

NOTE FOR FINANCE COMMITTEE

First half-yearly Progress Report on Self-employment Business Start-up Assistance Scheme

PURPOSE

The Self-employment Business Start-up Assistance Scheme (the Scheme) jointly administered by the Education and Manpower Bureau (EMB) and the Employees Retraining Board (ERB) began in September 2001. During the Finance Committee meeting on 6 July 2001, Members requested the Administration to submit half-yearly progress reports after the implementation of the Scheme. This paper presents the first half-yearly progress report on the Scheme from September 2001 to March 2002 for Members' information.

BACKGROUND

2. ERB has been providing self-employment courses since March 1994. In September 2001, the Government and the ERB jointly launched the Self-employment Business Start-up Assistance Scheme on a pilot basis for two years up to August 2003 to assist eligible retrainees of the ERB (namely those who have completed ERB's full-time or part-time self-employment courses) to start a small business of their own. The Scheme comprises three major components -

- (a) advisory and support services to retrainees;
- (b) basic office support facilities to be shared among trainees starting a business; and
- (c) loan guarantee to eligible retrainee borrowers.

3. The Scheme has been widely publicized, through newspaper advertisements, leaflets, posters, briefing sessions for parties concerned and interviews by mass media. Updated information about the Scheme, such as provision of retraining courses, conduct of seminars/talks, updated list of participating lending institutions and their loan terms etc, are available on a dedicated website and also distributed to training bodies, individual retrainees and interested parties.

SELF-EMPLOYMENT RETRAINING COURSES

4. From September 2001 up to 31 March 2002, ERB offered a total of 480 places on 22 retraining courses in self-employment comprising 18 generic and four trade-specific programmes (18 are full-time mode and four are part-time mode). These retraining courses cover various modules related to practical knowledge and skills in business operation, including marketing strategies, customer services, accounting and legal knowledge, as well as “soft skills” such as problem-solving techniques and psychological preparation for business ups and downs. The course also assists retrainees to prepare their own business plans.

Encl. 1
Encl. 2
Encl. 3

5. As at 31 March 2002, 436 retrainees have completed the training. The number of retrainees completing various programmes offered by the ERB is shown in the table at Enclosure 1. Profiles of the retrainees are shown at Enclosure 2. Out of these 436 graduates, 76 have started their businesses. Among them, 62 graduates found their business with their own source of funding and the remaining 14 successfully secured loans from approved lending institutions with the Secretary for Education and Manpower (SEM) acting as the loan guarantor. A breakdown, by industry, of the businesses started is at Enclosure 3. Another four retrainees have secured loans but have yet to start their business operations.

6. Operational experience indicates that normally a period of three to six months after completion of the training would be required to plan and start a business. As most of the retrainees (65%) have just graduated in or after December 2001, many are still at the initial planning stage in business start-up. It is therefore expected that more retrainees will start their own business with or without applying for a loan in the coming months.

LOAN GUARANTEE

7. As approved by the Finance Committee on 6 July 2001, the SEM acts as the loan guarantor for retrainees' loans granted by lending institutions under the Scheme. The loan amount has been capped at \$100,000 per application from a trainee, with an interest rate of no more than prime rate plus 3%. As at 31 March 2002, a total of 30 lending institutions have participated in the Scheme to offer loans.

8. As at 31 March 2002, a total of 33 retrainees have submitted loan applications. The lending institutions have approved 18 applications (14 of them have started their business). Of the remaining cases, one was rejected and 14 applications (received in late February/early March) were still under consideration. The cumulative loan amount approved by the lending institutions is \$1,716,000. It is encouraging that some lending institutions have offered applicants more favorable loan terms than the minimum requirements specified by the Government, such as lower interest rate, longer repayment period, provision of repayment-free period and waiver of handling fee. Enclosure 4 shows the terms, conditions and other aspects of the loans in respect of successful applications.

Encl. 4

9. ERB staff have paid regular on-site visits to all successful loan borrowers to ensure that they have started and operated their business in accordance with the business plans approved under the loan guarantee by the Government, and that they are using the loans properly. They have also advised the borrowers along the way to help minimize undue business closure, and have kept contact with the lending institutions regarding borrowers' repayment schedule. Up to March 2002, no abuses have been detected. One of the loan borrowers have ceased his business operation due to poor economic environment.

SUPPORT AND ADVISORY SERVICES

10. The ERB provides one-year follow-up support services to retrainee graduates to assist them in starting-up their businesses. It has also set up a "Self-employment Corner" in its Retraining Resource Centre (Lok Fu) to provide basic office facilities, such as computers, fax machine, mailboxes etc for free use by graduates of the self-employment programmes. The Corner also provides users with a convenient venue to source relevant information and make business contacts in the initial stage of business start-up.

