

Table of Contents

DesignSmart Initiative

Guide for Design Research Scheme of the Design Support Programme

07/2009

Chapter I Introduction	Page 3
Chapter II Application	Page 5
Chapter III Vetting and Assessment Procedures	Page 11
Chapter IV Project Agreement and Disbursement of Funds	Page 15
Chapter V Publicity and Acknowledgement	Page 19
Chapter VI Obligations	Page 20
Chapter VII Project Variation	Page 25
Chapter VIII Unallowable Costs	Page 27
Chapter IX Important Notes	Page 31

DesignSmart Initiative

Guide for Design Research Scheme of the Design Support Programme

Chapter I

INTRODUCTION

- 1.1** The Government of the Hong Kong Special Administrative Region (the Government) has set up the DesignSmart Initiative with the objectives to strengthen Government's support for design and innovation, and to promote wider use of design and innovation in industries to help them move up the value chain. The Initiative includes a Design Support Programme (DSP) which has four funding schemes ^(Note 1). This Guide provides details on the **Design Research Scheme (DRS)**.
- 1.2** The DRS supports research-based activities in design or branding-related areas with a view to providing a platform for attaining greater

^(Note 1) For details of the other three schemes of the DSP, viz the Design-Business Collaboration Scheme, the General Support Scheme and the Professional Continuing Education Scheme, please refer to the web-site: <http://www.designsmart.gov.hk>.

awareness and knowledge critical to the effective utilization and deployment of design in mainstream industrial or business processes. Please refer to Chapter III below on assessment criteria.

- 1.3** The DRS is administered by the DesignSmart Secretariat under the Create Hong Kong of the Government:

Address : 20/F, Wu Chung House
213 Queen's Road East
Wan Chai, Hong Kong.

Tel : (852) 2737 2462

Fax : (852) 2992 0763

E-mail : enquiry@designsmart.gov.hk

Website : <http://www.designsmart.gov.hk>

Chapter II

APPLICATION

2.1 *Form of Funding Support*

- 2.1.1 Funding support is given by way of a grant. It will cover only the net approved project cost after deducting the expected income during the project period, the amount of sponsorship and/or funding from other sources for the project. In any event, the funding support would only be up to 90% of the total approved project cost.
- 2.1.2 The funding support will be disbursed by instalments. Please refer to Chapter IV below for the disbursement of funding support.

2.2 *Eligible Applicant*

- 2.2.1 Local academic institutes, industry support organizations, trade and industry associations, professional bodies, research institutes and companies ^(Note 2) are eligible to apply.
- 2.2.2 Each application shall have only ONE applicant. However, the applicant is required to list out in the application all other parties (if any) that it will collaborate in carrying out the proposed project

^(Note 2) The applicant should be a body or company established or incorporated under the Hong Kong laws including the Companies Ordinance. Applicant may be required to produce valid evidence showing that it is a going concern.

and their respective roles or contribution.

- 2.2.3 The applicant should have substantial connection to Hong Kong, i.e. it must have a significant proportion of its research, design, development, production, management or general business activities located in Hong Kong.
- 2.2.4 If the application is approved, the applicant will become the recipient of the funding support and has to sign an agreement with the Government. Please refer to Chapter VI below on obligations of a recipient.
- #### **2.3 *Industrial/Commercial Sponsorship***
- 2.3.1 To demonstrate industry support to the project, the applicant is required to list out in the application the industrial/commercial sponsorship that it would be able to secure for the project.
- 2.3.2 The sponsorship must come from party or parties which are not related to the applicant, in terms of ownership or management.
- 2.3.3 Such sponsorship can either be in cash or in kind and should cover at least 10% of the total approved project cost.
- 2.3.4 Sponsorship in kind can be provided in the form of donation of equipment and consumable that is exclusively used for carrying out the project. Discount in purchases, time cost of equipment, manpower costs and consultancy services would be excluded from such sponsorship.

