

**Legislative Council  
of the  
Hong Kong Special Administrative Region**

---

**Delegation of the  
Subcommittee to Study the Subject of  
Combating Poverty**

**Report on the duty visit to study  
the experience of the development  
of social enterprise in Spain  
and the United Kingdom**

**16 to 22 September 2007**

---

## **TABLE OF CONTENTS**

<b>Chapter</b>	<b>Page</b>
<b>1 Introduction</b>	<b>1 - 2</b>
<b>2 Social enterprise policy and programme in Spain</b>	<b>3 - 19</b>
<b>3 Social enterprise policy and programme in the United Kingdom</b>	<b>20 - 36</b>
<b>4 Conclusion</b>	<b>37 - 39</b>
 <b>Appendix</b>	
<b>I Programme of the visit</b>	

## **Acknowledgement**

The delegation wishes to thank all the distinguished individuals, including Members of the Parliament, government officials, academics and staff members of social enterprises with whom the delegation met during its visit to Madrid, Liverpool and London from 17 to 21 September 2007. The delegation is most grateful to them for their detailed briefings for and useful exchanges of views and information with the delegation.

The delegation wishes also to thank the Consul-Generals of Spain and the United Kingdom in Hong Kong, and the Hong Kong Economic and Trade Offices in Brussels and London for their kind assistance in putting together the visit programme and making the logistical arrangements.

Last but not the least, the delegation is most grateful for the dedicated work of the late Mr LI Chi-fai, Simon, Research Officer of the Research and Library Services Division of the Legislative Council Secretariat, who provided valuable and useful information and reference materials for the visit.

## **Chapter 1 – Introduction**

### **Purpose of the report**

1.1 A delegation of the Subcommittee to Study the Subject of Combating Poverty of the Legislative Council visited Spain (Madrid) and the United Kingdom (UK) (London and Liverpool) in September 2007 to study how these countries formulate and implement strategies and measures to foster the development of social enterprise to provide opportunities for the unemployed and disadvantaged to integrate into the job market.

### **Membership of the delegation**

1.2 The delegation comprised the following Members –

Hon Frederick FUNG Kin-kee (Subcommittee Chairman and leader of the delegation)

Hon LEUNG Yiu-chung (Subcommittee member)

Hon LEUNG Kwok-hung (Subcommittee member)

Dr Hon Fernando CHEUNG Chiu-hung (Subcommittee member)

1.3 Miss Betty MA, Clerk to the Subcommittee, accompanied the delegation on the visit.

### **Purpose of the visit**

1.4 The Subcommittee was formed under the House Committee to study the subject of combating poverty. The Subcommittee decided to send a delegation to these countries to obtain first-hand information on how these countries formulate and implement strategies and measures to foster the development of social enterprise in providing opportunities for the unemployed and disadvantaged to integrate into the job market. The UK was selected because its Government has established a distinct legal identity for social enterprises and carried out some pioneering work to improve such enterprises' access to finance. Spain was selected because social enterprises is one of the means used by the

Government to alleviate the unemployment problem, and such enterprises have been involved in the operation of most economic sectors in Spain.

### **Visit programme**

1.5 The delegation visited Spain (Madrid) and UK (London and Liverpool) from 16 to 22 September 2007. The delegation met with government officials, parliamentarians and representatives of business confederation of social enterprises. The delegation also visited some social enterprises in Spain and UK. Further details of the programme of the visit are in **Appendix I**.

## Chapter 2 – Social enterprise policy and programme in Spain

### Visit programme

2.1 The delegation met with officials of the Ministry of Labour and Social Affairs and the National Public Employment Service ("INEM" in the Spanish acronym) as well as the Committee of Finance and Taxes of the Lower House of the Parliament. The delegation received detailed presentations on the policies, strategies and measures to promote social enterprises as well as the employment policies for groups at risk and the disabled.

2.2 The delegation also visited the Spanish National Organisation for the Blind ("ONCE" in the Spanish acronym). They also took the delegation to visit some of its teaching and support facilities for the blind to integrate into the society and to upgrade their skills for employment.

2.3 In addition, the delegation met with representatives of the Spanish Business Confederation for Social Economy ("CEPES" in the Spanish acronym), who gave an account of the development of social economy enterprises.



Visit to the Lower House of the Parliament



Visit to the Spanish National Organisation of the Blind (ONCE Group)

## Overview

2.4 The Spanish Government has not provided a definition of social economy enterprises. The notion of social economy is, however, embedded in the 1978 Spanish Constitution. While the Constitution does not have the term "social economy", it contains important references to what is generally considered as social economy. Article 22 of the Constitution recognises the right of association, including associations for social action. Article 34 recognises the right of foundation for purposes of general interest. Article 129 requires the public authorities to "effectively promote the various forms of participation in enterprises and facilitates cooperatives by means of appropriate legislation" and "establish the means that will facilitate access by the workers to ownership of the means of production".

2.5 In 2006, Spain had more than 51 500 social economy enterprises. Such enterprises come in the form of cooperatives, work societies, mutual societies, social insertion entities, special employment centres, social economy companies with other law forms and associations for the disabled. These enterprises employed more than 2.4 million people, and generated a yearly turnover of more than € 87 billion (HK\$922 billion), accounting for more than 7% of Spain's Gross Domestic Product.

2.6 According to the Ministry of Labour and Social Affairs, *cooperative society* is a company constituted by those who join together under a regime of free association and voluntary cessation, in order to carry out commercial activities, aimed at fulfilling their economic needs and social ambitions, with a democratic working and operating structure. *Associated labour cooperative* is an organisation whose aim is to provide jobs for its partners, through personal and direct effort, either full-time or part-time, by way of the joint organisation of manufacturing goods or providing services for third parties. The majority of the share capital of the organisation is owned by the partners, i.e. employees. *Workers cooperatives* are either public limited companies or limited liability companies, with business aims in which the largest portion of the corporate capital belongs to the workers in the company concerned, and who work and receive wages for an indefinite period of time.

## **Implementation strategy**

### Strategy objective

2.7 During the meeting with the Committee of Finance and Taxes of the Lower House of the Parliament, the delegation was told that the Spanish Government perceived social economy enterprises as the tool to fight against unemployment, poverty and social exclusion. The unemployment rate in Spain reached the peak of 24.2% in 1994. The unemployment rate dropped significantly from 18.8% in 1998 to 8.5% in 2006. As shown from the statistics compiled by the Director-General for the Promotion of the Social Economy and the European Social Fund, the social economy sector created a total of 420 000 jobs from 1996 to 2005. During the same period, the number of jobs created by social economy rose 67%, which was higher than the corresponding 41% growth in the total number of employees in the labour market.

2.8 The delegation was also told that although the Parliament comprised Members belonging to different political parties, they shared a consensus over the strategies and policies on the development of social economy enterprises in Spain. They considered that the consensus was largely attributed to the unemployment problem in Spain in the past decades. The Members



highlighted that they were working on the legislation to give effect to Article 129 of the Constitution to "effectively promote the various forms of participation in enterprises and facilitates cooperatives by means of appropriate legislation".

