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Social Entrepreneurs Newsletter

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A Proposed Social Enterprise Development Fund for HK *But shall we learn from UnLtd instead?*

Chief Executive CY Leung has suggested allocating \$500 million from the Lotteries Fund to form a Social Enterprises Development Fund to provide loans to social enterprises.

The above statement came strictly from an official government press release. Please note: a) This is a **'suggestion'** only, b) the **\$500 million** are to come from the Lotteries Fund, c) it is a Social Enterprise **Development** Fund, and d) its purpose is to provide **loans** to social enterprise.

Good news? On bad news? To me, it is a piece of shocking good news. Let me first explained why I was shocked:

- 1. Social Enterprise Advisory Committee** – I have been a member of this government-appointed Committee since its inception. The Committee has never been briefed or consulted on this bold initiative. In fact, the Committee members have learnt about it only through the media. **What's the purpose of the Social Enterprise Advisory Committee?**
- 2. Definition of social enterprise** – the current official definition of social enterprise is very narrow. If the proposed loan fund continues to adopt such a narrow definition, it is doomed to failure. We need **a new definition** of social enterprise if any meaningful development scheme is to be initiated.
- 3. Social enterprises should be enterprises (with a social mission)** – This sounds obvious. But right now the two government funding schemes (which provides grants, not loans, to social enterprises) only allow non-profit organizations to apply for seed money to set up social enterprises, and over 90% of the 'social enterprises' that these non-profit organizations have set up are **not** registered as enterprises (i.e. companies). Instead, they are just 'social enterprise projects' within a non-profit organization. This means they are not legal entities, with no shareholders, no directors, no proper governance structures. Would they be eligible for applying for the proposed loan fund? In any case, it is a sure bet that few, if any, of these 'social enterprises' would be interested in a loan, as it is totally different from a grant which does not require repayment.
- 4. Social enterprises Vs social entrepreneurs** – I wonder if the decision-makers (or their advisors) in government are even aware of the difference between the two. What HK needs is to nurture and support more social entrepreneurs, not social enterprises as such. When there are social entrepreneurs, social enterprises will flourish, not the other way round. Among many of the government-funded 'social enterprises', those who are running them are salaried employees; there is no ownership, no entrepreneurship to speak of. It is unrealistic to expect them to create self-sustaining social enterprises. The question becomes: **should a Social Enterprise Development Fund target to support social enterprises or social entrepreneurs?**

5. Who to administer the proposed loan fund – A government department? A bureau? A cross-bureau entity? A new agency? I doubt if the government has thought through the issue. Currently, the administration of the two funding schemes fall under two different departments, Home Affairs Department and Social Welfare Department, and the Social Enterprise Advisory Committee is chaired by the Secretary for Home Affairs. This is not the ideal arrangement as many other departments and bureaus are not involved, resulting in a lack of a coherent government policy towards social enterprise development. But more fundamentally, **should the loan fund be administered by a government agency at all?**

What can we learn from UnLtd in the UK?

All over the world, social entrepreneurship development has been a **civic movement**, that is, the driving force has come from the civil society. It does not mean that the government (or the business sector) could not play a role in supporting or promoting it. The question is how to do it.

In the UK, social enterprise development has a much longer history and tradition. However, the explosive growth came in the past 30-40 years, and today there are over 60,000 social enterprises contributing to as much as 5% of the country's GDP. But this growth has been the result of civic initiative rather than government guidance and support. In fact, it was only towards the last decade of the last century that the government began to take note of the phenomenal growth of this sector and sought ways to further support its development.

The important thing is how the government did it. The government was serious about supporting the movement and was ready to commit substantial resources to it. But instead of setting up a unit within a Ministry or asking civil servants to mastermind and administer the support scheme, it invited seven of leading platform organizations which were already active in supporting social entrepreneurship to form a new organization – which came to be known as UnLtd – to devise and implement programs to support the sector. In 2002 the Millennium Commission granted an endowment of £100 million to the Millennium Awards Trust, the income from which will be used to fund UnLtd's programs. UnLtd is the Trustee of the Millennium Awards Trust.

Not a Loan Fund

There were many things that UnLtd could have done. What they specifically did not do was to set up a social enterprise loan fund. Why? Precisely because they believe that their focus should be on individuals who have the potential to become social entrepreneurs, not social enterprises as such.

In their website www.unltd.org.uk, this is how UnLtd describes itself:

UnLtd is a charity which supports social entrepreneurs - people with vision, drive, commitment and passion who want to change the world for the better. We do this by providing a complete package of funding and support, to help these individuals make their ideas a reality.

