

立法會
Legislative Council

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Panel on Welfare Services

Subcommittee on Poverty Alleviation

**Minutes of the 6th meeting
held on Tuesday, 7 July 2009, at 10:45 am
in Conference Room A of the Legislative Council Building**

Members present : Hon Frederick FUNG Kin-kee, SBS, JP (Chairman)
Hon LEE Cheuk-yan
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Hon Alan LEONG Kah-kit, SC
Hon Ronny TONG Ka-wah, SC
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS

Public Officers attending : Item I

Ms Florence HUI
Under Secretary for Home Affairs

Miss Winnie TSE
Principal Assistant Secretary for Home Affairs (Civic Affairs) 3

Mr Andrew TSANG
Assistant Director (2), Home Affairs Department

Clerk in attendance : Miss Betty MA
Chief Council Secretary (2) 4

Staff in attendance : Miss Florence WONG
Senior Council Secretary (2) 5

Miss Maggie CHIU
Legislative Assistant (2) 4

Action

I. Progress of development of social enterprises

[LC Paper Nos. CB(2)2068/08-09(01) and (02)]

The Subcommittee deliberated (index of proceedings attached at **Annex**).

2. Members expressed the following concerns –

- (a) given that most of the social enterprises (SEs) were operated by non-governmental organisations (NGOs) which lacked of personnel with a business mindset in running the business, many SEs were running at a loss and were unable to sustain. The long-term financial self-sufficiency and sustainability of SEs was an area of concern. The Administration should create an enabling environment for the development of SEs. For instance, it should consider offering tax concession, accepting applications for the Enhancing Self-Reliance Through District Partnership Programme (ESR Programme) from organizations which were yet to be recognized as non-profit making organizations under Section 88 of the Inland Revenue Ordinance (IRO) (Cap. 112);
- (b) the Administration should formulate a long-term plan to encourage the business sector to participate in or collaborate with NGOs in setting up and running SEs. In addition to the ESR Programme and mentorship scheme, the Administration should organize Summit on SEs regularly to facilitate experience sharing between SEs and the business sector;
- (c) the Administration should identify and reserve government services contracts for priority bidding by specific SEs in accordance with their size and nature of business. In addition to cleansing services contracts and gardening services contracts, the Administration might consider identifying some minor maintenance works and repairs in the Housing Department and relax the tender requirements for priority bidding by SEs. This apart, the Administration might consider specifying in the contract the need to employ a certain percentage of socially disadvantaged and to offer the minimum wage level to enhance the comparative advantages of SEs in bidding government services contracts;

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- (d) the Administration should consider appointing a commissioner to be responsible for overseeing the development of SEs and setting up an advisory committee on formulating the overall strategies for the further development of SEs;
- (e) the Administration should consider introducing a registration regime for SEs and monitor the operation of SEs to ensure that profits were reinvested in the community for social objectives;
- (f) the Administration should consider subsidizing SEs by, say, 20% to 30% of the operation costs having regard to the fact that the creation of job opportunities by SEs for the socially disadvantaged would help bring down the expenditure on welfare indirectly; and
- (g) as most SEs did not have a track record or assets to use as collateral to secure loans from financial institutions to sustain the business after using up the seed grants, the Administration should consider providing loan guarantees and encouraging financial institutions to offer low-interest loans to SEs.

3. Under Secretary for Home Affairs and Assistant Director/Home Affairs Department made the following responses –

- (a) the ESR Programme aimed to provide seed grants for eligible organizations to run SEs during their initial operations. While the Administration welcomed the private sector to participate in operating SEs, applicants for the ESR Programme should be non-profit making organizations within the meaning of Section 88 of IRO so as to ensure the prudent use of public money;
- (b) similar to commercial enterprises, SEs should operate like a business and be self-financing in their operation. The Administration would continue to organise and/or support NGOs to organise Summit on SE in order to enable participants from various sectors (e.g. business, NGOs and academics) to share their views on the development of SEs. Besides, the Administration would continue with the Social Enterprises Partnership Programme which provided a platform to enhance and facilitate partnership among different sectors of the community through a matching forum and the mentorship scheme under which entrepreneurs/professionals were linked up with SEs so that the former could offer voluntary professional and business advisory services to the latter;