### Enforcement agencies

#### *Ministry of Labour and Social Affairs*

2.9 The Ministry of Labour and Social Affairs is responsible for formulating and implementing government policies relating to employment, work, social security and the disadvantaged in Spain. To foster the development of social economy, the Ministry of Labour and Social Affairs created the post of Secretary-General for Employment in 1985 to take charge of employment matters, including the development of social economy and self-employment.

#### *National Public Employment Service*

2.10 The National Public Employment Service ("INEM" in the Spanish acronym) was established in 1978 as an independent legal entity to take charge of the public employment services in Spain. INEM is entrusted with the administration, development and monitoring of employment policy programs and measures within the framework established under Law 56/2003, Employment Act. It also manages some aspects of applications for unemployment benefits, including recognition of the right to receive payment of unemployment benefits and subsidies.

2.11 INEM is governed by a General Council which comprises 39 members. One-third of the members are representatives of the public administration, including the Secretary-General for Employment as Chairman of the Council and the Director-General of the Public Employment Service as Deputy Chairman of the Council. One-third of the Council members are representatives of trade unions and the remaining one-third are representatives of employer associations.

2.12 Officials of the Ministry of Labour and Social Affairs and INEM have pointed out that a number of measures are put in place to create and maintain jobs, including providing assistance and benefits for contracting certain groups, helping people to gain access to work, supporting self-employment or access to work in cooperative societies, setting up experimental programmes with a view

to exploring new alternatives for getting job seekers into the workplace. These measures are set out below.

### Support measures for self-employment

2.13 A job seeker, who is registered in the Employment Office of INEM and who wants to become self-employed is provided with the necessary information to enable him to carry out a business project. Apart from assisting the potential entrepreneurs to design a business plan and advising them of the procedures for setting up a company, INEM will also assist individual potential entrepreneurs to conduct market studies and planning, formulate production and financial plans as well as to choose the type of corporate entity to start the business.

### *Self-Employment Promotion Programme*

2.14 The Self-Employment Promotion Programme was introduced in 1986 to make self-employment a more attractive option for job seekers. The programme aims to alleviate the difficulties faced by at-risk groups (i.e. women, young people, unemployed with disabilities and women who are victims of sex violence) in seeking employment.

2.15 The Royal Decree 357/2006 provides for the implementation of the Ministerial Order to award grants for setting up a self-employment programme to facilitate the unemployed to become self-employed workers. Different types of aids, including technical assistance, financial subsidy and grant of a subsistence wage will be provided for the unemployed workers concerned. To be eligible for the aids, unemployed workers who are registered in the Employment Office must submit a declaration of the intention of becoming autonomous workers or self-employed workers.

2.16 Officials of the Ministry of Labour and Social Affairs have pointed out to the delegation that start-up grants are offered on a sliding scale to the following at-risk groups –

- (a) € 5,000 for unemployed people in general;
- (b) € 6,000 for young unemployed people aged 30 years old and below;

- (c) € 7,000 for unemployed women;
- (d) € 8,000 for unemployed men with disabilities; and
- (e) € 10,000 for unemployed women with disabilities.

For women who are victims of sex violence, the grant is increased by 10%. Financial grants (up to four points off the fixed interest from the financial institutions giving the loans) will be provided to the at-risk groups to finance investments and get the business running. The loans, however, must be granted by financial institutions with the agreement of the Ministry of Labour and Social Affairs.

2.17 In addition, a maximum amount of € 2,000 (up to 75% of the actual cost) and € 3,000 (up to 75% of the actual cost) will be provided to self-employed workers for engaging technical support to develop the business and attending courses relating to the operation of the business respectively. Such grants must be used within the three months before and six months after the start of the business. As stipulated in the terms of EU Regulation No. 1998/2006, the aid is subject to the "de minimis" rule, i.e. the amount of the grant cannot exceed the cost of the activity being undertaken by the recipient.

2.18 Under Article 14 of Law 38/2003, the General Law on Grants and the Orders govern the Self-Employment Promotion Programme, participants are obliged to become self-employed, to carry out business activities and to be affiliated to the Social Security Scheme or similar entity for at least three years. If there is a period of temporary, voluntary non-compliance, recipients must return the grant for the remaining period of the agreed three years on a pro-rata basis.

#### *Experimental Employment Programme*

2.19 Law 56/2003 on employment provides measures for the unemployed to enter the labour market, either to be employed or to be self-employed. It also defines how training and retraining should be adapted and other measures designed to promote entrepreneurship and the social economy. Consequently, experimental employment programmes have been launched since 2003. An

experimental employment programme is regarded as any programme that has the objective of developing integral employment plans that combine different kinds of action, such as providing information, guidance and counselling, training, work placements and geographical mobility, with the aim of placing the unemployed in jobs.

*One-off payment for unemployment benefits*

2.20 Officials of the Ministry of Labour and Social Affairs have highlighted the fact that the Spanish Government regards the module of a one-off payment for unemployment benefit as a means of promoting employment in social economy and self-employment.

2.21 Eligible unemployed workers can receive unemployment benefits. The duration for receiving and the amount of unemployment benefits varied according to the contribution of individual workers to the Social Security Scheme in the past six years prior to being legally recognised as unemployed.

2.22 Unemployed workers can make applications to the Employment Office for a one-off payment for unemployment benefits if they intend permanently to join a cooperative or labour society as working partners or intend to become self-employed workers or are handicapped with 33% disability or more. For those who intend to join a cooperative or labour society, they have to submit documents proving that they have already applied for joining the organisation concerned. In case new cooperatives or labour societies are to be set up, the applicants should provide the draft public deed of incorporation, the report outlining the investment and activities to be made, and the documents accrediting the feasibility of the project. In case the applicant starts his activity as a self-employed worker, he has to provide the Employment Office with a report outlining the activity to be performed and the investment needed to start it, as well as the documents to accredit its feasibility. If the worker is disabled, a certificate issued by the relevant authorities accrediting the disability of a degree equal to or higher than 33% is required.

*Aids for unemployed disabled workers*

2.23 The aids aim at financing business projects for disabled unemployed workers who wish to become self-employed. The benefits are in the forms of

partial subsidy to cover interest on loans, a subsidy of € 3,906.58 for investment of fixed capital, and a discount on contributions to the Social Security Scheme.

2.24 Regarding the partial subsidy to cover interest on loans, the subsidy is granted by credit entities, either public or private, with which an agreement has been signed for the purpose. The subsidy at a maximum, will be three points at a fixed rate of interest laid down by the financial entity which grants the loan to the applicant, or a one-off payment up to a maximum amount of € 3,507.59.

2.25 To promote employment of disabled workers, tax incentives are provided for those enterprises which are liable to pay corporation tax. An amount of € 4,808.1 will be deducted from the total corporation tax for each employed disabled worker who is not on a temporary contract.