2.3.5 If an application is successful, the applicant has to produce evidence before commencement of the project that all the sponsorship would be in place. All committed industrial/commercial sponsorship should be received before issue of the last instalment of the funding support by the Government.

2.4 *Project Budget*

2.4.1 The applicant is required to submit a proposed budget on the project, showing all expenditure, sponsorship, income and justifications for the budget.

2.4.2 When preparing the project budget, all expenditure items have to be grouped under the categories of manpower, equipment and other direct costs. Unspecified cost items such as miscellaneous, sundry and contingency etc. will not be accepted.

2.4.3 Costs of new equipment and goods that have been received, used and paid for the project during the project period could only be charged to the project account. However, the applicant is encouraged to share the use of equipment within its organizations or from other organizations with its costs (including maintenance cost) charged on a pro-rata basis. The applicant is required to maintain a record on the usage of the equipment by the concerned projects for cost allocation purpose. For the sake of clarity, such maintenance/rental cost (if any) should be placed under "Other Direct Costs".

2.4.4 A list of unallowable cost items which cannot be charged to the project account is set out in Chapter VIII below.

2.4.5 The applicant should endeavor to generate income so as to recoup part of the cost of the project.

2.4.6 For projects involving recurrent expenditure, the applicant has to demonstrate that such expenditure will be of a specified period or that the project will become self-financing after the completion of the project.

2.4.7 The applicant is required to declare in the application whether it has sought or is seeking funding support for the project from other public funding sources. Double subvention will not be allowed.

2.5 *Project Coordinator*

2.5.1 In each application, the applicant should nominate a project coordinator.

2.5.2 If the application is approved, the project coordinator is responsible for overseeing the project generally; monitoring its expenditure and ensuring the proper usage of project funds in accordance with the approved project budget, this guide and other instructions set for the projects; answering enquiries; and attending progress meetings on the project, if required.

2.6 *Timing for Application*

2.6.1 The DRS is open for applications throughout the

year, unless otherwise announced.

2.7 Application Procedures

- 2.7.1 The application form can be downloaded from the website: <http://www.designsmart.gov.hk>.
- 2.7.2 Application must be submitted to the DesignSmart Secretariat through the website: <http://www.designsmart.gov.hk>.
- 2.7.3 The applicant may submit one application for each different project.
- 2.7.4 No application fee will be charged.

2.8 Approval of Applications

- 2.8.1 Approval of applications depends on their individual merits.
- 2.8.2 Applications that are incomplete or contain incorrect information or fail to comply with the requirements set out in this Guide will not be considered. If the DesignSmart Secretariat notices that an application involves breach of third party's intellectual property rights, the application will not be processed further and may be rejected unless the dispute or allegation has been satisfactorily resolved.

2.9 Resubmission

- 2.9.1 A declined application may be resubmitted only if it has been revised substantially or if it has been able to produce additional information to address

the comments made by the Assessment Panel in its earlier review. The applicant should set out clearly the differences of the resubmitted application vis-à-vis the previous one.

- 2.9.2 Any revised application will be treated as a new application.

Chapter III

VETTING AND ASSESSMENT PROCEDURES

3.1 *Vetting Procedures*

- 3.1.1 Upon receipt of an application, the DesignSmart Secretariat will conduct a preliminary screening and may seek clarification or supplementary information from the applicant.
- 3.1.2 After screening, the DesignSmart Secretariat will submit the application together with its comments to an Assessment Panel for consideration.
- 3.1.3 The Assessment Panel would comprise officials, professionals, industrialists, businessmen, designers or academics. Its functions are to assess applications, make recommendations to the Permanent Secretary for Commerce and Economic Development (Communications and Technology (PSCT), and monitor approved applications.
- 3.1.4 The applicant and its project team members may be required to attend assessment meetings to present their applications and answer questions.
- 3.1.5 For applications requesting funding support of more than \$10 million, approval from the Finance Committee of the Legislative Council is required.

