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Subcommittee on Poverty

Background brief prepared by the Legislative Council Secretariat for the meeting on 12 January 2015

Enhancement of employment opportunities for people in poverty through promoting local community economy

Purpose

This paper gives an account of the past discussions by the Council and relevant committees in relation to promoting local community economy ("LCE") through bazaars, social enterprises ("SEs") and the Social Innovation and Entrepreneurship Development Fund ("the SIE Fund") in order to create employment opportunities for people in poverty.

Background

2. According to the Administration, it provides appropriate facilitation and encourages the private sector to plan, invest as well as operate initiatives to promote the development of LCE. Examples of LCE initiatives implemented include Entrepreneurship Corner at the Victoria Park and Wan Chai Bookfair Series, etc. The Government aims at achieving four objectives in promoting LCE, namely, creating employment opportunities, stimulating domestic consumption, promoting district characteristics and lifting community mood.

3. To further enhance the employment opportunities through promoting LCE, the Government has earmarked \$150 million for the Home Affairs Department ("HAD") to continue the implementation of the "Enhancing Self-Reliance Through District Partnership Programme" ("the ESR Programme") from 2011-2012 to 2015-2016. The ESR Programme provides seed grants for eligible non-profit-making organizations to set up SEs to create job opportunities for the socially disadvantaged. In addition, the Government has launched in September 2013 the SIE Fund under the Commission on Poverty ("CoP"), which aims at encouraging individuals and organizations to help tackle

poverty and associated social problems by innovative ideas and modes of operation.

Deliberations by Members

Open-air bazaars

4. Members had time and again called on the Administration to formulate policies for the development of LCE, including the promotion of bazaar economic activities. At its meeting on 17 March 2010, the Council passed a motion urging the Administration to strive to preserve the culture of open-air bazaars, and expeditiously study subsidizing the development of open-air markets in remote areas, so as to stimulate economic activities of neighbouring communities and create job opportunities for residents in remote areas. The Administration advised that it was open-minded on the establishment of bazaars if interested parties could identify suitable venues, enlist the support of the District Councils and local residents concerned, and obtain proper licences, if required, for selling the kinds of commodities at the venues. In addition, suitable non-profit-making organizations with capability should be available to operate bazaars.

5. On 1 September 2012, the Chief Secretary for Administration announced the proposal of setting up the Tin Sau Bazaar ("the Bazaar") in Tin Shui Wai ("TSW") with creating job opportunities as one of its objectives. The Bazaar commenced operation in February 2013. The Bazaar, which was operated and managed by the Tung Wah Group of Hospitals ("TWGHs"), provided some 200 low-rental stalls selling daily necessities.

6. Members urged the Administration to formulate a long-term policy on the development of LCE bazaars and consider setting up open-air bazaars in other districts. The Administration explained that setting up the Bazaar was a specific measure aiming at addressing the needs of residents in TSW North. It would take into account the unique circumstances of individual districts in considering the need for establishing open-air bazaars in other districts, having regard to the experience gained in operating the Bazaar. In so doing, the Administration considered it necessary to look into the local demand and whether suitable sites were available. The traffic impact, noise, environmental hygiene and management problems should be carefully assessed.

7. Members considered that the Bazaar was unsuccessful given its low patronage. They were of the view that instead of exercising too much control on the management and operation of bazaars, the Administration should facilitate cooperation and enhance cohesiveness among operators of bazaars. It was also important to locate bazaars at places where there were supportive

facilities in the vicinity for attracting and sustaining patronage. The Administration advised that it had been assisting operators in implementing measures to enhance the operating environment and competitiveness of the Bazaar.

8. Noting that over 60% of the stall operators of the Bazaar were the underprivileged with low income or recipients of Comprehensive Social Security Assistance, Members considered that the Administration should provide more support to the stall operators, e.g. providing them with information on suppliers who might offer discounts, accept small orders and provide delivery service in order to lower the operating costs.

9. The Administration advised that to enhance the business skills of the stall operators of the Bazaar, TWGHs had organized a training series named "Winning Tips", and five workshops had been conducted between April and September 2013. Representatives from non-governmental organizations ("NGOs"), academics from tertiary institutions and businessmen were invited to share their experience and strategies in pricing, market promotion and sales. TWGHs would also gather information on suppliers who might provide discounts, accept small orders and offer delivery service.