#### Aids and subsidies for enhancing the employment and competitiveness of cooperatives and workers societies

2.26 To help job seekers get into the workplace as partners in cooperative societies and labour societies, grants up to € 5,500 will be given for every unemployed male worker who joins a cooperative society or workers society as a full-time partner. For female workers, the amount of subsidy will be of up to € 7,000. In the case of an unemployed person in a situation of social exclusion, the amount will be € 8,000. In the case of disabled persons, the amount will be of up to € 10,000. If the working partner is part-time, subsidies may also be granted proportional to the actual duration of the working day.

2.27 To be eligible for the grants, unemployed joining the cooperatives or workers societies as working partners should register with the Employment Office and the Social Security Scheme. The incorporation of new partners must imply an increase in employment with respect to the average number of employment during the 12 months preceding the date of incorporation of partners for whom subsidy is being received.

2.28 Apart from this, subsidies for investments are given to cooperatives or workers cooperative societies to start-up, consolidate or improve competitiveness. The cooperatives or workers cooperative societies should use the funds for investment in tangible or intangible fixed assets that are needed for

their start-up or upgrading, as well as for the introduction of new information and communication technologies. The investment which may be subsidised include investment in development land, buildings, technical facilities, machinery, tools, information processing equipment, transport elements, as well as intangible assets related to the new information and communication technologies.

2.29 For direct subsidies for asset investment, the amount of subsidy may not be higher than 50% of the acquisition cost of the assets, taxes not included. The bonus for interests will be three points of the interest rate set by the financial institution granting the loan, to be paid in a one-off payment of an amount calculated as if the subsidy was accrued every year during the life of the loan. In the case of micro-credits given by financial institutions which have signed an agreement with the Ministry of Labour and Social Affairs, the subsidy may reach the total cost of the financial expenses, or up to an upper limit of € 18,000 per society.

2.30 Subsidies for training, promotion and dissemination of social economy activities directly linked to the promotion of employment are provided for social economy enterprises. The amount of the subsidy can reach 100% of the cost of the subsidised activity, with the maximum amount being € 90,000 per activity.

#### Workshop-Schools and Apprenticeship Centres Programme

2.31 The Workshop-Schools and Apprenticeship Centres Programme was initiated in 1985, on an experimental basis, under the direction and control of INEM, as a measure to promote youth employment by means of alternative training and working placement in activities relating to the restoration of national heritage, environment protection and urban renewal and the revival of handicrafts.

2.32 The target group of the Programme are young unemployed people who in general have low or very low levels of education or training, mainly as a result of under-achievement at school. Their self-esteem is low and they find it particularly difficult not only to enter the labour market but also to integrate into society. The school-workshops and trade learning centres incorporate three fundamental elements necessary to ensure future employment, viz. training, work experience and vocational guidance.

2.33 The participants of the Programme are required to enter a labour contract of between six months and one and a half years. The teachers of the Programme come from different professions and disciplines : architects, quantity surveyors, historians, archaeologists, geographers, primary school teachers, agricultural experts, agritechnicians, economists and master craftsmen from different occupations. Given that the work or service to be carried out is different in each project, the composition of the teaching teams vary in each Workshop-School and Apprenticeship Centre to cater for the different training needs for different projects. The Workshop-Schools and Apprenticeship Centres are based on a model of one teacher for every eight trainees.

2.34 INEM monitors and controls the management of the projects and the budgetary management. INEM also prepares model programmes which serve as the criteria for evaluating the effectiveness of the projects in meeting the objectives.

2.35 The Programme was made permanent by an Order of the Ministry of Labour and Social Affairs in 1988. A new Order of the Ministry of Labour and Social Affairs was made in 1994 to give effect to the new and current regulations for the implementation of the Programme and the setting up of an Enterprise Initiative Centre.

2.36 The Enterprise Initiative Centre aims to provide adequate support for those participants of Workshop-Schools and Apprenticeship Centres project who are found to have enterprising initiatives, with the potential to start up their own business, in the course of the projects. The main functions are –

- (a) to detect and stimulate initiative and creative drive, so that participants can set up their own businesses;
- (b) to offer technical assistance, to stimulate and support the creation of enterprises and self-employment;
- (c) to provide suitable premises for setting up the business;

- (d) to offer, on a shared-time basis, services to facilitate the administrative functioning of the enterprises created; and
- (e) to collaborate on job placement.

#### Other support for social economy enterprises

2.37 Representatives of the various concerned organizations stressed to the delegation that the social economy enterprises are operating on a level playing field with other business enterprises in bidding government contracts and services. Notwithstanding this, the Spanish Government, in particular the local authorities, has stipulated in the tender documents the requirement for employing a specified percentage of workers who are currently unemployed or come from a disadvantaged background. As a result, most successful bidders are social economy enterprises.

2.38 Under the Tax on Transfers of Ownership and Documented Acts of Law, labour societies, which meet the requirements of being registered and classified in the corresponding Official Registry and allocate 25% of the disposable income to the Reserve Fund, will be able to enjoy tax benefits.

#### Platform for institutional dialogue

2.39 CEPES was established in 1992 as an independent organisation representing the social economy enterprises in Spain and providing a platform for institutional dialogue with the public authorities. CEPES comprises 24 member organisations. All of them are national or regional confederations and social economy business groups which represent the interests of cooperative societies, labour companies, mutual societies, social insertion companies and special employment centres with more than 200 support structures at regional level. According to CEPES, it represents the interests of more than 51 000 social economy enterprises, and more than 2.4 million employees are economically related to the sector while more than 10 700 000 people are associated with the different social economy families.



2.40 The objectives of CEPES include –

- (a) integrating the social economy sector and creating a unique platform to represent all association-based solidarity actions;
- (b) fostering an appropriate legislative framework for social economy enterprises and promoting reforms to overcome barriers that hinder the development of social enterprises;
- (c) analyzing the development of social economy and proposing initiatives and strategies that aim to enhance the competitiveness of its member organizations, particularly their management, training, co-operation and integration, financing mechanisms and international presence;
- (d) promoting social economy at all levels as a formula for the creation of wealth and stable employment, and strengthening social cohesion and insertion policies that help integrate the socially excluded into the labour market; and
- (e) representing the Spanish social economy at the international level.

2.41 The delegation notes that CEPES has been contributing actively to the formulation of government policies and initiatives at the local, regional and national levels on employment, social inclusion, empowerment and development of small- and medium-sized enterprises, social responsibility, and development of de-industrialized areas. CEPES has also been working with INEM on the design and execution of employment and vocational training plans.

#### Impact on the economy

2.42 According to CEPES, social economy enterprise acts wherever a solution to local employment problems are needed, with regard to the needs of persons, of migration, economic development, integration of excluded collectives or in the access to any section of the welfare state, influencing the construction of a more equal and cohesive society. It arises as an agent that originates social cohesion, based on values of social solidarity and social responsibility, and is also present in emerging and leading sectors.

