

立法會
Legislative Council

LC Paper No. CB(2)228/15-16(06)

Ref : CB2/PL/HA

Panel on Home Affairs

**Updated background brief prepared by Legislative Council Secretariat
for the meeting on 13 November 2015**

**Enhancement Measures of Enhancing Self-Reliance Through
District Partnership Programme**

Purpose

This paper gives an account of the implementation of the Enhancing Self-Reliance Through District Partnership Programme ("ESR Programme") and the discussions by the Panel on Welfare Services ("the WS Panel") and the Subcommittee to Study the Subject of Combating Poverty ("the Subcommittee") on the ESR Programme.

Background

2. In the 2006-2007 Budget, the Financial Secretary ("FS") announced that \$150 million would be earmarked over the next five years to strengthen district-based poverty alleviation work and assist socially disadvantaged groups to gain self-reliance, including support for social enterprises ("SEs").

3. The Home Affairs Department ("HAD") launched the ESR Programme in June 2006 to implement the above initiative and provide seed grants to eligible non-profit-making organizations for the establishment of SEs. According to the Administration, the Programme aims at enhancing the skills and capacities of the employees and providing opportunities for the disadvantaged to upgrade themselves and to be effectively integrated into the community instead of providing welfare or short-term relief.

4. A further \$150 million was earmarked by FS for implementation of the ESR Programme from 2011 to 2016. According to an information paper provided by the Administration on 31 March 2015, the ESR Programme had granted a total of \$180 million for the establishment of 161 SEs to create about 2 600 job opportunities since its inception in 2006. Among them, 80% were still in operation after the funding period.

Deliberations of the WS Panel and the Subcommittee

Launching of the ESR Programme

5. At the meeting on 22 June 2006, the Subcommittee was briefed on the launch of the ESR Programme. Members were advised that the purpose of the Programme was to promote sustainable poverty prevention and alleviation efforts at the district level that helped enhance self-reliance, targeting at socially disadvantaged groups.

6. In respect of the application and assessment of the project proposals, members were advised that based on the principles and criteria endorsed by the Task Force on District-Based Approach formed under the former Commission on Poverty, the Home Affairs Bureau had developed a set of funding application guidelines for application and assessment of the project proposals. The funding ceiling for each approved project was \$3 million and the maximum funding period was two years. Higher priority would be accorded to projects that aimed at continuation after the funding period. Approved projects should commence operation/service within six months after approval of the grant. Eligible organizations could submit funding applications all year round with deadlines set half-yearly to facilitate the vetting. Members were further advised that an advisory committee comprising representatives from the Labour Department, HAD and the Social Welfare Department and non-officials from different sectors was set up to vet applications for funding ("the ESR Advisory Committee"). The ESR Advisory Committee would also monitor and evaluate the effectiveness of approved projects.

7. Some members expressed concern that only a limited number of low-income workers could benefit from the ESR Programme as only 10 projects of \$3 million each could be funded under the Programme in a year. These members expressed doubts about the effectiveness of the proposed measures in tackling the problem of working poor and helping the socially disadvantaged groups. They took the view that as non-governmental organizations did not have the knowledge of running a business, it would be extremely difficult for them to manage such business on commercial principles and make such business sustainable. They were concerned that the operators of SEs would have used up the funding approved under the ESR Programme before they had acquired the necessary knowledge and skills for running a business. These members stressed that in addition to providing seed money for starting SEs, there should be comprehensive support services for their sustainable development.

8. The Administration advised that the ESR Advisory Committee and the ESR Programme Secretariat would provide appropriate support like organizing

mentorship and experience sharing programme to the successful applicants in their project implementation. In addition to issuing publicity leaflets on the ESR Programme, HAD would organize briefing sessions for interested organizations and frontline staff. Separately, District Officers would also brief the District Councils, their committees and interested organizations in the districts.

9. Given that the ESR Programme was to provide seed money for eligible non-governmental organizations and district organizations to set up SEs, some members suggested that consideration be given to accepting applications for the ESR Programme from organizations which had yet to be recognised as non-profit making organizations under section 88 of the Inland Revenue Ordinance ("IRO") (Cap. 112). The Administration advised that the ESR Programme aimed to provide seed grants for eligible organizations to run SEs during their initial operations. While the Administration welcomed the participation of the private sector 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.

