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Panel on Welfare Services

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 13 July 2009**

Child Development Fund

Purpose

This paper provides background information on the setting up of the Child Development Fund (CDF) and a summary of discussions held by the Subcommittee to Study the Subject of Combating Poverty and the Panel on Welfare Services (the Panel) on the subject.

Background

2. One of the key recommendations of the former Commission on Poverty (CoP) is to set up a CDF to provide more development opportunities for children from a disadvantaged background, with a view to reducing inter-generational poverty. CoP also recommended that the Fund –

- (a) should be used to promote building personal development plans among children from a disadvantaged background under on-going guidance and mentorship from non-governmental organisations (NGOs) and voluntary mentors; and
- (b) should encourage targeted savings in order to examine whether asset-building habits would yield positive behavioural and mindset change among children from a disadvantaged background.

3. The Government had earmarked \$300 million for the establishment of the CDF in the 2007-2008 Budget.

Issues of concern raised by Members

Proposed establishment of CDF

4. The Subcommittee to Study the Subject of Combating Poverty formed under the House Committee in the Third Legislative Council (LegCo) had studied the subject of CDF at its meetings on 19 January, 26 March and 18 June 2007. Members were advised that at the Child Development Forum organised by CoP on 10 November 2006, participants expressed support for exploring the asset-building approach¹ as a way to help motivate children and their families coming from a disadvantaged background to build up their own assets and plan for their future. CoP was also in general supportive of the initiative to explore the asset-building approach as an additional measure to help promote child development and to tackle inter-generational poverty.

5. Members were further advised that three broad models of CDF, namely, the Child Personal Development Fund², the Child Targeted Savings Fund³, and the Child Trust Fund⁴, had been put forward for public discussion. While the Administration was studying the most suitable model to be adopted, it would consider supporting some pilot projects using the asset-building approach in the short-term. This would facilitate the Administration and the community as a whole to consolidate the local experience and consider which model could best suit the needs of children and youth in Hong Kong.

6. While welcoming the setting up of a CDF, members considered that instead of launching a short-term fund, sustainable assistance should be provided for children from a disadvantaged background to help them get out of poverty. Some members expressed concern about the ability of low-income families to save, and suggested that measures should be introduced to encourage them to make contributions to the Fund. Members also urged the Administration to take a more proactive approach in promoting the concept of CDF in the business sector, with a view to encouraging more business organisations to give donations to the Fund.

¹ According to CoP, asset building encourages the disadvantaged to build up "assets". Such assets can be both financial savings and non-financial ones (such as human capital and social network).

² The Child Personal Development Fund will be used to support voluntary community-based programmes to promote personal development of children from a disadvantaged background. Participating children will not be required to save money to build up financial assets.

³ The Child Targeted Savings Fund is similar to the Child Personal Development Fund, but will involve accumulation of financial assets (savings) from the participating children and their families, for some targeted personal development purposes.

⁴ The Child Trust Fund is a universal programme which encourages the accumulation of longer-term financial savings and investment for all children, with additional incentives to encourage voluntary savings for children from a disadvantaged background.

7. The Administration advised that since the objective of the asset-building approach was to motivate children and their families to build up their own assets and plan for their own future, all children and families would be encouraged to do so irrespective of their financial conditions. To encourage the disadvantaged families to make contributions to CDF, the Administration would consider introducing incentives such as matching funds from the Government and/or the business sector. The Administration would also step up efforts to promote CDF in the business sector and encourage more business organisations to make donations.

8. Responding to members' concern about the timetable for launching CDF in Hong Kong, the Administration advised that there were two to three NGOs piloting asset-building programmes based on the Child Personal Development model to promote personal development of children and youth. The Administration was considering setting up a fund for taking forward this model under which NGOs could start to apply for funding for pilot asset-building programmes in 2007-2008. Separately, the Administration had received two proposals from NGOs applying for Government subsidy to launch asset-building programmes targeting disadvantaged children based on the Child Targeted Savings Fund model. Given that the NGOs concerned had secured donations from the business sector, these pilot projects were expected to be launched shortly subject to the NGOs concerned having undertaken the necessary preparation work. As regards the Child Trust Fund model, the Administration advised that there were divergent views in the community towards the suggestion for CDF to be a universal scheme and to last for a longer period of time.

Proposed mode of operation of CDF

9. At the meeting on 14 January 2008, the Panel was consulted on the funding proposal to set up a \$300 million CDF to try out a new model for promoting the longer-term personal development of children from a disadvantaged background. Members were advised that CDF would comprise three key components, namely personal development plans, mentorship programme and targeted savings. Before deciding how the \$300 million CDF should be deployed in the long term, the Administration would use part of the allocation to implement the first batch of seven pioneer projects in seven regions/districts, with a minimum of 100 children from each region/district. The pioneer projects would aim at secondary school students aged 12 to 16 who lived in households receiving Comprehensive Social Security Assistance or full grants from the Student Financial Assistance Agency; or those who lived in households with income not exceeding 75% of the Median Monthly Domestic Household Income, with priority given to children aged 14 to 16. The savings target for the participating children and their families were proposed to be set at \$200 per month for a period of two years. For truly deserving cases, the operating NGOs would exercise discretion or make alternative arrangements to facilitate the smooth completion of the savings part of the programme.