2.43 CEPES has pointed out that there are more undertakings by social economy enterprises than the previous year, more jobs have been created and there is a greater local presence, which means that there have been more entrepreneurs, more solidarity and more local development in 2006.

### **The experience of ONCE**

2.44 The delegation visited the Headquarters of the Spanish National Organisation for the Blind (ONCE) in Madrid. ONCE is a public corporation for social purposes established by the Spanish State in 1938 as a way to provide institutional responses to the needs and desires of the Spanish blind during the first half of the 20th century. Members of ONCE are people with total blindness or severe visual disability. Membership may be attained by all Spanish citizens upon application and undergoing a test conducted by an ophthalmologist who certifies that the applicant suffer from at least one of the following conditions in both eyes: visual acuity equal to or less than 0.1 (1/10 on the Wecker's Scale) obtained with either the best possible optic correction or visual field not exceeding 10 degrees in both eyes.

2.45 The social objectives of ONCE are laid down in the Articles of Incorporation as follows –

- (a) educational integration in all education levels and training programmes;
- (b) job guarantee to all ONCE members, according to their skills, preferably within the standard labour market;
- (c) personal independence through education and facilitation of resources to ensure independence in daily life and mobility, access to information, and emotional adjustment to blindness or severe visual impairment;

- (d) boosting and development of social, scientific and research for the purpose of fostering personal independence, social integration, and the improvement of quality of life of the blind and people with severe visual impairment;
- (e) development of information and social awareness campaigns for the benefit of the blind and persons with severe visual impairment, in order to ensure full participation and social integration of ONCE's members; and
- (f) preparation of statistical reports and records to facilitate the planning of ONCE's activities and to enable continuous improvement of its services.

2.46 ONCE is granted by the Government the exclusive management of the state Cupón lottery sales as well as other licences regarding lottery games. The Agreements signed with the Government have conferred ONCE the right to manage several lottery schemes, and thereby securing financial stability. Lottery-generated income is the ONCE's main source of financial resources. ONCE earmarks 20% of its gross income obtained through the sale of lotteries in each year (approximately € 100 million) (HK\$1,060 million) to the ONCE Foundation. The top priority of the ONCE Foundation is the creation of jobs for the disabled.

2.47 ONCE offers a wide range of social services to its members and also undertakes activities to rehabilitate blind and visually disabled persons throughout the country. ONCE finances a thorough system of social services for blind persons with its resources, and maintains 108 222 jobs at ONCE and its Foundation in 2006. Out of these, 47 743 are direct jobs (at ONCE) and 60 479 are indirect jobs (generated with the support of ONCE or the Foundation). This represents 0.54% of total employment in Spain and, more importantly, 78.6% of these jobs are filled by blind persons or persons with other disabilities.

2.48 The ONCE Group has two business groups, viz. FUNDOSA and CEOSA. The FUNDOSA Group, under the auspices of the ONCE Foundation, operates in the area of social economics in different sectors (industrial laundry services, convenience stores, food industry, new technologies, etc.). Its principal objective is the creation of jobs for the disabled while concurrently generating

economic profit so as to continue generating employment. The CEOSA Group, fully owned by ONCE, manages a group of companies which ONCE has established since 1989 in different sectors of the economy such as the food industry, real estate and property management, services (security, cleaning, ancillary service, etc), tourism and others. These companies also seek to be profitable so as to integrate the blind and other disabled persons into the labour market. These two business groups provide direct or indirect employment to 88 168 people over 75% of whom are affected by some form of disabilities.

2.49 The staff members of ONCE told the delegation that although the ONCE Group enjoys the Government's aids and tax relief for the employment of disabled workers in the same manner as other enterprises, the operation of FUNDOSA and CEOSA is essentially the same as other business corporations in the respective industries. As a matter of fact, some of the companies operated by the FUNDOSA and CEOSA have recorded loss and some have already been driven out from the market. With a built-up of experience in running businesses and an adjustment in the market strategies, those companies in operation under FUNDOSA and CEOSA are by and large profitable businesses. According to ONCE, the key success factor for these businesses is the quality of services.

### **General observations of the delegation**

2.50 The delegation is highly impressed by the success of Spain in creating job opportunities by the social economy sector and reducing the unemployment rate. The delegation notes that the unemployment rate has dropped from 24.2% in 1994 to 8.5% in 2006, and a total of 420 000 jobs have been created in the sector from 1996 to 2005.

2.51 The delegation is also impressed by the proliferation of social economy enterprises in Spain and the commitment of the Spanish Government to promote the development of such enterprises. It is laid down in the 1978 Constitution that the country adopts the social economy enterprise in its economic structure, which implies the use of market instruments to achieve public purposes. Moreover, the Parliament has set up a dedicated committee to monitor the policies and study the legislation relating to the social economy sector. The delegation considers that these are crucial factors which attribute to the public

acceptance of enterprises with social objectives and the rapid growth of the social economy sector.

2.52 The delegation considers that the establishment of CEPES has provided a platform for institutional dialogue with the public authorities. CEPES has been effective in contributing to the formulation of government policies and initiatives relating to social economy enterprises at the local, regional and national levels. The delegation considers the platform important and has ensured that the implementation strategy for social economy enterprises has public support.

2.53 The delegation is impressed by the effectiveness of the multiplicity of support measures adopted in Spain to help the disadvantaged move from welfare to employment. A notable example is the provision of aids and subsidies for the unemployed to become self-employed under the Self-Employment Promotion Programme. In addition, the Government has provided grant and subsidies to employers for the employment of people with a disadvantaged background, including unemployed and disabled persons. The delegation notes that such assistance and support measures will normally last for at least one to two years. It considers the Spanish Government's long-term commitment to equip the unemployed and disadvantaged and provide appropriate support has helped in enhancing the employability of the long-term unemployed and the disadvantaged.

2.54 The delegation finds that under the Workshop-Schools and Apprenticeship Centres Programme for youth at risk, training and working placement are carried out in activities relating to the restoration of national heritage, environment protection and urban renewal and the revival of handicrafts. The delegation is impressed by the Spanish Government's efforts in enhancing the educational attainment of the youth at risk to enable them to take up high-skilled jobs later. The delegation considers that Hong Kong can learn from Spain's experience in fostering the development of social enterprises in activities relating to heritage conservation and environmental protection.

2.55 The delegation also finds that the operation of social enterprises is on a level playing field with the business sector in the market. The Spanish Government has, however, included a social clause in the Government contracts requiring the contractors to employ a specified percentage of unemployed workers or workers coming from a disadvantaged background. Such

arrangement not only increases the chance of social economy enterprises in bidding government contracts successfully, but also enhances the employment opportunities of the unemployed and disadvantaged.

