

## INFORMATION NOTE

### Overview of social enterprise policies and measures of Hong Kong

**Table 1 — Official definition of social enterprises**

<b>Official definition of social enterprises</b>
<ul style="list-style-type: none"> <li>• According to the Commission on Poverty<sup>1</sup>, "[t]here is no common definition of social enterprises. One key distinguishing feature of such enterprises is the conduct of activities, in whole or in part, with both a commercial and a social purpose"<sup>2</sup></li> </ul>

**Table 2 — Social enterprise sector**

	<b>Social enterprise sector</b>
Statistics of the sector	<ul style="list-style-type: none"> <li>• According to the Commission on Poverty, there is no formal statistics on how large the social enterprise sector is in Hong Kong, which is partly due to their very diverse background and mode of operation and partly due to the lack of a common definition<sup>3</sup></li> <li>• According to the <i>Social Enterprise Directory</i>, there were 43 non-governmental organizations running or assisting in the operation of 172 social enterprise projects at the end of January 2006<sup>4</sup></li> <li>• Based on information provided by social enterprises to the Social Enterprise Resource Centre of the Hong Kong Council of Social Service<sup>5</sup>, there were some 1 100 persons working in the social enterprise sector at the end of January 2006</li> </ul>

<sup>1</sup> The Commission on Poverty was established by the Government in early 2005. The Commission focuses on inter-departmental and inter-disciplinary issues relating to poverty and aims to enhance policy co-ordination and integration in preventing and alleviating poverty. The Commission is chaired by the Financial Secretary. Other members of the Commission include five members from the Government and 18 members from the political, business, community and academic sectors. The Commission first discussed the social enterprise topic at its meeting on 12 September 2005. At the meeting, "noting the successful experience in the rehabilitation field in developing social enterprise to provide training and work opportunities to the disabled in a real-work environment, members reached a strong consensus on the spirit and direction in further developing social enterprises to help the unemployed, mindful of the need to minimize displacement of SMEs (small- and medium-sized enterprises)."

<sup>2</sup> Commission on Poverty, CoP Paper 22/2005, p.1.

<sup>3</sup> Ibid.

<sup>4</sup> Social Enterprise Resource Centre of the Hong Kong Council of Social Service.

<sup>5</sup> The Hong Kong Council of Social Service was established in 1947 as a non-governmental organization to co-ordinate refugee relief work. Registered as a body corporate in 1951, the Hong Kong Council of Social Service has gradually developed into an umbrella organization for voluntary and community organizations. At present, the Hong Kong Council of Social Service has 320 Agency Members which provide over 90% of Hong Kong's social welfare services through their 3 000 service units.

**Table 2 — Social enterprise sector (cont'd)**

	<b>Social enterprise sector</b>
Types	<ul style="list-style-type: none"> <li>• Social firms</li> <li>• Social co-operatives</li> <li>• Community economic development projects</li> </ul>
Fields of activities	<ul style="list-style-type: none"> <li>• The production and trading activities of social enterprises in Hong Kong are mainly in the service sectors, including goods production and sale, domestic services, general cleaning services (e.g. car cleaning), catering services and personal care services</li> </ul>
Size of social enterprises	<ul style="list-style-type: none"> <li>• Based on information provided by social enterprises to the Social Enterprise Resource Centre of the Hong Kong Council of Social Service, social enterprises are mostly micro (less than 10 employees) and small (11 to 49 employees) enterprises as at the end of January 2006</li> </ul>
Problems faced by the sector <sup>6</sup>	<ul style="list-style-type: none"> <li>• Lacking public understanding and acceptance of the sector as the development of social enterprises in Hong Kong is still a relatively new phenomenon</li> <li>• Lacking a legal framework that facilitates the development of social enterprises, e.g. the Co-operative Societies Ordinance poses barriers to the formation and operation of co-operative type social enterprises</li> <li>• Insufficient policy support for the development of social enterprises, e.g. insufficient policy support to facilitate the participation of social enterprises, particularly social enterprises employing the able-bodied unemployed, in the public procurement process</li> <li>• Lacking competence in running businesses, e.g. personnel in the non-governmental organization/welfare sector generally lack professional business experience</li> <li>• Lacking funding to start and/or sustain social enterprises, e.g. social enterprises often have difficulties accessing commercial finance because of a variety of reasons (such as social enterprises not having a proven track record)</li> <li>• Insufficient business support for the sector, e.g. there is a lack of training programmes tailor-made for social entrepreneurs and professional advice on how to strike a balance between the social and commercial purposes</li> </ul>
Organization co-ordinating the sector	<ul style="list-style-type: none"> <li>• The Hong Kong Council of Social Service</li> </ul>

<sup>6</sup> Commission on Poverty, CoP Paper 22/2005, *Hong Kong Nonprofit Journal*, 《殘疾人士社會企業的發展與展望》, 《社會企業有困難有曙光》 和 《全力推動社會企業的發展動議辯論》.

