

**The Legislative Council meeting on 9 November 2011**  
**Motion on “Assisting the public in coping with economic fluctuations”**

**Progress Report**

At the Legislative Council meeting on 9 November 2011, the motion on “Assisting the public in coping with economic fluctuations” moved by Dr Hon Philip WONG and amended by Hon WONG Sing-chi and Hon Tanya CHAN was carried. The wording of the motion carried is at [Annex](#).

2. This report consolidates the comments from relevant policy bureaux, and sets out the Administration’s position and the follow-up actions taken in respect of the aforementioned motion.

**Comprehensive Social Security Assistance**

3. Comprehensive Social Security Assistance (CSSA) standard payment rates are adjusted annually according to the movement of the Social Security Assistance Index of Prices (SSAIP). The SSAIP is compiled by the Census and Statistics Department and reflects the impact of price changes on CSSA recipients. The next adjustment will take effect from 1 February 2012, when the standard payment rates will increase by 5.2%. This mechanism has built-in flexibility. If high inflation persists, the Administration can consider an adjustment ahead of the cycle. Besides, the Social Welfare Department updates every five years the weighting system of the SSAIP, i.e. CSSA recipients’ actual expenditures on the various categories of goods and services as a proportion of their total expenditure, based on information collected in the household expenditure survey. As a result, the SSAIP can reflect more accurately the impact of price changes on CSSA recipients. In the latest updating exercise, 2009/10 has been adopted as the new base year. The above mechanism ensures that the purchasing power of CSSA payment rates is maintained.

4. Apart from adjusting the standard payment rates every year, the Administration would also introduce new measures to enhance the support for CSSA recipients as and when necessary. For instance, in the current financial year, the Government has raised the standard rates for adult CSSA recipients who are under the age of 60 and with disabilities or in ill-health, to the same level as those for elderly CSSA recipients in similar health conditions. The coverage of Community Living Supplement has also been extended to include

recipients who are either persons with disabilities at non-severe levels, persons in ill-health or elders, and who are not living in institutions. At the same time, the rate of the supplement has increased from \$120 to \$250 per month. Furthermore, the Chief Executive proposed in his 2011-12 Policy Address that a new Residential Care Supplement of \$250 per month be introduced under the CSSA Scheme for recipients aged 60 or above who occupy non-subsidised residential care places, so as to ease their financial burden. Persons with disabilities or in ill-health who are on CSSA and occupy non-subsidised residential care places, irrespective of age, will also be eligible.

5. The maximum rates of the CSSA rent allowance (MRA) are adjusted annually in accordance with the movement of the Consumer Price Index (A) rent index for private housing (the rent index). As at October 2011, the 12-month moving average of the rent index indicates that there is room for increasing the MRA by 5.9%. The Government will correspondingly increase the MRA with effect from 1 February 2012.

### **Special Loan Guarantee Scheme**

6. The Government introduced the “Special Loan Guarantee Scheme” (“SpGS”) in December 2008. It is an exceptional measure introduced during exceptional times to help enterprises tide over the credit crunch problem arising from the global financial crisis. With the recent sharp downturn in the external economy, Hong Kong’s economy will face greater downside risks next year. In face of the gloomy macroeconomic outlook, we understand the requests from the trade seeking the Government to introduce effective support measures to tide the trade over the difficult period.

7. In face of the risks of economic downturn, as how we tackled the financial crisis in 2008, the Government would introduce effective support measures in a timely manner according to the situation to tide the trade over the difficult times. Firstly, the Hong Kong Mortgage Corporation Limited has launched a series of enhancements to its SME Financing Guarantee Scheme (“SFGS”) in October 2011, which include allowing the SFGS’s refinancing of revolving facilities previously guaranteed by the SpGS of the Trade and Industry Department upon expiry of such guarantee; and increasing the total loan limit of high interest rate loans (i.e. loans with interest rate over 10%) from HK\$50 million to HK\$100 million per financing bank etc. These enhancements should help encourage banks to make effective use of the SFGS to meet the financing needs of the enterprises including small and medium enterprises (“SMEs”), especially during times of credit market stress and adverse economic climate.