2.56 As shown from the experience of ONCE, the delegation considers the Government's support for social enterprises of paramount importance. The exclusive right for ONCE to sell the state lotteries has secured ONCE's financial resources, thereby making it possible for ONCE to further develop other types of business.

2.57 The delegation considers that the unemployment problem in Spain in 1980s is a crucial factor in gaining the public acceptance of the social objectives of social economy enterprises. However, significant progress would not have been made if the Spanish Government has not implemented effective strategy and policies to support the operation of social enterprises.

## **Chapter 3 – Social enterprise policy and programme in the United Kingdom**

### **Visit programme**

3.1 The delegation met with officials of the Office of the Third Sector under the Cabinet Office and the Department for Work and Pensions who made a detailed presentation on the policies, strategies and measures to promote social enterprise development in the United Kingdom (UK).

3.2 In addition, the delegation visited the Furniture Resource Centre (FRC) Group in Liverpool. During a luncheon meeting hosted by the FRC Group, the delegation met and exchanged views with the Leader of the Liverpool Council, academics from the Stafford University and key staff members of the FRC Group on the development of social enterprise. The delegation also received a detailed presentation on the operation of the FRC Group and visited its Bulky Bob's business, and held informal discussions with some workers thereat.



Visit to the Furniture Resource Centre Group



Visit to the Office of the Third Sector under the Cabinet Office

## Overview

3.3 The UK Government defines a social enterprise as "a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners".

3.4 As defined in the Exploring the Role of the Third Sector in Public Service Reform conducted by the HM Treasury, the Department of Trade and Industry, Home Office in February 2005, social enterprises are part of the "third sector", which encompasses all organizations which are non-governmental, principally reinvest surpluses in the community or organization and seek to deliver social or environmental benefits. The third sector embraces voluntary and community organizations, charities, social enterprises, mutuals and co-operatives. Social enterprises therefore use a wide variety of legal forms; some incorporate as companies while others take the form of industrial and provident societies. Although the scale of social enterprises ranges widely, they combine social responsibility with financial success. They all have in common a commitment to deliver both financial and social or environmental objectives.



3.5 In UK, there are currently more than 55 000 social enterprises, some of which also come under the categories of voluntary and community organisations or cooperatives, accounting for 5% of all businesses with employees nationwide. The annual turnover of social enterprises is around £27 billion (HK\$426 billion) per year and they contribute about £8.7 billion (HK\$137 billion) to the national economy, representing almost 1% of the UK's annual Gross Domestic Product. Social enterprises are active in a wide range of economic activity, in sectors such as training, social care, housing, leisure and childcare.

## **Implementation strategy**

### Strategy objective

3.6 The UK Government believes social enterprise has a key role to play in achieving many of its goals, including overcoming social injustice and exclusion. Since 2002, the Government has launched a social enterprise strategy, i.e. Strategy for Success, to tackle the problems faced by the social enterprise sector. The strategy aims to achieve the following three outcomes –

- (a) creating an enabling environment for social enterprises;
- (b) making social enterprises better environment; and
- (c) establishing the value of social enterprises.

3.7 An independent review was conducted in 2005 to examine the impact of the Government's social enterprise strategy so far. The review findings concluded that valuable progress had been made since the strategy was launched, such as a reported growth of the sector and an increase in public awareness of social enterprises.

3.8 The subsequent 2006 Social Enterprise Action Plan set out a vision for a dynamic and sustainable social enterprise sector strengthening an inclusive and growing economy. The Action Plan also set out measures to promote the value of social enterprises, to improve the provision of information and advice to social enterprises, to enable access to finance, and to promote further collaboration between social enterprises and the Government.

## Enforcement agencies

### *Office of the Third Sector under the Cabinet Office*

3.9 In October 2001, the UK Government established the Social Enterprise Unit under the Department of Trade and Industry to strengthen its role in creating an enabling environment for social enterprises. Since the reshuffle of the Cabinet Office in May 2006, the Social Enterprise Unit has been transferred to the Office of the Third Sector under the Cabinet Office, which is responsible for setting the Government's policies on social enterprises. The objective of the Office of the Third Sector is to "develop an environment which enables the third sector to thrive, growing in its contribution to Britain's society, economy and environment". In particular, the Office of the Third Sector works in partnership with the third sector to –

- (a) enable campaigning and empowerment, particularly for those at risk of social exclusion;
- (b) strengthen communities, drawing together people from different sectors of the society;
- (c) transform public services, through delivery, design, innovation and campaigning; and
- (d) enable growth of social enterprises, combining business and social goals.

3.10 According to the Office of the Third Sector, the UK Government has put in place a variety of measures to build a partnership with the third sector and to invest in promoting and growing the sector. Officials of the Office of the Third Sector have pointed out that the transfer of the Social Enterprise Unit to the Cabinet Office reflects the increasingly important role that the third sector plays in both society and economy.

### *Department for Work and Pensions*

3.11 The Department for Work and Pensions is responsible for implementing the Government's policies for the working-age population and pensioners. The Department promotes the employment of the working population through the Jobcentre Plus which provides an integrated support service to people of working age, such as helping the unemployed to look for jobs.

### Creating an enabling environment for social enterprises

#### *Formation of Community Interest Company*

3.12 In 2005, the UK Government created a new legal form, the Community Interest Company, which provided a clear, lightly regulated structure for those who wish to operate for the benefit of the community rather than for the benefit of the owners of the company. Community Interest Companies are companies which are limited either by shares or by guarantee or limited by guarantee and having a share capital. They are subject to Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004 and the Community Interest Company Regulations 2005, in addition to the general requirements applicable to ordinary companies under the UK Companies Act. In this respect, companies already formed and registered under the Companies Act as well as completely new companies can apply to become Community Interest Companies. However, once they have been formed and registered as Community Interest Companies, they are subject to the additional statutory requirements set out in the 2004 Act and the Community Interest Company Regulations 2005 as well as their existing statutory obligations under the Companies Act.

3.13 Community Interest Companies have a flexible company structure with a strong identity. The special features of Community Interest Companies include a compulsory asset lock with the ability to raise share and loan capital. They can be a private company limited by shares or guarantee, or a public company. To apply, an applicant must make a community interest statement identifying who the company intends to benefit and in what way. The asset lock means that the company's assets (including surplus profits) must be used for the benefit of the community it was set up to serve or, if transferred to a third party, for another purpose whereupon full market value must be attained. An annual report provides for transparency of operation, and informs the Regulator of

Community Interest Companies and the general public of what has been achieved by the money generated throughout the year.

3.14 The new legal entity enables new or existing organisations to clearly signal their social or environmental credentials. Over 1 200 organisations have now registered as Community Interest Companies, with some of them being converted from other forms of companies already formed and registered under the Companies Act.

