in a manner consistent with our domestic law to enhance the effectiveness in combating illegal textiles transshipment;
 - close monitoring of developments in the new textiles trade regime in overseas markets after 2004 upon elimination of textiles quotas;
 - close monitoring of and liaison with relevant authorities of restrained markets regarding the second major review on the implementation of the WTO Agreement on Textiles and Clothing, the report of which was adopted by the WTO Council for Trade in Goods in July 2002; and
 - enhanced liaison with relevant Mainland authorities to discuss bilateral trade issues, and to reflect the views of Hong Kong traders regarding the trading environment in the Mainland.

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Matters Requiring Special Attention in 2003–04

7 The department will continue to monitor the implications of the various WTO agreements for Hong Kong as well as the implementation of these agreements by trading partners, particularly the Agreement on Rules of Origin and the Agreement on Textiles and Clothing.

8 The department will participate actively in the WTO work programme, the new round of multilateral trade negotiations launched at Doha Ministerial Conference in November 2001, and the preparation for the Fifth WTO Ministerial Conference in Cancun to be held in September 2003. It will also build alliance with like-minded WTO members in seeking to advance Hong Kong's interests, particularly in the areas of non-agricultural market access and services. The department will organise conferences to deepen the local community's understanding of global trade issues.

9 The department will continue to participate actively and constructively in the WTO negotiations on services, and consult the trade in formulating Hong Kong's negotiating objectives.

10 The department will continue to monitor, and inform the trade of, further progress of China's implementation of market liberalisation commitments made for WTO accession and implications arising therefrom in the contexts of both our bilateral commercial relationship with the Mainland and participation in multilateral fora.

11 The department will continue to contribute to multilateral and regional efforts in trade liberalisation and rule-making such as reforms of anti-competitive governmental restraints (e.g. anti-dumping), regional trade agreements, trade facilitation, rules of origin and government procurement.

12 The department will continue to monitor closely and participate actively in discussions on issues mandated by the Doha Work Programme including electronic commerce, trade and environment, trade and competition policy, trade and investment, trade-related aspects of intellectual property rights and public health to safeguard Hong Kong's trade and economic interests and to uphold the integrity of the multilateral trading system.

13 The department will continue its active participation in APEC and PECC. It will work closely with other APEC members in areas such as APEC's contribution to the WTO, implementation of the APEC Trade Facilitation Principles and capacity building through economic and technical cooperation.

14 The department will continue to contribute to Hong Kong's participation, as an observer of the Trade Committee of the OECD, in the meetings of the Trade Committee, its Working Party and its joint groups/sessions, given that OECD is an important forum for the formulation of trade policy initiatives of developed countries.

15 The department will continue to pursue consultation on CEPA and CEP with the Mainland and New Zealand respectively with a view to bringing them to an early and successful conclusion.

16 The department will continue its efforts in:

- monitoring the developments of regional economic integration and assessing their impact on Hong Kong, and exploring with interested trading partners possible means of enhancing economic cooperation;
- defending Hong Kong's trade interests against any potential discriminatory import measures imposed by the restrained markets on Hong Kong's textiles and clothing exports;
- strengthening Hong Kong's trading ties with the Mainland through enhanced communication with the trade authorities at the central government and provincial levels;
- supporting activities to be conducted by the Mainland and HKSAR Joint Commission on Commerce and Trade;
- defending Hong Kong's interests against anti-dumping actions through bilateral and multilateral means and giving advice to local industries;
- monitoring any changes in major trading partners' origin rules and reviewing domestic origin rules in consultation with local industries;
- monitoring the developments in the new textiles trade regime in overseas markets after 2004 when quota restraints on textiles and clothing products will be eliminated under the WTO;
- monitoring any changes in major trading partners' trade laws and regulations and promptly providing information to traders as appropriate; and
- monitoring the progress of accession to the European Union (EU) by certain European countries (including Cyprus, Hungary, Poland, Estonia, the Czech Republic, Slovenia, Latvia, Lithuania, Malta and Slovakia) and related institutional reforms to ensure that Hong Kong's trade interests and market access to the enlarged EU will not be adversely affected.