8. In addition, the Hong Kong Export Credit Insurance Corporation has launched three enhanced measures in early December 2011, i.e. waiver of annual policy fee for one year, offering three free credit assessments of buyers and expediting the processing time of small credit limit applications, so as to assist Hong Kong exporters in coping with the challenges amidst the difficult trading environment.

9. The Administration will continue to closely monitor the changes in the economic situation and financial markets, and introduce enhanced support measures when necessary.

### **SME Export Marketing Fund**

10. SME Export Marketing Fund (EMF) was established in 2001. It aims to provide sponsorship to SMEs for expanding their business through participation in export promotion activities such as exhibitions, trade missions, advertisements on trade publications that target at export markets and eligible trade websites. Since November 2008, the Government has introduced a series of enhancement measures to the EMF, including increasing the cumulative amount of grant per SME from \$100,000 to \$150,000, and increasing the maximum amount of grant per application from \$30,000 to \$50,000, as well as extending the scope of the EMF to include advertisements in trade publications and on eligible trade websites.

11. The EMF has been well-received by the SMEs. It has approved more than 130 000 applications, providing a total amount of grant of around \$2 billion, benefitting over 30 000 SMEs which employed over 230 000 people. To continue our support to the SMEs, the Administration obtained the approval from the Finance Committee of the Legislative Council in July 2011 to increase the approved commitment for the EMF and the SME Development Fund by \$1 billion from \$2.75 billion to \$3.75 billion.

12. To ensure that EMF can effectively support SMEs to develop the export markets, the Government has been closely monitoring the market needs. Apart from supporting SMEs to develop traditional markets, the Government also encourages SMEs to make use of EMF for tapping into the emerging markets. We also encourage SMEs to be more creative by increasing the use of the internet as a platform to expand their business. Over the past few years, in response to the trade's needs, the Government has expanded the scope of EMF

by including advertisements on trade publications that target at export markets and eligible trade websites. Since the inclusion of advertisements on eligible trade websites under EMF's funding scope in June 2009, there are now 31 eligible websites. The Government will continue to keep the operation of EMF under review from time to time so as to render effective assistance to the trade.

### **Monitoring Banks' Lending Activities**

13. The fundamentals of Hong Kong's banking sector have been sound all along. The consolidated capital adequacy ratio of locally incorporated authorized institutions was 15.7% at the end September 2011, well above the 8% minimum international standard. In addition, the liquidity position of the banking sector also remains well. The quarterly average liquidity ratio of retail banks was 35.8% in the third quarter of 2011, well above the statutory minimum of 25%.

14. Moreover, the Hong Kong Monetary Authority (HKMA) has been closely monitoring the credit growth and liquidity position of banks. The HKMA adopts active and concrete measures to ensure stability of the banking sector and sustainability of their credit growth. These measures include maintaining close dialogues with banks' management to understand their business strategies and risk management practices, strengthening the on-site examinations of banks to ensure they adhere to prudent underwriting standards, and asking banks to raise the level of their regulatory reserves so as to build a stronger buffer against possible material deterioration in their asset quality going forward. The HKMA has also asked individual foreign banks branches to ensure that they have sufficient long-term funding to meet their lending for use in Hong Kong. The HKMA will continue to closely monitor the global economic developments and their impact on the stability of Hong Kong's banking sector.

### **Land Supply**

15. Since 2010, the Government has been increasing land supply by adopting a two-pronged approach through the Application List system and government-initiated land sale. This arrangement functions well and has effectively increased land supply. The Government will continue its efforts to increase housing land supply. Specifically, the Government is stepping up efforts to ensure that private housing sites at the Kai Tak Development Area will be released to the market starting from 2013. In addition, other supply sources

in the medium and long term include the new development areas in the northern New Territories, the remaining development of Tung Chung Area, Anderson Quarry, Cha Kwo Ling Kaolin Mine, and Lamma Quarry. The Government will continue to explore innovative means to expand land resources and develop a land reserve. Measures already identified and being embarked on include the release of about 60 hectares of industrial land for housing and other uses; exploration of reclamation outside Victoria Harbour and rock cavern development; review of the use of green belt areas in the New Territories that are devegetated, deserted or formed; and review the use of “Government, Institution or Community” sites, etc. The land reserve policy will provide the Government with the required capacity to respond promptly to ensure a stable operating environment for the private property market

### **Hawker Licensing Policy**

16. The Food and Health Bureau and the Food and Environmental Hygiene Department had reviewed the hawker licensing policy from 2008 to 2009 and decided to re-issue a limited number of hawker licences after consultation with the LegCo Panel on Food Safety and Environmental Hygiene, District Councils, hawker associations and relevant stakeholders.

