

For information

**Subcommittee to Study the Subject of Combating Poverty:
Promoting the Further Development of Social Enterprise**

Purpose

This paper updates Members on the Administration's work in promoting the development of social enterprise (SE).

Background

2. Members were briefed at the Subcommittee's meeting on 11 December 2007 (vide Paper No. CB(2)497/07-08(01)) on the preparation of the Summit on Social Enterprise. Members requested the Administration to provide an action plan on the further development of SE taking into account the experience and views expressed at the Summit.

SE Summit

3. Some 600 guests attended the SE Summit held on 20 December 2007, with about 100, 300 and 150 participants joining the three panel discussion sessions. Participants, largely from the welfare, academic and commercial sectors, provided useful views on ways to facilitate further development of SEs and nurture social entrepreneurs. In gist, there is a general consensus that –

- (a) notwithstanding their social objectives, SEs are not welfare services. They have to operate on a self-financing basis and compete in the market. The success of an SE hinges on its ability to identify market niches and the competitiveness of its products/services. Innovation and entrepreneurship are of utmost importance. Long-term support to individual SE by the Administration is not desirable as this may reduce the incentive for innovation and distort market operation; and
- (b) instead, the Administration should –
 - (i) enhance publicity to promote understanding of SE and social entrepreneurship. In particular, more success

stories of SEs and social entrepreneurs should be identified to help promote SE and its visions and social objectives; and

- (ii) create a platform to facilitate closer collaboration of the business sector, NGOs, retired professionals, tertiary institutions, etc. in launching new SE projects and enhancing the operation of existing SEs.

Government Policy on Social Enterprise

Objectives

4. The Government's objectives in promoting the development of social enterprise are to enhance job opportunities for the socially disadvantaged to help them to achieve self-reliance; and to provide a new channel for different sectors of the community to meet the needs of different community groups with entrepreneurial thinking and innovative approaches with a view to fostering a new caring culture and enhancing social harmony. The above objectives are in line with the views expressed at the SE Summit with regard to the value or potential contribution of SE to the community.

Definition of SE

5. As there is currently no universal definition of SE and the concept of SE is still evolving, we consider that there is no need to introduce legislation on SE at the moment so as to avoid imposing any unnecessary constraints for its development.

Action Plan

6. Taking into account the views expressed at the SE Summit, the Administration will adopt a four-pronged approach to promote the development of SE –

- (a) Enhance public understanding;
- (b) Promote cross-sector collaboration;
- (c) Nurture more social entrepreneurs; and
- (d) Strengthen support for SE.

Enhance public understanding

7. While there has been a growing awareness of SEs and recognition of their potential role in the community, SE remains a relatively new concept to most members of the public in Hong Kong. SE operators generally opine that enhancing public understanding of SEs will facilitate recruitment of staff, finding commercial partners/ sponsorship and marketing of their products/ services. Hence, at the current stage of development of SE in Hong Kong, enhancing public understanding of SE, especially the social objectives achieved, is one of the most important tasks to promote the development of SE. In this regard, we have taken the following measures in the past few months to raise public awareness of SE with a view to creating a more conducive environment for the development of SE and its clientele –

- (a) **SE Booklet:** we published in December 2007 an SE booklet which consists of stories of 29 successful SEs both in Hong Kong and overseas. We hope that, through these stories of successful SEs, the public, including the social entrepreneurs, in Hong Kong can build up a better understanding of SE, especially the social objectives achieved and the business models taken. We will continue to identify more such SE stories and introduce them to members of the public;
- (b) **Announcements in the Public Interest (API) on SE:** after the launch of the first TV and radio API on SE in December 2007, we have launched two new series of TV and radio API in May 2008 to deepen public understanding on SE. HAD has also produced a three-minute video on SE for broadcast on various means of public transport via Roadshow in April 2008;
- (c) **SE Directory:** HAD has compiled an SE directory by service category to help enhance publicity of these SEs and facilitate the procurement of their services/products by the public. As a start, the directory includes some 140 SEs, including SEs in the SE Booklet, and approved SE projects under the Enhancing Self-Reliance Through District Partnership Programme (the “ESR Programme”). The directory has been uploaded onto the dedicated SE website launched in June 2008;
- (d) **SE website:** to facilitate SE operators and members of the public to obtain information on SE, HAD has launched a dedicated website in June 2008. All information on the

Administration's measures to promote the development of SE including the SE Directory, SE booklet, leaflet, video, API, the Social Enterprises Partnership Programme, and the relevant funding schemes (e.g. the ESR Programme), etc. is available at the website; and

- (e) **SE Promotion Activities in 18 districts:** HAD will organize promotional activities in the 18 districts to promote the services/products of the SEs in the respective districts and enhance public understanding of SE later this year.