Programme (2): Trade Support and Facilitation

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	187.2	197.0 (+5.2%)	187.9 (-4.6%)	197.1 (+4.9%)

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Aim

17 The aim is to:

- fulfil Hong Kong's obligations under international, multilateral and bilateral trade agreements and optimise the benefits to Hong Kong flowing from such agreements;
- provide certification and licensing services in order to facilitate trade and supplement controls imposed for reasons other than trade; and
- enhance Hong Kong's role as a regional trading and distribution centre.

Brief Description

18 The Systems Division, the Strategic Trade Controls Branch of the Americas Division, and the Computers and General Licensing Branch of the Asia Division provide various licensing facilities and certification services, including by electronic means, for different commodities such as textiles and clothing, strategic commodities, rough diamonds and reserved commodities so as to fulfil Hong Kong's international and bilateral obligations as well as to meet other requirements of public health, safety and security.

19 Following the introduction of full Electronic Data Interchange (EDI) service for sending Restrained Textiles Export Licence applications as from January 1999, Production Notification as from February 2000 and Certificate of Origin applications as from September 2000, EDI service for sending manifests is scheduled to be launched in 2003. The launch of EDI service for sending manifest has been postponed from 2002 to 2003 as it has taken more time than expected to resolve industry's concerns about service charges and some operational issues.

20 The department met its performance targets in 2002. The department is fully committed to maintaining high-quality and efficient services while adapting to changes in the trading environment.

21 The key performance measures are:

Targets

	Target Working Days or as Specified	2001 (Actual)	2002 (Actual)	2003 (Plan)
textiles import licence#.....	2	2	2	1
textiles re-export licence#.....	2	2	2	1
textiles export licence to all restrained markets (except those for samples and personal effects) (Note 1) (Note 2).....	2	2	2	2
textiles export licence to all non-restrained markets (except those for samples and personal effects) (Note 2)#	2	2	2	1
textiles export licence for samples and personal effects to all markets (Note 3)..	25 mins	25 mins	25 mins	25 mins
special export licence (textiles) Form 8a under the Special Export and Import Licensing (Textiles) Scheme	1	1	1	1
special import/export licence (textiles) Forms 8b, 8c, 8d and 8e under the Special Export and Import Licensing (Textiles) Scheme (Note 4)	30 mins	30 mins	30 mins	30 mins
amendment and cancellation of textiles licence for import, re-export and export to non-restrained markets				
amendment@	30 mins	1	30 mins	30 mins
cancellation.....	15 mins	15 mins	15 mins	15 mins
amendment and cancellation of other				
textiles licence (Note 1).....	2	2	2	2
expeditious issue of textiles licence	24 hrs	24 hrs	24 hrs	24 hrs
transfer of quota (Note 5).....	5	5	5	5
enquiry on quota balance#	3	3	3	2
certificate of registration for Textiles				
Trader Registration (Note 6)	3	3	3	3
amendment of textiles notification under the Textiles Trader Registration Scheme	1	1	1	1
textiles controls registration.....	25 mins	25 mins	25 mins	25 mins
registration of local appointed agent.....	1	3	1	1

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	Target Working Days or as Specified	2001 (Actual)	2002 (Actual)	2003 (Plan)
replacement licence for import customs clearance.....	1	1	1	1
enquiry on classification of textiles products				
restrained markets (<i>Note 7</i>).....	5	5	5	5
non-restrained markets.....	30 mins	30 mins	30 mins	30 mins
certificate of origin and certificate of origin-processing.....	1.5	1.5	1.5	1.5
certificate of origin (Form A).....	2	2	2	2
expeditious issue of certificate of origin/ Form A.....	24 hrs	24 hrs	24 hrs	24 hrs
production notification for cut and sewn garments.....	1.5	1.5	1.5	1.5
production notification for cut and sewn garments : classification enquiry				
simple enquiry.....	1	N.A.§	N.A.§	1
complicated enquiry.....	4	N.A.§	N.A.§	4
enquiry on production notification: permissible limits for component parts				
simple enquiry.....	1	1	1	1
complicated enquiry.....	4	4	4	4
application for factory registration.....	14	14	14	14
amendment of factory registration particulars				
if factory inspection is necessary	14	14	14	14
if factory inspection is not necessary	5	N.A.‡	5	5
local sub-contracting arrangement registration	1	1	1	1
outward processing arrangement registration	3	3	3	3
enquiry on outward processing arrangement: manufacturing processes allowed to be subcontracted outside Hong Kong				
simple enquiry.....	1	1	1	1
complicated enquiry.....	4	4	4	4
import and export licence for reserved commodities	1	1	1	1
import and export licence for ozone depleting substances.....	2	2	2	2
import and export licence for strategic commodities	2.5	2.5	2.5	2.5
import licence for radioactive substances and irradiating apparatus	1	1	1	1
certified true copy.....	1	1	1	1
registration for Transshipment Cargo Exemption Scheme@	14	1 month	14	14
other written enquiries	10	10	10	10

