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25 April 2012

Miss Betty Ma
Clerk to Panel on Welfare Services
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Miss Ma,

Panel on Welfare Services
Development of Social Enterprises

At the Welfare Services Panel meeting held on 9 January 2012, the Administration was requested to provide information on development of social enterprises. The Administration's response is set out at Annex.

Yours sincerely,

(Miss Winnie Tse)
for Secretary for Home Affairs

c.c. Director of Home Affairs (Attn: Mr Eric Hui)

Annex

**Legislative Council Panel on Welfare Services
Meeting on 9 January 2012**

The Administration's Response to Follow-up Action Required

At the Welfare Services Panel meeting held on 9 January 2012, the Administration was requested to provide the following information -

- (a) the nature of organisations running social enterprise (SE) projects (i.e. non-governmental organisations (NGOs) or private business enterprises);
- (b) a breakdown of the 2 000 job opportunities created by SEs under the Enhancing Self-Reliance Through District Partnership Programme (ESR Programme) according to their business types, together with the profile of the employees;
- (c) the operational experiences of SEs, in particular the reasons attributed to the successful operation of some SEs and why some others were unable to continue operation; and
- (d) whether the Administration would earmark specific locations in Government premises for priority allocation to SEs at concessionary rental.

2. The Administration's response is provided in the ensuing paragraphs.

3. The Home Affairs Department (HAD) launched the ESR Programme to provide seed grants to eligible non-profit-making organisations for setting up SEs. At present, 84 of the 86 organisations¹ participating in the ESR Programme are approved charitable institutions of public character under Section 88 of the Inland Revenue Ordinance (the Ordinance). The remaining two organisations are non-profit-making organisations not registered under Section 88 of the Ordinance.

4. Since its implementation, the ESR Programme has funded 128 SE projects creating over 2 100 job opportunities. Among them, some 400 are administrative and managerial posts, while the remaining some 1

¹ Some organisations set up more than one SE.

700 are frontline posts. A breakdown of these posts by business nature is as follows -

| Business nature of SEs | No. of jobs |
|---|--------------------|
| Household services (including renovation) | 423 |
| Catering | 364 |
| Retail | 313 |
| Arts, performance and workshop | 247 |
| Beauty treatment, hair dressing and massage | 217 |
| Horticulture and eco-tourism | 203 |
| Business services | 160 |
| Recycling and thrift store | 144 |
| Others (e.g. car washing, training courses) | 78 |
| Total: | 2149 |

5. Similar to other commercial enterprises, SEs established under the ESR Programme need to achieve the target of break-even and sustain their development through revenues generated from the sale of services or products. As SEs have to compete in the market, they must have a good grasp of the market situations and the ability to adapt to adverse changes in the market and operating environment. While some SEs have succeeded, some have been driven out of the market.

6. Generally speaking, successful SEs are familiar with the market situations of their services or products and have a stronger ability to collaborate with other organisations. They conduct thorough marketing research when selecting operating venues and are ready to put in place plans for staff training and personnel management. They are generally more well prepared to respond to increases in operating expenses and control the situation. For example, they would negotiate a longer tenancy with the landlord and formulate flexible contingency plans to meet with changes in the business environment.

7. According to information provided by SEs which were established under the ESR Programme and had ceased operation, the major reasons for their business closure were lack of preparation for adverse changes (such as rise in rents, salaries and material costs);

unfavourable shop locations with inadequate pedestrian flow or keen competition; and staff management problems. In the light of these, HAD would remind SE operators through workshops, publications and the SE Mentorship Scheme of the importance of (a) maintaining flexibility in their operation so as to react quickly to adverse changes in business environment; (b) conducting thorough marketing research on the estimated patronage and competition in the vicinity of their choice when selecting operating venues; and (c) enhancing staff training and personnel management. HAD would also provide relevant information to applicants of the ESR Programme to facilitate their preparation for setting up SEs.

8. The Government has all along allocated certain locations in Government premises through restricted tendering procedures to NGOs which provide services for people with disabilities to operate catering services. The service contract of the cafeteria in the Tamar Park was awarded to an NGO through this arrangement, and the cafeteria is currently run by an SE.

Home Affairs Bureau
April 2012