10. Members and deputations attending the meeting were in general supportive of setting up CDF. Some deputations considered that to allow more disadvantaged children to participate in the pioneer projects, the Administration should make matching contributions, and the savings target should be set at different levels, say, \$50, \$100 or \$200. Given that there were some 230 000 disadvantaged children, deputations also considered that the Administration should cater for the development needs of younger children and set out a long-term plan and a concrete timetable for bringing these children under CDF.

11. Members shared deputations' concerns about the implementation details and the long-term way forward of CDF. Members expressed concern about the ability of low-income families to save \$200 per month for a period of two years. To help children from a disadvantaged background to get out of poverty, they considered that the Administration should enhance its support for the disadvantaged families. In the light of the financial hardship faced by the needy families, members suggested that the savings target of \$200 per month should not be set across the board, and that the Government should make matching contributions and expand the scope of CDF.

12. The Administration advised that CDF sought to encourage children from a disadvantaged background to plan for the future. Apart from encouraging the disadvantaged children to develop an asset-building habit and to accumulate financial assets, CDF also aimed to encourage participating children to accumulate non-financial assets, such as right attitudes and a proper mindset, personal resilience and capacities as well as social networks, instead of just focusing on the amount of savings to be achieved. To this end, apart from providing special financial incentive of \$3,000 for each participating child upon completion of the savings programme, the Administration had also proposed to set aside \$15,000 for the provision of training to each participating child to help them achieve their development targets as set out in their personal development plans.

13. Members were further advised that as a first step to try out a new service model, a minimum target of 700 participating children was set for the first batch of seven CDF pioneer projects. Subsequent batches of pioneer projects would be rolled out upon completion of the first batch of projects. It was estimated that if the proposed model of the first batch of projects was to be adopted, a total of some 13 600 children would benefit from CDF. The Administration would monitor the implementation of the first batch of the pioneer projects to see if modifications or improvements to the design or arrangements were required for subsequent batches of projects.

14. Members urged the Administration to consider seriously the deputations' suggestions, and provide a response to the issues of concern raised by members and deputations such as the asset-building component of CDF, the age requirement of the participating children and the number of participants. Members further urged the Administration to consider fully the Panel's views before submitting the funding proposal to FC.

15. The Administration subsequently advised the Panel on 14 February 2008 that having regard to members' views, it proposed to revise the proposal as follows –

- (a) to lower the age requirement from 12-16 to 10-16, with priority given to youngsters aged 14 to 16 as some students might choose to receive vocational training or join the labour market after completing senior secondary education, and they had a more urgent need to learn how to formulate and implement their development plans. As such, the Administration proposed that children aged 10 to 13 should constitute no more than 30% of the participants in each pioneer project;
- (b) while the seven CDF pioneer projects would involve a minimum of 700 participants, the operating NGOs would be welcome and encouraged to provide a higher number of participants in their proposals; and
- (c) while the savings target would be set at \$200 per month, participating children and their families, together with the operating NGOs, could agree to set a lower savings target.

16. Members were advised that subject to the approval of FC, the Administration would proceed with the preparation work for the implementation of CDF. A Steering Committee, comprising largely unofficial members, would be set up under the Labour and Welfare Bureau to oversee and monitor the implementation of CDF. An evaluation of the first batch of the seven pioneer projects would be conducted, and the results of the evaluation would be taken into account in considering the long-term model. The Administration further advised that it would commission an institution to conduct a comprehensive evaluation on the CDF projects.

17. Members welcomed the revised proposal and requested the Government to report to the Panel on the progress of the pioneer projects. The funding proposal for CDF was approved at the FC meeting on 25 April 2008. The Government announced the launch of CDF in November 2008.

Relevant papers

18. A list of relevant papers is at the **Appendix**. Members are invited to access the Legislative Council's website (<http://www.legco.gov.hk>) for details.

Council Business Division 2
Legislative Council Secretariat
7 July 2009

Appendix

Relevant Papers/Documents

<u>Meeting</u>	<u>Meeting Date</u>	<u>Papers</u>
Subcommittee to Study the Subject of Combating Poverty	19 January 2007	Paper provided by the Secretariat to CoP LC Paper No. CB(2)863/06-07(02) Minutes of meeting LC Paper No. CB(2)1109/06-07
	26 March 2007	Paper provided by the Secretariat to CoP LC Paper No. CB(2)1415/06-07(01) Minutes of meeting LC Paper No. CB(2)1769/06-07
	18 June 2007	Minutes of meeting LC Paper No. CB(2)2595/06-07
Panel on Welfare Services	14 January 2008	Administration's paper LC Paper No. CB(2)697/07-08(01) Minutes of meeting LC Paper No. CB(2)976/07-08
	14 February 2008	Administration's paper LC Paper No. CB(2)977/07-08(07) Minutes of meeting LC Paper No. CB(2)1296/07-08
Finance Committee	25 April 2008	Administration's paper LC Paper No. FCR(2008-09)4 Minutes of meeting LC Paper No. FC30/08-09