

NOTE FOR FINANCE COMMITTEE

Third half-yearly Progress Report on Self-employment Business Start-up Assistance Scheme

PURPOSE

This paper presents the third half-yearly progress report on the Self-employment Business Start-up Assistance Scheme from October 2002 to March 2003 for Members' information.

BACKGROUND

2. The Self-employment Business Start-up Assistance Scheme (the Scheme) jointly administered by the Education and Manpower Bureau and the Employees Retraining Board (ERB) began in September 2001. At the Finance Committee meeting on 6 July 2001, Members requested the Administration to submit half-yearly progress reports after the implementation of the Scheme. The first and second progress reports on the Scheme covering the two half-year periods from September 2001 to September 2002 were provided to members vide FCRI(2002-03)8 and FCRI(2002-03)20. The progress of the Scheme from October 2002 to March 2003 is set out in the following paragraphs.

PROGRESS UP TO 31 MARCH 2003

Self-employment Retraining Courses

3. Up to 31 March 2003, ERB has offered a total of 34 retraining courses in self-employment, comprising 29 generic and five trade-specific programmes. 705 retrainees have completed the training. A breakdown of the types of courses they attended and their profiles are shown at Enclosures 1 and 2 respectively. Out of these 705 graduates, 223 have started their businesses. Among them, 187 graduates found their business with their own source of funding and the remaining 36 started their business with loans from approved lending institutions with the Secretary for Education and Manpower acting as the loan guarantor. A breakdown, by industry, of the business started is at Enclosure 3.

Encl.1 - 2

Encl. 3

/Loan

Loan Guarantee

Encl. 4

4. As at 31 March 2003, a total of 28 lending institutions participated in the Scheme to offer loans. A total of 59 retrainees have submitted loan applications. The lending institutions have approved 36 applications (all of them have already started their business). The cumulative loan amount approved by the lending institutions is \$3,416,000. Enclosure 4 shows the terms, conditions and other aspects of the loans in respect of the 36 successful applications.

5. ERB staff continued to pay regular on-site visits to successful loan borrowers to ensure that they have started and operated their business in accordance with the business plans approved under the loan guarantee by the Government. They also kept in contact with the lending institutions regarding borrowers' repayment schedule. In March 2003, the ERB held a meeting with all the lending institutions to exchange views on the Scheme. While the institutions were reminded to exercise prudent assessment and control before and after loan approval, particularly those applications with potential high risks, they were advised to exercise discretion in balancing risks and assisting retrainees to start up their businesses.

6. As at 31 March 2003, eight borrowers have ceased their business operation for various reasons, including poor business, personal, management and other problems. Guaranteed payments for two default cases (both involving applicants who have ceased business) have been made by the Government to the corresponding lending institutions. Borrowers who are facing repayment difficulties are negotiating with their lenders on loan restructuring.

Support and Advisory Services

7. The ERB continues to offer support and advisory services to retrainees who have completed self-employment training courses. So far, more than 60 activities including talks, seminars and experience-sharing workshops, visits to related business enterprises and organisations, etc. have been held, benefiting over 800 participants.

/WAY

WAY FORWARD

8. The ERB has commissioned the Chinese University of Hong Kong to conduct an independent review on the Scheme in May 2003. We shall take into account the outcome of the review in determining the future of the Scheme.

Education and Manpower Bureau
August 2003

Enclosure 1 to FCRI(2003-04)10

**No. of retrainees who have completed
ERB's self-employment courses
(as at 31 March 2003)**

<i>Course mode and type</i>	September 2001 – September 2002			October 2002 – March 2003			Cumulative up to 31 March 2003		
	<i>Generic courses</i>	<i>Trade-specific courses</i>	<i>Total</i>	<i>Generic courses</i>	<i>Trade-specific courses</i>	<i>Total</i>	<i>Generic courses</i>	<i>Trade-specific courses</i>	<i>Total</i>
Full-Time	374	95	469	126	0	126	500	95	595
Part-Time	110	0	110	0	0	0	110	0	110
Total No.	484	95	579	126	0	126	610	95	705

Notes

1. Generic self-employment courses cover various modules related to practical knowledge and skills in general business operation and last for 60 hours.
2. Trade-specific self-employment courses aim to provide retrainees with training in self-employment and business start-up in specific trades. These courses last longer than 60 hours and they cover, in addition to the modules offered in generic self-employment courses, other modules relevant to specific trades. Five courses covering the following trades have been provided so far –
 - property maintenance;
 - beauty care;
 - digital imaging;
 - environmental cleaning; and
 - retail industry.