Note 1: EDI licence for restrained market will be made available, on a best endeavour basis, at 3:30 p.m. of the day preceding the pledged issuing day.

Note 2: To reflect the target processing time more precisely, the performance measure specifies the destination of the textile export licence, i.e. restrained markets and non-restrained markets.

Note 3: 90% of the applications can be handled in 20 minutes.

Note 4: 90% of the applications can be handled in 25 minutes.

Note 5: 80% of the applications can be handled in 4 days.

Note 6: 70% of the applications can be handled in 2 days starting from 2003.

Note 7: 50% of the enquiries can be handled in 4 days.

Pledge with processing time shortened in 2003.

@ Pledge with processing time shortened in 2002.

§ Not applicable since these targets were introduced in early 2003.

‡ Not applicable since the target was introduced in early 2002.

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Indicators

	2001 (Actual)	2002 (Actual)	2003 (Estimate)
<i>Licence issued</i>			
textiles export licence (restrained).....	479 625	450 304	432 652
textiles export licence (non-restrained)	340 456	329 911	319 321
textiles import licence	34 631	37 839	41 344
exports notification I	791 780	730 360	673 704
exports notification II	3 297 680	3 445 620	3 600 197
exports notification III.....	185 960	173 480	161 838
exports notification IV.....	155 800	150 780	145 922
import notification.....	2 994 560	2 918 680	2 844 723
transshipment notification.....	393 440	381 380	369 690
textiles trader registration.....	20 693	20 367	19 112
textiles controls registration (<i>Note 8</i>)	6 163	5 465	4 372
certificate of origin and certificate of origin processing	2 425	2 279	2 280
certificate of origin (Form A) (<i>Note 9</i>).....	39	4	4
factory registration	3 302	2 733	2 700
outward processing arrangement registration	1 214	960	960
local sub-contracting arrangement registration.....	573	480	450
production notification for cut and sewn garments.....	263 417	220 242	220 240
statutory declarations of antique.....	44	27	27
reserved commodities licence.....	4 983	5 484	6 035
registration of reserved commodity stockholder.....	55	52	79
ozone depleting substances licence	551	516	483
strategic commodities licence.....	38 565	43 061	43 061
delivery verification certificate.....	38	31	31
international import certificate	25	24	24
other non-textiles licence (<i>Note 10</i>).....	57 384	45 118	3 571
Kimberley Process Certificate (<i>Note 11</i>).....	N.A.	N.A.	6 400
registration of rough diamond traders (<i>Note 11</i>)	N.A.	N.A.	188
<i>Textiles export quota utilisation (%)†</i>			
US.....	80.6	76.5	76.5
Canada.....	45.5	33.5	33.5
EU (<i>Note 12</i>).....	50.2	60.5	60.5

Note 8: Textiles controls registration (TCR) is not a new service. In tandem with two other textiles-related registrations, i.e. textiles trader registration and factory registration, TCR is included as one of the indicators starting from 2003.

Note 9: The decrease in certificate of origin (Form A) issued by the department is due to the overall decline in the number of applications over the years amidst the trend of Government Approved Certification Organisations' increasing market share in issuing certificate of origin (Form A).

Note 10: The decrease in other non-textiles licence is due to the transferral of the licensing duties for pharmaceutical products and medicines to the Department of Health since 16 September 2002.

