

LEGCO PANEL ON WELFARE SERVICES

Community Investment and Inclusion Fund (CIIF) – Sustainability and Reasons for Rejection

PURPOSE

At the meeting on 5 January 2004, Members considered the paper “Community Investment and Inclusion Fund – Progress Report as at 15 December 2003” (ref : CB (2) : 847/03-04(04)) and requested the Administration to –

- (a) consider how best to enhance the sustainability of the CIIF projects, including measures to facilitate suitable ones to form co-operatives; and
- (b) elaborate on the reasons for the small number of successful CIIF projects.

This paper provides the requested information for Members’ reference.

SUSTAINABILITY OF CIIF PROJECTS

2. The CIIF Committee provides support to projects in the form of seed funding for up to three years only, and places considerable emphasis on the sustainability of the project outcomes beyond the funding period.

3. The CIIF Committee takes a broader view on sustainability, and considers that sustainability at the macro level, rather than just the project level, deserves greater attention. In other words, while a particular CIIF project in its current form may or may not continue upon the expiry of the funding, it is probably more important that -

- (a) the outcome of the project may continue (say the new approach or thinking instilled by the project be adopted by other agencies for other groups or in other areas); and
- (b) the spirit and objectives of the CIIF may continue (say spreading

the philosophies in the community).

4. That said, the CIIF Committee gives advice to the project organizers to devise viable sustainability plan in designing their applications. During the assessment process, the CIIF Committee takes into account whether realistic and achievable sustainability plans are in place. There are many possible ways in which the projects may be sustained -

- (a) the support networks established through the project may be sustained after the funding period, if the project team has empowered the participants to take on the roles of volunteer leaders and project organizers; and
- (b) the ongoing operating costs beyond the project period, if any, may be met through a self-financing plan formulated during the project period through fees and charges from participants, as well as contributions from the community and the business sectors.

The sustainability plan is monitored throughout the project period by the CIIF Committee.

Co-operatives

5. In the context of sustainability, we are mindful that some social service agencies are now exploring the possibility of launching co-operative societies. It should be noted that like companies, co-operative societies are no more than one form of operations under which projects may continue to sustain themselves.

6. The Co-operative Societies Ordinance (Cap. 33) is the legal framework to provide for the formation and regulation of co-operative societies. A co-operative society is a legal entity capable of trading or carrying on business as a company. On the differences, co-operative societies worldwide operate under a set of globally recognized Co-operative Principles, which make them unique and distinct from companies and corporations. Open membership, democratic control and limited return on capital are some of the internationally recognized Co-operative Principles that are applied by the International Co-operative Alliance to all types of co-operative societies. On the similarities, the registration as a co-operative society could not be regarded as a protection to shield it from performing various legal obligations that a

registered legal entity has to perform and would not exempt it from the control of various legislative requirements, such as tax, employment, labour, environmental protection etc.

7. Recently, a few groups have organized themselves into economically viable and self-sufficient co-operative societies by pooling together the human resources with minimal financial inputs for the beneficial use of the co-operative business. Under the workers co-operative model, the society is at liberty to employ its own workers who are also members of the society. In other words, its members are in business to earn wages for themselves in the capacity of workers of the society. The surplus (including a portion already appropriated to the reserve fund) is owned in common and ploughed back into the co-operative society for future development (say re-investment in machines and equipments), rather than for benefiting members individually. In real life situation, all income of a workers' co-operative from the business it engages would go to wages leaving minimal net profits for disposal.

8. The present rules governing the formation or operation of co-operative societies serve important purposes for realization of the basic values of such societies. For example, a co-operative society is a pool of human resources, and normally engaged in labour-intensive work where extensive networking and concerted efforts are involved. In a human-resources-led co-operative, therefore, there is a requirement in that a reasonably large group of at least 10 persons before a co-operative society can be formed not only to sustain its economic viability but also to perform the function of the 'check and balance'. Similarly, to perpetuate the sustainability of a co-operative society as far as possible, there is also a requirement for it to carry at least one-fourth of its net profits to a reserve fund for future development, rather than for distribution among members. If the formation of a co-operative society does not adequately satisfy the needs of a particular group, such group may explore other business options, say for example, the formation of a self-sufficient company in which self-employment of the shareholders is normally practiced.

