

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

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

Estimate 2020–21 .....	<b>\$1,648.1m</b>
Establishment ceiling 2020–21 (notional annual mid-point salary value) representing an estimated 511 non-directorate posts as at 31 March 2020 rising by four posts to 515 posts as at 31 March 2021 .....	<b>\$302.5m</b>
In addition, there will be an estimated 11 directorate posts as at 31 March 2020 and as at 31 March 2021.	
Commitment balance.....	<b>\$135,448.3m</b>

### Controlling Officer's Report

#### Programmes

<p><b>Programme (1) Commercial Relations</b></p> <p><b>Programme (2) Trade Support and Facilitation</b></p> <p><b>Programme (3) Support for Small and Medium Enterprises and Industries</b></p>	<p>These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce and Economic Development).</p>
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#### Detail

##### Programme (1): Commercial Relations

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	<b>2020–21 (Estimate)</b>
Financial provision (\$m)	143.3	153.3	166.6 (+8.7%)	<b>171.0</b> (+2.6%)
				(or +11.5% on 2019–20 Original)

#### *Aim*

2 The aim is to secure and preserve maximum access and fair treatment for Hong Kong's goods, services and investments in external markets.

#### *Brief Description*

3 The Department is responsible for Hong Kong's commercial relations with its trading partners, and for promoting and protecting Hong Kong's trade interests and rights. The rules-based multilateral trading system under the auspices of the World Trade Organization (WTO) is the cornerstone of Hong Kong's external trade policy. Being a founding Member of the WTO, Hong Kong has continued its separate membership in the WTO, under the name "Hong Kong, China", since its return to China.

4 The Department continues to participate actively in the Asia-Pacific Economic Cooperation (APEC) forum whose goal is to achieve free and open trade and investment among its member economies which account for some 80 per cent of Hong Kong's total external trade.

5 Since the Mainland and Hong Kong concluded the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) in 2003, both sides have continued to explore further liberalisation measures for trade and investment and to facilitate smooth and effective implementation of announced liberalisation measures. In this regard, the Department co-ordinates with relevant bureaux and departments in discussions with the Mainland authorities.

6 According to the latest statistics compiled by the WTO, in 2018 Hong Kong was the world's seventh largest economy in terms of merchandise trade and the 18th largest in terms of commercial services trade.

7 In 2019, the Department's key activities included the following:

- active participation in the WTO, including:
  - safeguarding Hong Kong's rights through monitoring and responding to trade restrictive measures which impacted on Hong Kong's trade interests and brought systemic risks to the multilateral trading system; and
  - contributing to the ongoing negotiations and discussions at the WTO, particularly on domestic regulation for services; rules; investment facilitation; electronic commerce; micro, small and medium enterprises; and proposals to reform the WTO;

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- active participation in various APEC activities, including:
  - taking part in Ministerial Meetings and Senior Officials’ Meetings;
  - contributing to work on trade and investment liberalisation and facilitation, including the monitoring of progress towards achieving the Bogor Goals, regional economic integration, connectivity, and setting of the APEC Post-2020 Vision; and
  - providing secretariat support for Hong Kong, China’s representatives to the APEC Business Advisory Council;
- overseeing the implementation of the Agreement on Trade in Goods under CEPA, which expanded the rules of origin to provide for the full implementation of zero tariff on goods of Hong Kong origin imported into the Mainland, and the preparation of the Agreement concerning Amendment to the CEPA Agreement on Trade in Services for signing in November to achieve further liberalisation of trade in services between the Mainland and Hong Kong;
- enhancing economic co-operation with trading partners as well as assisting enterprises in diversifying markets and securing better market access through establishing co-operation arrangements, forging free trade agreements (FTAs) and investment promotion and protection agreements (IPPAs). Hong Kong signed an FTA and an IPPA with Australia in March 2019, and IPPAs with the United Arab Emirates in June 2019 and Mexico in January 2020. The Department continued the IPPA negotiations with Russia and Turkey; and
- closely monitoring and giving prompt advice to local traders and manufacturers on changes in the import regulations and policies of our major trading partners, including the unilateral tariff measures taken by the United States.