10. During the motion debate on the report of the delegation of the Subcommittee on Poverty to study the experience of poverty alleviation in Taiwan and Japan at the Council meeting of 18 June 2014, some Members said that the Darerhjieh Cultural and Educational Association was set in the Darerhjieh District of Taiwan. It had successfully vitalized the whole community by developing community building activities that leveraged on the distinctive geographical, industrial and cultural characteristics of the District with educational and cultural conservation elements. In Japan, the revised policy on vitalization of city centres was introduced under which local residents, business operators, chambers of commerce, developers and enterprises of a city centre would explore how to create a new environment and submit a proposal to the local government and the central government. If the local government and the central government considered it feasible and effective, funding as much as 50% to 66% (two thirds) of the costs of the whole project would be granted to renovate the city centre, rearrange the stalls and set up new shops. These shops might even establish chambers of commerce to further promote the work of other city centres. Currently, a large number of commercial street economy communities had been established in Japan. Despite their small size involving only 10 000 or even a few thousand people, these economic systems created new economic platforms and employment opportunities.

11. The Administration advised that at present, promoting the development of local community economy involves the work of several departments and these departments would provide suitable assistance. For example, the Home Affairs

Department had set up a website "Hong Kong Fun in 18 Districts" to introduce the characteristics and attractions of various districts. The District Councils in various districts would often organize activities with regional characteristics to increase community vitality, strengthen social cohesion and bring economic benefits. Where necessary, the District Office in various districts would arrange the authorities concerned to consult the District Councils on economic development projects. The Administration's poverty alleviation policy mainly encouraged young people and adults to become self-reliant through employment, while putting in place a reasonable and sustainable social security and welfare system, serving as a safety net to help those who could not provide for themselves.

Social enterprises

12. The Subcommittee to Study the Subject of Combating Poverty ("the Subcommittee") formed under the House Committee in the Third Legislative Council ("LegCo") had studied the subject of development of SEs in helping the unemployed and the disadvantaged. Apart from identifying problems which had hindered the further development of SEs, the Subcommittee had put forth in its report 21 recommendations on further encouraging the development of SEs for consideration by the Administration. In gist, the Subcommittee took the view that the Administration should formulate an overall strategy and policy, create an enabling market environment, enhance business facilitation and support, establish legal framework for SEs and increase public awareness and acceptance of SEs.

13. In response to Members' enquiry about the work of the Administration in promoting the development of SEs, the Administration advised that in 2014-2015, the Home Affairs Bureau ("HAB") and HAD had earmarked \$14.85 million for promoting the development of SEs through a range of support services, including (a) initiatives to enhance public awareness and promote cross-sectoral collaboration; (b) funding support for individual projects; and (c) support for capacity building for the SE sector. In particular, HAB would continue to sponsor the SE Summit and a SE business plan writing competition for tertiary institutions, so as to foster the partnership between the community, the business sector and the Government in this regard. Besides, HAD would carry out the SE Partnership Programme to provide a matching forum and a mentorship scheme to facilitate cross-sectoral collaboration and experience sharing among SEs.

14. The Administration further advised that since its launch in 2006, the ESR Programme had approved funding support for the establishment of 153 SEs. Of them, 137 had already commenced business and 27 of them had ceased business after the funding period of three years. According to the latest progress reports submitted by 99 operating SEs, about 1 200 job positions had been created, and

more than 80% of their employees were socially disadvantaged. The Administration expected that the number of people who benefited from SEs under the ESR Programme would be greater due to staff turnover from time to time.

15. Members asked whether the Administration had conducted a review and assessed the effectiveness of the ESR Programme. The Administration advised that HAD reviewed the ESR Programme in 2010. A number of improvement measures had been implemented since 2011, for example, the funding period of each approved project had been extended from two years to a maximum of three years. This apart, HAB had commissioned the Chinese University of Hong Kong and the Hong Kong Council of Social Service to conduct a research study to provide information on the latest profile and service needs of SEs with a view to facilitating future planning. The study would be completed in 2014. In the coming year, HAB would support more sector-wide impact studies, which would facilitate better understanding of the contributions of the SE sector to the community.

16. Members suggested that the Administration should implement supportive measures for SEs, such as providing premises at concessionary rent, offering concession tax to SEs, according priority to procuring SE services and products, setting up an SE corporation by the Government to facilitate small SEs in joining their efforts in bidding certain government service contracts, facilitating cross-sectoral collaboration and encouraging the private sector to develop SE projects, etc.

