

For discussion
on 15 March 2001

Legislative Council Panel on Manpower
Employees Retraining Board
Self-Employment Business Start-up Scheme

PURPOSE

This paper informs Members of the Employees Retraining Board (ERB)'s proposal to launch a Self-Employment Business Start-up Scheme.

BACKGROUND

2. In his October 2000 Policy Address, the Chief Executive announced that the Education and Manpower Bureau (EMB) would discuss with the ERB the establishment of a fund to provide shared facilities and other support services for retrainees who want to start up a business, and to offer one-off loans to those who could put forward concrete business plans. The idea is to provide enhanced support for retrainees who possess specific vocational skills to become self-employed. Given that these retrainees usually do not possess any experience in running a business and lack collateral in securing loans, we believe that follow-up support service and some form of financial assistance are vital to help them during the critical initial period of starting their own businesses.

PROPOSAL

3. The ERB proposes to set aside \$50 million from the Employees Retraining Fund¹ as ERB's total commitment to the scheme. The support programme will consist of two major elements -

¹ The Employees Retraining Fund is funded by a levy on employers of imported workers under the Supplementary Labour Scheme, tuition fee from ERB's part-time courses, interest income as well as one-off capital grants from the Government. The ERB estimates that it will have a reserve of \$180 million as at end March 2001.

Training and follow-up support

4. The ERB has launched, on a pilot basis, self-employment courses in a few areas where there is potential for retrainees to start a small business on a self-employed basis. These areas include beauty care, property maintenance and cleansing. Apart from the specific vocational skills, these courses also cover soft skills and knowledge on how to start a business, covering the basic legal, financial, accounting and marketing aspects. The ERB also plans to provide enhanced post-training support, covering -

- (a) a 12-month follow-up counselling/support service provided by the ERB and its training bodies;
- (b) advisory/mentor services by more experienced businessmen, professionals and business start-up associations; and
- (c) setting up of self-employment corners in ERB's existing retraining resource centre, with basic office and communal support facilities (e.g. photocopy machine, fax machine, telephone receptionist).

Special financial assistance

5. Under the proposed scheme, the ERB will act as guarantor for retrainees who obtain loans from approved lending institutions. The guarantee will cover 70% of the total loan amount and the lending institution would shoulder the remaining 30% of the risk. Except for special cases, the maximum amount of loan in each case is \$100,000. The loan will be used to meet capital and other incidental expenses for setting up the business.

6. All ERB retrainees who have completed ERB's full-time or part-time self-employment course, or full-time job specific skill course will be eligible to apply for the loan guarantee. The business concerned should preferably be related to a vocational skill possessed by the applicant. Applicants will be asked to prepare a business plan and attend an interview before a vetting panel. ERB will consider the following factors in screening applications-

- (a) viability of the applicant's business plan;
- (b) the applicant's background, previous experience and the vocational skills possessed;
- (c) the financial position of the applicant (e.g. whether he has been declared bankrupt before); and
- (d) an assessment on the applicant by the training body which provided the retraining course.

The ERB will conduct initial screening of applications but the final lending decision will be made by the lending institutions concerned.

7. The ERB plans to earmark \$10 million as initial commitment for the first year of the scheme. It is expected that over 140 eligible retrainees will be able to benefit from the scheme during the first year.

THE NEXT STEP

8. The ERB has set up a Steering Committee to firm up the detailed arrangements of the scheme. It has also initiated discussion with a number of banks regarding the loan guarantee arrangements. Subject to the final set of the terms and conditions approved by the ERB, it plans to invite all licensed banks under the Banking Ordinance to join the scheme under the same set of terms and conditions. In parallel, EMB is preparing the necessary legislative amendments to authorise the ERB to operate the scheme. We plan to introduce the amendment bill into this Council in late April. Subject to the passage of the amendment bill, the ERB aims to launch the scheme in July 2001.