Enhancement measures implemented in 2011

10. At the meeting of the WS Panel held on 14 February 2011, the Administration briefed members on the improvement measures for the ESR Programme, which included the following –

- (a) extending the funding period from a maximum of two years to three years, while the funding ceiling of \$3 million per project remained unchanged;
- (b) relaxing the eligibility for applying for the seed grants of the ESR Programme, on a trial basis, to non-profit-making organizations which had not registered under section 88 of IRO;
- (c) grantees with business hardship could apply for a one-off supplementary grant not exceeding 20% of the original seed grant and the funding ceiling of \$3 million in aggregate to subsidize the operating expenses provided that the grantees could demonstrate confidence and determination to sustain the SE business with the benefit of the supplementary grant; and
- (d) grantees with plans to expand their business would be allowed to apply for a one-time grant on a matching basis to cover the associated operating expenses in order to incentivize good business performance.

11. Members in general welcomed the introduction of the improvement measures. However, some members held the view that the Administration should consider raising the funding ceiling per project and further extending the funding period in the light of the enormous start-up costs. In addition, the Administration should consider offering Government premises to SEs at a rental level lower than the market value as rental attributed to a substantial part of the operation cost. The Administration advised that it was fully aware of the challenges faced by SEs in running sustainable business and achieving social objectives as well as the problem of high rentals. However, the Administration considered that it might give rise to 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.

12. Some members suggested that it might be useful if the Administration would provide the prospective applicants with the operational experience of SEs under the ESR Programme, particularly those making profit. Members were advised that SE projects under the ESR Programme should aim to develop "social capital" rather than profit maximization, i.e. they should reinvest principally the profit in the business on the one hand and to operate on a self-financing basis on the other.

Audit Commission's Report on Promoting the Development of Social Enterprises ("the Report")

13. Members may wish to note that the Audit Commission ("the Audit") conducted a review to examine the Administration's efforts in promoting the development of SEs, and published the Report in April 2014. The Audit found that, among other, there were areas for improvement in implementing the ESR Programme, notably –

- (a) long time needed by HAD to process applications, with an average time of 239 days from submitting application to signing the funding agreement;
- (b) effectiveness of the ESR Programme - the actual number of jobs created had fallen short of the target by 39% for full-time jobs and 22% for part-time jobs; the average grant per job also varied widely from \$9,000 to \$360,000; and
- (c) long time needed (267 days on average) by HAD to finalize its processing of progress reports before payment of grants to grantees while majority of the progress reports sampled and examined by the Audit were submitted late.

14. According to the Administration, HAD had implemented various measures to address the issues identified by the Audit including, among others, adoption of means to reduce the time for processing applications by taking steps simultaneously instead of sequentially where possible and giving advice to the SE grantees which could not meet the job creation targets on possible improvement plans.

Recent development

15. In 2015, FS has earmarked another \$150 million to roll out a new phase of ESR Programme from 2016-2017 to 2019-2020 under which enhancement measures will be implemented. The Administration will brief the Panel on Home Affairs on the enhancement measures.

Relevant papers

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

Appendix

Relevant papers on Enhancement Measures of Enhancing Self-Reliance through District Partnership Programme

Committee	Date of meeting	Paper
Subcommittee to Study the Subject of Combating Poverty	22.6.2006 (Item II)	Agenda Minutes
Subcommittee on Poverty Alleviation	7.7.2009 (Item I)	Agenda Minutes CB(2)2636/08-09(01)
Panel on Welfare Services	14.2.2011 (Item V)	Agenda Minutes
Panel on Welfare Services	9.1.2012 (Item V)	Agenda Minutes
Subcommittee on Poverty	28.1.2014 (Item II)	Agenda Minutes
Legislative Council	9.7.2014 (Item I)	Report of the Public Accounts Committee on Report No. 62 of the Director of Audit on the Results of Value for Money Audits

Council Business Division 2
Legislative Council Secretariat
9 November 2015