### *Matters Requiring Special Attention in 2020–21*

8 During 2020–21, the Department will:

- participate actively in the WTO to monitor implementation of agreements, engage in work relating to the decisions adopted at WTO Ministerial Conferences and discussions on proposals to reform the WTO;
- participate in ongoing negotiations and discussions at the WTO in seeking to advance Hong Kong’s interest and contribute to multilateral efforts in trade liberalisation and greater predictability and transparency in global trade rules, including participation at the Twelfth WTO Ministerial Conference to be held in Nur-Sultan, Kazakhstan in June 2020;
- participate actively in APEC and other regional bodies, and contribute particularly to APEC’s work on regional economic integration, supply chain connectivity, and enhancing ease of doing business;
- explore forging FTAs respectively with Thailand and the Pacific Alliance; seek accession to the Regional Comprehensive Economic Partnership after the agreement is signed; continue to negotiate IPPAs with Russia and Turkey; and sign IPPAs with Bahrain and Myanmar respectively upon completion of all the necessary procedures;
- oversee and monitor the implementation of FTAs signed between Hong Kong and foreign economies;
- discuss, in consultation with relevant bureaux and departments and the trade, with Mainland authorities measures to enrich the content of CEPA and seek future market liberalisation; and
- safeguard Hong Kong’s trade interests through monitoring and responding where necessary, to trade protection measures and changes in major trading partners’ laws, regulations, and policies, and provide updated information to local traders and manufacturers.

### **Programme (2): Trade Support and Facilitation**

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	<b>2020–21 (Estimate)</b>
Financial provision (\$m)	129.7	143.4	139.2 (–2.9%)	<b>142.9</b> (+2.7%)
				(or –0.3% on 2019–20 Original)

### *Aim*

9 The aim is to optimise the benefits to Hong Kong flowing from international and bilateral trade agreements, including CEPA, to fulfil Hong Kong’s obligations under such agreements by way of providing licensing, certification, and registration services, and to enhance Hong Kong’s role as a regional trading and distribution centre.

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### *Brief Description*

**10** The Department provides licensing, certification and registration services for various goods and commodities. The Department:

- operates a voluntary Textiles Trader Registration Scheme to enable it to disseminate textiles-related regulatory and other information to the trade in a speedy manner;
- maintains a robust control system on strategic commodities and participates actively in international co-operation in strategic trade control. The list of strategic commodities controlled in Hong Kong is reviewed regularly to align the list of controlled items with the latest control lists of the international regimes;
- operates a Rice Control Scheme to ensure a stable supply of rice in Hong Kong and to maintain a reserve stock to cater for short-term shortage of supply and other emergencies;
- implements a Kimberley Process Certification Scheme, which aims at stopping trade in “conflict diamonds” that fuels armed conflicts, terrorist activities and illicit proliferation of armament; and
- operates a powdered formula export licensing arrangement, which helps to ensure sufficient and stable supply of powdered formula for infants and young children under 36 months of age in Hong Kong.

**11** The Department operates an origin certification system to facilitate export of Hong Kong products to external markets by issuance of Certificates of Origin. It also maintains a Factory Registration service in support of the origin certification system.

**12** Apart from providing a one-stop certification service for Hong Kong Service Suppliers (HKSS) and Hong Kong Investors (HKI) to support the implementation of CEPA and handling enquiries on CEPA matters, the Department actively organises and participates in various promotional and publicity activities, and handles requests for assistance from Hong Kong businesses which encounter difficulties in making use of CEPA benefits.

**13** The key performance measures are:

### *Targets*

	Target#	2018 (Actual)	2019 (Actual)	2020 (Plan)
registration of textiles traders (completed processing within three working days) (%) .....	100	100	100	<b>100</b>
Certificate of Hong Kong Origin, Certificate of Origin - Processing, Certificate of Hong Kong Origin - CEPA (CO(CEPA)), Certificate of Hong Kong Origin - New Zealand (CO(NZ)), Certificate of Hong Kong Origin - Georgia (CO(Georgia)), Certificate of Hong Kong Origin - Form AHK (CO(Form AHK)) and Certificate of Origin (Form A) (issued within 1.5 working days) (%)τ.....	100	100	100	<b>100</b>
expeditious issue of Certificate of Hong Kong Origin/Form A/CO(CEPA)/ CO(NZ)/CO(Georgia)/CO(Form AHK) (issued within 24 hours excluding intervening non-working days) (%)τ.....	100	N.A.¶	N.A.¶	<b>100</b>
enquiry on CO(CEPA), CO(NZ), CO(Georgia), CO(Form AHK) and preferential rules of origin‡ simple enquiry (replied within three working days) (%)τ.....	100	100	100	<b>100</b>
complicated enquiry (replied within ten working days) (%)τ.....	100	100	100	<b>100</b>
application for factory registration (completed processing within 14 working days) (%) .....	100	100	100	<b>100</b>