3.2 *Assessment Criteria*

- 3.2.1 In considering an application, due consideration will be given to the following factors, wherever applicable:
- (a) to what extent the project will benefit the industry or a sector including to meet the needs of industries; attain knowledge critical to the effective utilization and deployment of design; or broaden the application in design;
 - (b) to what extent the project is relevant to the themes solicited by the DesignSmart Secretariat (please refer to the website: <http://www.designsmart.gov.hk>);
 - (c) whether there is a demonstrated need for the project;
 - (d) whether the project is organized by experienced and reputable organizations and directly relevant to design;
 - (e) the capability of the project team, i.e. the project team's expertise, experience, qualifications, track record, and the resources available for the project;
 - (f) effectiveness and merits of research methodology to be employed in the project;
 - (g) whether the project is duplicating or likely to duplicate the work carried out by other entities;
 - (h) whether the project results would be

disseminated efficiently and effectively for the benefits of the industry;

- (i) whether the proposed budget is reasonable and realistic, and whether the project has been funded or should be funded by other sources; and
- (j) any other relevant factors.

3.3 *Avoidance of Conflict of Interest*

3.3.1 To avoid conflict of interest, members of the Assessment Panel will be required to declare whether they are directly or indirectly related to an application and, if so, will be refrained from participating in the discussion of that application.

3.4 *Notification of Results*

3.4.1 The applicants will be informed of the assessment result within 50 clear working days after receipt of full information.

3.4.2 If an application is recommended for funding support, the applicant concerned will be informed of the result together with any terms and conditions that may be imposed by the Assessment Panel. The applicant may need to revise its application accordingly before funding support could be approved and issued ^(Note 3).

^(Note 3) For projects requesting funding support of more than \$10 million, approval from the Finance Committee of the Legislative Council is required.

3.4.3 If an application is declined, reasons will be provided. Please see paragraph 2.9 above on re-submission.

3.5 *Withdrawal of Application*

3.5.1 The applicant can write to the DesignSmart Secretariat to withdraw its application at any time before an agreement is signed between the Government and the applicant.

Chapter IV

PROJECT AGREEMENT AND DISBURSEMENT OF FUNDS

4.1 *Project Agreement*

4.1.1 For each successful application, the applicant will be the recipient of the approved funding support and has to sign a project agreement with the Government. The recipient has to comply with all the terms and conditions laid down in the project agreement.

4.2 *Project Account*

4.2.1 The recipient is required to keep a proper and unique set of account code (project account) within its accounting system specifically for processing all receipts and payments of each project. The unique set of account code should represent the total income and expenditure of the project. The project account should be maintained in such a manner as to enable the production of Statement of Income and Expenditure and Balance Sheet in respect of the project. All income and expenditure of a project should be properly and timely recorded in the project account.

4.3 *Disbursement of Approved Funding Support*

4.3.1 Unless otherwise stated in project agreement,

disbursement of the approved funding support will be made by two instalments, one at the commencement of the approved project and the other upon project completion.

4.3.2 The first instalment will only be effected when the recipient submits all the required documents including documentary evidence showing that all committed sponsorships have been /will be in place during the project period.

4.3.3 Unless circumstances justify otherwise, the last instalment of DSP grants will be disbursed only if the recipient is able to submit the completion report to the satisfaction of the DesignSmart Secretariat and there is evidence showing that all committed sponsorship have been in place.

4.3.4 The DesignSmart Secretariat reserves the right to withhold any further payment to the project if in the opinion of the DesignSmart Secretariat a large amount of funds remain unspent in the project account or if there is any delay in submission of completion report.

4.3.5 Interest income derived from grants will be kept by the recipients for use in the projects concerned during the project period. Any unused balance upon the completion of the project will be returned to the Government.