Action

- (c) the Administration had made concerted efforts in identifying suitable government services contracts for priority bidding by SEs. Under the pilot scheme launched in 2008, 38 cleansing services contracts were reserved for priority bidding by SEs, of which 33 would continue to be included in the scheme this year. This apart, 13 additional cleansing services contracts and seven gardening services contracts were identified for priority bidding by SEs in 2009-2010. As for maintenance contracts of the Housing Department, the existing tender requirements were devised taking into account the need to ensure the safety and quality of the works undertaken by contractors;
- (d) the Administration would continue to promote cross-sector collaboration and continue with publicity and promotional efforts to raise the public awareness of and the demand for products and services provided by SEs as well as provide sales platform for SE products and services. While it would continue with the four-pronged approach in promoting the development of SEs, viz. enhancing public understanding, strengthening support for SEs, promoting cross-sector collaboration and nurturing more social entrepreneurs, it would draw reference from the successful experience of overseas countries in the further development of SEs;
- (e) too much financial assistance to or regulation of the operation of SEs might hinder the healthy development of SEs which should be operated in accordance with commercial principles. Nonetheless, the Social Enterprises Support Unit was established under the Home Affairs Department to co-ordinate and implement various programmes and support measures for SEs; and
- (f) the ESR Programme aimed to provide seed grants for eligible organizations to run SEs during their initial operations. Since SEs should operate like a business, financial institutions would normally subject SEs to the same credential requirements applied to small and medium enterprises when loan applications were received from SEs. Having regard to the impact on the operation of SEs amidst the financial tsunami, the Administration had approved 16 applications from ESR SEs for additional grants.

Admin

4. The Administration was requested to collate information, as far as practicable, on –

- (a) the operational experience of SEs under the ESR Programme (e.g. the number of SEs which were making a profit, a loss or breakeven) and the proportion of sustainable SEs; and

Action

- (b) the number of job opportunities arising from the award of government services contracts to SEs under priority bidding.

II. Any other business

5. The Chairman said that the next meeting would be held in September 2009. Members would be informed of the meeting date in due course.

6. There being no other business, the meeting ended at 12:34 pm.

Council Business Division 2
Legislative Council Secretariat
1 September 2009

**Proceedings of the 6th meeting of the
Subcommittee on Poverty Alleviation
on Tuesday, 7 July 2009, at 10:45 am
in Conference Room A of the Legislative Council Building**

Time marker	Speaker(s)	Subject(s)	Action required
<i>Agenda item I – Progress of development of social enterprises</i>			
000000 – 000157	Chairman	Opening Remarks	
000158 – 000552	Administration	Updates on the Administration's work in promoting the development of social enterprises (SEs) (LC Paper No. CB(2)2068/08-09(01))	
000553 – 001116	Mr WONG Sing-chi Administration Chairman	<p>The Administration's response to the concerns about the sustainability of SEs –</p> <p>(a) the Enhancing Self-Reliance Through District Partnership Programme (ESR Programme) provided seed grants for eligible organizations to run SEs during their initial operations. SEs should be operated like a business similar to other commercial enterprises; and</p> <p>(b) the Administration had received 19 applications from ESR SEs for additional grants amidst the recent financial tsunami, and three of these were not approved</p> <p>The Administration was requested to provide information on the operational experience of SEs under the ESR Programme</p>	Admin
001117 – 001713	Mr WONG Kwok-kin Administration Chairman	<p>Concern about the number of jobs created through awarding government cleansing services contracts to SEs</p> <p>The Administration's response that since the launch of the ESR Programme in 2006, about 90 new SE projects had been approved, creating some 1 500 jobs for the socially disadvantaged. As regards the pilot scheme for priority bidding by SEs for government cleansing services contracts, 33 existing cleansing services contracts would continue to be included in the scheme in 2009-2010. In addition, 13 new cleansing services contracts and seven gardening services contracts were identified for priority bidding by SEs. However, these contracts did not specify the manpower requirements</p> <p>The Administration was requested to collate information on the number of additional job opportunities created through awarding SEs with government cleansing services contracts</p>	Admin
001714 – 002300	Mr CHEUNG Kwok-che Administration	<p>Whether the Administration had studied the successful factors for sustainable SEs and whether it had any plan to organize Summits on SE to facilitate experience sharing among SEs and business entrepreneurs</p> <p>Ways to monitor SEs to reinvest their profits to achieve social objectives</p>	