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	Target#	2018 (Actual)	2019 (Actual)	2020 (Plan)
amendment of factory registration particulars				
if factory inspection is necessary (completed processing within 14 working days) (%) .....	100	100	100	<b>100</b>
if factory inspection is not necessary and the request is lodged in paper form (completed processing within three working days) (%) .....	100	100	100	<b>100</b>
if factory inspection is not necessary and the request is lodged through online system (completed processing within one working day) (%) .....	100	N.A.¶	N.A.¶	<b>100</b>
local subcontracting arrangement (LSA) registration (completed processing within one working day) (%) .....	100	100	100	<b>100</b>
outward processing arrangement (OPA) registration (completed processing within one working day) (%) .....	100	100	100	<b>100</b>
combined annual renewal of factory registration and OPA registration (completed processing within one working day) (%) .....	100	100	100	<b>100</b>
enquiry on OPA: manufacturing processes allowed to be subcontracted outside Hong Kong				
simple enquiry (completed processing within one working day) (%) .....	100	100	100	<b>100</b>
complicated enquiry (completed processing within four working days) (%) .....	100	N.A.¶	N.A.¶	<b>100</b>
import and export licence for reserved commodities (rice) (issued within one working day) (%) .....	100	100	100	<b>100</b>
approval as a reserved commodity (rice) storage placeλ				
inform Customs and Excise Department (C&ED) to conduct inspection of the premises (completed within five working days) (%) .....	100	N.A.	100	<b>100</b>
inform the applicant of the application result upon receipt of C&ED's inspection report (completed within five working days) (%) .....	100	N.A.	100	<b>100</b>
import and export licence for ozone depleting substances (issued within two working days) (%) .....	100	100	100	<b>100</b>
import and export licence for strategic commodities				
licence application with prior approval-in-principle (issued within the same day) (%) .....	100	100	100	<b>100</b>
other licence applications (issued within 2.5 working days) (%)Ψ .....	100	100	100	<b>100</b>
pre-classification service on strategic commodities (completed within two working days) (%)Ψ .....	100	100	100	<b>100</b>
powdered formula export licence (issued within two working days) (%) .....	100	100	100	<b>100</b>
amendment to and cancellation of powdered formula export licence (completed within one working day) (%) .....	100	100	100	<b>100</b>

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	Target#	2018 (Actual)	2019 (Actual)	2020 (Plan)
Kimberley Process Certificate (Import) for rough diamonds (issued within 20 minutes) (%) .....	100	100	100	100
Kimberley Process Certificate (Export) for rough diamonds (issued within the following working day) (%) .....	100	100	100	100
registration for rough diamond traders (completed within one working day) (%) .....	100	100	100	100
certified true copy (issued within one working day) (%) .....	100	100	100	100
registration for Transshipment Cargo Exemption Scheme (completed within 14 working days) (%) .....	100	100	100	100
registration for importers of cereals and grain flour from the Mainland (completed within four working days) (%) .....	100	100	100	100
HKSS and HKI certificates				
fresh application (completed within 14 working days) (%) .....	100	100	100	100
amendment and renewal (issued within five working days) (%) .....	100	100	100	100
replacement and cancellation (issued within three working days) (%) .....	100	100	100	100
other written enquiries (replied within ten calendar days) (%) .....	100	100	100	100

# Target is applied upon receipt of all necessary documents and information.

¶ No application/enquiry was received.

‡ Preferential rules of origin refer to the rules of origin applicable under respective arrangements/agreements of trade liberalisation between Hong Kong and its trading partners, including CEPA, the Closer Economic Partnership Agreement with New Zealand, as well as the respective FTAs with European Free Trade Association States, Chile, the Association of Southeast Asian Nations (ASEAN), Georgia and Australia.