Enclosure 2 to FCRI(2003-04)10

**Profiles of Retrainees of Self-employment Programme
(as at 31 March 2003)**

	September 2001 – September 2002		October 2002 – March 2003		Cumulative up to 31 March 2003	
<i>Sex</i>	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>
Male	316	55%	68	54%	384	54%
Female	263	45%	58	46%	321	46%
Total	579	100%	126	100%	705	100%

	September 2001 – September 2002		October 2002 – March 2003		Cumulative up to 31 March 2003	
<i>Age</i>	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>
Below 30	16	3%	6	5%	22	3%
30 – 39	241	41%	52	41%	293	42%
40 – 49	231	40%	43	34%	274	39%
50 or above	91	16%	25	20%	116	16%
Total	579	100%	126	100%	705	100%

	September 2001 – September 2002		October 2002 – March 2003		Cumulative up to 31 March 2003	
<i>Education</i>	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>
P.6 or below	24	4%	3	2%	27	4%
Form 1 to 3	148	26%	38	30%	186	26%
Form 4 to 5	282	48%	59	47%	341	48%
Form 6 or above	125	22%	26	21%	151	22%
Total	579	100%	126	100%	705	100%

**Progress on Business Start-up
(as at 31 March 2003)**

Total number of graduates who have started-up business - 223

Breakdown by the month of business start-up

Month	<i>Oct 2001</i>	<i>Nov 2001</i>	<i>Dec 2001</i>	<i>Jan 2002</i>	<i>Feb 2002</i>	<i>Mar 2002</i>	<i>Sub-total</i>
No. of graduates	4	7	21	35	4	5	76
Month	<i>Apr 2002</i>	<i>May 2002</i>	<i>June 2002</i>	<i>July 2002</i>	<i>Aug 2002</i>	<i>Sep 2002</i>	<i>Sub-total</i>
No. of graduates	29	8	12	12	18	12	91
Month	<i>Oct 2002</i>	<i>Nov 2002</i>	<i>Dec 2002</i>	<i>Jan 2003</i>	<i>Feb 2003</i>	<i>Mar 2003</i>	<i>Sub-total</i>
No. of graduates	6	15	18	9	3	5	56
Total							223

Breakdown by industry

<i>Industry</i>	September 2001 – September 2002		October 2002 – March 2003		Cumulative up to 31 March 2003	
	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>	<i>No. of retrainees</i>	<i>Percentage</i>
Retail/ Wholesale/ Trading	84	50%	34	61%	118	53%
Service	66	39%	16	28%	82	37%
Food & Beverage	10	6%	6	11%	16	7%
Manufacturing	6	4%	0	0%	6	3%
Others	1	1%	0	0%	1	0%
Total	167	100%	56	100%	223	100%

Remarks

* Though the Scheme started in September 2001, all businesses only started from October 2001 onwards.

**Statistics on Successful Loan Applications
(as at 31 March 2003)**

(A) Terms and Conditions

	September 2001 – September 2002	October 2002 – March 2003	Cumulative up to 31 March 2003
<i>Loan amount</i>	<i>No. of cases</i>	<i>No. of cases</i>	<i>No. of cases</i>
Below \$50,000	0	0	0
\$50,000 - \$99,999	9	0	9
\$100,000	23	4	27
Total	32	4	36
Cumulative loan amount	\$3,016,000	\$400,000	\$3,416,000
Average loan amount	\$94,250	\$100,000	\$94,889

	September 2001 – September 2002	October 2002 – March 2003	Cumulative up to 31 March 2003
<i>Repayment Period (month)</i>	<i>No. of cases</i>	<i>No. of cases</i>	<i>No. of cases</i>
Below 24	1	0	1
24	10	0	10
25 – 30	11	2	13
31 – 36	10	2	12
Total	32	4	36
Average repayment period	29.3*	33.0	29.7

* *Repayment period of 2 cases were revised in January 2003.*

	September 2001 – September 2002	October 2002 – March 2003	Cumulative up to 31 March 2003
<i>Interest rate</i>	<i>No. of cases</i>	<i>No. of cases</i>	<i>No. of cases</i>
P + 1%	2	0	2
P + 1.5%	7	4	11
P + 2%	4	0	4
P + 2.5%	2	0	2
P + 3%	17	0	17
Total	32	4	36
Average interest rate	P + 2.39%	P + 1.5%	P+2.29%

(B) Breakdown by industry

	September 2001 – September 2002	October 2002 – March 2003	Cumulative up to 31 March 2003
<i>Industry</i>	<i>No. of successful loan applications</i>	<i>No. of successful loan applications</i>	<i>No. of successful loan applications</i>
Retail/Wholesale/Trade	17	2	19
Service	11	1	12
Food and Beverage	2	1	3
Manufacturing	1	0	1
Others	1	0	1
Total	32	4	36