17. The Administration advised that it was fully aware of the challenges including the problem of high rentals faced by SEs in running sustainable business and achieving social objectives. However, as SEs should run like a business, it would give rise to the concern about unfair competition with the business sector if too much government support, say, rent concession, was provided for the SE sector to run business on a commercial basis. The Administration reiterated that SEs should operate like a business and be self-financing in their operation. During 2008 to 2012, the Administration had introduced a pilot scheme on giving eligible SEs priority in bidding government services contracts. That said, the Administration stressed that it was more important for the community at large to support caring consumption in order to enable the sustainable growth of SEs. Besides, active participation and support of the business sector, for example, placing procurement orders with SEs and providing practical advice and skills on operation to them, was also crucial to their success. The Administration would continue to promote cross-sectoral collaboration to enhance SE development.

The SIE Fund

18. Noting that CoP had launched the SIE Fund to increase the diversity of measures to help tackle poverty and social exclusion through nurturing social innovation and entrepreneurship, Members asked how the Administration could ensure that the work of the SIE Fund would not duplicate with the existing SE programmes, such as the ESR Programme. The Administration advised that one of the underlying principles of the SIE Fund was that its use would not overlap with other existing government programmes on SEs. The main features distinguishing the SIE Fund from other existing SE programmes were –

- (a) applicants for the SIE Fund would not be confined to social service agencies or non-profit making organizations. Individuals or profit-making businesses could apply for funding if they had innovative ideas to address poverty or build capabilities in the community;
- (b) intermediaries (e.g. NGOs, professional bodies, impact investors, education institutions, etc.) would be engaged to administer part of the SIE Fund so as to capitalize on their knowledge, expertise and networking ability in the social innovation field; and
- (c) the SIE Fund would consider funding schemes provided through intermediaries for very early stage support to individuals or for applications from existing SEs or social businesses for scaling-up their operations, rather than just providing seed money for start-up SEs as this was available from existing programmes.

19. Regarding intermediaries, the Administration advised that open recruitment of the first batch of the SIE Fund intermediaries for operating initiatives under Capacity Building and Innovative Programmes was conducted in the first quarter of 2014. The SIE Fund Task Force received more than 40 proposals and would announce the appointment of intermediaries in December 2014.

20. Some Members were of the view that CoP should capitalize on overseas experience in developing SEs and set up a task force to study matters relating to bazaars and community economy. The Administration advised that the development of SEs could be discussed by CoP. CoP could follow up when SE projects under the SIE Fund were scaled up and required support from policy bureaux.

Relevant papers

21. A list of the relevant papers on the LegCo website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
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Appendix

Relevant papers on enhancement of employment opportunities for people in poverty through promoting local community economy

| Committee | Date of meeting | Paper |
|---------------------------|-----------------------------------|--|
| House Committee | 27 June 2008 (Item V(h)) | Report on Development of Social Enterprise |
| Legislative Council | 17 March 2010 | Official Record of Proceedings Pages 5 – 80 Progress report |
| Panel on Welfare Services | 9 January 2012 (Item V) | Agenda Minutes |
| Panel on Home Affairs | 14 June 2013 (Item V) | Agenda Minutes CB(2)1831/12-13(01) |
| Subcommittee on Poverty | 29 October 2013 (Item I) | Agenda Minutes |
| Subcommittee on Poverty | 28 January 2014 (Items I & II) | Agenda Minutes |
| Finance Committee | 2 April 2014 | Administration's reply to members' written questions in examining the Estimates of Expenditure 2014-2015 Pages 43-44, 219, 220-221 & 506-507 |
| Finance Committee | 2 April 2014 | Administration's reply to members' written questions in examining the Estimates of Expenditure 2014-2015 Page 207 |

| Committee | Date of meeting | Paper |
|-------------------------|------------------------------|--|
| Legislative Council | 18 June 2014 19 June 2014 | Official Record of Proceedings on 18 June 2014 Pages 209-250 Official Record of Proceedings on 19 June 2014 Pages 6-28 Report on the duty visit to study the experience of poverty alleviation in Taiwan and Japan |
| Subcommittee on Poverty | 28 October 2014 (Item I) | Agenda Minutes |

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