3.15 Officials of the Office of the Third Sector have highlighted that while charitable organizations are exempt from paying tax, no tax advantage is allowed for Community Interest Companies as the Treasury HM takes the view that social enterprises should compete with other businesses in the market. However, Community Interest Companies offer an additional legal form for social enterprises to operate in a non-charitable company form to conduct activities and operate more "commercially", and with a clear assurance of not-for-profit distribution status. The new and unique status helps raise the profile of social enterprises. Nevertheless, social enterprises may choose to use other legal forms that suit the needs of their organizations best.

#### *Charities Act*

3.16 The Charities Act, enacted in November 2006, reforms the charity laws to enable charities to administer themselves more efficiently, to improve the regulation of charity fundraising and reduce regulation on the sector, especially for smaller charities, to provide a clear definition of charity with an emphasis on public benefit and to modernise the Charity Commission's functions and powers.

3.17 The Office of the Third Sector plans to complete a review of the Charities Act by 2011 to ensure that the regulatory environment for different types of organisation is appropriate.

#### *Access to finance*

3.18 To promote the development of social enterprise, the Government has increased the amount of finance available to social enterprises, by supporting the establishment of the £125 million (HK\$1.98 billion) Futurebuilders Funds managed by Futurebuilders England which provide access to loan capital. The

Government also provides funds for a range of community development finance institutions, through the Small Business Service's Phoenix Fund, which provide loans for social enterprises. The maximum loan amount for each social enterprise is £10 million (HK\$158 million).

3.19 In order to help viable business that lack security to access loan finance, the UK Government offers a guarantee to lenders to take the place of the security provided by the business itself. Participating lenders can make use of the Small Firms Loan Guarantee partially to underwrite lending to social enterprises, provided the conditions of the scheme are met.

3.20 The Department of Trade and Industry's Small Business Service will include social enterprises within mainstream "access to finance" intervention, such as making the next edition of the No Nonsense Guide to business finance more inclusive of social enterprises.

3.21 Officials of the Office of the Third Sector told the delegation that the Office is working with the Department for Communities and Local Government to consider ways to facilitate an increase in community management and ownership of assets. The development of an asset base can help an organisation earn income and secure future borrowing.

#### *Tax incentives for investment*

3.22 The UK Government uses the tax system to encourage investment in businesses. For example, the Enterprise Investment Scheme and the Venture Capital Trusts have been successful in encourage equity investment in small companies operated on a commercial basis, which may otherwise fail to attract funding because of the proportionally higher costs involved in investing in smaller businesses. The Enterprise Investment Scheme provides 20% income tax relief and a range of capital gains tax exemptions to encourage direct investments in small businesses. Investments in the Venture Capital Trusts attract 30% income tax relief and capital gains tax exemptions. These relief measures are applicable to social enterprises which have the appropriate structures.

3.23 Enterprises in disadvantaged communities (including social enterprises) can also benefit from the Community Investment Tax Relief which incentivises investments of up to £250,000 (HK\$3.95 million) via the community development finance institutions. Individual and corporate investors in community development finance institutions will receive 5% tax relief each year for five years.

#### Establishing the value of social enterprises

3.24 The UK Government has taken a series of actions to help raise the profile of social enterprises. Notably, the Social Enterprise Coalition, which is a national body for social enterprise in UK, was established in 2002 with backing from the Department of Trade and Industry and Government funding. Its member networks span the social enterprise movement, and bring together over 10 000 businesses that trade for a social purpose, providing them with a collective voice. It is a partner of and adviser to the Government in raising the profile of social enterprise and building capacity and encouraging cooperation across this new and growing sector.

3.25 Apart from this, annual national social enterprise awards, the Enterprising Solutions Awards, are given which aim to recognise and celebrate the best social enterprises – imaginative, entrepreneurial, sustainable businesses that are passionate about social change. Applications can be from enterprises regardless of size and legal structure. The Office of the Third Sector regards the Awards as having provided the sector with inspirational models and allowing successful and innovative social enterprises to benefit from national and regional media coverage.

#### Self-employment for unemployed people

3.26 Officials of the Department for Work and Pensions has told the delegation that the Department's strategic objective in respect of people of working age is to promote work as the best form of welfare for people of working age while protecting the position of those in greatest need. The Jobcentre Plus, which is the operating arm of the Department, provides support for people of working age.

3.27 To encourage the able-bodied unemployed to seek employment, a Jobseeker Allowance is provided to those who have entered a Jobseekers Agreement with the Department for Work and Pensions and seek employment actively. Two million people claimed the Jobseeker Allowance in 2006. Apart from this, a New Deal for Young People Programme targeted at those aged between 18 and 24 and a New Deal Programme for those aged above 25 have been launched to promote employment. Under these New Deal programmes, Jobseeker Allowance recipients who meet the age requirement are required to attend intensive job search sessions and work-focused activities on a mandatory basis.

3.28 Self-employment support is provided under the New Deal for Young People Programme and the New Deal Programme. It provides knowledge, skills and experience necessary to succeed in running their own business on the basis of the following standard model –

- (a) Stage 1 : Awareness and assessment  
Offers a one-to-one meeting to ensure the participant is fully aware of what self-employment entails, explores the viability of their business idea and assesses whether they have the personal attributes necessary to become self-employed independently;
- (b) Stage 2 : Business planning  
Offers advice, guidance and training in the various aspects of setting up and running a business. Such session will be held one day per week over a period of not exceeding eight weeks and results in the production of a business plan; and
- (c) Stage 3 : Test trading  
Allows participants to experience the realities and responsibilities of self-employment with continuing support and training for those who need it, from a business expert. Test trading can last up to a maximum of 26 weeks during which time the participant remains on benefit or claims Working Tax Credit. However, if the participant chooses to remain on benefit, the profit generated from his business will be tied during the 26-week test period.

The UK Government will offer support to self-employment providers for up to two years after the participant ceases to receive benefit and is trading independently.

3.29 In 2005-2006, the number of participants starting self-employment support in the New Deal for Young People and the New Deal Programmes are 1 600 and 2 960 respectively. The respective figures for 2006-2007 (up to February 2007) are 900 and 2 220.

### **The third sector review**

3.30 In the 2006 Budget, the UK Government announced that as part of the 2007 Comprehensive Spending Review, a review of the future role of the third sector in social and economic regeneration would be conducted. The review is conducted jointly by the HM Treasury and the Cabinet Office and is overseen by a cross-departmental ministerial group and advised by a third sector advisory panel which comprises representatives from organizations across the third sector.

### Future strategy

3.31 The final report of the third sector review was published in July 2007. The report sets out the strategy for building the partnership with the third sector over the next 10 years as follows –

- (a) supporting a wider range of activities by the third sector, particularly community action and campaigning;
- (b) focusing more on investing in the long-term future of the third sector's work; and
- (c) focusing more on improving local partnerships.

3.32 The third sector review has identified four major areas of common interest between the sector and the Government: enabling greater voice and campaigning, strengthening communities, transforming public services, and encouraging social enterprises. These form the basis of the Government's proposed framework for partnership over the next 10 years.