4.4 ***Intellectual Property Rights (IPR)*** ^(Note 4)

- 4.4.1 The recipient is required to inform the DesignSmart Secretariat of any IPR that may arise under the performance of the project and how such IPR would be handled, including the ownership, acquisition, use and access rights. The Government may impose terms and conditions in the project agreement on this aspect. The project results, deliverables and related events are expected to make available to the public.
- 4.4.2 If necessary (such as when public interests are involved or in order to fulfill the objective of providing support to the design community and the industry / business), the recipient may be required to grant to the Government and parties acting on behalf of the Government a non-exclusive, perpetual, irrevocable, royalty-free worldwide licence to exploit or dispose of the relevant IPR or, where the recipient does not have the ownership, to procure the grant of the requisite licence.
- 4.4.3 Agreement between the recipient and the collaborating party (or parties), should be made on the sharing of the royalties or any other sorts of income to be generated from the project achievements. Brief description of such

arrangement should be available for the DesignSmart Secretariat's reference.

^(Note 4) Intellectual property rights means patents, trade marks, service marks, trade names, design rights, copyright, domain names, database rights, rights in know-how, new inventions, designs or processes and other intellectual property rights of whatever nature and wheresoever arising, whether now known or hereafter created, and in each case whether registered or unregistered and including applications for the grant of any such rights.

Chapter V

PUBLICITY AND ACKNOWLEDGEMENT

- 5.1** The recipient should be responsible to publicize the project and follow up action with a view to maximizing benefits to the target users. It should also provide the DesignSmart Secretariat with information about the events and the project achievements so that the DesignSmart Secretariat may put it on the web.
- 5.2** Acknowledgement of DSP support must appear on all equipment, facilities, and publicity/media events related to a DSP-funded project, as well as in publications arising from the project. The following disclaimer should also be included in any publications and media events related to a DSP-funded project:

“Any opinions, findings, conclusions or recommendations expressed in this material/event (or by members of the project team) do not reflect the views of the Government of the Hong Kong Special Administrative Region, the Create Hong Kong, the DesignSmart Secretariat or the Assessment Panel for the Design Support Programme.”

Chapter VI

OBLIGATIONS

6.1 *Reporting Requirements*

- 6.1.1** The project agreement will specify the reporting requirements of the project concerned. The recipient will be required to submit progress report(s) on a half-yearly basis, as well as a completion report and an audited account report on the final financial position.
- 6.1.2** The progress report should be in a standard format provided and stipulated by the DesignSmart Secretariat. It should include details on progress of the project and a financial statement on *cash basis* on the latest financial position.
- 6.1.3** The completion report should include details, achievements, performance and evaluation of the project.
- 6.1.4** The final audited account report on *accrual basis* should be audited by an auditor^(Note 5) to assure that the project funds were fully and properly applied to the project for which they were paid, and received and expended in accordance with the approved project budget.

^(Note 5) Auditor means a person who for the time being is registered under the Professional Accountants Ordinance (Cap. 50) and holds a practising certificate within the meaning of that Ordinance.

- 6.1.5 The completion report and the final audited account report should be submitted within two months from either the project completion date or earlier termination date of the project agreement. A standard format for the completion report will be provided and stipulated by the DesignSmart Secretariat.
- 6.1.6 The actual expenditure for external audit fees relating to the project and arising from compliance with the provisions of the DSP agreement could be included in the budget, subject to a maximum of \$5,000 (for a project costing less than \$1 million), \$10,000 (for a project costing between \$1 million and \$5 million) and \$20,000 (for a project costing more than \$5 million) respectively.
- 6.1.7 The recipient should keep all financial statements, books and records of the project for at least two years after either the project completion date or earlier termination date of the project agreement, or as otherwise specified by the DesignSmart Secretariat within that two-year period, and allow for inspection at any time.
- 6.1.8 The Director of Audit may conduct an examination into the economy, efficiency and effectiveness with which the recipient has used the project funds. The Director of Audit shall have a right of access at all reasonable times to all such documents or information in the custody and control of the recipient as he may reasonably require for conducting an examination and shall be entitled to require, from any person holding or being accountable for any such document or

information, such information and explanation as he considers reasonably necessary for that purpose. The Director of Audit may report to the PSCT and the President of the Legislative Council the results of an examination conducted by him.