λ New targets as from July 2019.

Ψ The processing time may take longer for complicated cases.

### Indicators

	2018 (Actual)	2019 (Actual)	2020 (Plan)
<i>Licence issued</i>			
textiles trader registration .....	5 788	5 048	5 050
Certificate of Hong Kong Origin, Certificate of Origin - Processing, Certificate of Origin (Form A), CO(CEPA), CO(NZ), CO(Georgia) and CO(Form AHK)τ .....	1 898	3 313η	3 320
factory registration .....	727	765	770
OPA registration .....	41	38	38
LSA registration .....	2	9	9
statutory declarations of antique .....	0	0	0
reserved commodities (rice) licence .....	10 360	10 248	10 300
registration of reserved commodity (rice) stockholder .....	222	230	230
approval as a reserved commodity (rice) storage placeθ .....	121	123	130
ozone depleting substances licence .....	78	84	84
strategic commodities licence .....	389 270	373 702	374 000
powdered formula export licence .....	21 846	20 277	20 300
delivery verification certificate .....	8	4	4
international import certificate .....	64	54	54
pesticide (methyl bromide) licence .....	3	4	4
Kimberley Process Certificate .....	6 186	2 990	2 990
registration of rough diamond traders .....	284	229	290
HKSS and HKI certificatesΛ .....	493	379	500

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	2018 (Actual)	2019 (Actual)	2020 (Plan)
permit under the Chemical Weapons (Convention) Ordinance (Cap. 578) <sup>Ω</sup> .....	0	0	0
registration for importers of cereals and grain flour from the Mainland .....	87	86	86
<i>CEPA</i>			
enquiries .....	10 447	9 899	9 900
visitors to the Department's CEPA website.....	84 730	72 053	72 100

τ CO(Georgia) and CO(Form AHK) were introduced on 13 February 2019 and 11 June 2019 respectively.

η Following the implementation of CEPA Agreement on Trade in Goods in January 2019, there was an increase in the number of CO(CEPA) issued in 2019, which resulted in the increase in the total number of Certificates of Origin issued in the year. The Agreement enhanced the CEPA rules of origin to provide for the full implementation of zero tariff on imported goods of Hong Kong origin into the Mainland.

ə New indicator as from July 2019.

Λ The figures on HKSS and HKI certificates include fresh applications as well as certificates for amendment, replacement, cancellation and renewal, and certified true copy.

Ω Under the Chemical Weapons (Convention) Ordinance, the Department is empowered to administer a permit system to control and monitor the production and related activities pertinent to scheduled chemicals. There may be potential demand to operate chemical facilities which require permit from the Department. Given the chemical industry in Hong Kong is small in size, such potential demand would not be large.

### *Matters Requiring Special Attention in 2020–21*

14 During 2020–21, the Department will:

- promote understanding of CEPA among the trade through timely dissemination of information to the trade, and organisation of or participation in various promotional and publicity activities including the provision of a user-friendly enquiry hotline and when new measures are introduced, organisation of a business forum to introduce further enhancements to CEPA and the related implementation arrangements;
- liaise closely with the Mainland authorities and local traders on Mainland issues of significant impact on business operations, and help reflect the trade's concerns to the relevant Mainland authorities; and
- keep the strategic trade control system under review with a view to streamlining procedures and requirements without compromising the integrity and effectiveness of control.

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

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	2020–21 (Estimate)
Financial provision (\$m)	507.7	633.1	663.6 (+4.8%)	1,334.2 (+101.1%)
				(or +110.7% on 2019–20 Original)

### *Aim*

15 The aim is to support and facilitate the development of Hong Kong's small and medium enterprises (SMEs) and industries.

### *Brief Description*

16 The Department implements programmes to support enterprises, particularly SMEs, with a view to enhancing their competitiveness. It provides information and advisory services for SMEs through its Support and Consultation Centre for SMEs (SUCCESS) and co-ordinates the integrated services of SUCCESS and the other three SME service centres under the Hong Kong Trade Development Council, the Hong Kong Productivity Council and the Hong Kong Science and Technology Parks Corporation, including the provision of advisory services on government funding schemes.