Note 11: The department has implemented the Kimberley Process Certification Scheme for rough diamonds as from 2 January 2003.

Note 12: While the EU quota utilisation rate for 2001 covers 29 categories, that for 2002 and the estimate for 2003 only cover 20 categories as nine categories were de-restrained under the EU's Stage 3 integration programme starting from 1 January 2002.

† Quota utilisation for a particular year may be subject to minor adjustments in the first three months of the following year. The 2001 figures have been revised to reflect the changes, while the 2002 figures are best estimates based on the information on hand.

22 In 2002, the department continued to vigilantly maintain the integrity of the Textiles Export Control System (TECS). Revised quota allocation rules and enhanced administrative actions have been introduced since 1998 to impose greater deterrence against textiles origin malpractice, along with rigorous enforcement actions by the Customs and Excise Department.

23 Rice trade has been liberalised as from 1 January 2003. Import quota was removed. Any interested parties can register as rice stockholders to import rice for local consumption. Registered stockholders are required to maintain at all times a reserve stock which has been reduced by phases from a total of 40 000 tonnes in January 1998 to 13 500 tonnes as from January 2002.

24 To safeguard the interests of traders in rough diamonds in Hong Kong, the department has implemented the Kimberley Process Certification Scheme for rough diamonds as from 2 January 2003. The Kimberley Process Certification Scheme is an international certification scheme which aims at stopping trade in "conflict diamonds" from fuelling armed conflicts, activities of rebel movements and illicit proliferation of armament.

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Matters Requiring Special Attention in 2003–04

25 The department will continue its efforts to safeguard the integrity and credibility of Hong Kong's TECS by maintaining close cooperation with the Customs and Excise Department to implement an integrated and targeted approach of inspections and investigations, reviewing constantly the TECS especially its effectiveness in deterring textiles-related malpractices, and applying legal and administrative actions promptly against companies that are in breach of any of the provisions of the TECS.

26 The department will closely monitor the implementation of the WTO Agreement on Textiles and Clothing and make necessary adjustments to the TECS to ensure that our textiles and clothing exports can enjoy continued access to the world markets.

27 The department will continue to review textiles licensing and certification procedures and requirements with a view to removing unnecessary formalities and introducing further electronic delivery services.

28 To improve Hong Kong's competitiveness and to facilitate development of high technology economic activities, the department is committed to ensuring Hong Kong's access to high technology goods by maintaining a credible strategic commodity control system and continuing to improve the efficiency of our licensing services. For better facilitation to the trade, the department is working towards launching, by the end of 2003, a system to cater for electronic submission of strategic commodities licence applications.

29 The department will maintain a minimum control on rice to ensure a stable supply and to keep a reserve stock sufficient for the population's consumption for a period in the event of emergencies or any short term shortage of supply.

30 The department will continue to monitor the implementation of the Kimberley Process Certification Scheme closely.

Programme (3): Support for Small and Medium Enterprises and Industries

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	33.1	764.7 (+2 210.3%)	219.6 (–71.3%)	483.6 (+120.2%)

Aim

31 The aim is to support and facilitate the development of Hong Kong's SMEs and industries.

Brief Description

32 The Industrial Support Division develops policy initiatives and implements programmes of services to enhance the competitiveness of SMEs and their long term development. The Division provides information and advisory services for SMEs through its Support and Consultation Centre for SMEs (SUCCESS). It administers four SME funding schemes. It also provides secretariat support to the Small and Medium Enterprises Committee (SMEC), an appointed body to advise the Chief Executive (CE) on issues affecting the development of SMEs in Hong Kong and suggest measures to support and facilitate their development and growth. On the regional front, the Division participates in the SME-related activities of APEC.

33 In support of the development of Hong Kong's industries, the Division maintains liaison with local industries and trade and industrial organisations, collects information on Hong Kong's industrial development, and disseminates information relating to local industries to the public. It also participates in the formulation and implementation of policies by other government bureaux and departments which impinge on industrial development in Hong Kong. It sits on the governing bodies of various support organisations whose work has an impact on industrial development. These organisations include the Hong Kong Productivity Council and the Vocational Training Council. To promote the pursuit of excellence, it organises the annual Hong Kong Awards for Industry: Quality, and provides steer on how the Hong Kong Awards for Industry (HKAI) and Hong Kong Awards for Services (HKAS) should be run.