- 6.1.9 The recipient may be required to complete and return a post-project evaluation questionnaire for its project to report on the efforts in publicizing the project, and to provide quantitative measurement on the adoption of the project achievements by the industry.

6.2 Procurement Procedures

- 6.2.1 The recipient should ensure that all procurements for goods and services should be carried out in an unbiased and fair manner and must comply with the following procedures unless the PSCT agrees otherwise:
- (a) for every procurement the aggregate value of which is more than \$5,000 but less than \$10,000, quotations in written form from at least two suppliers should be obtained;
 - (b) for every procurement the aggregate value of which is \$10,000 or more, but less than \$500,000, quotations in written form from at least three suppliers should be obtained; and
 - (c) for every procurement the aggregate value of which is \$500,000 or more, quotations in written form from at least five suppliers should be obtained.

In all the three scenarios above, the supplier that has submitted the lowest bid should be selected. If the lowest bid is not selected, full justifications must be given.

- 6.2.2 In case a recipient intends to procure goods or services from one supplier, it has to provide details, its relationship with the supplier concerned and justifications in the application form for not following the open procurement process set out at paragraph 6.2.1 above.
- 6.2.3 All quotations under this agreement should be kept for the DesignSmart Secretariat's inspection.

6.3 *Hiring of Project Staff*

- 6.3.1 The recipient is required to abide by the principle of openness and competitiveness in hiring staff for the approved project.

6.4 *Title to Equipment*

- 6.4.1 The title to all equipment procured under a DRS project shall vest with the recipient. Upon the completion or termination of the project under paragraph 9.2 below, the PSCT may require the recipient to dispose of the equipment at market price or make other arrangements for disposal in accordance with the procedure agreed by the PSCT. The recipient shall comply with such requirement. The sales proceeds from such disposal shall be apportioned between the recipient and the Government in proportion to their contributions to the total project cost.

6.5 *Return of Residual Funds*

- 6.5.1 The recipient should return to the Government all residual funds from the DRS remaining in the project account mentioned in paragraph 4.2.1 above upon completion of the project or earlier termination of the project agreement within two months after such completion or earlier termination. The PSCT may take such action as may be deemed necessary in the event of any unreasonable delay in the return of residual funds and interest income to the Government.

Chapter VII

PROJECT VARIATION

7.1 *Project Variation*

- 7.1.1 An approved project is required to be carried out strictly in accordance with its proposal appended to the project agreement. Any modification, amendment or addition to the project or the agreement, including change of the project commencement or completion dates, key project staff or key equipment, scope, methodology, budget (other than circumstances set out in paragraph 7.1.3 below) sponsorship or cash flow projection, will require prior written approval by the DesignSmart Secretariat.
- 7.1.2 The project coordinator should inform the DesignSmart Secretariat well in advance by submitting a change request in the standard form which can be downloaded from the website: <http://www.designsmart.gov.hk>.
- 7.1.3 For budget control purpose, the actual expenditure for any individual item may exceed at most 15% of the original budgeted expenditure for that item if this does not result in any increase in the overall total approved project cost and in the total amount of DSP grants requested and that all expenditure follows the relevant requirements set out in this Guide.

- 7.1.4 Justification is required to be disclosed for any spending in excess of the budget items in the relevant half-yearly progress report, if any, and/or completion report. Notwithstanding this, prior written approval is required to be sought from the DesignSmart Secretariat if budgeted expenditure is to be transferred to any unbudgeted expenditure item (e.g. new/alternative equipment item, new project staff, revised number/rank of the project staff, new/alternative consumable item.). The final decision on whether certain items of income and/or expenditure should/can be included/charged to a project vests with the DesignSmart Secretariat.

Chapter VIII

UNALLOWABLE COSTS

8.1 *Manpower*

8.1.1 Unless otherwise agreed by the DesignSmart Secretariat ^(Note 6), the funding support should not be used to pay any emolument to a person who is already on the payroll of the recipient. This principle should apply irrespective of whether the relevant service/work is carried out within or outside normal working hours of the person concerned.