UnLtd is the foundation for social entrepreneurs. Our mission is to reach out and unleash the energies of people who can transform the world in which they live. We call these people social entrepreneurs.

In the latest Strategic Plan, it elaborates:

- We believe in **individuals** who have the potential to make positive change in the world
- We believe in the value of social entrepreneurs **across the spectrum**, from local to world changing
- We put **people** at the heart of what we do, backing people first, projects second

- We support people on their **own ideas** & passions
- We **reach out** and find people who can tackle the key issues facing society
- We know that communities which face problems contain the people who will create the **solutions**
- We minimize bureaucracy and maximize opportunity, **trusting judgement**, backing hunches
- If there is a question about what is best, we **act and learn** from the results

It went on to say:

The UK needs social entrepreneurs more than ever: to help our society cope in tough times, create better ways to provide for social needs at scale, bring people together in common cause, and inspire hope for the future and build confidence to act.

There will be little public money, and much need – people powered solutions are key to success, as well as money powered ventures. At the other end of the spectrum, social business models may be particularly important in the next few years given public spending cuts.

UnLtd has broken the ground along with other agencies, and shown that backing start up social entrepreneurs works, both for social capital and social impact. UnLtd has scaled up and shown that much more can be done in this way.

We are fortunate to be a foundation as well as an enterprise that raises new resources. Now that more people are interested in supporting social entrepreneurs, we should use that position to innovate, take risks that others cannot, learn what works and why, and help the whole sector move forward.

The Good News is.....

The Chief Executive's announcement of the Social Enterprise Development Fund is nevertheless a welcome gesture. As a taxpayer, we all have the responsibility to do whatever we can to ensure that the money will be properly used, bearing in mind that the current funding schemes are counter-productive in supporting social enterprise development. We could not afford to have another costly mistake right before our eyes.

Let's be positive and proactive. The basic issue is:

If the government is ready to commit a sizable amount of public money to support the development of social entrepreneurship, what is the best way to go about it?

I strongly recommend that we should learn from the UnLtd experience in the UK. At least three elements are particularly relevant:

- The focus should be on individuals who aspire to change the world, not social enterprises as such
- The scheme should not be run by civil servants
- Harness the creativity and responsiveness of civil society organizations and entrust them to deploy the public funding

HKSEF will be running an evening workshop on July 30 to explore the relevance of UnLtd for HK with a sharing of experience from a young man who has benefitted from programs UnLtd offered. This young man happened to have come from HK and had started a highly successful social enterprise in the UK. He will share with us how and why he thinks an UnLtd-like initiative will contribute to the development of social entrepreneurship here. Details of the workshop are on the next page.

Do come along and contribute to the debate.

HKSEF intends to prepare a submission to the HKSAR government on this issue.

Presented by:



Social Entrepreneur Seminar by Kelvin Cheung:

What we could learn from UnLtd? Reflection from growth story of FoodCycle 30 July 2012, 7 – 9pm

Founded in UK, UnLtd is a Foundation aimed to support Social Entrepreneurs as a force for positive social change. UnLtd has already established their network in India, South Africa, Thailand and Czech Republic – and momentum is gathering in different countries as well. Mr. Kelvin Cheung, CEO of FoodCycle, will share with us the history, structure and philosophy of UnLtd; how it supports FoodCycle on becoming a successful Social Enterprise and the possibility of applying UnLtd's model in Hong Kong.

About the Speaker:

Kelvin Cheung is the founder and CEO of FoodCycle, an award winning charity in UK that combines surplus food, volunteers and a spare kitchen space to create nutritious meals for people at risk of poverty.

Kelvin has extensive experience on setting up and advising social enterprises and is well connected with various supporting agencies for social enterprises in UK. He has been supported by UnLtd for over 2.5 years and closely followed the growth and development of the social enterprise sector in Hong Kong over the last 3 years.



Moderator: Dr. Jane Lee, Chair, Social Enterprise Summit Organizing Committee, Director, Hong Kong Social Entrepreneurship Forum

Date : 30th July 2012 (Mon)
Time : 7 pm – 9 pm
Venue : Multi-function Room, the Good Lab, L1, The Sparkle (星匯居), 500 Tung Chau Street, Cheung Sha Wan, Hong Kong
Registration Fee : HK\$50 (Light Refreshments included)
Deadline : 27 July 2012

Registration Method:

1. Please deposit the registration fee into the bank account of: Hong Kong Social Entrepreneurship Forum Ltd. (HSBC: 813-281029-001)
2. Send the completed receipt to oscar.tam@social-enterprise.org.hk. **Please state your full name, contact phone no. and organization affiliation in the email.** Please state the email subject as "Registration for Seminar: What we could learn from UnLtd?"

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