34 In June 2001, the SMEC submitted a report on the means to enhance further development of SMEs to the CE. The recommendations in the report were accepted by the CE for implementation in the 2001 Policy Address. The recommendations are being implemented. These include setting up four funding schemes in December 2001/January 2002 with a total government commitment of \$7.5 billion to help SMEs raise capital for purchasing business installations and equipment, expand markets outside Hong Kong, provide training to employers and employees, and enhance overall competitiveness. As at end of December 2002, the four funding schemes (i.e. the SME Business Installations and Equipment Loan Guarantee Scheme, the SME Export Marketing Fund, the SME Training Fund and the SME Development Fund) have benefitted about 10 800 SMEs, involving an amount of government guarantee/grant of over \$1.2 billion.

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35 The SMEC conducted a comprehensive review of the four funding schemes and submitted a report with recommendations on how to further improve the schemes to the CE in December 2002. Major recommendations include extending government's guarantee to cover working capital loans and accounts receivable loans, raising the maximum amount of government's guarantee/grant for individual SMEs, and extending the loan guarantee period, etc. These recommendations have been accepted by the government in full, and have been approved by the Finance Committee.

36 Following the recommendations of the Roundtable on SME Financing, which was set up by the SMEC, the department published in December 2002 an "Information Checklist for Unsecured Loan Application" in consultation with the Hong Kong Association of Banks and the DTC Association.

37 Through partnership with various government departments, licensing authorities, trade and industry associations, support organisations and professional bodies, SUCCESS provides SMEs with a comprehensive range of information, advice and facilities under one roof. One of the centre's most popular services is the free "Meet-the-Advisors" Business Advisory Service for SMEs or business starters to seek advice on aspects relating to starting, running and expanding businesses. Other facilities in SUCCESS include a reference library and computer workstations which provide free access to the internet and electronic databases. SUCCESS also organises seminars and workshops. In November 2002, the Division launched the inaugural issue of an SME Newsletter, the "Pulse".

38 Following positive feedback on a pilot scheme, the department launched a Mentorship Programme for SMEs in May 2002. The Programme is jointly organised by the department and 25 trade and industrial organisations. It aims to help SME proprietors develop entrepreneurship and leadership skills by offering them an opportunity to learn from and be guided by accomplished businessmen through one-on-one free counselling during a 9-month mentorship period. Over 200 SME entrepreneurs participated in the 2002/03 Programme.

39 The Division also participated in the fourteenth and fifteenth meetings of APEC SME Working Group, the ninth meeting of APEC SME Ministers and various seminars/fora organised by other APEC economies.

40 The key performance measures are:

Targets

	Target Percentage	2001 (Actual)	2002 (Actual)	2003 (Plan)
<i>SUCCESS (Note 13)</i>				
confirmation of joint consultation meeting with applicants of Business Advisory Service within 10 working days (%)	100	96.3	98.7	100
replies to simple enquiries on business licence requirements within 1 working day (%)	100	100	100	100
replies to complicated enquiries on business licence requirements within 3 working days (%)	100	100	99.8	100
replies to simple enquiries on SME support services and facilities within 1 working day (%)	100	100	100	100
replies to complicated enquiries on SME support services and facilities within 3 working days (%)	100	100	99.9	100
<i>SME Loan Guarantee Scheme (previously known as SME Business Installations and Equipment Loan Guarantee Scheme) (Note 14)</i>				
processing applications for guarantee within 3 working days (after receipt of applications from participating lending institutions) (%)	100	N.A.	99.8	100
<i>SME Development Fund (Note 14)</i>				
processing applications for grant within 50 working days (revised to 70 working days with effect from January 2003) (after closing date for submission of applications) (%) (Note 15)	100	N.A.	100	100

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	Target Percentage	2001 (Actual)	2002 (Actual)	2003 (Plan)
<i>SME Export Marketing Fund (Note 14)</i>				
processing applications for grant within 7 working days (%)	100	100	100	100
reimbursement of grant within 30 working days (%)	100	100	100	100
<i>SME Training Fund (Note 16)</i>				
processing applications for grant within 12 working days (%)	100	N.A.	98.5	100
reimbursement of grant within 30 working days (%)	100	N.A.	90.3	100

