

INNOVATION AND TECHNOLOGY FUND

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Memorandum Note

The Innovation and Technology Fund was established on 30 June 1999 by Resolution of the Legislative Council to finance projects to help promote innovation and technology upgrading in manufacturing and service industries. These efforts will contribute to increased productivity and enhanced competitiveness, and hence will be conducive to the long-term economic development of Hong Kong.

2 The Resolution provides, inter alia, that—

- (a) the Fund be administered by the Financial Secretary who may delegate his power of administration to other public officers;
- (b) there be credited to the Fund—
 - (i) such appropriations from the general revenue as may be approved by the Legislative Council for the purposes of the Fund;
 - (ii) all income received by way of interest, dividend or distribution in whatever form from—
 - (1) any loan, advance, investment or payment in whatever form made from the Fund in financing approved projects; and
 - (2) any investment made from the Fund;
 - (iii) all sums received by way of repayment of any loan or advance made from the Fund;
 - (iv) the proceeds of the sale of any investment made from the Fund; and
 - (v) such donations and other moneys as may be received for the purposes of the Fund;
- (c) the Financial Secretary may apply moneys from the Fund for the purpose of—
 - (i) financing projects that contribute to innovation and technology upgrading in the manufacturing and service industries; and
 - (ii) financing projects that contribute to the upgrading and development of the manufacturing and service industries,

in accordance with such terms and conditions as may be specified by the Finance Committee;

- (d) the Director of Accounting Services shall, under the authority of a funds warrant issued by the Financial Secretary, pay from the Fund such sums as may be required to meet expenditures from the Fund; and
- (e) the Financial Secretary in his discretion may authorise the investment in such manner as he may determine of any moneys held in the Fund at any time.

3 The Finance Committee of the Legislative Council approved on 9 July 1999 an appropriation of \$5 billion to the Fund.

4 Payments from the Fund for 2001–02 and 2002–03 are estimated at \$358,508,000 and \$561,756,000 respectively.

5 Provision of \$561,756,000 under *Subhead 101 Innovation and Technology (block vote)* for 2002–03 is to meet payments for existing commitments and new projects that may be approved in the course of the year. Projects each costing over \$15 million will be subject to approval by the Finance Committee of the Legislative Council and any expenditure arising therefrom will be offset by deleting an equivalent amount under *Subhead 101 Innovation and Technology (block vote)*. Of the estimated payment for 2002–03, \$99.5 million is earmarked for projects to be undertaken by the Hong Kong Applied Science and Technology Research Institute.

6 Receipts taking the form of investment income and refund of grants for 2001–02 and 2002–03 are estimated at \$16,244,000 and \$180,000,000 respectively.

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(Payments)

Sub-head (Code)	Approved commitment	Actual expenditure to 31.3.2001	Revised estimate 2001-02	Estimate 2002-03
	\$'000	\$'000	\$'000	\$'000
Head 111—Innovation and Technology				
101 Innovation and Technology (block vote)	—	—	358,508	561,756
<i>Head 111: total</i>	—	—	358,508	561,756
Total (Payments)	—	—	358,508	561,756

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(Receipts)

	Actual receipts 2000-01	Revised Estimate 2001-02	Estimate 2002-03
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investment income	261,972	—	180,000
Refund of Grants	33,967	16,244	—
Transfer from General Revenue	—	—	—
Total (Receipts)	<u>295,939</u>	<u>16,244</u>	<u>180,000</u>

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Movement of the Account

	Actual		Revised Estimate	Estimate
	1999–2000	2000–01	2001–02	2002–03
	\$m	\$m	\$m	\$m
OPENING BALANCE	—	5,008	4,926	4,646
Expenditure	185	310	359	562
Revenue	193	296	16	180
Surplus/(Deficit) before Transfer from GRA	8	(14)	(343)	(382)
Transfer from GRA	5,000	—	—	—
Surplus/(Deficit) after Transfer from GRA	5,008	(14)	(343)	(382)
Write-back of provision for loss in investments with the Exchange Fund	—	(68)†	63§	—
CLOSING BALANCE	5,008	4,926	4,646	4,264

† In 2000–01 the amount refers to provision for the diminution in the market value of investments with the Exchange Fund during the period from 1 January 2001 to 31 March 2001.

§ In 2001–02 the amount refers to the write-back of the provision in 2000–01, less the estimated amount required to meet the diminution in the market value of investments with the Exchange Fund in January 2002.

Expenditure Analysis

	Actual		Revised Estimate	Estimate
	1999–2000	2000–01	2001–02	2002–03
	\$m	\$m	\$m	\$m
Payments	185	310	359	562
Total Expenditure	185	310	359	562

Revenue Analysis

	Actual		Revised Estimate	Estimate
	1999–2000	2000–01	2001–02	2002–03
	\$m	\$m	\$m	\$m
Investment income	193	262	—	180
Refund of grants	—	34	16	—
Total Revenue	193	296	16	180