Time marker	Speaker(s)	Subject(s)	Action required
		<p>The Administration's response that –</p> <ul style="list-style-type: none"> (a) SEs were subject to market competition like small and medium enterprises (SMEs); (b) it would continue to organise and/or support non-governmental organisations (NGOs) to organise the Summit on SE in order to enable participants from various sectors (e.g. business, NGOs and academics) to share their views on the development of SEs. This apart, overseas social entrepreneurs would be invited to deliver thematic speeches at the summit; and (c) as the operation of SEs was at an early stage, it was not appropriate to impose too stringent control on the operation which might hinder the further development of SEs 	
002301 – 002806	Mr Alan LEONG Administration	<p>Concern about the Government's commitment in supporting SEs and view that it should formulate long-term policy to facilitate the further development of SEs, such as the provision of tax concession to SEs and review of the Companies Ordinance and Co-operative Societies Ordinance</p> <p>The Administration's response that in addition to the ESR Programme, the Social Enterprises Partnership Programme (SEPP) provided a platform to enhance and facilitate partnership among different sectors of the community through a matching forum and the mentorship scheme, under which entrepreneurs/professionals were linked up with SEs so that the former could offer voluntary professional and business advisory services to the latter</p>	
002807 – 003500	Mr LEUNG Yiu-chung Administration	<p>Whether the Administration would formulate SE-related policies or provide concrete measures to assist the development of SEs, for instance, providing premises for use by SEs</p> <p>The Administration's response that –</p> <ul style="list-style-type: none"> (a) the development of SEs would largely rely on the collaboration among the community, the commercial sector and the Government. In addition to the ESR Programme, the Administration would continue with publicity and promotional efforts to raise the public awareness of and demand for products and services provided by SEs as well as provide sales platform for SE products and services; and (b) experience from successful SEs showed that they should operate like a business, and therefore too much assistance from the Government would stifle the sustainable development of SEs 	

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003501 – 004123	Mr TAM Yiu-chung Chairman Administration	<p>Concern about the difficulties in operating SEs due to keen competition and view that to reduce the risks in running the business, SEs should engage in business which served clients largely financed by public funds, such as employees' retraining and elderly residential care services</p> <p>The Administration's response that too much financial support from the Government might hinder the development of SEs. Citing the operational experience of "Big Issues" in England and "Fullness Salon" in Hong Kong as examples, self-financing SEs should operate with commercial principles. In addition to government support, experience sharing and support by the business sector were equally important to assist SEs to run sustainable business</p>	
004124 – 004822	Mr LEE Cheuk-yan Administration	<p>Concerns about the Government's role in fostering the development of SEs and the relatively low success rate of SEs in bidding government cleansing services contracts given that these contracts had been reserved for priority bidding by SEs</p> <p>The Administration's response that –</p> <p>(a) it had promoted the development of SEs through a four-pronged approach, viz. enhancing public understanding, strengthening support for SEs through providing seed grants for eligible organizations to run SEs during their initial operations, promoting cross-sector collaboration and nurturing more social entrepreneurs;</p> <p>(b) under the pilot scheme introduced in 2008, 38 government cleansing services contracts had been reserved for priority bidding by SEs, 16 contracts had been awarded to SEs. As for the remaining 22 contracts, while some SEs had indicated that the requirements stipulated under individual contracts were beyond their capabilities and submitted no bids, some were awarded to non-SEs due to excessively high prices quoted by SEs; and</p> <p>(c) 20 additional contracts had been identified and reserved for priority bidding by SEs in 2009-2010</p>	
004823 – 005636	Chairman Administration	<p>The Chairman's view that the Administration should differentiate SEs from SMEs and welfare programmes integrated with market operation and provide specific support for SEs. To this end, the Administration should take into account the capabilities of SEs, such as financial position, technology knowhow and staffing of SEs and reserve government services contracts for priority bidding by SEs. To enhance the comparative advantages of SEs in bidding these contracts, it should specify in the contracts the need to employ a certain percentage of socially disadvantaged and to offer a minimum wage level to the employees</p> <p>The Administration's response that in addition to the 33 government cleansing services contracts reserved for</p>	