Indicators

	2001 (Actual)	2002 (Actual)	2003 (Estimate)
<i>SUCCESS (Note 13)</i>			
no. of enquiries	8 846	11 163	12 000
no. of visitors to the physical and virtual centres.....	124 005	217 739	220 000
no. of visitors to the web site of Business Licence Information Service	143 903	116 323	120 000
<i>SME Loan Guarantee Scheme (previously known as SME Business Installations and Equipment Loan Guarantee Scheme) (Note 14)</i>			
amount of government guarantees issued (\$m)	N.A.	1,108	3,400
<i>SME Export Marketing Fund (Note 14)</i>			
no. of applications received and processed	80	3 612	4 800
<i>SME Development Fund (Note 14)</i>			
no. of applications received and processed	N.A.	399	300
<i>SME Training Fund (Note 16)</i>			
no. of applications received and processed	N.A.	11 201	18 000
SME seminars	8	8	9
publications to disseminate information relating to local industries and SMEs	5	4	2
processing recommendations of Techno-Economic and Market Research Studies (TESs) (cumulative)			
1998/99 TES on electronics industry (%)	10	100	N.A. †
1999/2000 TES on plastics industry (%)	30	100	N.A. †
1999/2000 TES on textiles, clothing and footwear industries (%)	30	100	N.A. †

Note 13: SUCCESS was called the SME Information Centre before November 2001.

Note 14: The scheme was launched in December 2001.

Note 15: The processing time refers to the time taken by the Secretariat of the SME Development Fund to conduct initial assessments on applications and submit recommendations to the Vetting Committee for decision. The performance pledge was revised from 50 working days to 70 working days in January 2003 because it is envisaged that more time is required by the Secretariat in assessing projects, in particular those which are more complicated in nature.

Note 16: The scheme was launched in January 2002. Pledges were introduced in 2002.

† The processing of the recommendations of TESs was completed in 2002.

Matters Requiring Special Attention in 2003–04

41 During 2003–04, the department will:

- continue to implement the four funding schemes for SMEs, including introducing various improvement measures as recommended by the SMEC in the review report to the CE;
- continue to work closely with the SMEC to facilitate the development of Hong Kong's SMEs;
- continue to develop and strengthen the services of the SUCCESS and the Virtual SME Information Centre on the internet;
- continue to run the Mentorship Programme for SMEs;
- issue the SME Newsletter on a half-yearly basis;
- continue to monitor Hong Kong's industrial development and maintain liaison with industries and related organisations;

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- continue to organise the HKAI: Quality and provide steer on how to run the HKAI and HKAS; and
- continue to participate in the APEC SME Working Group meetings, Ministerial Meeting and seminars/fora organised by other APEC economies.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2001-02 (Actual) (\$m)	2002-03 (Approved) (\$m)	2002-03 (Revised) (\$m)	2003-04 (Estimate) (\$m)
(1) Commercial Relations.....	79.1	79.2	73.2	74.4
(2) Trade Support and Facilitation	187.2	197.0	187.9	197.1
(3) Support for Small and Medium Enterprises and Industries	33.1	764.7	219.6	483.6
	299.4	1,040.9 (+247.7%)	480.7 (-53.8%)	755.1 (+57.1%)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2003-04 is \$1.2 million (1.6%) higher than the revised estimate for 2002-03. This is mainly due to increased requirement for overseas trade negotiation visits and increased cashflow requirement for consultancy services, partly offset by reduced operating expenses through efficiency savings.