Promote cross-sector collaboration

8. Apart from publicity, we will continue our efforts to promote cross-sector collaboration and encourage more private enterprises and professionals to participate in the development of SE. In this regard, the HAD has launched the Social Enterprises Partnership Programme to provide a platform to enhance and facilitate partnership among different sectors of the community through –

- (a) **A Matching Forum:** interested business organizations can team up with non-governmental organizations (NGOs) to establish SEs or to partner with SEs. The partnership can be in the form of outsourcing certain operations (e.g. cleansing services) to the SEs; providing concessionary rental of their premises/vacant land for use by the SEs; and allowing SEs access to their clients etc. Thus far, 12 new SE projects have been launched through the Forum; and
- (b) **The Mentorship Scheme:** it aims to link up entrepreneurs/professionals with SEs so that the former could offer voluntary professional and business advisory services to the latter. So far, about 80 individuals/corporations have indicated interest as mentors and four mentors/mentees partnership among SE operators and business corporations/professionals have been formed.

Nurture Social Entrepreneurs

9. Social entrepreneurship is key to the success and development of SE. To nurture social entrepreneurs, it is important to start with the youth. In this regard, we have commissioned the Centre for Entrepreneurship of the Chinese University of Hong Kong to organize the **Social Enterprise Challenge 2008** in partnership with eight other tertiary institutions. The event is a business plan writing

competition targeted at students of tertiary institutions and will be launched in late 2008.

Strengthen support for SE

10. While the above measures aim to strengthen support for SE in respect of marketing, exploring market niches and other operational issues in order to enhance its competitiveness and sustainable development, the Administration will continue to provide seed money to eligible SE to help finance their initial operation. To encourage the establishment and development of SE, the Enhancing Self-Reliance Through District Partnership Programme¹ of the Home Affairs Department provides grants for NGOs to carry out SE projects during their initial operations to promote self-reliance of the socially disadvantaged.

11. The ESR Programme has approved under the first three phases of applications a total grant of about \$67 million to some 70 new SE projects that would create some 1,300 jobs for the socially disadvantaged groups. Thirty-six of these SE projects are being/will be carried out in less well-off districts such as Kwun Tong, Sham Shui Po, Tuen Mun, Yuen Long, Tin Shui Wai and Tung Chung. At present, about \$83 million remains available for application. The HAD is currently processing applications received under phase 4.

12. On Government procurements, the Administration has introduced a pilot scheme to give eligible SEs priority in bidding 38 Government cleansing services contracts from 19 departments covering all 18 districts. Of the 38 contracts under the scheme, 12 contracts have been awarded to SEs, 19 have not been successful, one is under evaluation and six have not completed the invitation procedures. We will conduct a review on the effectiveness of the pilot scheme later this year and continue to look for suitable service contracts having regard to the need to maintain transparency and fairness.

¹ Apart from the ESR Programme, SEs may also apply for funding assistance from The Community Investment and Inclusion Fund (CIIF) of the Labour and Welfare Bureau and The Enhancing Employment of People with Disabilities through Small Enterprise Project (the 3E Project) of the Social Welfare Department if they meet the criteria in the respective schemes. The CIIF supports cross-sector collaboration and build up social capital and the 3E Project support NGOs to run small enterprises so as to create more employment and training opportunities for people with disabilities.

13. At the Subcommittee's meeting on 11 December 2007, some Members enquired whether tax incentive should be provided to SE. Having regard to the views expressed at the SE Summit, the Administration does not consider it necessary or appropriate to introduce any new tax measures for SE at the current stage. While all income generated through business activities in Hong Kong is subject to profits tax under the Inland Revenue Ordinance (Cap. 112), at present, many parent organizations of SE have acquired charitable status under section 88 of the Ordinance and all donations to such charitable organizations are tax deductible subject to a ceiling of 25%² of the donating enterprise's assessable profits.

Way forward

14. The Administration will continue to listen to the views of SE operators, stakeholders and the community on the existing measures and the need for additional measures to facilitate SE development, having regard to other factors (e.g. the need to avoid unfair competition to the business community, particularly small and medium enterprises).

Advice sought

15. Members are invited to note the above progress report on the Administration's work in promoting the development of SE in Hong Kong.

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Home Affairs Bureau
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² The Administration has introduced the Revenue Bill 2008 to, inter alia, raise the ceiling to 35%.