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17 The Department administers several funding schemes, including the SME Loan Guarantee Scheme (SGS), the SME Export Marketing Fund (EMF), the Trade and Industrial Organisation Support Fund (TSF) and the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) to assist Hong Kong enterprises in obtaining finance, exploring markets and enhancing their competitiveness. In December 2019, the Finance Committee of the Legislative Council approved the injection of \$2 billion and \$1 billion for the implementation of enhancement measures to the BUD Fund and the EMF respectively. Among others, the geographical coverage of the BUD Fund has been extended to include economies with which Hong Kong has signed FTA; the cumulative funding ceilings per enterprise under the BUD Fund and the EMF have been doubled to \$4 million and \$800,000 respectively; and applicants have been provided with an option to obtain up to 75 per cent of the approved government funding as initial payment starting from 20 January 2020.

18 The Department maintains close liaison with local industries and trade and industrial organisations. It provides secretariat support for the Small and Medium Enterprises Committee, which advises the Government on issues affecting the development of SMEs in Hong Kong.

19 The key performance measures are:

### *Targets*

	Target#	2018 (Actual)	2019 (Actual)	2020 (Plan)
<b>SUCCESS</b>				
processing applications for Business Advisory Service within seven working days (%) <sup>λ</sup> .....	100	100	100	<b>100</b>
replying to simple enquiries on licensing requirements within one working day (%) .....	100	100	100	<b>100</b>
replying to complicated enquiries on licensing requirements within three working days (%) .....	100	100	100	<b>100</b>
replying to simple enquiries on SME support services and facilities within one working day (%) .....	100	100	100	<b>100</b>
replying to complicated enquiries on SME support services and facilities within three working days (%) .....	100	100	100	<b>100</b>
<b>SGS</b>				
processing applications for guarantee within three working days (after receipt of complete applications from participating lending institutions) (%) .....	100	100	100	<b>100</b>
<b>SDF</b> <sup>◇</sup>				
processing applications for grant within 60 working days (%) .....	100	100	N.A.	<b>N.A.</b>
<b>TSF</b>				
processing applications for grant within 60 working days (%) .....	100	100	100	<b>100</b>
<b>EMF</b>				
processing applications for grant within 30 working days (%) .....	100	100	100	<b>100</b>
<b>BUD Fund (Organisation Support Programme)</b> <sup>◇</sup>				
processing applications for grant within 60 working days (%) .....	100	100	N.A.	<b>N.A.</b>
<b>BUD Fund (Enterprise Support Programme)</b>				
processing applications for grant within 60 working days (%) .....	100	100	100	<b>100</b>

# Target is applied upon receipt of all necessary documents and information.

λ Revised description of previous target “processing applications for Business Advisory Service within ten working days” as from 1 January 2019.

◇ Target removed as from 2019 as SDF and BUD Fund (Organisation Support Programme) were merged to form TSF in October 2018.

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### Indicators

	2018 (Actual)	2019 (Actual)	2020 (Plan)
<b>SUCCESS</b>			
enquiries .....	4 094	3 798 $\phi$	<b>4 200</b>
visitors to SUCCESS <sup>^</sup> .....	4 225	3 412 $\phi$	<b>3 420</b>
visits to SUCCESS website.....	966 152	1 054 322 $\phi$	<b>1 055 000</b>
seminars and other activities .....	110	107	<b>110</b>
publications relating to local industries and SMEs $\delta$ .....	2	2	<b>N.A.</b>
e-newsletters sent to SUCCESS members .....	26	27	<b>26</b>
<b>SGS</b>			
applications received and processed .....	784	702	<b>700</b>
no. of SME beneficiaries.....	693	643	<b>640</b>
amount of government guarantees issued (\$m) .....	909.0	818.0	<b>818.0</b>
<b>SDF<math>\S</math></b>			
applications received and processed@.....	22	N.A.	<b>N.A.</b>
amount of government grants approved (\$m).....	34.2	N.A.	<b>N.A.</b>
<b>TSF</b>			
applications received and processed@.....	17	77	<b>77</b>
amount of government grants approved (\$m).....	0	75.1	<b>75.1</b>
<b>EMF</b>			
applications received and processed .....	11 757	16 246 $\beta$	<b>18 3840</b>
no. of first time SME beneficiaries .....	1 352	1 276	<b>1 4440</b>
total no. of SME beneficiaries.....	5 570	6 801 $\beta$	<b>7 6960</b>
amount of government grants approved (\$m).....	167.1	299.0 $\beta$	<b>411.50</b>
<b>BUD Fund (Organisation Support Programme)<math>\S</math></b>			
applications received and processed@.....	14	N.A.	<b>N.A.</b>
amount of government grants approved (\$m).....	39.3	N.A.	<b>N.A.</b>
<b>BUD Fund (Enterprise Support Programme)</b>			
applications received and processed .....	625	1 721 $\alpha$	<b>2 810<math>\Delta</math></b>
amount of government grants approved (\$m).....	225.4	430.8 $\alpha$	<b>679.0<math>\Delta</math></b>