### **Development of Social Enterprises**

17. The Government has been promoting the development of social enterprises (SEs) to meet the needs of different community groups. Through enabling the socially disadvantaged to be self-reliant through employment, a caring culture is cultivated and social cohesion is promoted.

18. In the 2006-07 Budget, the Financial Secretary earmarked \$150 million over a five-year period for the Home Affairs Department (HAD) to set up the Enhancing Self-Reliance Through District Partnership (ESR) Programme in June 2006 to provide seed grants for the establishment of SEs. In the 2011-12 Budget, the Financial Secretary further earmarked \$150 million for the continued implementation of the ESR Programme over the next five years. Since its implementation, the ESR Programme has approved in ten phases of application a total grant of about \$125 million to some 120 new SE projects, creating about 2 000 job opportunities.

19. The Home Affairs Bureau (HAB) and HAD earmarked \$13 million and \$6 million respectively in 2011-12 to implement various measures to promote

SE development. HAB has introduced a series of new initiatives in 2011, viz “Be a Friend to SE” Campaign, SE Award Scheme, SE Bazaar and SE Training to further promote the sustainable development of SEs.

**Commerce and Economic Development Bureau**  
**Development Bureau**  
**Financial Secretary’s Office**  
**Food and Health Bureau**  
**Home Affairs Bureau**  
**Hong Kong Monetary Authority**  
**Labour and Welfare Bureau**

**January 2012**

(Translation)

**Motion on “Assisting the public in coping with economic fluctuations”  
moved by Dr Hon Philip WONG  
at the Council meeting of 9 November 2011**

**Motion as amended by Hon WONG Sing-chi and Hon Tanya CHAN**

That, as the Hong Kong economy is closely linked to the global economy, external economic fluctuations have profound and far-reaching impact on Hong Kong, and the prospects of the global economy are uncertain at present, this Council urges the Government to closely monitor the economic situation and adopt suitable and effective measures to assist people from different strata and enterprises in coping with difficulties such as inflation and employment, etc., so that they can tide over the difficult times; focusing on Comprehensive Social Security Assistance (‘CSSA’) recipients, the Government should adopt the following measure: to review the existing CSSA system, including shortening the interval of each adjustment cycle of CSSA, with special focus on rent allowance, so as to reflect more accurately the impact of price changes on CSSA recipients, and expeditiously reviewing the adequacy of the CSSA standard payment rates as well as the items to be included in the Social Security Assistance Index of Prices; the specific measures should also include:

- (a) when necessary, to further expand the existing Special Loan Guarantee Scheme for small and medium enterprises (‘SMEs’), including raising the maximum amount of loan guarantee and the guarantee ratio, so that SMEs can be granted sufficient working capital in a timely manner;
- (b) to closely monitor the vetting and approval of loans by banks, so as to ensure that banks have sufficient capital and liquidity for maintaining the stability of the banking system and the financial market;
- (c) to review the operation and funding criteria of the existing SME Export Marketing Fund, so that SMEs can develop emerging markets through various channels and lessen their reliance on traditional markets;
- (d) to review the existing land supply policy for alleviating the fluctuations of the property market, so as to curb the upward trend in rentals and reduce the operating costs of businesses;
- (e) to review the existing hawker policy, and on the premise of not

affecting the business environment for small businesses in the districts, to allow business starters to carry out trading in more diverse forms in the communities, so as to reduce business operators' rentals and operating costs; and

- (f) to promote the development of social enterprises more proactively, so as to create more employment opportunities for local workers, and avoid the deterioration of the unemployment situation due to changes in economic conditions.