*Enabling voice and campaign*

3.33 The vision for partnership over the next 10 years is to ensure that third sector organisations are able to play a growing role in the society, work with the Government more effectively and are never hindered from speaking out and representing their members, users and communities. The Government will –

- (a) revise the methods for public consultation and invest in research to better understand the most effective methods of consultation;
- (b) work to understand how the Government makes sure organisations have a right to campaign for change;
- (c) invest in capacity-building support for organisations that carry out campaigning work;
- (d) update guidance on political activities and campaigning by charities;
- (e) provide funding for partner organisations to allow them to have an influence on policy making; and
- (f) create a new advisory structure for Ministers to receive the views of third-sector organisations on policy issues.

*Strengthening communities*

3.34 The vision for partnership over the next years is to enable the third sector organisations to foster greater shared action between different sections of the community, and work with Local Government, public services and others to promote understanding and relationships across society. The Government will –

- (a) invest £30 million (HK\$470 million) to provide communities with the resources to develop community-owned buildings;
- (b) work to build relationships between local authorities and local organisations;

- (c) provide £80 million (HK\$1,260 million) in small grants to community groups, through local grant funders, to allow people and groups to make a difference in their local areas; and
- (d) invest £50 million (HK\$790 million) in endowments for community foundations to enable them to provide grants in the future for community groups.

*Transforming public services*

3.35 The vision for partnership over the next years is to ensure that public services are able to improve further by fully drawing on the understanding and experience of the third sector in designing, developing and delivering services. The Government will –

- (a) invest in training for those who pay for and arrange public services so that they are aware of the different providers available to them;
- (b) identify the main opportunities for third-sector organisations to deliver more and better public services; and
- (c) invest an extra £65 million (HK\$1,027 million) in the Futurebuilders Funds, which provides loans and grants to organisations looking to deliver public services in all areas.

*Encouraging social enterprises*

3.36 The vision for partnership over the next years is to create the conditions for the development of thousands more social enterprises and to enable those organisations which wish to diversify their income streams to undertake more trading activity. The Government will –

- (a) invest in raising awareness of the social enterprise model so that potential entrepreneurs are aware of the choices they can make in setting up a business or buying from one;
- (b) ensure that young people know about social enterprises, through their enterprise and business studies education;

- (c) work to improve the business support that is available for people who want to start and develop social enterprises;
- (d) work to improve social enterprises' access to finance; and
- (e) work with relevant government departments to investigate how to improve social enterprise business models.

### **The experience of the FRC Group**

3.37 The FRC was founded in 1988 in Liverpool as a small furniture re-cycling charity. It provided services to the disadvantaged in Liverpool initially. Since 1994, it has gradually developed into a major social enterprise group, i.e. the FRC Group, extending its services to other areas in England and Wales. It is now a registered charity and company limited by guarantee, providing a one-stop furnishing service (such as designing, manufacturing, collecting, selling and delivering furniture) to registered social landlords (i.e. the not-for-profit housing providers approved and regulated by the Government) throughout England and Wales. Besides FRC, the Group's businesses include Revive (a high street store which sells recycled furniture direct to the public offering discounts to people on low-income), Bulky Bob's (a trading subsidiary and a furniture recycling company which collects bulky household waste on contract to the Liverpool City Council and the neighbourhood Halton Borough Council) and Green-works (an office furniture recycling franchise selling low-cost, high-quality and second-hand office furniture to local small-and-medium-sized enterprises and voluntary sector organisations).

3.38 According to the FRC Group, it seeks to achieve social, environmental and financial benefits by operating commercially viable social businesses in a range of markets. The social objectives of its enterprises are –

- (a) providing furniture to enable disadvantaged people to access accommodation;
- (b) recruiting and training long-term unemployed people;

- (c) reusing, refurbishing and recycling household items from the bulky household waste stream;
- (d) creating a culture based on a fair and empowering environment for employees;
- (e) treating its customers and suppliers fairly;
- (f) operating good environmental practices in the running of its businesses; and
- (g) influencing the shape and development of social policies relating to the achievement of its charitable purposes.

3.39 During the visit to the FRC, the delegation was told that its customers included local public authorities in Liverpool, Salford, Birmingham, etc., housing associations and voluntary organisations. Its annual income amounted to £3,570,000 (HK\$56 million), accounting for 75% of the FRC Group's total income, with about 95% of the income generated from the sale of its services, goods and ideas and the remaining income from the public grant. The delegation also learned that 94% of the unemployed attended trainings provided by FRC had completed the training and joined the labour market (not necessarily working in the FRC Group). Of these people, 75% obtained full-time employment. Minimum wage was provided to the trainees.

3.40 Staff members of the FRC Group have highlighted to the delegation that the company is operating on a commercial basis. The key factors for their success are the good quality of their products and the intrinsic value-added social benefits in their products. For instance, the FRC Group has created job opportunities for the unemployed in the community and has helped upgraded the job skills of the workers through the provision of comprehensive training programmes. This explains why they can compete for customers in the open markets.

### Meeting with Leader of Liverpool City Council and academics

3.41 During the visit to the FRC Group, the delegation met with Councillor Warren Bradley, Leader of the Liverpool City Council and academics of the Stafford University. Mr Bradley told the delegation that social enterprises were generally regarded as ways to solve social problems. The local public authorities in Liverpool worked in partnership with the FRC Group and other social enterprises. To this end, the local public authorities would specify in the tender contracts the obligations of contractors, such as the need to provide training to their employees, create local employment opportunities (e.g. at least 66% of employees must be from the unemployed). Social enterprises had fully demonstrated their value added services to the community.

3.42 With particular reference to the operational experience of the FRC Group, Mr Bradley highlighted that it did not compete with the business sector. The FRC Group had by and large brought a great deal of social benefits to the community in Liverpool by providing job opportunities and on-the-job training for the unemployed and the disadvantaged. As a matter of fact, the business sector in the UK was interested in developing enterprises with social objectives. Mr Bradley stressed that while the local authorities maintained a partnership with social enterprises in the delivery of public service, it was the local authorities' responsibility to uphold the principle of value for the money in the procurement of public goods and services, irrespective of whether the contractors were social enterprises or private enterprises.

3.43 According to Professor Erik Richard of the Stafford University, the development of social enterprise had indirectly brought down the expenditure on welfare, health and rehabilitation services, and other social costs (e.g. reduction in crime rates).

### **General observations of the delegation**

3.44 Similar to the Spanish Government, the UK Government attaches great importance and commitment to the development of social enterprise. The delegation considers the establishment of the high-level Office of the Third Sector under the Cabinet Office headed by a Minister to formulate long-term strategy for social enterprise development instrumental to UK's success in

building up partnership relationship between the Government and the social enterprise sector. The delegation is impressed by the formulation of a long-term strategy for the next 10 years to build up partnership with the social enterprises.

3.45 The delegation considers that the establishment of the Social Enterprise Coalition provides a platform for the social enterprise sector to voice their needs and to discuss with the Government, and encourages the cooperation of the sector. The national platform also helps raise the profile of social enterprises to the public and the business sector.

