

民政事務總署
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2 May 2014
(Urgent by Fax : 2840 0716)

Public Accounts Committee
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn : Ms Mary SO)

Dear Ms SO,

Public Accounts Committee
Consideration of Chapter 7 of the Director of Audit's Report No. 62
Promoting the development of social enterprises

I refer to your letter of 30 April 2014 to the Secretary for the Home Affairs and have been authorized to reply on his behalf. Our response to the questions raised in your letter is set out below.

(a) Criteria adopted by the Advisory Committee on Enhancing Self-Reliance Through District Partnership Programme for examining and recommending applications under the Enhancing Self-Reliance Through District Partnership Programme.

In examining applications for funding under the Enhancing Self-Reliance Through District Partnership Programme (ESR Programme), the Advisory Committee (AC) on ESR Programme would, among others, consider the social enterprise (SE) projects' business viability, the job opportunities to be created by and the sustainability of the proposed SEs, the technical and management capability of the applicants, and the collaboration with other sectors under the SE projects.

(b) Time taken to process the following four types of applications under the ESR Programme in a format similar to Table 1 or Table 6 of Chapter 7 of the Audit Report;

- (i) approved application for a project which had the highest average grant per job to be created (paragraph 3.44 of the Audit Report refers);
- (ii) approved application for a project which had ceased operation sampled from the ESR Programme;
- (iii) approved application for a project which is still operating sampled from the ESR Programme;
- (iv) a rejected application sampled from the ESR Programme.

Details are as follows -

| Processing stage | Time taken (No. of days) | | | |
|--|---|---|---|---------------------------------|
| | (i) Project with highest average grant per job to be created | (ii) Project already ceased operation | (iii) Project still in operation | (iv) Rejected application |
| From application submission to endorsement by the Advisory Committee of ESR Programme (Note 1) | 89 | 81 | 92 | 124 |
| From endorsement by the Advisory Committee of ESR Programme to approval by the Permanent Secretary for Home Affairs (Note 1) | 15 | 19 | 21 | Not applicable |
| First two stages | 104 | 100 | 113 | 124 |
| From approval to signing the funding agreement (Note2) | 142 | 117 | 86 | Not applicable |
| Overall | 246 | 217 | 199 | 124 |

Note 1: Under the batch processing mode (see para. 3.4 of Chapter 7 of the Director of Audit's Report No. 62), all applications received in

the same phase will be processed together for the first two stages. Signing of the funding agreement will take place separately for individual projects. For the sampled rejected application, it was the time taken from the application submission to the notification of the applicant of the result after the endorsement of the Advisory Committee on ESR Programme.

Note 2: Some time-consuming preparatory work needs to be done before starting a business (e.g. identifying a suitable business venue and applying for the requisite licences).

(c) Reasons for approving and rejecting the applications in (b) above.

The reasons for approving/ rejecting the four applications in (b) above are as follows -

(i) Project with highest average grant per job to be created

The application proposed to set up a SE to provide massage services. It provided comprehensive information on the proposed business operation and reasonable financial projections illustrating the business viability of the project. Apart from the three jobs under direct employment, the project proposed to provide 20 indirect job positions for the socially disadvantaged. The applicant already had a pool of trained socially disadvantaged for the jobs. Taking into account these indirect job positions, the average grant per job would be \$46,500, instead of \$360,000. To enhance the viability of the project, the applicant had teamed up with some experts from the industry for their technical support to the future operation of the SE. The application was supported on the ground of the above.

(ii) Project already ceased operation

The sampled application proposed to set up a salon. It provided detailed information on the proposed business and market analysis as well as reasonable financial projections illustrating the business viability of the proposal. It targeted to create 12 jobs with 11 for the socially disadvantaged. To enhance the viability of the project, the applicant had teamed up with an association of the industry for its technical support and advice to the future operation of the SE. The application was supported on the ground of the above.

(iii) Project still in operation

The sampled project proposed to set up a café. At the time of application, the applicant had already identified a suitable operating

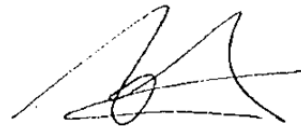
venue with good development opportunity. The application provided comprehensive information on the proposed business operation and reasonable financial projections illustrating the business viability of the proposal. The project targeted to create 12 jobs with 11 for the

socially disadvantaged. With proven past experience in running SE of similar nature, the applicant demonstrated its ability in implementing the project. The application was supported on the ground of the above.

(iv) Rejected application

The sampled application proposed to set up a SE to provide domestic services, personal care services to the elderly, the infants and the pregnant at home, escort services to clinics and tutorial service to students. The application could not provide sufficient information to support the financial projections in the proposal and the applicant had no relevant experience, expertise or business partner in the proposed services. The application was rejected on the ground of the above.

Yours sincerely,



(Ms Ella HO)
for Director of Home Affairs

c.c. Secretary for Home Affairs (fax no. : 2537 6319)
Director of Social Welfare (fax no. : 2891 7219)
Permanent Secretary for Financial Services & the Treasury (Treasury)
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Director of Audit (fax no. 2583 9063)