8.1.2 Unless otherwise agreed by the DesignSmart Secretariat, project funds cannot be used to cover the following expenditure items:

- (a) annual salary increment, except cost of living adjustment at a rate comparable with and applicable to civil service; and
- (b) gratuities, fringe benefits and allowances other than employer's contribution to the Mandatory Provident Fund.

^(Note 6) If a deployment is absolutely necessary for the project and has obtained prior approval by the DesignSmart Secretariat, project coordinator and key project team members may charge their efforts to the project on a full-time basis or a pro-rata/hourly basis. A monthly time-sharing record of their working time devoted to the project should be maintained.

8.2 *Equipment*

8.2.1 Project funds cannot be used to cover depreciation/amortization or provisions not representing actual expenses incurred.

8.2.2 For general office and IT equipment specifically required for the project, they have to be either included in the approved budget or the funding of which has been specifically approved by the DesignSmart Secretariat, or otherwise the costs of such items cannot be charged to the project account.

8.3 *Other Direct Costs*

8.3.1 In general, project funds cannot be used to cover:

- (a) building facilities (including office and accommodation) - rates; rental; renovation; operation, repair and maintenance expenses;
- (b) costs of setting up office or forming association;
- (c) charges for electricity, gas, water, telephone, fax;
- (d) shuttle bus services; and home to workplace traveling expenses;
- (e) general administration and office expenses;
- (f) staff-related costs - provident fund handling charges, staff training and

development costs and staff facilities;

- (g) entertainment expenses and any prizes, either in the form of cash or other types of souvenir;
- (h) advertisement (except for disseminating the project; or recruitment of staff listed in the approved budget or subsequently approved by the DesignSmart Secretariat);
- (i) organization of trade missions, participation fees at study/trade missions for individuals/ companies;
- (j) charges for services provided by the recipient organization or their contractors/agents - accounting services, personnel services, procurement services, library services, security services, cleansing services, legal services, and central and departmental administrative services;
- (k) costs related to prior/subsequent year(s)/ period(s) adjustment(s); and
- (l) capital financing expenses, e.g. mortgage and interest on loans/ overdrafts.

8.3.2 The above list is not exhaustive. The recipient should consult the DesignSmart Secretariat if it has any doubts about whether an item could be charged to the project.

8.3.3 Notwithstanding paragraph 8.3.1 above, in undertaking projects under this scheme, universities are allowed to include administrative overheads as part of the project cost in the project budget. The administrative overheads to be included in the project budget can be at most 15% of the university manpower cost requested for the project.

Chapter IX

IMPORTANT NOTES

9.1 *Management of the Funding Support*

- 9.1.1 The DesignSmart Secretariat reserves the right to require the recipient to return misspent or unapproved amount together with interest income accrued to the Government.
- 9.1.2 Any record of mishandling of public funds or lack of discipline in financial management or non-compliance with the terms and conditions of the project agreement is a factor which the DesignSmart Secretariat will take into account in considering future applications from the same applicant or the same project team members.

9.2 *Suspension or Termination of Funding Support*

- 9.2.1 PSCT may terminate a project or suspend the funding support at any time for reasons including but not limited to lack of progress of the project in a material way, slim chance of completion of the project in accordance with the project proposal, the original objectives of project are no longer relevant to the needs of the industry as a result of material change in the circumstances, objectives and relevance of the project have been overtaken by events, or the DesignSmart Secretariat sees fit to terminate the project in public interest. The

DesignSmart Secretariat will reserve the right to demand immediate return of all the disbursed funds with interest at prime rate (according to the average of note issuing banks), and hold the recipient liable for any loss or damages the Government may thereby sustain.

9.3 *Prevention of Bribery*

- 9.3.1 The offer of an advantage to the DesignSmart Secretariat or Assessment Panel members with a view to influencing the approval of an application is an offence under the Prevention of Bribery Ordinance. Any such offer by the applicant or his employee(s) or agent(s) will render the application null and void. The Government may also cancel the application approved and hold the applicant liable for any loss or damage, which the Government may sustain.