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		<p>priority bidding by SEs under the pilot scheme, it had identified 13 additional cleansing services contracts and seven gardening services contracts for priority bidding by SEs in 2009-2010. Non-SEs would be invited to bid for the contracts only if they were not awarded to SEs</p>	
005637 – 010234	Mr WONG Sing-chi Administration Chairman	<p>Whether the Administration would consider accepting applications for the ESR Programme from organizations which had yet to be recognized as charitable institutions within the meaning of section 88 of the Inland Revenue Ordinance (IRO) (Cap.112)</p> <p>The Administration's response that to ensure the prudent use of public money, eligible organizations for the ESR Programme should be non-profit organizations within the meaning of section 88 of IRO</p>	
010235 – 011220	Mr CHEUNG Kwok-che Administration	<p>Request for –</p> <ul style="list-style-type: none"> (a) establishing a registration regime for SEs so as to monitor the operation of SEs, such as staff remuneration levels, making available the statements of account for inspection; (b) further collaboration between the Home Affairs Bureau and other government departments (e.g. Food and Environmental Hygiene Department and Housing Department (HD)) in identify more services contracts for priority bidding by SEs in accordance with the business nature of the latter; and (c) setting up an advisory body to oversee and provide one-stop support services to SEs <p>The Administration's response that –</p> <ul style="list-style-type: none"> (a) one of the spirits of developing SEs was to promote corporate social responsibility through the forum provided under SEPP. Over-regulation would stifle the development of SEs; (b) the Home Affairs Department (HAD) had invited government departments to identify suitable services contracts for priority bidding by SEs. For instance, new gardening services contracts had been identified for priority bidding by SEs in 2009-2010 in addition to cleansing services contracts. Many SEs provided services (such as beauty and massage services) for which there could not be any government contract; and (c) a committee had been set up to consider and vet applications for the ESR Programme 	
011221 – 011727	Mr LEUNG Yiu-chung Administration	<p>Views that the Administration should devise policy and measures to enhance the competitiveness of SEs in view of their social objectives in providing job opportunities to the disadvantaged; and extend the ESR Programme from two years to three years</p>	

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		<p>The Administration's response that different from charitable programmes, SEs should operate their business on a commercial basis. Too much government assistance and support might hinder the healthy development and sustainability of SEs. Nonetheless, the Administration had approved 16 applications from SEs for additional grants amidst the financial tsunami</p>	
011728 – 012043	Mr WONG Kwok-kin Administration Chairman	<p>In response to Mr WONG's enquiry about the effectiveness of the seed grants in promoting the development of SEs, the Administration advised that since the launch of the ESR Programme in 2006, a total of about \$88 million had been granted to about 90 SE projects, creating some 1 500 jobs for the socially disadvantaged. At present, about \$62 million remained available for application. It would review the effectiveness of the Programme in due course before determining the way ahead</p>	
012044 – 012715	Chairman Administration	<p>Suggestions of making reference to overseas experience and considering –</p> <ul style="list-style-type: none"> (a) providing a clear definition of and introducing a registration regime for SEs; and (b) subsidizing SEs by, say, 20% to 30% of the operation costs having regard to the fact that the creation of job opportunities by SEs for the socially disadvantaged would indirectly bring down the expenditure on welfare (c) establishing a dedicated committee to formulate overall strategies for developing SEs <p>The Administration's response that while it would continue with the four pronged-approach in promoting SE development, it would make reference to the overseas successful experience in taking forward the long-term development of SEs</p>	
012716 – 012853	Mr CHEUNG Kwok-che Administration	<p>Whether the Administration had studied the sustainability of the 90 SEs approved with grants under the ESR Programme</p> <p>The Administration's response that it would continue with various efforts to promote the further development of SEs and provide appropriate support to them</p>	
012854 – 014432	Chairman Administration	<p>Views that the Administration should consider –</p> <ul style="list-style-type: none"> (a) appointing a Commissioner for SE to be responsible for overseeing and promoting the development of SEs; (b) reserving government services contracts (e.g. cleansing services, minor maintenance works and repairs) and relaxing the tender requirements for priority bidding by specific SEs in accordance with their size and nature of business; 	

Time marker	Speaker(s)	Subject(s)	Action required
		<p>(c) offering seed grants under the ESR Programme to eligible organizations to run SE projects only, and not welfare programmes; and</p> <p>(d) providing assistance and support for SEs to obtain low-interest loans from financial institutions, e.g. loan guarantee, after the expiry of the two-year seed grants</p> <p>The Administration's response that –</p> <p>(a) a Social Enterprise Support Unit was established under HAD which was responsible for the development of SEs;</p> <p>(b) a directory of SEs had been posted onto the SE website. Notably, many SEs were providing retail/personal services. While the Administration had identified cleansing and gardening services contracts for priority bidding by SEs, the maintenance contracts in HD had not been identified in this respect having regard to the operational requirement; and</p> <p>(c) the ESR Programme aimed to provide seed grants for eligible organizations to run SEs during their initial operations. SEs would be subject to the same credential requirements as SMEs in applying for loans from financial institutions.</p>	
014433 – 014556	Chairman Mr CHEUNG Kwok-che	Date and agenda item of next meeting	