11. The ERB has also teamed up with other relevant organizations such as Vocational Training Council, the Trade Development Council and the Trade and Industry Department so that retrainees can make use of the support services offered by these organisations. In addition, the ERB has assembled a pool of advisors who are experienced professionals or businessmen and representatives from professional bodies such as the Hong Kong Law Society, the Hong Kong Society of Accountants and various small and medium enterprises (SMEs) associations. Graduate retrainees of self-employment courses may seek face-to-face advisory sessions with the advisors. Retrainees can also seek advice from ERB or their training bodies in drafting their business plans. The ERB has also conducted talks, seminars and experience-sharing workshops for retrainees as well as visits to related business enterprises and organizations. So far, more than 30 such activities have been held, benefiting over 600 participants.

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WAY FORWARD

12. The Administration will conduct a major review on the effectiveness of the Scheme in early 2003. In the meantime, the Scheme will be regularly reviewed and progress reports will be submitted to Members on a half-yearly basis.

OTHER INFORMATION

13. At the Finance Committee meeting on 6 July 2001, Members requested the Administration to provide information on the business startup scheme in Shanghai. Information of the Shanghai Scheme is attached at Enclosure 5.

Encl. 5

Education and Manpower Bureau
July 2002

Enclosure 1 to FCRI(2002-03)8

**No. of retrainees who have completed
ERB's self-employment courses
(as at 31 March 2002)**

<i>Course mode and type</i>	<i>Generic courses</i>	<i>Trade-specific courses</i>	<i>Total</i>
<i>Full-time</i>	280	67	347
<i>Part-time</i>	89	0	89
<i>Total</i>	369	67	436

Notes :

1. Generic self-employment courses cover various modules related to practical knowledge and skills in general business operation and last 60 hours.
2. Trade-specific self-employment courses aim to provide retrainees with training in self-employment and business start-up in specific trades. These courses last longer than 60 hours and they cover, in addition to the modules offered in generic self-employment courses, other modules relevant to specific trades. Four courses have been provided so far:
 - Self-employment course in property maintenance;
 - Self-employment course in beauty care;
 - Self-employment course in digital imaging; and
 - Self-employment course in environmental cleaning.

Enclosure 2 to FCRI(2002-03)8

Profiles of Retrainees of Self-employment Programme
(as at 31 March 2002)

Total number of graduates : 436

<i>Sex</i>	<i>No. of retrainees</i>	<i>Percentage</i>
Male	243	56%
Female	193	44%
Total	436	100%

<i>Age</i>	<i>No. of retrainees</i>	<i>Percentage</i>
Below 30	13	3%
30 – 39	187	43%
40 – 49	178	41%
50 or above	58	13%
Total	436	100%

<i>Education</i>	<i>No. of retrainees</i>	<i>Percentage</i>
P.6 or below	18	4%
Form 1 to 3	116	27%
Form 4 to 5	210	48%
Form 6 or above	92	21%
Total	436	100%

Enclosure 3 to FCRI(2002-03)8

Progress on Business Start-up
(as at 31 March 2002)

Total number of graduates who have started-up business : 76

	<i>Month of business start-up</i>						
	Sep 2001	Oct 2001	Nov 2001	Dec 2001	Jan 2002	Feb 2002	Mar 2002
<i>No. of graduates</i>	0	4	7	21	35	4	5

Breakdown by industries

<i>Industry</i>	<i>No. of Retrainees</i>	<i>Percentage</i>
Retail/Wholesale/Trade	32	42%
Service	35	46%
Food and Beverage	4	5%
Manufacturing	4	5%
Others	1	1%
Total	76	100%

Statistics on Successful Loan Applications
(as at 31 March 2002)

(A) Terms and Conditions

<i>Loan amount</i>	<i>No. of cases</i>
Below \$50,000	0
\$50,000 - \$99,999	6
\$100,000	12
Total	18

Cumulative loan amount: \$1,716,000

Average loan amount: \$95,333

<i>Repayment period (month)</i>	<i>No. of cases</i>
Below 24	7
25 – 30	5
31 – 36	6
Total	18

Average repayment period : 28.9 months

<i>Interest rate</i>	<i>No. of cases</i>
P + 1% or below	2
P + 1.5%	1
P + 2%	2
P + 2.5%	1
P + 3%	12
Total	18

Average interest rate: P + 2.55%

(B) Breakdown by industries

<i>Industry</i>	<i>No. of successful loan applications</i>
Retail/Wholesale/Trade	8
Service	7
Food and Beverage	1
Manufacturing	1
Others	1
Total	18

**Brief Information on
Shanghai's Business Start-up Training Programme***

Background

In accordance to national-wide policy to help resolve the problem of unemployment and lay-off through new business start-up¹, a pilot business start-up training programme was piloted in three cities, namely Shanghai, Beijing and Suzhou since April 1998. The programme was subsequently expanded to some 30 other cities in 16 provinces in June 1999. As one of the cities to pioneer the programme, the Shanghai Municipal Government launched the business start-up training programme in May 1998 through the joint efforts and co-ordination of various government departments and bureaux, training providers and experienced business operators and professionals. Participants on the training programme may also benefit from a Loan Guarantee Scheme and other preferential treatments co-ordinated by the Municipal Government.