**Table 3 — Social enterprise policies and measures**

	<b>Social enterprise policies and measures</b>
Responsible authorities	<ul style="list-style-type: none"> <li>• Commission on Poverty</li> <li>• Relevant Government bureaux and departments: the Health, Welfare and Food Bureau, the Home Affairs Bureau, the Economic Development and Labour Bureau, the Education and Manpower Bureau, the Social Welfare Department and the Home Affairs Department</li> </ul>
Relevant policy papers	<ul style="list-style-type: none"> <li>• The recent <i>Policy Address</i> and <i>Budget Speech</i> have relevant sections stating the Government's policies and financial support for the development of social enterprises<sup>7</sup></li> <li>• Relevant papers of the Commission on Poverty, in particular CoP Paper 22/2005 entitled "<i>From Welfare to Self-Reliance</i>"-- <i>Social Enterprise Development</i>, CoP Paper 4/2006 entitled <i>Budget Initiatives</i> and CoP Paper 4/2007 entitled "<i>From Welfare to Self-Reliance</i>"- <i>Social Enterprise Development—An Update</i></li> </ul>
Policy objective	<ul style="list-style-type: none"> <li>• "In support of the direction 'From Welfare to Self-reliance', to further encourage the development of social enterprises to provide community employment opportunities for the unemployed to integrate into the job market"<sup>8</sup></li> </ul>
Legal framework	<ul style="list-style-type: none"> <li>• Social enterprises are established under a range of legal forms, e.g. companies and co-operatives</li> </ul>
Policies and measures to promote social enterprises	<ul style="list-style-type: none"> <li>• Establishing the value and gaining public acceptance of social enterprises <ul style="list-style-type: none"> <li>(a) Building the knowledge base on social enterprises through research</li> <li>(b) Raising public awareness of the social enterprise sector through conference and TV series</li> </ul> </li> <li>• Creating an enabling environment for social enterprises <ul style="list-style-type: none"> <li>(a) Relaxing the requirement of the Enhancing Employment of People with Disabilities through Small Enterprise Project<sup>9</sup> to employ no less than 60% of disabled people to 50%</li> </ul> </li> </ul>

<sup>7</sup> For example: paragraph 41 of the 2005-06 *Policy Address* under the section titled Helping the Needy, paragraphs 64 and 65 of the 2006-07 *Budget Speech* under the section titled Helping the Disadvantaged Groups and paragraph 50 of the 2007-08 *Budget Speech* under the section titled Supporting Social Enterprises.

<sup>8</sup> Commission on Poverty, CoP Paper 19/2006, p.6.

<sup>9</sup> Administered by the Social Welfare Department, the HK\$50 million Enhancing Employment of People with Disabilities through Small Enterprise Project (創業展才能計劃) aims to enhance the employment of people with disabilities through the market-driven approach and the direct creation of more work opportunities for people with disabilities.

**Table 3 — Social enterprise policies and measures (cont'd)**

<b>Social enterprise policies and measures</b>	
Policies and measures to promote social enterprises (cont'd)	<p>(b) Giving preferential treatment to social enterprises employing people with disabilities in public procurement<sup>10</sup> through awarding additional weighting in open tender exercises of Hospital Authority contracts and using restricted tenders<sup>11</sup> for some Leisure and Cultural Services Department contracts</p> <ul style="list-style-type: none"> <li>• Business facilitation and support for social enterprises           <ul style="list-style-type: none"> <li>(a) Social enterprises access to finance through the Enhancing Employment of People with Disabilities through Small Enterprise Project (37 approved projects), the Enhancing Self-Reliance Through District Partnership Programme<sup>12</sup> (41 approved projects) and the Community Investment and Inclusion Fund<sup>13</sup> (102 approved projects)</li> <li>(b) Business training for existing and potential social entrepreneurs, e.g. a certificate course in social entrepreneurship organized by the Hong Kong Council of Social Service and a social enterprise business plan competition organized by the Chinese University of Hong Kong for university students</li> <li>(c) Business support for social enterprises by extending the existing support to SMEs to social enterprises, e.g. the SME Mentorship Programme and "Meet-the-Advisors" Business Advisory Service</li> </ul> </li> </ul>
Forthcoming policies and measures	<ul style="list-style-type: none"> <li>• Policies and measures to facilitate and promote social enterprises in Hong Kong will be elaborated in the final report of the Commission on Poverty by May 2007. Meanwhile, the Government is:           <ul style="list-style-type: none"> <li>(a) considering measures which facilitate the participation of social enterprises employing the able-bodied unemployed in the public procurement process e.g. measures taking into account the additional benefits (training and work integration of the unemployed) they can bring</li> <li>(b) examining the need to improve the current regulatory framework, e.g. consulting the social enterprise sector on whether there is a need to amend the Co-operative Societies Ordinance</li> <li>(c) examining the idea of creating a new form of companies which cater for the special needs of social enterprises, i.e. the Community Interest Companies</li> </ul> </li> </ul>

<sup>10</sup> This is permissible under the *World Trade Organization Agreement on Government Procurement*.

<sup>11</sup> Tender invitations are sent to only one or a number of suppliers/contractors approved by the Permanent Secretary for Financial Services and the Treasury or the Director of Government Logistics.

<sup>12</sup> Administered by the Home Affairs Department, the HK\$150 million Enhancing Self-Reliance Through District Partnership Programme("伙伴倡自強"社區協作計劃) aims to strengthen the district-based poverty alleviation work and to assist socially disadvantaged groups in gaining self-reliance.

<sup>13</sup> Administered by the Health, Welfare and Food Bureau, the HK\$300 million Community Investment and Inclusion Fund (社區投資共享基金) aims to encourage innovative solutions through cross-sectoral partnerships to build community capacity for mutual help.

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