$\phi$  The numbers of enquiries and visitors to SUCCESS decreased slightly in 2019 while there was an increase in the use of SUCCESS website.

<sup>^</sup> The number of visitors to SUCCESS excludes visitors to the EMF service counter located in SUCCESS.

$\delta$  Indicator to be removed as from 2020. Printing of publications relating to local industries and SMEs will cease but dissemination of information through electronic means will continue.

$\S$  Indicators removed as from 2019 as SDF and BUD Fund (Organisation Support Programme) were merged to form TSF in October 2018.

@ The number of SDF and BUD Fund (Organisation Support Programme) applications should be read together with the number of TSF applications as SDF and BUD Fund (Organisation Support Programme) were merged to form TSF in October 2018.

$\beta$  The increase in applications, number of SME beneficiaries and grants approved in 2019 is attributable to the implementation of the enhancement measures in August 2018, including the increase in the cumulative funding ceiling per SME from \$200,000 to \$400,000.

$\theta$  The increase in the planned figures for 2020 is attributable to the implementation of new enhancement measures under the EMF starting from January 2020 including doubling the cumulative funding ceiling per SME from \$400,000 to \$800,000 and providing an option for applicants to apply for an initial payment of up to 75 per cent of the approved government funding for each approved application.

$\alpha$  The increase in applications and the grants approved in 2019 is attributable to the implementation of enhancement measures under the BUD Fund (Enterprise Support Programme) in August 2018, including the launch of the ASEAN Programme and the increase in the maximum grant per project from \$0.5 million to \$1 million.

$\Delta$  The increase in the planned figures for 2020 is attributable to the implementation of new enhancement measures under the BUD Fund starting from January 2020 including expanding the geographical coverage of the BUD Fund to all economies with which Hong Kong has signed FTA; doubling the cumulative funding ceiling for each enterprise to \$4 million; and raising the ratio of initial payment from 25 per cent to up to 75 per cent of the approved government funding for each approved application.

### Matters Requiring Special Attention in 2020–21

**20** During 2020–21, the Department will:

- closely monitor the global and domestic economic environment and the impact of any changes in the environment on Hong Kong enterprises, in particular SMEs;
- liaise closely with the trade and implement enhanced support services to help them meet the challenges they face;



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- administer various funding schemes and closely monitor the implementation of the enhancement measures with a view to enhancing their effectiveness and utilisation; and
- enhance promotion and outreach to SMEs to provide support services on funding applications and consider implementing measures to enhance the various government funding schemes supporting Hong Kong enterprises as appropriate.

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### ANALYSIS OF FINANCIAL PROVISION

	2018–19 (Actual) (\$m)	2019–20 (Original) (\$m)	2019–20 (Revised) (\$m)	2020–21 (Estimate) (\$m)
<b>Programme</b>				
(1) Commercial Relations .....	143.3	153.3	166.6	<b>171.0</b>
(2) Trade Support and Facilitation .....	129.7	143.4	139.2	<b>142.9</b>
(3) Support for Small and Medium Enterprises and Industries.....	507.7	633.1	663.6	<b>1,334.2</b>
	780.7	929.8	969.4 (+4.3%)	<b>1,648.1</b> (+70.0%)
				<b>(or +77.3% on 2019–20 Original)</b>

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2020–21 is \$4.4 million (2.6%) higher than the revised estimate for 2019–20. This is mainly due to the full-year effect of filling vacancies in 2019–20, increased provision for salary increments and personnel related expenses.