Members' Concern

9. Members have referred to the limitations posed by the Co-operative Societies Ordinance. We note that some co-operatives have been working reasonably well under the Ordinance. That said, we would as a start co-organize a seminar on co-operatives on 19 June 2004

to explore successful experience or issues and options in using the co-operative model as part of the strategies to enhance sustainability.

10. A representative from the Registrar of Co-operative Societies will be invited as one of the guest speakers for the seminar. NGOs that have experience of assisting others to set up and support co-operatives and Members from various co-operatives will share their experience. The CIIF Secretariat, the Vocational Training Board as well as the Hong Kong Women Entrepreneur and Professional Association will talk about the type of support resources available. Some of the project teams funded by the CIIF will also participate as speakers. Community organizations and members with an interest to consider co-operatives as an option have been invited to attend. This seminar will help promote a better understanding amongst participants on co-operatives and facilitate the efforts of those interested in forming co-operative societies. We would also take this opportunity to further ascertain whether facilitating the setting up of co-operatives would be relevant to enhancing sustainability amongst some of the CIIF projects and, if so, the means of doing so.

SMALL NUMBER OF SUCCESSFUL PROJECTS

11. Since the launch of the Fund in August 2002, three batches of applications have been invited and completed. By the end of March 2004, a total of over 460 proposals have been received.

12. The decisions of the CIIF Committee can be grouped generally into three categories -

- a) approved¹;
- b) marginal with potential² (allowing applicants to resubmit the project following revision); and
- c) not accepted/rejected³ (encouraging applicants to submit another

¹ subject to agreement reached on areas identified by the Committee for enhancement

² where applicants would be invited to consider revising and resubmitting their proposals

³ applicants will be encouraged to resubmit other projects which would align with the CIIF objectives

project which would align with the CIIF objectives more closely).

13. Table 1 below shows the breakdown by “status” for the projects processed in the last three batches -

Table 1: Status of the CIIF Projects processed in the first, second and third batch proposals (up to the end March 2004)

Status Batch	Status (in applications)				Total
	Approved	Marginal with Potential	Not Accepted	Others (Withdrawn or deferred)	
1 st Batch	19 (note 1)	45 (22 chose to resubmit, 23 lapsed (note 2))	161	2	227
2 nd Batch	14 (however, 1 lapsed (note 2) subsequently)	13	151	4	182
3 rd Batch	17	19	24	3	63
Total	50	77	336	9	472

Note 1: Following discussion, 4 applications were combined into 2 applications (i.e. 2 combined projects). In brief, 19 applications (to be implemented as 17 projects) were approved.

Note 2: The proposals will lapse, if the applicant failed to respond to invitation for clarifications or to supply missing information.

14. Table 2 below summarizes the reasons for not accepting the proposals by batches. There may be more than one reason for not accepting some of the proposals, and therefore the total for the “reasons” column will exceed the number of proposals processed.

Table 2: Summary of Reasons for Non-Acceptance of Proposals in the first three Batches

Reasons for Not Accepting the Proposals		1 st Batch	2 nd Batch	3 rd batch
1	Individuals or business body corporates with a business proposal	97	3	0
2	Proposal with limited or unclear potential to contribute to the building of social capital	106	NA - Note 1	NA - Note 1
2.1	Proposals that are primarily focused on service provision without explicit relevance to the social capital objectives of the CIIF	NA - Note 1	67	20
2.2	Proposals with limited, unclear potential and/or lacking robust strategies to contribute to the building of social capital	NA - Note 1	104	18
2.3	Proposals without a sustainability plan	NA - Note 1	57	20
3	Proposals that contradict related ordinances or government policies	91	2	1
4	Proposals that duplicate with mainstream services or resources (welfare or others)	126	104	20
5	Incomplete proposals (with status proof, or audited financial accounts or management accounts etc) or proposals without detailed operational plan or budget will not be considered;	105	14	2
6	Questions about the technical feasibility and/or the cost-effectiveness of the project proposal(s)	NA Note 2	21	20
Total (Note 3)		525	372	101

Note 1: for the second batch, item 2 was split into 3 clearer items

Note 2: explanations given from batch 2 onward

Note 3: total number of reasons added up to more than the total number of applications because there are often multiple reasons for rejecting a proposal

PRESENTATION

15. Members are invited to note the above information for reference.

Health, Welfare and Food Bureau
June 2004