Programme (2)

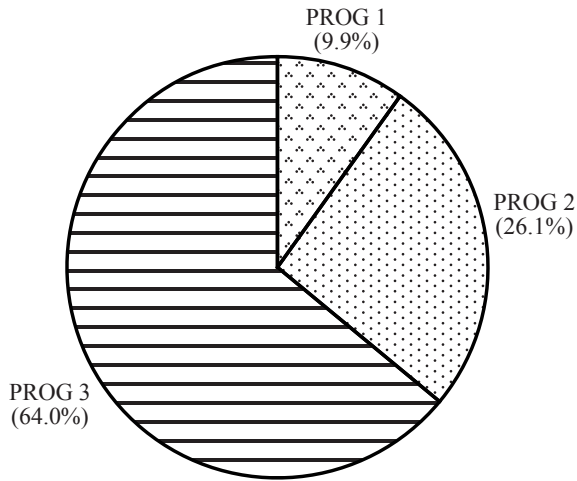
Provision for 2003-04 is \$9.2 million (4.9%) higher than the revised estimate for 2002-03. This is mainly due to transfer of nine posts and related resources from the Information Technology Services Department to strengthen information technology management capability, and the full-year provision of vacant posts filled in 2002-03, partly offset by the full-year effect of civil service pay cut in 2002, and transfer of two posts to Department of Health as a result of the transfer of licensing duties for pharmaceutical products and medicine.

Programme (3)

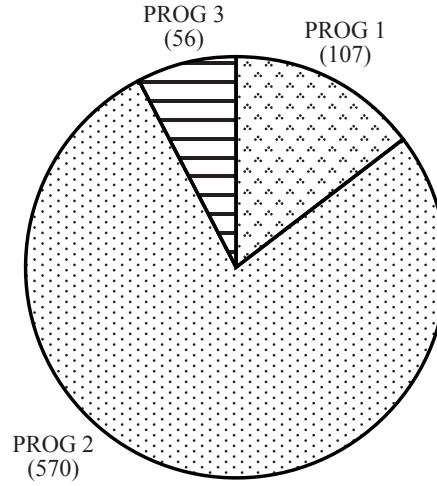
Provision for 2003-04 is \$264.0 million (120.2%) higher than the revised estimate for 2002-03. This is mainly due to increased cashflow requirement for the four SME funding schemes.

Head 181 — TRADE AND INDUSTRY DEPARTMENT

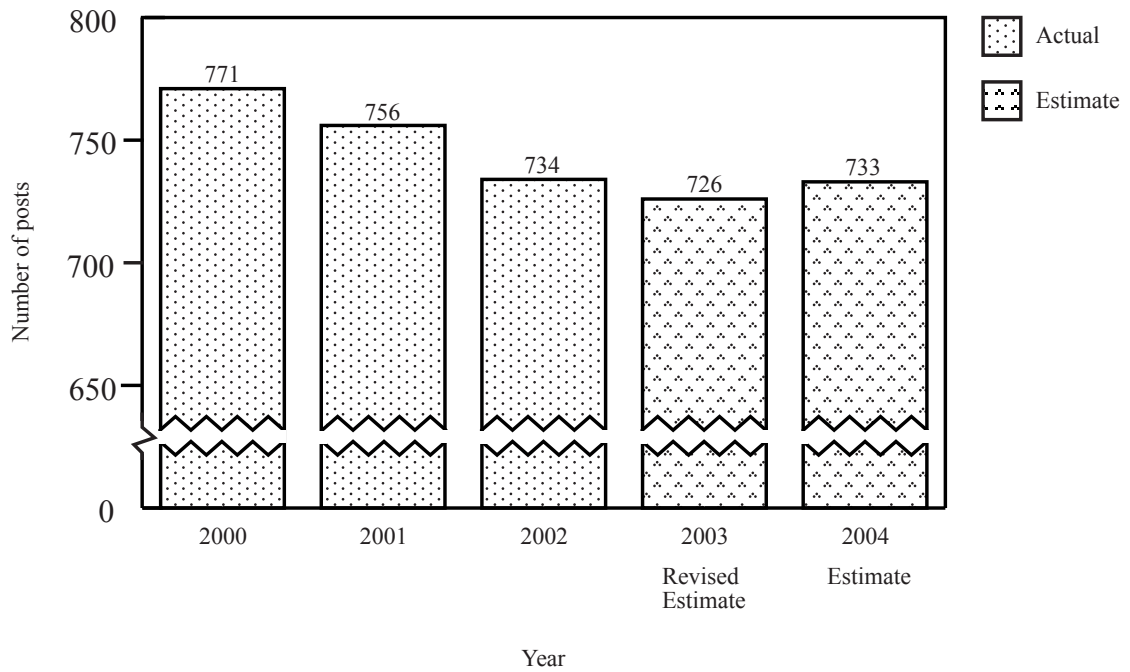
Allocation of provision to programmes (2003-04)