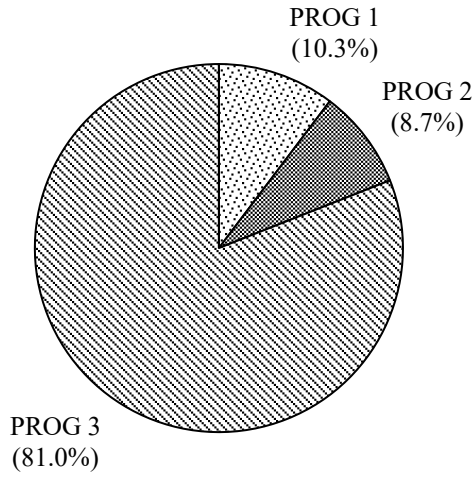
##### Programme (2)

Provision for 2020–21 is \$3.7 million (2.7%) higher than the revised estimate for 2019–20. This is mainly due to the full-year effect of filling vacancies in 2019–20, increased provision for salary increments and personnel related expenses.

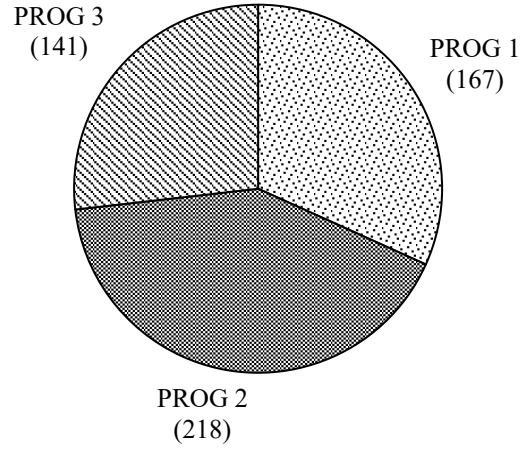
##### Programme (3)

Provision for 2020–21 is \$670.6 million (101.1%) higher than the revised estimate for 2019–20. This is mainly due to the increased cash flow requirements for funding schemes. There will be a net increase of four posts in 2020–21 to strengthen the support for funding schemes.

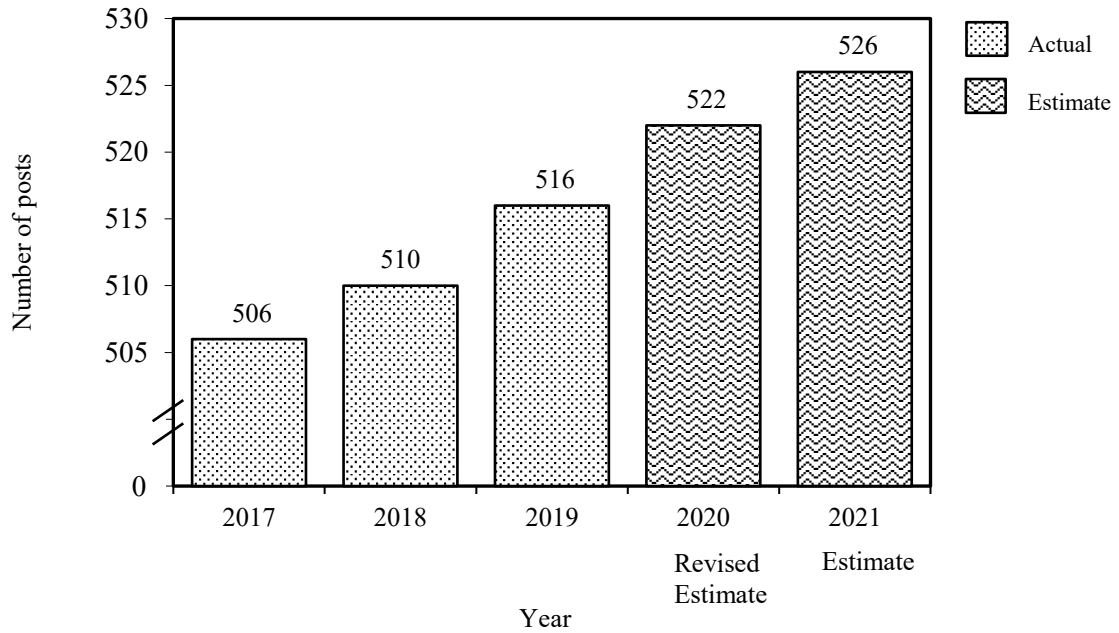
*Allocation of provision to programmes (2020-21)*