3.46 The delegation is highly impressed by the provision of a definition of social enterprises in UK which sets out clearly the social objectives of social enterprises. In addition, the UK Government has created a new and distinct legal entity for social enterprises, i.e. Community Interest Company. With the new legal entity, social enterprises can distinguish their mode of commercial operation from charitable activities. The delegation considers that such arrangement not only facilitates social enterprises to obtain loans from financial institutions and start business in the market, but also enhances the regulation of social enterprises.

3.47 The delegation is also impressed by the actions taken by the UK Government to create an enabling environment for social enterprises. These actions are aimed at tackling the problems faced by social enterprises in raising finance and inadequate business support. The delegation considers that the provision of start-up funds and the offering of guarantees by the UK Government to social enterprises very important as the latter do not have a proven track record and assets to use as collateral. Noting that the incentives for investment in small companies are applicable to social enterprises, the delegation considers that the Administration should consider extending the various Small and Medium Enterprise Schemes to social enterprises in Hong Kong.

3.48 The delegation notes that the UK Government takes the views that social enterprises should compete with the business sector in the market, but the experience of the FRC Group illustrates that the involvement of social enterprises in public service delivery will reduce their risks in running the business. The delegation considers that the inclusion of a social clause in the

procurement requirements, for instance, the need to provide training and create local employment opportunities, by the local authorities have deterred those enterprises which do not want to shoulder the social objectives from bidding the contracts. Such arrangement will uphold the principle of fair competition in the market, and enable the chance of social enterprises to bid public service contracts successfully. This provides a useful reference for the Administration in drawing up measures to foster the development of social enterprise in Hong Kong.

3.49 While recognising that the UK Government takes the views that social enterprises should compete with the business sector in the market, the delegation believes that significant progress of the social enterprise sector would not have made if the UK Government has not taken effective actions to support the sector.

## **Chapter 4 – Conclusion**

4.1 The delegation considers the visit is very useful in that it has enabled Members to better understand the development and operation of social enterprise in Spain and UK.

4.2 There are a number of common factors accounting for the proliferation of social enterprises in Spain and UK. Both countries have spent considerable efforts in supporting social enterprises and enhancing the public's understanding and acceptance of social enterprises. The delegation is impressed by the strong support for the social enterprise sector highlighted by the representatives of the organisations with whom the delegation met. The delegation is also impressed by the social benefits brought about by social enterprises, for instance, in creating employment opportunities in the two countries and the very high public support in buying products and patronising services provided by social enterprises thereby enabling them to compete with the business sector in the market.

4.3 While social enterprises are expected to compete in the market on a level playing field in both countries, both Governments have shown their strong commitment in promoting and supporting social enterprises. Concrete measures for business facilitation and support have been put in place to improve social enterprises' access to appropriate finance, to provide start-up grants and aids as well as tax incentives and subsidies for social enterprise projects for the unemployed and the disadvantaged. It is noteworthy that these support measures are neither launched as an ad hoc scheme nor a one-off programme. In UK, a 10-year social enterprise strategy which forms the basis of the Government's proposed framework for partnership with the sector has been formulated. In Spain, some of the support programmes and measures have been introduced since 1980s and have remained in force.

4.4 The delegation agrees with the principle for sustainable social enterprises to be operating on a self-financing basis. The delegation notes that both countries have enhanced the involvement of social enterprises in the public service delivery by including a social clause in the procurement requirements, while upholding the principle of fair competition. This illustrates that the



support of Government is vital in facilitating the start-up and expansion of social enterprises. A notable example is the grant of the exclusive right of the state lottery sales to ONCE in Spain, which enables ONCE to enjoy a stable and secured source of income and makes it possible for ONCE to develop other business plans.

4.5 Another common factor is that a national platform for the social enterprise sector has been set up in both countries to showcase the benefits of social enterprises. Such platform enhances public awareness and encourages cooperation to strengthen and develop social enterprise network. Winning the understanding of the business sector that social enterprises are competing on a level playing field and the awareness of trade unions that social enterprises offer employment opportunities at market wages are crucial to the successful development of social enterprises in these two countries.

4.6 Both ONCE and FRC Group told the delegation that the key success factor for their business was the competitive quality of services and products. The delegation considers that the Administration should make reference to the experience of successful social enterprises and put in place concrete measures to enhance their business management skills and market sensitivity. Apart from this, business connections and professional advice are other forms of support required by social enterprises.

4.7 The delegation considers that a high level inter-bureaux task force should be set up to assume overall responsibility for the further development of social enterprise in Hong Kong.

4.8 Although the relevant factors in Spain and UK may not be directly applicable to Hong Kong, their respective experience in fostering the promotion of social enterprise serve as very useful reference for Members in studying the further development of social enterprise in Hong Kong.

4.9 The delegation considers that social enterprises should not be regarded as a panacea for the unemployment problem in Hong Kong. The experience of Spain and UK shows that apart from providing business support for social enterprises, both Governments have provided a multiplicity of support measures to help and equip the unemployed and disadvantaged to move from welfare to employment. In this connection, the Administration should make a long-term

commitment and formulate comprehensive policies and measures for fostering the development of social enterprises in Hong Kong.

Council Business Division 2  
Legislative Council Secretariat  
28 November 2007

**Subcommittee to Study the Subject of Combating Poverty****Overseas duty visit to Spain and the United Kingdom  
from 16 to 22 September 2007****Programme of the visit****16 September 2007 (Sunday)**

0:35 am	Departure from Hong Kong for Madrid via London
11:40 am	Arrival in Madrid

**17 September 2007 (Monday)**

10:00 am - 2:00 pm	<b>Meeting with the Public Employment Service</b>
5:00 pm - 8:00 pm	<b>Visit to the Spanish National Organisation of the Blind (ONCE Group)</b>

**18 September 2007 (Tuesday)**

10:00 am - 1:30 pm	<b>Meeting with the Ministry of Work and Social Affairs</b>
4:00 pm - 6:00 pm	<b>Meeting with Representatives of the Spanish Business Confederation of Social Economy</b>

**19 September 2007 (Wednesday)**

10:00 am - 12 noon	<b>Meeting with representatives of the Committee of Finance and Taxes of the Lower House of the Parliament</b>
5:35 pm	Departure for London
6:55 pm	Arrival in London

**20 September 2007 (Thursday)**

12:00 noon - 4:00 pm	<b>Visit to the Furniture Resource Centre Group in Liverpool</b>
----------------------	--

**21 September 2007 (Friday)**

11:00 am - 1:00 pm      **Meeting with the Department for Work and Pensions**

2:30 pm - 3:30 pm      **Meeting with the Office of Third Sector under the Cabinet Office**

10:15 pm                  Departure from London for Hong Kong

**22 September 2007 (Saturday)**

5:10 pm                    Arrival in Hong Kong