Staff by programme (as at 31 March 2004)



Changes in the size of the establishment (as at 31 March)



Head 181 — TRADE AND INDUSTRY DEPARTMENT

Sub-head (Code)	Actual expenditure 2001-02	Approved estimate 2002-03	Revised estimate 2002-03	Estimate 2003-04
	\$'000	\$'000	\$'000	\$'000
Recurrent Account				
000	Operational expenses.....	—	—	309,591
	Salaries	245,603	254,217	—
	Allowances	8,190	8,648	—
	Job-related allowances	54	70	—
	General departmental expenses	35,600	49,661	—
	Trade negotiations and associated activities.....	2,166	2,200	—
	Total, Recurrent Account	291,613	314,796	309,591
Capital Account				
I — Plant, Equipment and Works				
603	Plant, vehicles and equipment	2,215	1,843	500
	Total, Plant, Equipment and Works	2,215	1,843	500
II — Other Non-Recurrent				
700	General other non-recurrent	5,551	724,245	445,046
	Total, Other Non-Recurrent	5,551	724,245	445,046
	Total, Capital Account	7,766	726,088	445,546
	Total Expenditure.....	299,379	1,040,884	755,137

Head 181 — TRADE AND INDUSTRY DEPARTMENT

Details of Expenditure by Subhead

The estimate of the amount required in 2003–04 for the salaries and expenses of the Trade and Industry Department is \$755,137,000. This represents an increase of \$274,452,000 over the revised estimate for 2002–03 and of \$455,758,000 over actual expenditure in 2001–02.

Recurrent Account

2 Provision of \$309,591,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the Trade and Industry Department and its other operating expenses.

3 The establishment as at 31 March 2003 will be 726 permanent posts. It is expected that there will be a net creation of seven posts in 2003–04. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2003–04, but the notional annual mid-point salary value of all such posts must not exceed \$214,157,000.

4 An analysis of financial provision under *Subhead 000 Operational expenses* is as follows:

	2001–02 (Actual) (\$'000)	2002–03 (Original Estimate) (\$'000)	2002–03 (Revised Estimate) (\$'000)	2003–04 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	245,603	254,217	242,073	249,553
- Allowances.....	8,190	8,648	7,256	7,293
- Job-related allowances	54	70	48	46
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	—	—	203
Departmental Expenses				
- General departmental expenses.....	35,600	49,661	48,324	50,296
Other Charges				
- Trade negotiations and associated activities.....	2,166	2,200	706	2,200
	291,613	314,796	298,407	309,591

Head 181 — TRADE AND INDUSTRY DEPARTMENT

Capital Account

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2002	Revised estimated expenditure for 2002-03	Balance
			\$'000	\$'000	\$'000	\$'000
603	213	<i>Plant, vehicles and equipment</i> Replacement of Private Automatic Branch Exchange System.....	6,090	2,603	1,120	2,367
700	515	<i>General other non-recurrent</i> Consultancy to provide advisory services on trade in goods and services	8,608	4,358	2,086	2,164
	517	Consultancy to provide advisory services on further broad-based multilateral negotiation	3,054	166	312	2,576
	519	Publicity programmes on the four funding schemes recommended by the SMEC to support SMEs.....	1,470	—	850	620
	520	SME Loan Guarantee Scheme.....	6,600,000	—	44,400	6,555,600
	521	SME Training Fund.....	400,000	63	36,378	363,559
	522	SME Export Marketing Fund	300,000	1,470	37,132	261,398
	523	SME Development Fund	200,000	—	60,000	140,000
			<u>7,513,132</u>	<u>6,057</u>	<u>181,158</u>	<u>7,325,917</u>
		Total.....	<u><u>7,519,222</u></u>	<u><u>8,660</u></u>	<u><u>182,278</u></u>	<u><u>7,328,284</u></u>