*Staff by programme (as at 31 March 2021)*



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



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Sub-head (Code)	Actual expenditure 2018–19	Approved estimate 2019–20	Revised estimate 2019–20	<b>Estimate 2020–21</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	374,540	398,794	414,296	<b>431,055</b>
	Total, Recurrent.....	374,540	398,794	414,296	<b>431,055</b>
Non-Recurrent					
700	General non-recurrent .....	406,112	531,000	555,066	<b>1,217,000</b>
	Total, Non-Recurrent.....	406,112	531,000	555,066	<b>1,217,000</b>
	Total, Operating Account .....	780,652	929,794	969,362	<b>1,648,055</b>
	Total Expenditure .....	780,652	929,794	969,362	<b>1,648,055</b>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2020–21 for the salaries and expenses of the Trade and Industry Department is \$1,648,055,000. This represents an increase of \$678,693,000 over the revised estimate for 2019–20 and \$867,403,000 over the actual expenditure in 2018–19.

#### *Operating Account*

#### Recurrent

**2** Provision of \$431,055,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Trade and Industry Department.

**3** The establishment as at 31 March 2020 will be 522 posts. It is expected that there will be a net increase of four posts in 2020–21. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2020–21, but the notional annual mid-point salary value of all such posts must not exceed \$302,497,000.

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

	2018–19 (Actual) (\$'000)	2019–20 (Original) (\$'000)	2019–20 (Revised) (\$'000)	<b>2020–21 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries .....	278,150	286,324	293,995	<b>308,269</b>
- Allowances .....	7,499	9,446	8,392	<b>8,392</b>
- Job-related allowances.....	—	2	2	<b>2</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution .....	1,031	1,047	1,297	<b>1,348</b>
- Civil Service Provident Fund contribution .....	10,215	11,796	12,402	<b>14,328</b>
Departmental Expenses				
- General departmental expenses .....	71,931	77,991	86,021	<b>86,524</b>
Other Charges				
- Contribution to and participation in the Asia-Pacific Economic Cooperation .....	2,867	1,260	1,259	<b>1,264</b>
- Trade negotiations and associated activities .....	718	7,000	7,000	<b>7,000</b>
- Contribution to the organisation of the Hong Kong Awards for Industries .....	2,000	3,800	3,800	<b>3,800</b>
- Subscription to the Pacific Economic Cooperation Council .....	129	128	128	<b>128</b>
	374,540	398,794	414,296	<b>431,055</b>

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

### Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2019	Revised estimated expenditure for 2019–20	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700		<i>General non-recurrent</i>				
	520	SME Loan Guarantee Scheme# .....	30,000,000	322,713	35,000	29,642,287
	524	Export Marketing and Trade and Industrial Organisation Support Fund .....	7,250,000	4,083,306	338,000	2,828,694
	802	Special Loan Guarantee Scheme@ .....	100,000,000	771,711	37,000	99,191,289
	836	Dedicated Fund on Branding, Upgrading and Domestic Sales.....	4,500,000	569,929	144,000	3,786,071
		Total .....	<u>141,750,000</u>	<u>5,747,659</u>	<u>554,000</u>	<u>135,448,341</u>

# The approved commitment of \$30 billion refers to the total loan guarantee commitment approved by the Finance Committee (based on an assumed default rate of five per cent, the expected maximum expenditure for settlement of default claim is \$1.5 billion). The expenditure represents payments made to lending institutions for their default claims.

@ The approved commitment of \$100 billion refers to the total loan guarantee commitment approved by the Finance Committee (based on the assumed default rates of ten per cent and 12 per cent for loans approved under 70 per cent and 80 per cent Government guarantee respectively, the expected maximum expenditure for settlement of default claim is \$11.8 billion). The expenditure represents payments made to lending institutions for their default claims.