The Business Start-up Training Programme

Main Target

2. The major targets of the training programme are those unemployed or laid-off workers (下崗工人), although the self-employed as well as the managerial staff of small private enterprises² may also apply for the programme. Applicants are required to go through an ability test so that only those who acquired the necessary commitment, educational standard, psychological disposition and other attributes to run a business (including capital, skills and venues etc) will be enrolled into the programme. Eligible applicants should also be aged between 18 and 45 with an education attainment no less than senior secondary level. In addition, they have to submit a preliminary business plan and feasibility report apart from passing an interview and the ability test.

/Training

¹ As part of the efforts to implement the "Re-employment Training Scheme" for ten million people in three years' time, the Department of Training and Employment of the Ministry of Labour and Social Security of the People's Republic of China had issued a national notice in May 1999 advising the Municipal Labour and Social Security Bureaux of various cities to coordinate in conjunction with local authorities in implementing the policy of helping the unemployed and lay-off workers in starting up small business units or enterprises.

² Target trainees also include the head staff of informal labour organizations or newly established services units, small private enterprises and urban industrial enterprises etc.

Training Contents

3. The training programme consists of the following three major stages -

- (a) *Basic theoretical training*: mainly to impart theoretical knowledge and techniques on business start-up and operation. Major subject areas covered include (i) the proper mindset and aptitude to run business and related legal and regulatory framework; (ii) marketing strategy, taxation, financial management, business administration, public relations and case studies on business operation; and (iii) related policies and procedures involved in business start-up.
- (b) *Advisory services*³ : Advisory committees on various trades and industries have been set up comprising experts from various trades and industries as well as experienced instructors from training providers to advise trainees on their business proposals or plans in order to ensure that their intended projects are market-driven with growth potential.
- (c) *Follow-up and support services*: For trainees who have already started up a business, the Government will offer an intensive follow-up and support services in order to help them resolve technical and concrete problems and provide the necessary consultation and related services.⁴

4. The first and second stages last from about three to six months while the third stage is flexible and depends on merits of individual case. The training format is also flexibly administered. Apart from classroom teaching, the training may take the form of consultation sessions run by experts and case studies, as well as experience-sharing sessions and visits to business enterprises, so as to enhance trainees' awareness of the operational know-how and their decision-making abilities.

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³ It was pioneered in Shanghai in May 2000 to set up voluntary business start-up advisory service volunteer teams (開業指導專家志願服務團) to provide, among others, general consultation service as well as "one-to-one" mentorship services to individual trainees. The experts offer advice through prior appointments to individual trainees on specific questions relating to business nature, investment direction, business strategies etc and etc.

⁴ Assistance in this stage includes, for instances, files retention, registration of business start-up, payment in social insurance security, adjusting marketing strategies, and application for loans etc.

Loan Guarantee Scheme

5. Separately, as part of the measures to create employment opportunities, the Shanghai Municipal Labour & Social Security Bureau also introduced a loan guarantee scheme for business starters as well as business enterprises facing financial difficulties in late 2000. The loan guarantee scheme, with the Municipal Government as the guarantor for loans granted by designated banks⁵, covers four major categories of applications, namely (a) business start-up capital⁶; (b) short-term loans; (c) capital machinery and equipment; and (d) purchase of production plant or premises.

Other Preferential Treatments

6. A series of other supportive and preferential measures are introduced by the Shanghai Municipal Government to help target business starters to run business of their own and thereafter create employment opportunities for others. In other words, the Municipal Government have co-ordinated the joint efforts of relevant governmental and community stakeholders in the creation of an enabling environment for business start-up. These supportive measures include, among others, the provision of free training on business start-up for the unemployed, fees exemption, interest subsidies for start-up business that is technology-oriented or large-scale and labour-intensive, tax concession or exemption and other preferential treatments like concessionary payments in social insurance security.

Progress

7. Since the start of the programme in May 1998 up to October 2001, a total of 7,633 trainees have completed the training courses on business start-up. Among them, 4,821 trainees have started up business of which 90% belong to service industries.

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⁵ The loans are made by designated banks upon the advice of the voluntary business start-up advisory experts with the Municipal Government as the loan guarantor under an "Employment Facilitation Fund" (促進就業基金) which replaced the original "Re-employment Fund" (再就業基金).

⁶ The loan ceiling in respect of business start-up capital is RMB\$100,000 (as at December 2000). The loan guarantee period is usually 1 year and the interests are adjusted in line with the existing regulations of all authorized banks in the PRC.

8. A total of 200 trainees have applied for loans with 151 of them succeeded in obtaining the guarantee from the Government. The average loan amount is RMB \$130,000.

* (Source : Information obtained during a study tour of the Employees Retraining Board to Shanghai and Beijing from 25 to 30 December 2000)